

# ANNUAL REPORT 2019

TO THE  
TOP

MESSAGES FROM  
THE CHAIRMAN  
AND CEO

FE CREDIT'S  
BOUNCEBACK

EFFICIENCY  
ENHANCEMENT  
BE FIT

BUSINESS  
PERFORMANCE  
2019

FOUNDATION  
ENHANCEMENT

International sport event - VPBank Hanoi Marathon 2019



## TABLE OF CONTENTS

- 06 **2019 HIGHLIGHTS**
- 08 **MESSAGE FROM BOARD CHAIRMAN & CEO**
- 10 **2019 BUSINESS PERFORMANCE AND 2020 DIRECTION**
- 22 **TRANSFORMATION JOURNEY**
- 38 **FE CREDIT 2019**
- 42 **CORPORATE SOCIAL RESPONSIBILITY & CULTURE**
- 48 **CORPORATE GOVERNANCE**
- 68 **AUDITED FINANCIAL STATEMENTS**

## [PREFACE]

Winning a marathon requires great endurance and resilience. For VPBank, maintaining an irresistible growth momentum in a rapid-changing market resembles competing in a new marathon. We aim at becoming one of the top three most valuable and customer-friendly banks via technology in this race. From the existing foundation, in 2019, VPBank continued to sustain its endurance through a transformation program titled “BE FIT.” This comprehensive transformation program coupled with the prior one on digitization focused on streamlining organization and operations as well as innovating business activities.

The bank, as a result, attained a record high consolidated profit at VND 10,324 billion, exceeding the target by 9%. Operating expense, on the other hand, increased by 16.1%, which was remarkably lower than 20.3% growth in income. Thus, the CIR was reduced to 33.9% for the first time. In addition, asset quality and operation efficiency were significantly improved. Consolidated NPL was controlled at roughly 3% and VAMC bonds were fully redeemed, creating larger room for profit growth in 2020.

The above figures proved that “BE FIT” shaped a stronger, more endurable and resilient VPBank to win the run “To the Top” in the upcoming years.

# 2019 HIGHLIGHTS

**NPL 2.95%**

Full redemption of VAMC bonds



Successful issuance of USD

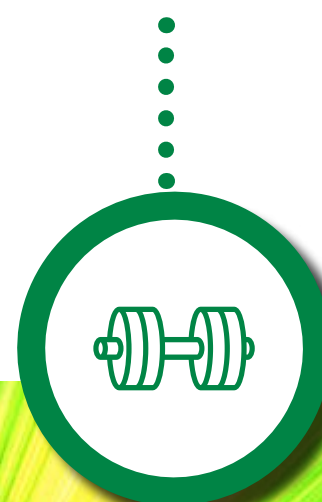
**300**

MILLIONS  
International bonds



**BE FIT**  
WAS SUCCESSFULLY  
CONDUCTED

And became a  
corporate culture



**TOI VND**  
**36,356**  
BILLION

The highest among private  
commercial joint-stock banks



**FE CREDIT**

**BEST CONSUMER FINANCE  
EXPERIENCE IN ASIA 2019**

Honored by Global Banking &  
Finance



**↑+  
23.8%**

**VND**  
**10,324**

BILLION

Consolidated profit



**+81**

**TOP 300**  
MOST VALUABLE BANKING  
BRANDS IN THE WORLD

Up from 361<sup>st</sup> place to **280<sup>th</sup>**



**35.2%**  
**33.9%**

CIR DECREASED TO  
**33.9%**



**BEEFED UP  
DIGITAL**



**CSR**  
PROMOTED SOCIAL  
AND COMMUNITY  
ACTIVITIES





# MESSAGE

## FROM BOARD CHAIRMAN & CHIEF EXECUTIVE OFFICER

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

VPBank entered the second year of the 5-year strategy from 2018 to 2022 with several favourable conditions. Vietnam economy experienced an impressive year and maintained a growth momentum of 7.02%, exceeding the Government's target. We proudly announce that, thanks to persistent focus on quality and sustainable growth over the last years, VPBank achieved the important milestone of officially entering the "VND 10 trillion club" as its profit before tax reached VND 10,334 billion in 2019.

With customer-centric motto, VPBank diversified its product line and service channels to fully satisfy the needs of existing-to-bank customers. The bank, moreover, beefed up customer acquisition by partnership ecosystem expansion, which consistently enabled new drivers for a sustainable income growth. As end of 2019, the number of customers using VPBank's services rocketed. The bank served nearly 4 million retail customers, approximately 156,000 household business owners, over 90,000 corporates and more than 10 million FE Credit customers. In particular, the number of customers using services via online channels reached over 2.1 million.

The surge in customer quantity and the focus on quality segments and lower risks boosted the bank's business performance in both volume and efficiency. In 2019, VPBank's credit growth rate reached 17.6% and EOP deposit grew at 23.7%. NIM continued to rise to 9.7%, highest in the banking industry. Income diversification continued to be improved and the dependence on interest income was reduced. Net fee income grew by over 73% in 2019, contributing to raise the total operating income to VND 36,356 billion. VPBank ranked first among private banks in NFI in the previous year. In addition, FE Credit's business performance recovered and its leading position on the consumer finance market was secured with over 55% of the market shares. FE Credit's lending balance also increased by 13.7%. VPBank's asset quality was significantly improved. NPL ratio by the end of 2019 dramatically decreased to less than 3%.

2019 also marked VPBank's full redemption of roughly VND 3,200 billion VAMC bonds.

Digitization has been one of the key strategic focuses of VPBank. With the digital platforms invested over the last years, VPBank has proudly created market-leading drivers for customer acquisition and on-boarding.

In 2019, digital channel attracted over 900,000 new customers. Nearly 60% of total customers' transactions were online. Number of transactions via automated and online banking system, including automation channels (ATM/CDM/POS), accounted for 96% of the total transactions. Digital channel usage surged over 75% year on year. Sales revenue via online channel also increased significantly. The number of new credit cards issued via online channel and disbursement for unsecured loans in 2019 saw year-on-year growth by 2.4 and 3.5 times, respectively. Such achievements contributed to over one third of the total contracts of retail segment. Digitization promotion, apart from facilitating customer experience enhancement and operating expense optimization, played a crucial role in customer acquisition.

Over the last years, retail banking strategy has continuously been stimulated in core segments, i.e. retail banking, small and medium enterprises (SME), and consumer finance (FE Credit). The business model of the retail banking was shifted to specialized business hubs, which helped to boost sales productivity by over 30% year on year and generate a 1.2x profit growth in 2019. The remarkable development of VPBank Diamond continued to make a notable contribution to the performance of retail segment. Affluent banking segment witnessed a year-on-year increase in CASA and NFI by 55% and 60% respectively. By end of 2019, TOI per an affluent customer grew by over 15% year on year. The retail banking also successfully polished VPBank with largest credit card spending volume on the market.

Furthermore, 2019 marked a breakthrough for SME segment by the deployment of a series of initiatives on sales process digitization. Digital payment solutions, i.e. Bizpay, and SME Connect, an online connection platform, were tremendous boosts for customer acquisition. As 2019 went by, VPBank enjoyed a vast efficiency improvement in SME segment as profit increased by 95% year on year. The disbursement amount increased by 19% and TOI increased by 29% in compared with 2018. The past year also witnessed VPBank's unceasing success in consumer finance, which constituted over 43% of the bank's total profit.

In addition to business stimulation, VPBank has always paid fine attention to risk management and pioneered in applying state-of-the-art international management standards. The 2019 marked a new milestone in risk management for VPBank with the successful implementation of Pillar 1 and Pillar 3 of the Basel II framework. The Pillar 2 was also rapidly applied in Q1 2020. The completion of all three pillars of Basel II has demonstrated the bank's competence in formulating a healthy and sustainable development. Financial governance system, as a result, continued to be enhanced by analytics, evaluation and monitor of detailed business indicators for each segment and product. This enabled business units to come up with different solutions for better performance. VPBank, on the other hand, devoted great efforts in governance competency enhancement by fulfilling IFRS 9 requirements. IFRS 9 application shall ensure the banks' compliance with the most advanced accounting standards, formulating a coherent and transparent financial system.

With the solidarity of all VPBankers in realizing a shared strategic goal coupled with the company and engagement of valued shareholders, customers and partners, the Board of Directors and Board of Management keep an unshakable faith that together we will overcome all difficulties to relentlessly uplift and strengthen VPBank's position as one of the leading commercial joint-stock banks in Vietnam in 2020.

*Our warmest thanks to you all!*



THĂNG HẠNG NGOẠI MỤC  
KHẲNG ĐỊNH VỊ THẾ





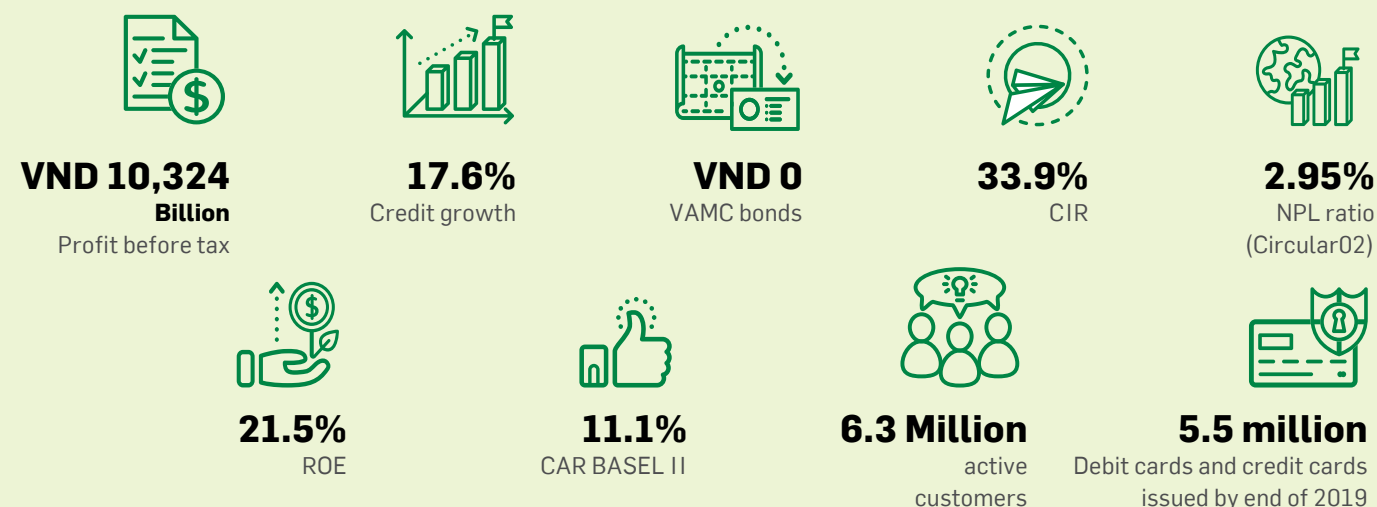
# VPBANK

## 2019 BUSINESS PERFORMANCE AND 2020 DIRECTION





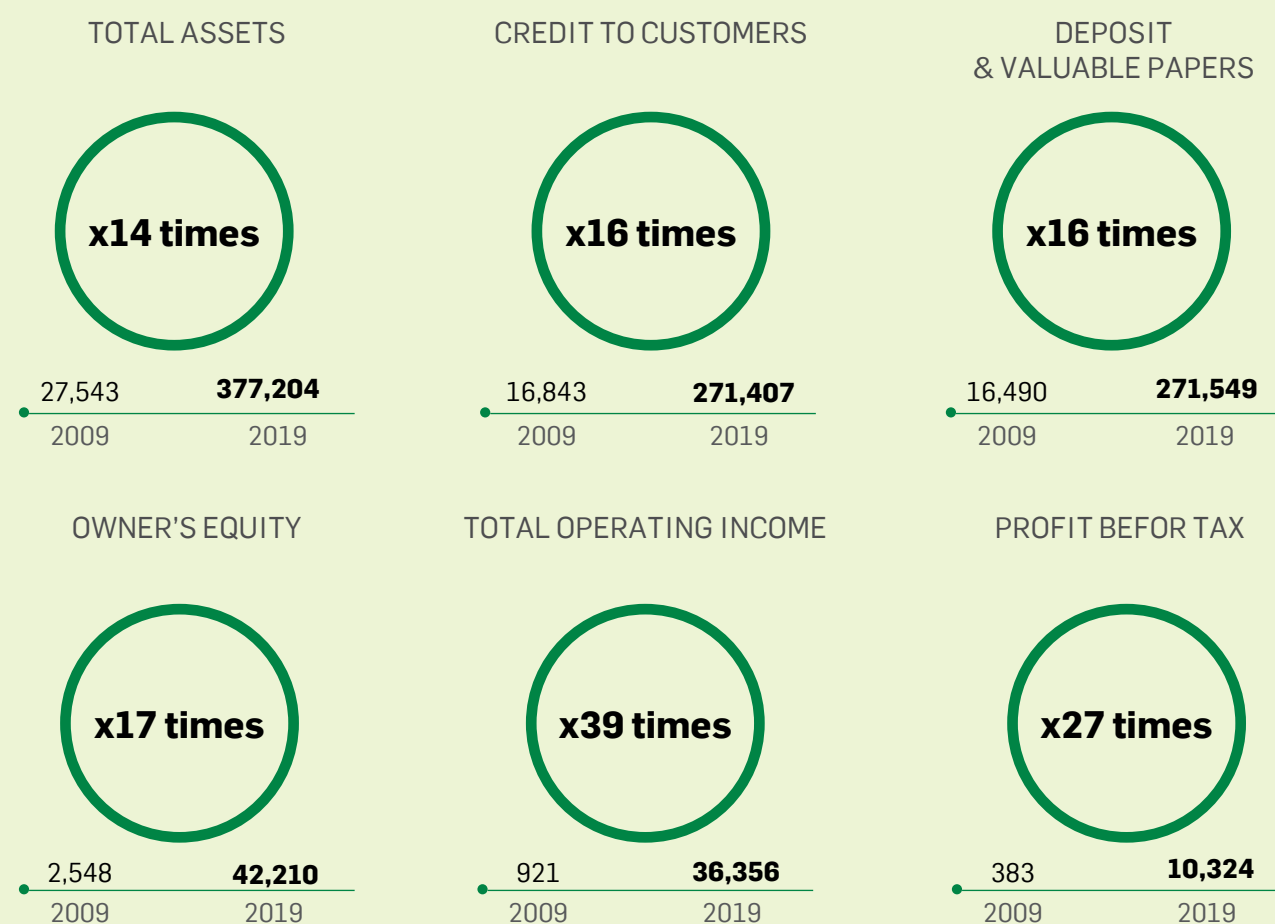
## 2019 - QUALITY GROWTH AS A FOUNDATION FOR SUCCESS



Source: Audited consolidated financial statements & Internal report 2019

## VPBANK - 10 YEARS OF EXCELLENCE (2009 - 2019)

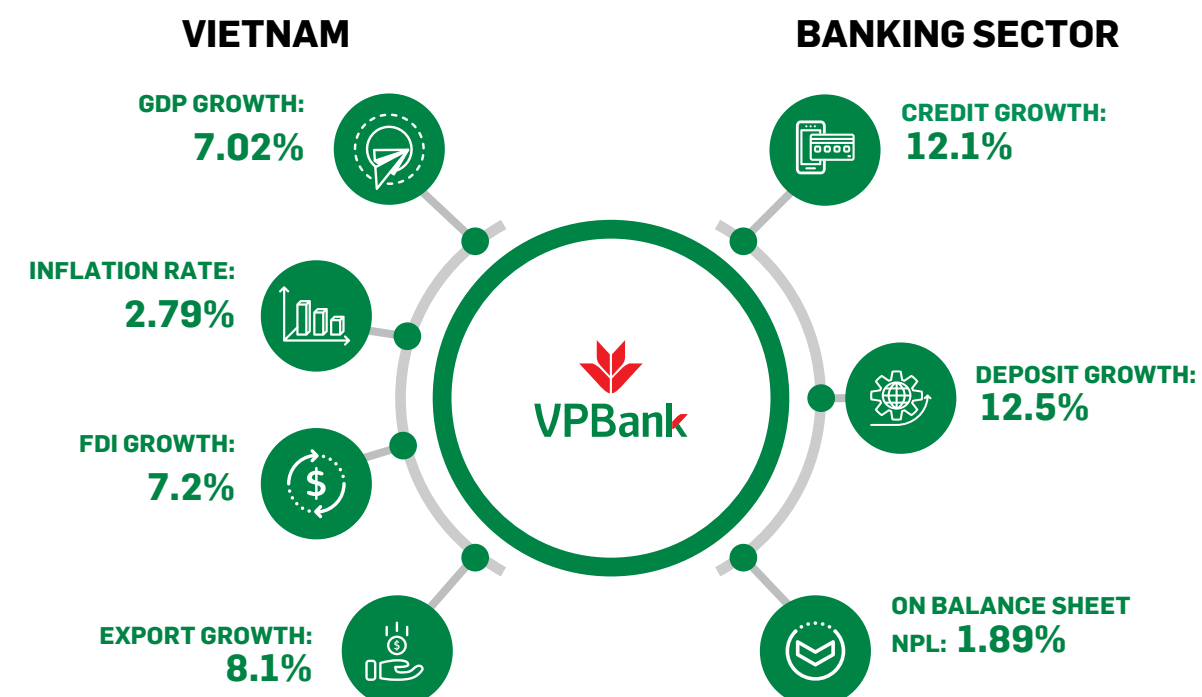
Unit: VND billion



Source: Audited consolidated financial statements from 2009 to 2019

# BUSINESS PERFORMANCE REPORT

## MACRO ENVIRONMENT IN 2019



Sources: Press release on socio-economic situation in Q4 & year 2019 of the General Statistics Office of Vietnam (December 27, 2019) and the reports of the State Bank of Vietnam (SBV) on implementation of 2020's plan in banking sector (December 2019)

## BUSINESS PERFORMANCE 2019

**Productivity and efficiency in business, optimization in operations**

The year of 2019 was a great success for VPBank as it exceeded all volume and profit targets while asset quality was also improved thanks to the full redemption of VAMC bonds. The consolidated PBT was record highest-ever, reaching VND 10,324 billion, equivalent to 109% of the target and up 12.2% year on year.

Regarding core businesses, profit growth was up to 23.8% and their consolidated TOI hit VND 36,356 billion, increased by 20.3% year over year thus helped VPBank to maintain its leading position among other private banks in TOI. Credit growth reached 17.6%, higher than the initial target (15%) set at the beginning of the year and beyond the

industry average. Deposit growth hit 23.7% as compared to that of 2018, ensuring the bank's capital adequacy and business expansion. These impressive results stemmed from the business strategy which focus on Quality, Efficiency and Sustainability.

## Rapid credit growth fueled by core segments

Credit to customers (including corporate bonds) grew by 17.6% year on year, much higher than the industry average of 12.1% in 2019. The main driving force of VPBank to achieve such impressive credit growth came from the breakthrough in most customer segments, especially in Consumer Credit (FE Credit), Retail Banking (RB) segments and small and medium enterprise customers (SME). These core business segments played the fundamental role in the growth of the bank, accounting for 68% to VPBank's loan balance.

## Asset quality improvement

NPLs under proper control can be considered as one of the significant breakthroughs of VPBank in 2019. By the end of 2019, the consolidated NPL ratio was 2.95% and that of Bank standalone was 2.18%. With the goal of comprehensively improving loan quality, VPBank fully redeemed VAMC bonds valued at nearly VND 3.2 trillion in 2019, reducing the consolidated NPL ratio including VAMC bonds from 4.46% at the end of

2018 to 2.95%.

Reduced NPLs and fully redeemed VAMC bonds will create ample room for greater profit growth in the subsequent years.

## Diversified funding sources

Customer deposits and valuable paper issuance achieved VND 271,549 billion, up 23.7% year on year. Funding growth mainly came from strategic segments.

Customer deposits accounted for 76% (74% in 2018), spearheaded quality funding sources of the bank. This achievement is owing to the continuous deployment of diversified and high quality products tailored to each customer segment of VPBank.

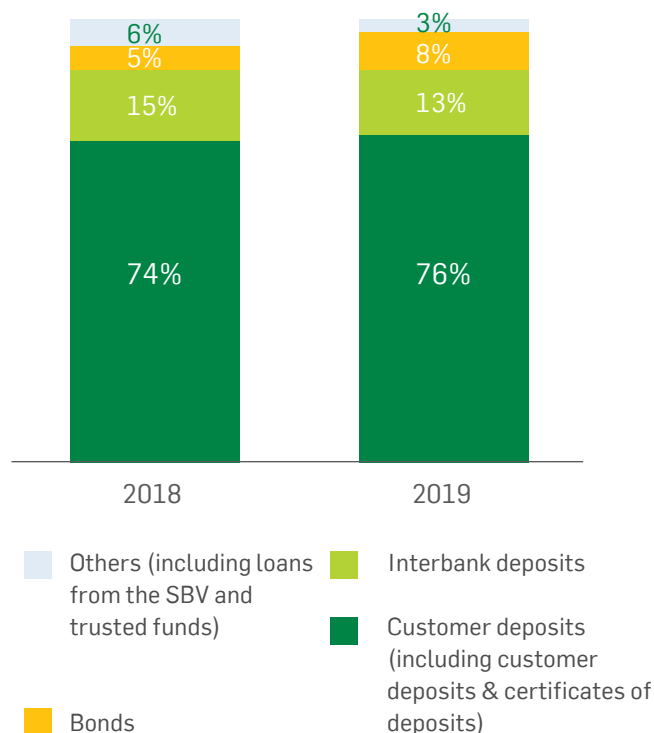
VPBank also proactively acquired medium and long-term funding from reputable organizations such as International Finance Corporation (IFC), German DEG Deutsche Investitions-und Entwicklungsgesellschaft mbG (DEG), etc. to diversify the sources and

reduce dependence on the domestic market.

A highlight of 2019 is VPBank's successful issuance of international bonds valued USD 300 million under the one-billion-USD Euro Medium Term Note program. This is the largest amount of international bonds issued first-ever by a Vietnamese credit institution in international market.

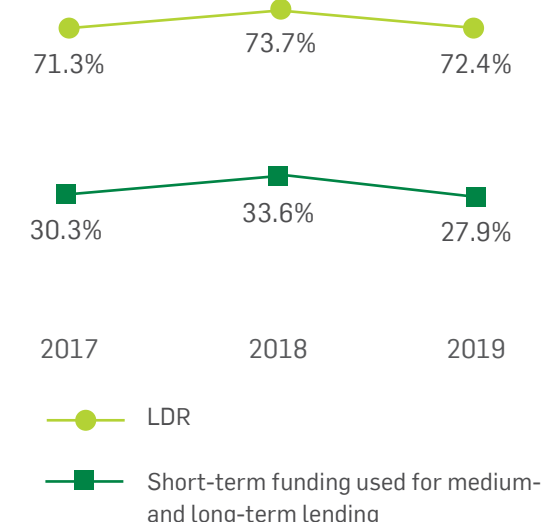
Apart from improving the efficiency of the balance sheet, VPBank always emphasized the compliance with prudential ratios. In an effort to mobilize long-term funds from customers and international organizations, VPBank's ratio of short-term funding to medium- and long-term lending at the end of 2019 reached 27.9%, lower than the market benchmarks and the maximum ratio of 40% as per the SBV's regulations (Circular 22/2019-NHNN). Loan to deposit ratio (LDR) stayed at 72.4% and still within the SBV's prudential limit of 80% (Circular 36/2014/TT-NHNN).

