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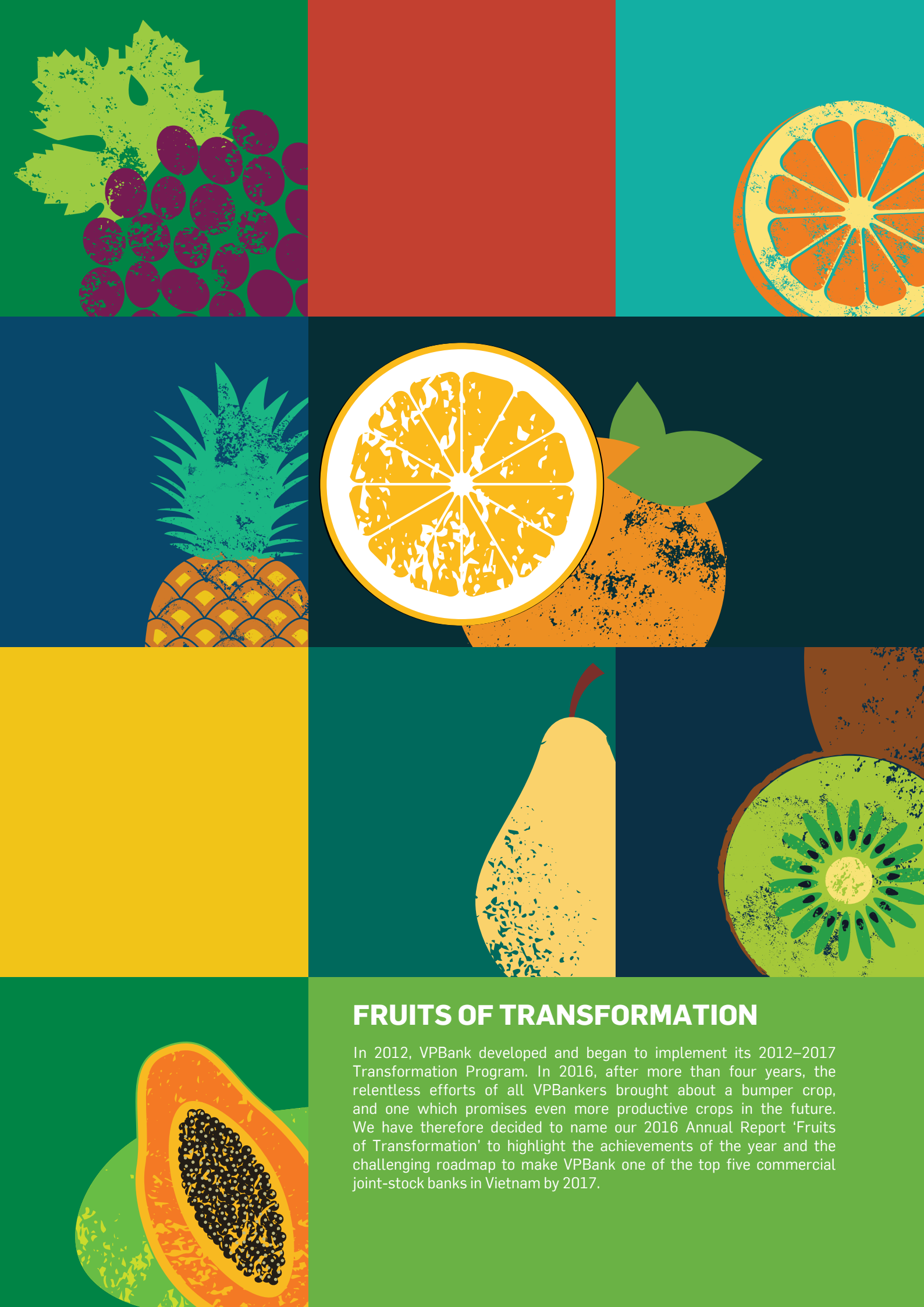


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ANNUAL REPORT





## FRUITS OF TRANSFORMATION

In 2012, VPBank developed and began to implement its 2012–2017 Transformation Program. In 2016, after more than four years, the relentless efforts of all VPBankers brought about a bumper crop, and one which promises even more productive crops in the future. We have therefore decided to name our 2016 Annual Report 'Fruits of Transformation' to highlight the achievements of the year and the challenging roadmap to make VPBank one of the top five commercial joint-stock banks in Vietnam by 2017.

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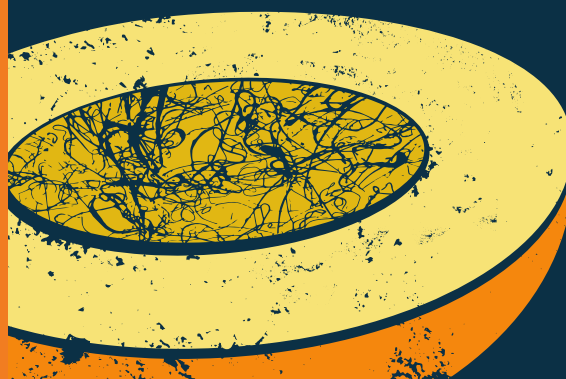
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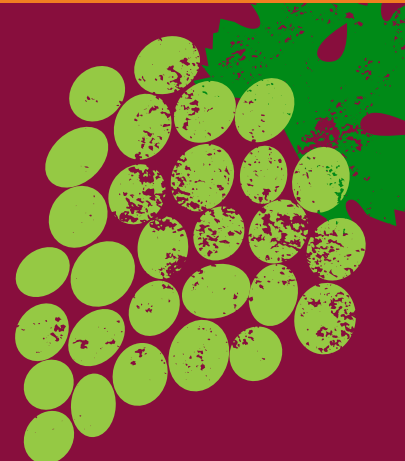
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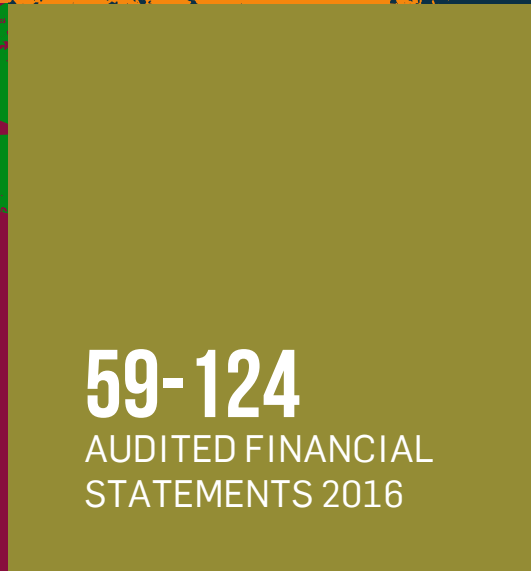
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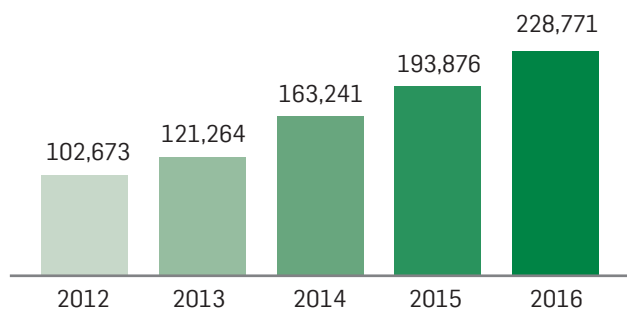




