

# STEP UP TOGETHER

VPBANK ANNUAL REPORT 2020

# Prospering Viet Nam



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# PREFACE

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**If you want to go fast, go alone.  
If you want to go far, go together.**  
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The proverb is more meaningful than ever in light of the Covid-19 crisis.

All of a sudden uncertainties got in the way.

A lending hand in times of need, strong commitments, and trust all lent the strength to overcome challenges. VPBank actively played and succeeded in that role in 2020.

Success is not a matter of luck.

Before the pandemic unfolded, VPBank had been developing core values, undergone profound and comprehensive transformations, pursued sound strategies, and managed risks prudently in preparation for uncertainties. These values created a ripple effect as the bank stood shoulder to shoulder with customers and the community, making the achievements in the past year more meaningful.

The consolidated profit before tax reached VND 13 trillion in 2020, hitting 127.5% of the target and representing a 26.1% year-on-year growth. The standalone non-performing loan ratio dipped below 2%. The cost-to-income ratio was optimal at 29.2%, the best on the market. As of year end, prudential ratios were better than the requirements of the State Bank of Vietnam (SBV).

**The achievements give the bank more momentum to continue its "Stepup Together" journey to new successes and Prosperity together with customers and the community.**

# TOP 10 HIGHLIGHTS OF 2020

**29.2%**

Cost-to-Income Ratio (CIR) dipped below 30%,  
the lowest on the market



**200%**

On line transactions growth vs. 2019.  
3<sup>rd</sup> consecutive year awarded  
"Outstanding digital transformation  
bank" by IDG



**6,000**

people participated in VPBank  
Hanoi Marathon  
ASEAN 2020 from all over the  
world



**TOP 20**

Enterprises with highest  
VNSI index as assessed  
by **HOSE**



**TOP 300**

VPBank was one of 300 most valuable banks  
in the world according to Brand Finance





**127.5%**

Achieving of 2020 budget plan  
Over VND 13 tril in PBT

**19%**

impressive credit growth, disruptive  
growth by core segments in Q4 2020

**0.6%**

Cost of fund was improved year  
over year



### THE ACHIEVEMENT IN LIQUIDITY RISK MANAGEMENT

The ASIAN Banker presented VPBank  
with the award, bringing the bank to  
par with the leading credit institutions  
in Asia

**VND 40 BILLION**

The amount VPBank donated to  
the fight against **Covid-19** and disaster relief

# MESSAGE

## FROM THE BOARD CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

### Dear valued shareholders, customers, and partners!

Fraught with enormous Covid-19 challenges, the year 2020 is finally behind us. In the very first months of 2021, Vietnam once again devoted all its resources and brought into focus the prevention of another outbreak in the community.

The country came into the spotlight on the global stage as it overcame the enormous challenges. We achieved the dual goals of fighting the pandemic effectively and achieving one of the highest economic growth rates in the world.

VPBank took prudential measures, focused on sustainable growth, adopted flexible and proactive solutions, and provided its customers, partners, and the community with solid support to overcome the difficulties and challenges.

By the end of 2020, the bank reduced interest rates for more than 110,000 customers on a total loan portfolio of VND 50 trillion. Most of the loans affected by the Covid-19 pandemic but restructured by VPBank have become performing again. From very early on, the bank quickly stepped in with nearly VND 40 billion in support of communities and the society, launched Household Business Academy to help 12,500 household businesses overcome difficulties, kicked off the Cheer Up Vietnam campaign to boost morale, and successfully organized VPBank Hanoi Marathon ASEAN 2020 which promoted the safety, openness to tourism and international integration, etc.

The pandemic posed a critical test for all entities in the economy with regard to their stability, the soundness and effectiveness of their model and strategy. As for VPBank, we entered the third year of implementing the 2018 – 2022 strategy. The bank remarkably fulfilled its key targets and produced fundamental improvements.

VPBank continued to earn the highest total operating income (TOI) among private banks, topping VND 39 trillion (inclusive of

FE Credit's TOI of VND 18,231 billion). The consolidated profit before tax (PBT) reached VND 13,019 billion (inclusive of FE Credit's PBT of VND 3,713 billion), achieving 127.5% of the target and representing 26.1% year-on-year growth. Our ROA and ROE were 2.6% and 22% respectively, one of the best among commercial banks.

Non-interest income (NII) continued to be the income growth driver for the bank, growing 27% year over year. Accordingly, the ratio of NII to TOI increased sharply from 19.4% in 2019 to 20.7% in 2020. This shift will result in our income becoming more sustainable and reduce credit exposures caused by Covid-19.

Operating in such a risky environment, we continued to improve loan quality, kept the consolidated NPL ratio below 3%, and decreased the standalone NPL ratio to under 2%. Hence, the capital adequacy ratio (CAR) under Basel II remained high at nearly 12% by year end, much higher than the SBV's minimum of 8%.

On the other hand, risk management continued to be strengthened. An important milestone last year was that the SBV certified VPBank as early compliant with pillar 2 of Basel II. After completing Pillar 2, besides Pillar 1 and Pillar 3 in 2019, one year earlier than regulatory requirements, VPBank became one of the first three banks to fully adopt the standardized approach under Basel II in Vietnam. Having pioneered the development of an environmental and social risk control system according to international standards, the bank has obtained many positive results in terms of investment portfolio management and risk prevention.

VPBank continued the green loan program to promote sustainable investment and industries that contribute to environmental protection and the fight against climate change.

The fundamental improvements were also evidenced in other important metrics. Specifically, the consolidated CIR decreased

sharply from 33.9% at the end of 2019 to 29.2%, the best among Vietnamese commercial banks. It was a result of operating expense optimization and reduction, accelerated digital transformation for process improvement and performance enhancement over the past years.

We have grown the customer base constantly according to its modern retail banking strategy. We continued to successfully improve CASA ratio, an important indicator, from 13% at the end of 2019 to 15.5%. The result shows that the long-term program for funding optimization and sustainability works, helping improve the profit margin over the years.

An important driver of such fundamental improvements was the digital transformation, which was accelerated in the year. VPBank stayed in the lead as it was the first bank in Vietnam to launch e-KYC successfully, enabling customers to open current accounts fully online. In addition, many digital projects were implemented such as the launching of a new AI-enabled website with modern design and user-friendliness, the launching of VPO app with modern interface and features developed by an in-house team, the development of the comprehensive Open Banking platform (a banking services ecosystem), process improvement and automation for increased productivity.

Such projects continued to enrich customer experience and convenience and expand transaction-banking ecosystems. Our ramped-up digital transformation efforts were recognized by IDG and The Vietnam Banks Association as they handed out Outstanding

Digital Transformation Bank Award for the third consecutive year.

Thanks to such fundamental improvements and performance updates in the financial reports released during the year, VPBank's stock price soared and the stock was included in the VN30 basket of HoChiMinh

Stock Exchange (HOSE), reflecting investors' eagerness for it.

At the beginning of 2021, VPBank's ranking improved by 37 to 243th as it was included in Brand Finance's top 250 most valuable banking brands for the first time while remaining the most valuable brand in Vietnam for the third year in a row.

Such recognition by the market, reputable local and international organisations provides the bank with positive encouragement to perform better in 2021.

Despite complicated pandemic developments, the prospect of global economic recovery is brighter. Vietnam's economy is forecasted to recover more strongly in 2021. In that context and with your support, the bank is confident about overcoming challenges and achieving more successes in the 2018 – 2022 strategy.

*Thanks & Best regards!*



Prospering Viet Nam 

# VPBank

**2020 BUSINESS  
PERFORMANCE &  
2021 DIRECTIONS**

# OUTSTANDING BUSINESS PERFORMANCE

## 2020 – OVERCAME CHALLENGES & SUPPORTED COMMUNITY



**VND 13,019 billion**

Profit before tax  
fulfilling 127.5% plan



**29.2% CIR**



**19.0%**

Credit growth



**↓ 0.6% COF**



**16 million**

customers



**2.90%**

NPL ratio  
(NPL - CIR02)



**2.6%**

ROA



**6.5 million**

cards issued (\*)



**22.0%**

ROE



**x2**

Transaction volume on  
VPBank online



**11.7%**

CAR



**110,000 customers**

were offered interest rate  
reduction for over  
**VND 50 trillion exposure**

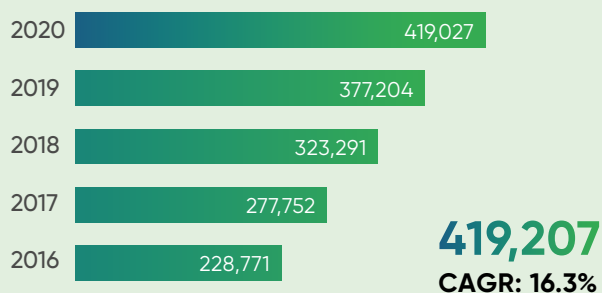
(\*) Including debit and credit cards

Source: Consolidated audited financial report 2020 & Internal reports 2020

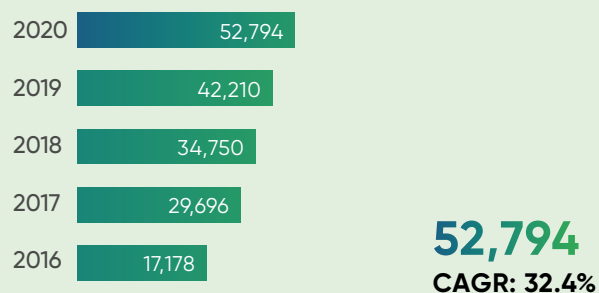
# SUSTAINABLE GROWTH, UPLIFTED POSITION

## Key financial indicators from 2016 to 2020

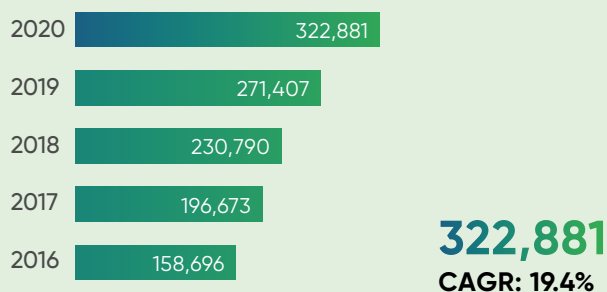
### TOTAL ASSETS (VND billion)



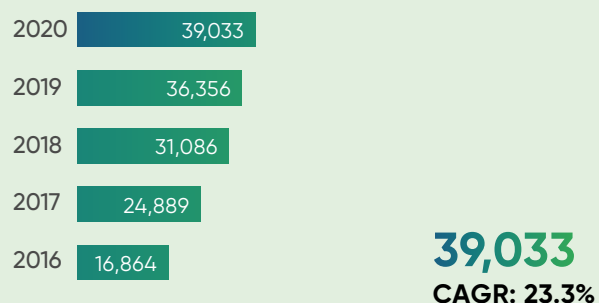
### OWNERS' EQUITY (VND billion)



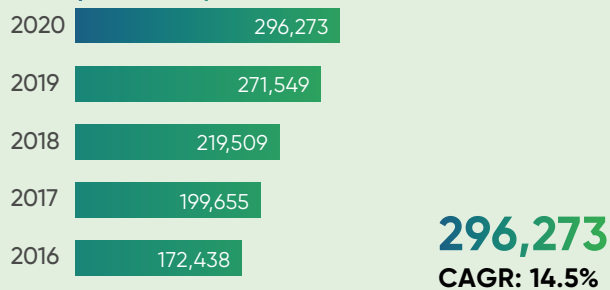
### LOAN BALANCE (VND billion)



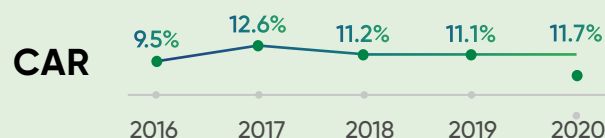
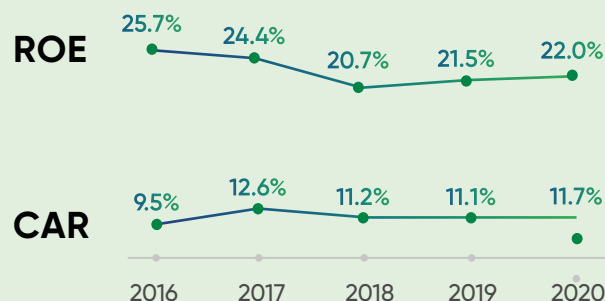
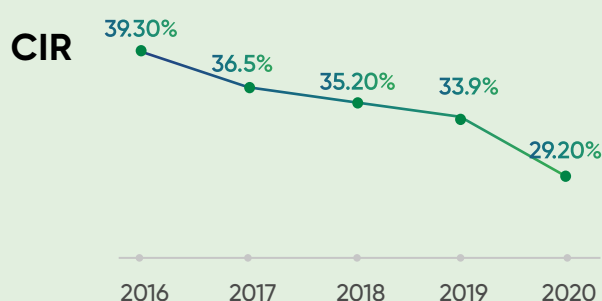
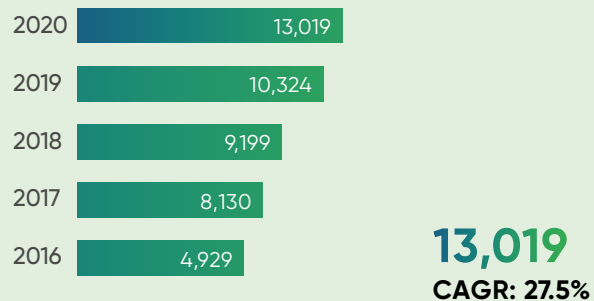
### TOI (VND billion)



### CUSTOMER DEPOSITS & VALUABLE PAPERS (VND billion)



### PROFIT BEFORE TAX (VND billion)



(Source: Consolidated audited financial reports 2016 – 2020)

# BUSINESS RESULTS REPORT

## VIETNAM ECONOMY IN 2020 A year of tremendous growth

### GDP 2020: 2.91%

- Among 3 Asian countries besides China & Myanmar to record **net positive growth**
- Key driving forces are industry & construction sector (+3.98%) & manufacturing (+5.82%)
- Retail sales recovered markedly in 2H20 (+6.2%)

### Key themes of SBV's policies in 2020

- Conduct flexible monetary policies
- Control the credit limit to fully and promptly meet the capital demands of the economy
- Direct the credit institutions to strongly implement effective support affected customers
- Develop and supplement the legal corridor for electronic payment operations

### CPI: 3.23%

Inflation controlled & met the target **below 4%**

### Trade surplus reaching a record high at USD 19.1 billion

Maintained trade **surplus for 5 consecutive years** thanks to good leverage of opportunities from effective FTAs.

### Public investment – Fastest disbursement rate in the decade

Accelerated in 2H20 to reach 91.1% of the full-year target at **USD 20.2 billion. (+34.5% yoy)**

### FDI disbursement volume: USD 19.98 billion

Decline 2% yoy growth due to covid-19, yet medium and long term prospects are promising

### Proactive customer relief programs

- Restructured exposure at **3.6%** of loan portfolio
- Balance with interest reduction **10.9%** of loan portfolio

### Credit growth: 12.13%

A better than expected result amid pandemic

### NPL: 3%

Increased from 1.89% in 2019





## Being adaptive and responsive, VPBank confidently surpassed 2020 targets

In 2020, the unprecedented impacts of Covid-19 wreaked havoc on the global economy to the extent that had never been seen over many decades. Understanding its key role in the economy, VPBank, along with other banks, made efforts to support post-covid economic recovery. Persistently pursuing its sustainable growth and corporate responsibility, the bank managed to fulfill the Government's "dual goals", i.e. pandemic containment and business efficiency. The bank took many measures aggressively and in a timely manner in the face of the pandemic: activated business continuity plan (BCP) and tailored plans to pandemic scenarios; tightened its risk management policies and maintained sound liquidity. The bank also took initiative in supporting customers through helpful measures to overcome Covid-induced challenges.

VPBank achieved successes in the year thanks to the leadership's timely instructions and staff's efforts. It met and exceeded the targets set out by the Annual General Meeting while being steady amid the volatilities due to the pandemic.

### Sustainable Credit Growth

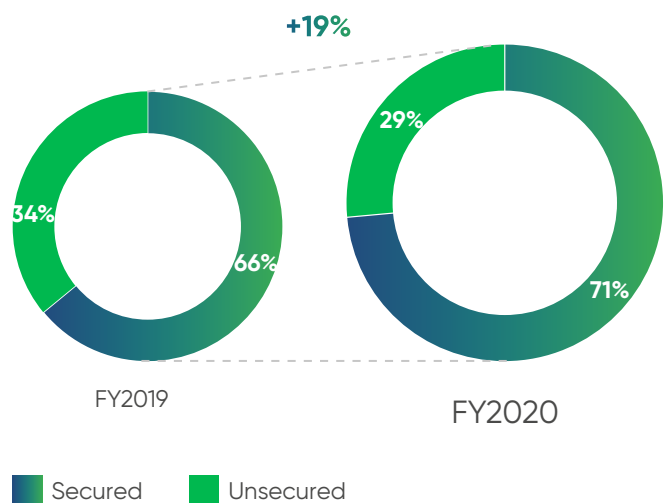
Credit growth (inclusive of corporate bonds) reached 19%, higher than the plan and the 2019's industry average at 12.13%. It is deemed robust and sustainable given that the market was severely hit by Covid-19. VPBank leadership was flexible and responsive in adjusting business strategy and managing asset quality by focusing on selective and high-quality growth. Reinforced strategic segmentation and extensive adoption of sales enablement technology helped the bank regain the growth momentum in core business segments, which continued to be key drivers for the bank's credit growth, accounting for 61% total loan balance.

Consumer finance (FE Credit) customers were directly impacted by Covid-19; yet, FE Credit managed to secure its leading position in the market.

VPBank delivered an outstanding business performance in 2020 as it made the best use of credit growth cap, reinforced collection, optimized cost of fund, and leveraged the market volatilities to earn investment yields and diversify income mix. Besides, the optimization of operating expense made a contribution to over 26% yoy growth of profit before tax, bringing it to VND 13 trillion or 127.5% of the plan. Total Operating Income reached VND 39 trillion, the highest among private banks while ROE was 22% (consolidated) and 24.6% (standalone), both among the best in the market.

The above-mentioned achievements prove that VPBank made the right moves in such business conditions and environment, solidifying its leading position in the banking sector.

### LOAN STRUCTURE

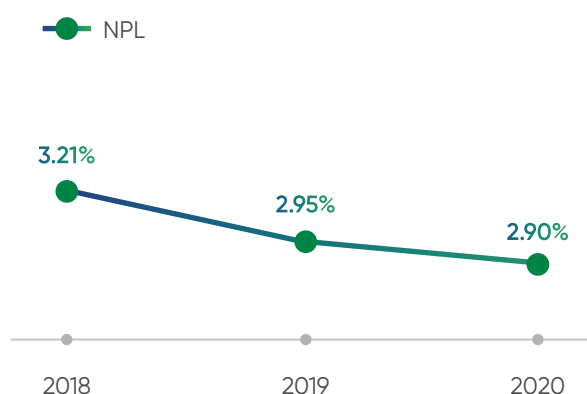


Source: Internal reports 2020

## Sound asset quality management

Risk management is a fundamental pillar of VPBank especially considering the potential risks posed by the pandemic. NPL ratio was improved on both consolidated and standalone basis in which consolidated one was kept below 3% and standalone below 2%. Besides, the bank continuously enhanced and strengthened risk warning system and customer monitoring policies.

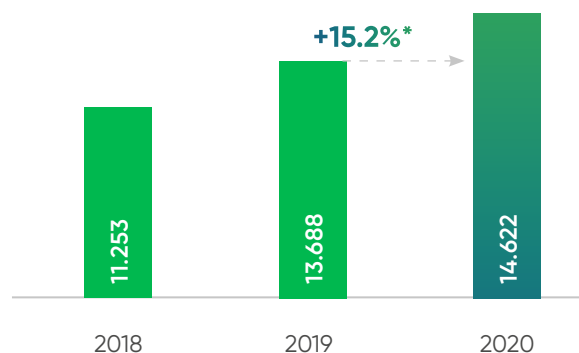
NPL RATIO (CIR02) (%)



Source: Internal reports 2020

On top of curbing bad debts, VPBank continued to beef up provision in 2020. Consolidated provision expenses increased by 15.2% year-over-year (excluding those set aside for VAMC bonds in 2019) while standalone ones up 27%. It shows that the bank made a buffer available to offset any impacts of the pandemic.

PROVISION EXPENSES (VND BILLION, %)



\* Excluding provision expenses for VAMC

Source: Consolidated audited financial report 2020

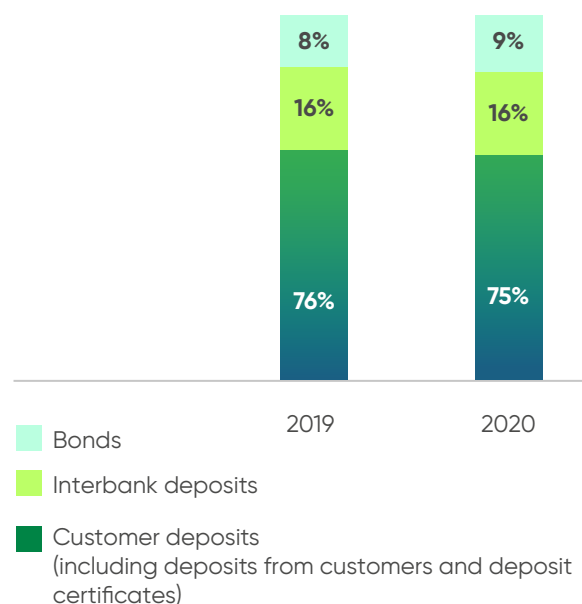
## Optimized funding mix, reduced cost of fund

Deposits from customers and bond issuance amounted to VND 296,273 billion, up 9.1% yoy in which deposits from customers continued to be the key contributor to high quality funding, accounting for 75% the total funding volume.

Apart from individuals and economic entities, VPBank was proactive in diversifying its funding mix by acquiring medium and long-term sources from creditable organizations such as the International Finance Company, Proparco, and Asian Infrastructure Investment Bank with reasonable rates, thus, reducing the dependence on domestic funding.

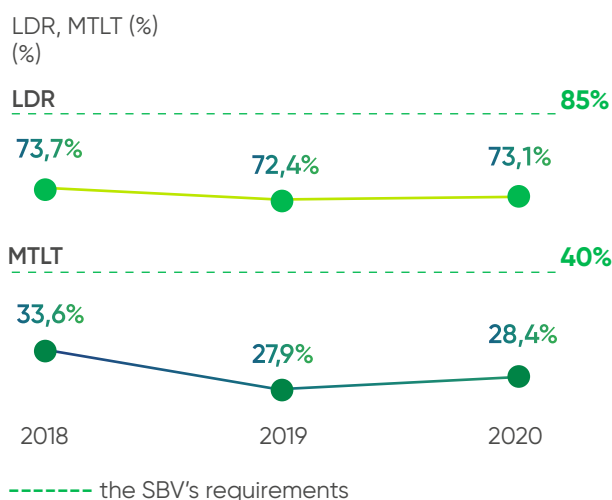
To grasp liquidity opportunities on the market, VPBank flexibly managed the balance sheet and funding mix and subsequently achieved its cost of fund ("COF") reduction target set by the leadership in early 2020. The consolidated COF was reduced by 0.6% yoy. Remarkable efforts were also made to improve CASA ratio where the standalone one continued to increase and was 15.5% for the whole year as from 13% at the end of 2019.

FUNDING STRUCTURE (%)



Source: Consolidated audited financial report 2020

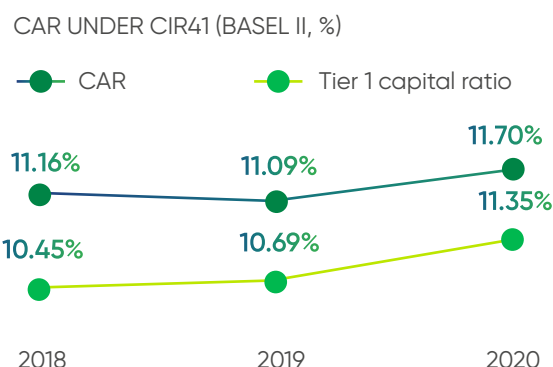
Effective policies helped the bank sustain sufficient liquidity. Prudential ratios remained at good levels and compliant to the SBV's requirements. In particular, the standalone LDR was 73.1% while the short-term funding to medium- and long-term lending ratio was kept at 28.4%. Such results created future opportunities to optimize the balance sheet and boost funding efficiency while complying with prudential requirements.



Source: Internal reports 2020

## Strong capital base for further growth

VPBank's equity reached VND 52,793 billion (up 25.1% yoy) while the consolidated CAR under Basel II standards (Circular 41) was 11.7% as at December 31, 2020, 4% higher than the legal requirement. VPBank proudly took the initiative in international standard adoption as it was one of the first three banks being certified as fully compliant with all three pillars of Basel II standards. Strong capital base and proactive management of balance sheet laid solid foundation for considerable growth going forward.



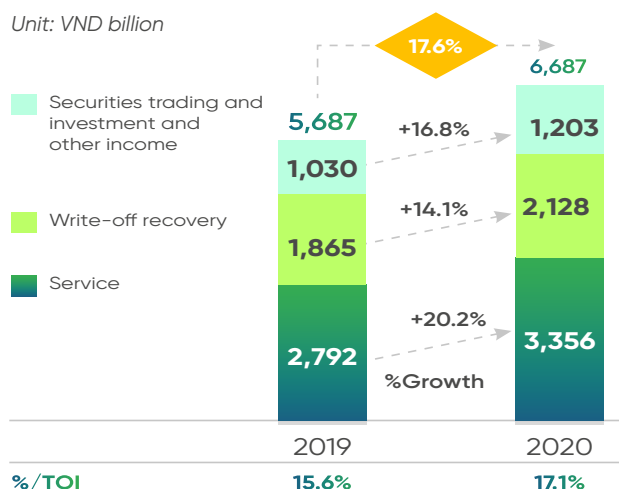
Nguồn: Báo cáo nội bộ ngân hàng

## Diversified income sources, secured top position

Amid volatilities in 2020, VPBank's TOI reached VND 39 trillion, up 7.4% yoy, of which nearly VND 21 trillion (+18.6%) from the bank. This remarkable achievement reinforced VPBank's leading position in income among private banks for consecutive years. This achievement is attributable to the NII diversification of non-interest income to mitigate the pandemic impacts and keep income growth stable. Net interest income was still the key driver for TOI, making up of 83%. Non-interest income reached more than VND 6.6 trillion, up 17.6% yoy and 17.1% of TOI.

### NON-INTEREST INCOME MIX

Unit: VND billion

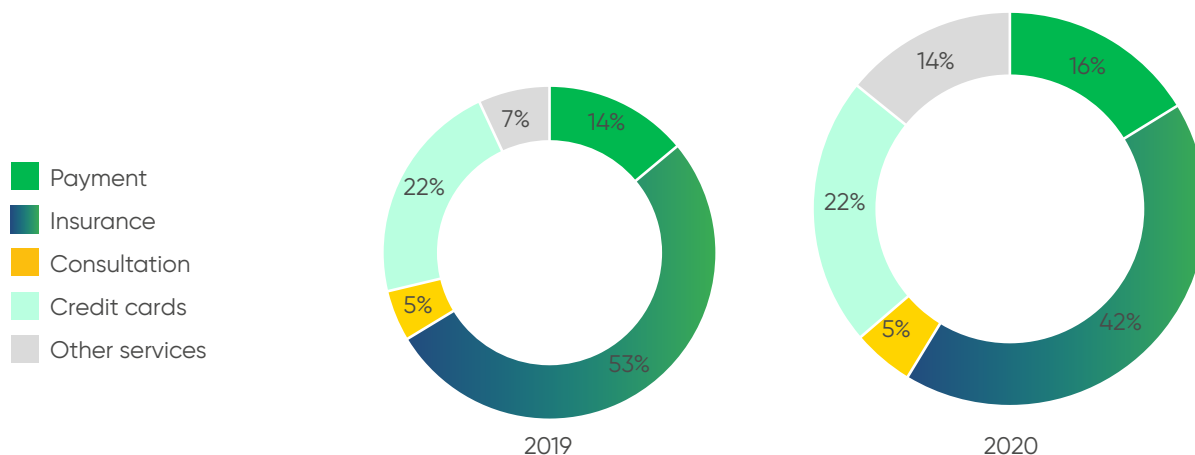


Source: Consolidated audited financial statements 2020

Net service income continued its growth to reach VND 3.356 trillion, up 20.2% yoy, contributing up to 50% to total non-interest income. The bank's non-interest income growth at 30% was even more impressive, contributing to the bank's the leading position among private banks in net fee income where major contributors include credit card, banca and payment. The bank also strongly promoted the growth of international trade finance, LC UPAS, international and domestic payment,

particularly POS payment. According, net payment income grew strongly by 76.5%. The share of credit card out of net fee income was 22% thanks to considerable volume of 3.8 million credit cards issued on consolidated basis, up approximately 19% yoy. Strong focus on digitization to optimize operations, enhance customer experience, and increase customer base apparently helped the bank reap such fruitful results.

## FEE INCOME MIX



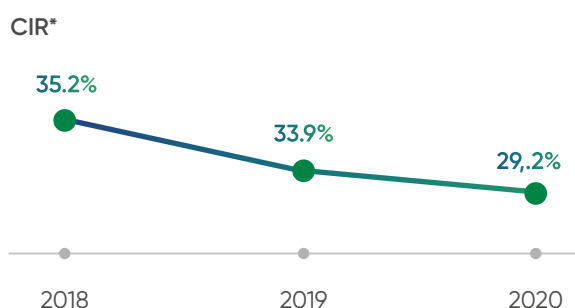
Source: Consolidated audited financial report 2020, Internal reports 2020

Besides, the bank efficiently made use of market conditions to generate nearly VND 1.4 trillion from securities trading and investment, up 28% yoy

Covid-19 posed daunting challenges to debt collection; yet, VPBank managed to recover VND 2,128 trillion from written-off debts, up 14% yoy, thanks to relentless efforts in innovating and adopting cutting-edge collection technology.

## Leading operational efficiency

In face of Covid-induced challenges, VPBank continuously enhanced its operations by accelerating digitization, optimizing processes, streamlining organizational structure, and improving productivity which helped reduce operating expense by 7.7% yoy. The consolidated CIR significantly reduced to 29.2% - among the lowest in the banking sector. The effect of such strategy was also evidenced at the bank as the standalone CIR was 30.5%, down from 38% in 2019.



\* CIR = OPEX/TOI (excluding one-off item from banca partnership)

Source: Consolidated audited financial report 2020

## Remarkable digitization

VPBank continued to boost strongly digitization in 2020, bringing the bank closer to the goal of being the most customer-friendly bank through technology by 2022.

Digitization results in 2020 have reinforced VPBank's leading position in digital transformation and ecosystem. By the end of 2020, digital customer base grew significantly by 58% yoy. Transaction volume on VPBank Online grew by 35%. The proportion of online transactions and services continued to see strong growth, particularly online transactions accounted for 97% total transaction volume. Such results are attributable to VPBank's relentless improvements in a feature-rich digital banking system.

VPBank was the first bank to adopt eKYC, enabling the bank to triumph over geographic and time barriers to carry out biometrics-based KYC customers fully online. Such efforts garnered the accolades of IDG and the Vietnam Banking Association by the "Outstanding digital transformation banking" award for three consecutive years

As the leading consumer finance company in Vietnam, FE Credit particularly focused on digitization to optimize cost and meet the ever-increasing demands of customers amid the boom of digital solutions in the market.

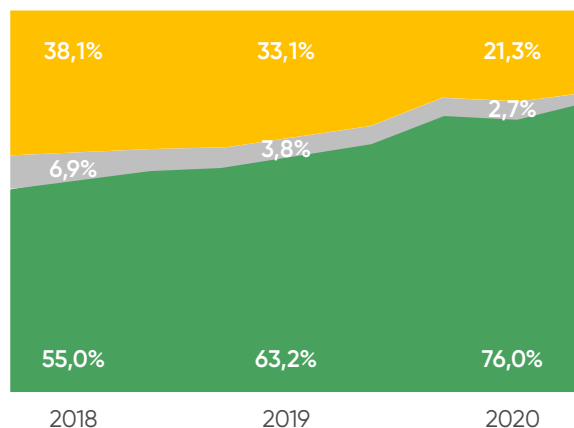
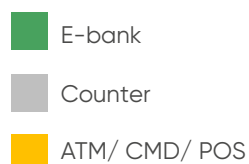
Over the recent years, FE CREDIT has revamped its Big Data system as a holistic database integrated from a variety of reliable data sources. The system automated application approval process and simplified lending process for customers. Plus, FE CREDIT continuously applied innovative technology to improve customer experience, such as AI-enabled Chatbot, e-signature, etc.



The company has realized its efforts by the introduction of \$NAP in 2018, an automatic loan approval system, which reduces approval time to only 15 minutes; and \$HIELD, an automatic insurance registration and indemnity, which enables customers to access to low-cost insurance package within several minutes.

On top of farming existing customer base, FE CREDIT expanded its financial ecosystem by rolling out a diverse product mix such as UBank, SmartPay or \$HIELD to tap mass and mass affluent segments. Digitization results that FE CREDIT gained not only enhanced the company's operational efficiency but also improved customer experience and generated long-term value.

### TRANSACTION PENETRATION RATE (% total transaction volume)



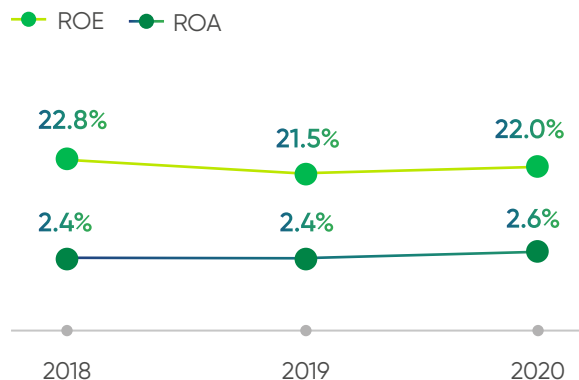
Source: Internal reports 2020



## Strong profit growth

By the end of 2020, VPBank's PBT reached more than VND 13 trillion, 127.5% of the AGM's 2020 target, up 26% yoy despite the impacts of Covid-19 and particularly, apart from consumer finance as key driver, the standalone PBT grew remarkably by nearly 60% yoy, generating VND 9.308 trillion and contributing up to 71% to the consolidated PBT.