## DEPOSITS STRUCTURE



Source: Audited consolidated financial statements 2019

## LDR & SHORT-TERM FUNDING USED FOR MEDIUM- AND LONG-TERM LENDING (AS PER THE SBV'S REGULATIONS) (Bank standalone) (%)



Source: Internal report 2019

## Solid capital and official compliance with Basel II

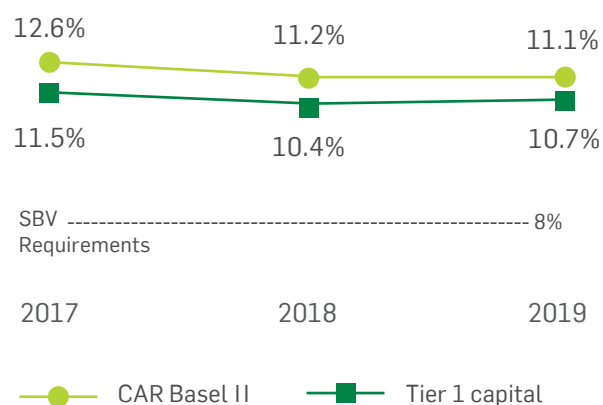
In April 2019, VPBank was officially certified by the SBV as early compliant with Circular 41 on Capital Adequacy Ratio, becoming one of the first four banks in Vietnam to adopt Basel II standards. At the end of 2019, the consolidated Capital Adequacy Ratio (CAR)

under Circular 41 was 11.1%, much higher than the SBV's minimum requirement of 8%.

By the end of 2019, owner's equity reached VND 42,210 billion, up 21.5% year over year. The total assets to equity ratio remained good,

at 8.9times (9.3times in 2018), much lower than the industry average and close to good banking practices in the region, showing VPBank's proactive capital management and consumption.

## CAR UNDER CIRCULAR 41 (BASEL II) (%)

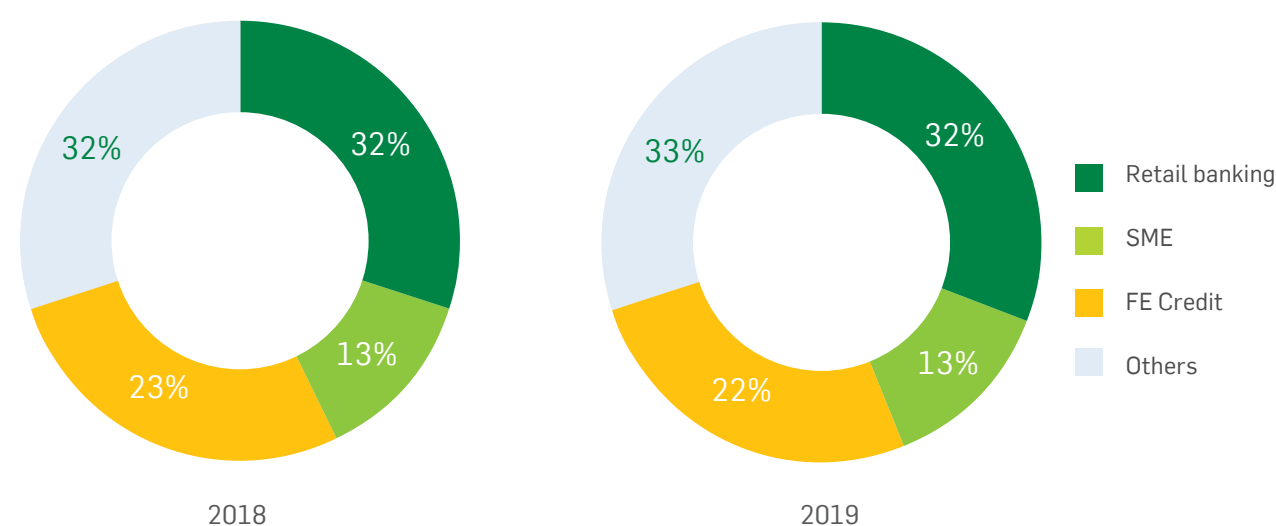


Source: Internal report and audited consolidated financial statements 2019

## ASSET LEVERAGE/OWNER'S EQUITY (MULTIPLES)



## LENDING STRUCTURE BY SEGMENTS\*



(\*) including corporate bonds

Source: Internal report 2019

## Highest TOI among private commercial banks

VPBank logged the record TOI of VND 36,356 billion, with that from the core businesses of the bank increasing by 20.3%, and continued to lead private commercial banks.

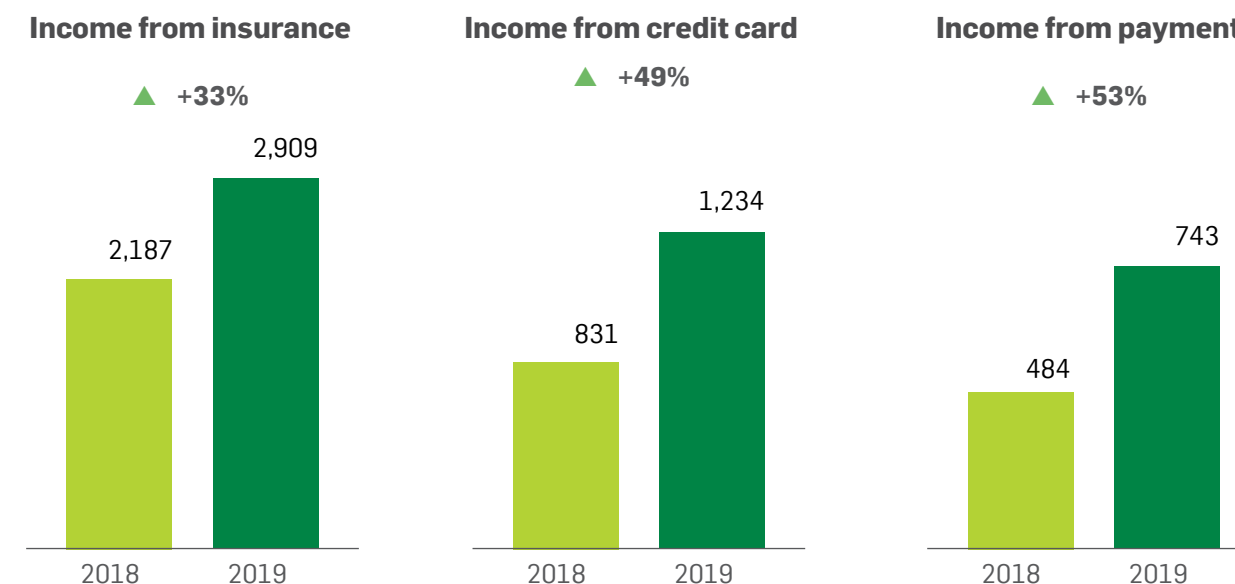
Net interest income (NII) remained the main source of income for VPBank, enabling it to achieve stable and sustainable growth. Net interest income increased by nearly VND 6 trillion, equivalent to 24.2% year on year growth, thanks to stable credit

growth and high lending yields.

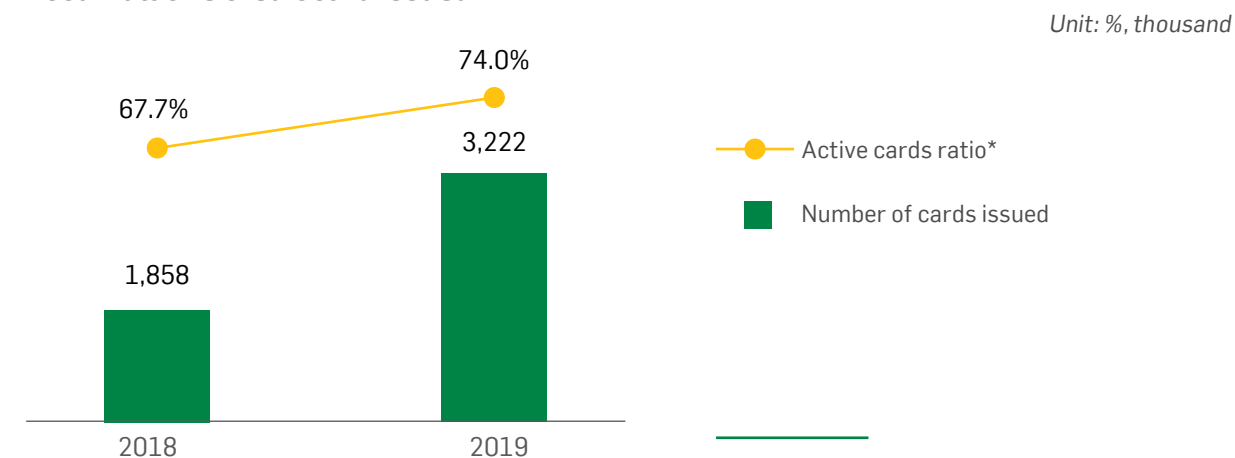
In addition to the ample interest income, non-interest income of which the majority was from fees has also contributed significantly to VPBank's business performance in recent years. Net fee income in 2019 hit nearly VND 2.8 trillion, up 73% year on year, in view of the actively beefed-up credit card business, insurance and payment services. Particularly, income from insurance services made its biggest

contribution - accounting for 53% of total NFI, and credit card income also improved 49% year on year. This resulted from the appropriate strategies in product development and cost optimization. By the end of 2019, VPBank issued 3.2 million credit cards, up 70% year on year. In particular, the bank's total card spending of VND 59 trillion was still highest on the market, up 63% year on year.

## NFI – KEY DRIVERS AND GROWTH



## Accumulative credit card issued

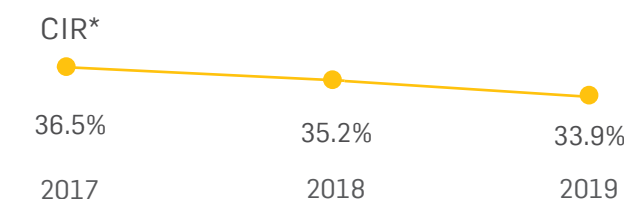


\* Retail customers only

Sources: Audited consolidated financial statements 2019 & Internal report 2019

## Cost optimization and efficiency enhancement

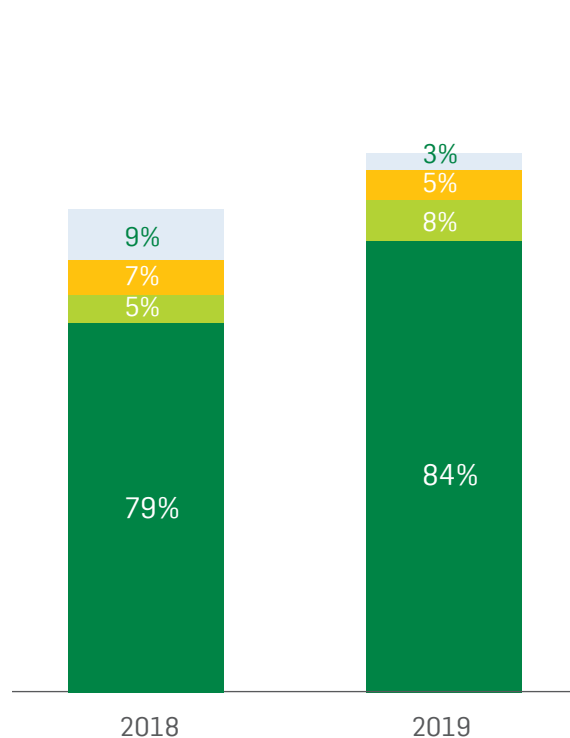
VPBank's performance in 2019 also markedly improved thanks to the focus on streamlining its organizational structure, optimizing its processes, improving business approaches, and boosting productivity. Total operating expenses only increased by 16%, much lower than the 20.3% income growth of the core businesses, thus reducing CIR from 35.2% at the end of 2018 to 33.9%. At the parent bank, the effectiveness of cost optimization is further evidenced by the operating expense growth of only 9%, equivalent to one third of income growth (24.7%). CIR of Bank standalone significantly dropped from 43.4% in the previous year to 38%, implied the right strategy of VPBank in streamlining the organization and improving operational efficiency. Such activities will continue to be implemented and enhanced by VPBank in the succeeding phases.



\* CIR = Total operating expenses/Total operating income from core businesses (excluding one-off operating income from bancassurance co-operation)

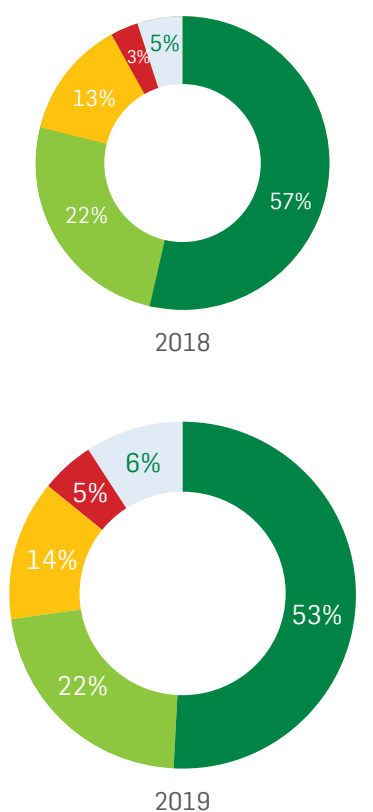
Source: Internal report 2019

## TOTAL OPERATING INCOME



Others  
Income from bad debts recoveries  
Net fee and commission income  
Net interest income

## FEE INCOME STRUCTURE



Other services  
Advisory  
Payment  
Credit card  
Insurance

Source: Audited consolidated financial statements 2019



## Robust PBT growth

In 2019, PBT reached VND 10,324 billion, exceeding the target by 9% and up 12.2% year on year. Moreover, PBT generated from core business operations alone grew by 23.8% year on year.

The key driver enabling VPBank to deliver such record-high PBT was the phenomenal growth of all most all customer segments, i.e. consumer finance, retail banking, and SME, which accounted for up to 66% of the bank's PBT.

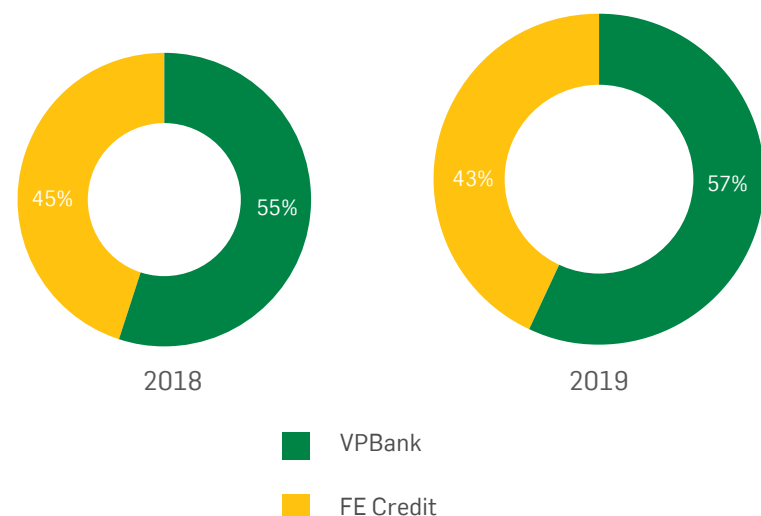
FE Credit successfully maintained its leading position on the market, thanks to tremendous efforts in digitization, technology adoption, and efficient risk management.

By focusing on farming the existing-to-bank customers, promoting customers acquisition, expanding the ecosystem by diversified financial products and services, profit from retail segment increased by nearly 125% year on year, the strongest growth ever.

This remarkable achievement resulted from the consistent investment in core systems aiming at a modern retail bank over the years.

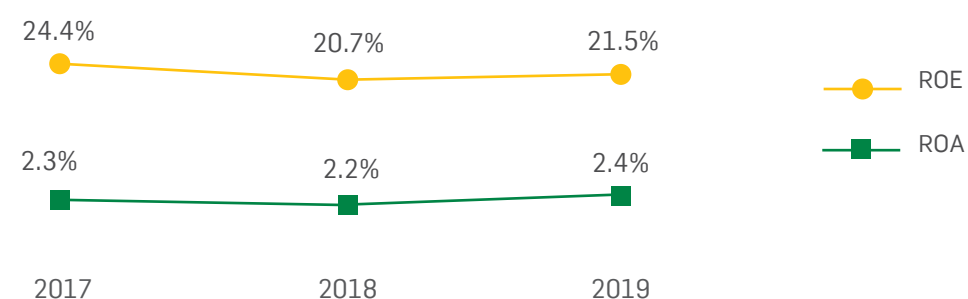
Corporate segments also achieved a robust growth in 2019. Specifically, PBT from SME increased by 95% and corporate segments significantly grew year on year.

## PROFIT BEFORE TAX (PBT)



Source: Internal report 2019

## ROA – ROE



Source: Audited consolidated financial statements 2019

Profit increased significantly while OPEX was put under control, helping VPBank to strengthen its position as one of the most efficient banks in the industry. ROA ratio by the end of 2019 was 2.4%, higher than that of 2018 (2.2%). ROE ratio reached 21.5% as compared with 20.7% at the end of 2018.

## Business performance surpassed all 2019 targets

2019 marked a successful business year for VPBank as all targets were remarkably fulfilled. VPBank's achievements in terms of volume and efficiency continued to reinforce its position as one of the leading private commercial banks. This will be a tremendous driver for VPBank's growth in the upcoming years.

### TOTAL ASSETS

Unit: %, VND billion

#### ▲ 101% fulfillment



### CUSTOMER DEPOSITS AND VALUABLE PAPERS ISSUED

#### ▲ 108% fulfillment



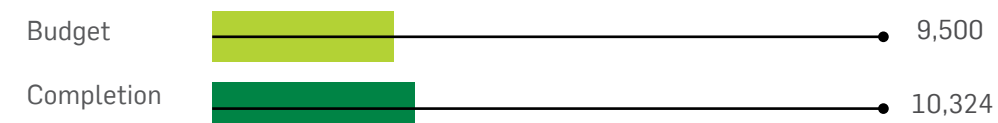
### CREDIT TO CUSTOMERS

#### ▲ 102% fulfillment



### PROFIT BEFORE TAX

#### ▲ 109% FULFILLMENT



### STANDALONE NPL RATIO

#### ▲ Fulfilled

Target	Completion
<3%	2.18%

Source: Audited consolidated financial statements 2019





# BUSINESS DIRECTION 2020

According to the forecasts of international organizations, the global economy in 2020 may face continuous challenges due to the long-lasting China-U.S. trade war and the superpowers' adjustments to their strategies and policies, all added by risks from Covid-19 outbreak. The growth of Pacific East Asia is expected to slow down to 5.7% as China's economy continues to experience a downward trend.

As per the forecast in early 2020, Vietnam's economy will grow by 6.7% to 6.9% and inflation rate will be controlled at 3%. Moreover, all indicators show positive signals as domestic consumer spending will continue its role as a driving force for the economy and is expected to increase dramatically thanks to income growth and the Government's pro-consumption policy. However, due to wide spreading of the pandemic and its adversity globally, scenarios with lower growth rates are developed in accordance with rapid-changing economic conditions and unfavourable factors.

The above factors will also exert direct impacts on the banking industry. Appropriate policies have been introduced by the Government and the SBV to support the economy in the upcoming time. The SBV would set the credit growth cap of 14% and issue prudential monetary policies yet able to ensure economic growth. Prudential ratios of the banking system are likely to be gradually tightened to assure long-term growth.

2020 marks the third year of aggressive implementation of VPBank's 2018-2022 strategy. Being persistent with all strategic goals, in 2020 the bank continues to pursue quality-centric approach as well as screen critical and extensive initiatives to realize all business targets and strategies.

Specifically, VPBank focuses on two utmost objectives in 2020 as follows:

## 1- Growth with quality:

Enabling the growth of all business divisions, especially the core segments. Quality growth must be delivered in both volume (lending, deposit, income, etc.) and efficiency (productivity, efficiency, risk management, etc.).

Amid the complicated developments of Covid-19, it is vital to sustain core business operations and support customers; at the same time stay up-to-date and respond in a timely manner to social and market movements.

## 2- Reinforcement of platforms:

Focus on fine-tuning and upgrading core technology, operations, risk management, etc. platforms to exert a crucial leverage for future development.

Successfully create a digital platform and an end-to-end ecosystem for the Open Banking strategy. Thus, the bank can generate additional values as well as find and seize all future business opportunities.

- ▶ Promote core lending products
- ▶ Increase CASA and transaction banking
- ▶ Diversify non-interest income
- ▶ Control risk cost
- ▶ Reengineer and streamline operational processes
- ▶ Automate and digitalize customer experience
- ▶ Improve data quality of top-up and Cross sale
- ▶ Open Banking and partner ecosystem



# TRANSFORMATION JOURNEY







# BUSINESS MODEL

In 2019, VPBank remained persistent with the strategy of being a leading retail bank, targeting both retail and corporate customers and covering all segments.

In previous years, VPBank focused on growing its scale to expand its new customer base. Since 2018, the bank has gradually shifted more on quality, aiming to farm higher quality segments. Specifically, the bank focused to serve both the existing customers while acquiring new ones. About 70% of VPBank's products and services in 2019 were offered to existing customers at lower risks and lower cost.



## BETTER MANAGEMENT OF CREDIT QUALITY

(resulted from insights on risk profile of each customer segment)



## BETTER CUSTOMER SERVICES

(higher stickiness via customized offerings)

Therefore, the 2019 also marked a significant transformation in product development strategies in most of the segments with highly customized offering for each specific customer group.

**Performance and profit of retail banking segment in 2019 were improved by more than**

**↑ 125%**

The Retail Banking became the leading business unit thanks to the efficiency improvement in its all segments including cards, affluent banking, insurance and lending. These results gave positive signs to the pursuit of a retail bank's orientations decided by the leadership. The corporate customer also made an impression in the year. Particularly, profit from SMEs improved 95% and that of corporate customer segment nearly doubled year over year.



# RETAIL BANKING

**The changes in business model and customer farming to suit the market conditions and sustainability showed positive signs and stage by stage made VPBank one of the biggest retail banks in Vietnam.**



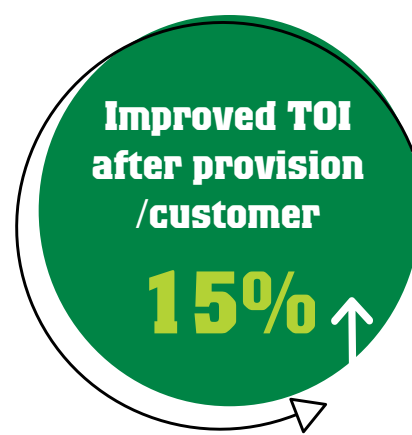
In 2019, the profit of retail banking jumped 125% year on year. The mobilization increased by 16% and loan balance picked up by 18%. Such improvement resulted from lending business reshape and focusing on medium- and low-risk segments.

Under the "BE FIT" program, the retail banking business model was transformed. The RB's head office was restructured and its resources were optimized. Whereas, aiming at improving productivity, sales channels put their focus on sale model transformation, i.e. specializing in new customers acquisition and better farming of the



existing ones, centralizing management model and the re-grading of the branch network to assure that each should handle at least VND one trillion in volume (including deposit and lending balance) in Hanoi and Ho Chi Minh City. Accordingly, the productivity of retail staff improved 30% on average.

Apart from these changes, other initiatives to improve customer journey and engagement were also beefed-up. In 2019, the active customers increased by 17% year on year. TOI after provision per customer rose by 15%.



