



ANNUAL REPORT

2018

Quality
GROWTH



PREFACE

In 2018, VPBank made a full-year profit of approximately VND 9.2 trillion and was among the most efficient banks in the market with an ROE ratio of 22.8% and an ROA ratio of 2.4%. However, in the face of new challenges, it is imperative to carry out a transformation, the backbone of which is digital platforms. Only by doing so can the bank achieve cost savings, sustain income growth, grasp new business opportunities, maintain high return ratios, and become one of the three most valuable banks in the country by 2022.

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MESSAGE FROM BOARD CHAIRMAN AND CEO

Dear valued shareholders, customers and partners,

2018 marks the beginning of VPBank's five-year strategy to realize our vision of becoming the most consumer-friendly bank through technology and one of the three most valuable banks in Vietnam by 2022. On behalf of the Board of Directors and Board of Management, we would like to express our delight and pride at the remarkable achievements made in 2018. Against the backdrop of robust economic growth and more opportunities for businesses and people to succeed, VPBank provided comprehensive financial solutions to most segments, including retail customers, household business and enterprises.

VPBank's customer base grew significantly, including 3,000,000 retail customers, 150,000 household businesses and 80,000 enterprises, while that of FE Credit reached 10 million by the end of 2018. The growth in customer base and focus on high-return, lower risk customer segments helped boost both volume and efficiency. End-of-period (EOP) customer deposits and valuable papers grew by 9.9% and EOP loans by 17.3% year on year. As a result, TOI reached VND 31 trillion, the highest among leading private banks in Vietnam. In particular, FE Credit's credit growth rate was 19%, further strengthening its lead and accounting for more than 55% of the consumer finance market. The ROE ratio was 22.8% and ROA

2.4% in 2018, making VPBank one of the most efficient banks in the market. In addition, the bank made impressive achievements such as the largest number of credit cards issued and highest average spending on cards as well as the total card spending volume. By the end of 2018, VPBank led the market in terms of active credit cards, of which the parent bank accounted for more than 400,000 and FE Credit more than 1,000,000.

In 2018, the bank made great strides in its digitization journey. While it focused on back-office process digitization in 2017 to reduce time and costs for customers, the focus in 2018 was turned to the development and launch of new digital platforms and financial solutions to meet customers' diverse needs. The VPBank Dream platform was a breakthrough in personal financial management, helping customers plan their personal needs and achieving them in an optimal manner. For enterprises, the SME Connect platform now offers products, services and opportunities for sharing information, partnerships and payments with peers in diverse industries. For any enterprise on the platform with financing needs, VPBank provides flexible financial service packages.

Beside the traditional bank model, VPBank also aims to run a fully digital bank to approach more than 70% of the unbanked population thanks to time and location

advantages. In the second half of the year, the digital bank YOLO was launched with a diverse ecosystem to meet comprehensive customer needs such as payment (food ordering, taxi booking, entertainment, etc.), bank accounts, deposits and loans. The digital bank will be a decisive factor in growing the customer base, improving customer experience, optimizing operational systems and OPEX. Thanks to more than 1 million users on the Internet Banking system and digital apps, the ratio of digital transactions surpassed 55% by the end of 2018, the highest in the market.

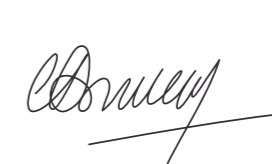
In terms of traditional banking, the bank continued to pursue its retail banking strategy, which focuses on three core segments: retail customers, household businesses and SMEs. For the retail segment, the launch of VPBank Diamond for affluent customers now enables the bank to serve all sub-segments, from mass to affluent. The results were encouraging. Specifically, the number of affluent customers grew 2.2 times and TOI 1.2 times year on year. For the household business segment, the development and successful launch of SmartLead, which centrally stores leads, automatically allocates the leads to sales people and automatically makes approvals and disbursements to customers, helping boost customer experience and business performance. In particular, disbursement volume was up more than 36% and loan balance grew 1.6 times year on year. The consumer finance business continued to achieve successes such as a growth rate of 25% in total disbursement and income, contributing significantly to the bank's overall profit. The digital lending platform SNAP will enable FE Credit to achieve further breakthroughs in loan growth, cost optimization and customer experience in the face of intense competition. Importantly, SNAP has opened up the opportunity for approaching the rural population, which has largely been left unbanked due to the constraints of traditional banking models.

The back office was integral to the success of our business divisions. It was also the key enabler of our improved business performance, in terms of both quantity and quality. Last year, the bank implemented

nearly 65 projects, 26 of which were bankwide and critical to the transformation of business models and operating models towards centralization, automation, digitization, etc. and involved substantial investment in information technology. The highlights were branch optimization, customer service centralization, core-banking system improvement, automatic approval model development, and collection process automation projects. Governance continued to be a focus. The bank has asked the SBV to adopt the Basel II-based risk management framework in 2019 and continue to develop the roadmap for implementing an IFRS 9-based financial management framework. Performance and efficiency continued to be measured, evaluated and analysed against 56 bankwide transformation indicators for continuous improvement and the identification and resolution of difficulties. The successful development and transformation of operational systems will be critical to customer service improvement, system management capability and further growth.

The Board of Directors and Board of Management believe the bank can overcome any challenges to remain one of the leading private banks in Viet Nam in 2019 when the leadership and employees share the common vision and strategic objectives, and shareholders and customers provide necessary support.

Our warmest thanks to you all!



Ngô Chí Dũng
Board Chairman



Nguyễn Đức Vinh
Chief Executive Officer

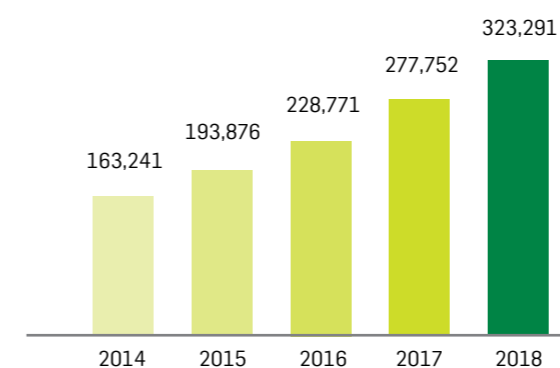
VPBANK OVERVIEW

BUSINESS PERFORMANCE HIGHLIGHTS

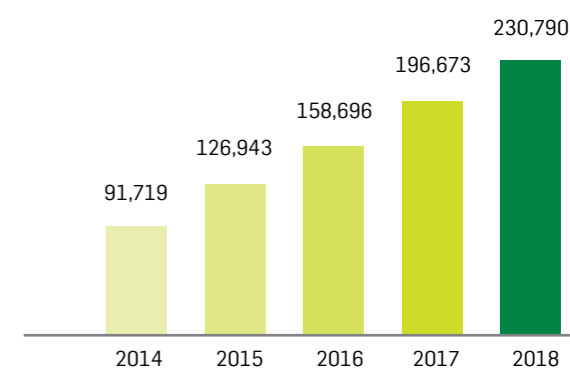
	2014	2015	2016	2017	2018
PERFORMANCE INDICATOR (VND billion)					
Total assets	163,241	193,876	228,771	277,752	323,291
Equity	8,980	13,389	17,178	29,696	34,750
Customer deposits & valuable papers issued	119,163	152,131	172,438	199,655	219,509
Loan balance (*)	91,719	126,943	158,696	196,673	230,790
<i>In particular: customer loans</i>	78,379	116,804	144,673	182,666	221,962
Total operating income	6,271	12,066	16,864	24,889	31,086
Profit before tax	1,609	3,096	4,929	8,130	9,199
PRUDENTIAL AND EFFICIENCY RATIOS					
Return On Average Assets (ROAA)	0.9%	1.3%	1.9%	2.5%	2.4%
Return on average equity (ROAE)	15.0%	21.4%	25.7%	27.5%	22.8%
CAR (according to State Bank of Vietnam's regulations)	11.3%	12.2%	13.2%	14.6%	12.3%
CAR (according to Basel II)	-	-	9.5%	12.6%	11.2%
Number of branches	209	208	215	217	222
Number of active customers (thousand)	1,305	2,088	3,290	4,901	5,767

* including loans to customers and corporate bonds

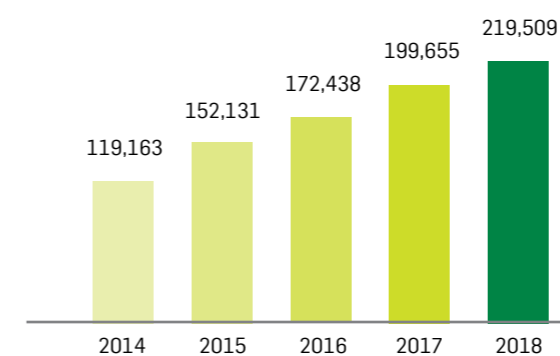
TOTAL ASSETS (VND billion)
Compounded Annual Growth rate (CAGR) = 18.6%



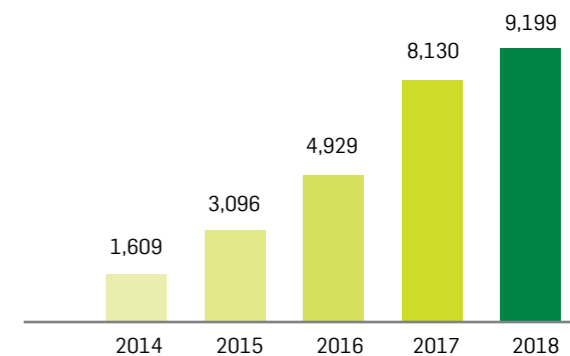
LOANS TO CUSTOMERS BALANCE (VND billion)
CAGR = 25.9%



DEPOSITS & VALUABLE PAPERS (VND billion)
CAGR = 16.5%



PROFIT BEFORE TAX (VND billion)
CAGR = 54.6%



(Source: audited consolidated financial statements)

PART 1. BUSINESS ENVIRONMENT 2018

Despite volatility in the global economy, Vietnam's economy progressed and stabilized with various highlights in 2018. The brightest spot was economic growth of more than 7%, hitting the highest level since the 2008 global financial crisis with the key drivers being the processing - manufacturing and service industries. More importantly, inflation was 3.54% - less than the target of 4% set by the National Assembly - while the business and investment environments improved.

The banking system funding more than 60% of capital for the and economy played an important role in the country's success, contributing to curbing inflation, maintaining economic growth, promoting investment, while developing business as well as import and export activities. According to the National Financial Supervision Commission's report, the industry's total assets were up 11.5% yoy, of which total credit growth was estimated to increase by 14 - 15% (2017 was 17.6%). Although it was the lowest in the past three years, it was consistent with the goal of inflation control and economic development.

Given that background, VPBank had a successful business year, contributing significantly to the overall development of the industry via higher growth, and efficient risk and cost management. It was also the first year in the second five-year strategy 2018 - 2022. With remarkable achievements in growth with Quality, Efficiency and Sustainability, this year created a stepping stone for VPBank to achieve challenging goals as well as positive outcomes during the years to come.

PART 2. BUSINESS PERFORMANCE

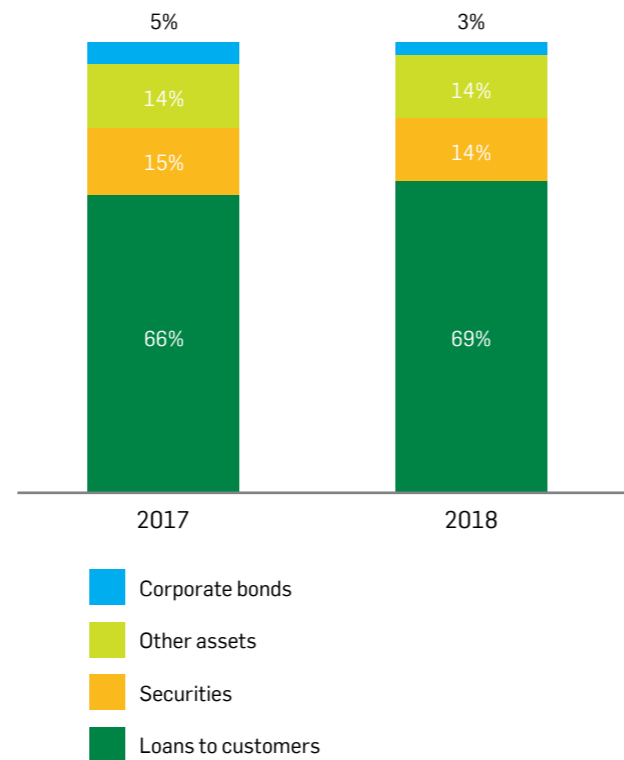
1. TABLE AND QUALITY VOLUME GROWTH

1.1 Asset structure shifted towards quality and efficiency

By the end of 2018, VPBank's total assets reached 323,291 billion, up 16.4% yoy. Assets continued to grow sustainably with significant contributions from core BUs. In particular, loans to customers were up 21.5% yoy, contributing the most to total assets at 69%.

The net increase of loan balance (including loans

STRUCTURE OF TOTAL ASSETS (%)



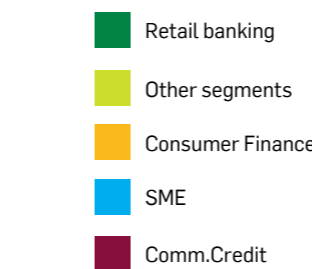
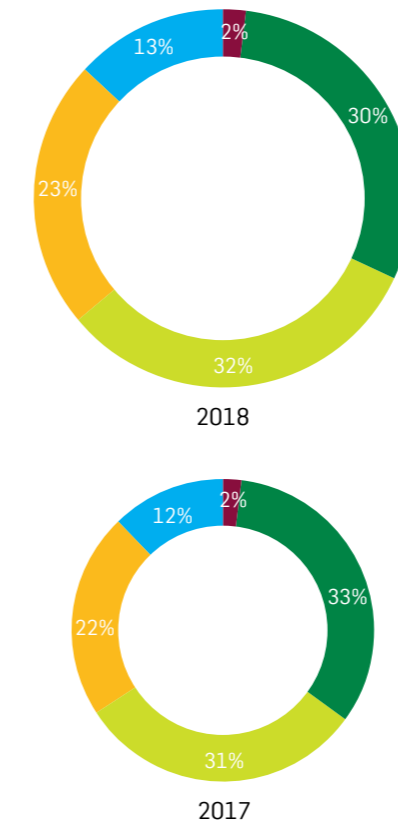
(Source: 2018 audited consolidated financial statements)

to customers and corporate bonds) was more than VND 34 trillion - 17.3% yoy. In 2018, given the target of macro-economic stability and credit safety, the State Bank of Vietnam remained conservative on credit growth control. In that context, a credit growth limit was approved at 17% for the bank stand-alone and 20% for VPBank Finance Company Limited (FE Credit), lower than the initial targets.

VPBank continued to focus its growth drivers on four main business pillars: Consumer Credit (FE Credit), Retail Banking (RB), Household Banking (CommCredit), and Small and Medium Enterprises (SMEs). These divisions maintained steady growth, contributing nearly 68% to the bank's credit balance, and reinforcing its strategic choice.

International advanced risk management models were applied in both the bank and its FE Credit to help comprehensively control asset quality. By the end of 2018, VPBank's NPL ratio was managed at 3.2%. Credit policies were regularly adjusted a

LENDING STRUCTURE BY DIVISIONS (*) (Billion VND)
* Including corporate bonds + VAMC



(Source: VPBank report)

in timely and reasonable manner to comply with the State Bank of Vietnam's regulations as well as internal regulations. In addition, debt collection was promoted. The internal debt collection system was improved to increase internal coordination and optimize resources, thus significantly improving debt collection productivity.

1.2 Diversified funding sources that match funding needs

Fund mobilization volume in both markets I and II

at the end of 2018 reached VND 277,851 billion, up 17.3% yoy. Customer deposits and valuable papers issued reached VND219,509 billion, a net increase of nearly VND20 trillion, equivalent to 10% yoy, of which growth drivers mainly came from core segments.

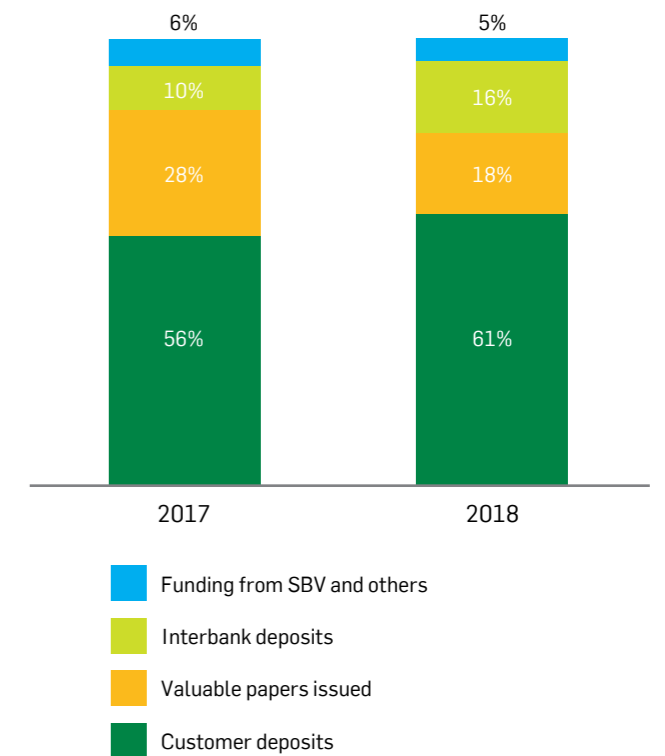
Funding structure was diversified towards more stable and sustainable approach. In particular, deposits from customers accounted for 61% (56% in 2017)

Lending structure remained stable in which unsecured the loan balance accounted for 35% of the total, mainly from FE Credit with a net increase of VND13 trillion, equivalent to 18% growth yoy.

The retail banking, which prioritizes unsecured and consumer finance products, especially for the low-income segment, enabled access to legal lenders. Given this penetration, VPBank proactively controlled credit risk to ensure growth in parallel with quality control.

2017), total deposits increased by 28% yoy. Taking advantage of being a top-tier retail bank, VPBank's Retail Banking continued to introduce diverse deposit packages for convenience and maximized benefits to customers. In June 2018, VPBank launched VPBank

FUNDING STRUCTURE (%)



(Source: 2018 audited consolidated financial statements)

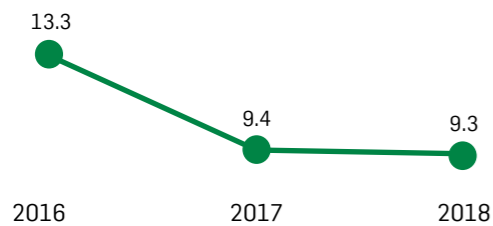
Diamond with luxurious, convenient service and product packages tailored to thousands of affluent customers, contributing 75% to total deposits from retail customers.

Strengthening the balance sheet and ensuring prudential indicators were integrated in management. Thanks to the effort to obtain long-term funding from customers and international organizations, the ratio of short-term funding used for medium and long-term loans at the end of 2018 was 33.6%, lower than the market average and the limit approved by the State Bank of Vietnam (2018: <45% and from January 1, 2019: <40%). Furthermore, the bank's LDR stand-alone was 73.7%, remaining effective and aligned to the limit of 80% set by the State Bank of Vietnam.

1.3 Equity

By the end of 2018, VPBank's total charter capital reached VND25,300 billion, ranking second among joint stock commercial banks in Vietnam. According to the resolution set at the 2018 General Meeting of Shareholders, VPBank increased the charter capital two times via issuing shares to pay dividends and bonus shares, and issuing shares under the Employee Stock Ownership Plan (ESOP). Through a number of capital raises together with retained funds, at the end of 2018, VPBank recorded total equity of VND34,750 billion, up 17% yoy. Total assets over equity remained at a good level, reaching 9.3% (2017: 9.4%), much lower than the industry average and close to the best practices of other regional banks, reflecting VPBank's activeness in capital management and utilization.

TOTAL ASSETS OVER EQUITY



(Source: 2018 audited consolidated financial statements)

With stable funding and an effective and prudential asset structure, VPBank ensured capital adequacy ratios in compliance with the State Bank of Vietnam's and Basel II. CAR in 2018 was 12.3% under the State Bank of Vietnam's regulations and 11.2% under Basel II standards, much higher than the minimum level of 9% regulated by the State

Bank of Vietnam and 8% by Basel II.

In 2018, VPBank submitted a proposal to the State Bank of Vietnam to apply Basel II standard in 2019, and became one of the first banks in Vietnam to complete the preparation process to comply with Basel II.

2. HIGH QUALITY BUSINESS GROWTH REFLECTED BY POSITIVE RESULTS

2.1 Total operating income increased significantly, ranking the highest among joint stock commercial banks

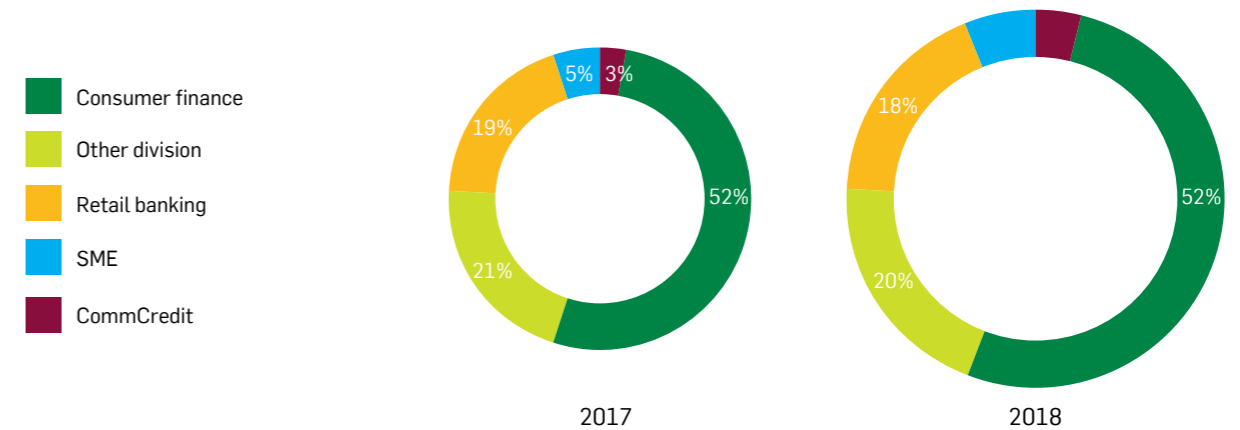
VPBank's total operating income (TOI) in 2018 reached VND31,086 billion, increasing by 25% yoy, leading commercial joint stock banks hitting a record high. This was made possible by the decisions taken by the BOD in selecting business models as well as aggressive deployment by the BOM. Furthermore, improvement on the balance sheet structure, efficient mobilization and diversification of product and customer mix also made a great contribution. This has set a solid foundation for VPBank to grow even stronger.

In 2018, the core divisions contributed 80% of total operating income, while FE Credit enjoyed a hugely successful year in terms of both volume and operational efficiency. Given the advantage of being a market leader in consumer finance in Vietnam with a 55% market share and branch network across the country, FE Credit introduced diverse and outstanding consumer finance products based on advanced technology and efficient risk management. FE Credit contributed over VND 16 trillion, equivalent to 52% of total operating income, to the bank.

Retail Banking had another successful year with revenue growth of 22%, accounting for 18% of consolidated total operating income. During the year, it implemented various key projects that gained positive results, such as Affluent Banking, AIA distribution and other key digitization projects. Key products with a diverse mix tailored to each specific customer segment and highly competitive in the market helped maintain rapid growth in terms of in both quantity and quality.

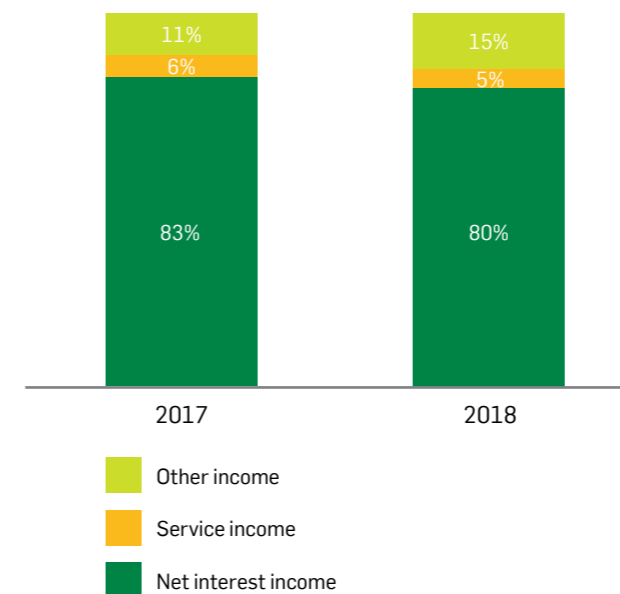
Although Household Banking only contributed 4% to total operating income, it recorded an effective year with TOI growth of 59%, ranking the highest among core divisions, thanks to optimizing its operational network as well as shifting towards higher income and quality customers.