Pursuing sustainable and quality growth, VPBank attained success in maintaining its ROE above 20% for six consecutive years. In 2020, ROE and ROA were amongst the highest: 22% and 2.6% both among the best in the market.



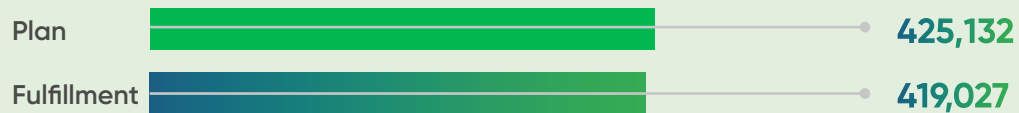
Source: Consolidated audited financial report 2020



Unit: VND billion

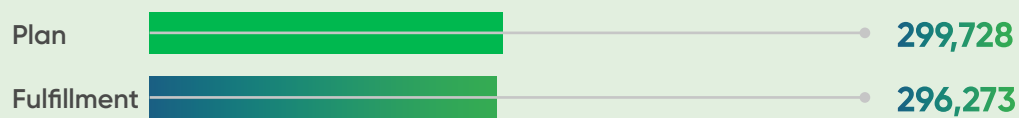
#### TOTAL ASSETS

▲ 99% plan fulfilled



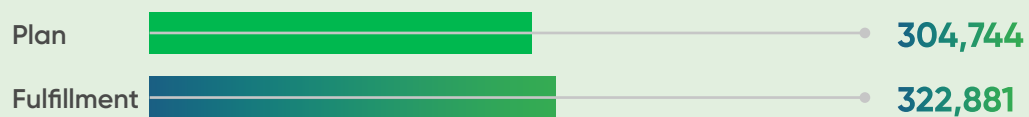
#### CUSTOMER DEPOSITS AND VALUABLE PAPERS

▲ 99% plan fulfilled



#### CREDIT TO CUSTOMERS

▲ 106% plan fulfilled



#### PROFIT BEFORE TAX

▲ 127.5% plan fulfilled



Source: Consolidated audited financial report 2020

# 2021 BUSINESS DIRECTIONS

Global economy was severely hit by Covid-19 throughout 2020 and is still forecasted to face further challenges in 2021. The global economy recovery is firmly attached to the successful Covid-19 vaccination programs and all nations' cooperation and agreement. The emerging economies and countries well containing the pandemic shall be under spotlight.

Vietnam's economy is expected to recover in V-shape and international organization forecast its GDP to grow at 6.5 – 7% in 2021 while the inflation will be kept under 4%. Vietnam is among handful nations which well contain the pandemic thus enabling the economic development. The key drivers are recovery in domestic consumption, export growth from effective FTAs and benefiting from the shifting of supply chain and Government's adaptive support programs. But challenges are remained to be seen amid sophisticated pandemic and global economic and political settings.

The banking sector is believed to have growth opportunities in 2021 amid economic recovery. Economists consider that the low-interest environment will be maintained during the year thus stimulate businesses' credit demands. Though SBV has set a 12% credit growth target, it might be adapted to practical situation. SBV has also instructed banks to enable access to new loans while assuring credit quality and system's soundness.

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## Responsive and flexible in new normalcy

Covid-19 is forecasted to exert more negative impacts and volatilities on the economy and market. VPBank will take a responsive and adaptive approach in preparing solutions, reinforcing systems, making resources and measures highly available to support customers. The bank will also step up CSR to promote sustainable growth.

- ▶ Continue to sustain robust growth across all business segments, strictly manage potential risks, aggressively control asset quality, build up resources for a leapfrog in the future.
- ▶ Leverage the market conditions to optimize funding mix. Boost lending and sales growth to enable a breakthrough amid economic recovery. Continue to increase the proportion of credit fee income to solidify income structure.

## Sustainable growth, opportunities for growth amid economic recovery

**As to proactively deal with uncertainties and challenges in such business environments while effectively capture opportunities from local economy's recovery, the leadership of VPBank has set the following key targets for 2021:**

- ▶ Identify and grasp new business opportunities, coupled with assuring the bank's soundness and sustainable growth, contributing to increase VPBank's stand in the market.
- ▶ Continue and give priority to investment for strategic initiatives on technology to well prepare for the bank's integration in the digital era and set a stepstone for the bank's pioneering in deploying key technologies which directly create business growth and efficiency, improve customer experience, and expand the banking ecosystems.



# PROACTIVENESS & FLEXIBILITY

# ADAPTIVE TO A CHANGING ENVIRONMENT

**VPBank has taken pioneering activities ahead of the market, to both capture the advantages and being well prepared. In such setting, it remains proactive and adaptive to Covid-19 since early 2020.**

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The World Bank considers that the pandemic crisis led to a 4% reduction in global economy during 2020. Its report in December 2020 entitled "Taking stock" said that "The first lesson from Covid-19 was that one must be well prepared and take actions early and robustly to best cope with an external shock".

For VPBank, we were well prepared and ready to take pioneering actions to cope with such biggest unprecedented Covid crisis.

## BEING PROACTIVE

The bank has been so since the first days pioneering in retail banking and to date it has been able to reinforce its risk management capabilities, including in vulnerable segments, during the pandemic. The preparation accumulated from the digitization journey started since 2015 – 2016 offers a great proactiveness for both customers and the bank as the pandemic broke out. The preparation in becoming one of the first three local banks in early applying all three Basel II pillars constitutes a strong buffer which ensures the bank's operational safety against unfavourable market changes.

Being prepared and adaptive, since the pandemic revealed its sophisticated development, VPBank has determined a target of system safety and sustainable development, taking robust bank-wide actions on a timely manner.

As early as February 2020, VPBank has formed the Covid-19 Steering Committee to steer actions against pandemic while activating Business Continuation Plan (BCP), building different business scenarios according to pandemic development, screening and assessing impacts to the people, customers segments and economic clusters thus execute adaptive policies and business plans. The bank also accelerated programs to increase its liquidity and operational safety, conducted stress testing in stressed scenarios, reviewed expenses optimization solutions, delayed and de-listed some of the non-essential projects or activities to reduce OPEX, tightened risk management policies especially credit risks while accelerated debt collection and debt restructuring.







## BEST RESPONSES

Coupling with system safety enhancement, VPBank has joined other activities to share its social responsibilities, executed preferred credit packages, reduced loan interest rate, waived or reduced fees.

But since customers demand even more adaptive solutions, we were also adaptive to best respond.

Despite severe pandemic impacts, VPBank managed to acquire international funding thus helped to reduce cost of fund and diverse funding sources to support customers. In particular, we acquired and disbursed USD 200 mil from IFC for green projects, USD 230 mil from AIIB/ IFC for Covid-19 relief, USD 50 mil for green projects and SMEs.

“

*What concerned us the most since pandemic broke out was increasing NPL and lower business results. However, ahead of these market challenges and other changes, we together adapt our business plan thus achieved better-than-expected results for which we are all proud of.*

”

**NGUYEN HUY PHACH**  
Head of SME Division.

“

*2020 was such a challenging year for enterprises globally, including VPBank customers. First, we executed debt restructuring for eligible enterprises as per SBV's Circular 01. Recognizing that digital transformation is unavoidable and it became even more critical during pandemic, we advised our customers to use VPBank's digital payment solutions which helped save their time and resources.*

”

**DUONG THI THU THUY**  
DCEO, Head of CIB Division

# RISK MANAGEMENT – A KEY ENABLER

Impacts were not enough to describe the Covid-19 crisis, but direct and severe damages to the entire economies. In such unprecedented context, risk management became a first key enabler for both VPBank and any other organizations.

## A LEADING STAND SOLIDIFIED

Being one year ahead of SBV's plan made VPBank one of the first three local banks in applying Basel II Standardized approach and reaffirmed its capabilities in risk management and international risk standards. We further our targets by approaching more comprehensive international risk management standards, including Basel II IRB, IFRS9 and Basel III which aim at increasing the bank's risk management capabilities and being ready to comply with SBV's future requirements as well as to reaffirming the stand of a local bank with leading risk management capabilities.

The early apply of ICAAP in 2020 also brought results. These includes risk awareness is increased at both management and working levels, aligning risk strategy with business plan, measuring more accurately risk sensitivity against macro factors such as interest rate, exchange rate, inflation, GDP, fluctuation in real estate price, optimizing funding via a risk-based fund allocation and business segments, integrating risk management in business performance review and KPIs setting for each position in the bank.

## PRUDENTIAL RATIOS INCREASED

The fore-mentioned proactive actions increased VPBank's risk management capabilities amid unprecedented Covid-19, and of course have never been included in the business plan.

The formation of Covid-19 Steering Committee with specific action plan and readiness to activate BCP aims at proactively mitigating impacts or sudden losses to the bank and improving prudential ratios. All in all, it shows the long-prepared system-wide readiness against turbulence.

By end 2020, the consolidated CAR according to Circular 41 was 11.7%, far above the 8% legal requirement. On a quarterly basis, we disclose CAR on the bank's portal enabling a comprehensive view on capital adequacy and risk management framework and crystalize our risk profile to the public.

Effective risk management was such a driver which enabled VPBank to tackle pandemic impacts. While the industry's NPL picked up, out consolidated NPL according to Circular 02 was kept at 2.9%, even less than 2% for the bank alone. We also increased provision and made 2020 consolidated provision increased by 15.2% yoy (excluding VAMC provision in 2019) and that of bank alone was 27%.

The Asian Banker (Singapore) awarded VPBank "The Achievement in Liquidity Risk Management" and for the first time bring the bank to par with the leading credit institutions in Asia, including China Merchants Bank (China), OCBC Bank (Singapore), Maybank (Malaysia) .etc. in risk management.

## PROACTIVE APPLICATION IFRS 9

On March 16th 2020, Minister of Finance issued Decision No. 345/QĐ-BTC approving a plan on IFRS application in Vietnam which includes 3 phases: preparation (until end 2021), voluntary application (2022 – end 2025) and mandatory application (post 2025).

IFRS – recently issued and applied – remains a biggest challenge for local commercial banks. At VPBank, we scheduled IFRS-9 since Q2/2019 until end of 2020, much earlier than MOF's plan above.

### IFRS-9 application at VPBank:

Since end of 2018, VPBank and FE Credit conducted a gap analysis of IFRS-9 application on accounting, business processes, risk management, people and system perspectives. IFRS-9 shall be applied for the first time at VPBank and its subsidiaries in fiscal year ending on December 31 2020.

In parallel with the IFRS-9 application project, the bank implemented Treasury project which aimed at applying IFRS on transactions on treasury system since end 2019.

In 2021, VPBank schedules to finalize the Expected Credit Loss tool to address data issues which serve the IFRS-9 calculation, fine-tuning the current Probability of Default tool as well as to develop other tool to approach best practices in this field.



*"The early completion of three pillars under Basel II was attributed to serious efforts from both management and working levels which helped VPBank become more trusted from foreign organizations and credit rating agencies."*

*"Such early completion ahead of SBV's requirements was also a solid ground enabling VPBank to pioneer in meeting highest international standards."*

**DMYTRO KOLECHKO,**  
Head of Risk Management Division

# DIGITAL TRANSFORMATION DRIVER

**"The pandemic may have accelerated economic transformation toward digitization. Investment on digital shall allow financial systems to reduce costs and widen their reach to untapped segments, thus increase financial inclusion"**

- IMF report, November 2020

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VPBank has been pioneering in the accelerated digital transformation process. We have been applying a number of projects to digitize operational and products/services development processes. The results of these projects can be quantified during the bank's operation and to create unique competitive edge to the bank.

But on top of all, in 2020 these values became transformation driver for our customers so that they will be able to proactively adaptive to a changing business environment from pandemic impacts.

## INCREASED UTILITIES AND EXPERIENCES

By end 2020, VPBank has automated 37 highly customer interactive processes in card, transaction enquiries, credit application and processing .etc. Thankfully, the processing time has been shortened and thus improves customer experience and satisfaction. A typical example was mobile app which helped to substantially shorten card issuance to just 1-2 days and save about 30-40% of disbursement to just 2-3 days for consumption loan, responses to customers enquiries is 50% shorter, too.

And especially aiming at continuously pioneering in offering new solutions, utilities and improved experience. VPBank has become the first local bank applying eKYC which enable 100% online current account opening. The bank also embedded AI and big data in its new smarter portal to support the customers.

VPBank has self-developed VPBank online (VPO) and gradually shaped Open Banking – an all-in-one platform which offers an ecosystem of bank's offerings, from basic to advanced to the customers. This is a key direction in diversifying utilities and improving customer experience in the years to come.

## OPERATIONAL EXCELLENCE

A VPBank's highlight in the year was CIR was dropped to 29.2%, the lowest amongst local commercial banks of which digital transformation and operational excellence were key enablers.

Aside improving customer experience, digitizing channels and processes has helped VPBank to minimize time and resources required, therefore optimizing operational processes and increase efficiency. In 2020, VPBank has successfully implemented new projects to further the optimization.

- Digitizing sale process for Retail Banking's secured/unsecured products.
- eKYC - Biometrics: applying biometrics to identify customers in replacement of traditional methods.
- Omni-Channel for Contact Centre 24/7.
- RPA: successfully digitize 100% processes thus minimize simple manual workload at Operation Division units.
- Overdraft for SMEs on landing page.
- Change card's function digitally.

The above project enabled VPBank to reduce 35-40% processing time per each transaction, minimize cost and human resources required. Especially, acquisition via eKYC brought efficiency in reducing operational costs and disruptive customer growth. The cost per each account opened via eKYC dropped by 39% against traditional channel while CASA account via eKYC is forecasted to grow at 70%/ year.



## BROADENING THE DIGITAL ECOSYSTEM

On the ground of traditional models and methods, the business activities, transaction and financial management were transformed via modern digital tools or financial transactions on self-developed systems or broadened digital ecosystem.

For example, self-developed VPO (on mobile and web platform) acquired 2 mil new registers in 2020. The Open Banking/Open API and Microservice helped boosting the integration into new ecosystem and shortening integration time to just about 2 weeks so that the partners can start connecting to VPBank's banking services. These are unique features for both VPBank and its partners in comparison with exclusive monoblock architecture which VPBank deployed in previous years.

VPBank's digital ecosystem has been widely broadened, capturing hailing, payment, consumer finance, investment, real estate where customer experience journeys were fully digitized. As an outstanding partnership, VPBank partnered with BE Group (the owner of Be hailing app) to launch the full digital bank named CAKE. This is the first digital bank being integrated into a hailing app.

In 2020, VPBank successfully interfaced to State Treasury system, added to previously interfaced Tax and Custom. These contributed to digitizing transaction in public utility sector. Especially, the bank also successfully broadened the ecosystem and interfaced with tuition fee collection both locally and internationally for about 600 universities in 2020 and about 1,000 since 2021.

Given such non-stop ecosystem broadening, online transaction now covered 97% of total transaction volume in 2020, of which those via VPO was nearly double, active online customers increased by 58% yoy. These figures demonstrated right direction in its digital strategy which VPBank has deployed during recent years.

## SOLIDIFYING STAND

Pioneering and non-stop! VPBank's digital transformation achievements were highly recognized both locally and internationally.

2020 marked the 3<sup>rd</sup> consecutive years which VPBank received the "Outstanding digital transformation banking award" from IDG and VNBA

By end 2020, VPBank officially certified by UK-led DAS on ISMS ISO/IEC 27001:2013.





Prospering Viet Nam 

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# **STANDING**

## **SHOULDER TO SHOULDER**

# STANDING SHOULDER TO SHOULDER

**"VPBank believes that under the Government's leadership and with the solidarity and determination of all businesses and Vietnamese to overcome hardships, Vietnam's prospect for foreign investment remains bright. The Board of Directors and Board of Management are willing to stand shoulder to shoulder with the community, support customers in times of difficulty, and steer the bank through the pandemic."**

VPBank emphasized the above message at the very beginning of the nation-wide social distancing period in April 2020. The whole bank got down to work quickly, implementing a host of support programs all at once and in a timely manner.

## PROSPERING VIET NAM

In December 2020, the BOD approved "For A Prosperous Vietnam", a five-year, VND 300 billion corporate social responsibility (CSR) program focusing on education and health care.

The program targets disadvantaged people in the society who need help and assistance to take ownership of their lives and future, thus creating prosperity for themselves and the society.

In terms of education, the bank has planned to hold a series of smart finance training programs for the youth, our nation's future.

In terms of health care, VPBank will work with local and international health organizations to carry out well-being activities and provide free treatment to the community.

The bank was ranked the strongest private bank brand in Vietnam and included in the world's 250 most valuable banking brands list. It was also among the top four most efficient banks in Vietnam thanks to the outstanding, sustainable financial indicators. However, practical and meaningful community support activities have always been our aim.

In the face of the socio-economic difficulties across the country arising from the COVID-19 pandemic, VPBank carried out many meaningful, practical CSR activities such as the donation of approximately VND 20 billion to the Government to battle the pandemic, the drought and salinity intrusion in the Mekong Delta, the donation of around VND 20 billion to Central Region provinces for their flood relief efforts, nearly 1,000 gift packages for border guards in Cao Bang, the donation of two ambulances to Thanh Hoa General Hospital, among others. Apart from these, the bank also organized big sports and cultural events to boost the collective morale such as VPBank Hanoi Marathon ASEAN 2020, The Garden of Prosperity concert, "Tet – Out of Sight But Not Out of Mind" TV program in collaboration Vietnam Television, VPBank Bac Giang Marathon, etc.

By launching the "For A Prosperous Vietnam" program, VPBank once again reaffirmed its long-term CSR and the mission of bringing comprehensive prosperity to Vietnamese, including financial, physical, psychological, and community prosperity.





# Prospering Viet Nam

**VND 300 billion** for the society in five years.  
Two main focuses: **Health Care** and **Education**

## STARTED FAST

VPBank reduced interest rates by 0.05% – 4.7% for approximately 110,000 customers affected by Covid-19 on a total loan portfolio of VND 52 trillion to help them overcome difficulties according to the SBV's Circular 01.

From the beginning of the outbreak, the bank carried out the process for classifying and processing documents in a flexible, creative manner and adopted automation. Therefore, it was one of the first commercial banks to shorten the process on loan restructuring, loan rescheduling, and interest rate reduction from four days before the pandemic to four hours on average.

Aiming to intensify CSR efforts, the bank quickly joined hands with the government, the SBV, Ministry of Health, and the Vietnam Fatherland Front, donating nearly VND 40 billion to the Covid-19 battle and disaster relief in the central region, etc.

## CONCRETE ACTIONS

Besides general support policies, VPBank implemented specially designed programs to help customers overcome the pandemic from the very beginning.

On April 14 2020, VPBank launched "Household Business Academy" program across the country, which consisted of online training courses and support staff at transaction offices, to help household businesses transform their sales model from offline to online to stay afloat during the pandemic. It was free of charge and helped more than 12,500 household businesses all over the country undergo transformation.

In October, VPBank, CARE, MasterCard, WISE, and Canal Circle officially announced the IGNITE initiative in Vietnam to further empower the women-led micro and small entrepreneurs by providing them finance and helping them on the road to successes and prosperity. This multilateral cooperation supported critical businesses in the economy to develop, promote financial security and inclusive growth through interventions that help women entrepreneurs develop.

On December 22, VPBank signed a grant project agreement with ADB and the SBV as part of "Covid-19 Relief for Women-led Small and Medium Enterprises Project". This USD 5 million grant is funded by the Women Entrepreneurs Finance Initiative (We-Fi) and the ADB is commissioned to directly manage it. The project will open up many opportunities for women to turn business ideas into reality. VPBank is committed to make the best preparations to implement it.

## GAINED POSITIVE RESULTS

One of the spectacular results of the timely support, sound advice, and workable solutions was that more than 95% of the loans affected by Covid-19 which VPBank restructured became performing again by year end.

Against the backdrop of the complicated, possibly long-running pandemic, VPBank took the initiative in digitizing customer transactions while still providing them with all the necessary functionalities and solutions, reducing human intervention to adapt to the new reality and changes in the business landscape.

Customers' loyalty and support over the past years led to the improved performance of most segments. VPBank increased the customer base, aggressively developed products and services, and continued to improve performance according to sustainable growth targets.

“ Besides the policies on interest rate reduction, loan rescheduling, and loan restructuring according to Circular 01, one of VPBank's focuses was to jointly develop the customers' ecosystems involving such products as supply chain finance, factoring, etc. to help them manage receivables better, reduce financial expenses as compared with loan interests, and develop their ecosystems in a sustainable manner.

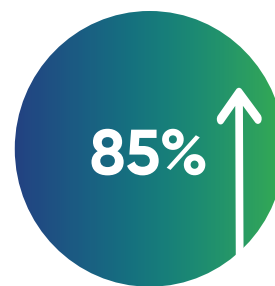
”  
**DINH VAN NHO**  
 Deputy CEO  
 Head of CMB Division.

# CREATED MORE VALUES TOGETHER

2020 presented us with not only myriad difficulties but also opportunities. VPBank was prepared, proactive, and in an advantageous position to grasp the opportunities for creating more values together with customers.



NUMBER OF RETAIL ACCOUNTS  
NEWLY OPENED IN 2020



GROWTH IN  
RETAIL CUSTOMERS IN 2020

The Covid-19 led to changes in transaction habits and methods and heightened the demand for convenient financial services. VPBank continued to develop new products and services to follow the trend and take advantage of its own digital transformation momentum. On the other hand, the bank's convenient products and services helped customers adapt to the changes and improve their performance.

We launched Ecompay and Simplify payment solutions for SME segment to help e-commerce businesses, from small to large, serve their buyers better, optimize cash flow in an effective, cost-effective, accurate fashion, and enter new business channels. The bank also digitized the enterprise account onboarding journey, then the enterprise overdraft journey, and designed an enterprise health diagnostics tool.

For the SME segment, the number of I2B accounts grew by 5,000 as a result. The number and volume of online transactions grew by 125% and 163% respectively yoy.

For retail segment, VPBank debuted the first Mass Affluent (MAF) brand in Vietnam, after achieving successes with the VPBank Diamond brand, which was launched in 2018. Moreover, we implemented many solutions to improve digital customer experience such as e-payroll, eKYC, and finance management functionalities which can connect with ecosystems quickly.

Therefore, 514,076 retail accounts were newly opened in 2020, up 85% yoy. There were 65 million transactions, up 50% and 139% over 2019 and 2018 respectively. The total volume of transactions on VPBank Online reached nearly VND 850 trillion, up 30% and 110% over 2019 and 2018 respectively.

In an effort to become a consumer-friendly bank through technology, the bank implemented many foundational projects, along with digitalization, automation, and customer experience improvement, which brought about many remarkable results. By year end, the bank's digital customer base grew by 58% yoy. Digital channels currently account for 97% of the total financial transaction volume.



# RETAIL BANKING STRATEGY PROVED EFFECTIVE

The number of new customers and sales grew in most segments, proving VPBank's strategy and consolidating its retail banking position on the market last year. The strategy enabled the bank to have an effective, sustainable income structure.





Under the Development Strategy of Vietnam Banking Sector to 2025 with Orientations to 2030 approved by the Prime Minister on August 8, 2018, commercial banks are to increase the income from non-credit services to around 12% - 13% of their total income.



## DRIVER OF INCOME GROWTH, HIGHER CASA RATIO

Non-interest income (NII, inclusive of income from services, foreign exchange, and securities) remained the income growth driver for the bank, growing 27% yoy. The ratio of NII to TOI increased sharply from 19% in 2019 to 21%.

VPBank's goal of sustainable growth was translated into this income structure, in which income from credit activities gradually lessened and which was important due to the probability of non-performing loan surges resulting from the pandemic. Except for FE Credit, Retail Banking Division accounted for the bulk of the profit.

Besides the stronger focus on services in the income structure, retail strategy was the very driver of CASA ratio, an important indicator for the year, and service fee growth. Retail Banking Division saw a 55% yoy CASA growth rate.

On the other hand, SME Division continued to achieve impressive profit growth and exceeded the profit target. It delivered 132% of the fee income target and the yoy growth was 39% thanks to CPOS, banca and trading.

Thanks to the combined effect of digitalization and customer base increase, Retail Banking Division and SME Division grew the bank's CASA ratio to 15.5% in 2020 from 13% at the end of 2019. The result shows that the long-term program for improving funding and its sustainability works, helping to reduce the interest margin for the bank last year.

VPBank exceeded this target ahead of time mainly thanks to the retail banking strategy.



## BALANCED PORTFOLIO TO SPREAD RISKS

In the bank's retail strategy, loans are to be evenly distributed across segments and groups of demands. In the portfolio, home loans accounted for 30%, unsecured loans 20%, and auto loans 20%. Retail credit including retail loans and SME Division accounted for 51% by year end.

Such percentages helped the bank avoid reliance on a particular segment or market, thus reducing the concentration risk. On the other hand, the retail loan strategy covering more retail customers, household businesses, and SME Division helped spread the risk through a higher number of loans and customers in more diverse sectors in the economy.

The retail banking strategy helped the bank keep credit quality under control, distribute and reduce risks in the pandemic context while contributing to the record profit last year. In 2020, the bank's NPL ratio dipped below 2%.

↓ 2%

# GOOD PERFORMANCE IN CARD AND BANCA BUSINESSES

The pandemic posed great obstacles to the card and bancassurance businesses as they require more direct interactions and bank-to-customer advice. However, both of these businesses achieved good performance last year.

One of the most important milestones in the portfolio management and card business in 2020 was the record profit of VND 484 billion, 5.7 times that of 2019 (VND 85 billion.)

Besides, fully digital customer acquisition and onboarding journeys, which make it easy and convenient to apply for cards, helped grow the portfolio and improve income quality.

## Some outstanding new products and projects in card business in 2020

### ► New product: Shopee-branded card

Shopee is one of the biggest e-commerce platforms in ASEAN. In 2020, Shopee named VPBank "Most Impressive Partner 2020". This sets the precedent for partnership with more digital ecosystems.

### ► Digital project: virtual card for all existing VPBank credit card lines

- Bảo mật - Thẻ ảo tách biệt với thẻ vật lý (số thẻ khác nhau).
- Tính linh hoạt - Thẻ ảo hoạt động chính xác như một thẻ vật lý với tính năng kỹ thuật số thân thiện hơn với người dùng, đặc biệt là tính năng thay đổi hạn mức trực tuyến.
- Đa dạng - Thẻ ảo VPBank có thể sử dụng tại bất kỳ đơn vị chấp nhận thẻ nào.

## Highlights of bancassurance business in 2020

As the pandemic occurred in 2020, customers' attitude about insurance became more positive. However, it also caused many difficulties for this business. Customers were less inclined to come to transaction offices while the business involves in-person advice. Moreover, customers' finances were affected and not as good as before.

The bank overcame such challenges and grew its bancassurance income to VND 1,288 billion, up 35% yoy.

### ► Life insurance:

- Launched product combos consisting of banca and other products for the convenience of customers.
- At the height of the Covid-19 battle and during the social distancing period, VPBank and AIA worked out a method for customers to provide confirmation signatures via Zoom rather than in person.

### ► Non-life insurance:

- Was the first bank to offer credit card insurance with a low monthly fee for balance protection.
- Improved the process for issuing certificates of insurance online with the customers receiving them via email.
- Have gradually digitized existing products and services by making some non-life insurance products such as home insurance, trip delay insurance, and card insurance available on digital channels.

5.7 times

THE YOY PROFIT GROWTH RATE OF PORTFOLIO MANAGEMENT AND CARD BUSINESS

VND 1,288 billion

INSURANCE FEE INCOME IN 2020, A 35% YOY GROWTH

# DEVELOPMENT OF SPECIALISED CUSTOMER SEGMENTS

Launched in June 2018, VPBank Diamond quickly proves that the bank has headed in the right direction in terms of developing specialized customer segments.

This is the service for the bank's affluent segment, combining tailor-made financial solutions, preferential deposit interest rates, loans, investment and insurance products, and tailor-made products and services.

In 2020, VPBank Diamond remained a strong affluent banking brand in Vietnam's banking sector, was an important growth driver in VPBank's retail banking strategy, and helped improve many important metrics in the strategy.

Building on the success, VPBank developed and became the first bank in Vietnam to launch MAF brand, another segment brand.

The development of the specialized segments created competitive advantage, grew the customer base, and improved customer experience in using VPBank's products and services.

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VPBank ANNUAL REPORT 2020

**"** The Covid-19 crisis has changed habits and transaction methods, especially in the case of retail customers. We have delivered increasingly better experience through digital transformation and constant service quality improvement. In particular, VPBank pioneered in the development of eKYC and the solution became highly relevant in the pandemic context, etc. Therefore, the bank's customer base has increased continuously, helping to increase CASA and the bank's overall performance.

**"**

**PHUNG DUY KHUONG**  
Deputy CEO,  
Head of Retail Banking Division



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# **NEW FAITH**

## **NEW NORMAL**

# EXCELLENT HUMAN RESOURCE TEAM

**"Success is not measured by the position one has reached in life, rather by the obstacles one overcomes while trying to succeed"**

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From the underlying meaning of that quote, 2020 was deemed successful year to VPBank.

VPBank overcame the extraordinary challenges posed by Covid-19 thanks to its solid financial foundation, sound strategy, and flexible management, particularly when Vietnam reached the new normal. Above all, the bank developed high-calibre personnel who shared the same belief and pride and made concerted efforts to common targets.

In 2020, VPBank delivered record growth. In particular, consolidated total assets amounted to VND 419,027 billion, consolidated profit before tax VND 13,019 billion. As of December 31, 2020, the bank had 20,991 employees, down 22% yoy. Such figures reflect the bank's high productivity and efficiency. CIR was also optimized, down from 33.9% in 2019 to 29.2%, one of the best among commercial banks.

Strong digital transformation was another important driver to operational and cost optimization. It allowed room for more investment in human resources and more organizational refinements.

Since 2019, VPBank has effectively carried out organizational restructuring - a part of the "BE FIT" aiming at higher efficiency. The bank also developed solutions for talent training and development. The launch of 2019 - 2022 ILEAD program showed the leadership's strong commitments to build future leader generation. Those core programs brought about excellent results in people development in 2020.

Calamity is man's true touchstone. That is to say, fruitful results amid extraordinary difficulties have proved our employees' capabilities. The shared adversity in 2020 was the calamity in which each and every employee can demonstrate

his/her touchstone. A series of key programs were successfully executed in 2020 such as Critical Roles 2020 (determining key roles with special remuneration policies); Succession planning 2020 across the bank; and Gennext VPG, which will be launched in 2021. Furthermore, the bank developed a professional working environment, offered competitive remuneration, and defined clear and fair career path for every employee. These efforts helped cultivate the motivation, belief, and pride in each employee and elevate the bank's stand in the market.



***We treasure the people who create VPBank values; hence, we always put their development and retention in priority, particularly by conducting regular professional training programs***

***Pay raise on bankwide level, special remuneration scheme for Critical Roles, higher bonus budget for 2020, 17 million shares issued under ESOP 2020, and holistic review for a better remuneration scheme against the market illustrate the bank's commitments to people development - our most valuable assets.***



*At VPBank, we pave the way for personal development and innovation.*



# OPTIMISTIC SPIRIT PERVASIVENESS

Apart from developing an excellent and cohesive internal community, VPBank carried out many CSR activities to spread optimism among external community. This culture is consistently embedded to the bank's operations.

In the early outbreak of Covid-19 when Vietnam was combating against it, VPBank took initiative in infusing positive spiritual power into the community. In particular, the bank launched the campaign "Cheer up Vietnam", as encouragement to

community amid the dire circumstance.

"Cheer up Vietnam" is a campaign consisting of three courses of action taken by VPBank:



Donated VND 15 billion to the combat against Covid-19 and gave 1,000 insurance policies to the medical staff and other front-line forces



Developed sound financial products and services and supported Covid-impacted customers



Introduced Digital Music Show series on VTV6

## THE FOOTPRINT OF VPBANK HANOI MARATHON ASEAN 2020

Following the successful containment of Covid-19 outbreak, as soon as Vietnam encroached a new normal, VPBank launched an impressive event which resonated with emblematic national-level significance and attracted international attention.

Under the slogan "Meet sunrise – Welcome new normal", VPBank Hanoi Marathon ASEAN 2020 (VPHM), held in October 2020, became the national event in the ASEAN chairmanship year of Vietnam. This was also the first large-scale community event in the new normal of Vietnam and ASEAN.

Held as soon as new normal was set in Vietnam, VPHM was a significant political, diplomatic, cultural and social event not just to Hanoi but to the whole country.

VPHM attracted more than 5,000 athletes across global continents on virtual platform. It was a special experience as this was the first time there had been a large-scale marathon starting at midnight on Hanoi street and lasting till sunrise. The event accented the image of a safe and resilient Vietnam, which was significant to the country's reputation and to tourism sector especially amid the pandemic.





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“

Corporate culture and CSR have driven VPBank to overcome difficulties in the year of 2020. VPBank launched many impactful social programs and activities such as “Cheer up Vietnam” or VPBank Hanoi Marathon ASEAN 2020 under the slogan “Meet sunrise – Welcome new normal”. VPBank spirit, culture, and people, as positive as they have always been, were even more powerful amid the extraordinary situation in 2020.

”

**LUU THI THAO**

Senior Deputy CEO





Prospering Viet Nam 

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# **SEIZING NEW OPPORTUNITIES**

**Challenges seemed to never disappear. Covid-19 made a resurgence in Vietnam by early 2021. Nevertheless, VPBank once again managed to be there for customers and community to rise above difficulties and grasp new opportunities.**

The new Covid-19 variant made the pandemic more complicated than ever and hindered the economic recovery. However, the ongoing vaccination development and distribution have raised hopes to the dire status quo, on top of fiscal and monetary relief packages underway in many countries.