## CREDIT CARDS

The number of credit cards for retail customers issued by the parent bank by the end of 2019 was 964,000, an increase of 43% and generated a total spending value of VND 59 trillion, up by 63% year over year. These reinforced VPBank as the market leader in both spending and MasterCard credit cards issued.

**The following three key elements contributing to the success of VPBank's card segment:**

- Diversified card products of which four key propositions are cashback, loyalty, travel and lifestyle aiming at encouraging customers to realize their desires in a moving world.
- Comprehensive digitalization experience, i.e. online registration, approval and issuance are done within 48 hours. Credit card management via mobile apps and CC 24/7.
- Convenient loan on card services within 8 hours. Additionally, the bank also offers instalment payment via cards at all commerce partners which help customers better manage their personal finance. And for VPBank, those offerings will significantly contribute to grow interest income and maintain customer stickiness.





## AFFLUENT BANKING (AF)

One year after its launch, VPBank Diamond became a strong brand for affluent customers of Vietnam banking system.

The total number of AF customers exceeded 60,000, of which new-to-bank are 9000 – doubled that of 2018. AF segment contributing 76% of retail customer deposits, becoming the main driver to promote VPBank growth.

In 2019, AF segment's TOI beefed-up by

# 32%

year on year, of which NFI increased by 59%.

## HOUSEHOLD BANKING

The merging of Household Banking Division into Retail Banking Division was seen a comprehensive and disruptive restructuring of the household banking. The coverage and location of business units were reviewed and adjusted to make them more adaptive to each locality and segmental risks.

This segment's goals are to have a more streamlined operating model, save operating expenses, provide optimal product and services, better manage all the risks and continue to grow in sustainable manner. These initiatives and efforts help saving 65% of the headcounts and many other direct costs were optimized.

## BANCASSURANCE

In 2019, VPBank's bancassurance segment fulfilled considerable achievements. Bancassurance's fee income accounted for 53% of the bank-wide NFI. In terms of life insurance, 2019 was the second year of the AIA-VPBank exclusive distribution agreement and VPBank ranked 7th in Bancassurance market. The AIA bancassurance fee income in 2019 grew 83% year on year and fulfilled 92% of the commitment with AIA.

Non-life insurance performance was well above the expectation in terms of fee income and net insurance premiums. The total non-life insurance volume in 2019 reached 120% of the target and net insurance fee income fulfilled 102% of the plan.



# CORPORATE - BANKING

**Corporate banking delivered great breakthroughs in the year with double-digit growth in volume and profit.**

## Breakthrough results

As part of the broader changes to the bank's organization structure and modus operandi, the business activities of corporate banking were also restructured for higher efficiency and to better satisfy customer demands. Such actions brought about positive changes to corporate banking.

Loans and deposits in SME segment grew by 17% and 36% year on year respectively. The profit in this segment increased by 95% compared to that of 2018. By the end of 2019, VPBank served over 80,000 SME's, or about 10% of the total enterprises across the country, 80% of which were micro-SMEs. Given such results, VPBank continued to be one the largest banks in terms of SME customers. In corporate segment, the bank witnessed a significant growth in volume and income, helping the bank better meet the needs of corporate clients.

## Digital payment

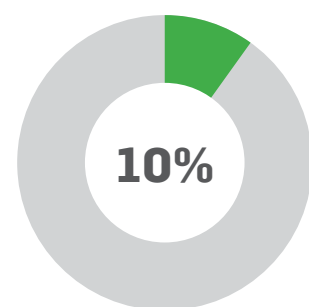
In 2019, VPBank focused more on introducing transaction banking services to enterprise customers. This service is considered one of the new growth drivers for corporate-banking going forward. Specifically, VPBank has launched BIZPAY, a payment platform, to enable enterprises to make B2B payments easily and securely. Additionally, an e-commerce-centric B2B, B2C payment was also ready. With those two solutions, VPBank can provide comprehensive payment services for enterprises including B2C and B2B, thus seizing new opportunities for rapid growth.

The above-mentioned online payment solutions helped enterprises to reduce costs and minimize operational

risks. In addition, enterprises can integrate those two payment solutions into their own software to reduce payment conflicts which may hamper their business opportunities.

## Customer acquisition through digital channels

Enterprise customers can apply for credit cards or working capital online via SME Connect platform. Thanks to the long-term vision for SME Connect, the platform will acquire more customers and reduce operating expenses despite the fairly modest number of enterprise users as of now.



**The proportion of SMEs served by VPBank to the total number of Vietnamese enterprises**







# DIGITIZING CUSTOMER INTERACTIONS

## 96%

Transactions on internet banking and automated banking systems

VPBank continued to beef up its digitization effort in 2019 with the goal of making digital banking a key growth driver in the future. As a result, there were breakthroughs in transactions and services on Internet Banking and VPBank Online. By the end of 2019, the volume of transactions on digital and automated banking channels accounted for 96% of the entire bank's transactions. This ratio will increase as the bank constantly improves the stability of its digital banking systems and add many new features to create a digital banking ecosystem.

By combining business activities with artificial intelligence, big data, and applying technology in a wide range of activities, many tasks can now be fully and automatically carried out at VPBank without human involvement. Such apps as Internet Banking and VPBank Online can meet almost all customers' needs including transfers, borrowing and shopping.

In particular, the ratio of online depositors to all depositors at VPBank

grew significantly, from 19% in January 2019 to 31% in December 2019. The bank rolled out an online loan origination process and automatic approval system (LOS Auto), enabling customers to apply for loans and open credit cards more easily and quickly. Additionally, online loan origination process was evidently improved. With only several simple steps taken on the website or VPBank Online, customers' applications will be approved within 10 minutes instead of several days like before. This process improvement resulted in 99% growth in online contracts as compared with 2018. In particular, unsecured loan contracts increased by 143%, credit cards 136%, and overdraft and secured loans 14%. Of all retail contracts and disbursements, credit card issued online accounted for 44%, unsecured lending contracts 37% and overdraft 90%.

Thanks to the robust implementation of digital journeys, the bank provided better customer engagement and service. Aside from that, digital banking channels enabled the bank to further its

reach to more and more new customers. By 2019, one third of customers made at least three financial transactions on digital channels per month. In the second half of 2019, an additional 65,000 existing customers signed up for VPBank Online. The number of new customers signing up for VPBank Online at the same time was 130,323.

In addition to the convenient features on Internet Banking and VPBank Online, the bank accelerated its Open Banking strategy to create an ecosystem to fulfill the diverse needs of customers. This important strategy allowed the bank, particularly VPBank Online, to connect with other ecosystems to provide banking services. So far, VPBank has successfully linked with other famous e-wallet ecosystems such as VinID, ZaloPay and TrueMoney. These partnerships are the stepping stone for VPBank to provide online products such as online savings and personal loans on other ecosystems.



# EFFICIENCY OPTIMIZATION

**A simple and efficient operational model consisting of simple effective processes resulting from BE FIT program helped improve productivity, reduce costs and enhance access to future customers.**

In April 2019, BE FIT – an efficiency optimization program – was launched, focusing on three main tasks: boosting productivity, streamlining organizational structure, and optimizing processes. The implementation of BE FIT, the changes to foundational system, and further focus on digital, automated products and services led to the drastic transformation in the operational model.

In particular, comprehensive reviews helped the bank gain multi-faceted perspective on the current state of support units and carry out major changes. Such changes included the streamlining of the post-disbursement control model and credit monitoring at Credit Division, Risk Management Division, and Operations Division; the streamlining of corporate customer services process in Operations Division. The review of back-office operations in business divisions also led to highly effective organizational restructuring. Specifically, back-office functions at Household Banking Division and Western Union operations at Retail Banking Division were transferred to Operations Division. As a result, operations were faster, more efficient and less costly.

In addition to organizational restructuring and process re-engineering, the bank also stepped up the digitization and automation of back-office operations and customer care. Back-office productivity improved by over 20% thanks to the implementation of many process improvement and automation initiatives which involved

mobile applications, bots, video live chat and ECM / BPM. The digitization of back-office operations brought about changes to traditional retail sales process and reduced turn-around time. The TAT for credit card opening on mobile application was reduced by 38%. Meanwhile, the TAT for retail unsecured loans and auto loans on mobile application improved by 20% and 45% respectively.

In June 2019, VPBank adopted robotics process automation (RPA) for its operations for the first time. RPA allowed the bank to conduct non-stop and error-free transactions, hence increasing its efficiency and reduced turnaround time.

By raising productivity and optimizing processes, the headcount was reduced. By the end of 2019, headcount was down 23% while the number of transactions jumped up by more than 32% compared to 2018 and service quality further improved. The headcount decreased by 1,326 and new assets by 6,152 compared with 2018. BE FIT helped the bank save trillions of VND in operating expense per year and reduce unit cost by more than 15% on average. This enabled VPBank to operate more efficiently and competitively in the market. The total operating expense of the parent bank in 2019 rose by only 9%, much lower than growth of the core revenue at 24.7%. The separated CIR of core business declined from 43.4% at the end of 2018 to 38% and the consolidated ratio decreased from 35.2% to 33.9%.





# RISK MANAGEMENT

April 2019 marked an important milestone as VPBank was approved by the SBV to early comply with Circular 41 on capital adequacy ratio, which is modelled on Basel II standards. The bank published quarterly CAR disclosures on its official website, presenting a comprehensive view on CAR and risk management framework. The disclosures not only comply with Basel's Pillar III requirements but also display the transparency of VPBank's risk profile. In the long run, Basel II compliance shall be the leverage for the bank's credit rating as per Circular 52's criteria.

In order to deploy internal control system across three lines of defence as per Circular 13's requirements, VPBank restructured risk management framework, established Risk councils and fine-tune internal risk management document system. The bank also proactively executed periodic stress tests on capital, liquidity, concentration, etc. The execution of these stress tests not only complied with the SBV's requirements and Basel II's Pillar 2 requirements but also helped the bank to assess thoroughly its capital adequacy based on stress test results which served as input for funding plan.

## CREDIT RISK MANAGEMENT

In 2019, VPBank continued to refine and optimize scorecards based on internal and external data. These scorecards were integrated into the loan origination system to screen loan applicants and reduce TAT.

**Novel technologies deployed to facilitate credit risk management include:**

- ▶ eKYC based on facial recognition,

voice authentication, and optical character recognition (OCR) which enabled the improvement of loan origination process for new customers and fraud prevention.

- ▶ Identity document verification based on geographic locations which helped to increase quick approval rate and reduce underwriting cost.

Collection productivity was enhanced by the adoption of initiatives and technology, leading to the improvement in field collection. New technology adoption reduced phone expenses by 40% since the end of 2019.

The effective execution of the abovementioned credit risk management measures enabled the bank to effectively control NPLs in 2019 while well maintaining the focus on retail banking, especially unsecured loan.

## MARKET AND LIQUIDITY RISK MANAGEMENT

In 2019, VPBank successfully implemented Treasury project to automate the whole process of deal origination – risk management – operations. Thanks to the system, market risk governance was enhanced through the real-time limit management mechanism, thus mitigating operational risks and preventing frauds in financial market transactions.

Market and liquidity risk management framework was continuously enhanced by adopting

new policies on market risk management, interest rate risk on banking book management and liquidity risk management. Balance sheet models continued to be developed, reviewed and adjusted to ensure the accuracy of cash flow forecasts.

## OPERATIONAL RISK MANAGEMENT

Operational risk management was consistently conducted across VPBank's system, thus producing significant results in 2019. Operational risk management framework was completed in full compliance with international standards and practices as well as the SBV's requirements on internal control system and statutory regulations. As a result, the bank successfully resolved 94% material risks and 90% operational risk events.

Regarding fraud prevention and investigation, VPBank improved early fraud warning system to detect and investigate frauds early. Employees' awareness on risk management and fraud prevention measures was also raised, which helped to significantly mitigate frauds and potential losses. Fraud prevention and investigation against high-tech crime was robustly implemented, thus recovering billions of VND for the bank. 19 information security projects executed in 2019 enabled the strengthening of security, the safety in operations, and the enhancement of employees' awareness.

# HUMAN RESOURCES STRATEGY

**Given the 2019 human resources development strategy, VPBank restructured and reorganized HR in more than 20 units as part of BE FIT program to fulfil the target of productivity improvement and optimization. Besides, the bank put forward transformative solutions to train and develop people such as:**

- ▶ Issuance of regulation on HR segments and regulation on succession planning. These regulations allow the bank to develop optimal HR initiatives and planning for key positions.
- ▶ Development of core competency development tools as required by the 2018-2022 strategy.
- ▶ Development of VPBank's leadership pyramid based on leadership models of successful global businesses.

The development of high-calibre and committed HR remained VPBank's target in the past several years. The

abovementioned solid HR foundation enables VPBank to continue to groom successors for critical positions. VPBank's leadership program 2019 – 2022 (ILEAD) reflected the leadership's fierce determination and commitment in leadership investment and development. The program was launched in November 2019 and the very first forums were successfully held.

VPBank's employer brand was promoted as annual scholarship programs were run at big universities across the country. In 2019, VPBank Talent Scholarship Fund offered 40 "VPBank – Home of Talents" scholarships and 120 "VPBank – Nurturing Dream" scholarships. The aggregate value reached as high as VND 1 billion. Besides the policies to attract excellent students, VPBank focused on recruiting students in job fairs with approximately 1,000 applications and interviews.

With relentless efforts to pursue the chosen HR strategy, VPBank reaffirmed its position as the choice of the best performers in Vietnam's banking sector.





# FE CREDIT 2019

Despite harsh competition from emerging players and fintech companies in consumer finance market, FE Credit regained its growth momentum and secured its leading position in 2019.

By the end of 2019, FE Credit's income grew by 16.4% year over year while its profit before tax was up 9%. The outstanding business performance in 2019 was of great significance to FE Credit, especially after its profit growth slowed down in 2018. Its nationwide network in 2019 covered more than 9,000 partners at 13,000 transaction outlets. The extensive network enabled FE Credit to offer a wider mix of financial products to more than 10 million customers.

Besides, FE Credit expanded its strategic partnership with services, telecommunication, retail and e-commerce firms to provide customers with suitable financial products. As a result, the company helped to boost consumer spending and facilitate more accessible financial solutions with the aim of improving the quality of life.





## TECHNOLOGY ADOPTION

FE Credit effectively managed its growth within the credit growth limit set by the SBV. Sustainability-focused business strategy, which aims at the improvement of services offered to existing customers and the intensive technology adoption into business operations, produced excellent results. FE Credit's financial products and services are accessible to any customer, providing the best experience through mobile applications. 2019 recorded more than 2.2 million downloads of \$NAP mobile application and more than 600 thousand those of FE Credit mobile application. Customer experience was enhanced, operational productivity was stepped up while cost was reduced. Customer engagement was significantly improved. Mobile applications enabled cross sales to existing customers. Cross sales and loan balance top-up to existing and former customers were the main drivers of the company's growth in 2019.

Such results are attributable to the Business Intelligence Competence Center's analysis of customers' behaviours and payment history. Thanks to its analysis and a new credit rating system, previously rejected customers are checked for eligibility for suitable lending products.

Furthermore, process automation helped to significantly reduce OPEX and risk cost. It was clearly manifested in the automation of processes from loan origination to disbursement via \$NAP application. In the next phase of digitalization, FE Credit will develop other features relating to fraud and forged document detection.

## IN ADDITION TO \$NAP, FE CREDIT MOBILE APPLICATION

- the super app launched in 2019 – offered comprehensive customer experience. Its advent has helped FE Credit achieve a breakthrough in creating a technology- and partnership-driven financial service ecosystem.

Besides basic needs, the super app makes customers' daily life more convenient as they can easily apply for loans, open credit cards, buy exclusive insurance policies, or make daily transactions such as mobile top-up, utility payment, loan payment, movie ticket or train/bus ticket purchase, nearest ATM and VNPost pinpoint, etc.

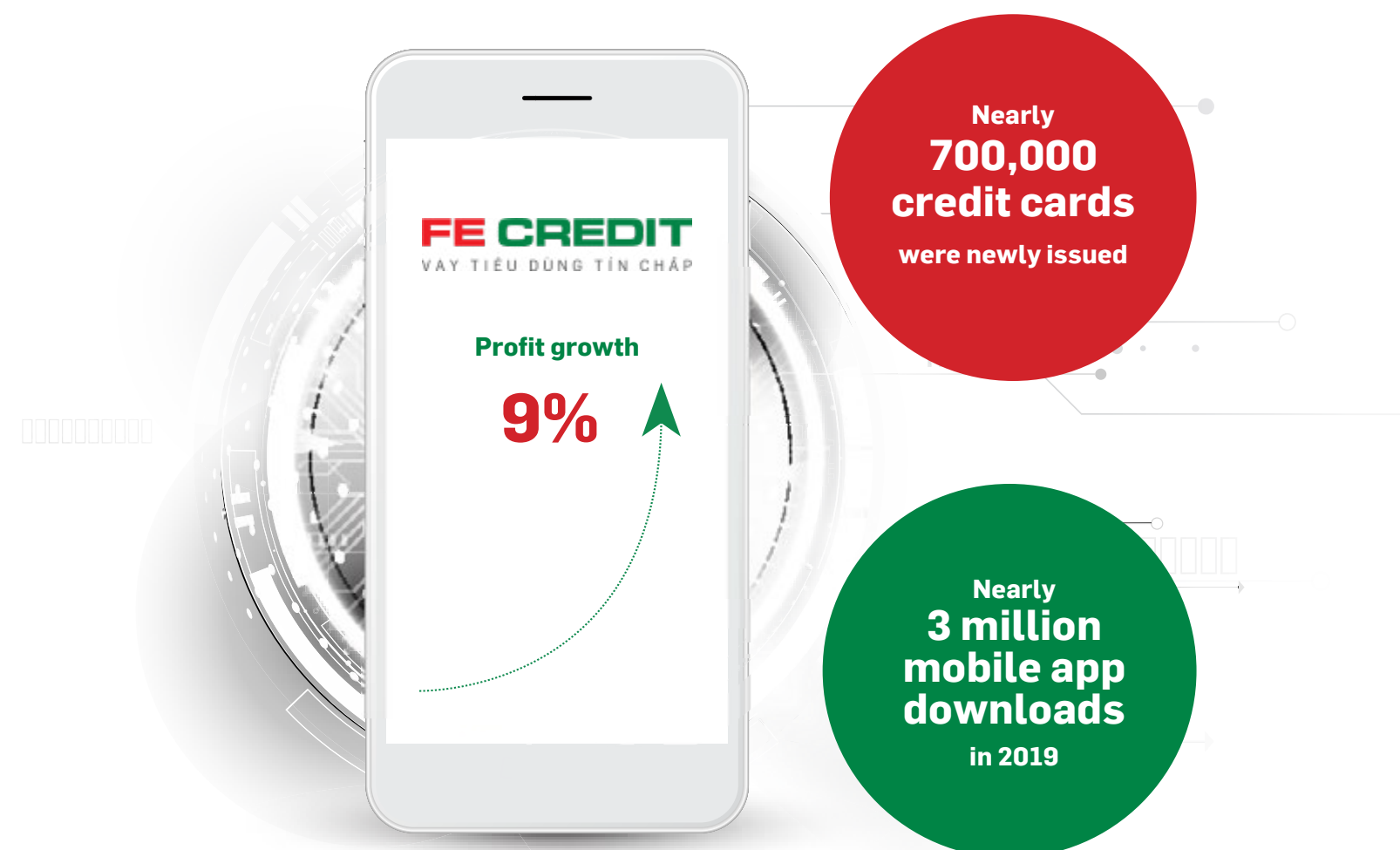
Technology adoption significantly contributed to risk management, i.e. keeping the NPL ratio under control as per the SBV's requirements. The NPL ratio dropped from 6% by the end of 2018 to 5.6% in 2019. The downward trend of NPL was owing to cross sales to existing customers and improved customer data analytics.

## FINTECH ECOSYSTEM

At the beginning, FE Credit's growth mainly depended on the expansion of physical distribution network. Over the last two years, digitalization-driven strategy created new growth momentum for the company. The company aims for omnipresence, highly relevant offerings, and prompt delivery going forward. To realize

such a strategy, the company has partnered with many global leading fintech companies and will enter into strategic partnerships to develop an ecosystem. The latest technologies will be adopted to enable customers to borrow with just a few touches on their mobile phone.

Relentless technology upgrade and adoption were and have been executed in the core systems and end-user solutions. The company will continue to expand its partnership with lending, payment and asset management platforms in the upcoming time.



## CREDIT CARDS

The strong focus on new issuance and spending is one of the factors behind FE Credit's deep engagement with its customers. Card products are powerful tools which enable the company to proactively participate in the Government's cashless payment program.

Over the past three years since the first launch of cards, FE Credit has been one of the largest card issuers. Total new issuance in 2019 reached approximately 700,000, increasing the tally to nearly 2 million cumulative. Average spending continuously grew month over month, with more than VND 1 million/month on average by the end of 2019.

The company will continue to increase credit card balance by improving card features and promotion programs for cardholders; thus, expanding the cardholder base.



# CORPORATE SOCIAL RESPONSIBILITY &

# CULTURE







VPBank Commandos 2019 - Conquering Bach Moc Luong Tu



VPBank's 26th Anniversary – Gratitude Expression



VPBank Hanoi Marathon – Run &amp; Share

# CORPORATE CULTURE

Transformation, operational streamlining, and organizational restructuring cannot succeed and produce ultimate outcomes without buy-ins from all the members of the organization. Over the past years, VPBank has nurtured its corporate culture with a focus on people-to-people and people-to-organization engagement, thanks to which there is a high degree of unanimity on the bank's goals. Thus all VPBankers have been motivated to achieve their maximum productivity and efficiency. BE FIT program in 2019 has fostered a new culture where people strictly adhere to the principles and prioritize productivity.

Numerous internal events were the key drivers behind the striking development of VPBank's corporate culture. In 2019, 12 internal events were held at bank-wide level, attracting nearly 20,000 participants. Several sport activities, namely VPOLYMPIC, VPBank Gold

Cup, VPBank Indoor Sports, and marathon contests, were much needed for thousands of VPBankers. Apart from helping staff stay healthy and build resilience, the activities helped bring staff closer together and create a bond among them.

Also in the bank's efforts to enhance the bond among employees, programs such as Commandos 2019, 10,000-step Challenge, Health Is Beauty, Beauty+ promoted teamwork and mutual support to reach the finish line.

All internal events promoting our corporate culture over the past year were based on BE FIT, an on-going comprehensive transformation program. Through such activities, VPBankers have been encouraged to build up stamina to adapt to any conditions and keep endurance in all races.

The values of VPBank's corporate

culture are not limited to its employees. A series of internal activities related to "VPBank's 26th Anniversary – Gratitude Expression", held in both the North and the South, enabled the bank to express its gratitude towards VPBankers' families. As part of the series, VPBankers got to invite their parents to an office tour. The series ended with two feast-for-the-eye and moving ceremonies in the spirit of the bank's anniversary for thousands of employees and their parents. This was the first time ever VPBank held a dedicated program to show its deep glow of thankfulness to all the parents, the beloved ones who made unconditional sacrifices to facilitate the success of VPBankers in particular and prosperity of VPBank in general.



# SOCIALLY RESPONSIBLE BANK

Being aware of the responsibility to contribute to the prosperity of the society, VPBank always shares its values and supports the improvement of the living standards for communities in poor areas and individuals living in special circumstances. VPBank's social responsibilities can also be seen in activities promoting culture, spirit of sports and solidarity in the community. Besides, the bank also made commitment to pursue the sustainable development strategy and follows the Government's green and environmental protection growth model.