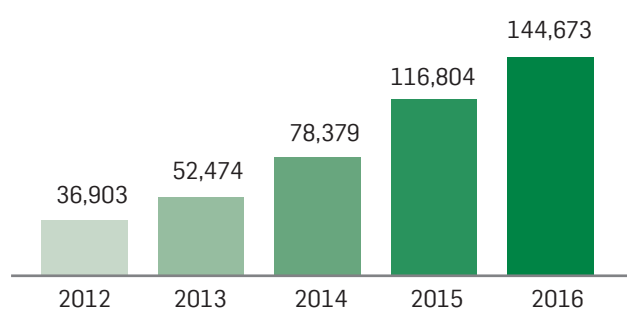
## BUSINESS PERFORMANCE HIGHLIGHTS

	2012	2013	2014	2015	2016
PERFORMANCE INDICATORS (VND billion)					
Total assets	102,673	121,264	163,241	193,876	228,771
Equity	6,709	7,727	8,980	13,389	17,178
Deposits & issued valuable papers	59,680	88,345	119,163	152,131	172,438
Outstanding loans	44,965	66,263	95,675	131,463	162,832
<i>of which: customer loans</i>	<i>36,903</i>	<i>52,474</i>	<i>78,379</i>	<i>116,804</i>	<i>144,673</i>
Total operating income	3,133	5,085	6,271	12,066	16,864
Profit before tax	949	1,355	1,609	3,096	4,929
PRUDENTIAL AND EFFICIENCY RATIOS					
ROAA	0.77%	0.91%	0.88%	1.34%	1.86%
ROAE	11%	14%	15%	21%	26%
CAR	12.5%	12.5%	11.3%	12.2%	13.2%
Number of employees	4,326	6,795	9,501	12,927	17,387
Number of branches	204	207	209	208	215
Number of active customers (thousand)	353	635	1,305	2,088	3,290

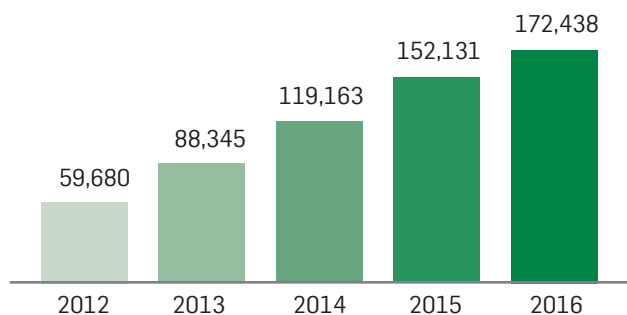
TOTAL ASSETS (VND billion)  
CAGR = 22%



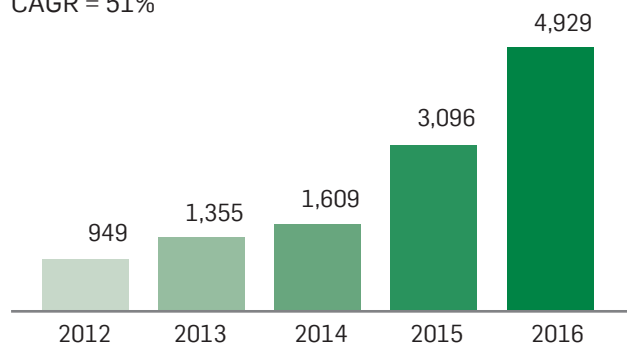
CUSTOMER LENDING (VND billion)  
CAGR = 41%



DEPOSITS & VALUABLE PAPERS (VND billion)  
CAGR = 30%



PROFIT BEFORE TAX (VND billion)  
CAGR = 51%



CAGR: COMPOUND ANNUAL GROWTH RATE

## MESSAGE FROM CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dear Valued Shareholders, Customers, and Partners,

2016 was the penultimate year in VPBank's five-year strategy to realize our vision of becoming one of the top five joint-stock commercial banks in Vietnam by 2017. On behalf of the Board of Directors and Board of Management, we would like to express our delight and satisfaction with the remarkable achievements that the Bank made in 2016, including improving business performance and preparation for listing on a local stock exchange, which were attributable to the sharp focus and persistent efforts of all the managerial staff and employees during the last year, following the guidance of the Board of Directors and Board of Management. VPBank strongly believes that this is only the first of many goals that the Bank can reach in the coming years thanks to its solid foundations, the overarching vision of the leadership, and the dedication of the Bank's staff.