In the January 2021 report, an IMF report raised its GDP growth rate forecast to 5.5% by 2021 and 4.2% by 2022. However, this rate will vary greatly in different countries and regions.

In Vietnam, recovery momentum in 2021 is expected to be stronger as the country has contained the pandemic and reached impressive GDP growth in 2020.

In the socio-economic growth resolution, the National Assembly set GDP growth target of 6% and inflation of 4% in 2021. The country's capabilities and future outlook, where both local and international conditions have been considered as to target setting.

According to the Government, such targets are highly challenging; yet, driven by strong commitments, the Government aimed at 6.5% GDP growth in 2021, higher than the National Assembly's by 0.5%, and pledged to surpass other socio-economic targets.

VPBank is approaching the late phase of the five-year strategy 2018- 2022. We will continue to persistently pursue our given strategy in a more responsive and adaptive manner amid the new normal. In particular, we will spend resources promoting innovation and quality of our products and services to complete a successful five-year journey.



# VPBANK KEY OBJECTIVES NEED TO BE PROMOTED STRONGLY IN 2021



## Optimized credit growth

- Achieve aggressive credit growth in Retail and SME segments
- Carry out efficient farming in corporate lending ecosystems and unleash the potential of sustainable growth industries



## Diversified funding mix and optimized balance sheet

- Optimize cost of fund
- Boost CASA growth



## Improved asset quality and integrated risk management

- Closely monitor and support customers through financial difficulties
- Adopt effective collection strategy



## Beefed-up IT infrastructure to enable digitization strategy

- Put disruptive IT initiatives in priority
- Automate and digitize processes to improve productivity by 20-30%

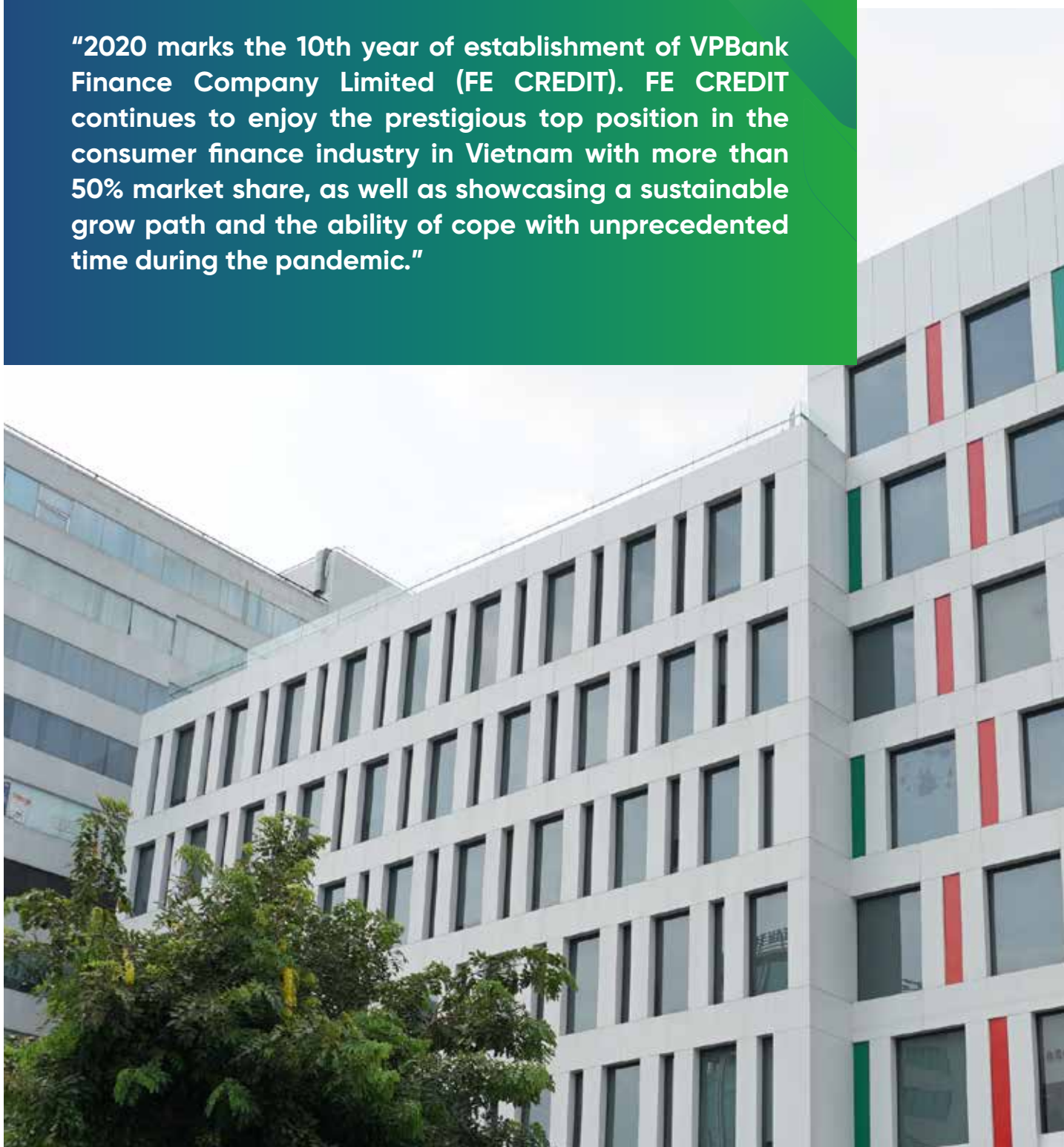


## Promoted brand identity

- Leverage digital channels and social media to make a sweeping transformation in marketing and branding
- Enhance omni-channel customer services

# 2020 AND ACHIEVEMENTS OF FE CREDIT

"2020 marks the 10th year of establishment of VPBank Finance Company Limited (FE CREDIT). FE CREDIT continues to enjoy the prestigious top position in the consumer finance industry in Vietnam with more than 50% market share, as well as showcasing a sustainable grow path and the ability of cope with unprecedented time during the pandemic."







## HIGHLIGHTS

- ▶ Being well adapted to the unprecedented pandemic, FE Credit worked out response scenarios to mitigate impacts while creating a foundation for future steady growth.
- ▶ Accelerate the implementation of a comprehensive financial platform that applies cutting-edge technologies such as digital signatures, Artificial Intelligence (AI) and Big Data.
- ▶ Transition from the traditional POS to new sales model which help minimizing human expenses and increase service quality by leveraging partners' sales staffs.
- ▶ CAR was maintained at 19.1%, outperforming the required level 9%.
- ▶ Top 20 most profitable private companies & Top 100 largest corporate taxpayers in 2020.
- ▶ Aside business operations, we also took many CSR activities to support communities and customers affected by Covid-19 and also the people in the Central Region Vietnam during storms and floods.

## A CHAMPION'S BRAVERY AND STEELY WILL

- ▶ With arrays of challenges in 2020, FE CREDIT has swiftly made adjustments to its risk appetite and refocused resources on collection, increased collection efficiency and utilized risk mitigation tools.
- ▶ The company also redirected sales effort to cross sales to existing customers in order to reduce risk and protect its portfolio in such a rocking time. As a result, Moody's reaffirmed FE Credit's rating of B2, which translates to Stable status during its rating review.
- ▶ During the social distancing period, the digitalization efforts of FE CREDIT have maximized the results when improving consumer service via the latest technology applications and conversational AI to ensure a seamless customer experience. The company launched various self-service channels, installing Chatbot on Zalo and web service, Live chat agents on FEMO as well as complaint platform, Mycase to ensure continuous customer engagements.
- ▶ New salesman model deployed in more than 20,000 merchants has brought a certain success when reducing labor costs while sales still meet target. New sales model also brought impressive numbers to bancassurance with more than 70,000 products sold.

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## A DECADE WITH PRESTIGIOUS LEADING POSITION

- ▶ Its distribution network spreads across the country with more than 9,500 strategic partners in nearly 22,000 POS nationwide, FE Credit continues to be by far the largest player in consumer finance market.
- ▶ This distribution network has been bringing a record numbers of nearly 250,000 new loans per month, serving more than 14 million customers with diversified consumer finance products and superior service experience.
- ▶ FE CREDIT has nearly 17,000 employees drawn judiciously from a mix of local talents and overseas experience, and has created a dynamic, professional and rewarding place to work.
- ▶ The pioneer in digital transformation with mobile apps such as \$NAP, \$HIELD. FE CREDIT also expands its financial ecosystem through diversified financial products and services providers such as UBank, SmartNet, etc. to get closer to the middle and high-end class.
- ▶ FE CREDIT's brand value is also re-affirmed by noteworthy organization when being the only financial company in the Top 20 most profitable private companies in 2020. FE CREDIT has also been honored Vietnam Report in the list of VNR500 and PROFIT500 for three consecutive years.

## DIGITAL TRANSFORMATION ROADMAP

- ▶ Continue to improve and complete Big Data - a comprehensive database system by integrating many different and highly reliable data sources to support automatic contract approval, significantly reducing loan procedures for customers.
- ▶ Cross-selling strategy on existing customers and advanced analytics, are being implemented progressively across mobile apps.
- ▶ 100% on-board new customers implemented with electronic signature.
- ▶ Speed up digitalization efforts on various self-service channels via conversational AI to ensure a seamless customer.
- ▶ The company has tied up with many global leading fintech players and enters into strategic alliances with eco-system partners to implement latest technologies in order to make credit available at customers' fingertips, on their mobile phones, with relevant offerings.
- ▶ Extend its partnerships to other lending, payments and wealth management platforms to widely present on all customer touchpoints with benefits of appropriate products to drive their credit behavior into fully digital environment.

# 10-YEAR STEADFAST JOURNEY WITH THE MISSION OF REALIZING MILLIONS OF DREAMS



## LOAN RESTRUCTURING FOR COVID-HIT CUSTOMERS

.....  
Early termination, fee waiver  
for late payments, reschedule  
repayment plan for 200,000  
distressed customers, translated  
into 4-tril exposure



## DURING THE STORMS AND FLOODS THAT RAGED IN THE CENTRAL REGION, FE CREDIT ALSO GAVE SEVERAL PRACTICAL GIFTS AND MONEY

.....  
Each gift set worth more than  
VND 2 million to help people cope  
with natural disasters and gradually  
rebuild their livelihoods.



## DONATED 10 CHARITY HOUSES TO THE POOR, HELPING PEOPLE TO SETTLE DOWN AND PROSPER IN THEIR LIVES

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VPBank ANNUAL REPORT 2020

These programs are driven by bringing benefits to customers and help easing the hardships they have been through.

# FE CREDIT



Prospering Viet Nam 

# **SUSTAINABLE DEVELOPMENT**

# SUSTAINABLE DEVELOPMENT

## – CONTEXT

Sustainable Development (SD) requires a close and reasonable combination of economic, social and environmental protection during development process. UN's SDGs called for actions globally to combat poverty and hunger, protect the environment and climate and assure that everyone on earth may enjoy peace and prosperity. In the Government's action plan, the financial sector is a key lever on business strategy and supply chains in order to mitigate their impacts on nature while providing financial schemes which protect and promote sustainable ecosystem.

Understanding the role and impact of sustainability to economic sectors to achieving SDGs, during the past years VPBank has embedded the sustainability into its strategy and vision. Not only having a SD strategy, VPBank also

cares about building its policies and action plans to gradually solve social, environmental and climate challenges. Environment and Social Framework (E&S) built and deployed since 2016 is a solid ground which helps VPBank better detect and manage E&S risks in its investment portfolio as well as to explore new potential opportunities. In 2020, VPBank continued its green credit programs where VND trillions are made available to promote projects in renewable energy, environmental-friendly or climate-adaptive projects. The bank also deployed other projects to support vulnerable groups via providing e2e financial solutions, thus creating positive social value and contribute to a fair and inclusive economic recovery.

During the past few years, VPBank's efforts in supporting the

Government to tackle pressing E&S issues were recognized and honored thus constituted prestige and solid confidence in both customers and investors. VPBank is a regular active member joining different initiatives and SD-related events organized by SBV, other regulators or local and international organizations.



### SUSTAINABLE BANKING ASSESSMENT

(IMPLEMENTED BY WORLD WILDLIFE FUND)

VPBank được đánh giá là ngân hàng duy nhất duy trì hoặc cải thiện đáng kể về chỉ số môi trường, xã hội và quản trị, không có tiêu chí nào bị đánh giá là sụt giảm so với năm trước.



### SUSTAINABLE DEVELOPMENT ASSESSMENT

(IMPLEMENTED BY HOSE)

VPBank remains in 20 top VNSI in 2020 review.

A bank, on the ground of confidence entrusted by customers, partners and society, shall serve its best interests and act responsibly. The success of VPBank depends on the sustainable prosperity of the society which it serves. Only in an an inclusive society where economic growth is coupled with social advancement and sustainable nature then our business can grow.

Therefore VPBank wants to continue its roles via using its, products, services and its relationship to drive fundamental changes in the economy and achieve prosperity for both current and future generations.



## Report – content and scope

We use the principles of the Global Report Initiatives (GRI) when select issues and content of the 2020 Annual Report.

We review the topics published in this report to ensure transparency. Materiality analysis is a follow-up process after the review to identify the most important sustainability themes, key opportunities and risks through two factors: (i) importance to stakeholders and (ii) impacts on business activities.

The CEO directly reviews and approves the bank's Sustainability Report to ensure that all key topics are covered.



1. Ensure stakeholders participation



2. Materiality



3. Sustainable Development context



4. Completeness

## Stakeholders

During the reporting year, VPBank also actively expanded its stakeholder network on E&S and governance topics. They include associations, sponsors, partners, and non-profit organizations, initiatives through individual relationship, common projects or platforms, strengthen existing contacts and initiate collaborations.

Shareholder/Investors



Regulators



Community



Partners



Customers



Service providers



Communication agencies



Labourers



## Presentation

The information in the 2020 report is presented based on reference to the GRI standards to create a common voice for related stakeholders, to communicate and understand economic E&S impacts according to globally accepted standards.

## Changes

In comparison to the previous annual reports, the 2020 one transparently discloses VPBank's contributions to SDGs and resolves pressing E&S issues.

## Standards applied

This report has been prepared based on reference to the GRI Standards: option 'Core'

## Timeline

### Reporting period:

01/01/2020–31/12/2020

### Closest reporting date:

31/03/2020

### Reporting circle:

Annual

# RISK MANAGEMENT AND CONTRIBUTION TO E&S

## SUSTAINABLE DEVELOPMENT STRATEGY

### DEVELOPING THE SUSTAINABLE DEVELOPMENT STRATEGY



### ASPECTS OF SUSTAINABLE DEVELOPMENT



### BONDING STRATEGY WITH SGDS



# E&S RISKS MANAGEMENT

## E&S management decentralization

The Bank’s Management has directed the establishment of a dedicated E&S team and assigned responsibilities to all levels of Management to build and implement E&S policies. At present, the DCEO cum Head of Legal and Compliance Division is authorized by the CEO to perform the role of high-level Management and is the Bank’s representative to decide on E&S issues.

## E&S management framework

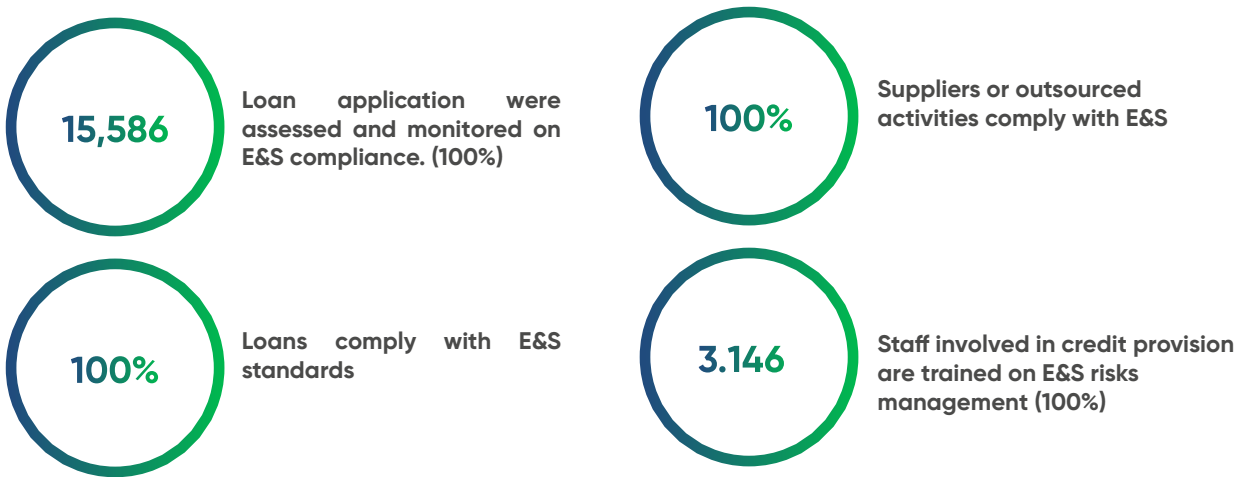
The Bank’s E&S management framework in credit activities complies with national laws and IFC’s E&S Performance Standards.

Loan applications are assessed under a rigorous process to identify and categorize E&S risks, thereby determining actions on a consistent principle, including requesting applicants to take effective measures to eliminate/mitigate E&S risks or reject those with significant E&S risks. Applicants’ E&S commitment in the loan or partnership agreement serves as a condition of maintaining the loan. For suppliers and outsourced activities, VPBank has developed a risk management framework which incorporates E&S criteria to eliminate E&S impacts in the supply chain. The E&S framework, post disbursement compliance monitoring and the Q&A channel are posted on VPBank’s portal.

ENVIRONMENTAL AND SOCIAL ACTIVITIES STANDARDS  
IFC PERFORMANCE STANDARDS ON ENVIRONMENTAL AND SOCIAL SUSTAINABILITY



## E&S RISKS MAGEMENT RESULTS



# GREEN CREDIT

## Green credit program

In 2020, VPBank has cooperated with international partners to develop and implement a Green Credit Program sized up to USD 212.5 million to encourage customers to invest more in green projects. The Bank's Green Credit Framework has been recognized by Sustainalytics to comply with the Green Loan Principles 2020 by the Loan Market Association and is consistent with the UN's SDGs 6, 7, 11, 12, 14 and 15.

## Green credit program results

In 2020, VPBank has disbursed over VND 1,500 billion for green projects in the fields of renewable energy, products and manufacturing technology that are adaptive to the circular economy, clean transport, sustainable water management and wastewater treatment, pollution prevention and sustainable agriculture and forestry.

## CONTRIBUTIONS TO ENVIRONMENT AND CLIMATE

### RENEWABLE ENERGY

- ▶ **Solar power:** Contribute to the conversion of traditional unsustainable energy (coal, large hydroelectricity) to renewable energy. Total annual power output is expected to reach 85,338 MW, contributing to greenhouse gas reduction equivalent to 32,850 tons of CO<sub>2</sub>/year
- ▶ **Wood pellet production:** Wood pellets are a form of renewable energy that can replace less sustainable fuels such as coal and other fossil fuels. Total wood pellet production is expected to reach 2 CIRCULAR ECONOMY 300,000 tons/year, equivalent to cutting 32,850 tons of CO<sub>2</sub>/year and 531,304 tons of SO<sub>2</sub>/year as compared to the same amount of DO oil.
- ▶ **Sustainable boil air supply:** Industrial boilers using biomass fuel instead of traditional fossil fuels, the total amount of wood pellets used is 400,000 tons/year to replace DO oil, equivalent to cutting 6,510 tons of CO<sub>2</sub> and 708,405 tons of SO<sub>2</sub> annually.

### CLEAN TRANSPORTATION

- ▶ **Electric vehicle manufacture:** A project to produce electric motorcycles with an estimated output of 30,000 vehicles/year is estimated to contribute to cutting 240 tons of Hydrocarbon, 600 tons of CO, 45 tons of NO<sub>x</sub> and 18,000 tons of CO<sub>2</sub> when put into operation to replace Euro-3 gasoline engines vehicles.

### CIRCULAR ECONOMY

- ▶ **Recycling metal waste:** Recycling metal waste: The total amount of recycled metal is 250,000 tons/year and help to minimize the impact of exhaustion of natural resources, reduce emissions of hazardous substances and pressure on land recovery from mining activities.
- ▶ **Recycling of aquatic waste:** Recycling of aquatic waste: The total amount of recycling reaches 25,550 tons/year. These projects contribute to reducing organic pollution arising from seafood processing industry.

### SUSTAINABLE WATER MANAGEMENT AND WASTEWATER TREATMENT

- ▶ **Clean water supply:** Clean water supply: Clean water projects financed with green credit have a total capacity of nearly 500,000 m<sup>3</sup>/day and help increase the access to clean water in rural areas, reduce groundwater extraction and increase the adaptability of vulnerable groups in water-scarce areas or where water sources are seriously polluted.
- ▶ **Waste water treatment:** Waste water treatment: Projects to expand upgrade wastewater collection and treatment infrastructure help reduce the rate of untreated wastewater to meet standards in concentrated industrial zones and residential areas.

### SUSTAINABLE AGRO-FORESTRY

- ▶ **Sustainable-certified forestry products:** Promote forestry and handicraft production projects with international sustainable certificate on raw material supplies.

### POLLUTION PREVENTION

- ▶ **Waste treatment:** Waste treatment: Projects related to classify, treating and recycling domestic and industrial solid waste with a total capacity up to thousands of tons/year help to reduce the environmental pressure. This group also includes consultancy activities, technology transfer on the environment and pollution treatment.

# WASTE AND ENERGY MANAGEMENT

## WASTE MANAGEMENT

VPBank complies with laws and integrated management principles in waste management. VPBank prioritizes saving and circulation solutions to minimize the amount of waste generated before disposal. Each area is equipped with facilities to collect and classify waste. VPBank also implemented internal regulations, communication about occupational hygiene and promoting efficient use, and encouraged the office greenization. Through the monitoring and improvement activities according to "5S" principles, the working areas are always kept clean and nice.

## ENERGY MANAGEMENT

In 2020, the expenses on power and water use across the VPBank group will continue to decrease compared to the previous years, specifically: the expense on power decreased by 2.7% compared to 2018 and by 7.0% to 2019, the expense on water decreased by 15.2% and 14.2% respectively. The reduction in energy consumption reflected the efficiency from the awareness raising campaigns for every VPBanker on efficient use of resources and environmental protection.

### ACTIONS TAKEN TO INCREASE ENERGY EFFICIENCY



#### COMMUNICATION

Disseminating regulations on efficient use of energy and waste prevention through the following forms: issuing internal regulations, email communication, embedding efficient practice in internal training programs, posters, slogans, newsletters and propaganda.



#### MONITORING

Stringent management of energy expenses based on annual budget and justification is required when expenses fluctuated.



#### REGULAR CHECK-UP

Maintain and replace electrical and water equipment to avoid energy leakage and losses. Replace low performance electrical equipment with high efficiency and environmentally friendly ones. Use the air conditioner properly.



#### COMPLIANCE MONITORING

Monitor and apply disciplinary actions on cases of inefficient use such as not turning off electrical equipment after work, wasteful use of paper, stationery, and drinking water.



# SUPPORTING WOMEN-LED ENTERPRISES

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Since 2017, VPBank has started studying the women-led SMEs and is currently pioneering in providing end to end financial solutions for this segment. Especially the Covid-19 pandemic made women-led SMEs and micro-SMEs vulnerable financially and reduced income. In such context, VPBank is one of five local banks participating in the USD 5-million grant project "Supporting Covid-19 relief for women-led enterprises" from the Financial Initiative Fund for Women Entrepreneurs (We-Fi) and ADB was entrusted to manage. In addition to financial supports, VPBank also develops support programs that bring non-financial values to better meet their needs, help to build their resilience and thereby promoting a more inclusive and equitable economic recovery.

## FINANCIAL VALUES

In 2020, women-led enterprises account for 18.2% of the bank's SME portfolio and mostly concentrated in Hanoi and Ho Chi Minh City. 82% of these are microenterprises. Notably, women-led enterprises account for up to 26.9% of the first-time disbursement SME. Their average product holdings ratio and net operating income are higher than the rest of the SME segment.

### A FINANCIAL SNAPSHOT ON WOMEN-LED ENTERPRISES

VND **8.004**  
billion

Loan balance  
(24.5% of SME segment)

**73**  
customers

First-time disbursement  
(26.9%)



## NON-FINANCIAL VALUES

### Enterprise health diagnostic tool

Stemming from the fact that many women-led entrepreneurs face difficulties in accessing loans from financial institutions because of governance inefficiency, VPBank has designed an Enterprise Health Diagnostic Tool to offer them the best supports. They will receive a comprehensive health report covering six areas and recommendation for improvement in key areas. This report is linked to training programs that VPBank has designed and offered at no cost for those women-led enterprises registering their profile with VPBank, added by other local and foreign resources for them to learn and improve by themselves.



Business model



Sale – marketing



Operations



Financial management



Leadership capability



HRM

### Tailored management courses

The courses designed by VPBank on business planning, business strategies adaptation and business models to better suit the post-Covid time and their impacts on economies has attracted hundreds of women-led enterprises. The online program "Decrypting happy women enterprises" also attracted 14,779 hits and over 1,300 comments.

### Supporting business connect

There was an opportunity for women-led enterprises to participate in all events held by VPBank to expand their business network and improve management knowledge. The financial connect program through the She Trades Invest project received 120 enterprises participating.



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The background is a solid teal color with several large, overlapping geometric shapes in a vibrant green. These shapes include a large triangle in the top right, a curved shape in the top left, and a large arrow-like shape pointing towards the bottom right. The text is centered in the middle of the image.

**FAIRNESS  
TRANSPARENCY**

# NORMS OF BEHAVIOR AND CORPORATE CULTURE

VPBank has developed a Code of conduct and professional ethics based on six key values, shaping staff's behaviors and decisions. Each VPBanker is bound to comply with the Code to uphold the bank's reputation and prestige. This Code of conduct and professional ethics consists of 20 rules covering staff's responsibility towards the bank, colleagues, customers, partners, vendors, other relevant parties,

State agencies, legal regulations, and the community. The basic code of conduct and professional ethics that all VPBankers must follow is: **Under no circumstances will a VPBanker damage the bank's reputation and prestige for personal interests or other benefits for the bank.** VPBank shall take serious actions against any violations of this Code.

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## 6 KEY VALUES



Customer focus



Productivity



Ambition



People development



Trust



Difference making

## APPOINTMENT AND EVALUATION OF MANAGERS

To ensure the diversification, independence, competency and experience in economics, environment and society of the top management, VPBank has established a procedure for appointing and selecting top-level managers. The top management shall perform self-evaluation of their performances semi-annually. The results will then be revised and approved by the Human Resources Committee for independence guarantee. In case of failure to meet the targets, the managers shall develop an improvement plans to achieve better outcomes.

## REMUNERATION

Given the market benchmark for each job characteristics, title, productivity and competency, VPBank has adopted a competitive remuneration policy. The bank fully complies with the Government's CPI-based (Consumer Price Index) regulation on minimum wage depending on geographical region from time to time. Moreover, the bank also participates in the salary survey in Vietnam market and purchases the findings for the review and decision-making of remuneration and benefits. All VPBankers are covered under the same remuneration policy, regardless of their gender.

## COLLECTIVE AGREEMENTS

By collecting the opinions of all VPBankers, the bank's Employee Representative Organization shall be the representative to participate in the development and passing of the Collective Labour Agreement.

## OBLIGATIONS UNDER REGULATED BENEFIT POLICY AND OTHER RETIREMENT BENEFITS

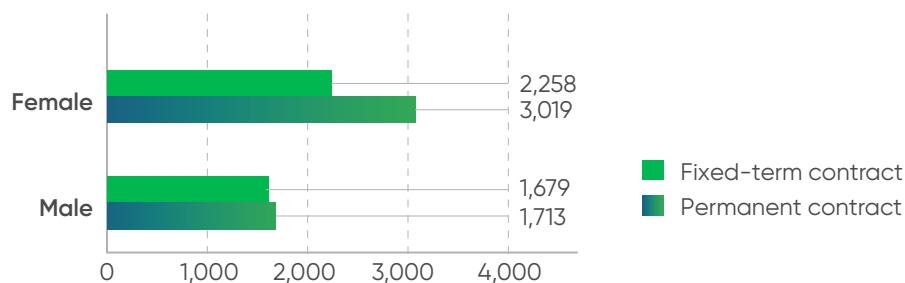
VPBank's staffs are entitled to social, medical and unemployment insurance according to the State's regulations; health and accident insurance; share ownership rights; engagement loans, auto loans, and other benefits. VPBank fully complies with legal regulations on payroll deduction for social/medical/unemployment insurance and Trade Union fees.

Female staffs are entitled to maternity leave according to legal regulations. VPBank Care, a health insurance program for staff, also brings many additional rights to female staffs during their pregnancy and maternity leave. All female staff return to work after their maternity leave.

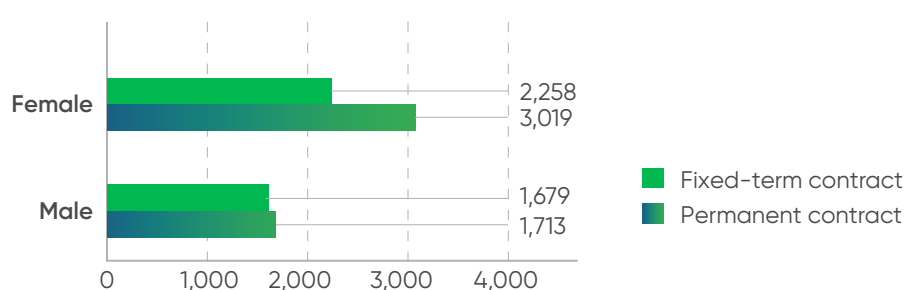


# OTHER INFORMATION ON HUMAN RESOURCES

A. TOTAL NUMBER OF STAFFS BY TYPE OF CONTRACT AND REGION



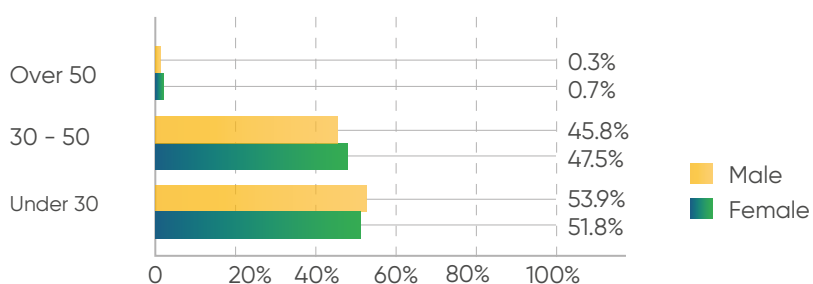
B. TOTAL NUMBER OF STAFFS BY TYPE OF CONTRACT AND GENDER



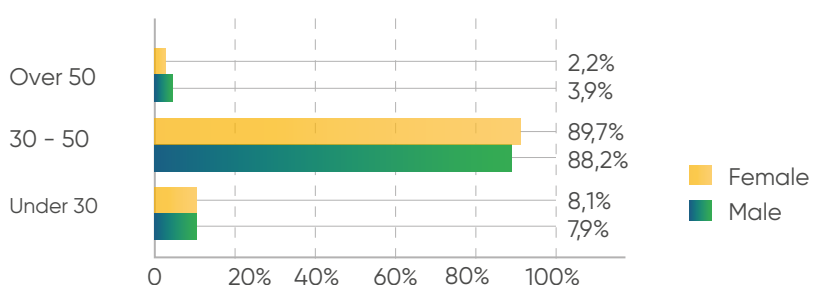
C. GENDER MIX IN THE BOARD OF MANAGEMENT (%)



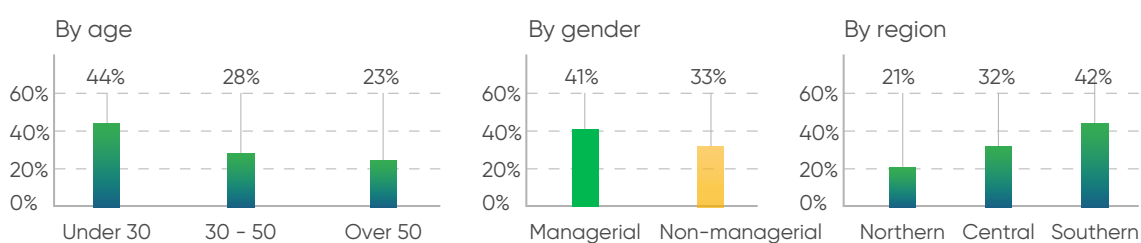
D. STAFF PERCENTAGE BY AGE GROUP



E. MANAGER PERCENTAGE BY AGE GROUP



F. RECRUITMENT BY AGE GROUP, GENDER AND REGION

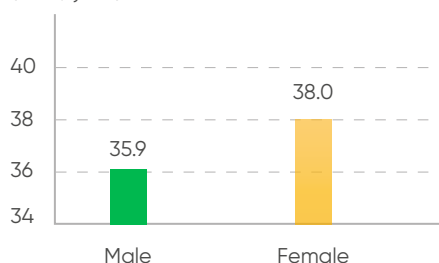


# SKILL TRAINING AND IMPROVEMENT

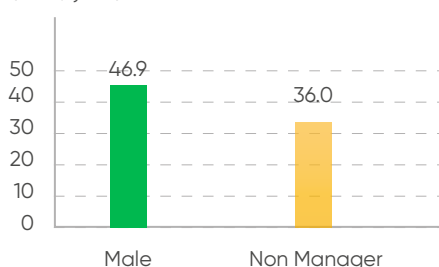
## Professional skill training

VPBank always pays great attention to professional training and development to help its staffs continuously improve their knowledge, skills, and productivity. Skill training programs have been developed for all staffs. And VPBankers can take part in such programs via Elearning platform (of the bank and vendor), in offline classes with others and even online ones. Each year, VPBank Learning Academy always strive to deliver diversified, practical and lively training courses on many platforms, making it more convenient for the staffs. The bank introduces two compulsory training programs every year for all staffs. There is also an extra one for those failing to participate in the two official programs, ensuring full completion at bank-wide level.