## SOCIAL RESPONSIBILITY

2019 marked the second year of VPBank Hanoi Marathon events. The event aimed at the target of realizing VPBank's mission to bring about fully prosperous life to Vietnamese people in terms of finance, spirit, and physics. This is the first-time-ever race running around historical and cultural landmarks of Hanoi. Therefore, in addition to promoting the spirit of sport within the community, VPBank Hanoi International Marathon is also an opportunity to strongly promote Hanoi's culture to international friends. The turnouts increased from

nearly 2,000 in 2018 to nearly 7,000 in this second season, is considered a guarantee of the quality and success of the event. The increased turnouts also presented the running trend growing in the community.

And more significantly, VPBank has become the first Vietnamese bank to carry out CSR activities focusing both on sport and culture and on community support. Another movement demonstrating responsibility towards community named Run & Share was also held in parallel with VPBank Hanoi Marathon to help disadvantaged children. For each km at VPBank Hanoi Marathon, VPBank contributes VND 5,000. All the money raised at the event was donated to "Pair of Loving Leaves", "Thiện Nhân and friends", "We Help Talents", "For a Healthy Heart" and "Operation Smiles" charity fund. In addition, VPBank also brought Run & Share activities to 7 provinces and cities across the country to encourage the spirit of sports. Through activities like Run & Share, VPBankers and their families participated in running race and helped raise funds to support disadvantaged children in the localities.

A marathon race, originally known as VPIron club, the core force with more than 2,500 members, is a CSR activity that has been painstakingly

prepared by VPBank. On the other hand, VPBank also collaborates with semi-amateur clubs across the city to grow the running community. This will inspire staffs, clients and the community as a whole.

### Social support events

VPBank's responsibility can also be seen through community support activities in poor regions. With the financial support of VND 16 million in 2019, VPBank contributed to build 100 houses for the poor in Dien Bien province and 11 bridges in An Giang and Dong Thap provinces.



**Say "No" to environmental and social risks**



**Donated VND 16 billion for house and bridge construction in poor communities**



**Spread the running and sharing spirit in the community through VPBank Hanoi Marathon - Run & Share**

## SUSTAINABLE DEVELOPMENT

In light of the green finance model, in 2012 the Government issued the National Green Growth Strategy for the 2011-2020 period with a vision to 2050 and the National Action Plan on Green Growth for the 2014-2020 period.

To implement this strategy, the SBV has issued a policy encouraging credit institutions to proactively work out their plans for environmental and social risk management and green credit growth.

Since 2016, in order to comply with the directions on green credit growth of the Government and SBV, VPBank has been one of the pioneers in developing an environmental and social risk management system. In addition, the bank issued several policies to facilitate sustainable development and green growth, which were developed as per the national law and the environmental and social performance standards of the International Finance Corporation (IFC).

To be specific, VPBank has issued a restricted list for projects and business activities that are likely to cause damages to the environment and society. VPBank, as a result, has refused to grant credit to business activities producing chemicals or products which may degrade the ozone layer or threaten the sustainable development of animals and forests. Businesses like service or those of which the products may damage the society, namely tobacco, alcohol, weapons, and casinos, are also included in the bank's restricted list. VPBank, moreover, has made strong commitment in respecting and protecting human rights. Projects on manufacturing or services with forced or abusive child labour will be denied.



# CORPORATE GOVERNANCE





## MEMBERS OF THE BOARD OF DIRECTORS



**BUI HAI QUAN**  
Vice Chairman of the  
Board of Directors

**NGO CHI DZUNG**  
Chairman of the  
Board of Directors

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

**NGUYEN VAN HAO**  
Independent Member of the  
Board of Directors

**LO BANG GIANG**  
Vice Chairman of the  
Board of Directors



## MEMBERS OF THE SUPERVISORY BOARD



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

**NGO PHUONG CHI**  
Head of the Supervisory  
Board

**VU HONG CAO**  
Member of the Supervisory Board  
cum Deputy Head of  
Internal Audit  
in charge of Internal Audit

**KIM LY HUYEN**  
Full-time Member of  
the Supervisory Board

## MEMBERS OF THE BOARD OF MANAGEMENT



**LUU THI THAO**  
Senior Deputy CEO

**NGUYEN DUC VINH**  
Chief Executive Officer

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

**VO HANG PHUONG**  
Head of  
Financial Institution and  
Transaction Banking Center



## MEMBERS OF THE BOARD OF MANAGEMENT



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

**PHAM PHU KHOI**  
Deputy CEO  
Head of Financial Market  
Division

**DINH VAN NHO**  
Deputy CEO  
Head of Commercial Banking  
Division

**FUNG KAI JIN**  
Deputy CEO  
Head of SME Banking  
Division

## MEMBERS OF THE BOARD OF MANAGEMENT



**TRAN TUAN VIET**  
Head of Marketing and  
Communications Center

**LE HOANG KHANH AN**  
Acting Head of  
Financial Division

**WONG KOK SENG AUGUSTINE**  
Head of  
Information Technology Division

**NGUYEN THI MINH NGUYET**  
Acting Head of Operations Division

**LIM ANN KEN**  
Head of Business Intelligence  
Competency Center



## MEMBERS OF THE BOARD OF MANAGEMENT



**NGUYEN THANH BINH**  
Deputy CEO  
Head of Credit Division

**PHAN NGOC HOA**  
Deputy CEO  
Head of Southern  
Representative Office

**DMYTRO KOLECHKO**  
Head of  
Risk Management Division

**TRAN THI DIEP ANH**  
Head of Human Resources  
Management Division

**NGUYEN THANH LONG**  
Deputy CEO  
Head of Legal and  
Compliance Division

## VPBANK ORGANIZATIONAL STRUCTURE

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

**The BOD** 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 BOD is supported by two sub-committees: Human Resources Committee and Risk Committee.

**The CEO** holds highest management mandates and is responsible before the BOD. 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 BOD 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.



# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS (BOD)

### The BOD's structure and meetings

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

### The BOD members are:

- ▶ **Mr. NGO CHI DZUNG:** Chairman
- ▶ **Mr. BUI HAI QUAN:** Vice Chairman
- ▶ **Mr. LO BANG GIANG:** Vice Chairman
- ▶ **Mr. NGUYEN VAN HAO:** Independent member
- ▶ **Mr. NGUYEN DUC VINH:** Member (cum CEO)

### The BOD's activities in 2019

The BOD held quarterly meetings (4 meetings in 2019) and voted to execute resolutions of the AGM; directed and monitored the BOM's activities.

### The BOD's periodic meetings in 2019

No	Member	Position	Meetings attended	Attendance rate
1	Ngo Chi Dzung	Chairman	4	100%
2	Bui Hai Quan	Vice chairman	4	100%
3	Lo Bang Giang	Vice chairman	4	100%
4	Nguyen Van Hao	Independent member	4	100%
5	Nguyen Duc Vinh	Member – CEO	4	100%

### Resolutions passed by the BOD

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

obligations.

Execution of the AGM's resolutions and the powers delegated by the AGM:

- ▶ Amended the bank's charter and issued/registered the amended charter.
- ▶ Amended and issued the regulation on the organization and operations of the BOD, and the regulation on the operations of the Supervisory Board.

- ▶ Conducted procedures to repurchase preference shares as treasury shares.
- ▶ Conducted procedures to issue shares as per Employee Stock Ownership Plan.
- ▶ Exercised the rights as parent company over the subsidiaries, approved subsidiaries' financial reports and their profit allocation, made decision on big investments in subsidiaries and other relevant matters according to legal regulations and internal governing documents of the bank/subsidiaries.

### Approval decisions impacting business directions, business plan, and compliance plan.

- ▶ Approved periodical reports of the BOM and monthly/quarterly/semi-annual plan and other specialized reports per critical operational areas of the bank from time to time.
- ▶ Approved quarterly, semi-annual and annual business performance 2019.
- ▶ Approved the BOM's proposals on the execution of major projects related to business development and IT and operational systems. Approved the BOM's proposals on projects relating to risk management and operational prudence, projects relating to early compliance with international standards on financial reports, risk management, capital management, etc.
- ▶ Made decision on the adoption of capital management framework and standards according to Basel II. Issued Risk Appetite Statement 2019 and 2020. Amended and supplemented stress test regulation, list of material activities and material risks. Amended and supplemented internal credit rating regulation and credit approval regulation for each segment, etc
- ▶ Issued, amended and supplemented liquidity risk management policy, policy for managing interest rate risk on banking book, market risk management policy. Issued product development policy, FI trading limit policy, fund transfer pricing at VPBank, etc
- ▶ Approved changes to organizational structure, roles and functions of the BOD's advisory bodies and the CEO in accordance with the SBV's requirements and the bank's regulations.

- ▶ Approved changes to organizational structure, incentives, recruitment and labour policies as per the Human Resources Committee's consultancy.

### The BOD's oversight on CEO and BOM

- ▶ Attended monthly meetings held by the BOM and approved business performance reports in consideration of approved strategic directions. Assessed and reviewed the Supervisory Board's and the Internal Audit Division's reports on other units.
- ▶ Attended meetings held by the BOD's advisory bodies and the BOM and reviewed their reports or resolutions of on each specialized area (Risk Committee, Human Resources Committee; Capital Management Council, Operational Risk Management Council, Liquidity Risk Management Council, Credit Risk Management Council, Disciplinary Council, etc.)

### Activities of the BOD's independent member

The BOD's independent member acted as a Risk Committee member. In 2019, the independent member fully attended and voted in the RCO's and BOD's meetings. In such meetings, the independent member voted and gave opinions in an impartial and objective manner.

### The BOD's role in strategic directions

- ▶ VPBank's strategic directions for the term of 2018-2022 were approved by the BOD with the aim of becoming the most consumer-friendly retail bank through technology and one of the three most valuable banks in Vietnam by 2022. Accordingly, 27 initiatives on six key areas were planned for execution.
- ▶ The BOD held an annual conference with the involvement of the BOM on the review of the BOM's action plan, updates on the market and opportunities for the bank, and revision on initiatives if any.



# COMMITTEES UNDER THE BOARD OF DIRECTORS

## HUMAN RESOURCES COMMITTEE

- ▶ **Mr. NGO CHI DZUNG:** BOD Chairman, Committee Chair
- ▶ **Mr. BUI HAI QUAN:** BOD Vice Chairman, Member
- ▶ **Mr. LO BANG GIANG:** BOD Vice Chairman, Member

**The HR Committee held monthly meetings and collected opinions for regular review to examine and tackle issues related to organizational structure, headcount and incentives. Core activities of the Human Resource Committee in 2019 include:**

- » Reviewed and gave monthly directions on human resource ratios and the monthly activities of HR Division and other member companies in a timely manner. Reported and made recommendations to the BOD on necessary actions.
- » Reviewed and advised the BOD on the recruitment, appointment, demotion, and salary adjustment for managerial positions.
- » Advised the BOD on the performance bonus for 2018, the plan on ESOP implementation and other remuneration policies.
- » Reviewed and punished violations in which disciplinary measures are applied ranging from warning to firing based on severity levels.
- » Advised the BOD on organizational restructuring to optimize human resources, improve productivity, enhance quality and expand scope of work of specialized units. Performance was increased throughout the bank through the restructuring of CommCredit Division, Retail Banking Division, Operations Division, Credit Division, SME Division, Strategy and Project Management Center, AMC, Risk Management Division, etc. As a result, more than 2000 FTEs were optimized and OPEX was reduced by more than VND 1 trillion. The awareness of resource optimization and the culture of quality and discipline were promoted in the whole system.
- » Advised the BOD on the strengthening of management layers and techniques, successor planning and human resources assessment.

## RISK COMMITTEE (RCO)

**Members of the committee are:**

- ▶ **Mr. NGO CHI DZUNG:** BOD Chairman, Committee Chair
- ▶ **Mr. BUI HAI QUAN:** BOD Vice Chairman, Member
- ▶ **Mr. LO BANG GIANG:** BOD Vice Chairman, Member
- ▶ **Mr. NGO PHUONG CHI:** Head of Supervisory Board, Member
- ▶ **Mr. NGUYEN DUC VINH:** CEO , Member

Following 2018 achievements, RCO continued to reaffirm its importance and promote its role. In addition to the advisory role to the BOD on the approval and issuance of risk management policies and directions, the Committee provided consultancy on risk aspects in business and investment activities. The RCO also played an active role in executing bank-wide risk management initiatives.

In 2019, the RCO held four periodic meetings with some highlights on risk management as follows:

- » Defined and issued the list of material activities and risks.
- » Comprehensively adopted the three pillars of Basel II standards; thereby, VPBank was certified as early compliant to Circular 41/2016/TT-NHNN on capital adequacy ratio and Circular 13/2018/TT-NHNN on internal control system.
- » Issued Risk Appetite Statement to ensure the consistency between risk appetite and annual targets and enable the effective execution of business strategies.
- » Had cost of capital calculated and applied as a benchmark for business plan development to meet the targets set by the bank's leadership.
- » Continued to develop and adopt credit rating system to assess customers' risk, increase the transparency in credit approval process, improve the accuracy of forecasts and mitigate potential risks and frauds.

# SUPERVISORY BOARD

## Structure and functions of the Supervisory Board

From January 1, 2019 to April 25, 2019, the Supervisory Board had three members, two of whom were full-time. After the Annual General Meeting 2019, since April 26, 2019, the number of members increased from three to five, three of whom were full-time. All members have financial and accounting backgrounds and required qualifications in accordance with applicable laws and VPBank's regulations. On behalf of the AGM, the functions and responsibility of the Supervisory Board include supervising compliance with applicable laws and VPBank's charter in management and monitoring; appraising the bank's periodic financial statements; supervising the internal auditing function by directly managing the bank's Internal Audit Division, and other tasks regulated in the organization and operations of the Supervisory Board. VPBank's Supervisory Board is accountable to, and takes responsibility for, reporting to the AGM in accordance with applicable laws and regulations. Besides, the Supervisory Board regularly works with the BOD to exchange views and advice on risks in business activities, management and operations.

**Members of Supervisory Board are:**

- ▶ **Mr. NGO PHUONG CHI:** Head of Supervisory Board
- ▶ **Ms. KIM LY HUYEN:** Full-time member
- ▶ **Ms. TRINH THI THANH HANG:** Full-time member
- ▶ **Ms. NGUYEN THI BICH THUY:** Full-time member (submitted letter of resignation on February 1, 2020)
- ▶ **Mr. VU HONG CAO:** Part-time member

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

In 2019, the Supervisory Board, given the bank's strategies, business plans, financial conditions, credit extension, risk management, etc., instructed the Internal Audit Division to strictly follow approved directions and strategies to timely mitigate risks and enhance the efficiency of internal control system.

## Activities of Supervisory Board

Regular and irregular meetings and task assignment and implementation in 2019  
The Supervisory Board held 12 internal meetings in 2019 on:

- » quarterly evaluation of the Supervisory Board and Internal Audit's activities and action plans for the following quarters.
- » assignments to the Supervisory Board members after two more members were elected upon the AGM's approval.
- » instructions on audit plan and approval for the annual audit plan; revision and adjustment to the audit plan based on the actual situation every six months
- » approval of several operational issues as well as issuance of some documents, policies, etc.

In addition, the Supervisory Board also held other meetings and gave instructions to the Internal Audit Division on:

- » revision of the organization and operations of the Supervisory Board in accordance with the general requirements of the bank and changes from the SBV.
- » revision of the process on internal audit planning and execution in line with operations.
- » development of the regulation on the hiring of experts and organizations to conduct internal audit.
- » revision of the guidelines on main principles in annual audit planning.
- » other reports.

Supervision activities were performed with a focus on: (i) the governance and execution at VPBank, risk management in relation to material activities and material risks, oversight and evaluation of the compliance with regulations on banking prudence specified in the Law on Credit Institutions 2010 (amended and supplemented); (ii) the BOD's and BOM's execution of the business directions and targets in 2019 approved by the AGM.

From operational perspective, the Supervisory Board approved the plan for assigning Internal Audit to hold and participate in periodic meetings

with all units to get information in a timely manner. The Supervisory Board also attended the monthly meetings between Internal Audit and the BOM to discuss findings and comprehensive solutions to improve processes and enhance the efficiency of the internal control system. In term of internal control, the Supervisory Board worked with the BOM on reviewing the high-level supervision and management mechanisms over internal audit.

As a result of the abovementioned supervision activities, the Supervisory Board pointed out shortcomings in the management and operations



of the bank 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 provisions and improve operational quality and efficiency of the bank.

### Internal audit execution

The Supervisory Board set directions and instructed Internal Audit to execute the annual audit plan. The audit plan 2019 was developed based on evaluation of many aspects to cover all key risks in the bank's major operations, functions, and processes. In 2019, Internal Audit performed 57 audits in total, covering head office units, activities/products and branches (including transaction outlets and points of sale). Audit findings contributed to the improvement of internal control system.

### Post-audit corrective actions

The Supervisory Board always kept watch on the implementation of Internal Audit'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. Additionally, the Supervisory Board always devoted attention to and kept tabs on the implementation of recommendations from the SBV's inspectors and relevant parties if related to the operations of the Supervisory Board and Internal Audit.

### Other tasks

#### \* Periodically update, amend and supplement documents:

In 2019, the Supervisory Board instructed Internal Audit to revise, update and issue several internal regulations of the Supervisory Board in accordance with the most up-to-date provisions of the law and actual operations of the Supervisory Board and Internal Audit such as organization and operations of the Supervisory Board and Internal Audit, process on internal audit planning and execution, regulation on the hiring of experts and organizations to conduct internal audit, guidelines on main principles in annual planning, etc. In addition, the Supervisory Board

prompted the Internal Audit Division to stay up-to-date with provisions of the laws and the bank's strategy for timely risk identification, audit plan adjustment, etc.

#### \* Report to the SBV:

VPBank always complies with the SBV's regulations and promptly delivered reports to the SBV covering periodic and irregular SBV requirements.

#### \* Training, recruitment and people management:

Internal Audit continuously improved people's competence with training in professions, soft skills and external comprehensive courses on new audit knowledge and methods (overview of digital banking and related risk; techniques for digital banking audit). HR management continued to be a focus in 2019. Furthermore, the Supervisory Board instructed Internal Audit to collaborate with HR Division to formulate plans and policies to recruit and retain key talents of Internal Audit and assign the staff to the bank's core training courses.

the disclosures on its operations and business performance, which were published on the supervisory bodies' media outlets, VPBank's press releases and its website.

In addition to the compliance with statutory requirements on corporate governance and information transparency, VPBank actively approached advanced international governance standards such as IFRS-based audited financial statements since 2012, risk management (early compliance and adoption of Basel II) and investors' relation (IR) strengthening to reinforce the relations between shareholders and investors.

IR was also the bank's focus as part of the efforts to improve corporate

governance and information transparency.

In 2019, IR team held four periodic Analyst Meetings to facilitate in-person meetings between the bank's leaders and analysts of securities companies, and four Investor webcasts for foreign investors. The team also held 150 meetings with hundreds of individual and institutional investors, domestic and foreign securities companies, fund management companies, etc. Such meetings enabled shareholders and investors to gain deeper insights into the bank's strategies and business performance. Meanwhile, VPBank took such opportunities to embrace external feedback, which helped to reinforce investor relations and improve the quality of investor-

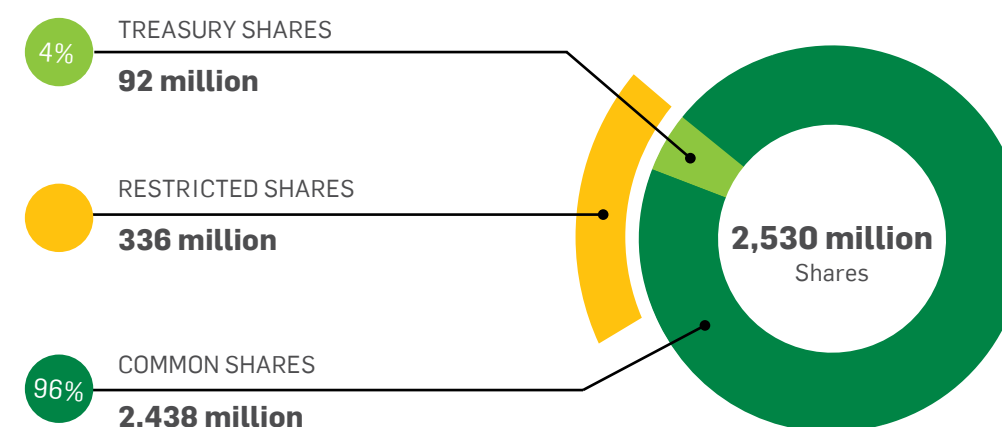
relations activities.

In 2019, VPBank participated in the Director Certification Program for platinum members developed by the Vietnam Institute of Directors (VIOD). The program covered training programs/seminars on corporate governance such as internal audit for the Board members, annual corporate governance seminars, certification and training programs for the Board members, etc. VPBank's representatives, who were involved in corporate governance activities, participated in this program, which was hosted by leading experts and speakers, to develop their expertise on corporate governance and apply it to improve the bank's governance.

## SHAREHOLDER STRUCTURE, CHANGE IN CHARTER CAPITAL AND OWNER'S EQUITY

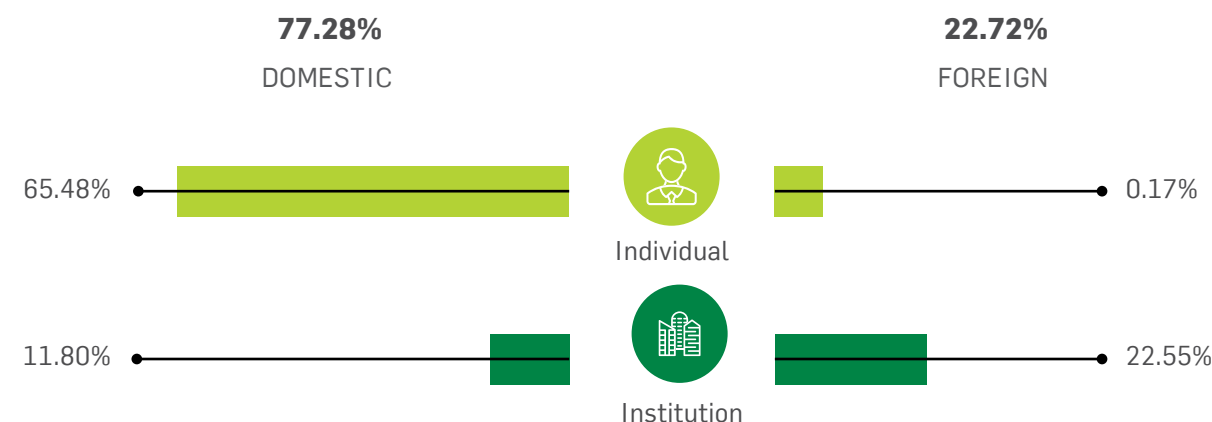
### SHAREHOLDERS AND SHARES

Share structure as of 31 Dec 2019:



Shareholder structure as of 31 Dec 2019:

Unit: %,



## REMUNERATION FOR THE BOD, AND THE SUPERVISORY BOARD

In 2019, the AGM approved the policy on remuneration for the BOD and the Supervisory Board, which is

equal to 0.5% of consolidated profit before tax 2019 (reduced from 1% in the previous years as proposed by the BOD).

The principles for determining BOD remuneration for members of the and the Supervisory Board were considered by the BOD for each member every month including fixed pay for each position and pay for when members participate in

councils and committees under the BOD or Supervisory Board. The BOD members do not receive performance or any other type of bonuses.