We would like to extend our sincere gratitude towards you – our valued shareholders, customers, and partners – for your support over the years. Our special thanks are also extended to the Board of Management, managerial staff, and all VPBank employees for their contributions to the Bank's development.

As of December 31, 2016, VPBank's total assets had risen 18% y-o-y; total operating income had reached VND16,864 billion, profit before tax had reached more than VND4,900 billion; and owners' equity had grown by 28%. These results enabled the Bank to affirm its position among the top joint-stock commercial banks in Vietnam in terms of volume growth and market profitability.

VPBank has further developed two key segments – Retail Banking and SME Banking – and established a new business line to serve a high potential, but underserved, segment: Household Banking. The impressive growth in deposit and loan volumes of these segments was encouraging, and reaffirmed the relevance and achievability of the objectives for the Bank's strategic segments. 2016 was also a rewarding year in terms of the efficiency of other segments such as Corporate and Investment Banking, Financial Markets, Investment & Project Financing, and Financial Institutions & Transaction Banking. These divisions actively leveraged their specialized products and services, and closely collaborated with other divisions and external partners, to implement cross-selling and distributor financing programs, thereby

not only offering customers the best services but also optimizing the Bank's business performance in 2016.

2016 marked a success for VPBank's consumer finance, with an average growth rate of around 40% y-o-y for critical criteria such as customer base and business performance, thereby making significant contributions to the Bank's profits. To sustain the growth momentum of this segment, the Bank's leadership finalized a five-year strategic roadmap with McKinsey Company and began its implementation.

Underlying the impressive business performance were solid foundational systems, which were transformed and significantly improved and served as the backbone for VPBank's growth in 2016. In order to adapt to market trends and customer spending behaviors – and to meet business demands and the requirements of corporate governance and regulatory agencies – VPBank has been creating a pioneering systems architecture by implementing eight bank-wide transformation projects and over 300 initiatives to optimize and improve its key systems and processes in 2016. Most of these programs have focused on the transformation of the business model, centralization of operations, specialization, and segregation of businesses with a clearer view of finance, risk management, operations, and products – driven by automation with support from IT. Metrics having a direct impact on quality and efficiency have been closely monitored to identify and handle challenges in a timely manner, and to continually improve productivity and quality. In addition, VPBank is aggressively implementing a digital banking strategy to make financial technology its cornerstone, staying relevant in view of the preferences of experience-seeking, technology-savvy customers, and improving the Bank's efficiency. The effective development and transformation of these systems will be a key driver for attaining the goals of improved customer service quality, system management capability, and growth efficiency in 2017.

It is forecast that there will be numerous complex fluctuation in the macroeconomic environment in 2017 as a result of the impacts of global, political and economic conditions, as well as local macroeconomic factors – especially the ever more stringent requirements from regulators regarding governance standards in the banking industry. The economy is entering a recovery phase and generating a brighter



picture for the banking industry after a restructuring period. Banks are getting back on their feet and willing to drive growth, intensifying competition in the market and especially in the retail banking and SME segments. VPBank is entering 2017 with tougher challenges than past years. Nevertheless, VPBank sees these challenges as opportunities to reach new heights with new strengths.

The Board of Directors, Board of Management, managerial staff, and all employees of VPBank strongly believe that when we share a purpose we can overcome any challenge, and we can reach our goal of becoming a leading joint-stock bank in Vietnam by the end of 2017.

Our warmest thanks to you all!

**Ngo Chi Dzung**  
Chairman

**Nguyen Duc Vinh**  
Chief Executive Officer

# OVERVIEW

## OF VPBANK

### VIETNAM VALUE

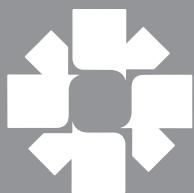
**Presented by the National Brand Council and Ministry of Industry and Trade**

VPBank was the only JSC bank to receive the 'Vietnam Value' National Brand Mark in 2016, making it the third consecutive year in which the Bank has been honored. Approved by the Prime Minister, Vietnam Value aims to develop the image of a country with reputation for diverse products and services and to sharpen the competitive edge of Vietnamese brands and products in both domestic and international markets during intergration process.

### BEST COMMERCIAL BANK VIETNAM 2016

**Presented by UK-based International Banker**

Presented to VPBank for the second time, this award proves the stature of a mature financial institution that is experienced in developing and operating its systems, and consistently earns customer trust and engagement.



Vietnam Value

INTERNATIONAL  
**Banker**  
BANKING AWARDS 2016



**2016**

- Consolidated total operating income reached approximately VND16,900 billion, and separate total operating income reached approximately VND9,300 billion, making VPBank the leading joint-stock commercial bank
- A loan of USD133 million was received from International Financial Corporation (IFC)
- Thirteen prestigious awards were received from local and international institutions
- Total assets exceeded VND200 trillion for the first time
- Northern Head Office relocated to VPBank Tower, 89 Lang Ha, Dong Ha, Ha Noi and Southern Head Office relocated to VPBank Tower Saigon, 1-1A-2 Ton Duc Thang, Ben Thanh, District 1, HCMC

**2015**

- Ranked the 21<sup>st</sup> largest corporate income tax payer in Vietnam
- Established and developed new business models, including Household Banking and Digital Banking Services
- Centralized customer service functions
- Received six international awards
- Successfully transformed all FE Credit's business activities into independent legal entity – Vietnam Prosperity Finance Limited Company (FE Credit brand)

**2014**

- Completed phase one of its transformation program
- One of the top 10 Vietnamese banks, selected to adopt Basel II standards
- Outlook upgraded from 'stable' to 'positive' by Moody's
- Total assets exceeded VND150 trillion for the first time
- Acquired Vietnam National Coal – Mineral Finance Company and renamed it VPBank Finance Company Limited (VPB FC)
- Received a 'Vietnam Value' National Brand Mark for the second time from the Ministry of Industry and Trade