Average monthly training hours by gender in 2020 (hour/year)



Average monthly training hours by group of staff (hour/year)



Learning channels	Number of participants
Elearning Skillsoft	69,961
Elearning VPBank	6,938
Offline class	5,066
Online class	2,146
<b>Total</b>	<b>84,111</b>

## Training in policies and procedures on human rights



### TRAINING CONTENTS

Contents on human rights are included in two programs:

- Orientation for new staff.
- Compulsory training course for all staff (Compliance course).



### TRAINING THEMES

- Safety, security, and privacy in working place.
- Corporate risks and Occupational Safety and Health Act.
- Human rights protection, abuse prevention and respect promotion.



### RESULTS

- All VPBankers (including security guards) were trained in human rights via the course of Code of conduct and professional ethnics.

Total training hours: **37,118**

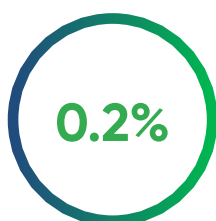
# LABOUR SAFETY



## Achievements:



IR AND ODR



BANKWIDE LDR  
(UNPAID LEAVE TO TOTAL  
PAID LEAVE)



ABSENCE

# CORRUPTION PREVENTION

VPBank sets up all specialized departments to track, collect, and evaluate corruption-prone issues throughout its operation. In particular, the bank identifies key corruption-related risks in the basic development and procurement of products and services, credit extension, investments, and transactions with partners and customers. Moreover, there are policy on corruption prevention, clear communications with bank-wide managers and staffs, customers, and partners, and templates.

In addition, all customers and partners forming relationships and making transactions with VPBank are requested to sign an agreement on transparency and compliance with corruption prevention regulations. The bank also offers internal trainings and communications on corruption prevention on a regular basis to all managers and staffs, including new ones. In 2020, in light of the leadership's firm instructions, all VPBankers took serious actions to prevent and eradicate corruption in all activities of the bank.

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# **CORPORATE GOVERNANCE**



## MEMBERS OF THE BOARD OF DIRECTORS



**BUI HAI QUAN**  
VICE CHAIRMAN

**NGO CHI DZUNG**  
CHAIRMAN

**NGUYEN DUC VINH**  
MEMBER

## MEMBERS OF THE BOARD OF DIRECTORS



**NGUYEN VAN PHUC**  
INDEPENDENT MEMBER

**LO BANG GIANG**  
VICE CHAIRMAN

## MEMBERS OF THE SUPERVISORY BOARD



**NGUYEN THI MAI TRINH**  
HEAD OF THE SUPERVISORY BOARD



**TRINH THI THANH HANG**  
FULL-TIME MEMBER



**KIM LY HUYEN**  
PART-TIME MEMBER  
HEAD OF INTERNAL AUDIT



**VU HONG CAO**  
PART-TIME MEMBER

## MEMBERS OF THE BOARD OF MANAGEMENT



**NGUYEN DUC VINH**  
CHIEF EXECUTIVE OFFICER



**LUU THI THAO**  
SENIOR DEPUTY CEO



**PHAN NGOC HOA**  
DEPUTY CEO  
HEAD OF SOUTHERN REPRESENTATIVE OFFICE



**PHUNG DUY KHUONG**  
DEPUTY CEO  
HEAD OF RETAIL BANKING DIVISION

## MEMBERS OF THE BOARD OF MANAGEMENT



**NGUYEN THANH BINH**

DEPUTY CEO  
HEAD OF CREDIT DIVISION



**NGUYEN THANH LONG**

DEPUTY CEO  
HEAD OF LEGAL AND COMPLIANCE DIVISION



**DUONG THI THU THUY**

DEPUTY CEO  
HEAD OF CORPORATE AND INVESTMENT BANKING DIVISION



**DINH VAN NHO**

DEPUTY CEO  
HEAD OF COMMERCIAL BANKING DIVISION



## MEMBERS OF THE BOARD OF MANAGEMENT



**PHAM PHU KHOI**  
DEPUTY CEO  
HEAD OF FINANCIAL MARKET DIVISION



**NGUYEN HUY PHACH**  
HEAD OF SME BANKING DIVISION



**NGUYEN THI MINH NGUYET**  
HEAD OF OPERATIONS DIVISION



**DMYTRO KOLECHKO**  
HEAD OF RISK MANAGEMENT DIVISION

## MEMBERS OF THE BOARD OF MANAGEMENT

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BÁO CÁO THƯỜNG NIÊN VPBANK 2020



**LE HOANG KHANH AN**  
HEAD OF FINANCE DIVISION



**TRAN THI DIEP ANH**  
HEAD OF HUMAN RESOURCES  
MANAGEMENT DIVISION



**WONG KOK SENG AUGUSTINE**  
HEAD OF INFORMATION  
TECHNOLOGY DIVISION



**VO HANG PHUONG**  
HEAD OF FINANCIAL INSTITUTION  
AND TRANSACTION BANKING CENTRE

## MEMBERS OF THE BOARD OF MANAGEMENT



**LIM ANN KEN**  
HEAD OF BUSINESS INTELLIGENCE  
COMPETENCY CENTRE



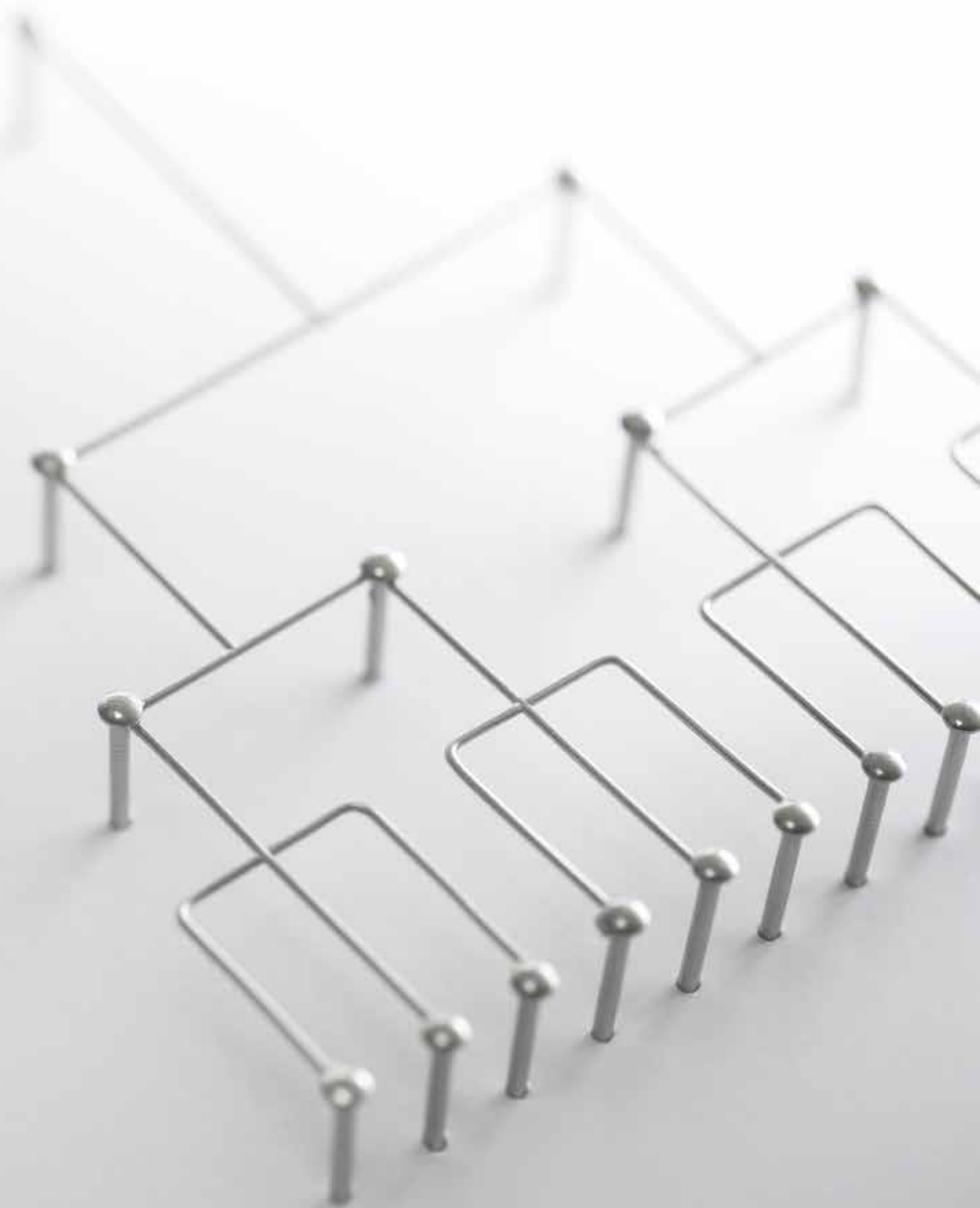
**HOANG ANH TUAN**  
HEAD OF LEGAL COLLECTION CENTRE



**PHAM THI NHUNG**  
HEAD OF PARTNERSHIP  
MANAGEMENT CENTRE



**NGUYEN THI THU HUONG**  
HEAD OF MARKETING AND  
COMMUNICATION CENTRE



# VPBANK'S ORGANIZATIONAL STRUCTURE

The organizational structure of VPBank consists of Annual General Meeting, Board of Directors, Supervisory Board and the CEO as specified in Article 32 of the Law on Credit Institutions 2010. The AGM is the highest body and mandated to elect, remove, dismiss member of the Board of Directors and Supervisory Board.

The Board of Directors is mandated to build the strategy and operation direction of the bank and exercise governance tasks, make decisions to exercise rights and obligations of the bank, except those under AGM's mandates.

The Board of Directors is supported by two sub-committees on human resources and risk management.

The CEO holds highest management mandates and is responsible before the Board of Directors. The other members of the Board of Management include senior deputy CEO, deputy CEOs, Heads of Divisions, Heads of Centres and are responsible to support CEO, implement policies and directions built or approved by the Board of Directors in the course of exercising the bank's business activities. VPBank constitutes 17 Divisions, Centres which implement business and support activities in line with their mandates and functions and directly managed by members of the Board of Management.

The CEO also establishes specialized committees in risk management (Operational Risk Committee, Credit Risk and Debt Collection Committee, and Market Risk Committee), asset management (Asset and Liability Committee, Capital Management Committee), credit management/approval, product development, etc. for consultancy in managing and making decisions on the bank's business activities. .

The bank has two subsidiaries with 100% of ownership namely VPBank Finance Company Limited (VPB FC) for consumer finance and VPBank Asset Management Company Limited VPB AMC for debt and asset management.



Prospering Viet Nam 

The background is a solid teal color with several large, abstract, overlapping shapes in a lighter green shade. These shapes are primarily located in the top-left, top-right, and bottom-right corners, creating a modern, geometric aesthetic. The text is centered in the middle of the page.

# **GOVERNANCE REPORT**

# ACTIVITIES OF THE ANNUAL GENERAL MEETING (AGM)

In 2020, the AGM voted by ballot and passed the resolutions (Resolutions numbered 01, 02, 03, 04/2020 dated May 7 and Resolution No. 05/2020 dated May 29) with details as followed:

- ▶ The 2019 financial statement, 2019 performance reports and action plan for 2020 of the Board of Directors, Supervisory Board, and Board of Management.
- ▶ The 2019 profit allocation plan
- ▶ The plan for ESOP 2020.
- ▶ The plan for reacquiring issued international bonds 2019.
- ▶ The plan for reacquiring issued shares as treasury stock 2020.
- ▶ The plan for holding electronic AGM, ballot voting; invitation, materials, ballots sent by email, messages or other electronic forms ...
- ▶ Foreign ownership stake.
- ▶ Main objectives, assignments, and delegation of authority to the Board of Directors during the interval between two AGMs relating to the exercise of rights as parent company over the subsidiaries,

decision-making on organizational structure and governance of the bank and other investment/business matters.

- ▶ The licence for additional business lines.
- ▶ VPBank's Charter.
- ▶ The regulation on the operations of the Board of Directors, regulation on the operations of the Supervisory Board, regulation on the updated corporate governance.
- ▶ The 2020-2025 membership of Board of Directors and Supervisory Board and the election of Board of Directors and Supervisory Board members for the 2020-2025 term.

## THE BOARD OF DIRECTORS (BOD)

### ORGANIZATION OF THE BOARD OF DIRECTORS AND MEETINGS

In 2020, the election of the BOD for the 2020-2025 term was carried out. In particular, four members were re-elected and continued to hold the same positions as in the previous term and one new independent member was elected, who was a highly-credited senior officer among the agencies of the National Assembly and the Government and rich experience in developing legal and economic policies. All members were fully aware of their roles and tasks.

The BOD also organized four quarterly meetings (in January, April, August, and December), two of which were organized by the board of the previous term and the other two took place after the election of the new BOD.

No.	Member	Position	Date of election	Date of termination	Number of meetings attended	Attendance rate
1	Ngo Chi Dung	Chairman	May 29, 2020 (re-elected)		4	100%
2	Bui Hai Quan	Vice Chairman	May 29, 2020 (re-elected)		4	100%
3	Lo Bang Giang	Vice Chairman	May 29, 2020 (re-elected)		4	100%
4	Nguyen Duc Vinh	Member – cum Chief Executive Officer	May 29, 2020 (re-elected)		4	100%
5	Nguyen Van Hao	Independent member	April 20, 2015	May 29, 2020	2	100%
6	Nguyen Van Phuc	Independent member	May 29, 2020 (newly elected)		2	100%

# ACTIVITIES OF THE BOARD OF DIRECTORS IN 2020

The previous term (2015 – 2020) ended on May 29, 2020 and the current one began on May 30, 2020. The Board's main activities consisted of periodic meetings and voting by ballot to implement AGM's resolutions, supervision of the Board of Management's activities, etc.

In the first half, Covid-19 outbreak exerted profound impacts on both local and international economy and society as well as the banking industry. Having consulted functional committees and taken into account the government/central bank's directions and the situation of the customers, the Board issued appropriate corporate governance directions to achieve optimal performance amidst the uncertainties of the business environment and to support affected businesses/individual, thus supporting the society in a meaningful way. In the second half, in light of the gradual stabilization of the economic and social situations and the bank's robust business growth, the Board shifted to a more open approach yet maintained strict credit risk management. There were policies on lending rate reduction to support individuals/enterprises affected by the pandemic to resume business and production.

## In particular, the BOD:

### In the first half of the year

- ▶ Approved quarterly and full-year business plans according to epidemic scenarios.
- ▶ Approved the governance and management directions for the bank in line with Circular 52/2019/TT-NHNN.
- ▶ Approved the list of key projects to strengthen the bank's foundations and facilitate business development.
- ▶ Approved risk management and business directions, aligned risk management policies with the government's directions/orientation and in view of the reality. In particular, the main focuses were introducing policies

on the tightening of high-risk industries, restricting credit extension to unsecured segments or customers working in highly-affected industries, reviewing customer portfolio to issue timely support policies, revisiting and reducing operating cost, etc.

- ▶ Approved the proposals on asset sales/purchases, credit extensions, investments, operating budgets for projects/functions, etc., which exceeded the approval thresholds of functional committees/councils.
- ▶ Amended/newly issued business and risk management regulations/policies such as regulation on the sale and purchase of corporate bonds, regulation on credit ratings for groups of companies and financial institutions, regulation on asset quality assessment and compliance with capital adequacy ratios, policy on internal capital adequacy assessment framework, policy on equity management, etc.
- ▶ Approved the decisions on organizational restructuring of divisions.
- ▶ Distributed the profit earned in 2019; amended and issued/registered a new charter, regulations on the organization and operations of the Board of Directors, the Supervisory Board, and regulation on corporate governance according to Annual General Meeting's resolutions.

### In the second half of the year

- ▶ Evaluated and reviewed the 1H2020 performance of each business division, thus, reaching a consensus on directions for the second half.
- ▶ Agreed to adjust some strategies on digitization and collection for the 2020-2022 period. Reviewed and adjusted the organizational structures of SME and RB divisions with a focus on quality, efficiency, stream-lined organization, and increased specialization.
- ▶ Agreed on the funding plan for 2021, adjusted the policies applicable to corporate

customers, and issued the list of material risks and activities for the bank.

- ▶ Evaluated and set directions for the bank's operations in 2021 early in view of the actual conditions of the society and economy. The Board of Management (BOM) then developed detailed plans for business activities, human resources, and organizational adjustments. Agreed on business and budget plans for 2021.
- ▶ Agreed on and implemented ESOP 2021.
- ▶ Issued VPBank's salary structure, remuneration and benefit policies for staff retention, adjusted the organization of Operations, etc. in consultation with HR Committee.

## SUPERVISION ON THE CEO AND THE BOARD OF MANAGEMENT

- ▶ The BOD supervised the activities of the BOM by attending monthly meetings of the BOM and keeping track of the Bank's business performance according to the approved strategic directions. Moreover, the BOD exercised supervision by reviewing and handling reports on the bank's units of the Supervisory Board and Internal Audit.
- ▶ The BOD also supervised the CEO and BOM by attending the meetings or reviewing the reports or resolutions of specialized councils and committees reporting to the BOD and BOM (Risk Management Committee, Human Resources Committee, and councils for managing capital, operational risk, liquidity risk, recognizing or sanctioning staff, etc.).

## ROLES OF THE BOARD OF DIRECTORS IN THE BANK'S DIRECTIONS

VPBank's BOD passed the strategic directions for the 2018-2022 period, aiming to become the most user-friendly bank through technology and one of the top three most valuable banks in Vietnam in 2022. Furthermore, there were 27 initiatives under six key targets, of which there were detailed implementation plans for each year.

Each year, the BOD holds a conference with the BOD to review the implementation of the BOM's action plans, identify new trends and development opportunities for the bank, and adjust the initiatives according to practical situations and directions.

## COMMITTEES DIRECTLY REPORTING TO THE BOARD OF DIRECTORS

### HUMAN RESOURCES COMMITTEE

1	<b>NGO CHI DZUNG</b>	BOD Chairman	Chairman of the HR Committee
2	<b>BUI HAI QUAN</b>	Vice Chairman of the BOD	Member of the HR Committee
3	<b>LO BANG GIANG</b>	Vice Chairman of the BOD	Member of the HR Committee

**The Human Resources Committee convened monthly meetings and offer their written comment, to regularly review and take timely actions to issues related organizational structures, human resources, and remuneration. Key activities of the Human Resources Committee in 2020 were as follows:**

In 2020, Human Resources Committee continued to perform specialized activities related to human resources and advise the BOD on relevant decision making:

- Discussed and gave directives on human resource ratios and the operations of HR Division and other member companies on monthly basis.
- Handled/advised the BOD on proposals on recruitment, appointment, demotion, and salary adjustment for managerial positions.
- Reviewed and carried out human resource

optimization plans 2020 in all divisions and advised the BOD on organization and operation restructuring of such divisions.

- Advised the BOD on the strengthening of core activities and outsourcing non-core ones.
- Proposed to the BOD the review and adjustment of principles on decision-making for human resources issues and salary and bonus as well as other regulations on labour rules in line with the actual situation.
- Advised the BOD on the issuance of compliance control model at VPBank.



## RISK COMMITTEE (RCO)

The Risk Committee consists of:

1	<b>BUI HAI QUAN</b>	BOD Vice Chairman	Head of the Committee
2	<b>NGO CHI DZUNG</b>	BOD Chairman	Member
3	<b>LO BANG GIANG</b>	BOD Vice Chairman	Member
4	<b>NGUYEN VAN PHUC</b>	BOD Independent member	Member
5	<b>NGUYEN DUC VINH</b>	CEO	Member
6	<b>LUU THI THAO</b>	Senior Deputy CEO	Member
7	<b>DMYTRO KOLECHKO</b>	Head of Risk Management Division	Member

In 2020, Covid-19 pandemic took a serious toll on Vietnam's socio-economy in general and banking financial sector in particular. Thereby, Risk Committee (RCO) proactively and efficiently took the advisory role to the BOD on all risk-related matters with a view to reinforcing risk management, promptly responding to Covid-induced changes, and ensuring the bank's business continuity.

RCO held two meetings (on February and July) and monitored risk management based on monthly reports to facilitate the execution of necessary measures on risk management amid the complicated developments of Covid-19. RCO's key action plan is as follows:

- Pursuant to the **Risk Appetite Statement 2020**, which was developed and issued at the end of 2019, risk metrics were closely monitored on a monthly basis to promptly capture the bank's risk profile to take proper measures. Risk management was prioritized by the bank given the unpredictability of Covid-19 and its considerable impacts on the economy. As a result, the bank successfully maintained its standalone risk profile within prudential limits and under Risk Appetite Statement 2020;

- RCO gave instructions on the development and issuance of the Risk Appetite Statement 2021-2023 with the aim of enhancing long-term risk management. This was the first time the bank set out a three-year roadmap for improved key metrics of risk profile, followed by the leadership's coherent instructions on risk management direction and plan to relevant units for execution.
- Capital stress test (under ICAAP) and liquidity stress test (ILAAP) were carried out semi-annually to capture macro-economic volatility caused by Covid-19. Specifically, the precarious economic situation in the first six months of 2020 and economic forecast for the next three years were covered in the stress test scenarios. Based on them, the stress test team could measure short-term (1 year) and long-term (3 years) impacts on the bank's capital adequacy and liquidity, thus, ensuring compliance with the SBV's Circular 13/2018/TT-NHNN. The results were an important input for developing the funding plan and liquidity contingency plan.
- Given the goal of adopting international practices on provision, RCO gave advice on and monitored the proposals of internal credit rating model to enhance its predictability and

stability, reduce fraud, and better control risks.

- Amid Covid-19 developments, RCO advised and well supported the BOD on monitoring the implementation of business continuity management strategy to mitigate risks and surmount the difficulties caused by Covid-19.
- Under the advice of RCO, information security policy was issued, providing a legal basis for the deployment of information security solutions and meeting the requirements of ISO27001 standard.

# SUPERVISORY BOARD (SB)

## MEMBERS OF THE SUPERVISORY BOARD

The membership of the Supervisory Board after the election on May 29, 2020 consists of:

- ▶ **NGUYEN THI MAI TRINH:** Head – full-time member
- ▶ **TRINH THI THANH HANG:** Full-time member
- ▶ **KIM LY HUYEN:** Part-time member
- ▶ **VU HONG CAO:** Part-time member

## ACTIVITIES OF THE SUPERVISORY BOARD

In 2020, the SB held nine regular and ad-hoc meetings to execute the tasks under its functions and obligations. In such meetings, the SB evaluated task fulfillment and made timely adjustments to its operations. Through regular and ad-hoc meetings with the Internal Audit, the SB set directions and instructed IA to perform the tasks related to IA's and its functions and obligations, etc. In particular:

- Passed the appraisal results of the financial statements 2019;
- Passed the report of the SB 2019 and the draft regulation on the organization and operations of the SB to submit to the AGM.
- Voted for positions within the SB for the 2020-2025 term after the election by the AGM and assignments to the members.
- Held quarterly meetings to evaluate the operation of the SB and Internal Audit (IA) and implement the tasks of next quarters.
- Passed the appraisal results of the 1H2020 financial statements; passed the audit plan 2021.

## SUPERVISION OF THE ACTIVITIES OF THE BOARD OF DIRECTORS, BOARD OF MANAGEMENT AND SHAREHOLDERS

Supervision activities focused on (i) VPBank's management and governance, risk management in relation to key risks or critical areas; (ii) the BOD's and BOM's execution of the business directions and targets in 2020 approved by AGM.

In 2020, based on the bank's strategies, business plans, financial status, risk management, etc., the SB (i) set directions for the IA to mitigate risks and improve the efficiency of the bank's internal audit; (ii) requested IA to attend periodic meetings with other functions to keep itself up-to-date. The SB held monthly meetings with the BOM to discuss findings and systemic corrective actions to improve processes and the effectiveness of the internal control system.

As a result of the supervision activities, the SB pointed out the shortcomings in the bank's operations and provided timely recommendations to the BOD and BOM regarding control measures, the amendment/improvement of internal regulations, etc. to mitigate and minimize risks, ensure the compliance with legal regulations and improve operational quality and efficiency of the bank.



## COOPERATION OF THE SUPERVISORY BOARD/SUPERVISORY COMMITTEE IN THE ACTIVITIES OF THE BOARD OF DIRECTORS, BOARD OF MANAGEMENT AND OTHER MANAGERS

The BOD, BOM and SB accordingly coordinated in monitoring, auditing, and supervision to ensure that the SB's operations comply with the Law, Charter and regulation on organization and operations of the SB. Opinions and recommendations from the SB and Internal Audit given in regular meetings were acknowledged, recognized and revised as appropriate by the BOD and BOM.

## OTHER ACTIVITIES OF THE SUPERVISORY BOARD

### High-level supervision of Internal Audit

The SB set directions and instructed IA to execute the annual audit plan. The audit plan 2020 was developed based on multi-angle evaluation to cover all key risks, the bank's major operations, functions, and processes. In 2020, there 45 approved audits. The results of such audits contributed to improve the efficiency of the bank's internal audit.

The SB always kept watch on the implementation of IA's recommendations and called for the BOM's cooperation for better results, thus fine-tuning and enhancing the internal control system to mitigating risks at VPBank. Besides, the SB always paid great attention to and urged the implementation of the recommendations of the SBV and relevant agencies – in case they were related to the operations of the SB and IA.

In 2020, the SB instructed IA to revise, update and newly issue some documents to reflect legal changes, e.g. Regulation on the Organization and Operations of the SB, guidance on some main principles of annual audit planning, etc. Besides, the SB also instructed and supervised IA's efforts to keep up-to-date with changes in the law and the bank's strategy to update risks in a timely manner, adjust the audit plan, etc.

### Appraisal of financial statements

Pursuant to provisions in the Law on Credit Institutions, the SB audited VPBank's biannual report and annual financial statements to evaluate the reliability and rationality of financial statements presented to the AGM in accordance with legal regulations and VPBank's internal regulations.

### Reporting to the SBV

The bank always ensured compliance and made timely report to the SBV the issues at periodic or ad-hoc requests.

### Training, recruitment, and people management

IA continuously improved people's competence with training in professions, soft skills and external comprehensive courses on new knowledge (ICAAP, for example); update audit and risk knowledge and through advanced soft-skill courses, etc.

## REMUNERATION FOR THE BOD AND SUPERVISORY BOARD

The principles for determining the remuneration for the BOD and the SB were considered by the BOD for each member with payment being made by the month including fixed pay for each position and pay for when they participate in councils and committees under the BOD or SB. The BOD members do not receive performance or any other type of bonuses. In 2020, the bank paid a total of VND 21 billion to cover salaries, bonuses, and the activities of the BOD and SB members (lower than the AGM's approved limit and comparable to that of 2019.) In particular, remuneration and salaries accounted for VND 15 billion. Other expenses such as business travel, conferences, workshops, training, transport vehicles, medical insurance, periodical health check, etc. are paid according to VPBank's internal regulation on expenses issued from time to time, amounting to nearly VND 6 billion. The expenses are included in a separate section in the bank's audited annual financial statements.

## EVALUATION OF VPBANK'S BUSINESS PERFORMANCE 2020

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The year 2020 was full of difficulties and challenges presented by natural disaster and the global COVID-19 pandemic, which affected all aspects of life, the society, and the economy. Facing such circumstances, the whole bank made enormous efforts and demonstrated great solidarity as it overcome the difficulties to ensure business continuity and deliver outstanding performance against the AGM's targets set out at the beginning of the year. The BOD highly appreciate the management and staff's proactive and flexibility when developing scenarios, thus making sure the bank's operations were conducted safely, effectively while supporting customers and the community and promoting post-outbreak economic growth in collaboration with the Government and State Bank of Vietnam.

### Below is the actual performance versus the AGM's targets for the year:

- The credit growth rate was 19%, or 106% of the budget.
- The consolidated NPL ratio was below 3% and the bank's NPL ratio was below 2% for the first time.
- Customer deposits increased by 9.1% year over year, or 99% of the budget. Flexible balance sheet management and funding diversification enabled the bank to fulfil the COF reduction target and improve CASA ratio.
- Thanks to relentless cost control and digitalization, the consolidated CIR dropped sharply to 29.2%, one of the best among private banks in Vietnam.
- Profit before tax reached VND 13 trillion, or 127.5% of the budget, helping achieve the ROE and ROA of 22% and 2.6% respectively, among the best on the market. It resulted from relentless efforts on the part of the leadership, all business divisions and support divisions.

Besides remarkable business performance, the bank and staff have stood shoulder to shoulder with the society and community by implementing many programs with the central government and the local governments where natural disasters and the pandemic hit hard. Many actions and policies in support of customers were taken in a timely manner. CSR and community support activities were stepped up to alleviate difficulties and boost the morale of the community.

Considering the achievements over the past 10 years of transformation and especially in 2020, the BOD is proud of the fact that VPBank is one of the leading private banks in Vietnam and is confident about leading, managing, responding to and overcoming challenges to make the BOD and AGM's challenging targets a reality.

No.	Item	Actual 2020 (VND billion)	Budget 2020 (VND billion)	% Actual versus budget 2020	% YoY Growth
1	Total assets	419,027	425,132	99%	11.1%
2	Customer deposits and issuance of valuable papers	296,273	299,728	99%	9.1%
3	Loan balance	322,881	304,744	106%	19.0%
4	Standalone NPL ratio	1.98%	<3%	Hoàn thành	
5	Profit before tax	13,019	10,214	127.5%	26.1%

Source: Audited consolidated and standalone financial statements 2020

# CORPORATE GOVERNANCE AND INVESTOR RELATIONS ACTIVITIES

VPBank has always focused on and improved corporate governance on a continual basis so that it can play a greater role and be more effective. VPBank entered the second year as a platinum member of Vietnam Institute of Directors in 2020, thanks to which the board directors, individuals and functions involved in corporate governance such as secretaries, Investor Relations, members of the Supervisory Board/Internal Audit could keep up-to-date with standards, regulations, analyses of best corporate governance practices which VIOD provided through programs, events, training courses, and annual conferences.

In 2020, one member from the CEO office and one corporate governance officer participated in and received certificates from VIOD's Governance Excellent Program (GEP).

Investor relations (IR) serve as a link between the bank and shareholders/investors and are considered a key governance activity, to which the bank has paid

close attention and promoted over the past years.

In 2020, VPBank continued to strictly follow regulatory requirements on information disclosure, providing information to investors in a transparent, timely, effective fashion. The bank also went a step further, actively participating in HOSE's sustainability scoring, annual report evaluation, etc. in a bid to meet international standards on corporate governance. VPBank was named as one of 20 businesses with the highest Vietnam Sustainability Index.

There were a wide range of events for investors as part of the broader focus on them such as periodic workshops, offline meetings, conference calls, local and international investment conferences. Due to social distancing requirements, VPBank flexibly moved online to keep investors in the loop, uninterrupted by the pandemic. The events were held in a professional manner and attended by the leadership, thus attracting leading securities

firms and reputable investors. Through the events, the investment community acquired up-to-date information on the growth strategy and business performance of the bank. The bank took the opportunity to solicit feedback and comments from the investors, thus keeping good relationship with them and improving the quality of investor relations activities.

## INVESTOR RELATIONS ACTIVITIES

### TRANSPARENT AND PROACTIVE INFORMATION DISCLOSURE

- ▶ Ensured the compliance with regulations on information disclosure of the State Securities Commission and the Stock Exchange.
- ▶ The information was provided equally to shareholders and investors.
- ▶ Diversified information channel for the investors: a dedicated website for investors, which regularly published documents and updates (IR News).
- ▶ Proactively learned from the international practices on corporate governance.

### PROFESSIONAL INVESTOR RELATIONS

- ▶ **4** periodic conferences between the Board of Management and domestic and foreign investors
- ▶ Interacted with hundreds of individual and institutional investors from many different countries, such as Hong Kong, Singapore, the United States, the United Kingdom, Korea, Thailand, Dubai, etc. via meetings/teleconference.
- ▶ Actively participated in local and foreign investment events and conferences.





# DIRECTIONS FOR 2021

## BUSINESS ACTIVITIES

In 2021, VPBank will continue to emphasize quality, sustainable growth to achieve efficient growth targets.

**The BOD has set the overall directions for the BOM in 2021 as follows:**

- Continue to aim for the quality growth target while pursuing volume growth and efficiency. Make the best of the credit growth limit with the strategic segments being given special focus.
- Improve asset quality and risk control. Keep a close eye on potential risks and create plans corresponding to more complicated pandemic developments in the year.
- Funding diversification and balance sheet optimization continue to be two focuses to become more competitive.
- Promote digitalization programs while tightening the measures to ensure digital transaction security, further stabilizing core technology systems, promote VPBank as the most friendly bank through technology.
- Introduce measures to optimize back-office processes and automate the steps to reduce TAT and errors, thus improving productivity and reducing transaction costs.

## GOVERNANCE AND INVESTOR RELATIONS

In 2021, VPBank will continue to improve the effectiveness of the corporate governance system and aim to adopt regional and international governance practices for improved performance and sustainable, long-term development.

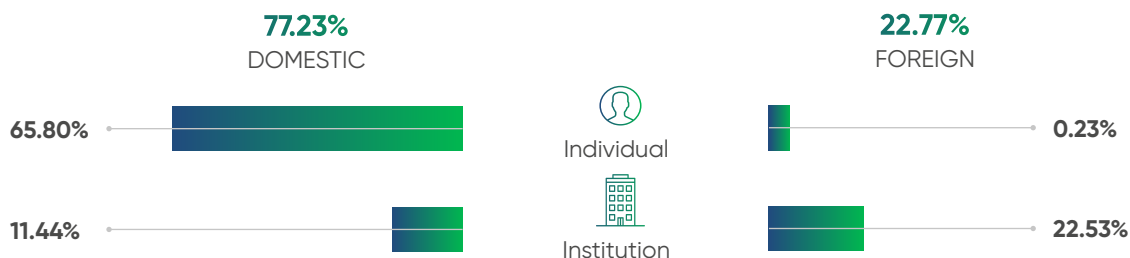
Investor relations serves as an important link between the bank and shareholders and ensures transparent information disclosures according to legal regulations. VPBank will enhance the communication channels and meetings with shareholders and investors and improve the professionalism and confidence in the bank on the stock market.