The remuneration, salary, bonuses for the BOD and the Supervisory Board can be found in the bank's audited financial statements in accordance with regulations.

## CORPORATE GOVERNANCE AND INFORMATION DISCLOSURES

The Board of Directors affirms VPBank's full compliance with the corporate governance principles in accordance with applicable laws and internal regulations, including the development of governance document system, clear roles for the BOD and the BOM, the development

and fine-tuning of risk management framework and internal controls, the formulation of principles on information transparency and information disclosure, etc.

VPBank ensures the accuracy, the timeliness and the completeness of



**VPBank had no shareholders that directly owned more than 5% of total voting share. Internal shareholders of VPBank are members of the BOD, Supervisory Board and the BOM who combined own 7.993% of the total.**

**As of December 31, 2019, 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 Dzung	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 Hao	BOD Independent member	-	-
5	Nguyen Duc Vinh	BOD member cum CEO	16,002,943	0.633%
6	Ngo Phuong Chi	Head of Supervisory Board	-	-
7	Nguyen Thi Bich Thuy	Supervisory Board member	-	-
8	Trinh Thi Thanh Hang	Supervisory Board member	53,540	0.002%
9	Kim Ly Huyen	Supervisory Board member	100,000	0.004%
10	Vu Hong Cao	Supervisory Board member	50,140	0.002%
11	Sanjeev Nanavati	Deputy CEO	-	-
12	Luu Thi Thao	Deputy CEO	2,000,000	0.079%
13	Phan Ngoc Hoa	Deputy CEO	150,000	0.006%
14	Kiran Babu Kosaraju	Deputy CEO	-	-
15	Fung Kai Jin	Deputy CEO	-	-
16	Duong Thi Thu Thuy	Deputy CEO	600,000	0.024%
17	Nguyen Thanh Long	Deputy CEO	45,970	0.002%
18	Pham Phu Khoi	Deputy CEO	62,680	0.002%
19	Nguyen Thanh Binh	Deputy CEO	200,000	0.008%
20	Dinh Van Nho	Deputy CEO	200,000	0.008%
21	Phung Duy Khuong	Deputy CEO	27,508	0.001%
22	Le Hoang Khanh An	Acting CFO	12,102	0.000%
23	Nguyen Thi Thu Hang	Chief Accountant	68,000	0.003%

## Changes in owner's equity

OWNER'S EQUITY	Standalone (VND million)		Consolidated (VND million)	
	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019
Charter capital	25,299,680	25,299,680	25,299,680	25,299,680
Share premium	1,289,001	692,720	1,289,001	692,720
Reserves	2,902,077	3,622,029	5,465,879	7,107,405
Retained profits	3,526,701	10,267,844	5,187,230	11,805,967
Treasury shares (*)	(2,491,721)	(2,696,030)	(2,491,721)	(2,696,030)
TOTAL OWNER'S EQUITY	30,525,738	37,186,243	34,750,069	42,209,742

(\*) The bank used its profits to repurchase 50,000,000, shares as treasury stock as per the Board of Directors' resolution No. 756/2019/NQ-HĐQT dated September 4 2019 and the State Securities Commission of Vietnam's Document No. 5663/UBCK- QLCB dated September 19, 2019.

The bank issued 31,000,000 shares from treasury stock under ESOP at the face value of VND 10,000/share as per the Board of Directors' Resolution No. 1101/2019/NQ-HĐQT dated December 17, 2019 and the State Securities Commission of Vietnam's Document No 7643/UBCK-QLCB dated December 23, 2019.

## Share transactions by internal shareholders and related persons

### Share transactions by internal shareholders

Transaction	Number of transactions	Share volume
Buy	-	-
Sell	1	12,000
Total	1	12,000

### Share transactions by related persons

Transaction	Number of transactions	Share volume
Buy	2	4,000,200
Sell	2	4,050,000
Total	4	8,050,200



## BUSINESS PERFORMANCE 2019

The BOD considered 2019 a great success for VPBank as it exceeded all targets set by the AGM. More importantly, the bank achieved significant growth in both quality and sustainability.

### Key financial indicators in 2019 are as follows:

- » Credit growth reached 17.6%, fulfilling 101% of the target.
- » Asset quality markedly improved as consolidated NPL ratio was kept under 3% while that of Bank Standalone was 2.18%. Meanwhile, VAMC bonds were fully redeemed. Collection performance continued to harvest outstanding results.
- » Customer deposits and valuable papers surpassed the target by 8%, increasing by 24% year on year. The successful issuance of international bonds valued USD 300 million was an impressive highlight in the market. Given this success, VPBank became the first private company to raise such a large amount of bonds in international market.
- » Profit before tax reached record VND 10 trillion (at 10,324 billion), fulfilling 109% target thanks to relentless efforts of leadership board and all of business and supporting units over the year. Core business units continued to follow the right direction in terms of business model and segment, which was evidenced by their contribution of 66% to total consolidated profit (against 59% in 2018).
- » 2019 reflected starkly the results of OPEX efficiency, productivity and organizational restructuring. OPEX dropped from 35.2% by the end of 2018 to 33.9% of total income from core business.
- » In addition to the fulfilment of financial targets, the BOM successfully executed organizational restructuring programs, streamlined processes, attracted talents and held training programs. The BOM continued to beef up capital management following advanced standards. As part of the bank's corporate culture, welfare programs aiming at long-term engagement with employees were robustly run, contributing to the bank's over-the-year success.
- » As 2019 came to an end, the BOD highly appreciate the efforts of the CEO, the BOM and all VPBank's employees in the successful fulfilment of targets set by the BOD and the AGM.

## 2020 DIRECTION

### Business direction

Below are the guidance and the key targets in 2020 which the BOD has identified and assigned to the BOM:

- » Continue to achieve quality growth (in terms of assets, deposits, customers, operations) in line with volume and productivity growth
- » Restructure business units of strategic segments, further boost strategic segments' contribution to the bank's total profits
- » Continue to review organizational structure and processes to optimize costs and increase productivity
- » Continue to strengthen and upgrade critical and fundamental technology, operation and risk management platforms to support business development

### Governance and investor relations direction

- » In 2020, VPBank will continue to upgrade and improve corporate governance efficiency for the sake of the bank's productivity and long-term development.
- » Regarding investor relations, VPBank will continue to further expand information-sharing channels, meet stakeholders and investors, improve professionalism and boost VPBank's credibility on the stock market apart from comprehensive and transparent information disclosures as per regulatory requirements





# **VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK**

**CONSOLIDATED FINANCIAL  
STATEMENTS  
FOR THE YEAR ENDED 31  
DECEMBER 2019**



THE BANK

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

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

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

Charter capital

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

Operational network

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

BOARD OF DIRECTORS

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

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

THE BOARD OF SUPERVISION

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

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

THE BOARD OF MANAGEMENT

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

Name	Position
Mr. Nguyen Duc Vinh	Chief Executive Officer
Ms. Luu Thi Thao	Deputy Chief Executive Officer
Mr. Nguyen Thanh Binh	Deputy Chief Executive Officer
Mr. Phan Ngoc Hoa	Deputy Chief Executive Officer
Ms. Duong Thi Thu Thuy	Deputy Chief Executive Officer
Mr. Nguyen Thanh Long	Deputy Chief Executive Officer
Mr. Fung Kai Jin	Deputy Chief Executive Officer
Mr. Pham Phu Khoi	Deputy Chief Executive Officer
Mr. Dinh Van Nho	Deputy Chief Executive Officer
Mr. Phung Duy Khuong	Deputy Chief Executive Officer Appointed on 3 January 2019
Mr. Kosaraju Kiran Babu	Deputy Chief Executive Officer Dismissed on 7 February 2020
Mr. Sanjeev Nanavati	Deputy Chief Executive Officer Dismissed on 10 February 2020

LEGAL REPRESENTATIVE

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

Mr. Nguyen Duc Vinh - Chief Executive Officer was authorized by Mr. Ngo Chi Dzung to sign off the accompanying consolidated financial statements for the year ended 31 December 2019 according to Authorization Document No. 09/2012/UQ-CT dated 5 July 2012.

AUDITORS

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



## REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Vietnam Prosperity Joint Stock Commercial Bank (the "Bank") is pleased to present its report and the consolidated financial statements of the Bank and its subsidiaries as at 31 December 2019 and for the year then ended.

### MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

### STATEMENT BY THE BOARD OF MANAGEMENT

The Board of Management of the Bank does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2019, the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other statutory requirements relevant to preparation and presentation of the consolidated financial statements.



Mr. Nguyen Duc Vinh  
Chief Executive Officer

Hanoi, Vietnam  
12 March 2020

Reference: 60755038/20380038-HN

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Vietnam Prosperity Joint Stock Commercial Bank (the "Bank") and its subsidiaries as prepared on 12 March 2020 and set out on pages 6 to 78 which comprise the consolidated balance sheet as at 31 December 2019, the consolidated income statement and the consolidated cash flow statement for the year then ended and the notes thereto.

### MANAGEMENT'S RESPONSIBILITY

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

### AUDITORS' RESPONSIBILITY

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

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

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

### OPINION

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2019, and of the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other statutory requirements relevant to preparation and presentation of the consolidated financial statements.



Ernst & Young Vietnam Limited  
CÔNG TY TRÁCH NHIỆM HỮU HẠN  
ERNST & YOUNG  
VIỆT NAM  
QUẬN HOÀNG MAI, THÀNH PHỐ HÀ NỘI  
Nguyễn Thủy Dương  
Deputy General Director  
Audit Practising Registration  
Certificate No. 0893-2018-004-1

Hanoi, Vietnam  
12 March 2020



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



## VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**CONSOLIDATED BALANCE SHEET**

as at 31 December 2019

B02/TCTD-HN

	Notes	31 December 2019	31 December 2018
		VND million	VND million
<b>ASSETS</b>			
<b>Cash, gold and gemstones</b>	<b>5</b>	<b>2,459,321</b>	<b>1,855,473</b>
<b>Balances with the State Bank of Vietnam</b>	<b>6</b>	<b>3,454,138</b>	<b>10,828,571</b>
<b>Placements with and credit granting to other credit institutions</b>		<b>20,097,553</b>	<b>16,571,491</b>
Placements with other credit institutions	7.1	15,482,986	15,337,628
Credit granting to other credit institutions	7.2	4,614,567	1,233,863
<b>Securities held for trading</b>	<b>8</b>	<b>1,566,592</b>	<b>4,202,413</b>
Securities held for trading		1,571,141	4,240,742
Provision for securities held for trading		(4,549)	(38,329)
<b>Loans to customers</b>		<b>253,099,865</b>	<b>218,395,223</b>
Loans to customers	10	257,183,959	221,961,996
Provision for loans to customers	11	(4,084,094)	(3,566,773)
<b>Investment securities</b>		<b>68,729,363</b>	<b>51,926,416</b>
Available-for-sale securities	12.1	67,786,907	49,417,157
Held-to-maturity securities	12.2	1,094,329	3,564,933
Provision for investment securities	12.3	(151,873)	(1,055,674)
<b>Long-term investments</b>	<b>13</b>	<b>164,425</b>	<b>190,654</b>
Other long-term investments		238,602	227,602
Provision for long-term investments		(74,177)	(36,948)
<b>Fixed assets</b>		<b>1,922,972</b>	<b>1,963,096</b>
<i>Tangible fixed assets</i>	<i>14.1</i>	<i>1,342,690</i>	<i>1,385,572</i>
Cost		2,380,108	2,211,225
Accumulated depreciation		(1,037,418)	(825,653)
<i>Intangible fixed assets</i>	<i>14.2</i>	<i>580,282</i>	<i>577,524</i>
Cost		1,102,483	959,289
Accumulated amortization		(522,201)	(381,765)
<b>Other assets</b>		<b>25,709,897</b>	<b>17,357,782</b>
Receivables	15.1	16,925,460	10,482,282
Interest and fees receivable	15.2	6,032,377	4,427,765
Other assets	15.3	2,780,703	2,473,219
Provision for other assets	15.4	(28,643)	(25,484)
<b>TOTAL ASSETS</b>		<b>377,204,126</b>	<b>323,291,119</b>

## VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**CONSOLIDATED BALANCE SHEET (continued)**

as at 31 December 2019

B02/TCTD-HN


	Notes	31 December 2019	31 December 2018
		VND million	VND million
<b>LIABILITIES</b>			
<b>Amounts due to the Government and the State Bank of Vietnam</b>	<b>16</b>	<b>19,492</b>	<b>3,781,343</b>
<b>Deposits and borrowings from financial institutions and other credit institutions</b>		<b>50,867,989</b>	<b>54,231,451</b>
Deposits from other credit institutions	17.1	12,144,371	21,145,194
Borrowings from financial institutions and other credit institutions	17.2	38,723,618	33,086,257
<b>Customer deposits</b>	<b>18</b>	<b>213,949,568</b>	<b>170,850,871</b>
<b>Derivatives and other financial liabilities</b>	<b>9</b>	<b>45,670</b>	<b>18,571</b>
<b>Other borrowed and entrusted funds</b>	<b>19</b>	<b>291,823</b>	<b>329,649</b>
<b>Valuable papers issued</b>	<b>20</b>	<b>57,599,723</b>	<b>48,658,036</b>
<b>Other liabilities</b>		<b>12,220,119</b>	<b>10,671,129</b>
Interest and fees payable	21.1	7,911,819	5,262,931
Other liabilities	21.2	4,308,300	5,408,198
<b>TOTAL LIABILITIES</b>		<b>334,994,384</b>	<b>288,541,050</b>
<b>OWNERS' EQUITY</b>			
Charter capital		25,299,680	25,299,680
Share premium		692,720	1,289,001
Reserves		7,107,405	5,465,879
Treasury shares		(2,696,030)	(2,491,721)
Retained earnings		11,805,967	5,187,230
<b>TOTAL OWNERS' EQUITY</b>	<b>23</b>	<b>42,209,742</b>	<b>34,750,069</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>377,204,126</b>	<b>323,291,119</b>



VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK  
**CONSOLIDATED BALANCE SHEET (continued)**  
as at 31 December 2019

B02/TCTD-HN

	Notes	31 December 2019	31 December 2018
		VND million	VND million
<b>OFF-BALANCE SHEET ITEMS</b>			
Credit guarantees		25,262	20,626
Foreign exchange commitments		101,257,412	66,626,741
- Spot foreign exchange commitments - buy		1,577,709	1,583,073
- Spot foreign exchange commitments - sell		1,716,899	1,582,743
- Swap contracts		97,962,804	63,460,925
Irrevocable loan commitments		-	1,860
Letters of credit		22,201,501	14,799,169
Other guarantees		16,745,678	13,860,017
Other commitments		140,437,112	111,197,304
	<b>38</b>	<b>280,666,965</b>	<b>206,505,717</b>

Prepared by: 

Ms. Nguyen Thi Thu Hang  
Chief Accountant

Reviewed by:



Ms. Le Hoang Khanh An  
Acting Chief Financial Officer

Approved by:



Mr. Nguyen Duc Vinh  
Chief Executive Officer

Hanoi, Vietnam  
12 March 2020

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK  
**CONSOLIDATED INCOME STATEMENT**  
for the financial year ended 31 December 2019

B03/TCTD-HN

	Notes	2019 VND million	2018 VND million
Interest and similar income	25	49,874,784	40,280,214
Interest and similar expenses	26	(19,204,323)	(15,578,639)
<b>Net interest and similar income</b>		<b>30,670,461</b>	<b>24,701,575</b>
Fee and commission income		5,487,466	3,818,797
Fee and commission expenses		(2,695,846)	(2,206,301)
<b>Net fee and commission income</b>	<b>27</b>	<b>2,791,620</b>	<b>1,612,496</b>
<b>Net loss from trading of foreign currencies</b>	<b>28</b>	<b>(216,879)</b>	<b>(103,750)</b>
<b>Net gain/(loss) from securities held for trading</b>	<b>29</b>	<b>284,845</b>	<b>(56,821)</b>
<b>Net gain from investment securities</b>	<b>30</b>	<b>803,159</b>	<b>250,057</b>
Other operating income		2,682,220	5,363,874
Other operating expenses		(662,555)	(682,613)
<b>Net gain from other operating activities</b>	<b>31</b>	<b>2,019,665</b>	<b>4,681,261</b>
<b>Income from investments in other entities</b>	<b>32</b>	<b>2,634</b>	<b>845</b>
<b>TOTAL OPERATING INCOME</b>		<b>36,355,505</b>	<b>31,085,663</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>33</b>	<b>(12,343,718)</b>	<b>(10,633,924)</b>
<b>Net profit before provision for credit losses</b>		<b>24,011,787</b>	<b>20,451,739</b>
Provision expenses for credit losses	34	(13,687,626)	(11,253,231)
<b>PROFIT BEFORE TAX</b>		<b>10,324,161</b>	<b>9,198,508</b>
Current corporate income tax expense		(2,063,898)	(1,842,940)
<b>Corporate income tax expense</b>	<b>22</b>	<b>(2,063,898)</b>	<b>(1,842,940)</b>
<b>PROFIT AFTER TAX</b>		<b>8,260,263</b>	<b>7,355,568</b>
<b>Basic earnings per share (VND)</b>	<b>24</b>	<b>3,376</b>	<b>3,025</b>

Prepared by: 


Ms. Nguyen Thi Thu Hang  
Chief Accountant

Reviewed by:



Ms. Le Hoang Khanh An  
Acting Chief Financial Officer

Approved by:



Mr. Nguyen Duc Vinh  
Chief Executive Officer

Hanoi, Vietnam  
12 March 2020



VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK  
**CONSOLIDATED CASH FLOW STATEMENT**  
for the year ended 31 December 2019

B04/TCTD-HN

	Notes	2019 VND million	2018 VND million
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest and similar receipts		48,403,838	39,792,502
Interest and similar payments		(16,615,034)	(15,399,517)
Net fee and commission receipts		2,736,292	1,511,310
Net receipts from dealing in foreign currencies, gold and securities trading activities		705,161	225,811
Other income		141,417	2,589,855
Recoveries from bad debts previously written-off		1,864,821	2,092,678
Payments for employees and other operating activities		(11,806,924)	(10,616,997)
Corporate income tax paid in the year	22	(2,265,251)	(1,810,679)
<b>Net cash flows from operating profit before changes in operating assets and liabilities</b>		<b>23,164,320</b>	<b>18,384,963</b>
<b>Changes in operating assets</b>			
Placements with and credit granting to other credit institutions		(3,380,704)	1,068,172
Investment securities		(16,390,678)	(2,149,369)
Loans to customers		(31,652,443)	(38,593,215)
Provision to write off loans to customers, securities and long-term investments		(14,369,777)	(10,676,250)
Changes in other operating assets		(7,036,989)	(2,396,348)
<b>Changes in operating liabilities:</b>			
Amounts due to the Government and the SBV		(3,761,851)	3,755,329
Deposits and borrowings from financial institutions and other credit institutions		(3,363,462)	16,167,602
Customer deposits (including deposits from State Treasury)		43,098,697	37,300,059
Valuable papers issued (except for valuable papers issued for financing activities)		11,556,687	(14,946,570)
Other borrowed and entrusted funds		(37,826)	872
Derivatives and other financial liabilities		27,100	(141,898)
Changes in other operating liabilities		(1,020,439)	912,972
<b>Net cash flows (used in)/from operating activities</b>		<b>(3,167,365)</b>	<b>8,686,319</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of fixed assets		(48,222)	(118,535)
Proceeds from disposal of fixed assets		14,316	453
Payments for investment in other entities		(11,000)	-
Dividends received and profit distributed from long-term investments		2,634	845
<b>Net cash flows used in investing activities</b>		<b>(42,272)</b>	<b>(117,237)</b>

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK  
**CONSOLIDATED CASH FLOW STATEMENT (continued)**  
for the year ended 31 December 2019

B04/TCTD-HN

	Notes	2019 VND million	2018 VND million
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in charter capital from capital contribution and/or share issuance		-	336,951
Proceeds from sale of treasury shares		310,000	-
Payment to purchase treasury shares		(1,110,590)	(2,491,721)
Payment for long term valuable papers eligible to be included in capital and other long-term borrowings		(2,615,000)	(2,500,000)
Dividends distributed to shareholders		-	(146,439)
<b>Cash flows used in financing activities</b>		<b>(3,415,590)</b>	<b>(4,801,209)</b>
<b>Net cash flows in the year</b>		<b>(6,625,227)</b>	<b>3,767,873</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>28,021,672</b>	<b>24,253,799</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>35</b>	<b>21,396,445</b>	<b>28,021,672</b>
<b>SIGNIFICANT NON-CASH TRANSACTIONS IN THE YEAR</b>			
Bonus shares issued using the capital supplementary reserve and investment and development fund and premium shares		-	4,731,795
Increase in charter capital from retained earnings		-	4,524,704
Decrease in premium shares due to issuing treasury shares under ESOP		(596,281)	-

Prepared by: 

Ms. Nguyen Thi Thu Hang  
Chief Accountant

Reviewed by: 

Ms. Le Hoang Khanh An  
Acting Chief Financial Officer

Approved by: 

Mr. Nguyen Duc Vinh  
Chief Executive Officer

Hanoi, Vietnam  
12 March 2020



1. GENERAL INFORMATION

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

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

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

Charter capital

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

Operational network

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

Subsidiaries

As at 31 December 2019, the Bank has two (2) directly owned subsidiaries as follow:

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

Employees

As at 31 December 2019, total number of permanent employees of the Bank and its subsidiaries is 27,082 persons (31 December 2018: 27,429 persons).

2. ACCOUNTING PERIOD AND ACCOUNTING CURRENCY

2.1 FISCAL YEAR

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

2.2 ACCOUNTING CURRENCY

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

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM

3.1 STATEMENT OF COMPLIANCE

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

3.2 ACCOUNTING STANDARDS AND SYSTEM

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

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

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

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



3.3 ASSUMPTIONS AND USES OF ESTIMATES

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

3.4 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries for the year ended 31 December 2019.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted by the Bank in preparation of the consolidated financial statements are consistent with those followed in the preparation of the Bank’s consolidated financial statements for the year ended 31 December 2018, except for the following change in the accounting policies:

*Circular No. 48/2019/TT-BTC providing guidance to the appropriation and use of provisions for devaluation of inventories, loss of financial investments, bad receivable debts and warranty for products, goods and construction works at enterprises*

On 8 August 2019, the Ministry of Finance issued Circular No. 48/2019/TT-BTC (“Circular 48”) providing guidance to the appropriation and use of provisions for devaluation of inventories, loss of financial investments, bad receivable debts and warranty for products, goods and construction works as a basis for determining deductible expenses when determining taxable income corporate income.

Circular 48 provides regulations on method, time and rate of provision made for devaluation of inventories, loss of financial investments, bad receivable debts and warranty for products, goods and construction as well as utilization of those provision.

Circular 48 has taken effect since 10 October 2019, applied from fiscal year 2019 and replaced Circular No. 228/2009/TT-BTC dated 7 December 2009, Circular No. 34/2011/TT--BTC dated 14 March 2011 and Circular No. 89/2013/TT-BTC dated 28 June 2013.

4.2 CASH AND CASH EQUIVALENTS

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

4.3 PLACEMENTS WITH AND CREDIT GRANTING TO OTHER CREDIT INSTITUTIONS

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

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

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

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

4.4 LOANS TO CUSTOMERS

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

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

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

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

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

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

	Group	Description	Provision rate
1	Current	(a) Current debts are assessed as fully and timely recoverable for both principals and interests; or	0%
		(b) Debts are overdue for a period of less than 10 days and assessed as fully recoverable for both overdue principals and interests, and fully and timely recoverable for both remaining principals and interests.	
2	Special Mention	(a) Debts are overdue for a period of between 10 days and 90 days; or	5%
		(b) Debts which the repayment terms are restructured for the first time.	



VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

	Group	Description	Provision rate
<b>3 Sub standard</b>	(a)	Debts are overdue for a period of between 91 days and 180 days; or	<b>20%</b>
	(b)	Debts which the repayment terms are extended for the first time; or	
	(c)	Debts which interests are exempted or reduced because customers do not have sufficient capability to repay all interests under credit contracts; or	
	(d)	Debts under one of the following cases which have not been recovered in less than 30 days from the date of the recovery decision: <ul style="list-style-type: none"><li>• Debts made in compliance with Clause 1, 3, 4, 5, 6 under Article 126 of Law on Credit Institutions; or</li><li>• Debts made in compliance with Clause 1, 2, 3, 4 under Article 127 of Law on Credit Institutions; or</li><li>• Debts made in compliance with Clauses 1, 2 and 5 under Article 128 of Law on Credit Institutions.</li></ul>	
	(e)	Debts are required to be recovered according to regulatory inspection conclusions.	
<b>4 Doubtful</b>	(a)	Debts are overdue for a period of between 181 days and 360 days; or	<b>50%</b>
	(b)	Debts which the repayment terms are restructured for the first time but still overdue for a period of less than 90 days under that restructured repayment term; or	
	(c)	Debts which the repayment terms are restructured for the second time; or	
	(d)	Debts are specified in point (d) of Loan group 3 and overdue for a period of between 30 days and 60 days after decisions of recovery have been issued; or	
	(e)	Debts are required to be recovered according to regulatory inspection conclusions but still outstanding with an overdue period up to 60 days since the recovery date as required by regulatory inspection conclusions.	
<b>5 Loss</b>	(a)	Debts are overdue for a period of more than 360 days; or	<b>100%</b>
	(b)	Debts which the repayment terms are restructured for the first time but still overdue for a period of 90 days or more under that first restructured repayment term; or	
	(c)	Debts which the repayment terms are restructured for the second time but still overdue under that second restructured repayment term; or	
	(d)	Debts which the repayment terms are restructured for the third time or more, regardless of being overdue or not; or	
	(e)	Debts are specified in point (d) of Loan group 3 and overdue for a period of more than 60 days after decisions on recovery have been issued; or	
	(f)	Debts are required to be recovered under regulatory inspection conclusions but still outstanding with an overdue period of more than 60 days since the recovery date as required by regulatory inspection conclusions; or	
	(g)	Debts of credit institutions under special control as announced by the SBV, or debts of foreign bank branches which capital and assets are blocked.	

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

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

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

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

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

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

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

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

**4.6.2 Measurement**

Listed debt securities held for trading are recognized at cost less provision for diminution in value of securities. In which, the price of government bonds or local governments bonds determined for the purpose of provisioning is the latest transaction price on the Stock Exchange within 10 days up to the date of financial statements. If there is no transaction within 10 days as of the date of preparation of annual financial statement up to the date of financial statements, the Bank shall not make provision for this investment.

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

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

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

**4.6.3 De-recognition**

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

**4.7 AVAILABLE-FOR-SALE SECURITIES**

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



VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

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

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

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

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

Provision for diminution in value of securities is made when the carrying value is higher than the market value in compliance with Circular No. 48/2019/TT-BTC issued by the Ministry of Finance on 8 August 2009. In case market prices of securities are not available or cannot be determined reliably, no provision is made. Diminution provision is recognized in “Net gain from investment securities” in the consolidated income statement.

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

4.8 HELD-TO-MATURITY INVESTMENT SECURITIES

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

Special bonds issued by VAMC

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

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

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

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

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

In which:

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

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

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

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

Other held-to-maturity securities

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

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

4.9 RE-PURCHASE AND REVERSE RE-PURCHASE CONTRACTS

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

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

4.10 OTHER LONG-TERM INVESTMENTS

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



For listed securities or unlisted but registered for trading securities on unlisted public companies market (UPCoM), provision for diminution in value is made when their listed/registered price for trading is lower than the carrying value of the securities at the year-end. In which, the listed/registered price is the average reference price in the 30 lastest trading days up to the date of financial statements. In case listed securities on UPCoM have no transactions made within 30 lastest trading days up to the date of financial statements, VPBank determines provision for diminution in the value of other long-term investment according to the following cases.

In other cases, at the year-end of the Bank, if the other long-term investments are impaired compared to the carrying value, the Bank will make provision for diminution in the value of other long-term investment according to Clause 2, Article 5 of TT48/2019/TT-BTC.

Based on the separate financial statements of the investee at the same time with the Bank’s financial statements, provision for diminution in the value of other long-term investment is calculated according to the following formula:

Provision for  
diminution in value of  
each investment

=

Percentage of invested  
amount (%) of the Bank  
in the entity at the  
reporting date

x

Total invested amount  
of all parties in the  
entity at the reporting  
date

-

Owners' equity of the  
entity at the reporting  
date

In case the investee does not make the separate financial statement at the same time the Bank of provision date, the Bank will not make a provision for diminution in the value of long-term investment.

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

4.11 FIXED ASSETS

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

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

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

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

4.12 DEPRECIATION AND AMORTIZATION

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

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

4.13 OPERATING LEASE

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

4.14 RECEIVABLES

4.14.1 Receivables classified as credit-risk bearing assets

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

4.14.2 Other receivables

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

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

Provision for overdue debts is made in accordance with Circular No. 48/2019/TT-BTC as follows:

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

4.15 PREPAID EXPENSES

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

4.16 SHARE CAPITAL

4.16.1 Ordinary shares

Ordinary shares are classified as owners' equity.

4.16.2 Share premium

Share premium reflects the difference (increase or decrease) between the issuance price and the par value of the shares (including cases of treasury stocks reissuance), as well as direct expenses related to share issuance or treasury share sale.



4.16.3 Treasury premium

When the Bank repurchases its ordinary shares, the total paid amount including directly attributable costs, net off any tax effects, is recognized as a deduction from equity. Repurchase ordinary share is reported as treasury shares.

4.16.4 Statutory reserves

Reserves of the Bank

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

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

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

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

Reserves of VPBank Asset Management Company Limited

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

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

Reserves of VPBank Finance Company Limited

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

4.17 RECOGNITION OF INCOME AND EXPENSES

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

Fees and commissions are recognized on an accrual basis.

4.18 DEBTS TRADING OPERATION

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

Purchase debts

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

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

Sale of debts

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

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

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

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

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

4.19 FOREIGN CURRENCY TRANSACTIONS

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

4.20 PAYABLES AND ACCRUALS

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



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

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

4.22 CORPORATE INCOME TAXES

Current income tax

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

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

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

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

Deferred tax

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

Deferred tax payable is recognized for all temporary taxable differences.

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

4.23 FIDUCIARY ASSETS

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

4.24 CLASSIFICATION FOR OFF-BALANCE SHEET COMMITMENTS

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

4.25 OFFSETTING

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

4.26 DERIVATIVES

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

Currency forward contracts

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

Swap contracts

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

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

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

Option contracts

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

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

Government bond futures contract

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

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



4.27 EMPLOYEE BENEFITS

4.27.1 Post-employment benefits

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

4.27.2 Voluntary resignation benefits

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

4.27.3 Unemployment insurance

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

4.28 BUSINESS COMBINATIONS AND GOODWILL

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

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

5. CASH, GOLD AND GEMSTONES

	31 December 2019 VND million	31 December 2018 VND million
Cash on hand in VND	1,631,328	1,227,415
Cash on hand in foreign currencies	658,473	548,625
Gold on hand	169,520	79,433
	<b>2,459,321</b>	<b>1,855,473</b>

6. BALANCES WITH THE STATE BANK OF VIETNAM

	31 December 2019 VND million	31 December 2018 VND million
<b>Demand deposits at the SBV</b>	<b>3,454,138</b>	<b>10,828,571</b>
In VND	3,222,431	10,466,976
In foreign currencies	231,707	361,595
	<b>3,454,138</b>	<b>10,828,571</b>

Balances with the SBV include current account and compulsory reserves. As at 31 December 2019, compulsory reserve in VND and current account in foreign currencies bear interest at rate of 0.80% p.a. and 0.05% p.a., respectively (31 December 2018: 1.20% p.a. and 0.05% p.a., respectively).

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

7. PLACEMENTS WITH AND CREDIT GRANTING TO OTHER CREDIT INSTITUTIONS

7.1 PLACEMENTS WITH OTHER CREDIT INSTITUTIONS

	31 December 2019 VND million	31 December 2018 VND million
<b>Demand deposits</b>	<b>1,843,111</b>	<b>12,068,678</b>
In VND	1,245,782	9,934,829
In foreign currencies	597,329	2,133,849
<b>Term deposits</b>	<b>13,639,875</b>	<b>3,268,950</b>
In VND	11,670,000	2,363,370
In foreign currencies	1,969,875	905,580
	<b>15,482,986</b>	<b>15,337,628</b>

7.2 CREDIT GRANTING TO OTHER CREDIT INSTITUTIONS

	31 December 2019 VND million	31 December 2018 VND million
In VND	4,151,067	769,463
In foreign currencies	463,500	464,400
	<b>4,614,567</b>	<b>1,233,863</b>



VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

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

	31 December 2019 % per annum	31 December 2018 % per annum
Term deposits in VND	1.30 - 6.45	3.90 - 6.00
Term deposits in foreign currencies	1.90 - 2.00	2.60 - 3.20
Credit granting in VND	3.54 - 5.50	4.67 - 6.83
Credit granting in foreign currencies	2.10 - 3.60	3.00 - 3.30

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

	31 December 2019 VND million	31 December 2018 VND million
Current	18,254,442	4,502,813
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	-	-
	<b>18,254,442</b>	<b>4,502,813</b>

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

	31 December 2019 VND million	31 December 2018 VND million
Government and municipal securities	1,571,141	4,240,742
	<b>1,571,141</b>	<b>4,240,742</b>
<b>Provision for securities held for trading</b>	<b>(4,549)</b>	<b>(38,329)</b>
Provision for diminution in value of securities held for trading	(4,549)	(38,329)
	<b>1,566,592</b>	<b>4,202,413</b>

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

	2019 VND million	2018 VND million
Opening balance	38,329	-
Provision charged/(reversed) in the year (Note 29)	(33,780)	38,329
<b>Closing balance</b>	<b>4,549</b>	<b>38,329</b>

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

**8.2 SECURITIES HELD FOR TRADING BY LISTING STATUS**

	31 December 2019 VND million	31 December 2018 VND million
<b>Debt securities</b>		
Listed	<b>1,571,141</b>	<b>4,240,742</b>

**9. DERIVATIVES AND OTHER FINANCIAL LIABILITIES**

	Total contract nominal value (at contractual exchange rate) VND million	Total carrying value (at exchange rate as at reporting date)		
		Assets VND million	Liabilities VND million	Net value VND million
As at 31 December 2019				
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 derivative financial instruments	5,442,266	2,851,038	(2,847,650)	3,388
	59,263,792	56,448,964	(56,494,634)	(45,670)
As at 31 December 2018				
Derivative financial instruments	37,477,476	37,284,817	(37,361,354)	(76,537)
Currency forward contracts	7,030,491	7,006,722	(6,995,804)	10,918
Currency swap contracts	30,446,985	30,278,095	(30,365,550)	(87,455)
Other derivative financial instruments	6,350,452	4,442,399	(4,384,433)	57,966
	43,827,928	41,727,216	(41,745,787)	(18,571)

**10. LOANS TO CUSTOMERS**

	31 December 2019 VND million	%	31 December 2018 VND million	%
Loans to domestic economic entities and individuals	237,902,129	92.50	210,805,697	94.97
Discounted bills and valuable papers	137,060	0.05	152,527	0.07
Payments on behalf of customers	131	0.00	1,381	0.00
Loans financed by borrowed and entrusted funds	362,045	0.14	488,959	0.22
Loans to foreign economic entities and individuals	-	0.00	220	0.00
Other credit granting to customers	18,782,594	7.31	10,513,212	4.74
	<b>257,183,959</b>	<b>100</b>	<b>221,961,996</b>	<b>100</b>



VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

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

	31 December 2019 % per annum	31 December 2018 % per annum
Range of interest rate of commercial loans in VND	3.00 -14.50	3.00 -13.50
Range of interest rate commercial loans in foreign currencies	4.00 - 6.50	3.30 - 5.50
Average interest rate of consumer loans in VND	43.83	43.83

**10.1 ANALYSIS OF LOAN PORTFOLIO BY QUALITY**

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

	31 December 2019 VND million	31 December 2018 VND million
Current	236,147,780	202,527,738
Special mention	12,238,635	11,667,993
Substandard	5,447,770	4,217,034
Doubtful	1,311,426	1,691,989
Loss	2,038,348	1,857,242
	<b>257,183,959</b>	<b>221,961,996</b>

**10.2 ANALYSIS OF LOAN PORTFOLIO BY ORIGINAL MATURITY**

	31 December 2019 VND million	31 December 2018 VND million
Short term	89,235,058	73,407,839
Medium term	110,887,144	99,662,806
Long term	57,061,757	48,891,351
	<b>257,183,959</b>	<b>221,961,996</b>

**10.3 ANALYSIS OF LOAN PORTFOLIO BY OWNERSHIP AND TYPE OF CUSTOMERS**

	31 December 2019 VND million	%	31 December 2018 VND million	%
State-owned companies	1,922,461	0.75	2,149,158	0.97
One-member limited liability companies with 100% State ownership	412,867	0.16	830,083	0.37
Two or more member limited liability companies with over 50% State ownership or being controlled by the State	27,830	0.01	17,358	0.01
Other limited liability companies	41,273,951	16.05	37,131,870	16.73

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

	31 December 2019 VND million	%	31 December 2018 VND million	%
Joint stock companies with over 50% State ownership or being controlled by the State	269,930	0.10	412,641	0.19
Other joint-stock companies	61,696,189	24.00	51,966,135	23.41
Private enterprises	440,954	0.17	476,169	0.22
Foreign invested enterprises	114,211	0.04	399,702	0.18
Co-operatives and unions of co-operative	60,566	0.02	68,449	0.03
Household business and individuals	150,954,341	58.90	128,503,645	57.89
Operation administration entity, the Party, unions and associations	9,808	0.00	5,826	0.00
Others	851	0.00	960	0.00
	<b>257,183,959</b>	<b>100</b>	<b>221,961,996</b>	<b>100</b>

**10.4 ANALYSIS OF LOAN PORTFOLIO BY SECTORS**

	31 December 2019 VND million	%	31 December 2018 VND million	%
Agricultural, forestry and aquaculture	1,224,901	0.48	1,149,359	0.52
Mining	872,775	0.34	391,618	0.18
Processing, manufacturing	12,299,785	4.78	11,938,173	5.38
Electricity, petroleum and steam	2,500,209	0.97	1,865,916	0.84
Water supply and waste treatment	204,229	0.08	216,406	0.10
Construction	21,607,181	8.40	19,234,916	8.67
Wholesale and retail trade, repair of motor vehicles, motor cycles and personal goods	29,559,991	11.50	24,644,053	11.10
Transportation and logistics	7,286,253	2.83	7,945,263	3.58
Hospitality and restaurants	9,809,042	3.81	9,902,603	4.46
Information and media	345,026	0.13	396,897	0.18
Finance, banking and insurance services	5,749,920	2.24	3,969,632	1.79
Real estates	24,361,962	9.48	23,502,217	10.56
Scientific research and technology	565,941	0.22	638,907	0.29
Administrative activities and support services	1,476,380	0.57	1,563,129	0.70



VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

	31 December 2019 VND million	%	31 December 2018 VND million	%
Activities of the Communist Party, political - social organizations, state management, security and defense	6,433	0.00	11,539	0.01
Education and vocational training	237,645	0.09	327,506	0.15
Healthcare and community development	61,958	0.02	34,359	0.02
Recreational, cultural, sporting activities	293,082	0.11	214,758	0.10
Other services	423,702	0.16	333,180	0.15
Households services, production of material products and services used by households	110,975,275	43.16	93,833,408	42.26
Loans to individual customers for accommodation purpose and obtain land use rights	27,319,010	10.63	19,839,780	8.96
Activities of other foreign organizations and offices	3,259	0.00	8,377	0.00
	<b>257,183,959</b>	<b>100</b>	<b>221,961,996</b>	<b>100</b>

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

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

	31 December 2019 VND million	31 December 2018 VND million
General provision	1,920,435	1,525,190
Specific provision	2,163,659	2,041,583
	<b>4,084,094</b>	<b>3,566,773</b>

Changes in provision for credit losses in the year 2019 are as follows:

	General provision VND million	Specific provision VND million	Total VND million
Opening balance	1,525,190	2,041,583	3,566,773
Provision charged in the year (Note 34)	395,245	12,292,807	12,688,052
Change in provision due to sale or purchase of VAMC bonds	-	408,387	408,387
Provision used to written-off bad debts	-	(12,579,118)	(12,579,118)
<b>Closing balance</b>	<b>1,920,435</b>	<b>2,163,659</b>	<b>4,084,094</b>

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

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

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

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

	31 December 2019 VND million	31 December 2018 VND million
<b>Debt securities</b>	<b>67,771,550</b>	<b>49,401,800</b>
Government and municipal securities	28,659,332	23,476,465
Debt securities issued by other domestic credit institutions	24,889,488	17,097,423
<i>In which: Bonds guaranteed by the Government</i>	<i>4,284,703</i>	<i>6,533,088</i>
Debt securities issued by domestic economic entities	14,222,730	8,827,912
<b>Equity securities</b>	<b>15,357</b>	<b>15,357</b>
Equity securities issued by domestic economic entities	15,357	15,357
	<b>67,786,907</b>	<b>49,417,157</b>
<b>Provision for available-for-sale securities</b>	<b>(151,873)</b>	<b>(265,319)</b>
Diminution provision	(26,865)	(83,901)
General provision	(125,008)	(181,418)
	<b>67,635,034</b>	<b>49,151,838</b>

Government bonds have terms at purchase date from 6 months to 15 years and bear interest at rates ranging from 2.60% per annum to 7.48% per annum (31 December 2018: terms at purchase date 3 months to 15 years, interest at rates ranging from 2.90% per annum to 12.00% per annum).

Debt securities issued by domestic credit institutions (excluding bonds guaranteed by the Government) have terms at purchase date from 2 months to 3 years and bear interest at rates ranging from 4.70% per annum to 8.70% per annum (31 December 2018: terms at purchase date of 12 months to 3 years, interest at rates ranging from 5.30% per annum to 8.20% per annum).



VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

Debt securities issued by other domestic economic entities have terms at purchase date from 1 year to 11 years and bear interest at rates ranging from 6.00% per annum to 12.00% per annum (31 December 2018: terms at purchase date from 6 months to 11 years, interest at rates ranging from 9.50% per annum to 11.25% per annum).

Face value of bonds pledged for capital mobilization contracts as at 31 December 2019 amounted to VND9,610,000 million (31 December 2018: VND13,277,938 million).

Face value of bonds sold under agreement to repurchase as at 31 December 2019 amounted to VND800,000 million (31 December 2018: VND7,550,000 million).

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

	31 December 2019 VND million	31 December 2018 VND million
Listed bonds	32,944,035	30,009,553
Unlisted bonds (Note 12.4)	23,043,344	15,392,019
Other unlisted debt securities	11,784,171	4,000,228
Listed equity securities	15,357	15,357
	<b>67,786,907</b>	<b>49,417,157</b>

**12.2 HELD-TO-MATURITY SECURITIES**

	31 December 2019 VND million	31 December 2018 VND million
Government bonds	1,094,329	403,800
Special bonds	-	3,161,133
	<b>1,094,329</b>	<b>3,564,933</b>
<b>Provision for held-to-maturity securities</b>	-	<b>(790,355)</b>
Provision for special bonds	-	(790,355)
	<b>1,094,329</b>	<b>2,774,578</b>

Government bonds as at 31 December 2019 have terms from 9 months to 4 years and bear interest at rates ranging from 2.90% per annum to 10.80% per annum (31 December 2018: terms from 3 years to 5 years and bear interest at rates ranging from 5.70% per annum to 8.20% per annum).

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

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

	31 December 2019 VND million	31 December 2018 VND million
Listed bonds	1,094,329	403,800

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

**12.3 PROVISION FOR INVESTMENT SECURITIES**

Movement of provision for investment securities during 2019 is as follows:

	Available-for-sale securities VND million	Held-to-maturity securities VND million	Total VND million
Opening balance	265,319	790,355	1,055,674
Provision charged/(reversed) in the year	(113,446)	999,326	885,880
In which:			
<i>Special bonds (Note 34)</i>	-	999,326	999,326
<i>Other securities (Note 30)</i>	(113,446)	-	(113,446)
Repurchase VAMC bonds and use of provision to write-off	-	(1,789,681)	(1,789,681)
<b>Closing balance</b>	<b>151,873</b>	<b>-</b>	<b>151,873</b>

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

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

**12.4 ANALYSIS OF INVESTMENT SECURITIES BY QUALITY**

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

	31 December 2019 VND million	31 December 2019 VND million
Current	23,043,344	15,392,019
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	-	-
	<b>23,043,344</b>	<b>15,392,019</b>



13. LONG-TERM INVESTMENTS

	31 December 2019		31 December 2018	
	Cost VND million	% owned	Cost VND million	% owned
<b>Investments in economic entities</b>				
ITRACO Transportation Joint Stock Company	21	0.64	21	0.64
Dong Xuan Join 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
Sai Gon Port Joint Stock Company	185,276	7.44	185,276	7.44
OPES Insurance Joint Stock Company	44,000	11.00	33,000	11.00
	<b>238,602</b>		<b>227,602</b>	
<b>Provision for other long-term investments</b>	<b>(74,177)</b>		<b>(36,948)</b>	
	<b>164,425</b>		<b>190,654</b>	

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

	2019 VND million	2018 VND million
Opening balance	36,948	42,096
Provision charged/(reversed) in the year (Note 33)	37,229	(5,148)
<b>Closing balance</b>	<b>74,177</b>	<b>36,948</b>

14. FIXED ASSETS

14.1 TANGIBLE FIXED ASSETS

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

	Buildings and architectonic models VND million	Machines and equipment VND million	Motor vehicles VND million	Office equipment VND million	Other VND million	Total VND million
<b>Cost</b>						
Opening balance	1,032,460	848,380	151,225	104,009	75,151	2,211,225
Purchases in the year	-	9,578	8,047	3,597	-	21,222
Other increase/(decrease)	(15,149)	145,195	5,666	29,783	4,655	170,150
Disposal	-	(4,645)	(2,510)	(10,047)	(5,287)	(22,489)
Closing balance	1,017,311	998,508	162,428	127,342	74,519	2,380,108
<b>Accumulated depreciation</b>						
Opening balance	39,961	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
Other increase	-	-	-	19	-	19
Disposal	-	(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>						
As at beginning date	992,499	287,739	55,651	26,859	22,824	1,385,572
As at closing date	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).



VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

**14.2 INTANGIBLE FIXED ASSETS**

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

	Land use rights VND million	Computer software VND million	Total VND million
<b>Cost</b>			
Opening balance	69,147	890,142	959,289
Purchases in the year	-	27,000	27,000
Other increase	-	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>			
At the beginning date	68,279	509,245	577,524
At the closing date	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).