TOTAL OPERATING INCOME



(Source: VPBank report)

OPERATING INCOME STRUCTURE (%)



(Source: 2018 audited consolidated financial statements)

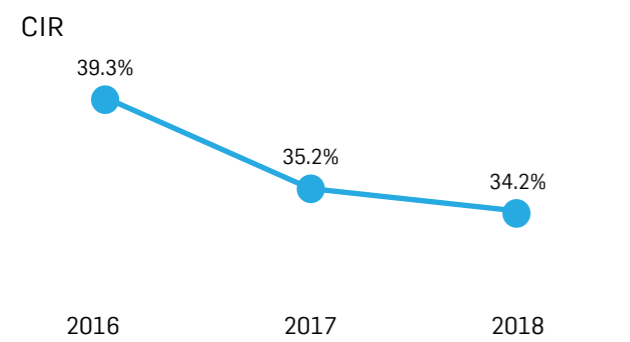
2018 also marked a successful year for Small and Medium Enterprises Banking (SME) when all targets were met and action plans were implemented in accordance with the strategy. SME launched more key projects such as services for female entrepreneurs, banking transactions for SMEs via VPbiz cards and SME Connect. These projects and revised business models for the micro-SME segment have enabled SME's TOI to grow 34% yoy.

The Commercial Banking Division (CMB), Financial Market Division (FM), and Financial Institutions and Transaction Banking (FITB)... also had a good financial year, contributing significantly to the bankwide business performance thanks to a specialized and flexible operating model with supply chain financing and cross-selling programs to maximize profitability. Although the bank's income mainly came from NII, fee income was also an important part of business activities last year. In 2018, total fee income reached VND3,819 billion, up 19% yoy. NII reached VND1,612 billion, increasing by 10%. In particular, NII of the bank stand-alone reached VND1,570 billion, increasing by 67% yoy. This was thanks to promoting business activities such as insurance, credit cards and other digital banking services. Fee income hikes implied the bank was less dependent on income from traditional lending products, and banking services became more and more diversified.

Other income also contributed significantly to total operating income, mainly from the recovery of written-off debts at more than VND2 trillion, nearly double that of that in 2017. Debt collection was radically implemented with improvement thanks to the effort of debt collectors and an appropriate debt collection strategy.

2.2 Optimizing and enhancing cost efficiency

VPBank continued its investment in new businesses and key projects, leading to relatively high cost of infrastructure. However, thanks to good management of operating costs, promotion of digitization and automation, and efficient use of operating costs,



(Source: 2018 audited consolidated financial statements)

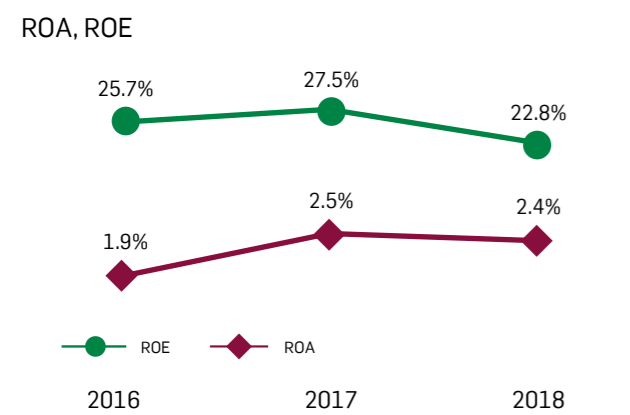
operating costs only increased by 21% vs 25% growth in operating income. Thus, cost to income ratio (CIR) decreased to 34.2% from 35.2% in 2017.

2.3 Provision expense fully made according to regulations

Targeting risk mitigation and bad debt management, VPBank recognized more than VND 11 trillion in provision expense, up 41% yoy and equivalent to 36% of the total operating income in 2018. Provision expense increased from last year mainly due to handling bad debts and other items on the balance sheet.

2.4 Profit before tax and other efficiency ratios

By the end of 2018, consolidated PBT reached VND9,199 billion, up 13% yoy. This result helped VPBank maintain its position as the most profitable banks in the market. Thanks to this positive performance, the ROA and ROE ratio remained high among the top-tier joint stock commercial banks in terms of profitability.



(Source: 2018 audited consolidated financial statements)

3. NON-FINANCIAL INDICATORS

VPBank's successes in 2018 were not limited to financial aspects but included non-financial indicators.

Customer base: Customer base expanded. The number of active customers reached more than 5.8 million, up 18% yoy, creating an important basis for the bank to pursue its retail strategy.

Card issuance: By the end of 2018, VPBank had issued 3.8 million credit and debit cards, double that of 2017. Card active rate increased from 64% to 68% in 2018. VPBank was one of the few banks in the market with top average spending via cards at VND 11.5 million per month for each active card, up 79% yoy.

Digitization journey: The number of digital banking users as of December 31, 2018 reached 1.3 million, increasing the online transaction rate to 55% from 41% in 2017, reflecting VPBank's successful digitization and automation journey. YOLO, a digital bank app for the new generation, was only officially launched in September, but 200,000 users performing more than 471,000 transactions with total value of VND 3 trillion at the end of August 2018.

Branch network: VPBank opened five more branches, increasing its total to 222 branches and 83 SME centers which cover 42 cities and provinces nationwide.

4. GENERAL EVALUATION OF BUSINESS PERFORMANCE IN 2018

Indicator	Actual 2018 (VND billion)	Projected 2018	% difference, actual vs projected	% increase from 2017
Total assets	323,291	359,477	90%	16.4%
Customer deposits and valuable papers issued	219,509	241,675	91%	9.9%
Loan balance	230,790	243,320	95%	17.3%
Including: customer loans	221,962	229,148	97%	21.5%
NPL ratio	3.2%	<3%		
Profit before tax	9,199	10,800	85%	13.1%

(Source: 2018 audited consolidated financial statement)

Due to external reasons such as strict credit policy from the SBV as well as internal business difficulties, credit growth was lower than the target, partially impacting the bank's profitability. However, financial indicators still hit 90% of the target. Given the performance in both volume and quality, VPBank reinforced its foundation to enable future growth.

By the end of financial year 2018, VpBank had strengthened its position as one of the top performing banks in the market reflected by revenue growth and profitability, creating robust momentum to develop faster..

2018 HIGHLIGHTS

1

Total operating income and profits among the highest in the market

In 2018, VPBank was one of top performing banks in terms of total operating income and profit in the market, with VND31,086 billion and VND9,199 billion. The above results strengthened VPBank's position as one of the most efficient banks with 2.4% ROA and 22.8% in ROE. NIM was maintained at 9%, ranking the highest in the banking system.

2

VPBank selected for VN30 basket

After just one year on the stock exchange, VPBank stock was selected for the VN30 basket, which includes the most powerful stocks in the country. To be listed on the VN30, the stocks went through a three-step screening process for market capitalization and liquidity. Being present on this list confirms the quality of VPBank stocks in both liquidity and value.

3

The first private Vietnamese bank named in the world's top 500 most valuable brands

At the end of 2018, VPBank's brand equity was assessed at USD354 million by Brand Finance, increasing 6.3 times compared to 2016. Increasing brand value reflected the bank's growth potential was highly appreciated despite ever more fierce competition in the banking sector.

4

Moody's upgrades credit rating for VPBank for second consecutive year

Moody's upgraded VPBank's baseline credit assessment (BCA) - an assessment of a bank's probability to overcome a default risk in the absence of external support - from B2 to B1. The counter-party risk assessment was also raised from B1 to Ba3 and the prospect of long-term foreign-currency deposit remained stable. The credit rating demonstrated a great improvement at VPBank in terms of financial strength, profitability and growth potential.

5

Fee income strongly increased

In 2018, NFI reached more than VND3,819 billion, up 19% yoy. NII reached VND1,612 billion, increasing 10%. NII at the bank stand-alone was VND1,670 billion, up 67% yoy thanks to business activities such as insurance, credit cards and digital banking services. Robust increases in fee income also showed the bank was less dependent on traditional lending products while other banking services became more diversified.

6

Outstanding digitization

Enhancing digitization was VPBank's new growth driver for 2018-2022. In 2018, digital technology was applied to almost all of VPBank's core divisions to support business activities via introduction of digital banking apps such as VPBank Dream, YOLO and SME Connect. Digitization was also elevated at FE Credit with the launch of SNAP - an automated lending platform to help expand customer reach and reduce operating costs.

7

SME bank of the year

2018 marked VPBank's great success in the key SME segment with various initiatives to introduce new products targeting potential customers. Special products tailored to meet the needs of SMEs made VPBank a pioneer in this segment. That success was also recognized through an award from The Asian Banker - a reputable newspaper that selected VPBank as "SME Bank of the Year" in Vietnam. The IFC also honored VPBank as one of top three banks for SMEs in Asia.

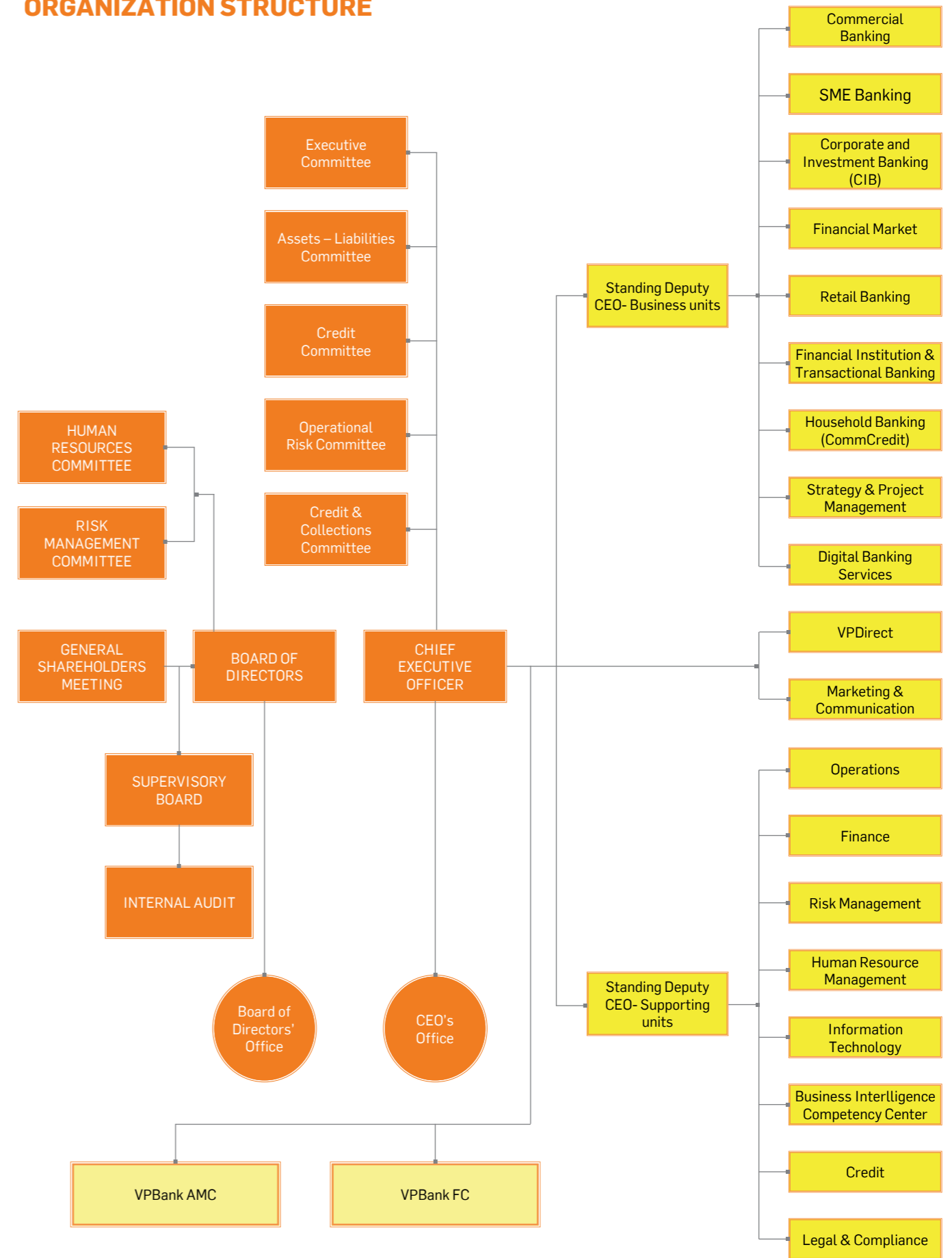
8

VPBank Diamond for affluent segment

The shift from VPBank Gold Club to VPBank Diamond was a new step towards increasing high-income customers in Vietnam. Not only applied to the brand, changes in VPBank Diamond included a variety of premium and unique services, privileges and new products for this segment. This was a strategic move to show that VPBank was not only focused on the mass market, but also pioneered in the affluent segment.

CORPORATE GOVERNANCE

ORGANIZATION STRUCTURE



MEMBERS OF THE BOARD OF DIRECTORS



BUI HAI QUAN
Vice Chairman of the
Board of Directors

NGO CHI DZUNG
Chairman of the
Board of Directors

NGUYEN DUC VINH
Member of the Board of Directors,
Chief Executive Officer



NGUYEN VAN HAO
Independent Member of the
Board of Directors

LO BANG GIANG
Vice Chairman of the
Board of Directors

MEMBERS OF THE SUPERVISORY BOARD



NGO PHUONG CHI
Head of Supervisory Board

NGUYEN THI BICH THUY
Full-time Member of
the Supervisory Board

TRINH THI THANH HANG
Full-time Member of the
Supervisory Board

MEMBERS OF THE BOARD OF MANAGEMENT



NGUYEN DUC VINH
Member of the Board of Directors
Chief Executive Officer

LUU THI THAO
Standing Deputy CEO
Senior Managing Executive Officer
Head of Finance Division

SANJEEV NANAVATI
Standing Deputy CEO
Senior Managing Executive Officer

MEMBERS OF THE BOARD OF MANAGEMENT



FUNG KAI JIN
Deputy CEO
Head of SME Banking Division

SHAMEEK BHARGAVA
Head of VPDirect Division

DUONG THI THU THUY
Deputy CEO
Head of Corporate and
Investment Banking Division

PHUNG DUY KHUONG
Deputy CEO
Head of Retail Banking Division



DINH VAN NHO
Deputy CEO
Head of Commercial
Banking Division

VO HANG PHUONG
Head of Financial Institution and
Transaction Banking Center

DMITRY BOCHAROV
Head of Digital Banking
Services Division

PHAM PHU KHOI
Deputy CEO
Head of Financial Market Division

KIRAN BABU KOSARAJU
Deputy CEO
Head of Household Banking
Division

MEMBERS OF THE BOARD OF MANAGEMENT



TRAN TUAN VIET
Head of Marketing and
Communications Center

LIM ANN KEN
Head of Business Intelligence
Competency Center

ALEXANDER KOVALENKO
Acting Head of Information
Technology Division

LUONG THI HONG HANH
Head of Strategy and Project
Management Center

CHU HONG NGOC
Head of Operations Division



NGUYEN THANH BINH
Deputy CEO
Head of Credit Division

PHAN NGOC HOA
Deputy CEO
Head of Southern Representative Office

DMYTRO KOLECHKO
Head of Risk Management
Division

TRAN THI DIEP ANH
Head of Human Resources
Management Division

NGUYEN THANH LONG
Deputy CEO
Head of Legal and
Compliance Division

CORPORATE GOVERNANCE REPORT

I. THE BOARD OF DIRECTORS (BOD)

1. The BOD's structure and meetings:

VPBank's BOD consists of five members including one independent member and one executive member cum CEO. The term of the BOD is five years; the current term started in 2015 and will end in 2020. The BOD members of VPBank fully meet the requirements regarding eligibility, competency and experience in accordance with regulations of the SBV and VPBank. The existing BOD members have multiple years of experience in banking management and governance as well as in-depth understanding of their functions, tasks, rights and obligations.

VPBank's BOD members:

- Mr. Ngo Chi Dzung: Chairman
- Mr. Bui Hai Quan: Vice Chairman
- Mr. Lo Bang Giang: Vice Chairman
- Mr. Nguyen Van Hao: Independent member
- Mr. Nguyen Duc Vinh: Member (cum CEO)

2. The BOD's activities in 2018

Holding quarterly meetings and voting to execute resolutions of the AGM; Directing and reviewing the BOM's activities, etc. In 2018, the following resolutions were passed by the BOD.

Execution of the AGM's resolutions and other tasks authorized by the AGM:

- Conducted procedures to raise charter capital by paying out 2017 share dividends and increasing charter capital from reserve funds to supplement charter capital.
- Conducted procedures to repurchase preference shares as treasury shares.
- Conducted procedures to issue shares as per Employee Stock Ownership Plan.
- Amended and issued/registered new charters.
- Amended and issued corporate governance mechanism; the BOD's structure and operating mechanism; mechanism of the Supervisory Board.
- Made decisions on changing the ownership stake of foreign investors in line with existent realities and the direction of the bank as per the AGM's authorization.
- Acted as role of owner of the bank's subsidiaries; approved financial statements and profit allocation for subsidiaries; decided on raising the charter capital of VPBank Finance Company Limited (VPBFC). Decided on the appointment of new members for the corporate Member Council; and decisions on the big investments on the subsidiaries' activities and other related issues in line with the law and internal documents of the bank/ subsidiaries.

Gave approval for 2018 business directions, plans and budget, and decisions on big investments and procurement as per authorization, and made approval for adjusted directions, policies and organizational structure in alignment with the bank's business and risk management status.

- Approved periodic reports of the Board of Management, directions and policies of the bank on a monthly, quarterly, and semi-annually basis and specialized reports of the bank's key operations in each period.
- Approved business results in the first half and the whole of 2018, and directions of major policies in alignment with the bank's current situation and market conditions.
- Approved proposals for asset sale/purchase, credit extension, investment and projects/units' budget which exceeded approval limits of the bank's councils and committees
- Made decisions on proposals made by the Board of Management when implementing big projects relating to the business development and the IT and operations system for the bank.
- Made decisions on restructuring headcount, and made amendments and implemented operations mechanisms

of certain organizations such as Credit Committee, Debt Resolution Council, Risk Management Committee, etc.

- Amended and issued regulations and policies on business and risk management activities such as regulations on credit guarantee; the operational mechanism of the market Risk Management Committee; regulations on asset quality assessment and the capital adequacy ratio of the bank; regulations on anti-money- laundering methods; regulations on saving money; regulations on information announcements and disclosure; regulations on factoring; regulations on preferential staff loans; regulations on financial rules; regulations on VPBank asset management; regulations on liquidity provision; regulations on card issuance and payment; regulations on procurement
- Gave approval for changes to organizational structure; incentives; recruitment and labour policies as per the Human Resource Committee's consultancy.

3. Supervisory activities of the BOD over CEO and the BOM:

- Attended monthly executive committee meetings of the Board of Management (12 periodic meetings)
- Supervised the Bank's activities through daily, weekly, monthly and quarterly business performance reports and other reports or proposals arising from the Board of Management.
- Supervised and approved the resolution of issues noted in reports on activities of units from the Supervisory Board and Internal Audit.
- The BOD also supervised the CEO and the Supervisory Board by attending meetings and reviewing the reports and resolutions of councils and committees under the BOD in each specialized operational area (assets/ liabilities management, credit, risk, HR, etc.).

II. COUNCILS AND COMMITTEES UNDER THE BOARD OF DIRECTORS

1. Human Resource Committee

The HR Committee functions similarly to the Committee on Nomination and Remuneration. It advises the BOD on the scope and structure of VPBank's BOD and Supervisory Board; advises the BOD on personnel issues arising in the course of voting, appointment, demotion, and removal of members of the BOD, Supervisory Board and executives of VPBank; advises and proposes remuneration, bonuses and other benefits for members of the BOD, Supervisory Board and CEO.

In addition, the HR Committee also advises and counsels the Board in human resource management issues of VPBank including the annual HR budget, other policies and benefits to staff, training projects, HR strategies, staff performance appraisal procedures, recruitment and appointment of the bank's leadership.

Human Resource Committee includes:

1	Mr. Ngo Chi Dzung	BOD Chairman	Committee Chair
2	Mr. Bui Hai Quan	BOD Vice Chairman	Member
3	Mr. Lo Bang Giang	BOD Vice Chairman	Member

The Committee held monthly meetings and collected opinions for regular review to examine and tackle issues related to organizational structure, headcount and incentives. The resolutions of the Human Resource Committee in 2018:

- Reviewed and gave monthly directions on human resource ratios and the monthly activities of HR Division and other member companies in a timely manner.
- Approved the action plan for 2018 for HR Division; approved KPI of 2018 for senior managers (from divisional heads to the top)
- Advised the BOD on the approval of recruitment, appointment, demotion, removal and salary adjustment for managerial positions.
- Approved incentives/sales contest for business units.

- Advised the BOD on the restructuring of Credit Card Loan Handling Department, establishing Operating Supervisory Department for VPBank AMC, and the restructuring of Wholesale Banking Service Centre, Operations Division; IT Services Operation Centre (IT Division), etc.
- Advised the BOD on updating the organizational structure/operational mechanism for Risk Management Division and VPDirect; Legal and Compliance Division; Internal Audit Division; Finance Division, etc.
- Advised the BOD on appointing one more Deputy CEO, so there is one CEO and nine Deputy CEOs of the BOM in total; made changes to the Members Council of VPBFC.
- Reviewed and adjusted bankwide periodic salaries.
- Updated collective labour agreement.
- Revised and issued staff performance management regulations and assessed staff performance.
- Advised the BOD on the list of employees accepted for Employee Stock Ownership Plan, and specific regulations for those employees.
- Approved the incentives budget and the allocation plan in 2018.

2. Risk Management Committee (RMC)

The Risk Management Committee (RMC) is tasked with advising the BOD on the adoption of risk management strategies, processes and policies for all bank activities. The Committee also analyses and provides warnings regarding the safety of VPBank against potential risks, and recommends preventive measures; analyses and decides the general risk level of the bank; sets risk appetite and risk acceptance level for both functional areas and the bank as a whole; and supervises the execution of this policy within the bank. RMC takes responsibility for reviewing and deciding changes in the bank's risk management structure to meet the requirements of regulatory agencies, and disseminates knowledge and a culture of risk management throughout the bank. The Committee organizes regular meetings once or twice a quarter, or as issues arise that fall under its jurisdiction.

Members of the Committee are:

1	Bui Hai Quan	BOD Vice-Chairman	Committee Chair
2	Ngo Chi Dzung	BOD Chairman	Member
3	Lo Bang Giang	BOD Vice-Chairman	Member
4	Nguyen Van Hao	BOD Independent Member	Member
5	Ngo Phuong Chi	Head of Supervisory Board Member	Member
6	Nguyen Duc Vinh	CEO	Member
7	Dmytro Kolechko	Head of Risk Management Division	Member

2018 marked various achievements for the RMC. Under the RMC's scope of authorization, the Committee supervised the whole bank's risk management activities and approved many risk management proposals, helping the BOD to manage risk effectively. The RMC also supervised and monitored the implementation of the risk appetite statement 2018, ensuring necessary steps to monitor, manage and report any existing and arising critical risks. Other risk issues (e.g. risk limit, risk model, risk tolerance examination, etc.) were also discussed, that helped rapidly reduce risk and set up appropriate solutions (if needed) in line with the bank's risk appetite statement, risk management legal document and the bank's strategic business targets.

In 2018, the RMC held quarterly meetings in January, May, August and November. The Committee discussed the risk report compiled by the Risk Management Committee and provided appropriate instructions to related functions to make necessary adjustments and improvements to the monitoring of areas with critical risk exposure. Some highlights are as follows:

- By issuing a top-down risk limit in 2018 and approving a proposal to apply new risk management models, the RMC agreed on policy improvements on the bank's risk appetite frame, and the risk limit system to truly reflect the bank's risk situation.

- The RMC agreed on approving the issuance of significant risk policies enhancing risk tolerance examination and institutional customer risk management and operating risk management. Upon the approval of the RMC, the bank applied the appropriate execution of assessment in line with requirements from the IFRS.
- The RMC agreed on approving a risk improvement plan for some specific products.
- The RMC also agree on building a communication campaign for fraud prevention and reduction in order to further improve knowledge about fraud and fraud prevention.

III. SUPERVISORY BOARD

1. Structure and functionalities of the Supervisory Board

The Supervisory Board has three members, two of whom are full-time. All members have financial and accounting backgrounds and required qualifications in accordance with applicable laws and VPBank's regulations. On behalf of the AGM, the functions and responsibility of the Supervisory Board are: supervises compliance with applicable laws and VPBank's charter in management and monitoring; appraises the bank's periodic financial statements; supervises the internal auditing function by directly managing the bank's Internal Audit Division, and other tasks regulated in the organization and operation of the Supervisory Board. VPBank's Supervisory Board is accountable to, and takes responsibility for, reporting to the AGM in accordance with applicable laws and regulations. Nevertheless, the Supervisory Board regularly works with the BOD to exchange views and advice on risks in its business activities, management and operations.

Members of Supervisory Board:

1	Ngo Phuong Chi	Head of Supervisory Board
2	Nguyen Thi Bich Thuy	Full-time member
3	Trinh Thi Thanh Hang	Full-time member

2. Activities of Supervisory Board

Periodic and extraordinary meetings and task assignment and development in 2018:

In 2018, the Supervisory Board held periodic and extraordinary meetings to assign tasks to its members on the basis of their functionalities and responsibilities. At the meetings, the Supervisory Board assessed their tasks and made suitable adjustments to their operations. At those meetings, instructions and directions were given to the Internal Audit Division by the Supervisory Board to review divisional structure, update auditing policies; make and implement auditing plans; deliver remedial actions to related inspection recommendations; human resources, contests, commendation and rewards, etc.

The Supervisory Board held 12 internal meetings in 2018 covering the following tasks:

- Assess the operations on a quarterly basis of the Supervisory Board and the Internal Audit Division, and develop tasks for the following quarters.
- Gave instructions for auditing planning and approved the annual audit plan. Made revisions after six months to the plan.
- Organized extraordinary meetings each time significant risks arose or to issue documents and policies, etc.