## SHAREHOLDER STRUCTURE, CHANGE IN CHARTER CAPITAL, OWNERS' EQUITY, AND SHARES

SHARE STRUCTURE AS OF DECEMBER 31, 2020



SHAREHOLDER STRUCTURE AS OF DECEMBER 31, 2020



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 8.69% of the total.

As of December 31, 2020, information on shares owned by internal shareholders was as follows:

No.	Institution/individual	Current position at VPBank (if any)	Shares owned	Percentage of EOP shares owned
1	Ngo Chi Dung	BOD Chairman	121,687,982	4.810%
2	Bui Hai Quan	BOD Vice Chairman	57,900,348	2.289%
3	Lo Bang Giang	BOD Vice Chairman	3,055,337	0.121%
4	Nguyen Van Phuc	BOD Independent member	-	-
5	Nguyen Duc Vinh	BOD member cum CEO	32,418,442	1.281%
6	Nguyen Thi Mai Trinh	Head of Supervisory Board	2	0.000%
7	Trinh Thi Thanh Hang	Supervisory Board member	53,540	0.002%
8	Kim Ly Huyen	Supervisory Board member	100,000	0.004%
9	Vu Hong Cao	Supervisory Board member	101,820	0.004%
10	Luu Thi Thao	Deputy CEO	2,200,000	0.087%
11	Phan Ngoc Hoa	Deputy CEO	296,900	0.012%
12	Duong Thi Thu Thuy	Deputy CEO	709,200	0.028%
13	Nguyen Thanh Long	Deputy CEO	109,550	0.004%
14	Pham Phu Khoi	Deputy CEO	136,540	0.005%
15	Nguyen Thanh Binh	Deputy CEO	321,060	0.013%
16	Dinh Van Nho	Deputy CEO	348,750	0.014%
17	Phung Duy Khuong	Deputy CEO	200,000	0.008%
18	Le Hoang Khanh An	CFO	106,962	0.004%
19	Nguyen Thi Thu Hang	Chief Accountant	109,680	0.004%

#### Changes in owner's equity:

Owner's equity	Standalone (VND million)		Consolidated (VND million)	
	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020
Charter capital	25,299,680	25,299,680	25,299,680	25,299,680
Share premium	692,720	365,727	692,720	365,727
Reserves	3,622,029	4,738,580	7,107,405	11,911,768
Retained profits	10,267,844	16,596,422	11,805,967	17,415,364
Treasury shares (*)	(2,696,030)	(2,199,037)	(2,696,030)	(2,199,037)
<b>TOTAL OWNER'S EQUITY</b>	<b>37,186,243</b>	<b>44,801,372</b>	<b>42,209,742</b>	<b>52,793,502</b>

(\*) The bank issued 17 million shares under ESOP at the face value of VND 10,000/share as per the Board of Directors' Resolution No. 1303/2020/NQ-HDQT dated November 5, 2020 and the State Securities Commission's Official Dispatch No. 7548/UBCK-QLCB dated December 25, 2020.

#### Share transactions by internal shareholders and related persons:

Share transactions by internal shareholders

Transaction	Number of transaction	Share volume
Buy	12	17,866,301
Sell	8	226,740
<b>Total</b>	<b>20</b>	<b>18,093,041</b>

Share transactions by related persons

Transaction	Number of transaction	Share volume
Buy	7	11,724,168
Sell	6	314,382
<b>Total</b>	<b>13</b>	<b>12,038,550</b>

Prospering Viet Nam 

# VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

Consolidated Financial Statements for the year  
ended 31 December 2020

## VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

### CORPORATE INFORMATION

OPERATION LICENCE NO.	0042/NH-GP	12 AUGUST 1993
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The Operation Licence was issued by the State Bank of Vietnam and is valid for 99 years from the date of the Operation Licence.

BUSINESS REGISTRATION		
CERTIFICATE NO.	0100233583	8 SEPTEMBER 1993

The Business Registration Certificate of the Bank was amended several times, and the most recent of which was issued on 27 November 2018 by the Hanoi Department of Planning and Investment.

#### BOARD OF DIRECTORS

	Mr. Ngo Chi Dzung	Chairman
	Mr. Bui Hai Quan	Vice Chairman
	Mr. Lo Bang Giang	Vice Chairman
	Mr. Nguyen Van Phuc	Independent member (from 29 May 2020)
	Mr. Nguyen Van Hao	Independent member (until 29 May 2020)
	Mr. Nguyen Duc Vinh	Member

#### BOARD OF SUPERVISION

	Ms. Nguyen Thi Mai Trinh	Head of Board of Supervision (from 29 May 2020)
	Mr. Ngo Phuong Chi	Head of Board of Supervision (until 29 May 2020)
	Ms. Trinh Thi Thanh Hang	Full-time member
	Ms. Nguyen Thi Bich Thuy	Full-time member (until 29 May 2020)
	Ms. Kim Ly Huyen	Member
	Mr. Vu Hong Cao	Member

#### BOARD OF MANAGEMENT

	Mr. Nguyen Duc Vinh	Chief Executive Officer
	Ms. Luu Thi Thao	Deputy Chief Executive Officer
	Mr. Nguyen Thanh Binh	Deputy Chief Executive Officer
	Mr. Phan Ngoc Hoa	Deputy Chief Executive Officer
	Ms. Duong Thi Thu Thuy	Deputy Chief Executive Officer
	Mr. Nguyen Thanh Long	Deputy Chief Executive Officer
	Mr. Pham Phu Khoi	Deputy Chief Executive Officer
	Mr. Dinh Van Nho	Deputy Chief Executive Officer
	Mr. Phung Duy Khuong	Deputy Chief Executive Officer
	Mr. Kosaraju Kiran Babu	Deputy Chief Executive Officer (until 7 February 2020)
	Mr. Sanjeev Nanavati	Deputy Chief Executive Officer (until 10 February 2020)
	Mr. Fung Kai Jin	Deputy Chief Executive Officer (until 13 August 2020)



**VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK**  
**CORPORATE INFORMATION** *(continued)*

**LEGAL REPRESENTATIVE**

Mr. Ngo Chi Dzung

Chairman

**AUTHORIZED SIGNATORY**

Mr. Nguyen Duc Vinh

Chief Executive Officer

*(in accordance with Letter of Authorisation No. 09/2012/UQ-CT dated 5 July 2012)*

**REGISTERED OFFICE**

No. 89 Lang Ha Street, Lang Ha Ward, Dong Da District,  
Hanoi, Vietnam

**AUDITOR**

KPMG Limited Vietnam

## VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK STATEMENT OF THE MANAGEMENT

The Board of Management of Vietnam Prosperity Joint Stock Commercial Bank ("the Bank") presents this statement and the accompanying consolidated financial statements of the Bank and its subsidiaries (collectively referred to as "VPB") for the year ended 31 December 2020.

The Board of Management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for Credit institutions stipulated by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting. In the opinion of the Board of Management:

- (a) 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 2020, and of their consolidated results of operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for Credit institutions stipulated by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting; and
- (b) At the date of this statement, there are no reasons for the Board of Management to believe that the Bank and its subsidiaries will not be able to pay its debts as and when they fall due.

The Board of Management has, on the date of this statement, authorised the accompanying consolidated financial statements for issue.

On behalf of the Board of Management



Nguyễn Đức Vinh  
Chief Executive Officer

Hanoi,  
19-03-2021

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders

#### 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 (collectively referred to as "VPB"), which comprise the consolidated balance sheet as at 31 December 2020, the consolidated statement of income and the consolidated statement of cash flows for the year then ended and the explanatory notes thereto which were authorised for issue by the Bank's management on 8 February 2021, as set out on pages 6 to 84.

### MANAGEMENT'S RESPONSIBILITY

The Bank's management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for Credit institutions stipulated by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting, and for such internal control as the management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to VPB's preparation and fair presentation of the 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 VPB's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### AUDITOR'S OPINION

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Vietnam Prosperity Joint Stock Commercial Bank and its subsidiaries as at 31 December 2020 and of their consolidated results of operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for Credit institutions stipulated by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting.

### OTHER MATTER

The consolidated financial statements for the year ended 31 December 2019 of the Bank and its subsidiaries were audited by another firm of auditors whose report dated 12 March 2020, expressed an unqualified opinion on those statements.

KPMG Limited  
Vietnam  
Audit Report No. 20-02-00231-20-4



  
Dam Xuan Lam  
Practicing Auditor Registration  
Certificate No. 0861-2018-007-1  
Deputy General Director  
Hanoi, 19 MAR 2021

  
Tran Dinh Vinh  
Practicing Auditor Registration  
Certificate No. 0339-2018-007-1

## CONSOLIDATED BALANCE SHEET

as at 31 December 2020

		Note	31/12/2020 VND million	31/12/2019 VND million
A	ASSETS			
I	Cash and gold on hand	5	3,282,556	2,459,321
II	Balances with the State Bank of Vietnam ("the SBV")	6	5,779,610	3,454,138
III	Balances with and loans to other credit institutions ("CIs")	7	19,554,808	20,097,553
1	Balances with other CIs		13,829,025	15,482,986
2	Loans to other CIs		5,725,783	4,614,567
IV	Securities held for trading	8	493,214	1,566,592
1	Securities held for trading		493,214	1,571,141
2	Allowance for securities held for trading		-	(4,549)
VI	Loans to customers		286,319,402	253,099,865
1	Loans to customers	10	290,816,086	257,183,959
2	Allowance for loans to customers	11	(4,496,684)	(4,084,094)
VII	Debts purchased	12	258,280	-
1	Debts purchased		260,232	
2	Allowance for debts purchased		(1,952)	
VIII	Investment securities		76,485,435	68,729,363
1	Available-for-sale securities	13	75,959,904	67,786,907
2	Held-to-maturity securities	13	854,344	1,094,329
3	Allowance for investment securities	14	(328,813)	(151,873)
IX	Long-term investments	15	238,581	164,425
4	Other long-term investments		238,602	238,602
5	Allowance for diminution in value of long-term investments		(21)	(74,177)
X	Fixed assets		1,862,830	1,922,972
1	Tangible fixed assets	16	1,212,163	1,342,690
a	Cost		2,398,141	2,380,108
b	Accumulated depreciation		(1,185,978)	(1,037,418)
3	Intangible fixed assets	17	650,667	580,282
a	Cost		1,351,718	1,102,483
b	Accumulated amortisation		(701,051)	(522,201)
XII	Other assets	18	24,751,811	25,709,897
1	Receivables		17,409,351	16,925,460
2	Accrued interest and fee receivables		5,036,836	6,032,377
4	Other assets		2,345,902	2,780,703
5	Allowance for other assets		(40,278)	(28,643)
TOTAL ASSETS			419,026,527	377,204,126

The accompanying notes are an integral part of these consolidated financial statements

## CONSOLIDATED BALANCE SHEET

as at 31 December 2020 (continued)

Form B02/TCTD-HN  
(Issued under Circular  
No. 49/2014/TT-NHNN  
dated 31 December 2014  
of the State Bank of Vietnam)

		Note	31/12/2020 VND million	31/12/2019 VND million
<b>B</b>	<b>LIABILITIES AND OWNERS' EQUITY</b>			
	<b>LIABILITIES</b>			
<b>I</b>	<b>Amounts due to the Government and the SBV</b>	<b>19</b>	<b>14,220</b>	<b>19,492</b>
<b>II</b>	<b>Deposits and borrowings from other CIs, other financial institutions ("FIs")</b>	<b>20</b>	<b>56,511,282</b>	<b>50,867,989</b>
1	Deposits from other CIs		9,371,444	12,144,371
2	Borrowings from other CIs, other FIs		47,139,838	38,723,618
<b>III</b>	<b>Deposits from customers</b>	<b>21</b>	<b>233,427,953</b>	<b>213,949,568</b>
<b>IV</b>	<b>Derivatives and other financial liabilities</b>	<b>9</b>	<b>139,825</b>	<b>45,670</b>
<b>V</b>	<b>Other borrowed and entrusted funds</b>	<b>22</b>	<b>187,156</b>	<b>291,823</b>
<b>VI</b>	<b>Valuable papers issued</b>	<b>23</b>	<b>62,845,488</b>	<b>57,599,723</b>
<b>VII</b>	<b>Other liabilities</b>	<b>24</b>	<b>13,107,101</b>	<b>12,220,119</b>
1	Accrued interest and fee payables		6,452,780	7,911,819
3	Other liabilities		6,654,321	4,308,300
	<b>TOTAL LIABILITIES</b>		<b>366,233,025</b>	<b>334,994,384</b>
	<b>OWNERS' EQUITY</b>			
<b>VIII</b>	<b>Capital and reserves</b>	<b>27</b>	<b>52,793,502</b>	<b>42,209,742</b>
1	Capital		23,466,370	23,296,370
a	Charter capital	28	25,299,680	25,299,680
c	Share premium		365,727	692,720
d	Treasury shares		(2,199,037)	(2,696,030)
2	Reserves		11,911,768	7,107,405
5	Retained earnings		17,415,364	11,805,967
	<b>TOTAL OWNERS' EQUITY</b>		<b>52,793,502</b>	<b>42,209,742</b>
	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>419,026,527</b>	<b>377,204,126</b>

## CONSOLIDATED BALANCE SHEET


as at 31 December 2020 (continued)

Form B02/TCTD-HN

(Issued under Circular  
No. 49/2014/TT-NHNN  
dated 31 December 2014  
of the State Bank of Vietnam)

	Note	31/12/2020 VND million	31/12/2019 VND million
<b>OFF-BALANCE SHEET ITEMS</b>			
<b>I</b>	<b>CONTINGENT LIABILITIES</b>	<b>42</b>	
1	Loan guarantees	33,721	25,262
2	Foreign exchange commitments	122,301,777	101,257,412
	▶ Foreign currency purchase commitments	2,243,568	1,577,709
	▶ Foreign currency sale commitments	6,932,263	1,716,899
	▶ Swap commitments	113,125,946	97,962,804
4	Letters of credit	21,895,226	22,116,713
5	Other guarantees	16,884,961	16,156,865
6	Other commitments	263,281,970	140,437,112

Prepared by:



Nguyen Thi Thu Hang  
Chief Accountant

19-03-2021

Reviewed by:



Le Hoang Khanh An  
Chief Financial Officer

Approved by:



Nguyen Duc Vinh  
Chief Executive Officer



# CONSOLIDATED STATEMENT OF INCOME

for the year ended 31 December 2020

	Note	2020 VND million	2019 VND million
1	Interest and similar income	52,361,767	49,874,784
2	Interest and similar expenses	(20,015,944)	(19,204,323)
<b>I</b>	<b>Net interest income</b>	<b>32,345,823</b>	<b>30,670,461</b>
3	Fee and commission income	6,166,753	5,487,466
4	Fee and commission expenses	(2,810,626)	(2,695,846)
<b>II</b>	<b>Net fee and commission income</b>	<b>3,356,127</b>	<b>2,791,620</b>
<b>III</b>	<b>Net loss from trading of foreign currencies</b>	<b>(307,207)</b>	<b>(216,879)</b>
<b>IV</b>	<b>Net gain from trading securities</b>	<b>226,466</b>	<b>284,845</b>
<b>V</b>	<b>Net gain from investment securities</b>	<b>1,170,731</b>	<b>803,159</b>
5	Income from other activities	3,441,951	2,682,220
6	Expenses for other activities	(1,205,790)	(662,555)
<b>VI</b>	<b>Net gain from other activities</b>	<b>2,236,161</b>	<b>2,019,665</b>
<b>VII</b>	<b>Income from equity investments and purchase of shares</b>	<b>5,013</b>	<b>2,634</b>
<b>VIII</b>	<b>Operating expenses</b>	<b>(11,392,021)</b>	<b>(12,343,718)</b>
<b>IX</b>	<b>Net operating profit before allowance expenses</b>	<b>27,641,093</b>	<b>24,011,787</b>
<b>X</b>	<b>Chi phí dự phòng rủi ro tín dụng</b>	<b>(14,621,638)</b>	<b>(13,687,626)</b>
<b>XI</b>	<b>Profit before tax (Brought forward from previous page)</b>	<b>13,019,455</b>	<b>10,324,161</b>
7	Corporate income tax expenses - current	(2,605,695)	(2,063,898)
<b>XII</b>	<b>Corporate income tax expense</b>	<b>(2,605,695)</b>	<b>(2,063,898)</b>
<b>XIII</b>	<b>Net profit after tax</b>	<b>10,413,760</b>	<b>8,260,263</b>
<b>XV</b>	<b>Basic earnings per share (VND/share)</b>	<b>4,271</b>	<b>3,376</b>

Prepared by:



Nguyen Thi Thu Hang  
Chief Accountant

19-03-2021

Reviewed by:



Le Hoang Khanh An  
Chief Financial Officer

Approved by:



Nguyen Duc Vinh  
Chief Executive Officer

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR**  
ended 31 December 2020 (Direct method)

		2020 VND million	2019 VND million
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
01	Interest and similar income received	53,402,880	48,403,838
02	Interest and similar expenses paid	(21,506,426)	(16,615,034)
03	Net fees and commission income received	3,317,656	2,736,292
04	Net receipts from trading activities of foreign currencies and securities	1,286,723	705,161
05	Net receipts from other income/expenses	90,068	141,417
06	Proceeds from bad debts previously written off	2,128,240	1,864,821
07	Payments for employees and operating expenses	(10,862,595)	(11,806,924)
08	Corporate income tax paid in the year	(1,923,141)	(2,265,251)
	<b>Net cash flows from operating activities before changes in operating assets and liabilities</b>	<b>25,933,405</b>	<b>23,164,320</b>
	<b>Changes in operating assets</b>		
09	Increase in balances with and loans to other CIs	(1,111,216)	(3,380,704)
10	Increase in securities held for trading	(6,855,085)	(16,390,678)
12	Increase in loans to customers	(33,892,359)	(31,652,443)
13	Utilisation of allowance	(14,206,788)	(14,369,777)
14	Other increase in operating assets	(351,707)	(7,036,989)
	<b>Changes in operating liabilities</b>		
15	Decrease in amounts due to the Government and the SBV	(5,272)	(3,761,851)
16	Increase/(decrease) in deposits and borrowings from other CIs, other FIs	5,643,293	(3,363,462)
17	Increase in deposits from customers	19,478,385	43,098,697
18	Increase in valuable papers issued	5,245,765	11,556,687
19	Decrease in other borrowed and entrusted funds	(104,667)	(37,826)
20	Increase in derivatives and other financial liabilities	94,155	27,100
21	Other increase/(decrease) in operating liabilities	1,451,644	(1,020,439)
<b>I</b>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>1,319,553</b>	<b>(3,167,365)</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020

**Form B05/TCTD-HN**

*(Issued under Circular  
No. 49/2014/TT-NHNN  
dated 31 December 2014  
of the State Bank of Vietnam)*

## 1. REPORTING ENTITY

### (A) ESTABLISHMENT AND OPERATION

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

The Bank was established pursuant to the Operation Licence No. 0042/NH-GP dated 12 August 1993 issued by the State Bank of Vietnam ("the SBV") and was valid for 99 years since the date of issuance.

The Bank currently operates under Business Registration Certificate No. 0100233583 dated 8 September 1993 issued by the Hanoi Department of Planning and Investment, which was most recently amended on 27 November 2018.

The principal activities of the Bank are mobilising and receiving short, medium and long-term deposits from organisations and individuals; lending to organisations and individuals up to the nature and ability of the Bank's resources; 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 the form of rediscounting negotiable instruments and other valuable papers and other banking services as allowed by the SBV.

### (B) CHARTER CAPITAL

As at 31 December 2020, the Bank's charter capital is VND25,299,680 million (31 December 2019: VND25,299,680 million).

### (C) LOCATION AND OPERATION NETWORK

As at 31 December 2020, the Bank has one (1) Head Office, sixty two (62) branches, one hundred and sixty-seven (167) transaction offices nationwide and two (2) subsidiaries (31 December 2019: one (1) Head Office, sixty one (61) branches, one hundred and sixty-six (166) transaction offices and two (2) subsidiaries). The Bank's Head Office is located at No. 89 Lang Ha, Lang Ha Ward, Dong Da District, Hanoi.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ended 31 December 2020 (continued)

### (D) SUBSIDIARIES

As at 31 December 2020, the Bank has two (2) subsidiaries (31 December 2019: two (2) subsidiaries) as follows:

COMPANY NAME	BUSINESS REGISTRATION CERTIFICATE	BUSINESS SECTOR	CHARTER CAPITAL	% OWNED BY THE BANK
VPBank Asset Management Company Limited ("VPB AMC")	Business Registration Certificate No. 0105837483 issued by the Hanoi Department of Planning and Investment, which was most recently amended on 28 December 2016	Asset and Liability management	VND115 billion	100%
VPBank Finance Company Limited ("VPB FC")	Business Registration Certificate No. 0102180545 issued by the Ho Chi Minh City Department of Planning and Investment, which was most recently amended on 17 October 2018	Other financial services	VND7,328 billion	100%

### (E) TOTAL NUMBER OF EMPLOYEES

As at 31 December 2020, the Bank and its subsidiaries (collectively referred to as "VPB") had **20,991 employees** (31 December 2019: 27,082 employees).

## 2. BASIS OF PREPARATION

### (A) STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for Credit institutions stipulated by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting. These standards and statutory requirements may differ in some material respects from International Financial Reporting Standards, generally accepted accounting principles and standards of other countries. Accordingly, the accompanying consolidated financial statements are not intended to present VPB's financial position, results of operations and cash flows in accordance with generally accepted accounting principles and practices in countries or jurisdictions other than Vietnam. Furthermore, their utilisation is not designed for those who are not informed about Vietnam's accounting principles, procedures and practices for credit institutions.

### (B) BASIS OF MEASUREMENT

The consolidated financial statements, except for the consolidated statement of cash flows, are prepared on the accrual basis using the historical cost concept. The consolidated statement of cash flows is prepared using the direct method.

### (C) ACCOUNTING PERIOD

The annual accounting period of VPB is from 1 January to 31 December.

### (D) ACCOUNTING CURRENCY

VPB's accounting currency is Vietnam Dong ("VND"). These consolidated financial statement have been prepared and presented in Vietnam Dong ("VND"), rounded to the nearest million ("VND million").

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

### 3. CHANGES IN ACCOUNTING POLICIES

VPB has changed accounting policies for exchange differences arising from debt classification and method of making allowance for credit losses of restructured loans with unchanged loans group (Note 4(j)).

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### (A) BASIS OF CONSOLIDATION

##### (i) *Công ty con*

Subsidiaries are entities controlled by VPB. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

##### (ii) *Transactions eliminated on consolidation*

Intra-group transactions and balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The accounting policies of subsidiaries have been also revised when necessary to ensure consistency with the accounting policies applied by VPB.

#### (B) FOREIGN CURRENCY

##### *Foreign currency transactions*

All transactions are recorded in their original currencies. Monetary items denominated in currencies other than VND are translated into VND at average exchange rate for spot selling and buying at the end of the last working day of the accounting period. Non-monetary items denominated in a foreign currency are translated into VND at the exchange rate at the date of the transaction.

Transactions related to income and expenses in foreign currencies are translated into VND in the consolidated financial statements using the average of the spot buying rates and selling rates at the transactions dates.

Foreign exchange differences arising from revaluation of monetary items denominated in foreign currencies as at the end of the accounting period are recognised in the consolidated statement of income.

#### (C) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and gold on hand, balances with the SBV, current deposits, term deposits with and loans to other credit institutions with an original maturity of three months or less from the transaction date, investments in securities with recovery or maturity of three months or less from date of purchase that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

**(D) BALANCES WITH AND LOANS TO OTHER CREDIT INSTITUTIONS**

Balances with other CIs, except for current deposits, are deposits at other CIs with original terms of not exceeding three months. Loans to other credit institutions have original terms to maturity of less than 12 months.

Current deposits at other CIs are stated at the amount of outstanding principal.

Term deposits at and loans to other CIs are stated at the amount of outstanding principal less allowance for credit losses.

Credit risk classification of balances with and loans to other CIs and allowance thereof is made in accordance with Circular No. 02/2013/TT-NHNN dated 21 January 2013 of the State Bank of Vietnam on classification of assets, levels and method of allowance making, and use of allowance against credit risks in banking activities of credit institutions and foreign banks' branches ("Circular 02") and Circular No. 09/2014/TT-NHNN dated 18 March 2014 of the SBV amending and supplementing certain articles of Circular 02 ("Circular 09") effective from 1 June 2014. Accordingly, VPB has made specific allowance for balances with and loans to other credit institutions (excluding current deposit) in accordance with the method described in Note 4(j).

According to Circular 02, VPB is not required to make general allowance for balances with and loans to other CIs.

**(E) SECURITIES HELD FOR TRADING**

**(i) Classification and recognition**

Securities held for trading are debt securities which are acquired principally for the purpose of selling them in the near term or there is evidence of a recent pattern of short-term profit-taking.

VPB recognises securities held for trading on the date that VPB becomes a party under purchase contracts for these securities (trade date accounting).

**(ii) Measurement**

Debt securities held for trading are recognized at cost less allowance for securities held for trading, including allowance for diminution in value of securities and allowance for credit losses of unlisted bonds (if any).

Allowance for diminution in value of securities is determined based on market value. The market value of Government bonds, municipal bonds is the latest transaction price at the Stock Exchange within 10 days up to the reporting date. In case of no transaction within 10 days of the reporting date, VPB does not make allowance for this investment.

The allowance for securities held for trading is reversed if their price or their recoverable value subsequently increases after the allowance was recognised. An allowance is reversed only to the extent that the securities' carrying amount does not exceed the carrying amount that has been determined if no allowance needs to be made.

**(iii) De-recognition**

VPB derecognises securities held-for-trading when the contractual rights to the cash flows from these securities have been terminated or when the significant risks and rewards of ownership of these securities have been transferred.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR

ended 31 December 2020 (continued)

### (F) INVESTMENT SECURITIES

#### (i) Classification and recognition

Investment securities include available-for-sale securities and held-to-maturity securities. Available-for-sale securities are debt securities or equity securities, which are held for an indefinite period and may be sold at any time once they are profitable. Held-to-maturity investment securities are debt securities with fixed maturities and fixed or determinable payments, where VPB has the positive intention and ability to hold until maturity.

VPB classifies investment securities at the date of acquisition. According to Official Letter No. 2601/NHNN-TCKT dated 14 April 2009 of the SBV, VPB is allowed to reclassify investment securities for a maximum of one time after the date of acquisition.

VPB recognises investment securities on the date that VPB becomes a party under purchase contracts for these securities (trade date accounting).

#### (ii) Measurement

##### Equity securities

Equity investment securities are initially recorded at cost including purchase cost plus other directly attributable costs such as brokerage fees, transaction fees, information fees and bank charges (if any). They are subsequently recognised at the lower of book value and the market value with the impairment loss recognised in the consolidated statement of income.

The market value of listed equity securities is the closing price on a nearest day having transactions to the balance sheet date.

##### Debt securities

Debt investment securities are initially stated at cost including transaction costs and other directly attributable costs. They are subsequently recognised at amortised cost (affected by premium/discount amortisation) less allowance for investment securities including allowance for credit losses and allowance for diminution in value of securities. Premium and discounts arising from purchases of debt securities are amortised to the consolidated statement of income on a straight-line basis over the period from acquisition date to maturity date.

Allowance for diminution in value of securities is determined based on market value. The market value of Government bonds, municipal bonds, debt securities issued by other credit institutions is the latest transaction price at the Stock Exchange within 10 days up to the balance sheet date. In case of no transaction within 10 days of the balance sheet date, VPB does not make allowance for this investment.

Allowance 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(j).

The allowance for investment securities is reversed if their price or their recoverable value subsequently increases after the allowance was recognised. An allowance is reversed only to the extent that the securities' carrying amount does not exceed the carrying amount that has been determined if no allowance needs to be made.

Interest income from debt securities and equity securities after the acquisition date is recognised in the consolidated statement of income when the income is received. Accrued interest incurred before VPB purchases the securities will be deducted from historical cost.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ended 31 December 2020 (continued)

### (iii) De-recognition

VPB derecognises investment securities when the contractual rights to the cash flows from these securities expired or when the significant risks and rewards of ownership of these securities have been transferred.

### (G) RE-PURCHASE AND REVERSE RE-PURCHASE CONTRACTS

Securities sold under agreements to repurchase at a specific date in the future 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.

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.

### (H) LONG-TERM INVESTMENTS

#### (i) Other long-term investments

Other long-term investments are investments in the equity of other companies without having control or significant influence. These long-term investments are initially recognised at cost at the date of acquisition, and subsequently stated at cost less allowance for diminution in the value of investments.

#### (ii) Allowance for diminution in value of long-term investments

At the end of accounting period, if the other long-term investments are impaired compared to the carrying value, VPB will make allowance for diminution in the value of other long-term investment according to the separate financial statements of the investee at the same time with VPB's financial statements, allowance for diminution in the value of other long-term investment is calculated according to the following formula:

$$\text{Allowance for diminution in value of each investment} = \text{Percentage of invested amount (\%) of VPB in the entity at the reporting date} \times \left\{ \begin{array}{l} \text{Total invested amount of all parties in the entity at the reporting date} \\ - \text{Owners' equity of the entity at the reporting date} \end{array} \right\}$$

In case the investee does not prepare the financial statement at the same report date with VPB, VPB will not make a allowance for diminution in the value of long-term investment.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

**(I) LOANS TO CUSTOMERS**

Loans to customers are stated in the consolidated balance sheet at the amount of the principal outstanding at the end of the accounting period.

Allowance for loans to customers is recorded and stated in a separate line in the consolidated balance sheet. Allowance for credit losses comprises specific allowance and general allowance.

Short-term loans are those with maturity term of up to one year from the loan disbursement date. Medium-term loans are those with maturity from more than one year to five years of the loan disbursement date. Long-term loans are those with maturity term of more than five years from the loan disbursement date.

VPB derecognises loans when the contractual rights to the cash flows from these loans expire or when substantially all the risks and rewards of ownership of these loans have been transferred.

Debt classification and allowance for credit losses on loans to customers are made in accordance with Circular 02 and Circular 09 as described in Note 4(j).

**(J) DEBT CLASSIFICATION AND THE RATE AND METHOD OF MAKING ALLOWANCE FOR CREDIT LOSSES**

**(i) Debt classification and specific allowance for credit losses**

Classification of deposits with and loans to other credit institutions (excluding current deposits), purchases and entrustment to purchase of unlisted corporate bonds, loans to customers, and entrusted extension of credit (collectively referred to as "loans"), loans already sold but payments not yet collected, is implemented using quantitative method as stipulated in Article 10 of Circular 02.

According to Circular 02 and Circular 09, VPB determines specific allowance for credit risks based on the allowance rates corresponding to debt classification results and loan principals balance less the value of collateral assets. Specific allowance as at 31 December is determined based on the debt classification and outstanding balance of loans as at 30 November. The rates of specific allowance for specific loan groups are as follows:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR

ended 31 December 2020 (continued)

LOAN GROUP		OVERDUE STATUS	RATE OF ALLOWANCE
1	Current	(a) Current loans that being assessed as fully and timely recoverable, both principals and interests; or (b) Loans which are overdue for a period of less than 10 days and being assessed as fully recoverable, both overdue principals and interests, and fully and timely recoverable, both remaining principals and interests.	0%
2	Special mention	(a) Loans which are overdue for a period of between 10 days and 90 days; or (b) Loans which are restructured repayment term for the first time.	5%
3	Sub-standard	(a) Loans which are overdue for a period of between 91 days and 180 days; or (b) Loans which are extended repayment term for the first time; or (c) Loans which are exempted or reduced interests because customers are not sufficient capability to pay all interests under credit contracts; or (d) Loans in one of the following circumstances which remain unrecovered during a period of 30 days after the date of the recovery decision: <ul style="list-style-type: none"> <li>Loans in breach of clauses 1, 3, 4, 5 or 6 of Article 126 of the Law on Credit Institutions;</li> <li>Loans in breach of clauses 1, 2, 3 or 4 of Article 127 of the Law on Credit Institutions;</li> <li>Loans in breach of clauses 1, 2 or 5 of Article 128 of the Law on Credit Institutions; or</li> </ul> (e) Loans which are recovered under inspection conclusions.	20%
4	Doubtful	(a) Loans which are overdue for a period of between 181 days and 360 days; or (b) Loans which are restructured repayment term for the first time but still overdue for a period of less than 90 days under that restructured repayment term; or (c) Loans which are restructured repayment term for the second time; or (d) Loans which are specified in point (d) of loan Group 3 have not been recoverable for a period of between 30 days and 60 days after decisions on recovery have been issued; or (e) Loans which must be recovered under inspection conclusions but fail to be repaid although recovery term was overdue from 60 days ago.	50%
5	Loss	(a) Loans which are overdue for a period of more than 360 days; or (b) Loans which are restructured repayment term for the first time but still overdue for a period of 90 days or more than under that first restructured repayment term; or (c) Loans which are restructured repayment term for the second time but still overdue under that second restructured repayment term; or (d) Loans which are restructured repayment term for the third time or more, whether loans are overdue or not; or (e) Loans which are specified in point (d) of loan Group 3 have not been recoverable for a period of more than 60 days after decisions on recovery have been issued; or (f) Loans which must be recovered under inspection conclusions but fail to be repaid although recovery term was overdue for more than 60 days; or (g) Loans of customers being credit institutions which are announced by the SBV to place in special control status, or foreign bank branches of which capital and assets are blockaded.	100%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR

ended 31 December 2020 (continued)

Payments on behalf arising from balance sheet commitments are classified based on the number of overdue days, starting from the date when VPB committed obligations:

- ▶ Group 3 – Sub-standard loans: overdue for less than 30 days;
- ▶ Group 4 – Doubtful loans: overdue for between 30 days and less than 90 days;
- ▶ Group 5 – Loss loans: overdue for 90 days or more.