**15. OTHER ASSETS****15.1 RECEIVABLES**

	31 December 2019 VND million	31 December 2018 VND million
Internal receivables	201,443	126,920
External receivables	16,550,647	10,159,653
- <i>Receivables related to usance letters of credit</i>	13,260,870	7,730,707
- <i>Deposit receivables and receivables for Government bond futures contracts</i>	20,323	-
- <i>Deposits for economic contracts</i>	741,912	742,794
- <i>Credit risk bearing assets</i>	33,000	36,165
- <i>Receivables in settlement operation</i>	326,812	243,669
- <i>Advances to suppliers</i>	141,023	133,879
- <i>Other external receivables</i>	2,026,707	1,272,439
Purchase of fixed assets	171,842	155,675
Construction in progress	1,528	40,034
	<b>16,925,460</b>	<b>10,482,282</b>

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

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

	31 December 2019 VND million	31 December 2018 VND million
Current	33,000	36,000
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	-	165
	<b>33,000</b>	<b>36,165</b>

**15.2 ACCRUED INTEREST AND FEE RECEIVABLES**

	31 December 2019 VND million	31 December 2018 VND million
Interest receivables from deposits	13,818	12,977
Interest receivables from investment securities	2,029,342	1,694,874
Interest receivables from credit activities	3,657,957	2,522,319
Interest receivables from derivative instruments	203,526	125,209
Other fee receivables	127,734	72,386
	<b>6,032,377</b>	<b>4,427,765</b>

**15.3 OTHER ASSETS**

	31 December 2019 VND million	31 December 2018 VND million
Materials	8,863	13,193
Prepaid expenses	2,238,162	1,759,552
Assets in substitution for obligation performance of securers who has transferred the ownership to the Bank	533,678	700,474
<i>In which: Real estates</i>	533,678	700,474
	<b>2,780,703</b>	<b>2,473,219</b>



VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

**15.4 PROVISION FOR OTHER ASSETS**

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

	2019 VND million	2018 VND million
Opening balance	25,484	21,403
Provision charged in the year	4,137	4,081
<i>In which:</i>		
Charge of provision for other credit risk bearing assets (Note 34)	248	-
Charge of provision for doubtful debts (Note 33)	3,889	4,081
Provision used to write-off bad debts	(978)	-
<b>Closing balance</b>	<b>28,643</b>	<b>25,484</b>

Details of provision for other assets are as follows:

	31 December 2019 VND million	31 December 2018 VND million
Provision for credit risks bearing assets	248	165
- General provision	248	-
- Specific provision	-	165
Provision for doubtful debts	28,395	25,319
	<b>28,643</b>	<b>25,484</b>

Details of uncollectible debts written off in the year are as follows:

	2019 VND million	2018 VND million
Opening balance	-	-
Written off in the year	978	-
<b>Closing balance</b>	<b>978</b>	<b>-</b>

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

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

	31 December 2019 VND million	31 December 2018 VND million
<b>Borrowings from the State Bank of Vietnam</b>	<b>19,492</b>	<b>1,781,343</b>
Discount, rediscount of valuable papers	-	1,759,184
Other borrowings	19,492	22,159
<b>Deposits of the State Treasury</b>	<b>-</b>	<b>2,000,000</b>
Deposits of the State Treasury	-	2,000,000
	<b>19,492</b>	<b>3,781,343</b>

As at 31 December 2019, borrowings from the State Bank of Vietnam have terms of 1 year and bear interest at rates of 3.50% per annum (31 December 2018: term from 7 days to 12 months and bear interest at rates from 3.50% to 4.75% per annum); deposits of the State Treasury have terms of 2 months and bear interest at rate o 4.40% per annum).

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

	31 December 2019 VND million	31 December 2018 VND million
<b>Demand deposits</b>	<b>118,996</b>	<b>3,523,109</b>
In VND	118,973	3,523,086
In foreign currencies	23	23
<b>Term deposits</b>	<b>12,025,375</b>	<b>17,622,085</b>
In VND	11,909,500	14,754,415
In foreign currencies	115,875	2,867,670
	<b>12,144,371</b>	<b>21,145,194</b>

**17.2 BORROWINGS FROM FINANCIAL INSTITUTIONS AND OTHER CREDIT INSTITUTIONS**

	31 December 2019 VND million	31 December 2018 VND million
<b>Payables arising from usance letters of credit (i)</b>	<b>13,392,568</b>	<b>7,730,682</b>
<b>Borrowings from financial institutions and other credit institutions</b>	<b>25,331,050</b>	<b>25,355,575</b>
In VND	6,552,872	8,470,907
<i>In foreign currencies (ii)</i>	18,778,178	16,884,668
	<b>38,723,618</b>	<b>33,086,257</b>

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

(ii) Borrowings from financial institutions and other credit institutions in foreign currencies include VND1,184,648 borrowed from International Finance Company (31 Dec 2018: VND3,103,829).



VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

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

	31 December 2019 VND million	31 December 2018 VND million
Up to 6 months	5,618,462	7,268,680
From over 6 months to 12 months	10,590,000	5,314,600
From over 12 months to 5 years	9,080,686	12,580,013
Over 5 years	41,902	192,282
	<b>25,331,050</b>	<b>25,355,575</b>

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

	31 December 2019 % per annum	31 December 2018 % per annum
Term deposits from other credit institutions in VND	1.20 - 6.00	1.00 - 9.20
Term deposits from other credit institutions in foreign currencies	1.70	2.50 - 2.70
Borrowings from financial institutions and other credit institutions in VND	3.50 - 7.90	3.60 - 7.80
Borrowings from other financial institutions and credit institutions in foreign currencies	0.75 - 9.00	0.72 - 9.00

**18. CUSTOMER DEPOSITS**

	31 December 2019 VND million	31 December 2018 VND million
Demand deposits	27,675,110	22,630,333
- In VND	25,884,855	20,024,737
- In foreign currencies	1,790,255	2,605,596
Term deposits	185,579,451	147,477,943
- In VND	183,069,112	144,373,905
- In foreign currencies	2,510,339	3,104,038
Deposits for specific purposes	21,406	109,518
- In VND	16,932	63,262
- In foreign currencies	4,474	46,256
Margin deposits	673,601	633,077
- In VND	617,204	548,204
- In foreign currencies	56,397	84,873
	<b>213,949,568</b>	<b>170,850,871</b>

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

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

	31 December 2019 VND million	%	31 December 2018 VND million	%
State-owned companies	2,663,269	1.24	2,413,160	1.41
One-member limited liability companies with 100% State ownership	1,219,309	0.57	649,260	0.38
Two or more member limited liability companies with over 50% State ownership or controlled by the State	586,735	0.27	209,850	0.12
Other limited liability companies	30,285,397	14.16	19,809,772	11.59
Joint stock companies with over 50% State ownership or controlled by the State	3,485,615	1.63	1,907,339	1.12
Other joint-stock companies	36,824,109	17.21	37,128,315	21.73
Partnership companies	3,567	0.00	2,370	0.00
Private enterprises	49,893	0.02	76,874	0.04
Foreign invested enterprises	674,667	0.32	641,600	0.38
Co-operatives and unions of co-operative	15,492	0.01	28,047	0.02
Household business and individuals	134,882,868	63.05	105,126,089	61.53
Operation administration entity, the Party, unions and associations	3,167,201	1.48	2,708,927	1.59
Others	91,446	0.04	149,268	0.09
	<b>213,949,568</b>	<b>100</b>	<b>170,850,871</b>	<b>100</b>

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

	31 December 2019 % per annum	31 December 2018 % per annum
Demand deposits in VND	0.50	0.50
Demand deposits in foreign currencies	0.00	0.00
Term deposits in VND	0.80 - 10.00	1.00 - 11.00
Term deposits in foreign currencies	0.00 - 2.10	0.00 - 2.30

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

**19. OTHER BORROWED AND ENTRUSTED FUNDS**

	31 December 2019 VND million	31 December 2018 VND million
Borrowed and entrusted funds in VND from Official Development Assistance (ODA)	291,823	329,649

Other borrowed and entrusted funds have terms from 3 years to 10 years and bear interest at rate from 5.16% to 5.18% per annum (31 December 2018: terms from 3 years to 10 years and bear interest at rate of 4.97% per annum).

**20. VALUABLE PAPERS ISSUED**

Valuable papers issued by original term are as follows:

	31 December 2019 VND million	31 December 2018 VND million
Under 12 months	4,594,094	7,792,919
From 12 months up to 5 years	51,911,198	37,338,755
From 5 years and above	1,094,431	3,526,362
	<b>57,599,723</b>	<b>48,658,036</b>

Valuable papers consist of certificates of deposits and bonds which bear interest at rates ranging from 4.50% per annum to 10.75% per annum (31 December 2018: from 5.25% per annum to 11.50% per annum).

Types of valuable papers issued are as follows:

	31 December 2019 VND million	31 December 2018 VND million
Certificates of deposit to retail customers	1,331,089	10,005,918
Certificates of deposit to corporate customers	31,033,077	23,374,914
Bonds (*)	25,235,557	15,277,204
	<b>57,599,723</b>	<b>48,658,036</b>

(\*) Including bonds with the amount of VND261,960 million eligible to be the Bank's own capital (31 December 2018: VND2,876,960 million) and 36-month foreign issued bonds with the amount of USD300 million equivalent VND6,952,900 million issued on 17 July 2019.

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

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

	31 December 2019 VND million	31 December 2018 VND million
Interest payables for customer term deposits	1,563,223	1,153,443
Interest payables for customer saving deposits	3,679,660	1,755,199
Interest payables for valuable papers issued	2,239,382	2,028,502
Interest payables for borrowings from financial institutions and other credit institutions	263,717	200,434
Interest payables for other borrowed and entrusted funds	-	19,114
Interest payables for derivative financial instruments	165,027	105,448
Fee payables	810	791
	<b>7,911,819</b>	<b>5,262,931</b>

**21.2 OTHER LIABILITIES**

	31 December 2019 VND million	31 December 2018 VND million
<b>Internal payables</b>	<b>545,858</b>	<b>423,965</b>
Payables to employees	545,858	423,965
<b>External payables</b>	<b>3,762,442</b>	<b>4,984,233</b>
Advances from customers	400,767	1,289,540
Unearned income	203,647	199,935
Transfer payment awaiting settlement	178,979	553,217
Taxes payable to the State Budget (Note 22)	623,482	789,595
Payables in settlement operation	751,548	537,405
Payables to suppliers	98,070	223,702
Other liabilities	1,505,949	1,390,839
	<b>4,308,300</b>	<b>5,408,198</b>



VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

**22. TAXES AND OTHER OBLIGATIONS TO THE STATE BUDGET**

	Opening balance VND million	Movements in the year		Closing balance VND million
		Payables VND million	Paid VND million	
Value added tax	29,901	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>

**22.1 CURRENT CORPORATE INCOME TAX**

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

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

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

Provision for current income tax expense is estimated as follows:

	2019 VND million	2018 VND million
<b>Profit before tax</b>	<b>10,324,161</b>	<b>9,198,508</b>
Plus/(Minus)		
- <i>Non-taxable income</i>	(2,634)	(845)
- <i>Non-deductible expenses</i>	5,765	17,640
- <i>Expenses arising from consolidation</i>	(8,714)	-
<b>Estimated taxable income</b>	<b>10,318,578</b>	<b>9,215,303</b>
Estimated income tax expense using prevailing tax rate	2,063,715	1,843,060
Adjustment of tax expenses in previous years	183	(120)
<b>Income tax expense for the year</b>	<b>2,063,898</b>	<b>1,842,940</b>
<b>Income tax payable at the beginning of the year</b>	<b>688,000</b>	<b>655,739</b>
Income tax paid in the year	(2,265,251)	(1,810,679)
<b>Current income tax payable at the end of the year</b>	<b>486,647</b>	<b>688,000</b>

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

**22.2 DEFERRED INCOME TAX**

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

### 23. OWNERS' EQUITY AND RESERVES

#### 23.1 STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity in 2019 as following:

	Charter capital VND million	Share premium VND million	Capital supplementary reserve VND million	Financial reserve VND million	Investment and development fund VND million	Retained earnings VND million	Foreign exchange differences VND million	Total VND million
<b>Opening balance</b>	<b>25,299,680</b>	<b>1,289,001</b>	<b>703,949</b>	<b>2,465,423</b>	<b>2,296,507</b>	<b>5,187,230</b>	<b>(2,491,721)</b>	<b>34,750,069</b>
Net profit for the year	-	-	-	-	-	8,260,263	-	8,260,263
Increase charter capital from investment and development fund	-	-	-	-	(2,800,184)	2,800,184	-	-
Appropriation to reserves	-	-	412,577	825,001	3,204,132	(4,441,710)	-	-
Repurchasing shares as treasury shares (i)	-	-	-	-	-	-	(1,109,703)	(1,109,703)
Fee for repurchasing shares (i)	-	-	-	-	-	-	(887)	(887)
Issuing shares under ESOP from treasury shares (ii)	-	(596,281)	-	-	-	-	906,281	310,000
<b>Closing balance</b>	<b>25,299,680</b>	<b>692,720</b>	<b>1,116,526</b>	<b>3,290,424</b>	<b>2,700,455</b>	<b>11,805,967</b>	<b>(2,696,030)</b>	<b>42,209,742</b>

(i) The Bank has repurchased 50,000,000 shares to fund treasury shares from profits under the Resolution of Board of Directors No. 756/2019/NQ-HDQT dated 4 September 2019.  
(ii) The Bank issued 31,000,000 shares under the employee stock ownership for VPBank's employees (ESOP) with par value of VND10,000 per share under the Resolution of Board of Directors No. 1101/2019/NQ-HDQT dated 17 December 2019 and Official Dispatch No. 7643/UBCK-QLCB dated 23 December 2019 of the State Securities Commission.

#### 23.1 STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Statement of changes in equity in 2018 as following:

	Charter capital VND million	Share premium VND million	Capital supplementary reserve VND million	Financial reserve VND million	Investment and development fund VND million	Retained earnings VND million	Foreign exchange differences VND million	Total VND million
<b>Opening balance</b>	<b>15,706,230</b>	<b>5,866,105</b>	<b>490,861</b>	<b>1,729,995</b>	<b>1,337,409</b>	<b>4,565,110</b>	<b>-</b>	<b>29,695,710</b>
Net profit for the year	-	-	-	-	-	7,355,568	-	7,355,568
Issuance of ordinary shares from Capital supplementary reserve and Share premium	4,731,795	(4,577,104)	(154,691)	-	-	-	-	-
Dividend paid for preferred shares	-	-	-	-	-	(146,439)	-	(146,439)
Increase charter capital from retained earnings	4,524,704	-	-	-	-	(4,524,704)	-	-
Transfer from investment and development fund to increase charter capital	-	-	-	-	(2,854,632)	2,854,632	-	-
Appropriation to reserves	-	-	367,779	735,428	3,813,730	(4,916,937)	-	-
Preferred shares repurchase as treasury shares	-	-	-	-	-	-	(2,489,232)	(2,489,232)
Fee for repurchase preferred shares	-	-	-	-	-	-	(2,489)	(2,489)
Capital increase from share issuance under ESOP	336,951	-	-	-	-	-	-	336,951
<b>Closing balance</b>	<b>25,299,680</b>	<b>1,289,001</b>	<b>703,949</b>	<b>2,465,423</b>	<b>2,296,507</b>	<b>5,187,230</b>	<b>(2,491,721)</b>	<b>34,750,069</b>



VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

**23.2 EQUITY**

	31 December 2019		31 December 2018	
	Number Shares	Face value VND million	Number Shares	Face value VND million
Registered shares	2,529,967,966	25,299,680	2,529,967,966	25,299,680
Public issued shares	2,529,967,966	25,299,680	2,529,967,966	25,299,680
- <i>Common shares</i>	2,529,967,966	25,299,680	2,456,748,366	24,567,484
- <i>Preference shares (*)</i>	-	-	73,219,600	732,196
Treasury shares redeem	(92,219,600)	(922,196)	(73,219,600)	(732,196)
- <i>Common shares</i>	(92,219,600)	(922,196)	(73,219,600)	(732,196)
Outstanding shares	2,437,748,366	24,377,484	2,456,748,366	24,567,484
- <i>Common shares</i>	2,437,748,366	24,377,484	2,456,748,366	24,567,484

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

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

**24. BASIC EARNINGS PER SHARE**

	2019	2018
Profit after tax (VND million)	8,260,263	7,355,568
<b>Profit attributed to ordinary shareholders of the Bank (VND million)</b>	<b>8,260,263</b>	<b>7,355,568</b>
Weighted average number of ordinary shares (Share)	2,446,583,790	2,431,915,543
<b>Basic earnings per share (VND)</b>	<b>3,376</b>	<b>3,025</b>

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

At the end of the year, there are no events and situations showing diluted earnings per share for the year.

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

**25. INTEREST AND SIMILAR INCOME**

	2019 VND million	2018 VND million
Interest income from deposits	278,402	261,986
Interest income from loans to customers	43,794,531	34,528,230
Interest income from securities held for trading and investment securities	3,818,441	3,937,119
- <i>Interest income from securities held-for-trading</i>	156,087	171,059
- <i>Interest income from investment securities</i>	3,662,354	3,766,060
Interest income from debts purchased	-	19,763
Income from guarantee activities	207,538	163,042
Other income from credit activities	1,775,872	1,370,074
	<b>49,874,784</b>	<b>40,280,214</b>

**26. INTEREST AND SIMILAR EXPENSES**

	2019 VND million	2018 VND million
Interest expenses for deposits	12,393,078	8,572,153
Interest expenses for borrowings	1,667,526	1,195,583
Interest expenses for valuable papers issued	4,412,326	5,246,234
Other expenses for credit activities	731,393	564,669
	<b>19,204,323</b>	<b>15,578,639</b>

**27. NET FEE AND COMMISSION INCOME**

	2019 VND million	2018 VND million
<b>Fee and commission income</b>	<b>5,487,466</b>	<b>3,818,797</b>
Settlement and treasury services	742,934	484,067
Advisory activities	276,088	128,329
Income from business and insurance services	2,909,136	2,187,364
Other services	1,559,308	1,019,037
<b>Fee and commission expenses</b>	<b>(2,695,846)</b>	<b>(2,206,301)</b>
Settlement services and treasury services	(202,742)	(284,048)
Advisory activities	(22,327)	(5,066)
Brokerage fees	(1,660,649)	(1,306,493)
Other expenses	(810,128)	(610,694)
	<b>2,791,620</b>	<b>1,612,496</b>

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

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

	2019 VND million	2018 VND million
<b>Income from trading of foreign currencies</b>	<b>750,098</b>	<b>1,517,053</b>
Income from spot trading of foreign currencies	256,167	392,839
Income from gold trading	40,363	7,489
Income from trading of monetary derivatives	453,568	1,116,725
<b>Expenses for trading of foreign currencies</b>	<b>(966,977)</b>	<b>(1,620,803)</b>
Expenses for spot trading of foreign currencies	(168,219)	(824,940)
Expenses for gold trading	(45,313)	(9,860)
Expenses for trading of monetary derivatives	(753,445)	(786,003)
	<b>(216,879)</b>	<b>(103,750)</b>

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

	2019 VND million	2018 VND million
Income from trading of securities held for trading	409,574	145,101
Expenses for trading of securities held for trading	(158,509)	(163,593)
Provision reversed/(charged) for securities held for trading (Note 8.1)	33,780	(38,329)
	<b>284,845</b>	<b>(56,821)</b>

**30. NET GAIN FROM INVESTMENT SECURITIES**

	2019 VND million	2018 VND million
Income from trading of investment securities	793,712	492,917
Expenses for trading of investment securities	(103,999)	(138,658)
Provision reversed/(charged) for investment securities (Note 12.3)	113,446	(104,202)
	<b>803,159</b>	<b>250,057</b>

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

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

	2019 VND million	2018 VND million
<b>Other operating income</b>	<b>2,682,220</b>	<b>5,363,874</b>
Income from other derivatives	298,450	328,744
Bad debt recoveries	1,864,821	2,092,678
Income from disposal of fixed assets	13,533	20
Income from disposal of other assets	62,704	46,887
Income from debts purchased activities	215,905	1,858,038
Income from contracts penalty receivables	26,727	70,932
Support income and other income	200,080	966,575
<b>Other operating expenses</b>	<b>(662,555)</b>	<b>(682,613)</b>
Expenses for other derivatives	(345,770)	(389,423)
Expenses for disposal of fixed assets	(106)	(1,295)
Expenses for disposal of other assets	(47,379)	(38,979)
Other expenses	(269,300)	(252,916)
	<b>2,019,665</b>	<b>4,681,261</b>

**32. INCOME FROM INVESTMENTS IN OTHER ENTITIES**

	2019 VND million	2018 VND million
Dividend income	2,634	845
	<b>2,634</b>	<b>845</b>



VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

**33. OPERATING EXPENSES**

	2019 VND million	2018 VND million
<b>Tax, duties and fees</b>	<b>3,105</b>	<b>272,032</b>
<b>Personnel expenses</b>	<b>7,327,257</b>	<b>6,020,762</b>
<i>In which:</i>		
Salary and allowances	6,475,561	5,237,598
Expenses related to salary	503,654	443,678
Subsidy	174,463	172,494
Other allowances	173,579	166,992
<b>Fixed asset expenses</b>	<b>1,583,073</b>	<b>1,418,975</b>
<i>In which:</i>		
Depreciation and amortization of fixed assets	373,782	313,939
Operating leases	795,468	677,437
<b>Administrative expenses</b>	<b>1,628,565</b>	<b>1,356,369</b>
<i>In which:</i>		
Expenses on per diem	62,882	54,358
<b>Other provision expenses</b>	<b>41,118</b>	<b>(1,067)</b>
- Charge/(reversal) of provision for other long-term investments (Note 13)	37,229	(5,148)
- Charge of provision for doubtful debts (Note 15.4)	3,889	4,081
<b>Insurance fee for customer deposits</b>	<b>182,383</b>	<b>162,736</b>
<b>Other operating expenses</b>	<b>1,578,217</b>	<b>1,404,117</b>
	<b>12,343,718</b>	<b>10,633,924</b>

**34. PROVISION EXPENSE FOR CREDIT LOSSES**

	2019 VND million	2018 VND million
Provision expense for loans to customers (Note 11)	12,688,052	11,279,625
Provision charge/(reversal) for VAMC bonds (Note 12.3)	999,326	(26,394)
Provision reversed for other assets (Note 15.4)	248	-
	<b>13,687,626</b>	<b>11,253,231</b>

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

**35. CASH AND CASH EQUIVALENTS**

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

	31 December 2019 VND million	31 December 2018 VND million
Cash and cash equivalents on hand	2,459,321	1,855,473
Balances with the SBV	3,454,138	10,828,571
Demand accounts at other credit institutions	1,843,111	12,068,678
Placements with other credit institutions with original term of three months or less	13,639,875	3,268,950
	<b>21,396,445</b>	<b>28,021,672</b>

**36. EMPLOYEES' REMUNERATIONS**

	2019 VND million	2018 VND million
<b>I. Total average number of employees (persons) (only including official employees)</b>	<b>27,256</b>	<b>25,628</b>
<b>II. Employees' remuneration (VND million)</b>		
1. Total salary fund	6,192,146	5,096,354
2. Other remuneration	453,813	401,566
3. Total remuneration (1+2)	6,645,959	5,497,920
4. Average monthly salary	18.93	16.57
5. Average monthly remuneration	20.32	17.88

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

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

	Book value	
	31 December 2019 VND million	31 December 2018 VND million
Real estates	257,378,298	223,266,429
Mobile assets	46,072,338	43,147,192
Valuable papers	136,670,840	126,804,811
Others	213,704,886	130,344,800
	<b>653,826,362</b>	<b>523,563,232</b>

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

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

	Face value	
	31 December 2019 VND million	31 December 2018 VND million
Government bonds purchased under agreements to resell	979,728	-

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

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

	31 December 2019 VND million	31 December 2018 VND million
Valuable papers pledged or mortgaged	9,710,000	13,683,517
Valuable papers sold under agreements to repurchase	800,000	7,550,000
Other assets for mortgage, pledge and discount, rediscount	29,821,105	21,708,817
	<b>40,331,105</b>	<b>42,942,334</b>

**38. CONTINGENT LIABILITIES AND COMMITMENTS**

Detail of contingent liabilities and commitments as at 31 December 2019 are as follows:

	31 December 2019 VND million	31 December 2018 VND million
Credit guarantees	25,262	20,626
Foreign exchange commitments	101,257,412	66,626,741
- Foreign exchange commitments - buy	1,577,709	1,583,073
- Foreign exchange commitments - sell	1,716,899	1,582,743
- Swap contracts	97,962,804	63,460,925
Irrevocable loan commitments	-	1,860
Letters of credit	22,201,501	14,799,169
Other guarantees	16,745,678	13,860,017
- Payment guarantees	2,767,994	2,285,892
- Contract performance guarantees	4,662,306	3,415,185
- Tender guarantees	672,064	360,921
- Other guarantees	8,643,314	7,798,019
Other commitments	140,437,112	111,197,304
	<b>280,666,965</b>	<b>206,505,717</b>
Minus: Margin deposits (Note 18)	(673,601)	(633,077)
<b>Contingent liabilities and commitments</b>	<b>279,993,364</b>	<b>205,872,640</b>

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

**39. RELATED PARTY TRANSACTIONS**

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

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

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

		Amount	
Related parties	Transactions	2019 VND million	2018 VND million
Members of the Board of Management, Board of Supervision and Board of Directors	Remuneration expenses	(121,497)	(82,826)
	Interest expenses for deposits of management	(2,024)	(3,068)

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

		Receivables/Payables	
Related parties	Balances	31 December 2019 VND million	31 December 2018 VND million
Members of the Board of Management, Board of Supervision and Board of Directors	Deposits at the Bank	82,306	53,314



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

Concentration of counterparties of the Bank and its subsidiaries by geographical regions as at 31 December 2019 are as follows:

	Domestic VND million	Foreign VND million	Total VND million
Loans to customers and credit granting to other credit institutions	261,798,526	-	261,798,526
Total fund mobilization	298,256,900	24,471,695	322,728,595
Credit commitments and other guarantees	38,972,441	-	38,972,441
Derivative instruments	44,930	740	45,670
Securities held for trading and investment securities	70,452,377	-	70,452,377

41. FINANCIAL RISK MANAGEMENT POLICIES

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

- Credit risk;
- Liquidity risk; and
- Market risk.