In addition, in 2018, the Supervisory Board also held other meetings and gave instructions to the Internal Audit Division as follows:

- Made some basic alterations to the structure and organization of the Internal Audit Division in accordance with the general requirements of the bank and changes from the SBV.
- Worked in cooperation with related units to complete procedures for monitoring and delivering remedial actions related to recommendations of the Internal Audit Division.
- Piloted continuous audits by collecting, consolidating and analysing general report data to recognize the risks from some retail segments of the bank.

- Gave periodic and extraordinary reports to the SBV; took remedial actions to inspection recommendations, etc.

Supervises compliance with applicable laws and VPBank's charter in management and execution, and the implementation of the AGM's resolutions.

The Supervisory Board, through the bank's strategies, business plans, financial and credit extension status, risk management, etc., helped the Internal Audit Division to follow precise directions and strategies to quickly reduce risks for the bank.

The Supervisory Board focuses were on: (i) the governance and execution at VPBank, risk management in significant segments, supervision and assessment of compliance with the bank's prudential regulations in accordance with the Law on Credit Institutions 2010 (amended and supplemented); (ii) the BOD's and BOM's execution of the directions, targets and business ratios approved by the AGM in 2018.

At operations level, the supervisory activities included the Internal Audit Division holding and attending periodic meetings with other units of the banks to hold timely discussions. For the BOM, the Supervisory Board held monthly meetings to discuss the risks and offer systematic solutions, contributing to procedural improvement and enhanced efficiency of the internal control system.

The Supervisory Board, through results at different levels, found many shortcomings within the bank's operations, and made appropriate recommendations about methods to strengthen internal regulation control, amendments and improvements to the BOD and BOM, so as to minimize risks, ensure compliance with applicable laws and enhance operational quality and efficiency.

Internal audit execution:

Auditing sessions in 2018 were conducted on the basis of risk assessment from multiple angles aimed at overseeing the major risks of the bank's activities, functions and procedures. There were 53 auditing sessions in total, of which 52 sessions were officially approved with 1 additional session. The number of auditing sessions in 2018 was calculated on the basis of units at head office, thematic topics/products and branches by group of legal entities (including outlets/branches of VPBank).

Post-audit remedial action monitoring:

A new process regarding post-audit remedial actions for the recommendations of the Internal Audit Division was issued in 2018, replacing the old process issued in 2016, contributing to improving efficiency and quality of post-audit remedial actions and demonstrating the determination of the BOM in respect to audit results, with the aim of constantly improving and enhancing the internal control system and risk minimization.

Other tasks:

Periodically update, amend and supplement necessary documents: the Supervisory Board requested the Internal Audit Division to make suitable revisions, changes and issue documents in line with the new requirements of the law such as: organization and operational regulations of the Supervisory Board, internal regulations on the working mechanism of the Supervisory Board, organizational and operational regulations of the Internal Audit Division, etc. In addition, the Supervisory Board also gave instructions to and supervised the Internal Audit Division to update changes in laws and strategies of the bank to promptly update related risks and adjust audit plans, etc.

Report to the SBV: VPBank always complies with the SBV's regulations and promptly delivers reports to the SBV covering periodic and extraordinary SBV requirements.

Staff training, recruitment and management: Continuously improve the quality of personnel through professional training, soft skills and outsourced intensive training on new knowledge such as Basel II, auditing methods for project management using the Agile method, the issuance of Circular 13/2018 / TT-NHNN dated May 18, 2018, etc. Human resource management was a constant focus in 2018. Accordingly, the Supervisory Board also developed plans and policies to recruit and retain key staff in the Internal Audit Division.

IV. REMUNERATION FOR THE BOD AND THE SUPERVISORY BOARD

The remuneration policies for the BOD and the Supervisory Board have remained stable for several years. Accordingly, the policy on remuneration approved by the AGM is up to 1% of annual consolidated profit before tax for the BOD and Supervisory Board. In 2018, with profit before tax of approximately VND9,200 billion, this was equivalent to VND92 billion. Nevertheless, due to the unchanged total number of the BOD and the Supervisory Board and the small annual increase, the Supervisory Board usually does not cover the budget approved by the AGM.

The principles for determining remuneration for members of the BOD and the Supervisory Board were considered by the BOD for each member every month including fixed pay for each position and pay for when members participate in councils and committees under the BOD or Supervisory Board. The BOD members do not receive performance or any other type of bonuses.

In 2018, total actual remuneration for members of the BOD and Supervisory Board was nearly VND20 billion, of which salaries accounted for VND11.2 billion; other benefits and allowances for the BOD and the Supervisory Board including travel expenses, hospitality, workshops, training, transportation, healthcare insurance, regular health check-ups, provided in line with VPBank's internal regulations on expenditure in each period, were equivalent to nearly VND9 billion.

V. REVIEWING BUSINESS PERFORMANCE IN 2018

2018 was the first year of the five-year transformation to 2022, aiming to become one of three most valued banks in 2022 and one of the most consumer friendly retail bank through technology. The BOM and all staff, under the instructions and directions of the BOD, started the year on an optimistic note, creating a stepping stone to fulfil the target for 2022.

Despite having to overcome some shortcomings, VPBank achieved the goal of becoming one of the top five joint stock commercial banks in terms of customer loans and deposits while the highlight was becoming the leading joint stock commercial segment bank regarding total operating income in 2018.

VPBank developed its business model focusing on four key business segments and diverse products suitable for various customer groups, and the bank continued to its digitization project to attain a good performance in 2018. The BOD highly appreciates the efforts of the executive board in successfully developing projects such as e-banking for the young generation YOLO, VPBank Diamond, Banca AIA, SME Connect, and women entrepreneurs, contributing to the bank's growth. The risk management system was improved to fully meet the requirements of regulatory agencies and international standards. Collections were significantly improved to deliver a good performance thanks to the efforts of all staff and managers and the advanced and effective methods of debt reminders.

As regards human resource policy, VPBank set up professional management, recruitment and training policies focused on employees and creating the best possible workplace, contributing to VPBank's development.

However, the business ratios in 2018 did not reach the target set at the AGM due to some objective reasons, leading to the fact that the business forecast and operating execution somewhat remained passive. In addition, the borrowing demand for developing personal/corporate business activities was stagnant in the first nine months of 2018; In terms of the consumer credit segment, VPBFC faced lots of difficulties in generating new customer data sources, affecting the consolidated profit of the bank and other business/financial ratios. Nevertheless, considering the overall accomplishment in relation to the market business results, it can be seen that VPBank's performance was comparatively good. At the end of 2018, VPBank's total assets, standing at VND323,291 billion, reached 90% of the plan and increased 16.4% yoy. Loan balance was VND230,790 billion, increasing 17% year-on-year, and its growth of 95% of the plan was within the bank's credit growth assignment by the SBV. Fund raising, including valuable papers, was up VND219,509 billion, delivering 91% of the plan. The bank notched a record high profit before tax of approximately VND9,200 billion, accounting for 85% of the plan submitted to the AGM. VPBank was among the joint stock commercial banks with the highest business ratios, including ROA and ROE.

Indicator	Actual 2018 (billion VND)	Target 2018 (billion VND)	% of the y-o-y % (billion VND)	% increase from 2017
Total assets	323,291	359,477	90%	16.4%
Customer deposits and valuable papers	219,509	241,675	91%	9.9%
Loan balance	230,790	243,320	95%	17.3%
Including: customer loans	221,962	229,148	97%	21.5%
NPL ratio	3.2%	<3%		
Profit before tax	9,199	10,800	85%	13.1%

Given the above result, the BOD highly appreciated the efforts of the CEO, BOM and all staff in executing action plans to reach the targets set by the BOD and AGM.

VI. SHAREHOLDER STRUCTURE, CHANGE IN CHARTER CAPITAL AND OWNERS' EQUITY

1. Shareholders and shares

As of December 31, 2018, VPBank had 2,529,967,966 issued shares (equivalent to charter capital of VND25,299,679,660,000. Of which there were 2,456,748,366 common shares and 73,219,600 treasury shares.

Shareholder structure as of December 31, 2018	Amount (shares)	Face value (million VND)
Issued shares	2,529,967,966	25,299,680
Number of outstanding shares	2,456,748,366	24,567,484
Number of shares traded into treasury shares	(73,219,600)	(732,196)

Regarding shareholder structure as of December 31, 2018, VPBank had 18,747 shareholders, 99.47% of whom were domestic shareholders owning 77.28% of VPBank shares.

Shareholder structure December 31, 2018	Number of share holders	Percentage of total shareholders	Total shares	Percentage of shares owned/ total shares
DOMESTIC	18,648	99.47%	1,955,106,940	77.28%
Individual	18,557	98.99%	1,623,904,569	64.19%
Institution	91	0.48%	331,202,371	13.09%
FOREIGN	99	0.53%	574,861,026	22.72%
Individual	14	0.08%	4,297,694	0.17%
Institution	85	0.45%	570,563,332	22.55%
TOTAL	18,747	100%	2,529,967,966	100%

VPBank had no major shareholders (those owning 5% or more of total voting shares). Internal shareholders of VPBank are members of the BOD, Supervisory Board and the BOM who combined own 7.987% of the total.

As of December 31, 2018, information on shares owned by internal shareholders was as follows:

No	Institution/ individual	Current position at VPBank (If any)	Shares owne Percentage of EOP	Shares owned at the end of period
1	Ngo Chi Dzung	BOD Chairman	121,687,982	4.810%
2	Bui Hai Quan	Vice Chairman	57,900,348	2.289%
3	Lo Bang Giang	Vice Chairman	3,055,337	0.121%
4	Nguyen Van Hao	Independent BOD Member	-	-
5	Nguyen Duc Vinh	BOD Member cum CEO	16,002,943	0.633%
6	Ngo Phuong Chi	Head of Supervisory Board	-	-
7	Nguyen Thi Bich Thuy	Member of the Supervisory Board	-	-
8	Trinh Thi Thanh Hang	Full-time member of the Supervisory Board	53,540	0.002%
9	Sanjeev Nanavati	Standing DCEO and Executive Managing Director	-	-
10	Luu Thi Thao	Standing DCEO and Executive Managing Director	2,000,000	0.079%
11	Phan Ngoc Hoa	DCEO	150,000	0.006%
12	Kiran Babu Kosaraju	DCEO	-	-
13	Fung Kai Jin	DCEO	-	-
14	Duong Thi Thu Thuy	DCEO	600,000	0.024%
15	Nguyen Thanh Long	DCEO	45,970	0.002%
16	Pham Phu Khoi	DCEO	62,680	0.002%
17	Nguyen Thanh Binh	DCEO	200,000	0.008%
18	Dinh Van Nho	DCEO	200,000	0.008%
19	Nguyen Thi Thu Hang	Chief accountant	80,000	0.003%

The restricted transfer shares of VPBank includes shares owned by the BOD, the Supervisory Board and CEO during their time of office as stipulated in clause 1, article 56 of the Law on Credit institutions No. 47/2010/QH11 and the number of shares issued under the Employee Stock Ownership Program and the number of shares voluntarily locked by shareholders as per their agreement with related parties through mortgage, pledge transactions and the treasury shares which the bank owned in the regulated period of time.

No	Restricted transfer shares	No. of shareholders	No. of shares	Percentage on total shares	Percentage on total restricted
1	Common shares	854	218,338,688	8.8873%	74.8868%
	<i>Internal Individuals</i>	13	202,038,800	8.2238%	69.2962%
	<i>Other Individuals</i>	841	16,299,888	0.6635%	5.5906%
2	Treasury shares	1	73,219,600	100%	25.1132%
	TOTAL	855	291,558,288		100%

2. Changes in equity capital (charter capital):

Phase 1: Charter capital was raised from VND15,706,230,150,000 to VND24,962,728,720,000 by distributing share dividends and bonuses (not for preference dividend shares/treasury shares), up to 61.817%

Dividend shares 2017 were VND4,524,703,870,000, equivalent to 30.217%
Bonuses from charter capital were VND4,731,794,700,000, equivalent to 31.60%

Phase 2: Charter capital was raised from VND24,962,728,720,000 to VND25,299,679,660,000 by issuing shares under the Employee Stock Ownership Program with a total issuance value of VND336,950,940,000, equivalent to 33,695,094 shares with issuance value equal to par value.

3. Changes in charter capital:

OWNER'S ENQUITY	Riêng lẻ (triệu đồng)		Hợp nhất (triệu đồng)	
	31/12/2017	31/12/2018	31/12/2017	31/12/2018
Charter capital	15,706,230	25,299,680	15,706,230	25,299,680
Share premium	5,866,105	1,289,001	5,866,105	1,289,001
Reserves	1,646,619	2,902,077	3,558,265	5,465,879
Retained profits	2,693,120	3,526,701	4,565,110	5,187,230
Treasury shares	-	(2,491,721)	-	(2,491,721)
TOTAL OWNERS' EQUITY²⁵	25,912,074	30,525,738	29,695,710	34,750,069

VII. SHARE TRANSACTIONS BY INTERNAL SHAREHOLDERS AND RELATED PERSONS

As stipulated by law, shareholders who are members of the BOD, the Supervisory Board or CEO are not allowed to transfer shares during their respective terms of office. As such, there have been no share transfer transactions by internal shareholders who are members of the BOD, the Supervisory Board or CEO.

The Deputy CEOs and Chief Accountant are regarded as internal shareholders of VPBank in accordance with the law. Share transactions by internal shareholders and persons related to VPBank's leadership in 2018 were as follows:

No	Shareholders	Internal shareholder/ Relationship with internal shareholders	Number of shares at the beginning of the period (31/12/2017)		Number of shares at the end of the period (31/12/2018)		Reason (buying, selling, dividends, bonus shares, etc.)
			Number of shares	Ratio (1)	Number of shares	Ratio (2)	
1	Ngo Chi Dzung	BOD Chairman	70,257,132	4.473%	121,687,982	4.810%	Shares dividend, bonus, and additional buying
2	Bui Hai Quan	BOD Vice Chairman	35,781,376	2.278%	57,900,348	2.289%	Shares dividends and bonus
3	Lo Bang Giang	BOD Vice Chairman	1,888,144	0.120%	3,055,337	0.121%	Shares dividends and bonus
4	Nguyen Duc Vinh	BOD member cum CEO	-	-	16,002,943	0.633%	Buying shares under ESOP
5	Trinh Thi Thanh Hang	Thành viên BKS	-	-	53,540	0.002%	Buying shares under ESOP
6	Luu Thi Thao	Standing DCEO and Executive Managing Director	-	-	2,000,000	0.079%	Buying shares under ESOP
7	Phan Ngoc Hoa	Deputy CEO	-	-	150,000	0.006%	Buying shares under ESOP
8	Duong Thi Thu Thuy	Deputy CEO	-	-	600,000	0.024%	Buying shares under ESOP
9	Nguyen Thanh Long	Deputy CEO	-	-	45,970	0.002%	Buying shares under ESOP
10	Pham Phu Khoi	Deputy CEO	-	-	62,680	0.002%	Buying shares under ESOP
11	Nguyen Thanh Binh	Deputy CEO	-	-	200,000	0.008%	Buying shares under ESOP
12	Dinh Văn Nho	Deputy CEO	-	-	200,000	0.008%	Buying shares under ESOP
13	Nguyen Thi Thu Hang	Chief accountant	-	-	80,000	0.003%	Buying shares under ESOP
14	Vu Thi Quyen	Mẹ đẻ ông Ngô Chi Dũng	66,557,256	4.238%	120,700,954	4.771%	Share dividend, bonus, and additional buying
15	Hoang Anh Minh	Mr Ngo Chi Dzung's wife	67,918,279	4.324%	125,021,046	4.942%	Share dividend, bonus, and additional buying
16	Kim Ngoc Cam Ly	Mr Bui Hai Quan's wife	66,324,344	4.223%	106,150,796	4.196%	Shares dividend, bonus, share transfer transaction to treasury shares

No	Shareholders	Internal shareholder/ Relationship with internal shareholders	Number of shares at the beginning of the period (31/12/2017)		Number of shares at the end of the period (31/12/2018)		Reason (buying, selling, dividends, bonus shares, etc.)
			Number of shares	Ratio (1)	Number of shares	Ratio (2)	
17	Ly Thi Thu Ha	Mr. Lo Bang Giang's mother	64,574,711	4.111%	104,492,859	4.130%	Share dividend and bonus
18	Lo Hai Yen Ngoc	Mr. Lo Bang Giang's sister	1,001,660	0.064%	1,620,855	0.064%	Share dividend and bonus
19	Nguyen Thu Thuy	Mr. Lo Bang Giang's wife	46,543,586	2.963%	75,315,434	2.977%	Share dividend and bonus
20	Do Quynh Ngan	Mr. Nguyen Duc Vinh's wife	10,000,000	0.637%	16,181,700	0.640%	Share dividend and bonus
21	Nguyen Thi Ngoc Anh	Mr. Nguyen Thanh Binh's wife	597,248	0.038%	972,708	0.038%	Share dividend and bonus, buying ESOP shares,
22	Nguyen Thi Thanh Nhan	Mr. Nguyen Thanh Binh's sister	336,245	0.021%	499,101	0.020%	Shares dividend, bonus, and additional buying
23	Nguyen Thanh Bac	Mr. Nguyen Thanh Binh's brother	-	-	12,020	0.000%	Buying ESOP shares

The information disclosure of the share transfer of the internal shareholders and related persons was in line with the current regulations.

VIII. ORIENTATION IN 2019

Business orientation 2019

VPBank has set an ambitious target of becoming the most consumer-friendly and technology-driven bank and among Vietnam's top 3 most valuable banks by 2022. In 2019, VPBank will strive to achieve its targets, i.e among the top 5 private joint-stock commercial banks and top 3 retail private joint-stock commercial banks in terms of customer lending and deposit volumes and profit.

Accordingly, VPBank's Board of Directors has sent a number of business orientations in 2019 to the Board of Management as follows:

- Closely scrutinize the movements of macroeconomy and financial markets; instruction and guidance by the State Bank of Vietnam to manage business activities in a proactive and agile manner.
- With regard to total asset growth, VPBank will sharpen its focus on a quality-growth action plan, policies, guidelines, business/ operation initiatives (leveraging assets, deposits, customers and operation quality, together with volume growth).
- Maintain higher efficiency and volume growth higher than market average.
- Improve cost efficiency via initiatives such as cost control, improved productivity, organization review to reduce duplication and enhanced operational efficiency.
- Strengthen and upgrade technology and business support system towards centralization, automation, digitization and process simplification.

Corporate governance and investor relations

VPBank will continue to complete its corporate governance system, information disclosure/ transparency and investor relations activities in line with best international practice to bring about long-lasting benefits to shareholders and enable better knowledge and access to the bank for investors.

Given the positive changes in VPBank's corporate governance over the past few years, VPBank was recognized by the IFC as one of Vietnam's most three successful companies in terms of corporate governance. VPBank was also recommended for membership in the Platinum program by the Vietnam Institute of Directors (VIOD, an independent organization founded by the Ho Chi Minh Security Exchange, Hanoi Security Exchange and the IFC to promote high standards and good practice in corporate governance for Vietnam's private enterprises).

Accordingly, in 2019 VPBank will participate in VIOD's Platinum program and receive multiple privileges. VPBank's BOD members will be entitled to advanced governance programs, annual corporate governance conferences and partnership promotion forums to further enhance their professionalism, expertise and roles as well as improve corporate governance with best practices.

Additionally, regarding shareholder/ investor relation activities, VPBank has developed a full-year plan for periodic information-sharing conferences and meetings to further promote information transparency and bank-investor interactions.



**COMPREHENSIVE
AND OPTIMAL
SOLUTION
FOR CUSTOMER**

RETAIL BANKING

Following the success of our five-year transformation, in 2018 VPBank continued its focus on quality growth in Retail Banking, one of the core divisions, to dominate and leave VPBank's mark on Vietnam's retail banking map. Building on the robust growth momentum the previous year, in 2018 Retail Banking's total operating income and profit before tax increased by 22% and 93% respectively yoy.

One of the highlights in 2018 was the shift towards affluent banking customers. In June, 2018, VPBank launched VPBank Diamond exclusively for affluent customers with the slogan "Dedicated engagement – Maximum benefits", to introduce a brand new, best-in-class and deluxe experience to fully satisfy the most demanding and wealthy customers. VPBank Diamond's value proposition centers on professionalism, efficiency and privileges. These factors are deeply embedded in the products and services designed exclusively for affluent customers. At the end of 2018, the number of affluent customers increased by nearly 140% and income from this segment increased by approximately 20% yoy. Six months after its launch, VPBank Diamond Elite lounge at Noi Bai International Airport has served nearly 10,000 customers, reinforcing the brand image of VPBank Diamond.

2018 was also a memorable year with Retail Banking unveiling multiple new products with state-of-the-art functionalities and superlative values to individual customers. At the beginning of 2018, VPBank debuted its saving product bundles, including An Thinh Vuong, Phat Loc Thinh Vuong and Tai Loc Thinh Vuong. Accordingly, VPBank has become one of the top joint-stock commercial banks with a highly competitive deposit product portfolio.

In November 2018, VPBank launched Superior Kids bundles targeting young families and Delux Saving for high-income customers. These product bundles combine different products to build appealing financial solutions for customers. Those bundled into this so-call financial combo include: term deposits, credit cards and payment accounts. Additionally, customers will also receive preferential insurance premiums when purchasing VPBank –AIA life insurance.

2018 marked the first year VPBank rolled out its exclusive distribution of AIA life insurance in Vietnam. Strikingly, this year also witnessed the signing of several contracts amounting to billions of dong.

Credit cards, the primary product in the Retail Banking segment, also posted robust growth in 2018. VPBank

topped the banking sector in term of cards issued, with about 240,000 newly issued cards, up 20% yoy. In 2018, VPBank launched its World and World Lady credit cards - the first credit card for affluent female customers. Additionally, VPBank also offered loans via phone with simple procedures, enabling customers to quickly borrow cash. Given effective promotion campaigns, VPBank has also become the top bank in terms of card spending, which amounted to trillions of dong per month, up 65% compared to 2017. By the end of 2018, VPBank's total transaction volume accounted for 18% of the market total. Credit card balance also increased by nearly 50% yoy.

Regarding secured lending products, VPBank has developed dedicated products to target the higher quality segment to assure balance quality and quantity growth.

Unsecured personal loan (UPL), one of VPBank's core products, was dominating the market with tailored product bundles for each customer segment. In the early November, 2018, Beauty UPL product for use at spas, dental clinics and ophthalmology clinics also went to the market. This new product bundle will enable VPBank to target high-quality customer groups and stay ahead of the market. In 2018, UPL contributed 30% of the Retail Banking division's total income.

In 2019, VPBank will sustain quality growth in this core segment through a strong focus on high-quality customer acquisition, restriction on risk-weighted customers and good credit quality to cut provision expense. Regarding the sales force, the bank will maintain efficient, stable and well-trained staff. Furthermore, product policies will also be reviewed and revised from a customer-centric perspective, to enhance convenience for customers while ensuring necessary risk control principles at the same time.

CONSUMER FINANCE

2018 was the 8th year VPBank established its leading position in the consumer finance market under the FE Credit brand. At present, FE Credit holds a 50% market share and is witnessing sustainable and significant growth. FE Credit has a broad, nationwide network with 8,500 vendors at 12,200 points of sale, outnumbering any other consumer finance companies in Vietnam. This network generated 200,000 loans per month with diversified products and superior service experience in 2018. These experiences were built on cutting-edge technological platforms with various unique functionalities and ongoing improvements of experience quality. This was attributable to the

unrelenting efforts by FE Credit leaders and staff given their profound knowledge regarding every segment in Vietnam.

FE Credit employs more than 15,000 staff, including both Vietnamese and foreign experts. Given its professional and supportive environment, FE Credit was listed in the TOP 50 MOST ATTRACTIVE EMPLOYERS IN 2017 (According to Anphabe's survey in March 2018).

The FE Credit brand value was further highlighted by a series of prestigious domestic and international awards, namely Asia's Most Disruptive Consumer Finance Brand by Global Brands; Southeast Asia's Best Consumer Finance Company by Global Business Outlook and TOP 10 Asia Pacific Outstanding Brand by Asia Pacific Economic Journal. FE Credit was also the only Vietnam's candidate to score hat-tricks for credit cards at Card and Electronic Payment International Awards 2018 (CEPI) with Best Card Design, Best Technology Implementation - Front End and Best New Product, Service or Innovation Launch. At the end of September 2018, Moody's assigned first-time B2 CFR to FE Credit, reflecting its stable outlook, good market position, strong profitability and healthy capitalization.

FE Credit will continue to uphold its leading position by establishing new standards in fintech application and market-driven disruptive innovation and customer-centric infrastructure development. Successful technological applications included: (1) Big data for smart and effective management of enormous data warehouses; (2) Robot process automation to improve productivity and experience; (3) the launch of \$NAP, Vietnam's first fully automated lending platform. Indeed, \$NAP integrated a wide array of disruptive technologies, such as AI, Optical Character Recognition, Facial Recognition, Voice Recognition, etc., enabling FE Credit to perform customer verification and loan approval within only 15 minutes without any human interaction.

Amidst increasingly intense competition, Vietnam's consumer finance market shall be subjected to various changes in the years to come. As a market leader, FE Credit will further affirm its ability not only to adapt to every change but also sustain its leading position and create revolutionary changes to the overall market.