**2013**

- Initiated phase one of its transformation program
- Developed master plans for risk management and IT
- Restructured business units, back offices, and distribution network
- Received B3 rating with 'stable' outlook from Moody's for the first time
- Profit after tax exceeded VND1,000 billion for the first time

**2012**

- Formulated a growth strategy for the 2012–2017 period in consultation with McKinsey & Company
- Introduced a new branch outline
- Total assets exceeded VND100 trillion for the first time
- Received a 'Vietnam Value' National Brand Mark from the Ministry of Industry and Trade

**2011**

- Rolled out six strategic initiatives with the support of McKinsey & Company to move the Bank to a modern retail banking model
- Unveiled the first standard branches under the new model
- Profits before tax exceeded VND1,000 billion for the first time

**2010**

- Renamed Vietnam Prosperity Joint-Stock Commercial Bank
- Introduced new logo and brand identity
- Piloted a modern model of retail banking branches in consultation with McKinsey & Company
- Formed Consumer Finance Division under the FE Credit brand name

# 10 BUSINESS HIGHLIGHTS

## 01



### **STRONG GROWTH OF UNSECURED LENDING IN THE RETAIL BANKING DIVISION**

In 2016, the Retail Banking Division achieved strong growth in the loan volumes of two high-margin products: credit cards and unsecured personal loans. Impressive figures included an end-of-period unsecured loan balance which was double that of 2015, contributing around 40% to the total operating income of the whole division.

VPBank received the 'Best Unsecured Lending Product in Vietnam' award from Asian Banker magazine.

## 02



### LEADER IN REALIZING A COMPREHENSIVE DIGITAL BANKING STRATEGY IN VIETNAM

With the establishment of the Digital Banking Services Division, VPBank is taking the lead in pursuing a three-pronged comprehensive digital banking strategy:

1. Digitization of traditional banking activities to improve customer experience and the operational efficiency of the Bank.
2. Partnership with fintech companies to develop a diverse ecosystem and expand digital banking services.
3. Formulation of an independent digital bank model with the introduction of Timo – the first digital bank in Vietnam.

VPBank put its new ebanking system into operation in 2016 to provide customers with innovative tools, subsequently tripling the number of digital users as compared with 2015 and making ebanking a main transaction channel for VPBank customers.

### STRONGER PUSH INTO MICRO SME SEGMENT

VPBank has been developing a dedicated business model for micro SMEs - a high-potential segment with unsecured high-margin lending products and a direct sales model.

In 2016, this model brought positive results with a five-fold increase in SME unsecured loan balance from 2015.

## 03



## 04

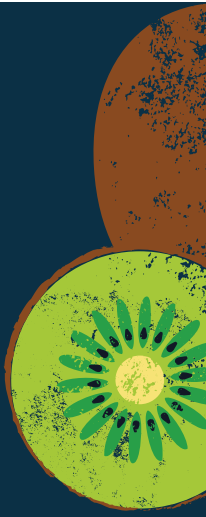


### COMMREDIT ACHIEVED POSITIVE BUSINESS PERFORMANCE

Entering its second year of existence, CommCredit has cemented its role as a core business function and achieved encouraging results with a network of 129 branches, a ten-fold increase in loan balance and a twelve-fold increase in total operating income from 2015, which enabled the division to exceed its target for profit before allocated costs.



# 05



## VPBANK RECEIVED A USD133 MILLION LOAN FROM IFC

This loan package helped VPBank scale up lending to SMEs and micro SMEs, and bring closer its goal of becoming a leading retail bank in Vietnam and further demonstrate its transparency and the efficiency in its operations in Vietnam's financial market.

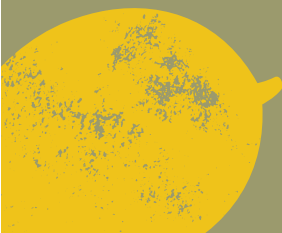
## VPBANK'S TOTAL OPERATING INCOME LED AMONG JOINT STOCK COMMERCIAL BANKS

In 2016, VPBank focused on quality growth in parallel with volume growth. Consequently, the Bank's consolidated operating income reached approximately VND16,900 billion, and its separate operating income reached approximately VND9,300 billion, making VPBank the top joint-stock commercial bank in terms of operating income.

# 06



# 07



## COMPLETION OF KEY PROJECTS IN 2016

The completion of numerous key projects contributed to improving operational efficiency, productivity, and customer service quality, including:

- Centralization of branches' customer service, which consolidated the entire branch customer service network to ensure consistent quality across all service channels.
- Loan Origination System project (LOS) was adopted across all retail and SME branches.
- Way4 Solution Implementation (WASI) brought many improvements to the Bank's payment card systems, such as three factor authentication and installment credit card applications.
- ERP project went live, incorporating many important modules related to human resource management and budgeting.



# 08



## VPBANK RECEIVED MANY PRESTIGIOUS AWARDS

VPBank and VPFC under FE Credit brand received 13 prestigious local and international awards in 2016 in recognition of their capabilities and reputation. Those awards and recognitions once again prove the stature of a mature financial institution that is experienced in developing and operating system with customer-centric business strategies, meeting market demand and earning customer trust and engagement.

## STRONG BRAND AWARENESS AND CORPORATE CULTURE PROMOTION

In 2016, VPBank continued to impress customers with the Paris Ballet par VPBank event and a two-night thank-you party with the presence of well-known local and international singers and bands. Exciting internal activities inspired staff throughout the bank, and charity and social activities such as 'Warm Clothes for the Winter' and 'Back to School after the Flood' were enthusiastically supported by the bank's staff to help local communities.

Thanks to these, VPBank is proudly in the top quartile in the Global Organizational Health Index in 2016, according to McKinsey research.

# 09



# 10



## HEAD OFFICES RELOCATED, VPBANK CONFIRMS ITS LEADING POSITION

VPBank relocated its Northern Head Office to VPBank Tower, 89 Lang Ha, Dong Da, Hanoi and its Southern Office Head Office to VPBank Tower Saigon, 1-1A-2 Ton Duc Thang, District 1, Ho Chi Minh City in 2016.