In case where a customer has more than one loan with VPB, if a loan is classified to a higher risk group, VPB is required to classify the other loans of that customers to that higher risk loan group.

When VPB participates in a syndicated loan to a customer not as a lead bank, VPB classifies loans (including the syndicated loan) of the customer to a higher risk group of the risk assessment made by the lead bank and made by VPB.

VPB also collects loan classification results of the customers provided by the Credit Information Center of the SBV ("CIC") at the date of loan classification to adjust its own classification of loans. If a customer's loans and off-balance sheet commitments are classified in a loan group that has a lower risk than the loan groups provided in CIC's list, VPB shall adjust its classification of loans and off-balance commitments following the loan groups provided by CIC.

Since 13 March 2020, VPB has adopted Circular No. 01/2020/TT-NHNN ("Circular 01") issued by the SBV, providing regulations on restructuring of loan repayment periods, exemption/reduction of interest/fees and keeping loan groups unchanged to assist customers affected by the Covid-19 pandemic of credit institutions, foreign bank branches. Accordingly, for customers who incur obligations of loan principal repayments and/or interest payments during the year from 23 January 2020 to the succeeding day of the date after three months from the Government's announcement of the termination of Covid-19 pandemic and these customers are unable to repay loan principles or to pay interest upon maturity of the signed loan contracts or agreements due to decreases in revenue and income caused by effect of the Covid-19 pandemic, VPB is allowed to reschedule loan repayment periods, exemption/reduction of interest/fees and loan groups are kept unchanged from those classified at the most recent date prior to 23 January 2020.

Since 26 October 2020, VPB has adopted Official Letter No. 7751/NHNN-TD ("Official Letter 7751") issued by the SBV, providing regulations on assisting customers to overcome consequences caused by floods in the Central and Central Highlands regions by restructuring loan repayment periods, exemption/reduction of interest/fees, new lending and other supports. VPB restructured and wrote-off loans in accordance with Decree No. 55/2015/ND-CP dated 9 June 2015 ("Decree 55"), Decree No. 116/2018/ND-CP dated 7 September 2018 by the Government on credit policies for agriculture and rural development, Circular No. 10/2015/TT-NHNN dated 22 July 2015, Circular No. 25/2018/TT-NHNN date 24 October 2018 by the SBV providing guidance on certain contents of Decree 55. Accordingly, VPB is allowed to reschedule loan repayment periods and loan groups are kept unchanged for those customers who are impacted by floods in the Central and Central Highlands regions.

### (ii) **General allowance for credit losses**

According to Circular 02, general allowance is also required at the rate of 0.75% of total balance of loans, except for the balances with and loans to other credit institutions and the loans classified into the loss group. For these consolidated financial statements, general allowance is calculated based on loan classification and loan principal outstanding balance as at 30 November.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR

ended 31 December 2020 (continued)

### (iii) **Write-off of bad debts**

According to Circular 02 and Circular 09, VPB writes off bad debts in the following cases:

- ▶ Borrowers who are dissolved, bankrupted under legal regulations (in case of legal entities); or are deceased or missing (in case of individuals);
- ▶ Debts are classified into Group 5.

### (iv) **Off-balance sheet commitments**

According to Circular 02 and Circular 09, the classification of off-balance sheet credit commitments is conducted solely for risk management, credit quality supervision of credit granting activities. No allowance is made for off-balance sheet credit commitments, except where VPB has been required to make payment under the guarantee contract, in which case the payment on behalf is classified and allowance is made for in accordance with policy in Note 4(j).

## (K) **DEBTS PURCHASED**

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.

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

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

## (L) **DERIVATIVE FINANCIAL INSTRUMENTS**

### (i) **Currency forward and swap contracts**

VPB involves in currency forward contracts and currency swap contracts to facilitate customers to transfer, adjust or reduce foreign exchange risks and other market risks, also for the business purposes of VPB.

Currency forward contracts are commitments to buy or sell an amount of foreign currency at a specified interest rate at specified transaction date and will be paid at a specific point of time in the future. The forwards contracts are recorded at nominal value at the transaction date and are revalued at effective exchange rate at the reporting date and are stated at net value in the consolidated balance sheet. Differences between the amounts in VND of the foreign currency amounts which are committed to buy or sell at forward rate and spot rate are recognised in the consolidated statement of income on a straight-line basis over the term of the contracts.

The currency swap contracts are commitments to buy or sell the same amount of foreign currency (only two currencies are used in the transaction) with the same partner, in which there is a transaction with the spot payment term and a transaction with a payment period determined in the future and the rate of the two transactions is determined at the time of determination of spot transaction. Premiums/discounts arising from the difference of the spot exchange rate at the effective date of the contracts and the forward exchange rate will be recognised immediately on the effective date of the contracts as an asset if they are positive or as a liability if they are negative in the consolidated balance sheet. This difference is amortised to the consolidated statement of income on a straight-line basis over the term of the swap contracts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR

ended 31 December 2020 (continued)

### (ii) Interest rate swap contracts

Interest swap contracts are commitments to settle in cash the notional principal amounts at the interest amount based on floating or fixed interest rates. Income earned and expenses incurred are recognised in the consolidated statement of income on an accrual basis.

### (M) TANGIBLE FIXED ASSETS

#### (i) Cost

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

#### (ii) Depreciation

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

▶ Buildings and structures	5 – 40 years
▶ Machines and equipment	3 – 7 years
▶ Means of transportation	6 years
▶ Office equipment	3 – 5 years
▶ Other tangible fixed assets	3 – 5 years

### (N) INTANGIBLE FIXED ASSETS

#### (i) Software

The cost of acquiring new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software costs are amortised on a straight-line basis ranging from 2 to 14 years.

#### (ii) Land use rights

Land use rights comprise:

- ▶ Those granted by the State for which land use payments are collected or those acquired in a legitimate transfer (including definite land use right and indefinite land use right).
- ▶ Rights to use leased land obtained before the effective date of Land Law (2003) for which payments have been made in advance for more than 5 years and supported by land use right certificate issued by competent authorities.

Definite land use rights are stated at cost less accumulated amortization. Indefinite land use rights are stated at cost and are not amortised.

The cost of fixed assets being land use rights determined is the total amount paid to have the legal land use right plus (+) costs of site clearance, ground leveling, registration fee (excluding costs for building works on land) or the value of land use right received as contributed capital.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

**(O) OTHER ASSETS**

Other assets that are classified as assets with credit risk are stated at cost. The Bank conducts classification and makes allowance similarly to those of loans to customers as described in Note 4(j). The allowance for losses is recorded in "Allowance expenses" during the year.

Other assets that are not classified as assets with credit risk receivables are subject to assessment of allowance for credit losses based on overdue date of debts or estimated loss arising from undue debts of which the indebted economic organisations are bankrupt or undergoing dissolution procedures; debtors are missing, have fled, are prosecuted, detained or tried by law enforcement bodies, are serving sentences or have died. Increases or decreases to the allowance balance are recorded in "operating expenses" in the year.

**Allowance for overdue debts is made at the following allowance rates:**

OVERDUE PERIOD	RATE OF ALLOWANCE
▶ From six (06) months to less than one (01) year	30%
▶ From one (01) year to less than two (02) years	50%
▶ From two (02) years to less than three (03) years	70%
▶ Over three (03) years	100%

**(P) DEPOSITS FROM CUSTOMERS**

Deposits from customers are stated at their cost.

**(Q) DEPOSITS AND BORROWINGS FROM OTHER CIS, OTHER FIS**

Deposits and borrowing from other CIs, other FIs are stated at their cost.

**(R) (R) VALUABLE PAPERS ISSUED**

Valuable papers issued are stated at cost less amortised premiums or discounts. Cost of valuable papers issued includes the proceeds from the issuance less directly attributable costs.

**(S) OTHER PAYABLES**

Other payables are stated at their cost.

**(T) SHARE CAPITAL**

**(i) Ordinary shares**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ended 31 December 2020 (continued)

### (ii) Share premium

On receipt of proceeds from share issuance from shareholders, the difference between the issue price and the par value of the shares is recorded in share premium account in equity.

### (iii) Treasury shares

When repurchased shares are recognised as equity, the amount of the consideration paid, which includes directly attributable costs, net of tax effects, is recognised as a reduction from equity. Repurchased shares are classified as treasury shares under equity. When treasury shares are sold subsequently (reissue), cost of the reissued shares is determined on a weighted average basis. Any difference between the amount received and the cost of the shares reissued is presented within share premium.

## (U) RESERVES AND FUNDS

### (i) Reserves and funds of the Bank and VPB FC

According to Decree No. 93/2017/ND-CP dated 7 August 2017 issued by the Government of Vietnam providing regulations on the financial regime applicable to credit institutions, the Bank and VPB FC are required to make the following reserves before distribution of profits:

	ANNUAL ALLOCATION	MAXIMUM BALANCE
Reserve to supplement charter capital	5% of profit after tax	100% of charter capital
Financial reserve	10% of profit after tax	Not stipulated

The financial reserve is used to cover losses incurred during the normal course of business. The financial reserve and the reserve to supplement share capital are non-distributable and classified as equity.

The financial reserve is used to cover losses incurred during the normal course of business. The financial reserve and the reserve to supplement share capital are non-distributable and classified as equity.

### (ii) VPB AMC

According to Circular No. 27/2002/TT-BTC dated 22 March 2002 issued by the Ministry of Finance, the allocations to reserves before distribution of retained profits are made by VPB AMC the same as that of the parent bank. Reserves and other equity funds are made from profit after tax at year-end.

According to Circular No. 200/2014/TT-BTC, since fiscal year starting from or after 1 January 2015, VPB AMC doesn't make financial reserve.

## (V) REVENUE

### (i) Interest income

Interest income is recognised in the consolidated statement of income on an accrual basis, except for interest on loans classified in Group 2 to Group 5 as described in Note 4(j) and restructured debts kept unchanged in Group 1 as a result of adoption of Circular 01. Interest receivable on these loans will be derecognised and recorded as off-balance sheet items. Interest on these debts are recognised in the consolidated statement of income upon receipt.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR

ended 31 December 2020 (continued)

### (ii) **Fee and commission income**

Fees and commissions are recognised in the consolidated statement of income upon completion of the services rendered.

### (iii) **Income from investing activities**

Income from sale of securities is recognised in the consolidated statement of income upon receipt of the order matching notice from Vietnam Securities Depository (listed securities) and completion of the assets transfer agreement (unlisted securities) and is determined based on the differences between selling price and specific identification cost of securities sold.

Dividend income in the form of cash is recognised in the separate statement of income when the Bank's right to receive dividend is established. Dividends received in the form of shares, bonus shares and rights to purchase shares given to existing shareholders, shares distributed from retained earnings are not recognised as an increase in investment and such dividend income is not recognised in the separate statement of income. When share dividends are received, VPB only recognises an increase in the number of shares.

Dividends received which are attributable to the period before acquisition date are deducted against the carrying amount of the investment.

### (W) **INTEREST EXPENSES**

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

### (X) **FEE AND COMMISSION EXPENSES**

Fee and commission expenses are recognised in the consolidated statement of income when these expenses are incurred.

### (Y) **OPERATING LEASE PAYMENTS**

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

### (Z) **TAXATION**

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the consolidated statement of income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the end of the accounting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the end of the accounting period.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

**(AA) RELATED PARTIES**

Related parties of VPB include:

- ▶ Management or members of the Board of Supervision of VPB;
- ▶ Individuals or organisations that hold at least 5% of charter capital or share capital with voting rights of VPB;
- ▶ Wives, husbands, parents, children, and siblings of managers or members of the Board of Supervision, capital contributors or shareholders who hold at least 5% of charter capital or share capital with voting rights of VPB;
- ▶ Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described above or over which such a person is able to exercise significant influence. This case includes businesses owned by VPB's leaders or key shareholders and those businesses that have a key managing member with VPB;
- ▶ Representatives for VPB's paid-in capital and shares.

**(BB) COMMITMENTS AND CONTINGENT LIABILITIES**

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

**(CC) BASIC EARNINGS PER SHARE**

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

As at 31 December 2020 and for the year then ended, VPB has no potential ordinary shares hence disclosure for diluted EPS is not applicable.

**(DD) SEGMENT REPORTING**

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

**(EE) NIL BALANCES**

Items or balances required by Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 ("Decision 16") of the SBV's Governor promulgating the regulation on financial reporting regime applicable to Credit institutions and Circular No. 49/2014/TT-NHNN dated 31 December 2014 ("Circular 49") of the SBV's Governor on amending and supplementing a number of articles of the regulation on financial reporting regime applicable to credit institutions accompanying Decision 16, Decision No. 479/2004/QĐ-NHNN dated 29 April 2004 and the chart of accounts of credit institutions accompanying the Decision that are not shown in these consolidated financial statements indicate nil balances.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

**(FF) EMPLOYEE BENEFITS**

**(i) Post-employment benefits**

Retired employees of VPB receive post-employment benefits from the Social Insurance Agency which belongs to the Ministry of Labor, Invalids and Social Affairs. VPB are required to contribute to these post-employment benefits by an amount at the rate of 17.5% of an employee's gross monthly salary under regulations. Other than that, VPB have no further obligation. Expenses for contribution of post employment benefits are recorded in the consolidated statement of income whenever contribution obligation incurs.

**(ii) Severance allowance**

VPB has the obligation, under Article 48 of the Vietnam Labor Code No. 10/2012/QH13 effective from 1 May 2013, to pay severance allowance for 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 Year up to the resignation date. Provision for severance allowance has been provided based on employees' years of service and their average salary for the six-month period prior to the end of the accounting period. For the purpose of determining the number of years of service by an employee, the period for which the employee participated in and contributed to unemployment insurance in accordance with prevailing laws and regulations and the period for which severance allowance has been paid by VPB are excluded.

**(iii) Unemployment insurance**

According to Circular No. 28/2015/TT-BLĐTBXH on guidelines for Article 52 of the Law on Employment and Decree No. 28/2015/ND-CP dated 12 March 2015 of the Government on guidelines for the Law on Employment in term of unemployment insurance, VPB 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. Expenses for contribution of unemployment insurance benefits are recorded in the consolidated statement of income whenever contribution obligation incurs.

**(GG) FINANCIAL INSTRUMENTS**

Solely for the purpose of providing disclosures about the significance of financial instruments to VPB's financial position and results of operations and the nature and extent of risk arising from financial instruments, classifies its financial instruments as follows:

**(i) Financial assets**

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

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

- ▶ It is considered by management as held for trading. A financial asset is classified as held for trading if it meets either of the following conditions:
  - It is acquired principally for the purpose of selling it in the near term;
  - There is evidence of a recent pattern of short-term profit-taking; or
  - A derivative (except for a derivative that is financial guarantee contract or a designated and effective hedging instrument).
- ▶ Upon initial recognition, it is designated by VPB as financial assets at fair value through profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR

ended 31 December 2020 (continued)

### *Held-to-maturity investments*

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

- ▶ Financial assets that, upon initial recognition, were categorised by VPB as financial assets at fair value through profit or loss;
- ▶ Financial assets already categorised by VPB as assets that available for sale; or
- ▶ Financial assets that meet the definitions of loans and receivables.

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those:

- ▶ That the Bank intends to sell immediately or in the near term, which are classified as held for trading, and those that the entity on initial recognition designates as financial assets at fair value through profit or loss;
- ▶ That the Bank, upon initial recognition, designates as available-for-sale; or
- ▶ For which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as assets available-for-sale.

### *Available-for-sale financial assets*

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

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

## **(ii) Financial liabilities**

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

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

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

### *Financial liabilities carried at amortised cost*

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

The above described classification of financial instruments is solely for presentation and disclosure purpose and is not intended to be a description of how the financial instruments are measured. Accounting policies for measurement of financial instruments are disclosed in other relevant notes.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

**5. CASH AND GOLD ON HAND**

	31/12/2020 VND million	31/12/2019 VND million
Cash on hand in VND	2,145,363	1,631,328
Cash on hand in foreign currencies	1,110,882	658,473
Monetary gold	26,311	169,520
	<b>3,282,556</b>	<b>2,459,321</b>

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

These consist of a compulsory reserve requirement for liquidity and a current account.

	31/12/2020 VND million	31/12/2019 VND million
<b>Balances with the SBV</b>		
▶ Current account and compulsory reserve in VND	5,553,676	3,222,431
▶ Current account and compulsory reserve in foreign currencies	225,934	231,707
	<b>5,779,610</b>	<b>3,454,138</b>

Under the SBV's regulations relating to the compulsory reserve, banks are permitted to maintain a floating balance for the compulsory reserve requirement ("CRR"). The monthly average balance of the reserves must not be less than CRR rates multiplied by the preceding month's average balances of deposits at VPB.

**CRR rates at the end of the year were as follows:**

DEPOSITS IN SCOPE	CRR RATES	
	31/12/2020	31/12/2019
<b>Preceding month average balances of:</b>		
▶ Deposits with term of less than 12 months in foreign currencies	8.00%	8.00%
▶ Deposits with term of and more than 12 months in foreign currencies	6.00%	6.00%
▶ Deposits in VND with term of less than 12 months	3.00%	3.00%
▶ Deposits in VND with term of and more than 12 months	1.00%	1.00%

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**7. BALANCES WITH AND LOANS TO OTHER CREDIT INSTITUTIONS**

	31/12/2020 VND million	31/12/2019 VND million
<b>Current accounts</b>		
Current accounts in VND	1,548,010	1,245,782
Current accounts in foreign currencies	892,215	597,329
<b>Term deposits</b>		
Term deposits in VND	3,350,000	11,670,000
Term deposits in foreign currencies	8,038,800	1,969,875
	<b>13,829,025</b>	<b>15,482,986</b>
<b>Loans to other credit institutions ("CIs")</b>		
Loans in VND	5,725,783	4,151,067
Loans in foreign currencies	-	463,500
	<b>5,725,783</b>	<b>4,614,567</b>
	<b>19,554,808</b>	<b>20,097,553</b>

Balances with and loans to other CIs by groups at the end of the year were as follows:

	31/12/2020 VND million	31/12/2019 VND million
Current	17,114,583	18,254,442

Annual interest rates at the end of the year were as follows:

	31/12/2020 %/year	31/12/2019 %/YEAR
Term deposits in VND	0.10% - 3.85%	1.30% - 6.45%
Term deposits in foreign currencies	0.15% - 0.70%	1.90% - 2.00%
Loans in VND	0.60% - 5.50%	3.54% - 5.50%
Loans in foreign currencies	Not applicable	2.10% - 3.60%

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

**8. SECURITIES HELD FOR TRADING**

	31/12/2020 VND million	31/12/2019 VND million
Debt securities issued by the Government or local authority	493,214	1,571,141
Allowance for securities held for trading (i)	-	(4,549)
	<b>493,214</b>	<b>1,566,592</b>

(i) Movements in allowance for securities held for trading during the year were as follows:

	2020 VND million	2019 VND million
Opening balance	4,549	38,329
Allowance reversed during the year (Note 33)	(4,549)	(33,780)
<b>Closing balance</b>	<b>-</b>	<b>4,549</b>

Listing status at the end of the year were as follows:

	31/12/2020 VND million	31/12/2019 VND million
Listed bonds	493,214	1,571,141

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

**9. DERIVATIVES AND OTHER FINANCIAL LIABILITIES**

Details of financial derivatives at the end of the year were as follows:

	TOTAL CONTRACT NOMINAL VALUE (AT EXCHANGE RATE OF THE EFFECTIVE DATE OF THE CONTRACT)	TOTAL CARRYING VALUE (AT EXCHANGE RATE AT THE END OF THE YEAR)		
		CASH IN-FLOW	CASH OUT-FLOW	NET VALUE
	VND million	VND million	VND million	VND million
<b>As at 31 December 2020</b>				
Currency derivative financial instruments	62,330,973	61,820,905	(62,106,078)	(285,173)
Currency forward contracts	5,660,822	5,657,466	(5,602,537)	54,929
Currency swap contracts	56,670,151	56,163,439	(56,503,541)	(340,102)
Other financial derivatives	70,770,746	30,611,636	(30,466,288)	145,348
	<b>133,101,719</b>	<b>92,432,541</b>	<b>(92,572,366)</b>	<b>(139,825)</b>
<b>As at 31 December 2019</b>				
Currency derivative financial instruments	53,821,526	53,597,926	(53,646,984)	(49,058)
Currency forward contracts	8,653,712	8,650,955	(8,542,072)	108,883
Currency swap contracts	45,167,814	44,946,971	(45,104,912)	(157,941)
Other financial derivatives	5,442,266	2,851,038	(2,847,650)	3,388
	<b>59,263,792</b>	<b>56,448,964</b>	<b>(56,494,634)</b>	<b>(45,670)</b>

**10. LOANS TO CUSTOMERS**

	31/12/2020 VND million	31/12/2019 VND million
Loans to economic entities and individuals	270,633,257	237,902,129
Loans on discounting negotiable instruments and valuable papers	246,532	137,060
Payments on behalf of customers	30,083	131
Loans granted from borrowed and entrusted funds	268,439	362,045
Other loans	19,637,775	18,782,594
	<b>290,816,086</b>	<b>257,183,959</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

Loan portfolio by loan groups was as follows:

	31/12/2020 VND million	31/12/2019 VND million
Current	265,902,470	236,147,780
Special mention	14,989,428	12,238,635
Sub-standard	6,024,814	5,447,770
Doubtful	1,823,719	1,311,426
Loss	2,075,655	2,038,348
	<b>290,816,086</b>	<b>257,183,959</b>

Loan portfolio by term was as follows:

	31/12/2020 VND million	31/12/2019 VND million
Short-term loan	102,019,331	89,235,058
Medium-term loan	126,492,662	110,887,144
Long-term loan	62,304,093	57,061,757
	<b>290,816,086</b>	<b>257,183,959</b>

Annual interest rates at the end of the year were as follows:

	31/12/2020 %/YEAR	31/12/2019 %/YEAR
Loan in VND	3.20% - 16.30%	3.00% - 14.50%
Loan in foreign currencies	3.00% - 6.50%	4.00% - 6.50%
Consumer finance loan in VND	41.46%	43.83%

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

Portfolio of loans to customers by by ownerships and customers was as follows:

	31/12/2020		31/12/2019	
	VND million	%	VND million	%
State-owned companies	1,684,444	0.58	1,922,461	0.75
One-member limited liability companies with 100% of State owned capital	301,867	0.10	412,867	0.16
Limited liability companies which have 2 members and above and State holds more than 50% of charter capital, or has the governing power	152,910	0.05	27,830	0.01
Other limited liability companies	53,620,556	18.44	41,273,951	16.05
Joint stock companies which the State holds more than 50% of charter capital or of voting shares, or has the governing power	154,507	0.05	269,930	0.10
Other joint stock companies	71,371,808	24.54	61,696,189	24.00
Private companies	529,038	0.18	440,954	0.17
Foreign invested enterprises	316,962	0.11	114,211	0.04
Cooperatives, cooperative unions	82,984	0.03	60,566	0.02
Business households, individuals	162,599,837	55.91	150,954,341	58.70
Administrative units, parties, unions and associations	-	0.00	9,808	0.00
Others	1,173	0.01	851	0.00
	<b>290,816,086</b>	<b>100</b>	<b>257,183,959</b>	<b>100</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

Loan portfolio by industry sectors was as follows:

	31/12/2020		31/12/2019	
	VND million	%	VND million	%
Agriculture, forestry and aquaculture	3,786,880	1.30	1,224,901	0.48
Mining	927,374	0.32	872,775	0.34
Manufacturing and processing	14,266,805	4.91	12,299,785	4.78
Electricity, gas, hot water, steam and air-conditioning	2,803,150	0.96	2,500,209	0.97
Water supplying and garbage and sewage treatment and management	181,272	0.06	204,229	0.08
Construction	24,703,820	8.49	21,607,181	8.40
Wholesale and retail trade; repair of motor vehicles, motorcycles	31,836,141	10.95	29,559,991	11.50
Transport, warehouse	5,899,292	2.03	7,286,253	2.83
Hospitality services	10,017,665	3.44	9,809,042	3.81
Information and communications	234,725	0.08	345,026	0.13
Finance and insurance	7,430,985	2.56	5,749,920	2.24
Real estates	36,924,235	12.70	24,361,962	9.48
Science and technology	456,384	0.16	565,941	0.22
Administrative activities and supporting service	1,087,771	0.37	1,476,380	0.57
The Communist Party, Socio-political unions, state management, security and national defence, compulsory social insurance	3,970	0.00	6,433	0.00
Education and training	141,609	0.05	237,645	0.09
Health care and social work	94,361	0.03	61,958	0.02
Art, playing and recreation	106,138	0.04	293,082	0.11
Other service activities	535,206	0.18	423,702	0.16
Households services, production of material products and service used by households	113,042,970	38.88	110,975,275	43.16
Loans to individual customers for accommodation purpose and obtain land use rights	36,334,720	12.49	27,319,010	10.63
Activities of international organizations and offices	613	0.00	3,259	0.00
	<b>290,816,086</b>	<b>100</b>	<b>257,183,959</b>	<b>100</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

## 11. ALLOWANCE FOR LOANS TO CUSTOMERS

Allowance for loans to customers consists of:

	31/12/2020 VND million	31/12/2019 VND million
General allowance (i)	2,068,040	1,920,435
Specific allowance (ii)	2,428,644	2,163,659
	<b>4,496,684</b>	<b>4,084,094</b>

(i) Movements in general allowance for loans to customers were as follows:

	2020 VND million	2019 VND million
Opening balance	1,920,435	1,525,190
Allowance made during the year (Note 38)	147,605	395,245
Closing balance	2,068,040	1,920,435

(ii) Movements in specific allowance for loans to customers were as follows:

	2020 VND million	2019 VND million
Opening balance	2,163,659	2,041,583
Allowance made during the year (Note 38)	14,471,773	12,292,807
Allowance for debts purchased from VAMC	-	408,387
Utilization of allowance	(14,206,788)	(12,579,118)
Closing balance	2,428,644	2,163,659

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

## 12. DEBT PURCHASED

	31/12/2020 VND million	31/12/2019 VND million
Debts purchased in VND	260,232	-
Allowance for debts purchased	(1,952)	-
	<b>258,280</b>	<b>-</b>

Details of outstanding principal and interest of debts purchased were as follows:

	31/12/2020 VND million	31/12/2019 VND million
Principal	260,232	-

Analysis by quality of debts purchased at the end of year was as follows:

	31/12/2020 VND million	31/12/2019 VND million
Current	260,232	-

Movements in allowance for debt purchased for the year were as follows:

	2020 VND million	2019 VND million
Opening balance	-	-
Allowance made during the year (Note 38)	1,952	-
Closing balance	1,952	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

**13. INVESTMENT SECURITIES**

	31/12/2020 VND million	31/12/2019 VND million
Available-for-sale securities (i)	75,959,904	67,786,907
Held-to-maturity securities (ii)	854,344	1,094,329
	<b>76,814,248</b>	<b>68,881,236</b>

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(i) Available-for-sale securities consists of:

	31/12/2020 VND million	31/12/2019 VND million
<b>Debt securities</b>		
▶ Government, municipal bonds	33,571,272	28,659,332
▶ Debt securities issued by other local credit institutions	10,568,514	24,889,488
<i>In which: Government guaranteed bonds</i>	2,431,485	4,284,703
▶ Debt securities issued by local economic entities	31,804,761	14,222,730
<b>Equity securities</b>		
▶ Equity securities issued by local economic entities	15,357	15,357
	<b>75,959,904</b>	<b>67,786,907</b>

Investment securities by listing status at the end of the year were as follows:

	31/12/2020 VND million	31/12/2019 VND million
Listed bonds	36,002,757	32,944,035
Unlisted bonds	34,454,762	23,043,344
Other unlisted debt securities	5,487,028	11,784,171
Listed equity securities	15,357	15,357
	<b>75,959,904</b>	<b>67,786,907</b>

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

	31/12/2020 VND million	31/12/2019 VND million
Current	34,454,762	23,043,344



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

The term and annual interest of available-for-sale debt securities at the end of year were as follows:

	31/12/2020		31/12/2019	
	Term	Interest rate per annum	Term	Interest rate per annum
Government bonds	6 months - 15 years	1.50% - 12.00%	6 months - 15 years	2.60% - 7.48%
Debt securities issued by other local credit institutions	3 months - 3 years	2.80% - 9.00%	2 months - 3 years	4.70% - 8.70%
Debt securities issued by local economic entities	4 months - 10 years	6.00% - 12.00%	1 year - 11 years	6.00% - 12.00%

(ii) Held-to-maturity securities consists of:

	31/12/2020 VND million	31/12/2019 VND million
Government bonds	854,344	1,094,329

The term and annual interest of held-to-maturity debt securities at the end of the year were as follows:

	31/12/2020		31/12/2019	
	Term	Interest rate per annum	Term	Interest rate per annum
Government bonds	5 - 12 years	2.90% - 9.10%	9 months - 4 years	2.90% - 10.80%

## 14. ALLOWANCE FOR INVESTMENT SECURITIES

	31/12/2020 VND million	31/12/2019 VND million
Allowance for available-for-sale securities	328,813	151,873

Movements in allowance for available-for-sale securities during the year were as follows:

	2020 VND million	2019 VND million
Opening balance	151,873	265,319
Allowance made/(reversed) during the year (Note 34)	176,940	(113,446)
Closing balance	328,813	151,873

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

Movements in allowance for held to maturity securities during the year were as follows:

	2020 VND million	2019 VND million
Opening balance	-	790,355
Allowance made during the year (Note 38)	-	999,326
Decrease of provision due to buy back debts from VAMC and utilisation	-	(1,789,681)
Closing balance	-	-

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**15. LONG-TERM INVESTMENTS**

Portfolio by types of investments was as follows:

	31/12/2020 VND million	31/12/2019 VND million
Other long-term investments - cost (i)	238,602	238,602
Allowance for diminution in the value of long-term investments (ii)	(21)	(74,177)
	<b>238,581</b>	<b>164,425</b>

(i) Details of other long-term investments at the end of the year were as follows:

	31/12/2020		31/12/2019	
	Cost	% owned	Cost	% owned
	VND million	VND million	VND million	VND million
ITRACO Transportation Joint Stock Company	21	0.64	21	0.64
Dong Xuan Joint Stock Company	5,000	10.00	5,000	10.00
Banking Training and Consultancy Joint Stock Company	371	5.29	371	5.29
Vietnam Credit Information Joint Stock Company	3,934	3.28	3,934	3.28
OPES Insurance Joint Stock Company	44,000	11.00	44,000	11.00
Sai Gon Port Joint Stock Company	185,276	7.44	185,276	7.44
	<b>238,602</b>		<b>238,602</b>	

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(ii) Movements in allowance for diminution in the value of long-term investments during the year were as follows:

	<b>2020</b> <b>VND million</b>	<b>2019</b> <b>VND million</b>
Opening balance	74,177	36,948
Allowance (reversed)/made in the period (Note 37)	(74,156)	37,229
Closing balance	21	74,177

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK  
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ended 31 December 2020 (continued)

### 16. TANGIBLE FIXED ASSETS

Year ended 31 December 2020

	BUILDINGS AND STRUCTURES	MACHINES AND EQUIPMENT	OFFICE EQUIPMENT	OFFICE EQUIPMENT VND MILLION	OTHERS	TOTAL
	VND million	VND million	VND million	VND million	VND million	VND million
<b>Cost</b>						
Opening balance	1,017,311	998,508	162,428	127,342	74,519	2,380,108
Additions	-	10,698	12,282	341	-	23,321
Disposals	(681)	(25,165)	(18,040)	(6,947)	(6,030)	(56,863)
Other movements	-	44,665	-	6,085	825	51,575
Closing balance	1,016,630	1,028,706	156,670	126,821	69,314	2,398,141
<b>Accumulated depreciation</b>						
Opening balance	67,409	710,027	112,969	88,246	58,767	1,037,418
Charge for the year	26,340	127,333	15,861	22,799	9,249	201,582
Disposals	(479)	(25,132)	(14,457)	(6,924)	(6,030)	(53,022)
Closing balance	93,270	812,228	114,373	104,121	61,986	1,185,978
<b>Net book value</b>						
Opening balance	949,902	288,481	49,459	39,096	15,752	1,342,690
Closing balance	923,360	216,478	42,297	22,700	7,328	1,212,163

Cost of fully-depreciated tangible fixed assets which are still in active use as at 31 December 2020 is VND694,034 million (31 December 2019: VND611,069 million).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

**Year ended 31 December 2019**

	BUILDINGS AND STRUCTURES	MACHINES AND EQUIPMENT	OFFICE EQUIPMENT	OFFICE EQUIPMENT VND MILLION	OTHERS	TOTAL
	VND million	VND million	VND million	VND million	VND million	VND million
<b>Cost</b>						
Opening balance	1,032,460	848,380	151,225	104,009	75,151	2,211,225
Additions	-	9,578	8,047	3,597	-	21,222
Disposals	-	(4,645)	(2,510)	(10,047)	(5,287)	(22,489)
Other movements	(15,149)	145,195	5,666	29,783	4,655	170,150
Closing balance	1,017,311	998,508	162,428	127,342	74,519	2,380,108
<b>Accumulated depreciation</b>						
Opening balance	39961	560,641	95,574	77,150	52,327	825,653
Charge for the year	27,448	154,013	19,127	21,122	11,636	233,346
Disposals	-	-	-	19	-	19
Other movements	-	(4,627)	(1,732)	(10,045)	(5,196)	(21,600)
Closing balance	67,409	710,027	112,969	88,246	58,767	1,037,418
<b>Net book value</b>						
Opening balance	992,499	287,739	55,651	26,859	22,824	1,385,572
Closing balance	949,902	288,481	49,459	39,096	15,752	1,342,690

Cost of fully-depreciated tangible fixed assets which are still in active use as at 31 December 2019 is VND611,069 million (31 December 2018: VND361,759 million).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
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**17. INTANGIBLE FIXED ASSETS**

*Year ended 31 December 2020*

	LAND USE RIGHTS	SOFTWARE	TOTAL
	VND million	VND million	VND million
<b>Cost</b>			
Opening balance	69,147	1,033,336	1,102,483
Additions	-	2,213	2,213
Disposals	(4,020)	-	(4,020)
Other increases	-	251,042	251,042
Closing balance	65,127	1,286,591	1,351,718
<b>Accumulated amortization</b>			
Opening balance	868	521,333	522,201
Charge for the year	-	178,850	178,850
Closing balance	868	700,183	701,051
<b>Net book value</b>			
Opening balance	68,279	512,003	580,282
Closing balance	64,259	586,408	650,667

Cost of fully-depreciated intangible fixed assets which are still in active use as at 31 December 2020 is VND257,826 million (31 December 2019: VND194,190 million).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

**Year ended 31 December 2019**

	LAND USE RIGHTS	SOFTWARE	TOTAL
	VND million	VND million	VND million
<b>Nguyên giá</b>			
Opening balance	69,147	890,142	959,289
Additions	-	27,000	27,000
Other increases	-	116,194	116,194
Closing balance	69,147	1,033,336	1,102,483
<b>Accumulated amortization</b>			
Opening balance	868	380,897	381,765
Charge for the year	-	140,436	140,436
Closing balance	868	521,333	522,201
<b>Net book value</b>			
Opening balance	68,279	509,245	577,524
Closing balance	68,279	512,003	580,282

Cost of fully-depreciated intangible fixed assets which are still in active use as at 31 December 2019 is VND194,190 million (31 December 2018: VND165,400 million).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

**18. OTHER ASSETS**

	31/12/2020 VND million	31/12/2019 VND million
Internal receivables	138,461	201,443
External receivables	17,195,533	16,550,647
<i>In which:</i>		
▶ Receivables from usance payable at sight letters of credit (UPAS L/C) (*)	13,990,996	13,260,870
▶ Deposits under economic contracts	731,258	741,912
▶ Credit risk bearing assets	113,676	33,000
▶ Receivables on settlement operation	178,424	326,812
▶ Prepayments to suppliers	115,979	141,023
▶ Other external receivables	2,065,200	2,047,030
Fixed assets acquisition	74,288	171,842
Construction in process expenditure	1,069	1,528
Interest and fee receivables	5,036,836	6,032,377
Other assets (i)	2,345,902	2,780,703
Allowance for other assets (ii)	(40,278)	(28,643)
	<b>24,751,811</b>	<b>25,709,897</b>

(\*) Receivables from UPAS L/C are receivables from importers who are VPB's customers for the UPAS L/C imported letter of credit issued by VPB. Accordingly, the corresponding banks made payment to the beneficiaries (exporters) of UPAS L/C prior to those letter of credits' matured dates.