HOUSEHOLD BANKING

2018 marked VPBank's relentless efforts in promoting quality growth, given its investments in products and services targeting household businesses. Household

Banking business performance was encouraging with an increase of 56%, 59% and 57% in EOP loan balance, total operating income and net fee income.

In 2018, given the overall objective of leveraging Household Banking efficiency, VPBank made several adjustments to its network, such as expanding to new areas and merging adjacent business units to fully exploit all the segments. Accordingly, the bank streamlined its operating network with 172 business units in total. Additionally, the Household Banking Division also shifted to better-quality and higher-income customers to ensure portfolio quality and sustainable profitability.

With a view to saving costs and promoting customer's convenience, VPBank also adopted financial technologies in lending to household businesses. Currently, this application is being piloted for internal process governance. In the upcoming time, new financial technologies will be implemented to provide customers more functionalities and experience through reduced turn-around time and improved productivity. Possibly speaking, technology will be a strategic growth driver in household banking, as it will result in cost optimization and product process improvements.

CREATE A DIFFERENCE FOR SMEs

The financial market for SMEs in Vietnam has gained greater attention given their increasing and noticeable contribution to the economy. However, more intense competition requires deeper understanding of customer demands to explore growth opportunities and bring value to target customers. As a result, product innovation, digitization of service, distribution channels and experience are among VPBank's top priorities on its journey to become the best SME bank in 2022.

Extending banking services to micro-SMEs

After a period of rapid growth in the micro-SME segment during 2016-2017, VPBank realized the importance of changing its business model to improve sales productivity and credit quality.

The entire credit process was broadly strengthened, from approaching customers and underwriting to loan management. Besides, sales staff, underwriters and approvers were also provided with more in-depth training. This was the stepping stone to further replicate this new model in 60 SME centers and hubs in 2019.

Another highlight in the SME segment is that micro-SMEs are making up 84% of the nationwide SME portfolio. This segment now constitutes 58% of the SME lending portfolio at VPBank. For this segment, an industry-specific approach was adopted for better customer service and risk management. Industry-focus positioning coupled with more flexible credit policy and tailored products have been deployed to offer differentiated services. Last year, 22 micro-SMEs hubs was filtered and trained to focus on this segment

Unleashing the potentials of women-led enterprises

In June 2018, VPBank launched its women-led enterprises (W.E) segment with the IFC's support. According to numerous studies, WE's access to banks is quite different and their financial needs remain underserved. In addition to financial solutions, they also need non-financial services such as governance and business support. Understanding these needs, VPBank has kick-started its non-financial service positioned "Helping enterprises grow and prosper" – with online and offline events such as expert talks and business matchmaking for customers.

The W.E segment now accounts for 20% of total SMEs and offers various new opportunities. VPBank expects to uplift the WE share in its SME credit portfolio to 25% and contribute greatly to their financial results in the future.

Transaction banking services for SMEs

Cash flow is pivotal for company governance. As a result, VPBank's top priority is to support SMEs in effective cash flow management and provide liquidity when necessary. Inter-operable products such as overdrafts and credit cards are powerful tools that help enterprises better manage their cash flow. Thanks to its great convenience, business credit card VPBiz has quickly become a favored payment tool. In 2018, the number of issued VPBiz credit cards increased by 60% and transaction volume picked up by 110%. Additionally, a smart data tool was introduced to business owners to better control costs via statements and automated reconciliation.

Digital journey

SME Connect, a digital platform to provide non-financial values to SME customers, was brought into full play in the very late days of 2018. This platform collects and provides information on small-and-medium-sized companies. It also offers business

matching and market access to help enterprises expand their business opportunities to partners with the same demands. Via this platform, VPBank should tighten its relationships with customers and engage more users to its online channels. New functionalities shall be added to turn SME Connect into a multidimensional and useful portal for SMEs.

Automated sales process was also a key digital transformation to improve productivity. Smart SME served as a comprehensive mobile app for constant management of customer information and sales reporting. Right from the beginning of 2019, Smart SME will be adopted on all sales channels to improve productivity and service efficiency. Furthermore, new functionalities shall also be added so that RM can respond more quickly and reduce manual work.

Taking different perspectives, 2018 was indeed a turning point for VPBank's SME segment. Given such efforts, VPBank was honored as SME Bank of the Year (Asia) by the IFC and "Best Bank for W.E" by the Global Banking Association. Moving on to 2019, VPBank is expected to reveal its micro-SME and leverage W.E banking and SME Connect.

SUPERLATIVE SOLUTION FOR CORPORATE CUSTOMERS

Even though VPBank has mapped out its strategies to become one of the largest retail banks, growth in corporate banking has not been overlooked. In particular, VPBank has aggressively restructured its lending portfolio to boost efficiency. Cross-selling and co-operation with other business units were conducted on a regular basis to engage the corporate distribution system, suppliers, owners and staff, contributing to the overall benefits of the bank. Other priority products and services for corporate customers included all-in financing products, import-export financing, supply chain financing and cash flow management.

In 2019, Vietnam's economy is projected to face multiple headwinds due to slower economic growth in the region and challenges from the US-China trade war. However, VPBank shall continue to grow its corporate banking in a more selective manner. Additionally, VPBank will also tap more deeply into its existing customer base, from major state-owned enterprises such as VNPT, Mobifone, Viettel, VEAM, etc... to FDI customers like Yamaha, Nippon Seiki. It will also develop and exploit the ecosystem around those big customers such as large carriers, retailers and real estate developers, etc... to help VPBank's



VPBank Head Office

Retail Banking and SME capitalize on and sell their products.

In 2018, VPBank continued to sustain and tighten the relationship with its customers and partners. As a result, limits granted by overseas banks and domestic banks increased by 30% and 20% respectively. Most strikingly, VPBank continued to receive funds from the World Bank and JICA to support low-cost loans for SMEs, making the loan balance of this programme increase 10% yoy.

Regarding transactional banking, VPBank has rolled out different initiatives to promote trade finance and domestic commerce. Particularly, the bank offered end to end financing products for large companies in the animal feed, plastic, steel and automobile industries, coupled with financing programs for their suppliers and distributors.

Apart from trade finance and supply chain finance, VPBank also continued its investment in traditional cash management products such as cash collection and payment, online tax payment and e-guarantee. VPBank was honored to become the first bank to successfully implement e-customs to hundreds of thousands of im-export companies across the country. Electricity bill collection and payments were also widely deployed.

CUTTING-EDGE DIGITAL BANKING

Digitization is considered VPBank's new growth driver in the upcoming strategic period. Development of digital banking services has been given considerable heed over the past few years. However, 2018 can be regarded as VPBank's breakthrough year in digital banking.

The number of online users established striking growth, given a tenfold increase against 2015. This succeeded VPBank's momentum of doubling yoy growth for 3 consecutive years. Several key digital-related targets, such as number of credit cards, lending customers (overdraft contracts) and savings accounts issued online stepped up by around 60% and 100% yoy. In particular, online term deposits accounted for 60% of the bank's total. The number of financial transaction was estimated to have risen steadily by 110% compared to 2017, enabling the bank to save hundreds of billion in OPEX and optimize branch resources. In 2018, the Digital Banking Service Division (DBS), VPBank's digitization arm, developed 5 new products on Internet Banking that helped VPBank to sustain its vanguard position regarding innovative digital products and enable a differentiated experience for customers. Indeed, customers were not required to submit any hard copies to apply for products on Internet Banking. Meanwhile, it took only 1 minute to disburse a loan and 2 days to issue a credit card. Given quantum leaps in terms of technological development,

VPBank has run 22 new functionalities on digital banking to improve customer experience and convenience. For example, customers can now use fingerprint to log into VPBank Online in just 1 second to perform QRPay or open/lock their credit card and request a change to their card limits.

At the heart of VPBank's digitization journey was Digital Factory (DF). Founded in February 2017, Digital Factory was designated to roll out digital banking programs, including prioritized customer journeys. To fulfill its mission, Digital Factory has employed a handful of qualified experts and was the first unit in the bank to introduce the Agile approach. DF has unveiled the "Dream – Realizing Your Dream" app – an end to end financial solution aimed at helping customers to achieve their dreams, with the all-in product bundle such as zero account, high-interest term deposit, bonuses from VPBank's partners and optimized financial tools. Besides, Digital Factory has also worked with the SME

Division to establish a SME portal named SME Connect. This platform connects small and medium businesses by forming relevant forums for different company groups. Given such efforts, Digital Factory was named "Asia's Most Innovative Center" at The Asian Banker Awards held in Beijing last May.

Another highlight in VPBank's digital banking service was the launch of YOLO, the most unique, stylish and eco-system based digital bank in the market. Its differentiator is the combination of an e-wallet's functionalities and other digital banking products and services as well as non-banking services provided by trusted third parties such as entertainment, transportation, travel, healthcare and insurance.

YOLO's unique features were well received by the market. Indeed, it received 200,000 downloads in just 3 months and continued to witness regular usage till the end of 2018..



VPBank tellers

CORPORATE CULTURE & PEOPLE DEVELOPMENT

A HAPPY WORKPLACE

In 2017, VPBank received the “Happiest workplace in Vietnam” award from Nielsen and Anphabe, two companies specializing in market research and recruitment consultancy. Stepping into 2018, VPBank continued to establish a sustainable corporate culture focusing on people and appreciating spiritual values.

The series of events celebrating VPBank’s 25th anniversary was the most outstanding event in 2018. DIGI Show, the most dominant, was an exhibition of technology and art organized in both Hanoi and Ho Chi Minh City. It attracted the participation of nearly 6,000 employees and almost 1 million follows, 500,000 interactions and numerous statuses carrying the pride in VPBank’s working environment on social networking sites.

Following the achievements of previous years, 2018 marked various new creations for VPBank’s ever-vibrant sport activities, such as the consecutive challenge of swimming-hiking-running at Tu Lan Commandos and the football championship for managers. Yet, the highlight of the year was the newborn VPIron marathon club, which rapidly became a movement appealing to more than 2,000 VPBankers.

In 2018, VPBank introduced a space serving employees’ sport and cultural life with varied utilities for activities such as yoga, boxing, table-tennis, conferences,

coffee breaks, and art performances at the 9th floor of VPBank Tower, 89 Lang Ha street.

HUMAN RESOURCES

People are eternally the most valuable asset of an enterprise and the fundamental element ensuring its success. Thus, generating a sustainable talent force is the foremost objective of talent acquisition, development, and retention. In 2018, with the human resource segmentation model, VPBank completed the bank-wide mapping of key positions. In addition, the succession plan was executed at all divisions. Updates have been made to the bank’s core competency framework, an important platform of human resources, to faithfully reflect the competency requirements of employees, aiming at the successful implementation of 2018-2022 strategy. With the scope of comprehensive and synchronous human resource policy, VPBank is steadily strengthening its foundation for 2019 plan and the upcoming years of the strategy to become a “Home of Talents”.

In reinforcing the human resources platform, VPBank plans to make further investment in HRM technological infrastructure, such as HR MIS and LMS, apart from an online performance management system. This showed the bank’s pioneering step in digitalizing human resource processes for operational human resource optimization and database provision for making HR-related decision.



Hanoi International Heritage Marathon co-organized by VPBank

In parallel with the focus of 2018, the HR operational initiatives were developed and launched on the basis of career cycle methodology, aiming at enhancing employee experience. The bank has issued an employee supporting process and executed a new integration procedure with the "Welcome – Familiarize – Adapt – Integrate" roadmap for new employees, starting from the very beginning of their careers at VPBank. This program was launched from July 15, 2018 for the Head Office and neighboring areas in Hanoi and Ho Chi Minh City. As at the end of October 2018, 63% of total new employees enrolled in the first-day orientation program. According to the survey started from August 2018, the program gained full satisfaction from all participants. Working at VPBank, people shall receive comprehensive remuneration and benefits, namely competitive salary and incentives against the market average coupled with superb "Preferential staff loans" program.

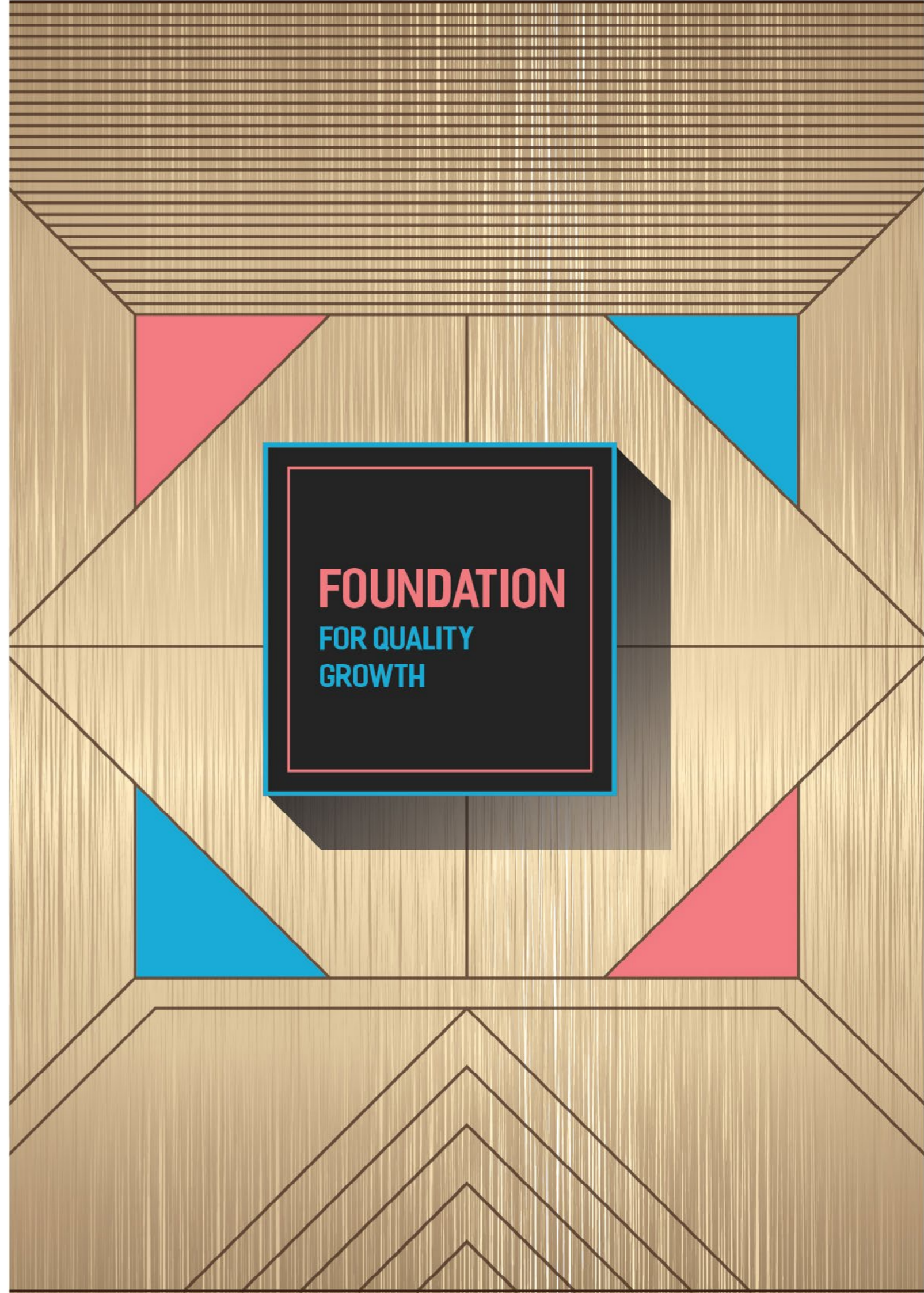
Training activities were widely executed at bank-wide level with diversified participants, meeting the varied training needs of all divisions. In 2018, VPBank Learning Academy leveraged its online learning system to beef up the training for 6,000 employees, equivalent to 56,000 training sessions, with nearly 100 courses, 25% of which were online.

Apart from devoting to internal resource development, VPBank pays great attention to generating resources and attracting university talents. At the beginning of November 2018, VPBank Scholarship Fund of nearly VND 1 billion was introduced with two programs namely "Shine Your Talent" and "Home of Talents". Opportunities to be specially recruited to work at VPBank are also open for the top third and fourth-year university students majoring in banking, finance, business administration, accounting and auditing, etc. across the country. In addition, VPBank facilitates new graduates' access to career opportunities here by organizing the "BankVisit" tour for hundreds of students in Ho Chi Minh City. The brand of a recruiting agency with the message of "Home of Talents" has been promoted by dynamic communication. As the first bank to be invited to appear on "The Chosen One" gameshow on VTV6, VPBank has spread its image as a top work place and opened tremendous career development opportunities for potential candidates nationwide.

Thanks to its continuous efforts to follow its human resource strategy, VPBank is gradually affirming its position to be the place for distinguished individuals in Vietnam's banking sector.



VPBank's Anniversary - 25 years of Vietnam Prosperity



RISK MANAGEMENT

In 2018, VPBank developed and actively improved its risk management framework to roll out an internal process for assessing capital adequacy in compliance with regulatory and Basel II requirements.

The bank officially implemented the standardized approach and is moving towards an advanced approach under the Basel II framework. Since 2016, the bank has fully complied with the SBV's capital adequacy ratio (CAR). Its CAR has always been higher than the 8% minimum stipulated under Circular 41. One of the priorities was to get ready for compliance with Circular 13 on Internal Control Systems when it takes effect in 2019. To achieve this objective, the bank restructured risk management and internal approval processes, issued risk management policies, and developed models to strengthen its risk management framework.

VPBank also took the initiative in improving its stress-testing framework and has periodically carried out many such tests, including those on capital and liquidity as required by the SBV and on concentration risk, which is optional. Therefore, the bank can clearly understand the business impacts of such factors and be best prepared for adverse circumstances. Expected losses identified under stress tests were then offset by capital.

VPBank has set a target of being the first bank to apply IFRS9 standards for better prevention and preparation for financial crises thanks to expected loss provisioning, increased transparency on credit risk, and better alignment between risk measurement and management model and accounting model and business activities.

Credit Risk Management

To mitigate credit risks, VPBank continued to fine-tune customer rating models for traditional segments and its enterprise customer rating model, thus lowering the risks associated with new disbursements, better screening customers, improving cross-sales, and enhancing portfolio quality.

For the retail segment, the bank used external information and social networks to verify income and employment during the underwriting process, thus significantly reducing fraud and operating expenses. The bank also enhanced its risk management capability thanks to highly experienced experts in portfolio management and data analysis, developed a flexible loan origination system, automated the

entire credit process, and developed specialized data storage for risk monitoring tools, modelling and scenario analysis.

For the household business segment, VPBank successfully developed a credit scoring model that uses both internal data and external credit history. It also launched an early warning system to keep tabs on delinquencies while focusing on high-income customers for improved portfolio quality. CLOS, a system for approving SME credit applications, was improved for better risk management from approval stage and higher approval efficiency.

Market and Liquidity Risk Management

Market and liquidity risk management framework continued to be fine-tuned. Balance sheet models were developed and have been implemented to ensure the accuracy of cash flow forecasts. The bank has also developed a separate portfolio for liquidity management and reviewed liquidity management effectiveness, which is benchmarked against the market.

VPBank is currently implementing a Treasury Project to automate the entire process of transaction initiation, risk management and operations. Thanks to the mechanism for managing limits in real time, market risk compliance has been better monitored, operational risks minimized and transaction fraud prevented.

Operational Risk Management

VPBank has completed and rolled out a well-structured operational risk management framework across the bank with a clear roadmap. The framework is standardized and fully satisfies international standards and the SBV's requirements on internal control systems. A Risk Control Self-Assessment tool was developed and has been applied across the bank, helping functions to identify and gauge remaining operational risks after controls are put in place, then develop suitable plans for improving controls and mitigate risks. A system for reporting and managing operational risk events has been operationalized across the bank, helping automate and ensure the transparency of operational risk discovery and management. It has significantly reduced the duration between the discovery and reporting of operational risk events to Operational Risk Management while improving internal controls and compliance. In particular, tightened compliance policies, training and communication have helped operational risk management become business-as-

usual. Thanks to the efforts, VPBank has gradually improved its operational risk profile, successfully addressing 95%, 84%, and 83% of low, medium, high-risk event portfolios, respectively.

Collection

Tethys and Mediatel were launched and have been steadily improved, which has helped increase the number of successful calls and make the best of collection resources. Therefore, the Collection Centre significantly improved its performance and was able to increase its collection portfolio in response to the growth targets of business units. Collection performance was up 85% yoy thanks to the efforts of collection staff, debt reminding and collection systems, and suitable collection strategies.

In 2019, debt management and collection will be further strengthened with the implementation of existing and new technology projects, i.e. (i) GPS tracking for monitoring and maximizing field collection productivity, (ii) development of a new, Zalo-based channel for debt reminding, (iii) implementation of IVM debt reminding system for higher productivity.

BUSINESS ANALYTICS AND TECHNOLOGICAL PLATFORM

Use of Big Data

As people increasingly rely on the internet and

mobile devices, big data from them is treated as gold because it helps enterprises clearly understand their customers, make appropriate offerings, and devise viable strategies. As a result, VPBank has been working round the clock to improve data management and analytic capabilities to meet business requirements faster and better. More than 50 big analyses and 150 in-depth analyses on customer behaviour were made, which improved

Business decision-making processes on customer acquisition, customer segmentation, marketing, cross-selling, and customer retention have been conducted. The bank raised data quality by 25% and customer data quality by 46% yoy.

Next year, VPBank will continue improving the quality and efficiency of data analytics thanks to many initiatives such as upgrading its data warehouse, and strengthening data management and advanced business analytics capabilities. Cross-functional analytics will also be strengthened towards more effective decision-making.

Technology Platform

The strategy to become a leading digital bank requires VPBank to relentlessly improve and launch convenient, user-friendly, and modern digital banking apps, which requires a robust technology platform. The bank has launched outstanding digital banking apps such as VPBank Dream, YOLO and SME Connect, and FE Credit launched \$NAP as part of its digitization journey. Other



VPBank Technology Exhibition 2018 at the National Convention Center

projects and initiatives have also helped build a robust technological foundation for the bank. Specifically, Open API and Microservice projects in particular have made VPBank more accessible to fintech and telco ecosystems.

OPTIMAL OPERATING MODEL

The bank made profound changes to its operating model, focusing on process automation to optimize operating expenses, improve service quality and effectively control operational risks.

Process Digitization and Automation

In the centralised credit underwriting and approval model, there has been a shift from manual to automatic approvals, which now account for 80% of all unsecured product approvals. FVS application has replaced traditional tools to assist on-site activities. After applying automatic credit processing tools, the average credit processing time has decreased by 40% yoy.

Instead of being issued in small numbers and manually, cards and PINs are now packaged by machines and issued in bulk by external partners. Tracking codes are assigned to cards/PINs shipped out to customers so that relevant functions can track the parcels and view their status.

VPBank received The 2018 Elite Quality Recognition Award for Outstanding Achievement of Best-in-class –

USD Dollar Clearing award from JP Morgan Chase for the highest automatic clearing achievement (99.95%) among banks and the Straight Through Processing award from the Bank of New York Mellon for its international straight through processing achievement (97%). The awards substantiate the quality, reputation and advancement of VPBank's internal payment services.

Service Quality

Since 2015, customer service functions have been centralized, leading to a smaller headcount and a more optimal structure. As a result, both customer service productivity and quality at branches has improved. An online training and examination system has a user-friendly, easy-to-use interface and has been frequently updated. A centralized knowledge base system assists users in getting up-to-date information, therefore lowering the risk of using outdated documents.

Corporate customer service function was restructured towards further specialization, especially in the processing of customer transactions, to improve service quality, optimize resources and improve productivity by 25%.

A new 24/7 call centre was officially launched in the middle of the year so customers can contact the bank via many means and in real time. The number of unsuccessful calls is down 60% since the new system was put into operation.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

VPBank fully understands that banks are a part of both the local economy and society. The bank has relentlessly pursued its business strategy while acting in a socially responsible manner to help develop a prosperous, sustainable and progressive society.

As in previous years, VPBank carried out many support programs for the poor throughout the country in 2018, including the construction of dozens of houses for poor people in Vinh Long, Ha Tinh and Thai Binh. It also actively donated to education promotion funds to encourage learning and make the young generation's dreams come true. These programs not only brought happiness to households and disadvantaged pupils but also created a solid foundation for improving the livelihood of many families and making the dreams of many pupils come true.

The scope of VPBank's corporate social responsibility (CSR) programs specific to social sustainability was broadened to enterprises. The VPBank Startup project continued in 2018. Many contests for new startup talents and initiatives were held last year. As a result, the bank has financed a number of promising start-ups to promote a start-up spirit in the society, create more jobs and contribute in a meaningful way to social advancement.

Social responsibility activities are not just about financial support. Thousands of VPBankers have directly participated in other meaningful activities to support the community and strengthen community bonds, the most notable of which was "Become a Super Hero", a blood donation program organized by the banking sector over five days and five different locations across the country thanks to which 1,125 units of blood were donated.

If the "Become a Super Hero" program was evidence of the compassion of VPBankers, the "Hanoi Heritage Marathon" demonstrated their stamina and social bonds. It was the first time VPBank organized an international marathon, which attracted more than 2,700 athletes from 50 countries and raised awareness of the health benefits of exercise and stamina to overcome difficulties and achieve targets. The marathon was the first to be held in the Old Quarter, which has a rich, thousand-year history, to introduce to international friends Vietnam's heritage, culture and people and improve their perception of the country.

The development of a better living environment is also one of VPBank's CSR activities. In 2017 and 2018, the bank actively participated in the "One Million New Green Trees in Ha Noi" project, which aims to create a balance between green space and urbanization, thus creating a better living environment and landscape for people.