Located in a prime location with best and modern facilities, two new Head Offices facilitate a modern, professional working environment, a pride for all VPBankers.

# PRESTIGIOUS AWARDS AND RECOGNITIONS IN 2016



In 2016, VPBank was presented with 13 prestigious awards, including 10 for the Bank itself and three for its finance company (VPB FC), which reaffirm the Bank's international prestige and leading position in the domestic market.

From International Banker (UK):

- Best Commercial Bank
- Best SME Bank

From Global Banking & Finance Review:

- Best Customer Service
- Best Mobile Banking Application Vietnam
- Best Initiative for Self-Employed Customers Vietnam

From International Data Group as part of the Vietnam Outstanding Banking Awards:

- Best Digital Bank
- Best SME Bank 2016

From Asian Banking & Finance for the comprehensive, practical, and tailored features of the Bank's VPBiz card:

- Credit Card Initiative of the Year

Forbes and the independent financial consultancy Brand Finance valued the VPBank brand at USD57 million (equivalent to over VND1,300 billion), naming it as the seventh most valuable bank brand, and the 26th most valuable enterprise brand, in Vietnam.

The Ministry of Industry & Trade awarded its 'Vietnam Value' National Brand Mark to only one joint-stock commercial bank in 2016 – VPBank – marking the third consecutive year in which the Bank has been so honored.

VPB FC, under the FE Credit brand name, received three awards:

From Global Brands Magazine:

- Best Consumer Finance Brand Vietnam

From Consumerism Study Center and Global Trade Alliance:

- Top Brands 2016

From Global Banking & Finance Review:

- Best Consumer Finance Company Vietnam

These awards and recognitions once again prove the stature of a mature financial institution that is experienced in developing and operating systems with customer-centric business strategies, meeting market demand, and earning customer trust and engagement.

# BUSINESS

## PERFORMANCE REVIEW

**Brand Finance<sup>®</sup>**

**TOP 7 BANKING BRAND  
VIETNAM 2016**

**INTERNATIONAL  
Banker**

**BANKING AWARDS 2016**

### TOP 7 BANKING BRAND VIETNAM 2016

#### **Presented by Brand Finance**

Brand Finance valued VPBank at USD57 million (equivalent to over VND1,300 billion), making it the seventh most valuable bank brand, and 26th most valuable enterprise brand, in Vietnam.

### BEST SME BANK VIETNAM 2016

#### **Presented by UK-based International Banker**

VPBank SME offers comprehensive, tailored, and highly relevant financial solutions to local SMEs. The Bank currently serves over 50,000 SME customers.



## PART 1. BUSINESS ENVIRONMENT IN 2016

The world economy underwent unfavorable developments in 2016 with lower-than-forecast growth, low trade growth, fluctuating crude oil prices, and falling agricultural produce prices. The growth of Vietnam's economy slowed and Vietnam began its 2016–2020 five-year plan with unfavorable conditions, including a GDP growth rate of just 6.21%, which fell short of the 6.7% target set out at the beginning of the year and the average rate of 6.5–7.0% over the previous period. While this growth rate was relatively good compared to the global average, the economy still faces challenges from unstable economic growth, an uneven recovery, and dependence on FDI for growth.

In 2016, Vietnam's banking and finance system achieved some successes, which were critical to inflation control, macro-economic stability, and economic growth. Monetary indicators rose in line with the targets set by the State Bank of Vietnam at the beginning of the year and inflation was kept below the National Assembly's 5% ceiling. Liquidity in the system was maintained at levels comfortably above requirements and the interbank market operated smoothly. As of December 29, 2016, total payment instruments were up 17.88%, deposits up 18.38%, and loan balance up 18.71% y-o-y. The status of the Vietnam

dong was improved thanks to decreased 'dollarization' and 'goldization' of the economy. Bad debt settlement according to market principles was strengthened.

The roadmap for restructuring credit institutions was carried out according to plan and the number of sub-standard credit institutions was reduced. The performance and competitiveness of the whole system and each credit institution improved consistently. In December 2016, Fitch Ratings published its Vietnam Banks – 2017 Outlook report, according to which the health of Vietnam's banks improved, the Vietnam dong was stable, and inflation was within an acceptable range. Together, these achievements provide the country with both challenges and opportunities, making the prospect of Vietnam having stronger, highly competitive, world-class finance and banking groups more realistic.

2016 was a successful year for VPBank, which also helped drive the industry forward. The Bank achieved quality, sustainable, efficient growth and considerable successes, which are solid stepping stones for the Bank to meet challenging objectives in its five-year strategies in subsequent years.



In 2016, VPBank received USD 133 million finance package from International Finance Corporation (IFC)



## 2016 BUSINESS PERFORMANCE REPORT

### 1. BUSINESS SCALE CONTINUED TO GROW STABLY

In 2016, VPBank shifted its focus to strategic customer segments and selected markets, and decreased activities in low-performing areas.

After developing and strengthening foundational systems for robust growth for three years (2013–2015), VPBank moved to phase 2 of its transformation program in 2016 with the focus on improved quality growth and continued selective volume growth. The Bank aimed to deliver quality, sustainable growth and develop an efficient, prudent balance sheet.

#### 1.1 ASSET STRUCTURE CONTINUED TO IMPROVE THANKS TO THE INCREASE IN QUALITY ASSETS AND OPTIMIZATION

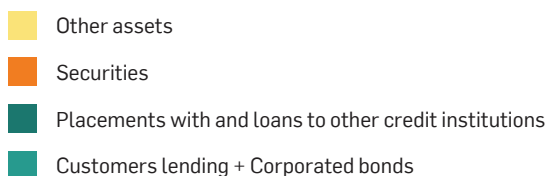
VPBank's total assets reached VND228,771 billion, up 18% y-o-y. Asset structure continued to improve towards sustainability, with customer lending – which rose 24% during the year – accounting for 62%, and the securities portfolio accounting for 18%.