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

	31/12/2020 VND million	31/12/2019 VND million
Current	113,676	33,000

**(i) Other assets**

	31/12/2020 VND million	31/12/2019 VND million
Materials	12,242	8,863
Prepaid expenses	1,893,821	2,238,162
Foreclosed assets	439,839	533,678
▶ <i>In which: real estate</i>	439,839	533,678
	<b>2,345,902</b>	<b>2,780,703</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

**(ii) Allowance for other assets**

Allowance for other assets consists of:

	31/12/2020 VND million	31/12/2019 VND million
Allowance for credit risk	556	248
▶ General allowance	556	248
Allowance for doubtful debts	39,722	28,395
	<b>40,278</b>	<b>28,643</b>

Movement in allowance for other on-balance sheet assets during the year were as follows:

	2020 VND million	2019 VND million
Opening balance	28,643	25,484
Allowance made during the year	11,635	4,137
In which:		
▶ Allowance made for credit risk bearing assets (Note 38)	308	248
▶ Allowance made for doubtful debts (Note 37)	11,327	3,889
Utilisation of allowance	-	(978)
Closing balance	40,278	28,643

For the year ended 31 December 2020, VPB had no amount of uncollectible debts written off (year ended 31 December 2019: VND978 million).

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

	31/12/2020 VND million	31/12/2019 VND million
Borrowings from the SBV	13,780	19,492
Deposits from State Treasury	440	-
	<b>14,220</b>	<b>19,492</b>

As at 31 December 2020, borrowings from the SBV had a term of 1 year and interest rate of 3.50% per annum (31 December 2019: term of 1 year and interest rate of 3.50% per annum).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

**20. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS, OTHER FINANCIAL INSTITUTIONS**

	31/12/2020 VND million	31/12/2019 VND million
<b>Demand deposits from other CIs</b>		
In VND	7,674	118,973
In foreign currencies	20	23
<b>Term deposits from other CIs</b>		
In VND	8,324,250	11,909,500
In foreign currencies	1,039,500	115,875
	<b>9,371,444</b>	<b>12,144,371</b>
<b>Borrowings from other CIs, other FIs</b>		
Borrowings from other CIs, other FIs in VND	9,259,665	6,552,872
Borrowings from other CIs, other FIs in foreign currencies (*)	23,782,622	18,778,178
Payables for UPAS L/C	14,097,551	13,392,568
	<b>47,139,838</b>	<b>38,723,618</b>
	<b>56,511,282</b>	<b>50,867,989</b>

(\*) Including USD318 million equivalent to VND7,347,290 million borrowed from International Financial Company IFC (31 December 2019: USD51 million equivalent to VND1,184,648 million).

Annual interest rates at the end of the year were as follows:

	31/12/2020 %/year	31/12/2019 %/year
Term deposits in VND	0.10% - 3.85%	1.20% - 6.00%
Term deposits in foreign currencies	0.12%	1.70%
Borrowings in VND	0.75% - 6.50%	3.50% - 7.90%
Borrowings in foreign currencies	0.70% - 8.20%	0.75% - 9.00%

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

## 21. DEPOSITS FROM CUSTOMERS

	31/12/2020 VND million	31/12/2019 VND million
<b>Demand deposits</b>		
Demand deposits in VND	34,143,854	25,884,855
Demand deposits in foreign currencies	1,345,738	1,790,255
<b>Term deposits</b>		
Term deposits in VND	194,804,424	183,069,112
Term deposits in foreign currencies	2,223,938	2,510,339
<b>Margin deposits</b>		
Margin deposits in VND	783,043	617,204
Margin deposits in foreign currencies	87,666	56,397
<b>Deposits for special purpose</b>		
Deposits for special purposes in VND	11,598	16,932
Deposits for special purpose in foreign currencies	27,692	4,474
	<b>233,427,953</b>	<b>213,949,568</b>

Deposits from customers by types of customers and ownership were as follows:

	31/12/2020		31/12/2019	
	VND million	%	VND million	%
State-owned companies	2,915,349	1.25	2,663,269	1.24
One-member limited liability companies with 100% of State owned capital	1,641,028	0.70	1,219,309	0.57
Limited liability companies which have 2 members and above and State holds more than 50% of charter capital, or has the governing power	119,481	0.05	586,735	0.27
Other limited liability companies	26,591,293	11.39	30,285,397	14.16
Joint stock companies which the State holds more than 50% of charter capital or of voting shares, or has the governing power	4,292,174	1.84	3,485,615	1.63
Other joint stock companies	71,222,321	30.51	36,824,109	17.21
Partnerships	7,499	0.00	3,567	0.00
Private companies	33,154	0.01	49,893	0.02
Foreign invested enterprises	1,261,113	0.54	674,667	0.32
Cooperatives, cooperative unions	514,857	0.22	15,492	0.01
Business households, individuals	121,299,803	51.96	134,882,868	63.05
Administrative units, parties, unions and associations	3,364,262	1.44	3,167,201	1.48
Others	165,619	0.09	91,446	0.04
	<b>233,427,953</b>	<b>100</b>	<b>213,949,568</b>	<b>100</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ended 31 December 2020 (continued)

Annual interest rates at the end of the year were as follows:

	31/12/2020 %/year	31/12/2019 %/year
Demand deposits in VND	0.20%	0.50%
Demand deposits in foreign currencies	0.00%	0.00%
Term deposits in VND	0.20% - 10.00%	0.80% - 10.00%
Term deposits in foreign currencies	0.00% - 2.40%	0.00% - 2.10%

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## 22. BORROWED AND ENTRUSTED FUNDS

	31/12/2020 VND million	31/12/2019 VND million
Borrowed and entrusted funds in VND from Official Development Assistance (ODA) (i)	187,156	291,823

- (i) Borrowed and entrusted funds had terms ranging from 2 years to 10 years and bore interest rates of 4.176% per annum (31 December 2019: terms ranging from 3 years to 10 years and bore interest rates of from 5.16% per annum to 5.18% per annum).

## 23. VALUABLE PAPERS ISSUED

Valuable papers issued by original term were as follows:

	31/12/2020 %/year	31/12/2019 %/year
Less than 12 months	6,283,399	4,594,094
From 12 months to less than 5 years	54,893,029	51,911,198
From 5 years and above	1,669,060	1,094,431
	<b>62,845,488</b>	<b>57,599,723</b>

Valuable papers issued by types were as follows:

	31/12/2020 %/year	31/12/2019 %/year
Certificates of deposits to retail customers	520,237	1,331,089
Certificates of deposits to corporate customers	30,134,841	31,033,077
Bonds (*)	32,190,410	25,235,557
	<b>62,845,488</b>	<b>57,599,723</b>

- (\*) Including USD300 million equivalent to VND6,930,000 million (31 December 2019: USD300 million equivalent to VND6,952,900 million) international bonds with par value of USD1,000/bond, term of 36 months, interest rate of 6.25% per annum, issued on 17 July 2019. Interest is paid semi-annually.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

## 24. OTHER LIABILITIES

	31/12/2020 VND million	31/12/2019 VND million
<b>Accrued interest and fees payable</b>	6,452,780	7,911,819
<b>Other payables and liabilities</b>	6,654,321	4,308,300
Internal payables	757,681	545,858
▶ Payables to employees	757,681	545,858
External payables	5,896,640	3,762,442
▶ Advances from customers	984,922	400,767
▶ Unearned income	343,963	203,647
▶ Remittances payable	269,657	178,979
▶ Taxes and others payable to State Treasury (Note 26)	1,345,951	623,482
▶ Payables on settlement operation	783,746	751,548
▶ Payables to suppliers	7,942	98,070
▶ Other payables	2,160,459	1,505,949
	<b>13,107,101</b>	<b>12,220,119</b>

## 25. CORPORATE INCOME TAX

### (A) RECOGNITION IN THE CONSOLIDATED STATEMENT OF INCOME

	2020 VND million	2019 VND million
<b>Current tax expense</b>		
Current tax expense	2,592,480	2,063,715
Adjustment to taxes payable of prior years	13,215	183
	<b>2,605,695</b>	<b>2,063,898</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

**(B) RECONCILIATION OF EFFECTIVE TAX RATE**

	2020 VND million	2019 VND million
<b>Accounting profit before tax</b>	13,019,455	10,324,161
Plus/(minus):		
▶ Loss from subsidiaries	(5,013)	(2,634)
▶ Other deduction	(65,068)	-
▶ Non-deductible expenses	12,748	5,765
▶ Expenses related to consolidation of financial statements	277	(8,714)
Estimated taxable income	12,962,399	10,318,578
Tax at VPB's tax rate	2,592,480	2,063,715
Adjustment to taxes payable of prior years	13,215	183
Tax expense for the year	2,605,695	2,063,898

**(C) APPLICABLE TAX RATE**

VPB has an obligation to pay corporate income tax to the Government at the usual tax rate of 20%.

**26. OBLIGATIONS TO THE STATE TREASURY**

**Year ended 31 December 2020**

	1/1/2020	INCURRED DURING YEAR		31/12/2020
	PAYABLE	INCREASE	DECREASE	PAYABLE
	VND million	VND million	VND million	VND million
Value added tax	47,186	365,248	(363,416)	49,018
Corporate income tax	486,647	2,605,695	(1,923,141)	1,169,201
Other taxes	89,649	681,440	(643,357)	127,732
	<b>623,482</b>	<b>3,652,383</b>	<b>(2,929,914)</b>	<b>1,345,951</b>

**Year ended 31 December 2019**

	1/1/2019	INCURRED DURING YEAR		31/12/2019
	PAYABLE	INCREASE	DECREASE	PAYABLE
	VND million	VND million	VND million	VND million
Value added tax	29,901	341,448	(324,163)	47,186
Corporate income tax	688,000	2,063,898	(2,265,251)	486,647
Other taxes	71,694	642,555	(624,600)	89,649
	<b>789,595</b>	<b>3,047,901</b>	<b>(3,214,014)</b>	<b>623,482</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ended 31 December 2020 (continued)

### 27. CAPITAL AND RESERVES

Changes in capital and reserves of VPB during the years ended 31 December 2020 and 31 December 2019 were as follows:

	CHARTER CAPITAL	SHARE PREMIUM	RESERVE TO SUPPLEMENT CHARTER CAPITAL	FINANCIAL RESERVE FUND	INVESTMENT AND DEVELOPMENT FUND	RETAINED EARNINGS	TREASURY SHARES	TOTAL
	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million
<b>Balance at 1 January 2019</b>	25,299,680	1,289,001	703,949	2,465,423	2,296,507	5,187,230	(2,491,721)	34,750,069
Net profit for the year	-	-	-	-	-	8,260,263	-	8,260,263
Transferred from investment and development fund to retained earnings	-	-	-	-	(2,800,184)	2,800,184	-	-
Appropriation to equity funds	-	-	412,577	825,001	3,204,132	(4,441,710)	-	-
Repurchasing shares as treasury shares	-	-	-	-	-	-	(1,109,703)	(1,109,703)
Fee for repurchasing shares	-	-	-	-	-	-	(887)	(887)
Issuing shares from treasury shares to employees under ESOP	-	(596,281)	-	-	-	-	906,281	310,000
<b>Balance at 31 December 2019</b>	25,299,680	692,720	1,116,526	3,290,424	2,700,455	11,805,967	(2,696,030)	42,209,742
<b>Balance at 1 January 2020</b>	25,299,680	692,720	1,116,526	3,290,424	2,700,455	11,805,967	(2,696,030)	42,209,742
Net profit for the year	-	-	-	-	-	10,413,760	-	10,413,760
Appropriation to equity funds	-	-	520,702	1,041,350	3,242,311	(4,804,363)	-	-
Issuing shares from treasury shares to employees under ESOP (*)	-	(326,993)	-	-	-	-	496,993	170,000
<b>Balance at 31 December 2020</b>	25,299,680	365,727	1,637,228	4,331,774	5,942,766	17,415,364	(2,199,037)	52,793,502

(\*) Under the Resolution of the Board of Directors No. 1223/2020/NQ-HDQT dated 5 November 2020, the Bank issued 17 million shares under the Employee Stock Ownership Plan (ESOP) for the Bank's employees from treasury shares with issue price equivalent to par value of VND10,000/share. On 25 December 2020, State Securities Commission of Vietnam issued Official Dispatch No. 7548/UBCK-QLCB on receiving report on results of ESOP issuance. Accordingly, the Bank completed the issuance of all 17 million shares.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ended 31 December 2020 (continued)

### 28. SHARE CAPITAL

	31/12/2020		31/12/2019	
	NUMBER OF SHARES	PAR VALUE VND million	NUMBER OF SHARES	PAR VALUE VND million
Shares issued to the public	2,529,967,966	25,299,680	2,529,967,966	25,299,680
Ordinary shares	2,529,967,966	25,299,680	2,529,967,966	25,299,680
Shares repurchased for treasury shares	(75,219,600)	(752,196)	(92,219,600)	(922,196)
Ordinary shares	(75,219,600)	(752,196)	(92,219,600)	(922,196)
Shares in circulation	2,454,748,366	24,547,484	2,437,748,366	24,377,484
Ordinary shares	2,454,748,366	24,547,484	2,437,748,366	24,377,484

All ordinary shares of the Bank have a par value of VND10,000. Each share is entitled to one vote at meetings of the shareholders of the Bank. Treasury shares are not entitled to exercise rights. All ordinary shares are ranked equally with regard to the Bank's residual assets.

### 29. INTEREST AND SIMILAR INCOME

	2020 VND million	2019 VND million
Interest income from deposits	129,584	278,402
Interest income from lending	44,937,133	43,794,531
Interest income from trading securities, investment securities	5,615,740	3,818,441
▶ from trading securities	9,200	156,087
▶ from investment securities	5,606,540	3,662,354
Fees from guarantee services	219,382	207,538
Interest income from debts purchased	5,309	-
Other income from credit activities	1,454,619	1,775,872
	<b>52,361,767</b>	<b>49,874,784</b>

### 30. INTEREST AND SIMILAR EXPENSES

	2020 VND million	2019 VND million
Interest expense for deposits	13,206,994	12,393,078
Interest expense for borrowings	1,630,137	1,667,526
Interest expense for valuable papers issued	4,471,532	4,412,326
Other expenses for credit activities	707,281	731,393
	<b>20,015,944</b>	<b>19,204,323</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

Form B05/TCTD-HN

(Issued under Circular  
No. 49/2014/TT-NHNN  
dated 31 December 2014  
of the State Bank of Vietnam)

**31. NET FEE AND COMMISSION INCOME**

	2020 VND million	2019 VND million
<b>Fee and commission income from</b>		
Settlement and treasury services	1,016,825	742,934
Business and insurance services	2,574,493	2,909,136
Consulting services	312,479	276,088
Other services	2,262,956	1,559,308
	<b>6,166,753</b>	<b>5,487,466</b>
<b>Fees and commission expense for</b>		
Settlement and treasury services	(248,285)	(202,742)
Brokerage services	(16,766)	(22,327)
Consulting services	(1,363,950)	(1,660,649)
Other services	(1,181,625)	(810,128)
	<b>(2,810,626)</b>	<b>(2,695,846)</b>
<b>Net fee and commission income</b>	<b>3,356,127</b>	<b>2,791,620</b>

**32. NET LOSS FROM TRADING OF FOREIGN CURRENCIES**

	2020 VND million	2019 VND million
<b>Income from trading of foreign currencies</b>		
Spot currency contracts	1,333,948	256,167
Gold trading	89,245	40,363
Currency derivative financial instruments	1,086,981	453,568
	<b>2,510,174</b>	<b>750,098</b>
<b>Expenses for trading of foreign currencies</b>		
Spot currency contracts	(710,323)	(168,219)
Gold trading	(110,336)	(45,313)
Currency derivative financial instruments	(1,996,722)	(753,445)
	<b>(2,817,381)</b>	<b>(966,977)</b>
<b>Net loss from trading of foreign currencies</b>	<b>(307,207)</b>	<b>(216,879)</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

**33. NET GAIN FROM SECURITIES HELD FOR TRADING**

	2020 VND million	2019 VND million
Income from trading of securities held-for-trading	254,201	409,574
Expenses for trading of securities held-for-trading	(32,284)	(158,509)
Reversal of allowance for diminution in value of securities held-for-trading (Note 8)	4,549	33,780
	<b>226,466</b>	<b>284,845</b>

**34. NET GAIN FROM INVESTMENT SECURITIES**

	2020 VND million	2019 VND million
Income from trading of available-for-sale securities	1,566,158	793,712
Expenses from trading of available-for-sale securities	(218,487)	(103,999)
(Provision)/reversal of allowance for diminution in value of available-for-sale securities (Note 14)	(176,940)	113,446
	<b>1,170,731</b>	<b>803,159</b>

**35. NET GAIN FROM OTHER ACTIVITIES**

	2020 VND million	2019 VND million
<b>Income from other activities</b>		
Income from other derivatives	911,497	298,450
Proceeds from bad debts recoveries	2,128,240	1,864,821
Proceeds from disposal of fixed assets	17,853	13,533
Income from disposal of other assets	93,608	62,704
Gain from debt sales and purchases	37,579	215,905
Income from contract breach penalty	280	26,727
Receipt of support and other income	252,894	200,080
	<b>3,441,951</b>	<b>2,682,220</b>
<b>Expenses for other activities</b>		
Expenses for other derivatives	(816,609)	(345,770)
Expenses for disposal of other assets	(78,881)	(47,379)
Expenses for other activities	(310,300)	(269,406)
	<b>(1,205,790)</b>	<b>(662,555)</b>
<b>Net income from other activities</b>	<b>2,236,161</b>	<b>2,019,665</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

**36. INCOME FROM EQUITY INVESTMENTS AND PURCHASE OF SHARES**

	2020 VND million	2019 VND million
Dividend income	5,013	2,634

**37. OPERATING EXPENSES**

	2020 VND million	2019 VND million
Tax, duties and fees	4,170	3,105
Staff costs	6,699,495	7,327,257
<i>In which:</i>		
Salary and allowances	6,068,496	6,475,561
Salary based contribution	367,073	503,654
Allowances	116,172	174,463
Other staff expenses	147,754	173,579
Expenses on assets	1,549,971	1,583,073
<i>In which:</i>		
Depreciation and amortisation of fixed assets	380,432	373,782
Operating leases	738,018	795,468
Administrative expenses	1,306,159	1,628,565
<i>In which:</i>		
Per diems	28,058	62,882
Allowance expenses for other risks	(62,829)	41,118
Allowance expenses for long-term investment (Note 15)	(74,156)	37,229
Allowance expenses for doubtful debts (Note 18)	11,327	3,889
Insurance fee for customers' deposits	205,015	182,383
Other expenses	1,690,040	1,578,217
	<b>11,392,021</b>	<b>12,343,718</b>

**38. ALLOWANCE EXPENSES FOR CREDIT LOSSES**

	2020 VND million	2019 VND million
Specific allowance expense for loans to customers (Note 11)	14,471,773	12,292,807
General allowance expense for loans to customers (Note 11)	147,605	395,245
Allowance expense for debts purchased (Note 12)	1,952	-
Allowance expense for VAMC bonds (Note 14)	-	999,326
Allowance expense for other assets (Note 18)	308	248
	<b>14,621,638</b>	<b>13,687,626</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

**39. CASH AND CASH EQUIVALENTS**

	31/12/2020 VND million	30/6/2019 VND million
Cash and gold on hand	3,282,556	2,459,321
Balances with the SBV	5,779,610	3,454,138
Demand deposits with other CIs	2,440,225	1,843,111
Deposits with other credit institutions with original term not exceeding three months	11,388,800	13,639,875
	<b>22,891,191</b>	<b>21,396,445</b>

**40. EARNINGS PER SHARE**

	2020	2019
Net profit attributable to ordinary shareholders (VND million)	10,413,760	8,260,263
Weighted average number of ordinary shares for the year (shares) (*)	2,438,073,503	2,446,583,790
<b>Basic earnings per share (VND/share)</b>	<b>4,271</b>	<b>3,376</b>

(\*) Weighted average number of ordinary shares for the year:

	2020 SHARES	2019 SHARES
Issued ordinary shares at the beginning of the year	2,437,748,366	2,456,748,366
Effect of repurchasing shares as treasury shares	-	(10,928,960)
Effect of issuing shares from treasury shares to employees under ESOP	325,137	764,384
Weighted average number of ordinary shares for the year ended 31 December	2,438,073,503	2,446,583,790

**41. EMPLOYEE BENEFITS**

	2020	2019
Average number of employees (person)	24,037	27,256
Employees' income (VND million)	6,083,368	6,645,959
▶ Total salary fund (VND million)	5,799,883	6,192,146
▶ Total salary fund (VND million)	283,485	453,813
Average monthly salary (VND million/person/month)	20.11	18.93
Average monthly income (VND million/person/month)	21.09	20.32

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

**42. CONTINGENT LIABILITIES AND COMMITMENTS**

	31/12/2020 VND million			31/12/2019 VND million		
	Contractual value - gross	Margin deposits	Contractual value - net	Contractual value - gross	Margin deposits	Contractual value - net
Loan guarantees	33,721	-	33,721	25,262	-	25,262
Foreign exchange commitments	122,301,777	-	122,301,777	101,257,412	-	101,257,412
▶ Foreign currency purchase commitments	2,243,568	-	2,243,568	1,577,709	-	1,577,709
▶ Foreign currency sale commitments	6,932,263	-	6,932,263	1,716,899	-	1,716,899
▶ Swap commitments	113,125,946	-	113,125,946	97,962,804	-	97,962,804
Letters of credit	22,194,102	(298,876)	21,895,226	22,201,501	(84,788)	22,116,713
Other guarantees	17,456,794	(571,833)	16,884,961	16,745,678	(588,813)	16,156,865
Other commitments	263,281,970	-	263,281,970	140,437,112	-	140,437,112
<i>In which: Unused revocable credit limits</i>	141,928,441	-	141,928,441	125,616,310	-	125,616,310

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

**43. ASSETS AND VALUABLE PAPERS FOR PLEDGING/MORTGAGING OR DISCOUNT/  
RE-DISCOUNT**

ASSETS AND VALUABLE PAPERS PLEDGED/MORTGAGED OR RECEIVED FOR DISCOUNT/RE-DISCOUNT

	BOOK VALUE	
	31/12/2020 VND million	31/12/2019 VND million
<b>From customers</b>		
Real estate	361,660,948	257,378,298
Movable assets	47,726,263	46,072,338
Valuable papers	197,136,412	136,670,840
Others	245,421,625	213,704,886
	<b>851,945,248</b>	<b>653,826,362</b>
<b>From other CIs</b>		
Valuable papers	1,997,296	979,728
	<b>853,942,544</b>	<b>654,806,090</b>

ASSETS AND VALUABLE PAPERS PLEDGED/MORTGAGED OR GIVEN FOR DISCOUNT/RE-DISCOUNT

	31/12/2020 VND million	31/12/2019 VND million
Valuable papers pledged or mortgaged	3,075,000	9,710,000
Valuable papers sold with repurchase commitments	-	800,000
Other assets	21,680,226	29,821,105
	<b>24,755,226</b>	<b>40,331,105</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

**44. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES**

In the normal course of operation, VPB carries out transactions with related parties.

Balances with related parties at the end of the year were as follows:

BALANCE		
	31/12/2020 VND million	31/12/2019 VND million
	Assets/(Liabilities and owner's equity)	Assets/(Liabilities and owner's equity)
<i>Members of Board of Directors, Board of Supervision, Board of Management</i>		
▶ Deposits	(31,851)	(82,306)

Transactions with related parties during the year were as follows:

TRANSACTIONS		
	2020 VND million	2019 VND million
	Revenue/ (Expenses)	Revenue/ (Expenses)
<i>Members of Board of Directors, Board of Supervision, Board of Management</i>		
▶ Interest expenses on deposits	(1,898)	(2,024)
▶ Remuneration of Members of Board of Directors	(8,656)	(5,640)
▶ Remuneration, salary and other allowance of Members of Board of Supervision	(6,776)	(7,648)
▶ Salary and other allowance of General Director and Members of Board of Management	(78,680)	(108,209)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

**45. CONCENTRATION OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET COMMITMENTS BY GEOGRAPHICAL SEGMENTS**

Concentration of assets, liabilities and off-balance sheet items by geographical region of VPB's partners as at 31 December 2020 are as follows:

	TOTAL LOANS	TOTAL DEPOSITS, BORROWINGS	CONTINGENT CREDIT COMMITMENTS	DERIVATIVES	TRADING AND INVESTMENT SECURITIES
	VND million	VND million	VND million	VND million	VND million
Domestic	296,802,101	318,236,219	38,813,908	127,895	77,307,462
Overseas	-	34,749,880	-	11,930	-
	<b>296,802,101</b>	<b>352,986,099</b>	<b>38,813,908</b>	<b>139,825</b>	<b>77,307,462</b>

Concentration of assets, liabilities and off-balance sheet items by geographical region of VPB's partners as at 31 December 2019 are as follows:

	TOTAL LOANS	TOTAL DEPOSITS, BORROWINGS	CONTINGENT CREDIT COMMITMENTS	DERIVATIVES	TRADING AND INVESTMENT SECURITIES
	VND million	VND million	VND million	VND million	VND million
Domestic	261,798,526	298,256,900	38,972,441	44,930	70,452,377
Overseas	-	24,471,695	-	740	-
	<b>261,798,526</b>	<b>322,728,595</b>	<b>38,972,441</b>	<b>45,670</b>	<b>70,452,377</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ended 31 December 2020 (continued)

### 46. FINANCIAL RISK MANAGEMENT

This note provides information of VPB's exposure to risk and describes the policies, the methods used by VPB's management to control risk. The most important types of financial risks to which the Bank is exposed are credit risk, liquidity risk and market risk.

#### *Risk management framework*

The Board of Directors ("BOD") has overall responsibility for the establishment and oversight of VPB's risk management framework, and at the same time, take the ultimate responsibility for the quality and effectiveness of VPB'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 authorised by the BOD and periodically report to the BOD on their activities. These committees include both voting and non-voting members.

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

### 47. CREDIT RISK

VPB is subject to credit risk through its loans to customers, deposits at and loans to other CIs, and its 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 customers, parties who have obligations, or counterparties fails to meet its contractual obligations as committed and agreed with VPB. VPB's primary exposure to credit risk arises through its loans and advances to corporate customers, loans and advances to retail customers and its 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, VPB is exposed to off balance sheet credit risk through commitments to guarantee, letters of credit, and derivative instruments.

#### *Credit risk management*

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

The credit risk management system is operated 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 Risk Management Committee to issue key credit decisions.

VPB 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.

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

The following table presents the maximum exposure to credit risk from balance sheet, before taking account of any collateral held or other credit risk enhancements:





**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

**As at 31 December 2020**

(VND million)	NEITHER PAST DUE NOR IMPAIRED	PAST DUE BUT NOT IMPAIRED	OVERDUE AND FULL ALLOWANCE PROVIDED	TOTAL
Balances with and loans to other CIs	19,554,808	-	-	19,554,808
Trading securities - gross	493,214	-	-	493,214
Loans to customers - gross	266,162,702	3,799,839	21,113,777	291,076,318
Investment securities - gross	76,814,248	-	-	76,814,248
Other assets - gross	24,734,415	-	57,674	24,792,089
	<b>387,759,387</b>	<b>3,799,839</b>	<b>21,171,451</b>	<b>412,730,677</b>

**As at 31 December 2019**

(VND million)	NEITHER PAST DUE NOR IMPAIRED	PAST DUE BUT NOT IMPAIRED	OVERDUE AND FULL ALLOWANCE PROVIDED	TOTAL
Balances with and loans to other CIs	20,097,553	-	-	20,097,553
Trading securities - gross	1,571,141	-	-	1,571,141
Loans to customers - gross	236,147,780	4,930,805	16,105,374	257,183,959
Investment securities - gross	68,881,236	-	-	68,881,236
Other assets - gross	25,688,251	634	49,655	25,738,540
	<b>352,385,961</b>	<b>4,931,439</b>	<b>16,155,029</b>	<b>373,472,429</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ended 31 December 2020 (continued)

The above table presents the worst scenario in which VPB is exposed to the maximum credit risk as the closing date of the accounting period, without taking into account any collateral held or credit enhancement.

VPB's overdue financial assets are classified by counterparties with credit risks by each counterparty using quantitative method of Circular 02, Circular 09, Circular 01, Official Letter 7751 and Circular 48/2019/TT-BTC dated 8 August 2019 of the Ministry of Finance providing guidance on making and settlement of provisions for devaluation of inventory, losses of financial investments, bad debts and warranty at enterprises.

Financial assets past due but not impaired are due to the fact that VPB is currently holding sufficient collateral to cover credit losses in accordance with current regulations.

VPB is currently holding collateral in the form of real estates, movable assets, valuable papers and others. VPB has not adequately determined fair value of these collateral due to unavailability of specific guidance and market information.

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### 48. LIQUIDITY RISK

Liquidity risk is the risk that VPB will not be able to meet its financial obligations as and when they fall due, or that VPB will be able to meet its financial obligations as and when they fall due but significant losses are required to meet such obligations. Liquidity risk may lead to negative effect on the Bank's profit, reputation, equity, even causes VPB's bankruptcy.

#### **Liquidity risk management**

VPB management the liquidity of the entire Bank by each main currency (VND, USD) in accordance with the mechanism and process on liquidity regulating, monitoring and managing as specified in liquidity management policies, processes and procedures. Accordingly, liquidity risk management of VPB is implemented through a strengthened cooperation between the three Divisions including Finance, Risk Management and Financial Market. In particular, Financial Market Division plays a leading role in management of short-term liquidity, and Finance Division plays a leading role in management of long-term liquidity in accordance with VPB's risk appetite, risk criteria, risk management strategies and policies which are developed by Risk Management Division.