Following the government's green credit growth objectives, VPBank was one of the first banks to start developing a social - environmental risk management system in 2016. The bank has issued a social-environmental risk policy and statement of compliance with the government's green growth directions. It takes into account local laws and the IFC's environmental and social performance standards.

By developing the policy and managing social - environment risks in its financing activities, VPBank has gradually developed green banking products which exclude projects and manufacturing plans with adverse impacts on the environment to reduce climate change and environmental footprint, maintaining biological diversity while implementing other social responsibilities.



FUTURE OUTLOOK

Asia – Pacific region will sustain economic growth and low inflation and account for 60% of global economic growth. However, its growth will slow down in 2019 in the face of external challenges such as the trade war between the U.S. and China and other internal, medium-term issues. Banks are facing a very big challenge of decreasing ROA and the pressure to transform and digitize themselves for income growth and cost optimization.

Vietnam's economy is forecasted to remain stable despite strong pressure from slower global economic growth. The growth rate is forecasted to reach between 6.6% and 6.8%, average consumer index 4%, and inflation under 4% as approved by the National Assembly and the government. The demands of retail and enterprise customers are forecasted to increase rapidly due to rising consumption as a result of higher income and the government's consumption stimulation policy.

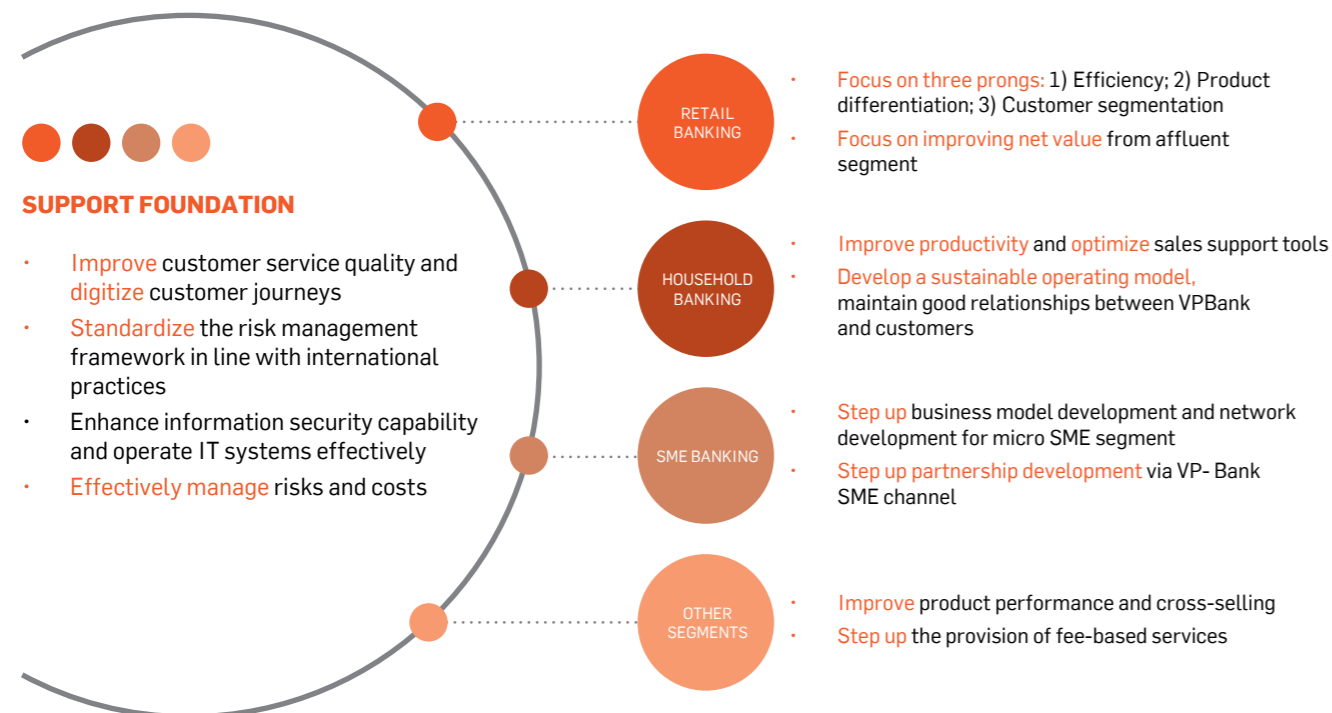
The SBV will maintain a reasonable credit growth rate to stimulate growth while curbing inflation. It is forecasted that the SBV will keep the credit growth rate at around 14 – 15%. It will also keep close tabs at credit institutions' prudential ratios, thus raising their funding demands. Tightened monetary policies may lead to the increase of 70 – 100 points in lending rates in 2019.

2019 is the second year of the 2018 – 2022 strategy to realize the ambitious strategic goals of becoming the most consumer-friendly bank through technology and one of the three most valuable banks in Vietnam by 2022.

In 2019, the bank will continue to solidify its market position, i.e. one of top five private banks and one of top three leading private retail banks in terms of customer lending, deposit, and profit. To realize the objectives, VPBank will focus on growth quality and volume growth in select market segments. Quality growth will be the overarching theme in all of the bank's policies:

- Maintain higher-than-industry-average growth rates in volume and efficiency;
- Improve the productivity and performance of the sales force to achieve credit and deposit growth;
- Strengthen and upgrade business support systems and platforms for the purposes of centralization, automation, digitization, and simplification.

Despite many challenges, rapid changes in digital technology and consumer behaviours, and new players, VPBank will be willing to take both new opportunities and challenges to sustain growth and conquer new heights. The Board of Management is fully confident the bank will continue to succeed in 2019 and realize the vision for 2022.



AUDITED FINANCIAL STATEMENT 2018

THE BANK

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

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

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

Charter capital

The Bank's Head Office is located at No. 89 Lang Ha, Lang Ha Ward, Dong Da District, Hanoi, Vietnam. As at 31 December 2018, the Bank has one (1) Head Office, fifty seven (57) branches, one hundred and sixty four (164) transaction offices nationwide and two (2) subsidiaries.

Operational network

Ngân hàng có trụ sở chính đặt tại Số 89 Láng Hạ, Phường Láng Hạ, Quận Đống Đa, Thành phố Hà Nội, Việt Nam. Tại ngày 31 tháng 12 năm 2018, Ngân hàng có một (1) Hội sở chính, năm mươi bảy (57) chi nhánh, một trăm sáu mươi tư (164) phòng giao dịch trên cả nước và hai (2) công ty con.

BOARD OF DIRECTORS

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

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

THE BOARD OF SUPERVISION

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

Name	Position
Mr. Ngo Phuong Chi	Head of Board of Supervision
Ms. Nguyen Thi Bich Thuy	Full-time member
Ms. Trinh Thi Thanh Hang	Full-time member

THE BOARD OF MANAGEMENT

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

Name	Position
Mr. Nguyen Duc Vinh	Chief Executive Officer
Ms. Luu Thi Thao	Standing Deputy Chief Executive Officer Appointed on 16 July 2018
Mr. Sanjeev Nanavati	Standing Deputy Chief Executive Officer Appointed on 16 July 20
Mr. Nguyen Thanh Binh	Deputy Chief Executive Officer
Mr. Phan Ngoc Hoa	Deputy Chief Executive Officer
Ms. Duong Thi Thu Thuy	Deputy Chief Executive Officer
Mr. Nguyen Thanh Long	Deputy Chief Executive Officer
Mr. Fung Kai Jin	Deputy Chief Executive Officer
Mr. Pham Phu Khoi	Deputy Chief Executive Officer
Mr. Kosaraju Kiran Babu	Deputy Chief Executive Officer
Mr. Dinh Van Nho	Deputy Chief Executive Officer Appointed on 2 July 2018
Mr. Phung Duy Khuong	Deputy Chief Executive Officer Appointed on 3 January 2019

LEGAL REPRESENTATIVE

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

Mr. Nguyen Duc Vinh - Chief Executive Officer was authorized by Mr. Ngo Chi Dzung to sign off the accompanying consolidated financial statements for the year ended 31 December 2018 according to Authorization Document No. 09/2012/UQ-CT dated 5 July 2012.

AUDITORS

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

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Vietnam Prosperity Joint Stock Commercial Bank (the "Bank") is pleased to present its report and the consolidated financial statements of the Bank and its subsidiaries as at 31 December 2018 and for the year then ended.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

STATEMENT BY THE BOARD OF MANAGEMENT

The Board of Management of the Bank does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2018, the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other statutory requirements relevant to preparation and presentation of the consolidated financial statements.

For and on behalf of the Board of Management



Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam
12 February 2019

Reference: 60755038/20380038-HN

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Vietnam Prosperity Joint Stock Commercial Bank (the "Bank") and its subsidiaries as prepared on 12 February 2019 and set out on pages 6 to 78 which comprise the consolidated balance sheet as at 31 December 2018, the consolidated income statement and the consolidated cash flow statement for the year then ended and the notes thereto.

MANAGEMENT'S RESPONSIBILITY

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2018, and of the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other statutory requirements relevant to preparation and presentation of the consolidated financial statements.



Dang Phuong Ha
Deputy General Director
Audit Practicing Registration
Certificate No. 2400-2018-004-1

Hanoi, Vietnam
12 February 2019

Tran Thi Thu Hien
Auditor
Audit Practicing Registration
Certificate No. 2487-2018-004-1

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK
CONSOLIDATED BALANCE SHEET
as at 31 December 2018

B02/TCTD-HN

	Note	31/12/2018 VND million	31/12/2017 (Reclassified) VND million
ASSETS			
Cash, gold and gemstones	5	1,855,473	2,574,284
Balances with the State Bank of Vietnam	6	10,828,571	6,460,795
Placements with and credit granting to other credit institutions		16,571,491	17,520,025
Placements with other credit institutions	7.1	15,337,628	15,218,720
Credit granting to other credit institutions	7.2	1,233,863	2,302,036
Provision for credit granting to other credit institutions		-	(731)
Securities held for trading	8	4,202,413	1,424,854
Securities held for trading		4,240,742	1,424,854
Provision for securities held for trading		(38,329)	-
Loans to customers		218,395,223	179,518,809
Loans to customers	10	221,961,996	182,666,213
Provision for loans to customers	11	(3,566,773)	(3,147,404)
Investment securities		51,926,416	53,558,049
Available-for-sale securities	12.1	49,417,157	50,384,788
Held-to-maturity securities	12.2	3,564,933	4,151,127
Provision for investment securities	12.3	(1,055,674)	(977,866)
Long-term investments	13	190,654	152,506
Other long-term investments		227,602	194,602
Provision for long-term investments		(36,948)	(42,096)
Fixed assets		1,963,096	808,486
<i>Tangible fixed assets</i>	<i>14.1</i>	<i>1,385,572</i>	<i>457,682</i>
Cost		2,211,225	1,090,758
Accumulated depreciation		(825,653)	(633,076)
<i>Intangible fixed assets</i>	<i>14.2</i>	<i>577,524</i>	<i>350,804</i>
Cost		959,289	623,226
Accumulated amortization		(381,765)	(272,422)
Other assets		17,357,782	15,734,506
Receivables	15.1	10,482,282	8,539,528
Interest and fees receivable	15.2	4,427,765	3,812,015
Other assets	15.3	2,473,219	3,404,366
Provision for other assets	15.4	(25,484)	(21,403)
TOTAL ASSETS		323,291,119	277,752,314

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK
CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2018

B02/TCTD-HN

	Note	31/12/2018 VND million	31/12/2017 (Reclassified) VND million
LIABILITIES			
Amounts due to the Government and the State Bank of Vietnam	16	3,781,343	26,015
Deposits and borrowings from financial institutions and other credit institutions		54,231,451	38,063,849
Deposits from other credit institutions	17.1	21,145,194	7,834,381
Borrowings from financial institutions and other credit institutions	17.2	33,086,257	30,229,468
Customer deposits	18	170,850,871	133,550,812
Derivatives and other financial liabilities	9	18,571	160,469
Other borrowed and entrusted funds	19	329,649	328,777
Valuable papers issued	20	48,658,036	66,104,605
Other liabilities		10,671,129	9,822,077
Interest and fees payable	21.1	5,262,931	5,063,166
Other liabilities	21.2	5,408,198	4,758,911
TOTAL LIABILITIES		288,541,050	248,056,604
OWNERS' EQUITY			
Charter capital		25,299,680	15,706,230
Share premium		1,289,001	5,866,105
Reserves		5,465,879	3,558,265
Foreign exchange differences		(2,491,721)	-
Retained earnings		5,187,230	4,565,110
TOTAL OWNERS' EQUITY	23	34,750,069	29,695,710
TOTAL LIABILITIES AND OWNERS' EQUITY		323,291,119	277,752,314

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK
CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2018

B02/TCTD-HN

Note	31/12/2018 VND million	31/12/2017 VND million
OFF-BALANCE SHEET ITEMS		
Credit guarantees	20,626	3,792
Foreign exchange commitments	66,626,741	76,976,531
- Spot foreign exchange commitments - buy	1,583,073	369,768
- Spot foreign exchange commitments - sell	1,582,743	370,388
- Swap contracts	63,460,925	76,236,375
Irrevocable loan commitments	1,860	-
Letters of credit	14,799,169	8,801,290
Other guarantees	13,860,017	11,590,623
Other commitments (*)	111,197,304	7,034,321
38	206,505,717	104,406,557

(*) According to Circular No. 19/2017/TT-NHNN dated 28 December 2017 amending and supplementing a number of articles of Circular No. 36/2014/TT-NHNN dated 20 November 2014 of the Governor of the State Bank of Vietnam providing for prudential ratios and limits for operations of credit institutions and branches of foreign banks which has taken effect since 12 February 2018, the figure as at 31 December 2018 presents the additional amount of unused credit limits that the Bank has the right to revoke or automatically revoke due to the customers' violation on revocable commitments or reduction of capacity to perform the duty and available credit limits of credit cards.

Prepared by: 

Ms. Nguyen Thi Thu Hang
Chief Accountant

Reviewed by:


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

Approved by:



Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam
12 February 2019

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK
CONSOLIDATED INCOME STATEMENT
for the financial year ended 31 December 2018

B03/TCTD-HN

Note	31/12/2018 VND million	31/12/2017 VND million
Interest and similar income	25	40,280,214
Interest and similar expenses	26	(15,578,639)
Net interest and similar income	24,701,575	20,614,426
Fee and commission income	3,818,797	3,210,071
Fee and commission expenses	(2,206,301)	(1,748,527)
Net fee and commission income	27	1,461,544
Net gain/(loss) from trading of foreign currencies	28	(103,750)
Net (loss)/gain from securities held for trading	29	(56,821)
Net gain from investment securities	30	250,057
Other operating income	5,363,874	3,208,782
Other operating expenses	(682,613)	(809,217)
Net gain from other operating activities	31	4,681,261
Income from investments in other entities	32	845
TOTAL OPERATING INCOME	31,085,663	24,889,376
TOTAL OPERATING EXPENSES	33	(10,633,924)
Net profit before provision for credit losses	20,451,739	16,131,121
Provision expenses for credit losses	34	(11,253,231)
PROFIT BEFORE TAX	9,198,508	8,130,063
Current corporate income tax expense	(1,842,940)	(1,689,296)
Corporate income tax expense	22	(1,842,940)
PROFIT AFTER TAX	7,355,568	6,440,767
Basic earnings per share (VND)	24	3,025

Prepared by: 

Ms. Nguyen Thi Thu Hang
Chief Accountant

Reviewed by:


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

Approved by: 

Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam
12 February 2019

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2018


B04/TCTD-HN

Note	2018 VND million	2017 VND million
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and similar receipts	39,792,502	34,490,849
Interest and similar payments	(15,399,517)	(11,637,208)
Net fee and commission receipts	1,511,310	1,479,101
Net receipts from dealing in foreign currencies, gold and securities trading activities	225,811	396,450
Other income	2,589,855	1,230,931
Recoveries from bad debts previously written-off	2,092,678	1,098,054
Payments for employees and other operating activities	(10,616,997)	(8,560,105)
Corporate income tax paid in the year	22 (1,810,679)	(1,501,672)
Net cash flows from operating profit before changes in operating assets and liabilities	18,384,963	16,996,400
Changes in operating assets		
Placements with and credit granting to other credit institutions	1,068,172	2,998,424
Investment securities	(2,149,369)	2,689,025
Loans to customers	(38,593,215)	(37,795,799)
Provision to write off loans to customers, securities and long-term investments	(10,676,250)	(6,784,262)
Changes in other operating assets	(2,396,348)	(3,169,515)
Changes in operating liabilities:		
Amounts due to the Government and the SBV	3,755,329	(1,077,671)
Deposits and borrowings from financial institutions and other credit institutions	16,167,602	4,364,520
Customer deposits (including deposits from State Treasury)	37,300,059	9,763,386
Valuable papers issued (except for valuable papers issued for financing activities)	(14,946,570)	17,454,078
Other borrowed and entrusted funds	872	2,509,578
Derivatives and other financial liabilities	(141,898)	(30,856)
Changes in other operating liabilities	912,972	1,298,474
Net cash flows from operating activities	8,686,319	9,215,782

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK
CONSOLIDATED CASH FLOW STATEMENT (continued)
for the year ended 31 December 2018

B04/TCTD-HN

Note	2018 VND million	2017 VND million
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(118,535)	(214,416)
Proceeds from disposal of fixed assets	453	237,074
Proceeds from disposal of investment property	-	10,000
Payments for disposal of investment property	-	(52)
Payments for investment in other entities	-	(30,000)
Proceeds from disposals of investments in other entities	-	157,740
Dividends received and profit distributed from long-term investments	845	598
Net cash flows (used in)/from investing activities	(117,237)	160,944
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in charter capital from capital contribution and/or share issuance	336,951	6,224,386
Payment to purchase treasury shares	(2,491,721)	-
Payment for long term valuable papers eligible to be included in capital and other long term borrowings	(2,500,000)	-
Dividends distributed to shareholders	(146,439)	(146,439)
Cash flows (used in)/from financing activities	(4,801,209)	6,077,947
Net cash flows in the year	3,767,873	15,454,673
Cash and cash equivalents at the beginning of the year	24,253,799	8,799,126
Cash and cash equivalents at the end of the year	35 28,021,672	24,253,799
SIGNIFICANT NON-CASH TRANSACTIONS IN THE YEAR		
Bonus shares issued using the capital supplementary reserve and investment and development fund and Premium shares	4,731,795	579,300
Increase in charter capital from retained earnings	4,524,704	4,298,786

Prepared by: 

Ms. Nguyen Thi Thu Hang
Chief Accountant

Reviewed by: 

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

Approved by: 


Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam
12 February 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

B05/TCTD-HN

1. GENERAL INFORMATION

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

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

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

Charter capital

Vốn điều lệ của Ngân hàng tại ngày 31 tháng 12 năm 2018 là 25.299.680 triệu đồng (tại ngày 31 tháng 12 năm 2017 là 15.706.230 triệu đồng).

Operational network

The Bank's Head Office is located at No. 89 Lang Ha, Lang Ha Ward, Dong Da District, Hanoi, Vietnam. As at 31 December 2018, the Bank has one (1) Head Office, fifty seven (57) branches, one hundred and sixty four (164) transaction offices nationwide and two (2) subsidiaries.

Subsidiaries

As at 31 December 2018, the Bank has two (2) directly owned subsidiaries as follow:

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

Employees

As at 31 December 2018, total number of permanent employees of the Bank and its subsidiaries is 27,429 persons (31 December 2017: 23,826 persons).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2018 and for the year then ended

B05/TCTD-HN

2. ACCOUNTING PERIOD AND ACCOUNTING CURRENCY**2.1 FISCAL YEAR**

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

2.2 ACCOUNTING CURRENCY

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

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM**3.1 STATEMENT OF COMPLIANCE**

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

3.2 ACCOUNTING STANDARDS AND SYSTEM

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2018 and for the year then ended

B05/TCTD-HN

3.3 ASSUMPTIONS AND USES OF ESTIMATES

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

3.4 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries for the year ended 31 December 2018.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Bank obtains control.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Bank, using consistent accounting policies.

All intra-group balances, income and expenses and unrealized gains or losses resulting from intra-group transactions are eliminated in full.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**4.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The accounting policies adopted by the Bank in preparation of the consolidated financial statements are consistent with those followed in the preparation of the Bank's consolidated financial statements for the year ended 31 December 2017, except for the following change in the accounting policies.

Circular No. 14/2017/TT-NHNN regulates the methods of calculating interest on depositing and credit extension transaction between credit institutions and customers.

On 29 September 2017, the SBV issued Circular No. 14/2017/TT-NHNN regulating methods of calculation of interest in depositing and credit granting transactions between credit institutions and customers. Accordingly, the interest accruals on credit and deposit operation are calculated on the basis that a year is 365 days. The circular has taken effect since 1 January 2018.

Circular No. 19/2017/TT-NHNN amending and supplementing a number of articles of Circular No. 36/2014/TT-NHNN of the Governor of the SBV dated 20 November 2014 stipulating prudential ratios and limits for the operation of credit institutions and foreign bank branches

On 28 December 2017, the SBV issued Circular No. 19/2017/TT-NHNN amending and supplementing a number of articles of Circular No. 36/2014/TT-NHNN dated 20 November 2014 of the Governor of the State Bank of Vietnam providing for prudential ratios and limits for operations of credit institutions and branches of foreign banks. Accordingly, "Other commitments" disclosed in "Off balance sheet items" include unused credit limits that the Bank has the right to revoke or automatically revoke due to the customers' violation on revocable commitments or reduction of capacity to perform the duty and available credit limits of credit cards. The circular has taken effect since 28 February 2018.

Circular No. 16/2018/TT-BTC ("Circular 16") guiding a number of articles on the financial regime applicable to credit institutions and foreign bank branches

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2018 and for the year then ended

B05/TCTD-HN

Changes in Circular 16 are as below:

- Amending and supplementing the management and utilization method of real estate held for debt resolution;
- Amending and supplementing the recognition of revenue from trading of securities (shares exclusive);
- Amending and supplementing recognition of expenses.

Circular 16 has taken effect since 26 March 2018 and replaced Circular No. 05/2013/TT-BTC dated 9 January 2013 of the Ministry of Finance providing guidance to the financial regime applicable to credit institutions and foreign bank branches. The Bank assessed that Circular 16 has no significant impact on the Bank's accounting policies.

Circular No. 22/2017/TT-NHNN amending and supplementing a number of articles of the Chart of account system applicable to credit institutions issued in connection with Decision No. 479/2004/QĐ-NHNN dated 29 April 2004 and the financial reporting regime applicable to credit institutions required under Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 by the Governor of the SBV ("Circular 22")

On 29 December 2017, the SBV issued Circular No. 22/2017/TT-NHNN amending and supplementing a number of articles of the Chart of account system applicable to credit institutions issued in connection with Decision No. 479/2004/QĐ-NHNN dated 29 April 2004 and the financial reporting regime applicable to credit institutions required under Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 by the Governor of the SBV ("Circular 22"). The circular has taken effect since 1 April 2018.

The main changes in Circular 22 are as follows:

- Amending and supplementing the guidance on the accounting treatment for foreign exchange and gold transactions;
- Amending a number of accounts in the Chart of account system applicable to credit institutions;
- Amending the guidance on the accounting treatment for some accounts in the Chart of account system applicable to credit institutions; and
- Amending and supplementing the guidance on the Financial reporting regime applicable to credit institutions.

The Bank has assessed the effect of Circular 22 on the comparative figures in the consolidated financial statements. Accordingly, the effect due to the changes in exchange rate policies are immaterial. As a result, the Bank is not required to restate the comparative figures due to the changes in exchange rate policies.

4.2 CASH AND CASH EQUIVALENTS

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

4.3 PLACEMENTS WITH AND CREDIT GRANTING TO OTHER CREDIT INSTITUTIONS

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

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

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

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

4.4 LOANS TO CUSTOMERS

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

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

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

4.5 LOAN CLASSIFICATION AND PROVISION FOR CREDIT LOSSES APPLIED TO PLACEMENTS WITH AND CREDIT GRANTING TO OTHER CREDIT INSTITUTIONS, UNLISTED CORPORATE BONDS PURCHASED AND TRUSTED FOR PURCHASE BY THE BANK, LOANS TO CUSTOMERS, ENTRUSTED FOR CREDIT GRANTING BY THE BANK AND OTHER CREDIT RISK BEARING ASSETS

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

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

Group	Description	Provision rate
1	Current	0%
	(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	
2	Special Mention	5%
	(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.	

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Group	Description	Provision rate
3	Sub standard	20%
	(a) Debts are overdue for a period of between 91 days and 180 days; or	
	(b) Debts which the repayment terms are extended for the first time; or	
	(c) Debts which interests are exempted or reduced because customers do not have sufficient capability to repay all interests under credit contracts; or	
	(d) Debts under one of the following cases which have not been recovered in less than 30 days from the date of the recovery decision: <ul style="list-style-type: none"> ▪ Debts made in compliance with Clause 1, 3, 4, 5, 6 under Article 126 of Law on Credit Institutions ; or ▪ Debts made in compliance with Clause 1, 2, 3, 4 under Article 127 of Law on Credit Institutions ; or ▪ Debts made in compliance with Clauses 1, 2 and 5 under Article 128 of Law on Credit Institutions. 	
	(e) Debts are required to be recovered according to regulatory inspection conclusions.	
4	Doubtful	50%
	(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	
5	Loss	100%
	(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	

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

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

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

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

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

4.6 SECURITIES HELD FOR TRADING**4.6.1 Classification and recognition**

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

4.6.2 Measurement

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

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

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

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

4.6.3 De-recognition

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

4.7 AVAILABLE-FOR-SALE SECURITIES

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

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appoint personnel to the Board of Directors/Management.