In 2016, VPBank continued to develop its core Retail Banking and SME Banking segments, and expanded the Household Banking business. Their impressive volume growth over the past year has affirmed the appropriateness and feasibility of these three segments.

Credit balance (including customer lending and corporate bonds) in 2016 went up by 24% y-o-y, equivalent to over VND31,400 billion. The increase was greater than the industry average and presented major changes in different customer segments. Strategic segments, with their outstanding growth, contributed about 77% to total credit balance. The loan balance of the Retail Banking division rose by 50%, and that of the SME Banking division by 30%. The newly established Household Banking division recorded a loan balance of nearly VND2 trillion, while the Consumer Finance company enjoyed a 60% y-o-y increase in loan balance. Following modified guidelines, the corporate divisions focused on selective loan balance growth, portfolio restructuring, accelerating off-balance sheet activities, and trade finance.

Lending product structure was also moved towards high-yield products such as unsecured personal

TOTAL ASSET STRUCTURE (VND billion)



Source: Audited consolidated financial statements

loans, consumer loans, and credit cards. By focusing on a retail model, VPBank successfully developed and implemented solid systems of risk management, credit approval & processing, and debt collection to effectively control risks associated with large volume growth of retail products. VPBank is one of the pioneering banks in Vietnam in developing a 'big data' scoring model for retail customers. As a result, unsecured lending volume in 2016 doubled to VND20,700 billion against the end of 2015.

In 2016, VPBank continued to focus on reviewing and completing credit underwriting criteria to control NPLs. Scorecards for loan applications of retail and SME customers and a credit rating model for corporates and financial institutions allowed the Bank to select customers with good credit quality, and the completed specialized debt collection system brought further positive results. Consequently, the Bank's NPL ratio was kept under control, below 3%.

Investment activities were diversified with a stronger focus on interest rate and derivative products based on market opportunities to boost the Bank's profitability while controlling and managing liquidity risks. Total

securities portfolio (excluding corporate bonds) by the end of 2016 had reached VND40,880 billion – an increase of VND5,006 billion, equivalent to 14% y-o-y – with the biggest contribution from Government-guaranteed bonds issued by credit institutions.

## 1.2 FUNDING WAS FLEXIBLY ADJUSTED ACCORDING TO PREVAILING DEMANDS AND DEPOSIT STRATEGY

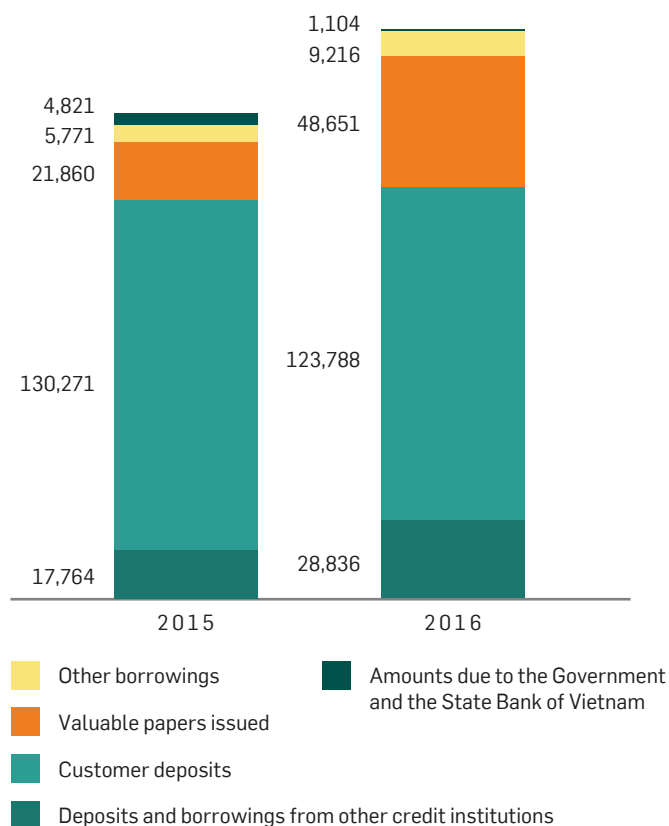
Every year, VPBank develops and implements a detailed funding plan at the beginning of the year. The plan details funding sources such as individuals, business organizations, credit institutions, and domestic & international financial institutions; the issuance of valuable papers; and maturity structure to ensure compliance with capital adequacy requirements in particular and prudential indicators in general, and enable the Bank to pursue its business direction. From time to time, the Assets and Liabilities Committee (ALCO) issued policies, made requests, and gave instructions to back-office and business divisions in view of market situations, macro policies, and the requirements of the Bank's leadership. As a result, deposits grew at the same pace as assets; funding structure was improved; deposit sources were diversified; and there was robust growth in medium- and long-term deposits and long-term bonds.

By the end of 2016, total liabilities were VND211,593 billion, increasing by roughly VND31,106 billion – approximately 17% higher than the end of 2015 – mainly as a result of the growth in customer deposits (59%) and the issuance of valuable papers (23%).

Total deposits reached VND201,274 billion – including customer deposits, placements & loans from other credit institutions, and issuance of valuable papers – up 18% y-o-y as of December 31, 2016. The volume of customer deposits and valuable papers reached VND172,438 billion, representing an increase of over VND20,300 billion – or 13% – y-o-y. VPBank's strategic segments generated a growth rate of 11% and accounted for 62% of customer deposits and issued valuable papers.

The sources and types of deposits changed dramatically in 2016 due to the shift from ordinary deposits to valuable papers, with volume doubling y-o-y to VND48,651 billion. During 2016, the Bank issued valuable papers worth VND21,175 billion, with terms ranging between one and five years. This is a stable and long-term funding source to finance long- and medium-term asset growth, ensuring the safety of the asset structure.