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

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

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

Liquidity risk limits are established based on results of VPB'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, VPB also issues specific regulations on a Liquidity Contingency Plan ("LCP") which clearly specify the roles and responsibilities of each unit and individual and a coordination process for implementation when there appear signs of a possible stressed liquidity event.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

AS AT 31 DECEMBER 2020 (VND million)		OVERDUE		CURRENT					Total
	More than 3 months	Up to 3 months	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years		
Assets									
Cash and gold on hand	-	-	3,282,556	-	-	-	-	-	3,282,556
Balances with the SBV	-	-	5,779,610	-	-	-	-	-	5,779,610
Balances with and loans to other CIs	-	-	13,428,287	4,093,081	1,986,821	46,619	-	-	19,554,808
Securities held for trading - gross	-	-	493,214	-	-	-	-	-	493,214
Loans to customers - gross	8,839,008	3,870,626	38,630,128	30,511,727	86,934,971	91,185,527	31,104,331	291,076,318	
Investment securities - gross	-	-	265,074	814,128	8,695,894	41,859,708	25,179,444	76,814,248	
Long-term investments - gross	-	-	-	-	-	-	238,602	238,602	
Fixed assets	-	-	-	-	-	455,959	1,406,871	1,862,830	
Other assets - gross	50,291	7,383	13,016,818	4,921,853	6,795,744	-	-	24,792,089	
	8,889,299	3,878,009	74,895,687	40,340,789	104,413,430	133,547,813	57,929,248	423,894,275	
Liabilities									
Amounts due to the Government and the SBV	-	-	482	2,181	11,557	-	-	-	14,220
Deposits and borrowings from other CIs, other FIs	-	-	9,772,419	16,616,258	24,811,544	5,303,320	7,741	56,511,282	
Deposits from customers	-	-	85,097,886	67,255,736	76,002,013	5,071,019	1,299	233,427,953	
Derivatives and other financial liabilities	-	-	3,691	91,376	200,211	(67,837)	(87,616)	139,825	
Other borrowed and entrusted funds	-	-	22,741	21,755	120,615	22,045	-	187,156	
Valuable papers issued	-	-	2,703,759	4,227,688	21,749,949	33,177,510	986,582	62,845,488	
Other liabilities	-	-	12,332,700	224,828	466,531	83,042	-	13,107,101	
	-	-	109,933,678	88,439,822	123,362,420	43,589,099	908,006	366,233,025	
Net liquidity gap	8,889,299	3,878,009	(35,037,991)	(48,099,033)	(18,948,990)	89,958,714	57,021,242	57,661,250	

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ended 31 December 2020 (continued)

AS AT 31 DECEMBER 2019 (VND million)	OVERDUE		CURRENT				Total
	More than 3 months	Up to 3 months	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years
<b>Assets</b>							
Cash and gold on hand	-	-	2,459,321	-	-	-	2,459,321
Balances with the SBV	-	-	3,454,138	-	-	-	3,454,138
Balances with and loans to other CIs	-	-	13,211,393	4,043,768	2,813,935	28,457	20,097,553
Securities held for trading - gross	-	-	1,571,141	-	-	-	1,571,141
Loans to customers - gross	4,852,390	5,652,025	29,603,196	279,002,214	73,017,395	87,246,635	257,183,959
Investment securities - gross	-	-	432,208	1,671,482	14,775,693	34,760,244	68,881,236
Long-term investments - gross	-	-	-	-	-	-	238,602
Fixed assets	-	-	-	-	-	-	1,922,972
Other assets - gross	50,289	-	13,872,250	2,810,371	8,943,654	3,864	25,738,540
	<b>4,902,679</b>	<b>5,652,025</b>	<b>64,603,647</b>	<b>36,425,835</b>	<b>99,550,677</b>	<b>122,039,200</b>	<b>381,547,462</b>
<b>Liabilities</b>							
Amounts due to the Government and the SBV	-	-	42	2,181	17,269	-	19,492
Deposits and borrowings from other CIs, other FIs	-	-	12,688,215	8,570,212	26,893,447	2,707,640	50,867,989
Deposits from customers	-	-	72,194,564	45,823,631	86,335,987	9,594,026	213,949,568
Derivatives and other financial liabilities	-	-	16,296	(9,097)	44,171	(5,700)	45,670
Other borrowed and entrusted funds	-	-	180	29,737	78,369	173,337	291,823
Valuable papers issued	-	-	1,856,656	4,183,039	21,145,041	29,414,987	57,599,723
Other liabilities	-	-	11,094,243	322,570	750,269	53,037	12,220,119
	-	-	<b>97,850,196</b>	<b>58,922,273</b>	<b>135,264,553</b>	<b>41,937,327</b>	<b>334,994,384</b>
<b>Net liquidity gap</b>	<b>4,902,679</b>	<b>5,652,025</b>	<b>(33,246,549)</b>	<b>(22,496,438)</b>	<b>(35,713,876)</b>	<b>80,101,873</b>	<b>46,553,078</b>

## 49. MARKET RISKS

Management of market risks is vested in the Market and Counterparties Risk Department under the Risk Management Division. The Market and Counterparties Risk Department is responsible for the development of policies and process; establishment of measurement tools; proposing independent market risks limits for review and approval by the Management and controlling market risks limit on daily/monthly basis according to VPB's regulations.

Market risk management policies introduce a risk management model in which market risk management functions have been segregated amongst different units and committees, using three lines of defense model; Market Risk Management Committee (MACO) under General Director was established to propose and analyse in-depth market risk, liquidity risk and counterparties risk issues. Also, regulations require segregation between Trading Book and Banking Book have been issued in accordance with the SBV's regulation and Basel II standards, ensuring management of each tools by risk appetite. Strategies on books of Financial Market Division were issued. Accordingly, business strategy, appropriate tools, analysis of potential risks and hedging strategy and have been clearly regulated for each portfolio.

VPB's regulations on determining and approving transaction limits with customers being financial institutions were amended and issued by the Board of Directors, which provide on determining limits for market risk and counterparties risk involved transactions, ensuring that all risk factors are taken into account in the credit limit granting process.

VPB's market risks (including currency risk, interest rate risk, commodity price, option risk, yield spread and market liquidity risks) were subject to in-depth analysis, identification, measurement and management in the internal limit system. Risk management and control include regular risk reports (normally daily) and reports on limits violating cases.

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

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

### (A) INTEREST RATE RISK

Interest rates applicable to loans to customers and deposits from customers were presented in Note 10 and Note 21, respectively.

The following tables show the re-pricing period of assets and liabilities at the reporting date:

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ended 31 December 2020 (continued)

As at 31 December 2020 (VND million)	Overdue	Free of interest	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
<b>Assets</b>									
Cash and gold on hand	-	3,282,556	-	-	-	-	-	-	3,282,556
Balances with the SBV	-	-	5,779,610	5,779,610	-	-	-	-	5,779,610
Balances with and loans to other CIs	-	-	15,308,286	15,308,286	249,017	417,805	46,619	-	19,554,808
Securities held for trading - gross	-	-	493,214	493,214	-	-	-	-	493,214
Loans to customers - gross	12,709,634	-	177,714,267	177,714,267	18,688,678	23,168,807	29,820,656	867,575	291,076,318
Investment securities - gross	-	15,357	13,577,890	13,577,890	4,535,499	1,861,143	18,242,966	24,692,444	76,814,248
Long-term investments - gross	-	238,602	-	-	-	-	-	-	238,602
Fixed assets	-	1,862,830	-	-	-	-	-	-	1,862,830
Other assets - gross	57,674	24,734,415	-	-	-	-	-	-	24,792,089
	<b>12,767,308</b>	<b>30,133,760</b>	<b>212,873,267</b>	<b>212,873,267</b>	<b>23,473,194</b>	<b>25,447,755</b>	<b>48,110,241</b>	<b>25,560,019</b>	<b>423,894,275</b>
<b>Liabilities</b>									
Amounts due to the Government and the SBV	-	440	42	2,181	9,505	2,052	-	-	14,220
Deposits and borrowings from other CIs, other FIs	-	-	21,507,462	16,282,191	4,185,517	13,573,612	962,500	-	56,511,282
Deposits from customers	-	-	85,115,886	67,327,936	49,778,500	26,133,313	5,071,019	1,299	233,427,953
Derivatives and other financial liabilities	-	-	271,241	1,118,001	(240,880)	291	(921,212)	(87,616)	139,825
Other borrowed and entrusted funds	-	-	154	187,002	-	-	-	-	187,156
Valuable papers issued	-	-	2,703,759	4,227,688	8,272,919	13,477,030	33,177,510	986,582	62,845,488
Other liabilities	-	13,107,101	-	-	-	-	-	-	13,107,101
	-	<b>13,107,541</b>	<b>109,598,544</b>	<b>89,144,999</b>	<b>62,005,561</b>	<b>53,186,298</b>	<b>38,289,817</b>	<b>900,265</b>	<b>366,233,025</b>
Interest sensitivity gap on balance sheet	<b>12,767,308</b>	<b>17,026,219</b>	<b>103,274,723</b>	<b>(43,616,268)</b>	<b>(38,532,367)</b>	<b>(27,738,543)</b>	<b>9,820,424</b>	<b>24,659,754</b>	<b>57,661,250</b>
Interest sensitive gap off-balance sheet	-	-	<b>64,167</b>	<b>23,084,985</b>	<b>38,582</b>	<b>2,658,691</b>	<b>(25,846,425)</b>	-	-
Interest sensitive gap on and off-balance sheet	<b>12,767,308</b>	<b>17,026,219</b>	<b>103,338,890</b>	<b>(20,531,283)</b>	<b>(38,493,785)</b>	<b>(25,079,852)</b>	<b>(16,026,001)</b>	<b>24,659,754</b>	<b>57,661,250</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR

ended 31 December 2020 (continued)

As at 31 December 2019 (VND million)	Overdue	Free of interest	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
<b>Assets</b>									
Cash and gold on hand	-	2,459,321	-	-	-	-	-	-	2,459,321
Balances with the SBV	-	-	3,454,138	-	-	-	-	-	3,454,138
Balances with and loans to other CIs	-	-	13,211,393	4,048,768	2,186,595	622,340	28,457	-	20,097,553
Securities held for trading - gross	-	-	1,571,141	-	-	-	-	-	1,571,141
Loans to customers - gross	10,504,415	-	154,819,939	35,081,302	14,112,294	15,872,288	25,799,339	994,382	257,183,959
Investment securities - gross	-	15,357	3,172,853	13,103,239	6,605,024	7,425,158	21,919,146	16,640,459	68,881,236
Long-term investments - gross	-	238,602	-	-	-	-	-	-	238,602
Fixed assets	-	1,922,972	-	-	-	-	-	-	1,922,972
Other assets - gross	50,289	25,688,251	-	-	-	-	-	-	25,738,540
	<b>10,554,704</b>	<b>30,324,503</b>	<b>176,229,464</b>	<b>52,233,309</b>	<b>22,903,913</b>	<b>23,919,786</b>	<b>47,746,942</b>	<b>17,634,841</b>	<b>381,547,462</b>
<b>Liabilities</b>									
Amounts due to the Government and the SBV	-	-	42	2,181	15,217	2,052	-	-	19,492
Deposits and borrowings from other CIs, other Fls	-	-	24,233,622	12,879,038	10,208,830	3,160,249	386,250	-	50,867,989
Deposits from customers	-	-	72,183,103	45,840,092	53,411,410	32,919,577	9,594,026	1,360	213,949,568
Derivatives and other financial liabilities	-	-	(553,275)	1,135,841	189,903	25,652	(752,451)	-	45,670
Other borrowed and entrusted funds	-	-	145,912	145,911	-	-	-	-	291,823
Valuable papers issued	-	-	1,844,656	4,195,039	14,394,702	10,960,339	25,204,987	1,000,000	57,599,723
Other liabilities	-	12,173,716	-	46,403	-	-	-	-	12,220,119
	-	<b>12,173,716</b>	<b>97,854,060</b>	<b>64,244,505</b>	<b>78,220,062</b>	<b>47,067,869</b>	<b>34,432,812</b>	<b>1,001,360</b>	<b>334,994,384</b>
<b>Interest sensitivity gap on balance sheet</b>	<b>10,554,704</b>	<b>18,150,787</b>	<b>78,375,404</b>	<b>(12,011,196)</b>	<b>(55,316,149)</b>	<b>(23,148,083)</b>	<b>13,314,130</b>	<b>16,633,481</b>	<b>46,553,078</b>
<b>Interest sensitive gap off-balance sheet</b>	-	-	-	<b>387,022</b>	<b>309,062</b>	<b>(231,611)</b>	<b>(464,473)</b>	-	-
<b>Interest sensitive gap on and off-balance sheet</b>	<b>10,554,704</b>	<b>18,150,787</b>	<b>78,375,404</b>	<b>(11,624,174)</b>	<b>(55,007,087)</b>	<b>(23,379,694)</b>	<b>12,849,657</b>	<b>16,633,481</b>	<b>46,553,078</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR

ended 31 December 2020 (continued)

### Interest rate sensitivity

With assumptions that all other variables remain constant, changes in interest rates of interest-bearing assets and liabilities (including fixed interest bearing assets and liabilities) had following effects on the profit before tax, profit after tax and owner's equity of VPB:

Details of transactions with stakeholders in the year are as follows:

		Effect on	
	Increase in interest rate	Profit before tax Increase/(decrease) VND million	Profit after tax and owner's equity Increase/(decrease) VND million
<b>As at 31 December 2020</b>			
USD	1.50%	(77,266)	(61,812)
VND	3.00%	1,025,496	820,397
<b>As at 31 December 2019</b>			
USD	1.50%	(150,813)	(120,650)
VND	3.00%	853,290	682,632

### (b) Currency risk

Currency risk (normally referred to as exchange rate risk) is the risk of losses due to negative changes in fair value of positions when exchange rate fluctuates. Foreign currency positions as well as positions in gold and other precious metal bear exchange rate risk. Exchange rate risk arises when the portfolio contains spot or future cash flows in foreign currencies. Exchange rate risk potentially exists in both Trading Book and Banking Book. Exchange rate risk has direct effects on the balance sheets and the statement of income when it is required to translate assets, liabilities and income in foreign currencies into the reference currency.

#### Currency risk management

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

Significant exchange rates at the reporting date were presented at Note 54.

The following table presents the assets and liabilities denominated in other currencies translated into VND at the end of the accounting period:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

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As at 31 December 2020 (VND million)	EUR	USD	Gold equivalent	Other currencies equivalent	Total
<b>Assets</b>					
Cash and gold on hand	389,308	118,784	26,311	602,790	1,137,193
Balances with the SBV	-	225,934	-	-	225,934
Balances with and loans to other CIs	38,854	8,464,053	-	428,108	8,931,015
Loans to customers - gross	2,260	4,473,272	-	-	4,475,532
Other assets - gross	22,076	6,973,994	-	8,082	7,004,152
	<b>452,498</b>	<b>20,256,037</b>	<b>26,311</b>	<b>1,038,980</b>	<b>21,773,826</b>
<b>Liabilities</b>					
Amounts due to the Government and the SBV, and deposits and borrowings from other CIs, other FIs	21,864	31,210,428	-	8,022	31,240,314
Deposits from customers	183,225	3,163,957	-	337,852	3,685,034
Derivatives and other financial liabilities	385,054	(22,976,731)	-	697,646	(21,894,031)
Valuable papers issued	-	6,906,025	-	-	6,906,025
Other liabilities	5,979	644,033	-	2,460	652,472
	<b>596,122</b>	<b>18,947,712</b>	<b>-</b>	<b>1,045,980</b>	<b>20,589,814</b>
<b>FX position on balance sheet</b>	<b>(143,624)</b>	<b>1,308,325</b>	<b>26,311</b>	<b>(7,000)</b>	<b>1,184,012</b>
<b>FX position off-balance sheet</b>	<b>118,368</b>	<b>(4,807,062)</b>	<b>-</b>	<b>-</b>	<b>(4,688,694)</b>
<b>FX position on and off-balance sheet</b>	<b>(25,256)</b>	<b>(3,498,737)</b>	<b>26,311</b>	<b>(7,000)</b>	<b>(3,504,682)</b>

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK  
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ended 31 December 2020 (continued)

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(Issued under Circular  
No. 49/2014/TT-NHNN  
dated 31 December 2014  
of the State Bank of Vietnam)

As at 31 December 2019 (VND million)	EUR	USD	Gold equivalent	Other currencies equivalent	Total
<b>Assets</b>					
Cash and gold on hand	207,336	155,356	169,520	295,781	827,993
Balances with the SBV	-	231,707	-	-	231,707
Balances with and loans to other CIs	68,899	2,869,165	-	92,640	3,030,704
Loans to customers - gross	5,220	4,425,006	-	-	4,430,226
Other assets - gross	7,176	8,205,685	-	32,336	8,245,197
	<b>288,631</b>	<b>15,886,919</b>	<b>169,520</b>	<b>420,757</b>	<b>16,765,827</b>
<b>Liabilities</b>					
Amounts due to the Government and the SBV, and deposits and borrowings from other CIs, other FIs	7,140	26,715,667	-	32,309	26,755,116
Deposits from customers	225,847	3,814,321	-	321,297	4,361,465
Derivatives and other financial liabilities	51,609	(19,876,381)	-	69,782	(19,754,990)
Valuable papers issued	-	6,912,874	-	-	6,912,874
Other liabilities	912	718,969	-	1,971	721,852
	<b>285,508</b>	<b>18,285,450</b>	<b>-</b>	<b>425,359</b>	<b>18,996,317</b>
<b>FX position on balance sheet</b>	<b>3,123</b>	<b>(2,398,531)</b>	<b>169,520</b>	<b>(4,602)</b>	<b>(2,230,490)</b>
<b>FX position off-balance sheet</b>	<b>10,632</b>	<b>(133,635)</b>	<b>-</b>	<b>(16,187)</b>	<b>(139,190)</b>
<b>FX position on and off-balance sheet</b>	<b>13,755</b>	<b>(2,532,166)</b>	<b>169,520</b>	<b>(20,789)</b>	<b>(2,369,680)</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

**Exchange rate sensitivity**

With assumptions that all other variables remain constant, the table below represents the sensitivity of profit after tax and of owner's equity of VPB to possible fluctuations in exchange rate. VPB's risk exposure to exchange rate fluctuations of other foreign currencies is insignificant. An increase in foreign exchange rate represent USD's strengthening against VND.

	Increase in foreign exchange rate	Sensitivity of profit after tax and owner's equity Increase/(decrease) VND million
<b>As at 31 December 2020</b>		
USD	2.00%	20,933
<b>As at 31 December 2019</b>		
USD	2.00%	(39,160)

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK  
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ended 31 December 2020 (continued)

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### 50. DISCLOSURE OF FINANCIAL INSTRUMENTS

AS AT 31 DECEMBER 2020	CARRYING VALUE							
(VND million)	Fair value through profit and loss	Held-to-maturity	Loans and receivables	Available for sale	Other assets and liabilities recorded at amortised cost	Total carrying value	Fair value	
<b>Financial assets</b>								
Cash and gold on hand	-	-	3,282,556	-	-	3,282,556	3,282,556	
Balances with the SBV	-	-	5,779,610	-	-	5,779,610	(*)	
Balances with and loans to other CIs	-	-	19,554,808	-	-	19,554,808	(*)	
Securities held for trading - gross	493,214	-	-	-	-	493,214	(*)	
Loans to customers - gross	-	-	291,076,318	-	-	291,076,318	(*)	
Available-for-sale securities - gross	-	-	-	75,959,904	-	75,959,904	(*)	
Held-to-maturity securities - gross	-	854,344	-	-	-	854,344	(*)	
Other long-term investments - gross	-	-	-	238,602	-	238,602	(*)	
Other financial assets	210,656	40,626	19,954,737	1,828,062	-	22,034,081	(*)	
	<b>703,870</b>	<b>894,970</b>	<b>339,648,029</b>	<b>78,026,568</b>	<b>-</b>	<b>419,273,437</b>		
<b>Financial liabilities</b>								
Amounts due to the Government and the SBV	-	-	-	-	14,220	14,220	(*)	
Deposits and borrowings from other CIs, other FIs	-	-	-	-	56,511,282	56,511,282	(*)	
Deposits from customers	-	-	-	-	233,427,953	233,427,953	(*)	
Derivatives and other financial liabilities	139,825	-	-	-	-	139,825	(*)	
Other borrowed and entrusted funds	-	-	-	-	187,156	187,156	(*)	
Valuable papers issued	-	-	-	-	62,845,488	62,845,488	(*)	
Other financial liabilities	196,499	-	-	-	10,436,574	10,633,073	(*)	
	<b>336,324</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>363,422,673</b>	<b>363,758,997</b>		

(\*) VPB has not determined fair values of these items because there is no listed price in their market and there is currently no guidance on determination of fair value using valuation techniques under Vietnamese Accounting Standards or Vietnamese Accounting System for Credit institutions. The fair values of these financial instruments may differ from their carrying amounts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR

ended 31 December 2020 (continued)

AS AT 31 DECEMBER 2019		CARRYING VALUE				
(VND million)	Fair value through profit and loss	Held-to-maturity	Loans and receivables	Available for sale	Other assets and liabilities recorded at amortised cost	Fair value
<b>Financial assets</b>						
Cash and gold on hand	-	-	2,459,321	-	-	2,459,321
Balances with the SBV	-	-	3,454,138	-	-	3,454,138 (*)
Balances with and loans to other CIs	-	-	20,097,553	-	-	20,097,553 (*)
Securities held for trading - gross	1,571,141	-	-	-	-	1,571,141 (*)
Loans to customers - gross	-	-	257,183,959	-	-	257,183,959 (*)
Available-for-sale securities - gross	-	-	-	67,786,907	-	67,786,907 (*)
Held-to-maturity securities - gross	-	1,094,329	-	-	-	1,094,329 (*)
Other long-term investments - gross	-	-	-	238,602	-	238,602 (*)
Other financial assets	203,526	47,172	20,212,660	1,982,170	-	22,445,528 (*)
	<b>1,774,667</b>	<b>1,141,501</b>	<b>303,407,631</b>	<b>70,007,679</b>	<b>-</b>	<b>376,331,478</b>
<b>Financial liabilities</b>						
Amounts due to the Government and the SBV	-	-	-	-	19,492	19,492 (*)
Deposits and borrowings from other CIs, other FIs	-	-	-	-	50,867,989	50,867,989 (*)
Deposits from customers	-	-	-	-	213,949,568	213,949,568 (*)
Derivatives and other financial liabilities	45,670	-	-	-	-	45,670 (*)
Other borrowed and entrusted funds	-	-	-	-	291,823	291,823 (*)
Valuable papers issued	-	-	-	-	57,599,723	57,599,723 (*)
Other financial liabilities	165,027	-	-	-	10,644,967	10,809,994 (*)
	<b>210,697</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>333,373,562</b>	<b>333,584,259</b>

(\*) VPB has not determined fair values of these items because there is no listed price in their market and there is currently no guidance on determination of fair value using valuation techniques under Vietnamese Accounting Standards or Vietnamese Accounting System for Credit institutions. The fair values of these financial instruments may differ from their carrying amounts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ended 31 December 2020 (continued)

### 51. CHANGES IN NET PROFIT BEFORE TAX

The consolidated profit before tax of VPB for the year ended 31 December 2020 increased by VND2,695,294 million compared to the consolidated profit before tax for the year ended 31 December 2019, equivalent to 26.11% due to the following reasons:

	VND million
Increase in interest and similar income	1,675,362
Increase in net fee and commission income	564,507
Increase in net loss from trading of foreign	(90,328)
Decrease in net gain from securities held for trading	(58,379)
Increase in net gain from investment securities	367,572
Increase in net gain from other operating activities	216,496
Increase in income from equity investments and purchase of shares	2,379
Decrease in operating expense	951,697
Increase in allowance for credit losses	(934,012)
	<b>2,695,294</b>

### 52. SEGMENT INFORMATION

A segment is a component determined separately by VPB 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.

#### (i) 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 and credit granting:	Provide the following products and services to customers: <ul style="list-style-type: none"> <li>▶ Mobilizing deposits;</li> <li>▶ Providing credit;</li> <li>▶ Wire transfer; settlement services; and</li> <li>▶ Other banking operations.</li> </ul>
Finance company:	Consumer finance and other financial activities
Asset and liabilities management:	Asset and liabilities management



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

Primary segment information by business segment as at 31 December 2020 and for the year then ended is as follows:

(VND million)	Banking	Finance company	Asset and liabilities management	Elimination	Total
<b>Income</b>					
Interest and similar income	31,120,578	21,390,310	1,865	(150,986)	52,361,767
Net fee and commission income	3,071,456	354,461	191,678	(261,468)	3,356,127
Net other operating income	2,754,535	673,561	(1,672)	(95,260)	3,331,164
	<b>36,946,569</b>	<b>22,418,332</b>	<b>191,871</b>	<b>(507,714)</b>	<b>59,049,058</b>
<b>Expenses</b>					
Interest and similar expenses	(16,147,074)	(4,187,451)	-	318,581	(20,015,944)
Depreciation and amortization charges	(269,113)	(111,118)	(201)	-	(380,432)
Other direct operating expenses	(6,082,114)	(4,926,644)	(190,996)	188,165	(11,011,589)
	<b>(22,498,301)</b>	<b>(9,225,213)</b>	<b>(191,197)</b>	<b>506,746</b>	<b>(31,407,965)</b>
Net profit before allowance for credit losses	14,448,268	13,193,119	674	(968)	27,641,093
Allowance expense for credit losses	(5,140,581)	(9,480,287)	-	(770)	(14,621,638)
Segmental profit before tax	9,307,687	3,712,832	674	(1,738)	13,019,455
<b>Total assets</b>					
Cash, gold and gemstones	3,282,556	-	-	-	3,282,556
Fixed assets	1,406,733	455,959	-	138	1,862,830
Other assets	355,368,495	72,934,432	189,384	(14,611,170)	413,881,141
	<b>360,057,784</b>	<b>73,390,391</b>	<b>189,384</b>	<b>(14,611,032)</b>	<b>419,026,527</b>
<b>Total liabilities</b>					
External liabilities to customers	311,100,428	55,293,297	-	(6,815,021)	359,578,704
Other internal liabilities	721,921	35,260	500	-	757,681
Other liabilities	3,434,063	2,572,360	27,629	(137,412)	5,896,640
	<b>315,256,412</b>	<b>57,900,917</b>	<b>28,129</b>	<b>(6,952,433)</b>	<b>366,233,025</b>

**(ii) (The supplementary segment information by geographical area)**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ended 31 December 2020 (continued)

### 53. UNUSUAL ITEMS

In 2020, Vietnam's economy and society were dramatically affected by the Covid-19 pandemic.

The Covid-19 pandemic was initially recognised in Vietnam on 23 January 2020, Vietnam Government has performed significant control measures including the social distancing initiated on 1 April 2020. On 23 April 2020, Vietnam basically ceased social distancing and domestic economic and social activities have gradually resumed their normal course. However, the number of infected cases in the world has increased constantly. On 28 January 2021, Covid-19 cases have risen again in Quang Ninh and Hai Duong, and are tending to spread to other provinces. The Covid-19 pandemic has significantly impacted business operations of multiple enterprises in different sectors.

During 2020, VPB restructured loan repayment periods, offered exemption/reduction of interest/fees to and kept loan groups unchanged for Covid-19 affected customers according to Circular 01. VPB also adopted Official Letter 7751, restructured loan repayment periods and kept loan groups unchanged for customers affected by floods the Central and Central Highlands regions during October 2020.

### 54. UNUSUAL ITEMS

The followings were the significant foreign exchange rates applied by VPB:

	Exchange rate as at	
	31/12/2020	31/12/2019
	VND	VND
AUD	17,660	16,232
CAD	18,165	17,749
CHF	26,186	23,908
CNY	3,539	3,312
DKK	3,160	3,160
EUR	28,523	25,804
GBP	31,160	30,396
JPY	224	213
NZD	17,249	17,249
SEK	3,078	3,078
SGD	17,504	17,192
THB	640	640
USD	23,100	23,175
XAU (*)	558,250	418,950

(\*) This represent exchange rate of 0.01 tael of gold

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR**  
ended 31 December 2020 (continued)

## 55. CORRESPONDING FIGURES

Certain corresponding figures for the year ended 31 December 2019 have been restated to conform with the current year's presentation. A comparison of amounts previously reported and as restated as follows:

**Consolidated balance sheet:**

	31/12/2019	31/12/2019	31/12/2019
	VND million	VND million	VND million
	(as previously reported)	(less margin deposits )	(as restated)
Letters of credit	22,201,501	(84,788)	22,116,713
Other guarantees	16,745,678	(588,813)	16,156,865

Prepared by:   
 Nguyen Thi Thu Hang  
 Chief Accountant  
 19-03-2021

Reviewed by:   
 Le Hoang Khanh An  
 Chief Financial Officer

Approved by:   
 Nguyen Duc Vinh  
 Chief Executive Officer



# VPBANK NETWORK

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TRANSACTION CHANNEL	2019	2020
Retail branch	228	233
SME/MSME Centre	87	68
Customer credit (FE Credit)	~12000 POS ~34000 POC	~22000 POS ~ 34000 POP
ATM/CDM	449/186	419/182

#### Number of individual active customers:



2019



2020

#### Branch list

Ha Noi	66	Thai Nguyen	2	Ho Chi Minh	49	Can Tho	3
Ha Nam	1	Vinh Phuc	3	Dong Nai	3	Lam Dong	1
Hai Phong	9	Ninh Binh	1	Binh Duong	3	Ca Mau	1
Hai Duong	3	Nam Dinh	5	Binh Dinh	2	Kien Giang	2
Quang Ninh	4	Thanh Hoa	6	Khanh Hoa	2	Tien Giang	1
Thai Binh	4	Nghe An	6	Vung Tau	2	Vinh Long	1
Bac Giang	4	Ha Tinh	4	Gia Lai	1	Tay Ninh	1
Lang Son	1	Da Nang	7	Dak Lak	1	Lao Cai	1
Hung Yen	1	Hue	6	Binh Thuan	2	Binh Phuoc	1
Bac Ninh	3	Quang Binh	4	Long An	2	Ben Tre	1
Hoa Binh	2	Quang Tri	2	Dong Thap	2	Phu Yen	1
Phu Tho	2	Quang Nam	2	An Giang	2		

Total **233**  
Branches



# APPENDIX

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1.5	102-5	Ownership and legal form	Page 94
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<b>GRI 102-2. STRATEGY</b>			
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<b>GRI 102-3. ETHICS AND INTEGRITY</b>			
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1.19	102-23	Chair of the highest governance body	The chairman of the top management is not concurrently the chief executive officer
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1.40	102-50	Reporting period	
1.41	102-51	Date of most recent report	
1.42	102-52	Reporting cycle	
1.44	102-55	GRI content index	Appendix
1.45	102-56	External assurance	Page 97
<b>GRI 201. ECONOMIC PERFORMANCE</b>			
2.1	201-1	Direct economic value generated and distributed	Page 10-12
2.2	201-2	Financial implications and other risks and opportunities due to climate change	Page 54
2.3	201-3	Defined benefit plan obligations and other retirement plans	Page 64, 119
<b>GRI 202. MARKET PRESENCE</b>			
2.4	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Page 64
<b>GRI 203. INDIRECT ECONOMIC IMPACTS</b>			
2.5	203-1	Infrastructure investments and services supported	Page 18, 31-32, 60-61
2.6	203-2	Significant indirect economic impacts	
<b>GRI 205. ANTI-CORRUPTION</b>			
2.7	205-1	Operations assessed for risks related to corruption	Page 67
2.8	205-2	Communication and training about anti-corruption policies and procedures	
<b>GRI 302. ENERGY</b>			



3.1	302-1	Energy consumption within the organization	Page 59
3.2	302-4	Reduction of energy consumption	
GRI 306. WASTE WATTER AND WASTE			
3.3	306-2	Total amount of waste by type and treatment method	Page 59
GRI 307. ENVIRONMENTAL COMPLIANCE			
3.4	307-1	Non-compliance with environmental laws and regulations	does not arise at VP Bank in 2020..
GRI 308. SUPPLIER ENVIRONMENTAL ASSESSMENT			
3.5	308-1	New suppliers that were screened using environmental criteria	Page 57
3.6	308-2	Negative environmental impacts in the supply chain and actions taken	
GRI 401. EMPLOYMENT			
4.1	401-1	New employee hires and employee turnover	Page 65
4.2	401-2	Welfare policies for employees	Page 64, 119, 150
4.3	401-3	Parental leave	Page 64
GRI 402. LABOR / MANAGEMENT RELATIONS			
4.4	402-1	Minimum notice periods regarding operational changes	VP based on the nature & impact of changes to decide appropriate notice period for employees to minimize the affect employees and ensure compliance with legal regulations.
GRI 403. OCCUPATIONAL HEALTH AND SAFETY			
4.5	403-1	Workers representation in formal joint management-worker health and safety committees	Trade union is representative.
4.6	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Page 67
4.7	403-3	Workers with high incidence or high risk of diseases related to their occupation	taken not arising at VPBank in 2020.
4.8	403-4	Health and safety topics covered in formal agreements with trade unions	Labor regime, occupational safety, occupational health, health care workers.
GRI 404. EDUCATION AND TRAINING			
4.9	404-1	Average hours of training per year per employee	Page 66
4.10	404-2	Programs for upgrading employee skills and transition assistance programs	Page 66
4.11	404-3	Percentage of employees receiving regular performance and career development reviews	100%
GRI 405. DIVERSITY AND EQUAL OPPORTUNITIY			
4.12	405-1	Diversity of governance bodies and employ-ees	Page 64-65
4.13	405-2	The ratio of basic salary and remuneration of women to men	
GRI 406. NON-DISCRIMINATION			

4.14	406-1	Incidents of discrimination and corrective actions taken	taken not arising at VPBank in 2020.
<b>GRI 408. CHILD LABOR</b>			
4.15	408-1	Operations and suppliers at significant risk for incidents of child labor	taken not arising at VPBank in 2020.
<b>GRI 409. FORCED OR COMPULSORY LABOR</b>			
4.16	409-1	Operators and suppliers at significant risk of forced or compulsory labor	taken not arising at VPBank in 2020.
<b>GRI 410. SECURITY PRACTICES</b>			
4.17	410-1	Security personnel trained in human rights policies or procedures	Page 66
<b>GRI 411. INDIGENOUS PEOPLE RIGHTS</b>			
4.18	411-1	Incidents of violations involving rights of indigenous peoples	does not arise at VP Bank in 2020.
<b>GRI 412. HUMAN RIGHTS ASSESSMENT</b>			
4.19	412-2	Employee training on human rights policies or procedures	Page 66
<b>GRI 413. LOCAL COMMUNITIES</b>			
4.20	413-1	Operations with local community engagement, impact assessments, and development programs	Activity level credit participation of local communities through the process of receiving and settling complaints.
<b>GRI 414. SUPPLIER SOCIAL ASSESSMENT</b>			
4.21	414-1	New suppliers that were screened using social criteria	Page 57
4.22	414-2	Negative social impacts in the supply chain and actions taken	does not arise at VP Bank in 2020.
<b>GRI 416. CUSTOMER HEALTH AND SAFETY</b>			
4.23	416-1	Assessment of the health and safety impacts of product and service categories	Page 57
4.24	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	does not arise at VP Bank in 2020.
<b>GRI 418. CUSTOMER PRIVACY</b>			
4.25	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	VP resolutely handle Rights violations customer privacy and customer data loss. VPBank regularly recommends Customers improve security.
<b>GRI 419. SOCIO-ECONOMIC COMPLIANCE</b>			
4.26	419-1	Non-compliance with laws and regulations in the social and economic area	does not arise at VP Bank in 2020.





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