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

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

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

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

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

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

4.8 HELD-TO-MATURITY INVESTMENT SECURITIES

Held-to-maturity investment securities include special bonds issued by Vietnam Asset Management Company ("VAMC") and other investment securities held to maturity.

Special bonds issued by VAMC

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

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

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

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

In which:

- $X_{(m)}$: minimum provision for special bonds in the mth year;
- X_{m-1} : accumulated specific provision for special bonds in the m-1th 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 (mth year).

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

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

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

Other held-to-maturity securities

Other held-to-maturity securities are debt securities purchased by the Bank for the investment purpose of earning dividend and the Bank has the intention and capability to hold these investments until maturity. Other held-to-maturity securities have determinable value and maturity date. In case the securities are sold before the maturity date, the remaining of that portfolio will be reclassified to securities held for trading or available-for-sale securities.

Held-to-maturity securities are recorded and measured identical to debt securities available-for-sale and presented at Note 4.7.

4.9 RE-PURCHASE AND REVERSE RE-PURCHASE CONTRACTS

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

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

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4.10 OTHER LONG-TERM INVESTMENTS

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

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

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

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

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

4.11 FIXED ASSETS

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

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

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

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

4.12 DEPRECIATION AND AMORTIZATION

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

Buildings and architectonic models	5 – 40 years
Motor vehicles	6 years
Machines and equipment	2 – 7 years
Computer software	3 – 14 years
Other fixed assets	3 – 5 years

4.13 OPERATING LEASE

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

4.14 RECEIVABLES**4.14.1 Receivables classified as credit-risk bearing assets**

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

4.14.2 Other receivables

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

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

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

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

4.15 PREPAID EXPENSES

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

4.16 SHARE CAPITAL**4.16.1 Ordinary shares**

Ordinary shares are classified as owners' equity.

4.16.2 Share premium

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

4.16.3 Statutory reserves**Reserves of the Bank**

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

	Basic for calculation	Maximum balance
Capital supplementary reserve	5% from profit after tax	100% of charter capital
Financial reserve	10% from profit after tax	Not regulated

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

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

Reserves of VPBank Asset Management Company Limited

According to Circular No. 27/2002/TT-BTC issued by the Ministry of Finance dated 22 March 2002, VPB AMC is required to make appropriation of profit to reserves in a similar way to the Bank.

According to Circular No. 200/2014/TT-BTC, for the financial year starting on or after 1 January 2015, VPB AMC has stopped making provision for financial reserve.

Reserves of VPBank Finance Company Limited

According to Decree No. 93/2017/ND-CP dated 7 August 2017 issued by the Government of Vietnam which replaces Decree No. 57/2012/ND-CP dated 20 July 2012, VPB FC is required to make appropriation of profit to reserves in a similar way to the Bank.

4.17 RECOGNITION OF INCOME AND EXPENSES

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

Fees and commissions are recognized on an accrual basis.

4.18 DEBTS TRADING OPERATION

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

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Purchase debts

Debts purchased are initially recorded at purchase price and subsequently presented at cost less provision for credit losses. Price of debts purchased or sold is the settlement amount which the seller received under the debt purchase contract.

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

Sale of debts

Income and expenses from the sale of debts are recognized in accordance with Decision No. 59/2006/QĐ-NHNN issued by the SBV promulgating regulations on sale and purchase of debts by credit institutions. From 1 September 2015, income and expenses arising from purchase and sale of debts are recognized following Circular No. 09/2015/TT-NHNN providing guidance on the sale of debts of credit institutions and foreign bank branches.

According to Decision No. 59/2006/QĐ-NHNN and Circular No. 09/2015/TT-NHNN, the difference between the prices of debts purchased or sold and their book value are recorded as follows:

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

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

The purchasing or selling price is the sum of consideration to be paid by a debt buyer to a debts seller under a debt purchase or sale contract.

4.19 FOREIGN CURRENCY TRANSACTIONS

All transactions are recorded in original currencies. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated into VND using exchange rates ruling at the consolidated balance sheet date (Note 47). Income and expenses in foreign currencies are converted into VND at rates ruling at the transaction dates. Foreign exchange differences arising from the translation of monetary assets and liabilities are recognized and followed in the "Foreign exchange differences" under "Owners' equity" in the consolidated balance sheet and will be transferred to the consolidated income statement at the end of the financial year.

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4.20 PAYABLES AND ACCRUALS

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

4.21 DEPOSITS FROM OTHER CREDIT INSTITUTIONS, CUSTOMER DEPOSITS AND VALUABLE PAPERS ISSUED

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

4.22 CORPORATE INCOME TAXES*Current income tax*

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

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

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

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

Deferred tax

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

Deferred tax payable is recognized for all temporary taxable differences.

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

4.23 FIDUCIARY ASSETS

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

4.24 CLASSIFICATION FOR OFF-BALANCE SHEET COMMITMENTS

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

4.25 OFFSETTING

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

4.26 DERIVATIVES

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

Currency forward contracts

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

Swap contracts

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

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

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

Option contracts

Option contracts are commitments between the buyer and the seller (VPBank), in which, the buyer has a right but not an obligation to purchase or sell a fixed amount of foreign currency at a predetermined exchange rate within a

predetermined period. In case the buyer choose to execute their rights, the seller have the obligation to sell or buy a fixed amount of foreign currency at the predetermined exchange rate.

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

4.27 EMPLOYEE BENEFITS*4.27.1 Post-employment benefits*

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

4.27.2 Voluntary resignation benefits

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

4.27.3 Unemployment insurance

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

4.28 BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the purchase method. The cost of a business combination is measured as the fair value of assets given, liabilities incurred or assumed and equity instruments issued in exchange of voting rights at the acquisition date plus any costs directly attributable to the business combination. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of business combination.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost the business combination over the Bank's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of a business combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement. After initial recognition, goodwill is measured at cost less any accumulated amortization. Goodwill is amortized over three (3) years on a straight-line basis.

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5. CASH, GOLD AND GEMSTONES

	31/12/2018 VND million	31/12/2017 VND million
Cash on hand in VND	1,227,415	1,164,862
Cash on hand in foreign currencies	548,625	1,256,907
Gold on hand	79,433	152,515
	1,855,473	2,574,284

6. BALANCES WITH THE STATE BANK OF VIETNAM

	31/12/2018 VND million	31/12/2017 VND million
Demand deposits at the SBV	10,828,571	6,460,795
In VND	10,466,976	6,459,020
In foreign currencies	361,595	1,775
	10,828,571	6,460,795

Balances with the SBV include current account and compulsory reserves. As at 31 December 2018, compulsory reserve in VND and current account in foreign currencies bear interest at rate of 1.20% p.a. and 0.05% p.a., respectively (31 December 2017: 1.20% p.a. and 0.05% p.a., respectively).

Under the SBV regulations, the Bank is required to maintain certain cash reserves with the SBV in the form of compulsory reserves. In 2018, the required cash reserves of customer deposits in VND and foreign currencies having maturity of less than 12 months are computed at 3.00% and 8.00%, respectively (2017: 3.00% and 8.00%, respectively) and having maturity of over 12 months are computed at 1.00% and 6.00% (2017: 1.00% and 6.00% respectively).

7. PLACEMENTS WITH AND CREDIT GRANTING TO OTHER CREDIT INSTITUTIONS**7.1 PLACEMENTS WITH OTHER CREDIT INSTITUTIONS**

	31/12/2018 VND million	31/12/2017 VND million
Demand deposits	12,068,678	6,186,517
- In VND	9,934,829	5,222,342
- In foreign currencies	2,133,849	964,175
Term deposits	3,268,950	9,032,203
- In VND	2,363,370	8,778,800
- In foreign currencies	905,580	253,403
	15,337,628	15,218,720

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7.2 CREDIT GRANTING TO OTHER CREDIT INSTITUTIONS

	31/12/2018 VND million	31/12/2017 VND million
In VND	769,463	1,864,748
In foreign currencies	464,400	437,288
	1,233,863	2,302,036
Provision for credit granting to other credit institutions	-	(731)
	1,233,863	2,301,305

Interest rates of placements with and credit granting to other credit institutions as at the reporting date are as follows:

	31/12/2018 % per annum	31/12/2017 % per annum
Term deposits in VND	3.90 - 6.00	1.50 - 6.60
Term deposits in foreign currencies	2.60 - 3.20	1.65 - 2.00
Credit granting in VND	4.67 - 6.83	3.25 - 5.30
Credit granting in foreign currencies	3.00 - 3.30	1.70

Analysis of outstanding term deposits with and credit granting other credit institutions by quality as at the end of the year are as follows:

	31/12/2018 VND million	31/12/2017 VND million
Current	4,502,813	11,333,508
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	-	731
	4,502,813	11,334,239

8. SECURITIES HELD FOR TRADING**8.1 DEBT SECURITIES**

	31/12/2018 VND million	31/12/2017 VND million
Government and municipal securities	4,240,742	1,424,854
	4,240,742	1,424,854
Provision for securities held for trading	(38,329)	-
Provision for diminution in value of securities held for trading (Note 29)	(38,329)	-
	4,202,413	1,424,854

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

	2018 VND million	2017 VND million
Opening balance	-	1,563
Provision charged/(reversed) in the year (Note 29)	38,329	(1,563)
Closing balance	38,329	-

8.2 SECURITIES HELD FOR TRADING BY LISTING STATUS

	31/12/2018 VND million	31/12/2017 VND million
Debt securities		
Listed	4,240,742	1,424,854

9. DERIVATIVES AND OTHER FINANCIAL LIABILITIES

	Total contract nominal value (at contractual exchange rate) VND million	Total carrying value (at exchange rate as at reporting date)		Net value VND million
		Assets VND million	Liabilities VND million	
As at 31 December 2018				
Derivative financial instruments	37,477,476	37,284,817	(37,361,354)	(76,537)
Currency forward contracts	7,030,491	7,006,722	(6,995,804)	10,918
Currency swap contracts	30,446,985	30,278,095	(30,365,550)	(87,455)
Other derivative financial instruments	6,350,452	4,442,399	(4,384,433)	57,966
	43,827,928	41,727,216	(41,745,787)	(18,571)
As at 31 December 2017				
Derivative financial instruments	42,188,757	41,777,187	(41,909,789)	(132,602)
Currency forward contracts	7,553,187	7,512,691	(7,411,395)	101,296
Currency swap contracts	34,635,570	34,264,496	(34,498,394)	(233,898)
Other derivative financial instruments	3,915,001	2,093,000	(2,120,867)	(27,867)
	46,103,758	43,870,187	(44,030,656)	(160,469)

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10. LOANS TO CUSTOMERS

	31/12/2018 VND million	%	31/12/2017 (Reclassified) (*) VND million	%
Loans to domestic economic entities and individuals	210,805,697	94.97	175,523,430	96.09
Discounted bills and valuable papers	152,527	0.07	118,161	0.06
Payments on behalf of customers	1,381	0.00	1,506	0.00
Loans financed by borrowed and entrusted funds	488,959	0.22	505,797	0.28
Loans to foreign economic entities and individuals	220	0.00	2,118	0.00
Other credit granting to customers (*)	10,513,212	4.74	6,515,201	3.57
	221,961,996	100	182,666,213	100

(*) The Bank reclassified VND6,515,201 million as at 31 December 2017, which is balance of credit cards, from "Loans to domestic economic entities and individuals" to "Other credit to customers" in accordance with Circular No. 22/2017/TT-NHNN. This reclassification is for presentation purposes and does not impact the total balance of loans to customers.

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

	31/12/2018 % per annum	31/12/2017 % per annum
Range of interest rate of commercial loans in VND	3,00 - 13,50	3,00 - 13,50
Range of interest rate commercial loans in foreign currencies	3.30 - 5.50	2.30 - 4.50
Average interest rate of consumer loans in VND	43.83	43.90

10.1 ANALYSIS OF LOAN PORTFOLIO BY QUALITY

Analysis of loan portfolio by quality as at year end is as follows:

	31/12/2018 VND million	31/12/2017 VND million
Current	202,527,738	163,809,825
Special mention	11,667,993	12,656,366
Substandard	4,217,034	3,166,441
Doubtful	1,691,989	1,966,441
Loss	1,857,242	1,067,140
	221,961,996	182,666,213

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10.2 ANALYSIS OF LOAN PORTFOLIO BY ORIGINAL MATURITY

	31/12/2018 VND million	31/12/2017 VND million
Short term	73,407,839	58,092,547
Medium term	99,662,806	80,231,829
Long term	48,891,351	44,341,837
	221,961,996	182,666,213

10.3 ANALYSIS OF LOAN PORTFOLIO BY OWNERSHIP AND TYPE OF CUSTOMERS

	31/12/2018 VND million	%	31/12/2017 VND million	%
State-owned companies	2,149,158	0.97	2,138,441	1.17
One-member limited liability companies with 100% State ownership	830,083	0.37	1,564,284	0.86
Two or more member limited liability companies with over 50% State ownership or being controlled by the State	17,358	0.01	171,242	0.09
Other limited liability companies	37,131,870	16.73	29,041,774	15.90
Joint stock companies with over 50% State ownership or being controlled by the State	412,641	0.19	644,236	0.35
Other joint-stock companies	51,966,135	23.41	30,304,222	16.59
Private enterprises	476,169	0.22	561,338	0.31
Foreign invested enterprises	399,702	0.18	721,886	0.40
Co-operatives and unions of co-operative	68,449	0.03	56,476	0.03
Household business and individuals	128,503,645	57.89	117,375,994	64.25
Operation administration entity, the Party, unions and associations	5,826	0.00	84,708	0.05
Others	960	0.00	1,612	0.00
	221,961,996	100	182,666,213	100

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10.4 ANALYSIS OF LOAN PORTFOLIO BY SECTORS

	31/12/2018 VND million	%	31/12/2017 (Reclassified) (*) VND million	%
Agricultural, forestry and aquaculture	1,149,359	0.52	3,512,339	1.92
Mining	391,618	0.18	253,756	0.14
Processing, manufacturing	11,938,173	5.38	12,096,569	6.62
Electricity, petroleum and steam	1,865,916	0.84	2,169,791	1.19
Water supply and waste treatment	216,406	0.10	227,136	0.12
Construction	19,234,916	8.67	7,796,693	4.27
Wholesale and retail trade, repair of motor vehicles, motor cycles and personal goods	24,644,053	11.10	22,150,836	12.13
Transportation and logistics	7,945,263	3.58	9,321,473	5.10
Hospitality and restaurants	9,902,603	4.46	4,189,673	2.29
Information and media	396,897	0.18	453,449	0.25
Finance, banking and insurance services	3,969,632	1.79	1,868,409	1.02
Real estates	43,341,997	19.52	33,590,000	18.39
· In which: borrowing for accommodation purpose and obtain land use rights	19,839,780	8.96	17,956,411	9.83
Scientific research and technology	638,907	0.29	234,387	0.13
Administrative activities and support services	1,563,129	0.70	1,209,101	0.66
Activities of the Communist Party, political - social organizations, state management, security and defense	11,539	0.01	26,242	0.01
Education and vocational training	327,506	0.15	335,392	0.18
Healthcare and community development	34,359	0.02	384,619	0.21
Recreational, cultural, sporting activities	214,758	0.10	274,785	0.15
Other services	333,180	0.15	1,507,678	0.83
Households services, production of material products and services used by households	93,833,408	42.26	80,966,011	44.34
Activities of other foreign organizations and offices	8,377	0.00	97,874	0.05
	221,961,996	100	182,666,213	100

(*) Loan to customers by sector as at 31 December 2018 are classified in accordance with Circular No. 11/2018/TT-NHNN dated 17 August 2018 on amending and supplementing certain articles of the Circular No. 35/2015/TT-NHNN on the statistical reporting system applied to credit institutions and Official Letter No. 7860/NHNN-DBTK dated 18 October 2018 on reviewing report Form 002-DBTK – Report on Loans outstanding by purpose of the loan. Accordingly, for comparison purpose, the Bank has reviewed and reclassified balance as at 31 December 2017 (Note 44.2).

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11. PROVISION FOR CREDIT LOSSES OF LOANS TO CUSTOMERS

Provision for credit losses of loans to customers at year end is as follows:

	31/12/2018 VND million	31/12/2017 VND million
General provision	1,525,190	1,290,695
Specific provision	2,041,583	1,856,709
	3,566,773	3,147,404

Changes in provision for credit losses in the year 2018 are as follows:

	General provision VND million	Specific provision VND million	Total VND million
Opening balance	1,290,695	1,856,709	3,147,404
Provision charged in the year (Note 34)	234,495	11,045,130	11,279,625
Change in provision due to sale or purchase of VAMC bonds	-	(184,737)	(184,737)
Provision used to write-off bad debts	-	(10,675,519)	(10,675,519)
Closing balance	1,525,190	2,041,583	3,566,773

Changes in provision for credit losses in the year 2017 are as follows:

	General provision VND million	Specific provision VND million	Total VND million
Opening balance	1,031,565	1,058,397	2,089,962
Provision charged in the year (Note 34)	259,130	7,422,746	7,681,876
Decrease of provision due to sale of debts to VAMC	-	(64,482)	(64,482)
Provision used to write-off bad debts	-	(6,559,952)	(6,559,952)
Closing balance	1,290,695	1,856,709	3,147,404

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12. INVESTMENT SECURITIES**12.1 AVAILABLE-FOR-SALE SECURITIES**

	31/12/2018 VND million	31/12/2017 VND million
Debt securities	49,401,800	50,369,431
Government and municipal securities	23,476,465	17,201,861
Debt securities issued by other domestic credit institutions	17,097,423	19,161,043
<i>In which: Bonds guaranteed by the Government</i>	<i>6,533,088</i>	<i>12,751,017</i>
Debt securities issued by domestic economic entities	8,827,912	14,006,527
Equity securities	15,357	15,357
Equity securities issued by domestic economic entities	15,357	15,357
	49,417,157	50,384,788
Provision for available-for-sale securities	(265,319)	(161,117)
Diminution provision	(83,901)	(17,818)
General provision	(181,418)	(143,299)
	49,151,838	50,223,671

Government bonds have terms from 3 years to 15 years and bear interest at rates ranging from 2.90% per annum to 10.80% per annum (31 December 2017: terms of 3 years to 15 years, interest at rates ranging from 4.90% per annum to 10.80% per annum).

Debt securities issued by domestic credit institutions have terms from 6 months to 10 years and bear interest at rates ranging from 5.00% per annum to 12.00% per annum (31 December 2017: terms of 11 months to 15 years, interest at rates ranging from 5.00% per annum to 12.20% per annum).

Debt securities issued by other domestic economic entities have terms from 6 months to 11 years and bear interest at rates ranging from 9.50% per annum to 11.25% per annum (31 December 2017: terms from 1 year to 11 years, interest at rates ranging from 8.73% per annum to 11.50% per annum).

Face value of bonds pledged for capital mobilization contracts as at 31 December 2018 amounted to VND13,277,938 million (31 December 2017: VND6,176,038 million).

Face value of bonds sold under agreement to repurchase as at 31 December 2018 amounted to VND7,550,000 million (31 December 2017: VND8,400,000 million).

Analysis of available-for-sale securities by listing status at reporting date is as follows:

	31/12/2018 VND million	31/12/2017 VND million
Listed bonds	30,009,553	29,952,878
<i>Unlisted bonds (Note 12.4)</i>	<i>15,392,019</i>	<i>19,276,527</i>
Other unlisted debt securities	4,000,228	1,140,026
Listed equity securities	15,357	15,357
	49,417,157	50,384,788

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12.2 HELD-TO-MATURITY SECURITIES

	31/12/2018 VND million	31/12/2017 VND million
Government bonds	403,800	102,689
Special bonds	3,161,133	4,048,438
	3,564,933	4,151,127
Provision for held-to-maturity securities	(790,355)	(816,749)
Provision for special bonds	(790,355)	(816,749)
	2,774,578	3,334,378

Government bonds as at 31 December 2018 have terms from 3 years to 5 years and bear interest at rates ranging from 5.70% per annum to 8.20% per annum (31 December 2017: terms from 3 years to 5 years and bear interest at rates ranging from 5.70% per annum to 8.20% per annum).

Special bonds as at 31 December 2018 and 31 December 2017 are bonds issued by VAMC with term of 5 years and bear no interest.

Analysis of held-to-maturity securities (excluding VAMC bonds) by listing status as at year end is as follows:

	31/12/2018 VND million	31/12/2017 VND million
Listed bonds	403,800	102,689

12.3 PROVISION FOR INVESTMENT SECURITIES

Movement of provision for investment securities during 2018 is as follows:

	Available-for-sale securities VND million	Held-to-maturity securities VND million	Total VND million
Opening balance	161,117	816,749	977,866
Provision charged/(reversed) in the year	104,202	(26,394)	77,808
<i>In which:</i>			
<i>Special bonds (Note 34)</i>	-	(26,394)	(26,394)
<i>Other securities (Note 30)</i>	104,202	-	104,202
Closing balance	265,319	790,355	1,055,674

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Movement of provision for investment securities during 2017 is as follows:

	Available-for-sale securities VND million	Held-to-maturity securities VND million	Total VND million
Opening balance	248,559	496,311	744,870
Provision charged in the year	39,707	320,438	360,145
<i>In which:</i>			
<i>VAMC bonds (Note 34)</i>	-	320,438	320,438
<i>Other securities (Note 30)</i>	39,707	-	39,707
Provision decreased due to sale of debts to VAMC	(127,149)	-	(127,149)
Closing balance	161,117	816,749	977,866

12.4 ANALYSIS OF INVESTMENT SECURITIES BY QUALITY

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

	31/12/2018 VND million	31/12/2017 VND million
Current	15,392,019	19,276,527
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	-	-
	15,392,019	19,276,527

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13. LONG-TERM INVESTMENTS

	31/12/2018		31/12/2017	
	Cost VND million	% owned	Cost VND million	% owned
Investments in economic entities				
ITRACO Transportation Joint Stock Company (INTRACO JSC)	21	0.64	21	0.64
Dong Xuan Join Stock Company (Dong Xuan JSC)	5,000	10.00	5,000	10.00
Banking Training and Consultancy JSC (BTC)	371	5.29	371	5.29
Vietnam Credit Information JSC (PCB)	3,934	3.28	3,934	3.28
Sai Gon Port Joint-Stock Company	185,276	7.44	185,276	7.44
OPES Insurance Joint-Stock Company	33,000	11.00	-	-
	227,602		194,602	
Provision for other long-term investments	(36,948)		(42,096)	
	190,654		152,506	

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

	2018 VND million	2017 VND million
Opening balance	42,096	76,442
Provision reversed in the year (Note 33)	(5,148)	(34,346)
Closing balance	36,948	42,096

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14. FIXED ASSETS**14.1 TANGIBLE FIXED ASSETS**

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

	Buildings and architectonic models VND million	Machines and equipment VND million	Motor vehicles VND million	Office equipment VND million	Other VND million	Total VND million
Cost						
Opening balance	84,321	706,403	151,863	89,162	59,009	1,090,758
Purchases in the year	47,864	36,433	6,495	2,189	124	93,105
Other increase/(decrease)	900,275	106,386	2,356	14,994	17,059	1,041,070
Disposal	-	(842)	(9,489)	(2,336)	(1,041)	(13,708)
Closing balance	1,032,460	848,380	151,225	104,009	75,151	2,211,225
Accumulated depreciation						
Opening balance	23,692	418,323	84,583	65,108	41,370	633,076
Charge for the year	16,269	143,158	18,870	14,371	11,928	204,596
Other increase/(decrease)	-	(32)	-	(10)	-	(42)
Disposal	-	(808)	(7,879)	(2,319)	(971)	(11,977)
Closing balance	39,961	560,641	95,574	77,150	52,327	825,653
Net book value						
As at beginning date	60,629	288,080	67,280	24,054	17,639	457,682
As at closing date	992,499	287,739	55,651	26,859	22,824	1,385,572

Cost of fully-depreciated tangible fixed assets which are still in active use as at 31 December 2018 is VND361,759 million (31 December 2017: VND271,954 million).

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14.2 INTANGIBLE FIXED ASSETS

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

	Indefinite land use rights VND million	Computer software VND million	Total VND million
Cost			
Opening balance	69,147	554,079	623,226
Purchases in the year	-	25,430	25,430
Other increase/(decrease)	-	310,633	310,633
Closing balance	69,147	890,142	959,289
Accumulated amortization			
Opening balance	868	271,554	272,422
Charge for the year	-	109,343	109,343
Closing balance	868	380,897	381,765
Net book value			
At the beginning date	68,279	282,525	350,804
At the closing date	68,279	509,245	577,524

Cost of fully-depreciated intangible fixed assets which are still in active use as at 31 December 2018 is VND165,400 million (31 December 2017: VND137,275 million).

15. OTHER ASSETS**15.1 RECEIVABLE**

	31/12/2018 VND million	31/12/2017 VND million
Internal receivables	126,920	104,880
External receivables	10,159,653	8,186,347
- Receivables related to usance letters of credit (Note 17.2) (*)	7,730,707	5,148,955
- Deposits for economic contracts	742,794	499,764
- Overdue deposits classified as credit risk bearing assets	36,165	165
- Receivables in settlement operation	243,669	346,777
- Advances to suppliers	133,879	158,021
- Other external receivables	1,272,439	2,032,665
Purchase of fixed assets	155,675	237,824
Construction in progress	40,034	10,477
	10,482,282	8,539,528

(*) Receivables related to usance letters of credit is the value of L/C documents reimbursed by UPASLC Reimbursing Bank that is accounted in accordance with Official Letter No. 3333/NHNN-TCKT dated 13 May 2013 on guiding accounting method for letter of credit reimbursement.