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

Risk management framework

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

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

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

41.1 CREDIT RISK

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

Credit risk management

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

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

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

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

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

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

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

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

	Not past due VND million	Past due but not impaired VND million	Past due and individually impaired VND million	Total VND million
Placements with and credit granting to other credit institutions	20,097,553	-	-	20,097,553
- Placements with other credit institutions	15,482,986	-	-	15,482,986
- Credit granting to other credit institutions	4,614,567	-	-	4,614,567
Securities held for trading	1,571,141	-	-	1,571,141
Loans to customers	236,147,780	4,930,805	16,105,374	257,183,959
Investment securities	68,881,236	-	-	68,881,236
- Available-for-sale securities	67,786,907	-	-	67,786,907
- Held-to-maturity securities	1,094,329	-	-	1,094,329
Other assets	25,688,251	634	49,655	25,738,540
Total	352,385,961	4,931,439	16,155,029	373,472,429

The above table presents the worst scenario in which the Bank will incur the maximum credit exposures as at 31 December 2019, without taking into account of any collateral held or their credit enhancement.

The Bank’s financial assets which are past due are classified in compliance with the quantitative method as prescribed in Circular No. 02/2013/TT-NHNN and Circular No. 48/2019/TT-BTC.

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

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

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

41.2 MARKET RISK

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

Market risk management

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

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

The regulation that specifies and approves VPBank’s transaction limits with financial institution was amended and issued by the Board of Directors, which provides specific limits for market risk and counterparty risk involved transactions, ensuring that all risk factors are taken into account in the granting limits process.

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

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

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

(a) Interest rate risk

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



VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
as at 31 December 2019 and for the year then ended

B05/TCTD-HN

The below table shows an analysis of the interest re-pricing period of assets and liabilities of the Bank as at 31 December 2019:

		Interest re-pricing period							
		Non-interest bearing VND million	Up to 1 month VND million	From 1 to 3 months VND million	From 3 to 6 months VND million	From 6 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million	Total VND million
Assets									
Cash, gold and gemstones	-	2,459,321	-	-	-	-	-	-	2,459,321
Balances with the SBV	-	-	3,454,138	-	-	-	-	-	3,454,138
Placements with and credit granting to other credit institutions - gross	-	-	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
Total assets	10,554,704	30,324,503	176,229,464	52,233,309	22,903,913	23,919,786	47,746,942	17,634,841	381,547,462
Liabilities									
Amounts due to the Government and the SBV	-	-	42	2,181	15,217	2,052	-	-	19,492
Deposits and borrowings from financial institutions and other credit institutions	-	-	24,233,622	12,879,038	10,208,830	3,160,249	386,250	-	50,867,989
Customer deposits	-	-	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
Total liabilities	-	12,173,716	97,854,060	64,244,505	78,220,062	47,067,869	34,432,812	1,001,360	334,994,384
Interest sensitivity gap (balance sheet)	10,554,704	18,150,787	78,375,404	(12,011,196)	(55,316,149)	(23,148,083)	13,314,130	16,633,481	46,553,078
Interest sensitivity gap (off-balance sheet)	-	-	-	387,022	309,062	(231,611)	(464,473)	-	-
Interest sensitivity gap (on, off- balance sheet)	10,554,704	18,150,787	78,375,404	(11,624,174)	(55,007,087)	(23,379,694)	12,849,657	16,633,481	46,553,078

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

*Interest sensitivity*

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

		Impact on	
	Assumed increase in interest rate	Profit before tax VND million	Profit after tax and Owners' equity VND million
As at 31 December 2019			
USD	1.50%	(150,813)	(120,650)
VND	3.00%	853,290	682,632
As at 31 December 2018			
USD	1.50%	14,913	11,930
VND	3.00%	685,602	548,481

**(b) Currency risk**

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

**Currency risk management**

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

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

*Exchange rate sensitivity*

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

	Assumed level of increase	Impact on profit after tax and equity VND million
<b>As at 31 December 2019</b>		
USD	2.00%	(39,160)
<b>As at 31 December 2018</b>		
USD	2.00%	16,747

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
as at 31 December 2019 and for the year then ended

B05/TCTD-HN

The following table presents assets and liabilities in foreign currencies translated into VND as at 31 December 2019:

	EUR equivalent VND million	USD equivalent VND million	Gold equivalent VND million	Other currencies equivalent VND million	Total VND million
<b>Assets</b>					
Cash, gold and gemstones	207,336	155,356	169,520	295,781	827,993
Balances with the SBV	-	231,707	-	-	231,707
Placements with and credit granting to other credit institutions - gross	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>Total assets</b>	<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>					
Deposits and borrowings from the Government and the SBV, financial institutions and other credit institutions	7,140	26,715,667	-	32,309	26,755,116
Customer deposits	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>Total liabilities and equity</b>	<b>285,508</b>	<b>18,285,450</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>(16,187)</b>	<b>(139,190)</b>
<b>Net on, off-balance sheet FX position</b>	<b>13,755</b>	<b>(2,532,166)</b>	<b>169,520</b>	<b>(20,789)</b>	<b>(2,369,680)</b>

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

**(c) Liquidity risk**

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

**Liquidity risk management**

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

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

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

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

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

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



VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
as at 31 December 2019 and for the year then ended

B05/TCTD-HN

The table below presents the analysis of remaining maturity of assets and liabilities of the Bank as at 31 December 2019:

Overdue		Current					Total VND million
Above 3 months VND million	Within 3 months VND million	Up to 1 months VND million	From 1 to 3 months VND million	From 3 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million	
Assets							
Cash, gold and gemstones	-	-	2,459,321	-	-	-	2,459,321
Balances with the SBV	-	-	3,454,138	-	-	-	3,454,138
Balances with and credit granting to other credit institutions - gross	-	-	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	27,900,214	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
Total assets	4,902,679	5,652,025	64,603,647	36,425,835	99,550,677	122,039,200	381,547,462
Liabilities							
Amounts due to the Government and the SBV	-	-	42	2,181	17,269	-	19,492
Deposits and borrowings from financial institutions and other credit institutions	-	-	12,688,215	8,570,212	26,893,447	2,707,640	50,867,989
Customer deposits	-	-	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
Total liabilities	-	-	97,850,196	58,922,273	135,264,553	41,937,327	334,994,384
Net liquidity gap	4,902,679	5,652,025	(33,246,549)	(22,496,438)	(35,713,876)	80,101,873	47,353,364
							46,553,078

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

**(d) Other market price risk**

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

**42. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

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

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

Financial assets

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

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

- *Financial asset at fair value through profit or loss*  
Financial asset at fair value through profit and loss is a financial asset that meets either of the following conditions:
  - a) A financial asset is classified as held for trading if:
    - It is acquired or incurred principally for the purpose of reselling or repurchasing it in the near term;
    - There is evidence of a recent actual pattern of short-term profit-taking; or
    - It is a derivative (except derivative that is a financial guarantee contract or effective hedging instrument).
  - b) Upon initial recognition, it is designated by the entity as at fair value through profit or loss.
- *Held to maturity investments*  
Held to maturity investments are non-derivative financial assets with determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than:
  - a) Those that the entity upon initial recognition designates as at fair value through profit or loss;
  - b) Those that the entity designates as available for sale;
  - c) Those meet the definition of loans and receivables.

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

- ▶ *Loans and receivables:*

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

a) Those that the Bank intends to sell immediately or in the near future are classified as assets held for trading purposes, and others that at the same time of initial recognition that the entity classified at fair value according to result of income statement;

b) Those that the Bank classifies as available-for-sale at the time of initial recognition; or

c) Those that the holders may not recover most of the initial investment cost, not due to the impairment of the credit quality and are classified as available-for-sale.
- ▶ *Available-for-sale financial assets*

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

a) Loans and receivables;

b) Held-to-maturity investments;

c) Financial assets at fair value through profit or loss.

Financial liabilities

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

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

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

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

a) It is classified as held for trading. A financial liability is classified as held for trading if:

• It is acquired or incurred principally for the purpose of reselling or repurchasing it in the near term;

• There is evidence of a recent actual pattern of short-term profit-taking; or

• It is a derivative (except derivative that is a financial guarantee contract or effective hedging instrument).

b) Upon initial recognition, it is designated by the entity as at fair value through profit or loss.
- ▶ *Financial liabilities at amortized cost:*

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

Offsetting of financial assets and financial liabilities

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

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

The carrying value and fair value of financial assets and liabilities as at 31 December 2019 are presented as follows:

	Carrying value					Fair value VND million
	Financial assets at fair value through profit and loss VND million	Held-to-maturity VND million	Loans and receivables VND million	Available-for- sale VND million	Other assets and liabilities recorded at amortized cost VND million	
Cash, gold and gemstones	-	-	2,459,321	-	-	2,459,321
Balances with the SBV	-	-	3,454,138	-	-	(*)
Placements with and credit granting to other credit institutions - gross	-	-	20,097,553	-	-	(*)
Securities held for trading - gross	1,571,141	-	-	-	-	(*)
Loans to customers - gross	-	-	257,183,959	-	-	(*)
Available-for-sale securities - gross	-	-	-	67,786,907	-	(*)
Held-to-maturity securities - gross	-	1,094,329	-	-	-	(*)
Long-term investments - gross	-	-	-	238,602	-	(*)
Other financial assets - gross	203,526	47,172	20,212,660	1,982,170	-	(*)
	1,774,667	1,141,501	303,407,631	70,007,679	-	376,331,478
Amounts due to the Government and the SBV	-	-	-	-	19,492	(*)
Deposits and borrowings from financial institutions and other credit institutions	-	-	-	-	50,867,989	(*)
Customer deposits	-	-	-	-	213,949,568	(*)
Derivatives and other financial liabilities	45,670	-	-	-	-	(*)
Other borrowed and entrusted funds	-	-	-	-	291,823	(*)
Valuable papers issued	-	-	-	-	57,599,723	(*)
Other financial liabilities	165,027	-	-	-	10,644,967	(*)
	210,697	-	-	-	333,373,562	333,584,259

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



VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

**43. SEGMENT INFORMATION**

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

**43.1 THE PRIMARY SEGMENT INFORMATION BY BUSINESS SEGMENT**

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

Banking and credit granting:	Provide the following products and services to customers;
	Mobilizing deposits;
	Providing credit;
	Wire transfer; settlement services; and
	Other banking operations.
Asset and liabilities management:	Managing collateral assets and restructured debts.

Primary segment information by business segment as at 31 December 2019 and for the year then ended is as follows:

	Banking VND million	Asset and liabilities management VND million	Inter-segment adjustments VND million	Total VND million
<b>I. Income</b>				
1. Interest and similar income	49,874,784	1,693	(1,693)	49,874,784
External interest and similar income	49,874,784	-	-	49,874,784
Inter-segment interest and similar income	-	1,693	(1,693)	-
2. Net fee and commission income	2,791,485	378,553	(378,418)	2,791,620
3. Other operating income	2,892,110	1,314	-	2,893,424
	<b>55,558,379</b>	<b>381,560</b>	<b>(380,111)</b>	<b>55,559,828</b>
<b>II. Expenses</b>				
1. Interest and similar expenses	(19,206,016)	-	1,693	(19,204,323)
External interest and similar expenses	(19,204,323)	-	-	(19,204,323)
Inter-segment interest and similar expenses	(1,693)	-	1,693	-
2. Depreciation and amortization charges	(373,366)	(416)	-	(373,782)
3. Other direct operating expenses	(11,969,124)	(379,230)	378,418	(11,969,936)
	<b>(31,548,506)</b>	<b>(379,646)</b>	<b>380,111</b>	<b>(31,548,041)</b>
<b>Net profit before provision for credit losses</b>	<b>24,009,873</b>	<b>1,914</b>	-	<b>24,011,787</b>
Provision expense for credit losses	(13,687,626)	-	-	(13,687,626)
<b>Segmental profit before tax</b>	<b>10,322,247</b>	<b>1,914</b>	-	<b>10,324,161</b>
<b>III. Total assets</b>				
1. Cash, gold and gemstones	2,459,321	-	-	2,459,321
2. Fixed assets	1,921,694	1,278	-	1,922,972
3. Other assets	372,716,546	207,300	(102,013)	372,821,833
	<b>377,097,561</b>	<b>208,578</b>	<b>(102,013)</b>	<b>377,204,126</b>
<b>IV. Total liabilities</b>				
1. External liabilities to customers	330,766,228	-	(80,144)	330,686,084
2. Other internal liabilities	533,239	12,619	-	545,858
3. Other liabilities	3,750,527	33,784	(21,869)	3,762,442
	<b>335,049,994</b>	<b>46,403</b>	<b>(102,013)</b>	<b>334,994,384</b>

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

**43.2 THE SUPPLEMENTARY SEGMENT INFORMATION BY GEOGRAPHICAL AREA**

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

**44. CHANGE IN NET PROFIT BEFORE TAX FOR THE YEAR**

The consolidated profit before tax for the year ended 31 December 2019 of the Bank and its subsidiaries increased by VND1,125,653 million compared to the consolidated profit before tax for the year ended 31 December 2018, equivalent to 12.24% increase due to the following reasons:

	Profit before tax VND million
Profit increase due to increase in interest and similar income	5,968,886
Profit increase due to increase in net fee and commission income	1,179,124
Profit decrease due to decrease in net gain from trading of foreign currencies	(113,129)
Profit increase due to increase in net gain from securities held for trading	341,666
Profit increase due to increase in net gain from investment securities	553,102
Profit decrease due to decrease in net gain from other operating activities	(2,661,596)
Profit increase due to increase in income from investments in other entities	1,789
Profit decrease due to increase in operating expenses	(1,709,794)
Profit decrease due to increase in provision for credit losses	(2,434,395)
	<b>1,125,653</b>

**45. EVENTS AFTER THE CONSOLIDATED BALANCE SHEET DATE**

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

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** (continued)

as at 31 December 2019 and for the year then ended

B05/TCTD-HN

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

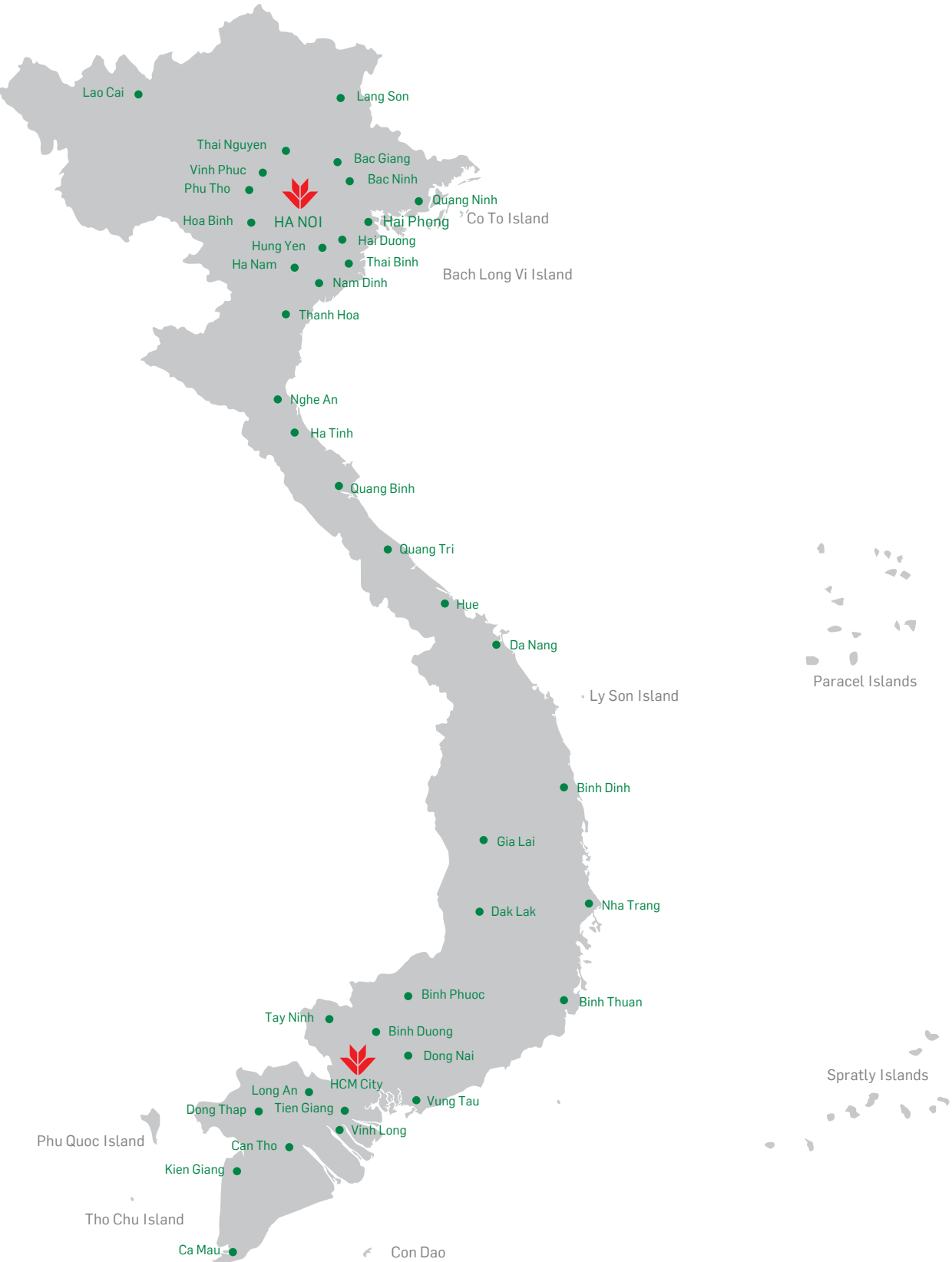
	31 December 2019 VND	31 December 2018 VND
AUD	16,232	16,338
CAD	17,749	17,015
CHF	23,908	23,565
CNY	3,312	3,368
DKK	3,160	3,160
EUR	25,804	26,566
GBP	30,396	29,476
JPY	213	210
NZD	17,249	17,249
SEK	3,078	3,078
SGD	17,192	16,975
THB	640	640
USD	23,175	23,220
XAU (*)	418,950	365,000

(\*) This is the exchange rate for 0.01 tael of gold.

Prepared by: Ms. Nguyen Thi Thu Hang  
Chief AccountantReviewed by: Ms. Le Hoang Khanh An  
Acting Chief Financial OfficerApproved by: Mr. Nguyen Duc Vinh  
Chief Executive OfficerHanoi, Vietnam  
12 March 2020

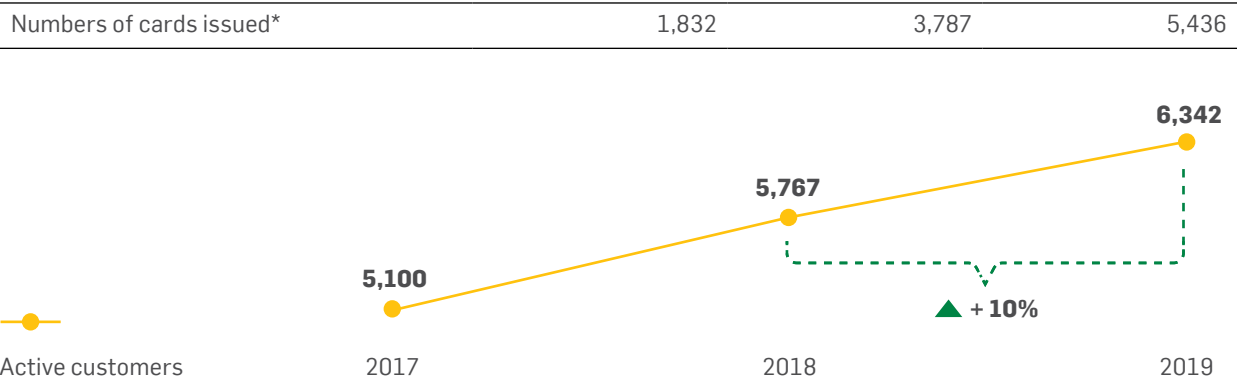


# VPBANK NETWORK



Transaction channels	31.12.2019	31.12.2018
Retail branches	228	222
SME centres and hubs	87	83
Corporate banking branches	4	4
Consumer credit (FE Credit)	>12,000 POS >34,000 POC	>12,000 POS >34,000 POC
ATMs/CDMs	449/186	480/154

Active customers & numbers of cards issued \*  
(Thousand)



\* Including credit and debit cards

List of branches

HA NOI	64	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	7	KHANH HOA	2	TIEN GIANG	1
THAI BINH	4	NGHE AN	6	VUNG TAU	1	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		
HOA BINH	2	QUANG TRI	2	DONG THAP	1		
PHU THO	2	QUANG NAM	1	AN GIANG	2		

228  
IN TOTAL



# ANNUAL REPORT 2019