## STRUCTURE OF LIABILITIES (VND billion)



Source: Audited consolidated financial statements

In addition, nearly VND3,800 billion in deposits was acquired from international institutions, thus diversifying funding sources and affirming VPBank's position and prestige in the market.

By maintaining steady growth in core banking activities, improving credit quality, and reducing the cost of funds thanks to cheap funding sources, capital efficiency was improved and net interest margin (NIM) ratio increased from 6.3% in 2015 to 7.7% in 2016.

## 2. ALL BUSINESS PERFORMANCE INDICATORS WERE POSITIVE

### 2.1 TOTAL OPERATING INCOME (TOI) INCREASED STRONGLY THANKS TO CHANGES IN PRODUCT STRUCTURE AND PRODUCTIVITY OPTIMIZATION

VPBank continued its success in 2016 with a compound annual growth rate for total operating income (TOI) of 50.3% for 2013–2016. The Bank's TOI reached a record high of VND16,864 billion in 2016, up 40% y-o-y. Major contributions came from net interest income of VND15,168 billion, up by VND4,814 billion or 47% y-o-y. The Bank's higher TOI when compared with

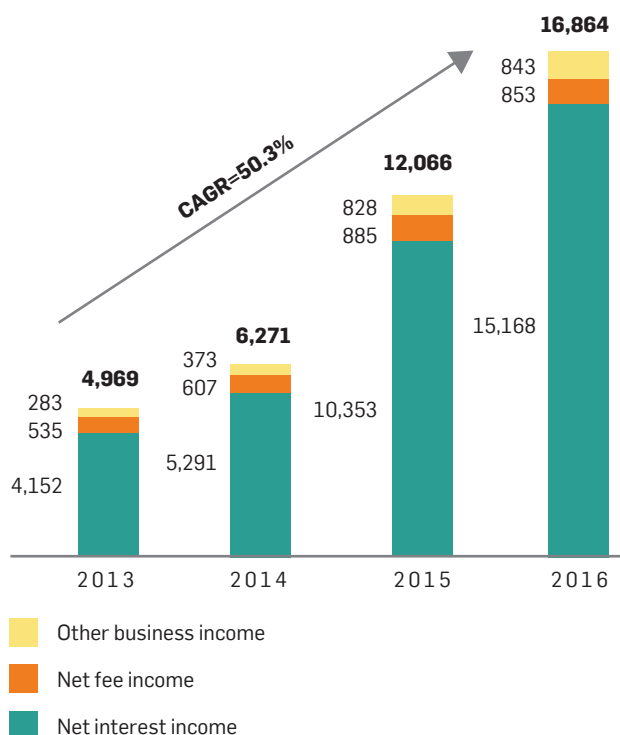
asset volume growth (18%) resulted from the growth strategy focusing on core segments, new potential products, asset quality improvement, changes in product structure, cross-selling, and a more efficient funding structure and utilization.

After three years of transforming their sales models, standardizing the product mix, and strengthening sales support systems, the strategic segments have fulfilled their leading role with impressive growth in efficiency. Total operating income of Retail Banking increased by 54%, SME 40%, Household Banking nearly 12-fold, and VPBFC two-fold y-o-y as business divisions pursued strategic directions.

The breakthrough in product structure and sales channels of Retail Banking and SME in 2016 brought about positive results for retail businesses. Notably, unsecured personal loans was the Retail Banking Division's headline product, accounting for nearly 40% of the Division's operating income. In addition, VPB FC enjoyed a year of robust growth in both quality and quantity, and in both volume and performance. The FE Credit brand continually improved its products, increased market share, and improved risk control, thereby achieving good results. Total operating income in 2016 doubled y-o-y to VND8,552 billion. As a result, these strategic segments achieved strong growth in TOI and accounted for 75% of the Bank's total operating income.

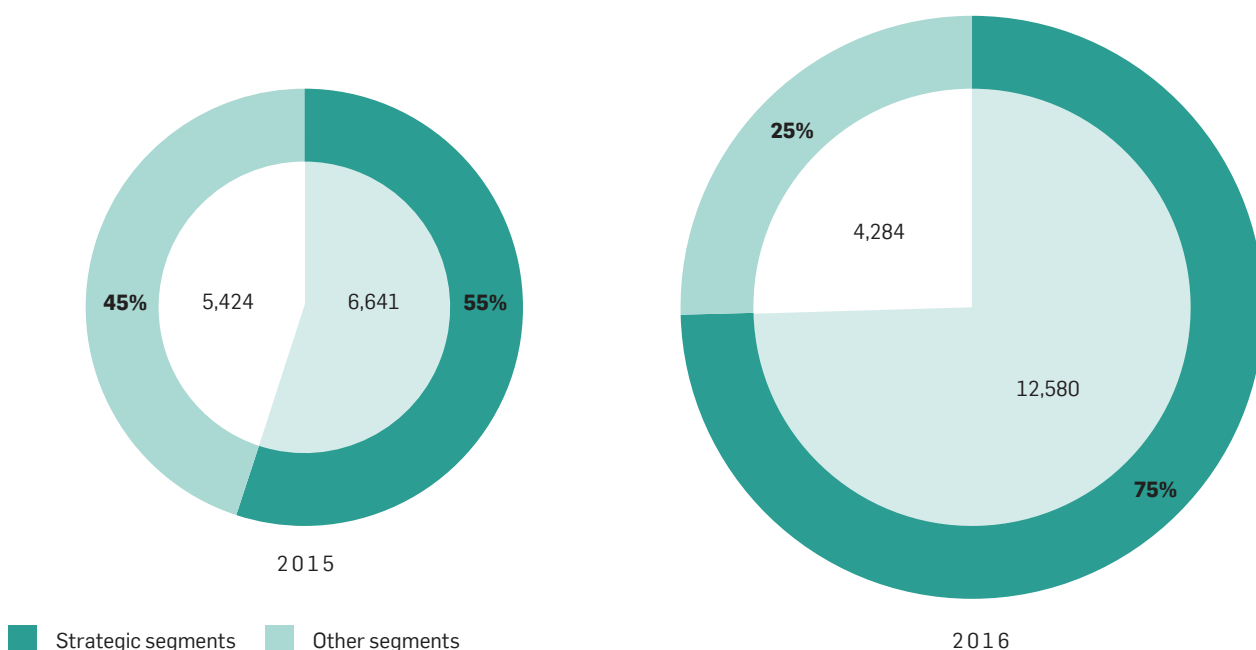
Satellite segments of the CIB, FM, and FITB divisions