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Analysis of other assets classified as credit-risk assets by quality at reporting date is as follows:

	31/12/2018 VND million	31/12/2017 VND million
Current	36,000	-
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	165	165
	36,165	165

15.2 ACCRUED INTEREST AND FEE RECEIVABLES

	31/12/2018 VND million	31/12/2017 VND million
Interest receivables from deposits	12,977	19,534
Interest receivables from investment securities	1,694,874	1,728,995
Interest receivables from credit activities	2,522,319	1,993,928
Interest receivables from derivative instruments	125,209	69,434
Other fee receivables	72,386	124
	4,427,765	3,812,015

15.3 OTHER ASSETS

	31/12/2018 VND million	31/12/2017 VND million
Materials	13,193	15,490
Prepaid expenses	1,759,552	1,490,230
Assets in substitution for obligation performance of securers who has transferred the ownership to the Bank in compliance with the SBV's prevailing regulations	700,474	1,898,646
- In which: Real estates	700,474	1,898,646
	2,473,219	3,404,366

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15.4 PROVISION FOR OTHER ASSETS

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

	2018 VND million	2017 VND million
Opening balance	21,403	227,382
Provision charged in the year	4,081	18,331
<i>In which:</i>		
Reversal of provision for other credit risk bearing assets (Note 34)	-	(1,256)
Charge of provision for doubtful debts (Note 33)	4,081	19,587
Provision used to write-off bad debts	-	(224,310)
Closing balance	25,484	21,403

Details of provision for other assets are as follows:

	31/12/2018 VND million	31/12/2017 VND million
Provision for credit risks bearing assets	165	165
- <i>Specific provision</i>	165	165
Provision for doubtful debts	25,319	21,238
	25,484	21,403

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

	31/12/2018 VND million	31/12/2017 VND million
Borrowings from the State Bank of Vietnam	1,781,343	26,015
Discount, rediscount of valuable papers	1,759,184	-
Other borrowings	22,159	26,015
Deposits of the State Treasury	2,000,000	-
Deposits of the State Treasury	2,000,000	-
	3,781,343	26,015

As at 31 December 2018, borrowings from the State Bank of Vietnam have terms from 7 days to 12 months and bear interest at rates ranging from 3.50% per annum to 4.75% per annum (31 December 2017: term in 12 months and bear interest at rates 3.50% per annum); deposits of the State Treasury have 2-month term and bear interest at rate 4.40% per annum.

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17. DEPOSITS AND BORROWINGS FROM FINANCIAL INSTITUTIONS AND OTHER CREDIT INSTITUTIONS**17.1 DEPOSITS FROM OTHER CREDIT INSTITUTIONS**

	31/12/2018 VND million	31/12/2017 VND million
Demand deposits	3,523,109	108,363
In VND	3,523,086	108,341
In foreign currencies	23	22
Term deposits	17,622,085	7,726,018
In VND	14,754,415	5,870,000
In foreign currencies	2,867,670	1,856,018
	21,145,194	7,834,381

17.2 BORROWINGS FROM FINANCIAL INSTITUTIONS AND OTHER CREDIT INSTITUTIONS

	31/12/2018 VND million	31/12/2017 (Reclassified) (*) VND million
Payables arising from usance letters of credit (Note 15.1) (i)	7,730,682	5,148,955
Borrowings from financial institutions and other credit institutions	25,355,575	25,080,513
In VND	8,470,907	8,939,511
<i>In which: Payables related to sale and repurchase contract of valuable papers in VND (*)</i>	425,450	1,292,844
In foreign currencies	16,884,668	16,141,002
<i>In which: Borrowed in foreign currencies from International Finance Company ("IFC") (ii)</i>	3,103,829	3,570,587
	33,086,257	30,229,468

(i) Payables related to usance letters of credit is the value of L/C documents reimbursed by UPASLC Reimbursing Bank after deducting fees.

(ii) Loan with amount of USD57,000,000, which is equivalent to VND1,323,540 million as at 31 December 2018 is the medium-term commercial loan, along with Conversion Option and issuance of Conversion shares in accordance with terms and conditions of the Loan Agreement on 31 May 2017 between VPBank and IFC. Validation of the Loan Agreement is until 31 May 2019.

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

	31/12/2018 VND million	31/12/2017 (Reclassified) (*) VND million
Up to 6 months	7,268,680	13,997,897
From over 6 months to 12 months	5,314,600	1,410,623
From over 12 months to 5 years	12,580,013	9,490,943
Over 5 years	192,282	181,050
	25,355,575	25,080,513

(*) The Bank reclassified VND3,570,587 million as at 31 December 2017, which is borrowed from IFC from "Other borrowed and entrusted funds" to "Borrowings from financial institutions and credit institutions"; and reclassified VND1,292,844 million, which are payables relating to sale and repurchase contract of valuable papers with other financial institutions, from "Other liabilities" to "Borrowings from financial institutions and other credit institutions" in accordance with Circular No. 22/2017/TT-NHNN. This reclassification is for purpose of presenting the comparative figures.

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

	31/12/2018 % per annum	31/12/2017 % per annum
Term deposits from other credit institutions in VND	1.00 - 9.20	1.00 - 5.80
Term deposits from other credit institutions in foreign currencies	2.50 - 2.70	0.10 - 2.20
Borrowings from financial institutions and other credit institutions in VND	3.60 - 7.80	1.50 - 7.50
Borrowings from other financial institutions and credit institutions in foreign currencies	0.72 - 9.00	0.75 - 9.30

18. CUSTOMER DEPOSITS

	31/12/2018 VND million	31/12/2017 VND million
Demand deposits	22,630,333	19,670,947
- In VND	20,024,737	17,711,736
- In foreign currencies	2,605,596	1,959,211
Term deposits	147,477,943	113,467,607
- In VND	144,373,905	110,089,721
- In foreign currencies	3,104,038	3,377,886
Deposits for specific purposes	109,518	58,484
- In VND	63,262	52,935
- In foreign currencies	46,256	5,549
Margin deposits	633,077	353,774
- In VND	548,204	348,924
- In foreign currencies	84,873	4,850
	170,850,871	133,550,812

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

	31/12/2018 VND million	%	31/12/2017 VND million	%
State-owned companies	2,413,160	1.41	2,847,526	2.13
One-member limited liability companies with 100% State ownership	649,260	0.38	1,149,170	0.86
Two or more member limited liability companies with over 50% State ownership or controlled by the State	209,850	0.12	151,792	0.11
Other limited liability companies	19,809,772	11.59	18,720,792	14.02
Joint stock companies with over 50% State ownership or controlled by the State	1,907,339	1.12	1,438,706	1.08
Other joint-stock companies	37,128,315	21.73	28,238,527	21.15
Partnership companies	2,370	0.00	1,936	0.00
Private enterprises	76,874	0.04	80,168	0.06
Foreign invested enterprises	641,600	0.38	1,386,953	1.04
Co-operatives and unions of co-operative	28,047	0.02	16,962	0.01
Household business and individuals	105,126,089	61.53	77,464,297	58.00
Operation administration entity, the Party, unions and associations	2,708,927	1.59	1,852,220	1.39
Others	149,268	0.09	201,763	0.15
	170,850,871	100	133,550,812	100

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

	31/12/2018 % per annum	31/12/2017 % per annum
Demand deposits in VND	0.50%	0.50%
Demand deposits in foreign currencies	0.00%	0.00%
Term deposits in VND	1.00%-11%	1.00% - 11.60%
Term deposits in foreign currencies	0.00%-2.30%	0.00% - 2.30%

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19. OTHER BORROWED AND ENTRUSTED FUNDS

	31/12/2018 VND million	31/12/2017 (Reclassified) (*) VND million
Borrowed and entrusted funds in VND from Official Development Assistance (ODA)	329,649	328,777

(*) The Bank reclassified VND3,570,587 million, which is borrowed from IFC as at 31 December 2017, from "Other borrowed and entrusted funds" to "Borrowings from financial institutions and credit institutions" in accordance with Circular 22/2017/TT-NHNN. This reclassification is for purpose of presenting the comparative figures.

Other borrowed and entrusted funds have terms from 3 years to 10 years and bear interest at rate of 4.97% per annum (31 December 2017: terms from 33 months to 10 years and bear interest at rates of 4.92% per annum).

20. VALUABLE PAPERS ISSUED

	31/12/2018 VND million	31/12/2017 VND million
Under 12 months	7,792,919	10,533,722
From 12 months up to 5 years	37,338,755	49,603,267
From 5 years and above	3,526,362	5,967,616
	48,658,036	66,104,605

Valuable papers consist of certificates of deposits and bonds which bear interest at rates ranging from 5.25% per annum to 11.50% per annum (31 December 2017: from 4.80% per annum to 13.50% per annum).

Types of valuable papers issued are as follows:

	31/12/2018 VND million	31/12/2017 VND million
Certificates of deposit to retail customers	10,005,918	27,576,840
Certificates of deposit to corporate customers	23,374,914	23,550,348
Bonds (*)	15,277,204	14,977,417
	48,658,036	66,104,605

(*) Including bonds with the amount of VND2,876,960 million eligible to be the Bank's own capital (31 December 2017: VND5,376,960 million).

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21. OTHER LIABILITIES**21.1 INTEREST AND FEES PAYABLE**

	31/12/2018 VND million	31/12/2017 VND million
Interest payables for customer term deposits	1,153,443	949,740
Interest payables for customer saving deposits	1,755,199	1,114,044
Interest payables for valuable papers issued	2,028,502	2,821,959
Interest payables for borrowings from financial institutions and other credit institutions	200,434	101,238
Interest payables for other borrowed and entrusted funds	19,114	20,260
Interest payables for derivative financial instruments	105,448	55,881
Fee payables	791	44
	5,262,931	5,063,166

23.2 OTHER LIABILITIES

	31/12/2018 VND million	31/12/2017 (Reclassified) (*) VND million
Internal payables	423,965	719,909
Payables to employees	423,965	719,909
External payables	4,984,233	4,039,002
Advances from customers	1,289,540	1,208,308
Unearned income	199,935	133,891
Transfer payment awaiting settlement	553,217	243,341
Taxes payable to the State Budget (Note 22)	789,595	759,545
Payables in settlement operation	537,405	473,750
Payables to suppliers	223,702	126,999
Other liabilities	1,390,839	1,093,168
	5,408,198	4,758,911

(*) The Bank reclassified VND1,292,844 million, which are payables relating to sale and repurchase contract of valuable papers with other financial institutions, from "Other liabilities" to "Borrowings from financial institutions and other credit institutions" in accordance with Circular No. 22/2017/TT-NHNN. This reclassification is for purpose of presenting the comparative figures.

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22. TAXES AND OTHER OBLIGATIONS TO THE STATE BUDGET

	Opening balance VND million	Movements in the year		Closing balance VND million
		Payables VND million	Paid VND million	
Value added tax	29,124	249,739	(248,962)	29,901
Corporate income tax	655,739	1,842,940	(1,810,679)	688,000
Other taxes	74,682	532,276	(535,264)	71,694
	759,545	2,624,955	(2,594,905)	789,595

22.1 CURRENT CORPORATE INCOME TAX

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

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

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

Provision for current income tax expense is estimated as follows:

	2018 VND million	2017 VND million
Profit before tax	9,198,508	8,130,063
<i>Plus/(Minus)</i>		
- Non-taxable income	(845)	(598)
- Non-deductible expenses	17,640	61,535
- Other additions	-	239,667
- Expenses arising from consolidation	-	12,485
Estimated taxable income	9,215,303	8,443,152
Estimated income tax expense using prevailing tax rate	1,843,060	1,688,631
Adjustment of tax expenses in previous years	(120)	665
Income tax expense for the year	1,842,940	1,689,296
Income tax payable at the beginning of the year	655,739	467,647
Adjustment of tax payable in previous years	-	468
Income tax paid in the year	(1,810,679)	(1,501,672)
Current income tax payable at the end of the year	688,000	655,739

22.2 DEFERRED INCOME TAX

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

23. OWNERS' EQUITY AND RESERVES**23.1 STATEMENT OF CHANGES IN EQUITY**

	Charter capital VND million	Share premium VND million	Capital supplementary reserve VND million	Financial reserve VND million	Investment and development fund VND million	Retained earnings VND million	Foreign exchange differences VND million	Total VND million
Balance as at 1 January 2017	9,181,000	1,288,863	338,796	1,084,775	1,526,621	3,757,473	-	17,177,528
Net profit for the year	-	-	-	-	-	6,440,767	-	6,440,767
Issuance of ordinary shares	1,647,144	4,776,717	-	-	-	-	-	6,423,861
Issuance of bonus shares	579,300	-	(170,597)	-	(408,703)	-	-	-
Dividend paid for preferred shares	-	-	-	-	-	(146,439)	-	(146,439)
Transfer from investment and development fund to increase charter capital	-	-	-	-	(1,684,040)	1,684,040	-	-
Stock dividend	4,298,786	-	-	-	-	(4,298,786)	-	-
Appropriation to reserves	-	-	322,662	645,220	1,903,531	(2,871,413)	-	-
Consultancy fee for issuance of ordinary shares	-	(199,475)	-	-	-	-	-	(199,475)
Adjustment on tax expenses of previous years	-	-	-	-	-	(532)	-	(532)
Balance as at 31 December 2017	15,706,230	5,866,105	490,861	1,729,995	1,337,409	4,565,110	-	29,695,710
Net profit for the year	-	-	-	-	-	7,355,568	-	7,355,568
Issuance of treasury shares from chartered capital and share premium (i)	4,731,795	(4,577,104)	(154,691)	-	-	-	-	-
Dividend paid for preferred shares	-	-	-	-	-	(146,439)	-	(146,439)
Capital increase from retained earnings (i)	4,524,704	-	-	-	-	(4,524,704)	-	-
Reserves transferred from subsidiary to the Parent Bank	-	-	-	-	(2,854,632)	2,854,632	-	-
Appropriation to reserves	-	-	367,779	735,428	3,813,730	(4,916,937)	-	-
Transfer fee for share premium	-	-	-	-	-	-	(2,489)	(2,489)
Preferred shares repurchase as treasury shares	-	-	-	-	-	-	(2,489,232)	(2,489,232)
Capital increase from share issuance in ESOP (ii)	336,951	-	-	-	-	-	-	336,951
Balance as at 31 December 2018	25,299,680	1,289,001	703,949	2,465,423	2,296,507	5,187,230	(2,491,721)	34,750,069

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In 2018, the Bank has recorded the increase in charter capital from VND15,706,230 million to 25,299,680 million through 2 times as follows:

- (i) First time: Capital increase from VND15,706,230 million to VND24,962,729 million through share issuance for dividend payment from retained earnings in 2017 and distributed bonus from the Capital supplementary fund and Share premium in accordance with the Decision No. 1670/QD-NHNN dated 23 August 2018 of SBV, Official Letter No. 4145/UBCK-QLCB dated 4 July 2018 issued by State Securities Commission of Vietnam.
- (ii) Second time: Capital increase from VND24,962,729 million to VND25,299,680 million through share issuance for VPBank's employees share ownership plan (ESOP) in accordance with Official Letter No. 6619/UBCK-QLCB dated 27 September 2018 issued by State Securities Commission of Vietnam.

23.2 EQUITY

	31 December 2018		31 December 2017	
	Number Shares	Face value VND million	Number Shares	Face value VND million
Registered shares	2,529,967,966	25,299,680	1,570,623,015	15,706,230
Public issued shares	2,529,967,966	25,299,680	1,570,623,015	15,706,230
- Common shares	2,456,748,366	24,567,484	1,497,403,415	14,974,034
- Preference shares	73,219,600	732,196	73,219,600	732,196
Treasury shares	(73,219,600)	(732,196)	-	-
- Common shares	-	-	-	-
- Preference shares (*)	(73,219,600)	(732,196)	-	-
Outstanding shares	2,456,748,366	24,567,484	1,570,623,015	15,706,230
- Common shares	2,456,748,366	24,567,484	1,497,403,415	14,974,034
- Preference shares	-	-	73,219,600	732,196

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

(*) Preference shares issued by the Bank are preference dividend shares which earn stable annual dividend and have no voting rights. On 9 July 2018, the Bank repurchased these preference shares as treasury shares in accordance with Decision No. 379/2018/QD-HDQT dated 4 June 2018 by the Board of Directors.

24. BASIC EARNINGS PER SHARE

	2018	2017
Profit after tax	7,355,568	6,440,767
Dividend paid to preference shares	-	(146,439)
Profit attributed to ordinary shareholders of the Bank (VND million)	7,355,568	6,294,328
Weighted average number of ordinary shares (Share)	2,431,915,543	2,231,731,636
Basic earnings per share (VND)	3,025	2,820

As at 31 December 2018, VPBank has a loan with amount of USD57,000,000 (equivalent to VND1,323,540 million), this is a commercial medium-term loan with a right for the creditor to convert into ordinary shares of the Bank in accordance with terms and conditions stipulated in the Convertible Loan Contract between VPBank and IFC dated

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31 May 2017. The contract and the convertible right is effective until 31 May 2019 (Note 17.2). As at 31 December 2018, this event does not have dilution effect on earnings per share.

Profit attributed to ordinary shareholders is equal to the consolidated profit after tax minus (-) dividends on preference shares (if any).

The basic earnings per share for the prior year have been restated due to the effect of the issuance of bonus shares and stock dividend in 2018 to existing shareholders in the prior year.

25. INTEREST AND SIMILAR INCOME

	2018 VND million	2017 VND million
Interest income from deposits	261,986	219,773
Interest income from loans to customers	34,528,230	28,748,896
Interest income from securities held for trading and investment securities	3,937,119	4,221,610
- Interest income from securities held-for-trading	171,059	158,421
- Interest income from investment securities	3,766,060	4,063,189
Interest income from debts purchased	19,763	-
Income from guarantee activities	163,042	129,284
Other income from credit activities	1,370,074	813,808
	40,280,214	34,133,371

26. INTEREST AND SIMILAR EXPENSES

	2018 VND million	2017 VND million
Interest expenses for deposits	8,572,153	7,069,179
Interest expenses for borrowings	1,195,583	757,165
Interest expenses for valuable papers issued	5,246,234	5,325,631
Other expenses for credit activities	564,669	366,970
	15,578,639	13,518,945

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27. NET FEE AND COMMISSION INCOME

	2018 VND million	2017 VND million
Fee and commission income	3,818,797	3,210,071
Settlement and treasury services	484,067	288,572
Advisory activities	128,329	138,538
Income from business and insurance services	2,187,364	2,205,667
Other services	1,019,037	577,294
Fee and commission expenses	(2,206,301)	(1,748,527)
Settlement services and treasury services	(284,048)	(232,274)
Advisory activities	(5,066)	(6,673)
Brokerage fees	(1,306,493)	(1,106,563)
Other expenses	(610,694)	(403,017)
	1,612,496	1,461,544

28. NET LOSS FROM TRADING OF FOREIGN CURRENCIES

	2018 VND million	2017 VND million
Income from trading of foreign currencies	1,517,053	1,223,643
Income from spot trading of foreign currencies	392,839	346,606
Income from gold trading	7,489	16,325
Income from trading of monetary derivatives	1,116,725	860,712
Expenses for trading of foreign currencies	(1,620,803)	(1,382,485)
Expenses for spot trading of foreign currencies	(824,940)	(629,451)
Expenses for gold trading	(9,860)	(18,134)
Expenses for trading of monetary derivatives	(786,003)	(734,900)
	(103,750)	(158,842)

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

	2018 VND million	2017 VND million
Income from trading of securities held for trading	145,101	279,799
Expenses for trading of securities held for trading	(163,593)	(101,724)
Provision expense for securities held for trading (Note 8.1)	(38,329)	1,563
	(56,821)	179,638

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30. NET GAIN FROM INVESTMENT SECURITIES

	2018 VND million	2017 VND million
Income from trading of investment securities	492,917	481,849
Expenses for trading of investment securities	(138,658)	(102,665)
Provision (charged)/reversed for investment securities (Note 12.3)	(104,202)	(39,707)
	250,057	339,477

31. NET GAIN FROM OTHER OPERATING ACTIVITIES

	2018 VND million	2017 VND million
Other operating income	5,363,874	3,208,782
Income from other derivatives	328,744	47,669
Bad debt recoveries	2,092,678	1,098,054
Income from disposal of fixed assets	20	224,364
Income from disposal of other assets	46,887	562,948
Income from debt purchase activities	1,858,038	289,056
Income from contracts penalty receivables	70,932	42,376
Support received and other income	966,575	944,315
Other operating expenses	(682,613)	(809,217)
Expenses for other derivatives	(389,423)	(63,715)
Expenses from disposal of investment properties	-	(17,068)
Expenses for disposal of fixed assets	(1,295)	-
Expenses for disposal of other assets	(38,979)	(570,875)
Other expenses	(252,916)	(157,559)
	4,681,261	2,399,565

32. INCOME FROM INVESTMENTS IN OTHER ENTITIES

	2018 VND million	2017 VND million
Income from disposal or divestment in other entities	-	52,970
Dividend income	845	598
	845	53,568

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33. OPERATING EXPENSES

	2018 VND million	2017 VND million
Tax, duties and fees	272,032	229,264
Personnel expenses	6,020,762	5,060,266
<i>In which:</i>		
Salary and allowances	5,237,598	4,339,711
Expenses related to salary	443,678	296,524
Subsidy	172,494	314,689
Other allowances	166,992	109,342
Fixed asset expenses	1,418,975	1,101,356
<i>In which:</i>		
Depreciation and amortization of fixed assets	313,939	244,832
Operating leases	677,437	546,303
Administrative expenses	1,356,369	948,596
<i>In which:</i>		
Expenses on per diem	54,358	58,833
Other provision expenses	(1,067)	(14,759)
- Reversal of provision for other long-term investments (Note 13)	(5,148)	(34,346)
- Charge of provision for doubtful debts (Note 15.4)	4,081	19,587
Insurance fee for customer deposits	162,736	141,741
Other operating expenses	1,404,117	1,291,791
	10,633,924	8,758,255

34. PROVISION EXPENSE FOR CREDIT LOSSES

	2018 VND million	2017 VND million
Provision expense for loans to customers (Note 11)	11,279,625	7,681,876
Provision expense for VAMC bonds (Note 12.3)	(26,394)	320,438
Provision reversed for other assets (Note 15.4)	-	(1,256)
	11,253,231	8,001,058

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35. CASH AND CASH EQUIVALENTS

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

	31/12/2018 VND million	31/12/2017 VND million
Cash and cash equivalents on hand	1,855,473	2,574,284
Balances with the SBV	10,828,571	6,460,795
Demand accounts at other credit institutions	12,068,678	6,186,517
Placements with other credit institutions with original term of three months or less	3,268,950	9,032,203
	28,021,672	24,253,799

36. EMPLOYEES' REMUNERATIONS

	2018 VND million	2017 VND million
I. Total average number of employees (persons) (only official employees)	25,628	20,607
II. Employees' remuneration (VND million)		
1. Total salary fund	5,096,354	4,364,765
2. Other remuneration	401,566	423,717
3. Total remuneration (1+2)	5,497,920	4,788,482
4. Average monthly salary	16.57	17.65
5. Average monthly remuneration	17.88	19.36

37. COLLATERAL AND MORTGAGES**37.1 ASSETS, VALUABLE PAPERS TAKEN FOR MORTGAGE, PLEDGE AND DISCOUNT, REDISCOUNT**

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

	Book value	
	31/12/2018 VND million	31/12/2017 VND million
Real estates	223,266,429	173,456,281
Mobile assets	43,147,192	39,934,274
Valuable papers	126,804,811	79,901,398
Others	130,344,800	106,177,159
	523,563,232	399,469,112

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Assets, valuable papers pledged, pledged and discounted taken from other credit institutions:

	Face value	
	31/12/2018 VND million	31/12/2017 VND million
Government bonds purchased under agreements to resell	-	2,050,000

37.2 ASSETS, VALUABLE PAPERS FOR MORTGAGE, PLEDGE AND DISCOUNT, REDISCOUNT

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

	31/12/2018 VND million	31/12/2017 VND million
Valuable papers pledged or mortgaged	13,683,517	6,160,155
Valuable papers sold under agreements to repurchase	7,550,000	8,400,000
Other assets for mortgage, pledge and discount, rediscount	21,708,817	13,949,016
	42,942,334	28,509,171

38. CONTINGENT LIABILITIES AND COMMITMENTS

Detail of contingent liabilities and commitments as at 31 December 2018 are as follows:

	31/12/2018 VND million	31/12/2017 VND million
Credit guarantees	20,626	3,792
Foreign exchange commitments	66,626,741	76,976,531
- Foreign exchange commitments - buy	1,583,073	369,768
- Foreign exchange commitments - sell	1,582,743	370,388
- Swap contracts	63,460,925	76,236,375
Irrevocable loan commitments	1,860	-
Letters of credit	14,799,169	8,801,290
Other guarantees	13,860,017	11,590,623
- Payment guarantees	2,285,892	1,802,861
- Contract performance guarantees	3,415,185	2,399,403
- Tender guarantees	360,921	575,831
- Other guarantees	7,798,019	6,812,528
Other commitments	111,197,304	7,034,321
	206,505,717	104,406,557
Minus: Margin deposits	(633,077)	(353,774)
Contingent liabilities and commitments	205,872,640	104,052,783

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39. RELATED PARTY TRANSACTIONS

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

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

Significant transactions of the Bank with its related parties in the year are as follows:

Related parties	Transactions	Amount	
		2018 VND million	2017 VND million
Members of the Board of Management, Board of Supervision and Board of Directors	Remuneration expenses	(82,826)	(48,919)
	Interest expenses for deposits of management	(3,068)	(1,483)

Receivables and payables with related parties as at 31 December 2018 and 31 December 2017 are as follows:

Related parties	Balances	Receivables/Payables	
		2018 VND million	2017 VND million
Members of the Board of Management, Board of Supervision and Board of Directors	Deposits at the Bank	53,314	40,962

Besides the transactions and balances presented above, the Bank and its subsidiaries do not have any other significant transactions, receivables and payables with its related parties as at 31 December 2018 and the year then ended.

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

Concentration of counterparties of the Bank and its subsidiaries by geographical regions as at 31 December 2018 are as follows:

	Domestic VND million	Foreign VND million	Total VND million
Loans to customers and credit granting to other credit institutions	223,195,639	220	223,195,859
Total fund mobilization	258,324,491	19,526,859	277,851,350
Credit commitments and other guarantees	28,681,672	-	28,681,672
Derivative instruments	15,807	2,764	18,571
Securities held for trading and investment securities	57,222,832	-	57,222,832

41. FINANCIAL RISK MANAGEMENT POLICIES

Ngân hàng chịu những rủi ro sau từ các công cụ tài chính:

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

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

Risk management framework

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

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

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

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41.1 CREDIT RISK

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

Credit risk management

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

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

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

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

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

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

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

	Not past due VND million	Past due but not impaired VND million	Past due and individually impaired VND million	Total VND million
Placements with and credit granting to other credit institutions	16,571,491	-	-	16,571,491
- Placements with other credit institutions	15,337,628	-	-	15,337,628
- Credit granting to other credit institutions	1,233,863	-	-	1,233,863
Securities held for trading	4,240,742	-	-	4,240,742
Loans to customers	202,527,738	2,405,656	17,028,602	221,961,996
Investment securities	52,982,090	-	-	52,982,090
- Available-for-sale securities	49,417,157	-	-	49,417,157
- Held-to-maturity securities	3,564,933	-	-	3,564,933
Other assets	17,264,426	63,188	55,652	17,383,266
Total	293,586,487	2,468,844	17,084,254	313,139,585

The above table presents the worst scenario in which the Bank will incur the maximum credit exposures as at 31 December 2018, without taking into account of any collateral held or their credit enhancement.

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

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

The Bank is currently holding collateral in the form of real estates, mobile assets, valuable papers and other types for the above collateral. However, it has not been able to determine the fair value of such assets due to the inadequacy of specific guidance from the SBV and other authorities nor necessary market information.

41.2 MARKET RISK

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

Market risk management

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

In 2017, market risk management policies were revised to introduce a new risk management model. Market risk management functions have been segregated amongst different units and committees, using three lines of

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defense model. Market Risk Sub-committee (MACO) under Risk Committee (RCO) was established to propose and analyze in-depth market risk, liquidity risk and counterparty risk issues. Also, internal document which requires segregation between Trading Book and Banking Book has been issued in accordance with the SBV's regulation and Basel II standards, ensuring to manage the model by risk appetite. Strategy of each Unit of Financial Markets Division is also issued in the year. Accordingly, business strategy, hedging strategy and analysis of potential risks have been clearly regulated for each portfolio. Valuation methodology is also established in accordance with IFRS, which enables the Bank to determine fair value of financial instruments appropriately.

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

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

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

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

(a) Interest rate risk

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

The below table shows an analysis of the interest re-pricing period of assets and liabilities of the Bank as at 31 December 2018.

	Overdue VND million	Non-interest bearing VND million	Interest re-pricing period							Total VND million
			Up to 1 month VND million	From 1 to 3 months VND million	From 3 to 6 months VND million	From 6 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million		
Assets										
Cash, gold and gemstones	-	1,855,473	-	-	-	-	-	-	-	1,855,473
Balances with the SBV	-	-	10,828,571	-	-	-	-	-	-	10,828,571
Placements with and credit granting to other credit institutions – gross	-	-	14,737,888	1,150,935	261,028	421,640	-	-	-	16,571,491
Securities held for trading – gross	-	-	4,240,742	-	-	-	-	-	-	4,240,742
Loans to customers - gross	8,520,162	-	37,472,107	33,625,662	34,250,804	63,686,733	43,898,453	508,075	221,961,996	
Investment securities - gross	-	4,346,272	4,653,576	5,137,308	2,877,719	6,393,290	21,548,925	8,025,000	52,982,090	
Long-term investments – gross	-	227,602	-	-	-	-	-	-	-	227,602
Fixed assets and investment properties	-	1,963,096	-	-	-	-	-	-	-	1,963,096
Other assets - gross	118,840	8,064,625	1,935,000	552,804	4,056,760	2,655,237	-	-	-	17,383,266
Total assets	8,639,002	16,457,068	73,867,884	40,466,709	41,446,311	73,156,900	65,447,378	8,533,075	328,014,327	
Liabilities										
Amounts due to the Government and the SBV	-	-	1,759,226	2,003,648	16,417	2,052	-	-	-	3,781,343
Deposits and borrowings from financial institutions and other credit institutions	-	-	28,080,307	14,939,536	7,413,871	3,797,737	-	-	-	54,231,451
Customer deposits	-	-	64,347,872	27,730,639	36,601,393	27,748,835	14,420,529	1,603	170,850,871	
Derivatives and other financial liabilities	-	-	543,441	1,085,834	1,793,460	(1,301,578)	(2,102,586)	-	-	18,571
Other borrowed and entrusted funds	-	-	164,825	164,824	-	-	-	-	-	329,649
Valuable papers issued	-	-	3,140,488	7,409,029	14,558,559	15,887,168	7,662,792	-	-	48,658,036
Other liabilities	-	10,638,574	-	32,555	-	-	-	-	-	10,671,129
Total liabilities	-	10,638,574	98,036,159	53,366,065	60,383,700	46,134,214	19,980,735	1,603	288,541,050	
Interest sensitivity gap (balance sheet)	8,639,002	5,818,494	(24,168,275)	(12,899,356)	(18,937,389)	27,022,686	45,466,643	8,531,472	39,473,277	
Interest sensitivity gap (off-balance sheet)	-	-	-	645,515	516,041	(232,060)	(929,496)	-	-	
Interest sensitivity gap (on, off-balance sheet)	8,639,002	5,818,494	(24,168,275)	(12,253,841)	(18,421,348)	26,790,626	44,537,147	8,531,472	39,473,277	

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Interest sensitivity

Assuming that all other variables remain constant, the effects of fluctuation in interest rates of interest-bearing assets and liabilities (including assets and liabilities with fixed interest rates) on profit before tax and shareholders' equity of the Bank and its subsidiaries are as follows:

	Assumed increase in interest rate	Impact on	
		Profit before tax VND million	Profit after tax and Owners' equity VND million
As at 31 December 2018			
USD	1.50%	14,913	11,930
VND	3.00%	685,602	548,481
As at 31 December 2017			
USD	1.50%	(14,615)	(11,692)
VND	3.00%	588,962	471,169

(b) Currency risk

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

Currency risk management

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

Exchange rates of major currencies as at the reporting date are presented in Note 47. The exchange rate of USD/VND in the next 12 months after the reporting date is forecasted by the Bank to be fluctuated in range of 1.50% to 2.50% (equivalent to VND23,000 to VND23,750 per USD1).

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Exchange rate sensitivity

Assuming that all other variables are unchanged, the table below shows the impact on profit before tax and equity of the Bank and its subsidiaries due to the changes that may occur by exchange rate. Risks due to the changes of exchange rates to other currencies of the Bank and its subsidiaries are not significant. Level of increase represents the USD has strengthen against VND.

	Assumed level of increase	Impact on profit after tax and equity VND million
As at 31 December 2018		
USD	2.00%	16,747
As at 31 December 2017		
USD	2.00%	(11,742)

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The following table presents assets and liabilities in foreign currencies translated into VND as at 31 December 2018:

	EUR equivalent VND million	USD equivalent VND million	Gold equivalent VND million	Other currencies equivalent VND million	Total VND million
Assets					
Cash, gold and gemstones	147,809	139,960	79,433	260,856	628,058
Balances with the SBV	-	361,595	-	-	361,595
Placements with and credit granting to other credit institutions - gross	168,301	3,175,006	-	160,522	3,503,829
Loans to customers - gross	6,710	4,798,599	-	-	4,805,309
Other assets -gross	339,373	5,798,146	-	16,130	6,153,649
Total assets	662,193	14,273,306	79,433	437,508	15,452,440
Liabilities					
Deposits and borrowings from the Government and the SBV, financial institutions and other credit institutions	337,992	25,336,686	-	16,128	25,690,806
Customer deposits	434,862	4,963,178	-	442,723	5,840,763
Derivatives and other financial liabilities	(145,992)	(17,391,355)	-	(95,186)	(17,632,533)
Other liabilities	6,799	338,967	-	4,237	350,003
Total liabilities and equity	633,661	13,247,476	-	367,902	14,249,039
FX position on balance sheet	28,532	1,025,830	79,433	69,606	1,203,401
FX position off-balance sheet	-	(186,842)	-	3,362	(185,480)
Net on, off-balance sheet FX position	28,532	836,988	79,433	72,968	1,017,921

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(c) Liquidity risk

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

Liquidity risk management

The Bank manages the liquidity of the entire Bank on each of the main types of currency (VND, USD) on the mechanism, process of regulating, monitoring and managing liquidity as specified in the policies and regulations, process of liquidity management. Accordingly, liquidity risk management of the Bank is implemented through the strengthened cooperation between three divisions: Finance, Risk Management and Financial Market. In particular, the Finance Division is in charge of developing a liquidity risk management strategy and coordinating with the Risk Management Division to develop liquidity risk management methods, models and limits that will serve as a basis for the Financial Market Division to control the high liquidity asset portfolio and balance cash flow to ensure liquidity and compliance with risk limits in line with the Bank's development strategy and business condition as well as market trends in different stages.

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

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

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

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

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

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The table below presents the analysis of remaining maturity of assets and liabilities of the Bank as at 31 December 2018:

	Overdue		Current					Total VND million
	Above 3 months VND million	Within 3 months VND million	Up to 1 months VND million	From 1 to 3 months VND million	From 3 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million	
Assets								
Cash, gold and gemstones	-	-	1,855,473	-	-	-	-	1,855,473
Balances with the SBV	-	-	10,828,571	-	-	-	-	10,828,571
Balances with and credit granting to other credit institutions – gross	-	-	14,737,888	1,150,935	682,668	-	-	16,571,491
Securities held for trading – gross	-	-	4,240,742	-	-	-	-	4,240,742
Loans to customers – gross	3,695,301	4,824,861	18,034,385	5,588,991	21,575,231	64,251,535	103,991,692	221,961,996
Investment securities – gross	-	-	2,881,386	1,027,764	7,989,360	31,743,795	9,339,785	52,982,090
Long-term investments – gross	-	-	-	-	-	-	227,602	227,602
Fixed assets	-	-	-	-	-	-	1,963,096	1,963,096
Other assets -gross	104,456	14,384	9,999,624	552,804	6,711,998	-	-	17,383,266
Total assets	3,799,757	4,839,245	62,578,069	8,320,494	36,959,257	95,995,330	115,522,175	328,014,327
Liabilities								
Amounts due to the Government and the SBV	-	-	1,759,226	2,003,648	18,469	-	-	3,781,343
Deposits and borrowings from financial institutions and other credit institutions	-	-	19,001,260	10,774,115	17,712,408	6,665,383	78,285	54,231,451
Customer deposits	-	-	64,356,005	27,657,506	64,415,228	14,420,529	1,603	170,850,871
Derivatives and other financial liabilities	-	-	79,040	(9,199)	(38,484)	(12,786)	-	18,571
Other borrowed and entrusted funds	-	-	655	364	4,495	278,497	45,638	329,649
Valuable papers issued	-	-	3,145,487	7,404,029	24,270,727	13,837,793	-	48,658,036
Other liabilities	-	-	9,889,852	378,324	388,894	14,059	-	10,671,129
Total liabilities	-	-	98,231,525	48,208,787	106,771,737	35,203,475	125,526	288,541,050
Net liquidity gap	3,799,757	4,839,245	(35,653,456)	(39,888,293)	(69,812,480)	60,791,855	115,396,649	39,473,277

(d) Other market price risk

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

42. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

Financial assets

Under Circular 210, financial assets of the Bank include balance with the SBV and placement with other credit institutions, loans to customers and credit granting to other institutions, investment security, other receivables and currency derivative contracts.

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

➤ *Financial asset at fair value through profit or loss:*

Là một tài sản tài chính thỏa mãn một trong các điều kiện sau:

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

➤ *Held to maturity investments:*

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

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

➤ *Loans and receivables:*

Loans and receivables are non-derivative with fixed payments or can be recognized and are not quoted on the market, unless:

- a) Those that the Bank intends to sell immediately or in the near future are classified as assets held for trading purposes, and others that at the same time of initial recognition that the entity classified at fair value according to result of income statement;
- b) Those that the Bank classifies as available-for-sale at the time of initial recognition; or
- c) Those that the holders may not recover most of the initial investment cost, not due to the impairment of the credit quality and are classified as available-for-sale.

➤ *Available-for-sale financial assets:*

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

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

Financial liabilities

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

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

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

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

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

➤ *Financial liabilities at amortized cost:*

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

Offsetting of financial assets and financial liabilities

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

The carrying value and fair value of financial assets and liabilities as at 31 December 2018 are presented as follows:

	Carrying value						Fair value VND million
	Financial assets at fair value through profit and loss VND million	Held-to- maturity VND million	Loans and receivables VND million	Available-for- sale VND million	Other assets and liabilities recorded at amortized cost VND million	Total VND million	
Cash, gold and gemstones	-	-	1,855,473	-	-	1,855,473	1,855,473
Balances with the SBV	-	-	10,828,571	-	-	10,828,571	(*)
Balances with and credit granting to other credit institutions - gross	-	-	16,571,491	-	-	16,571,491	(*)
Securities held for trading - gross	4,240,742	-	-	-	-	4,240,742	(*)
Loans to customers - gross	-	-	221,961,996	-	-	221,961,996	(*)
Available-for-sale securities - gross	-	-	-	49,417,157	-	49,417,157	(*)
Held-to-maturity securities - gross	-	3,564,933	-	-	-	3,564,933	(*)
Other financial assets - gross	-	-	14,474,232	227,602	-	14,701,834	(*)
	4,240,742	3,564,933	265,691,763	49,644,759	-	323,142,197	
Amounts due to the Government and the SBV	-	-	-	-	3,781,343	3,781,343	(*)
Deposits and borrowings from financial institutions and other credit institutions	-	-	-	-	54,231,451	54,231,451	(*)
Customer deposits	-	-	-	-	170,850,871	170,850,871	(*)
Derivatives and other financial liabilities	18,571	-	-	-	-	18,571	(*)
Other borrowed and entrusted funds	-	-	-	-	329,649	329,649	(*)
Valuable papers issued	-	-	-	-	48,658,036	48,658,036	(*)
Other financial liabilities	-	-	-	-	9,216,789	9,216,789	(*)
	18,571	-	-	-	287,068,139	287,086,710	

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

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43. SEGMENT INFORMATION

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

43.1 THE PRIMARY SEGMENT INFORMATION BY BUSINESS SEGMENT

For management purpose, the Bank and its subsidiaries have established their operation in the following business segments:

Banking:	Provide the following products and services to customers:
	- Mobilizing deposits;
	- Providing credit;
	- Wire transfer;
	- Settlement services; and
	- Other banking operation.
Asset and liabilities management:	Asset and liabilities management.

Primary segment information by business segment as at 31 December 2018 and for the year then ended is as follows:

	Banking VND million	Asset and liabilities management VND million	Inter-segment adjustments VND million	Total VND million
I. Income				
1. Interest and similar income	40,280,214	1,847	(1,847)	40,280,214
External interest and similar income	40,280,214	-	-	40,280,214
Inter-segment interest and similar income	-	1,847	(1,847)	-
2. Net fee and commission income	1,612,178	239,879	(239,561)	1,612,496
3. Other operating income	4,770,448	1,144	-	4,771,592
	46,662,840	242,870	(241,408)	46,664,302
II. Expenses				
1. Interest and similar expenses	(15,580,486)	-	1,847	(15,578,639)
External interest and similar expenses	(15,578,639)	-	-	(15,578,639)
Inter-segment interest and similar expenses	(1,847)	-	1,847	-
2. Depreciation and amortization charges	(313,562)	(377)	-	(313,939)
3. Other direct operating expenses	(10,318,678)	(240,868)	239,561	(10,319,985)
	(26,212,726)	(241,245)	241,408	(26,212,563)
Net profit before provision for credit losses	20,450,114	1,625	-	20,451,739
Provision expense for credit losses	(11,253,231)	-	-	(11,253,231)
Segmental profit before tax	9,196,883	1,625	-	9,198,508
III. Total assets				
1. Cash, gold and gemstones	1,855,473	-	-	1,855,473
2. Fixed assets	1,961,597	1,499	-	1,963,096
3. Other assets	319,365,918	192,930	(86,298)	319,472,550
	323,182,988	194,429	(86,298)	323,291,119
IV. Total liabilities				
1. External liabilities to customers	283,201,828	-	(68,976)	283,132,852
2. Other internal liabilities	415,598	8,367	-	423,965
3. Other liabilities	4,969,000	32,555	(17,322)	4,984,233
	288,586,426	40,922	(86,298)	288,541,050

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43.2 THE SUPPLEMENTARY SEGMENT INFORMATION BY GEOGRAPHICAL AREA

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

44. COMPARATIVE FIGURES

44.1 DEPOSITS AND BORROWINGS FROM FINANCIAL INSTITUTIONS, OTHER CREDIT INSTITUTIONS; OTHER BORROWED AND ENTRUSTED FUNDS AND OTHER LIABILITIES

Certain items on the consolidated balance sheet as at 31 December 2017 of the Bank have been reclassified to maintain conformity with the presentation of the consolidated balance sheet as at 31 December 2018 in accordance with Circular 22/2017/TT-NHNN amending and supplementing a number of articles of the Chart of account system applicable to credit institutions issued in connection with Decision No. 479/2004/QĐ-NHNN dated 29 April 2004 and the financial reporting regime applicable to credit institutions required under Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 by the Governor of the SBV.

Extracted from the consolidated balance sheet as at 31 December 2017:

	31/12/2017 Presented VND million	Reclassified VND million	31/12/2017 Presented VND million
Deposits and borrowings from financial institutions and other credit institutions	33,200,418	4,863,431	38,063,849
Borrowings from financial institutions and other credit institutions	25,366,037	4,863,431	30,229,468
Other borrowed and entrusted funds	3,899,364	(3,570,587)	328,777
Other liabilities	11,114,921	(1,292,844)	9,822,077
Other payables and liabilities	6,051,755	(1,292,844)	4,758,911

The Bank classified VND1,292,844 million, which are payables relating to sale and repurchase contracts of valuable papers with financial institutions from "Other liabilities" to "Borrowings from financial institutions and other credit institutions"; and reclassified VND3,570,587 million, which is borrowed from International Finance Corporation ("IFC") from "Other borrowed and entrusted funds" to "Borrowings from financial institutions and other credit institutions".

The Reclassification is for the purpose of presenting comparative figures and complying with Circular No. 22/2017/TT-NHNN and does not affect "Total liabilities", as well as "Total liabilities and owners' equity" of the Bank as at 31 December 2017.

On 17 April 2018, Circular No. 11/2018/TT-NHNN was issued on amending and supplementing certain articles of the Circular No. 35/2015/TT-NHNN on the statistical reporting system applied to credit institutions which takes effect on 1 October 2018 and Official Letter No. 7860/NHNN-DBTK dated 18 October 2018 on reviewing report Form 002-DBTK – Report on Loans outstanding by purpose of the loan. Accordingly, for comparison purpose, the Bank has reviewed and reclassified balance as at 31 December 2017 as follows:

	31/12/2017 Presented		Reclassified		31/12/2017 Reclassification	
	VND million	%	VND million	%	VND million	%
Agricultural, forestry and aquaculture	3,538,605	1.94	(26,266)	(0.02)	3,512,339	1.92
Mining	268,934	0.15	(15,178)	(0.01)	253,756	0.14
Processing, manufacturing	12,141,713	6.65	(45,144)	(0.03)	12,096,569	6.62
Electricity, petroleum and steam	2,171,806	1.19	(2,015)	(0.00)	2,169,791	1.19
Water supply and waste treatment	227,500	0.12	(364)	(0.00)	227,136	0.12
Construction	8,333,164	4.56	(536,471)	(0.29)	7,796,693	4.27
Wholesale and retail trade, repair of motor vehicles, motor cycles and personal goods	22,300,670	12.21	(149,834)	(0.08)	22,150,836	12.13
Transportation and logistics	9,381,099	5.14	(59,626)	(0.04)	9,321,473	5.10
Hospitality and restaurants	4,235,161	2.32	(45,488)	(0.03)	4,189,673	2.29
Information and media	460,972	0.25	(7,523)	(0.00)	453,449	0.25
Finance, banking and insurance services	1,911,085	1.05	(42,676)	(0.03)	1,868,409	1.02
Real estates	15,553,631	8.51	18,036,369	9.88	33,590,000	18.39
Scientific research and technology	255,577	0.14	(21,190)	(0.01)	234,387	0.13
Administrative activities and support services	1,225,731	0.67	(16,630)	(0.01)	1,209,101	0.66
Activities of the Communist Party, political - social organizations, state management, security and defense	40,051	0.02	(13,809)	(0.01)	26,242	0.01
Education and vocational training	338,584	0.19	(3,192)	(0.01)	335,392	0.18
Healthcare and community development	389,020	0.21	(4,401)	(0.00)	384,619	0.21
Recreational, cultural, sporting activities	275,179	0.15	(394)	(0.00)	274,785	0.15
Other services	1,541,832	0.84	(34,154)	(0.01)	1,507,678	0.83
Households services, production of material products and services used by households	97,976,774	53.64	(17,010,763)	(9.30)	80,966,011	44.34
Activities of other foreign organizations and offices	99,125	0.05	(1,251)	(0.00)	97,874	0.05
	182,666,213	100	-	-	182,666,213	100

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45. CHANGE IN NET PROFIT BEFORE TAX FOR THE YEAR

The consolidated profit before tax for the year ended 31 December 2018 of the Bank and its subsidiaries increased by VND1,068,443 million compared to the consolidated profit before tax for the year ended 31 December 2017, equivalent to 13.14% increase due to the following reasons:

	Profit before tax VND million
Profit increase due to increase in interest and similar income	4,087,149
Profit increase due to increase in net fee and commission income	150,952
Profit increase due to increase in net gain from trading of foreign currencies	55,092
Profit decrease due to decrease in net gain from securities held for trading	(236,459)
Profit decrease due to decrease in net gain from investment securities	(89,420)
Profit increase due to increase in net gain from other operating activities	2,281,696
Profit decrease due to decrease in income from investments in other entities	(52,723)
Profit decrease due to increase in operating expenses	(1,875,669)
Profit decrease due to increase in provision for credit losses.	(3,252,173)
	1,068,445

46. EVENTS AFTER THE CONSOLIDATED BALANCE SHEET DATE

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

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47. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST VND AT THE REPORTING DATE

	31/12/2018 VND	31/12/2017 VND
AUD	16,338	17,718
CAD	17,015	18,054
CHF	23,565	23,308
CNY	3,368	3,486
DKK	3,160	3,160
EUR	26,566	27,248
GBP	29,476	30,692
JPY	210	202
NZD	17,249	17,249
SEK	3,078	3,078
SGD	16,975	16,980
THB	640	640
USD	23,220	22,425
XAU	365,000	364,500

Prepared by: Ms. Nguyen Thi Thu Hang
Chief Accountant

Reviewed by:

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

Approved by:


Mr. Nguyen Duc Vinh
Chief Executive OfficerHanoi, Vietnam
12 February 2019



AN GIANG	2	DONG NAI	3	HUNG YEN	1	QUANG NINH	4
BAC GIANG	4	DONG THAP	1	KIEN GIANG	2	QUANG TRI	2
BAC NINH	2	GIA LAI	1	LANG SON	1	TAY NINH	1
BINH DINH	2	HA NAM	1	LONG AN	2	THAI BINH	4
BINH DUONG	2	HA NOI	64	NAM DINH	5	THAI NGUYEN	2
BINH THUAN	2	HA TINH	5	NGHE AN	6	THANH HOA	7
CA MAU	1	HAI DUONG	3	NHA TRANG	2	TIEN GIANG	1
CAN THO	4	HAI PHONG	9	NINH BINH	1	VINH LONG	1
DA LAT	1	HO CHI MINH	45	PHU THO	2	VINH PHUC	3
DA NANG	8	HOA BINH	2	QUANG BINH	4	VUNG TAU	1
DAK LAK	1	HUE	6	QUANG NAM	1		

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**TRANSACTION POINTS OF VPBANK
NATION-WIDE**

VIETNAM PROSPERITY JOINT-STOCK COMMERCIAL BANK (VPBANK)

Head Office: 89 Lang Ha str., Dong Da dist., Ha Noi.

Tel: 0243.9288869, Fax: 0243.9288867

Website: www.vpbank.com.vn