TOTAL OPERATING INCOME (VND billion)



Source: Audited consolidated financial statements

TOI STRUCTURE (VND billion)



Source: Audited consolidated financial statements

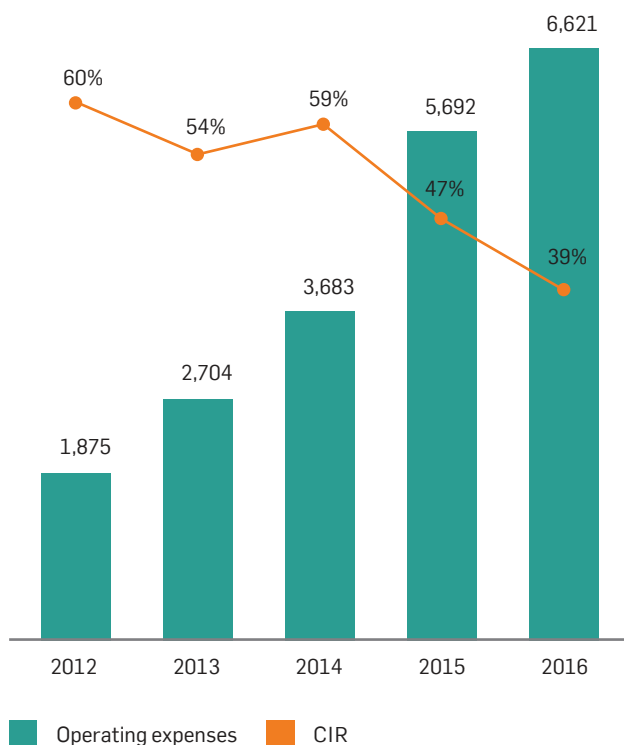
also enjoyed a good financial year. They applied the strengths inherent in their specialized and flexible operating models to provide distinctive financial solutions and collaborate closely with other divisions and external partners for cross-selling and supply chain financing to optimize the Bank's performance. Bigger efforts on trade finance, trade & cash, and off-balance-sheet activities yielded impressive results, contributing impressively to the Bank's fee income growth and lowering the cost of funds.

Positive results from debt collection boosted profitability indirectly by collecting accrued interest and mitigating NPLs, and directly by collecting VND715 billion from settled debts, up 180% y-o-y.

## 2.2 OPERATING EXPENSES WERE KEPT UNDER CONTROL THANKS TO COST SAVINGS, EFFICIENCY, AND IMPROVED PRODUCTIVITY

VPBank continued focusing on developing resources,

OPERATING EXPENSES (VND billion)



Source: Audited consolidated financial statements

entering new segments, and executing key business-focused projects in 2016, which led to high capital costs. However, thanks to effective operational control through the implementation of several projects to optimize operating expenses, improve productivity,

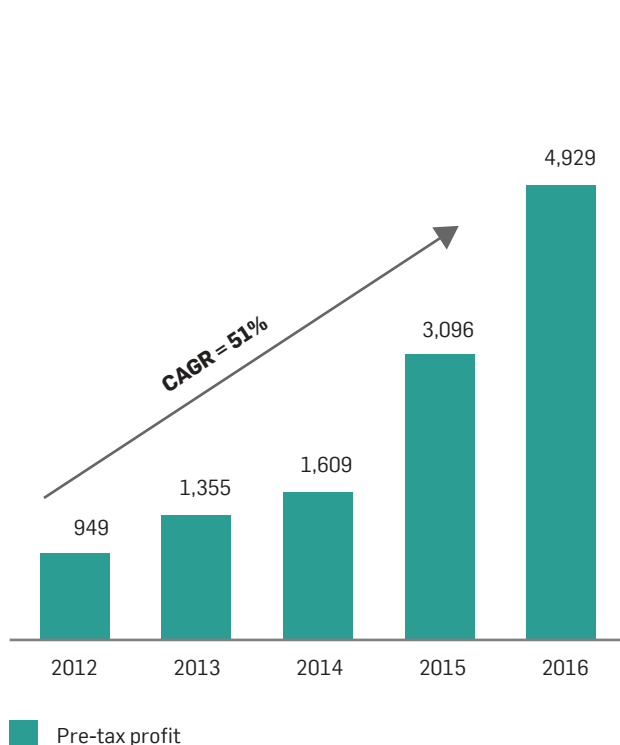
and accelerate digitization, operating expenses in 2016 only increased by 16% y-o-y, much lower than income growth. The cost to income ratio (CIR) dropped from 47% in 2015 to 39% in 2016.

## 2.3 PROVISION EXPENSES INCREASED FOR DEBT SETTLEMENT

Not only did VPBank make provisions accurately and adequately according to SBV regulations, it also took further steps to better resolve possible losses. Total provisions for credit losses in 2016 increased by VND2,549 billion y-o-y to VND5,383 billion. The higher provisions, mainly for on-balance-sheet items, resulted from the restructuring of investment portfolios and the use of provisions to resolve credit losses.

## 2.4 PROFIT BEFORE TAX ROSE IMPRESSIVELY; PROFITABILITY AND CAPITAL EFFICIENCY IMPROVED

Thanks to all these factors, consolidated pre-tax



Source: Audited consolidated financial statements

profit reached VND4,929 billion, of which the Bank's separate profit was over VND3,403 billion by the end of fiscal year 2016. Consolidated pre-tax profit growth rate reached a record high of 59% y-o-y, surpassing the target of 54% set in the General



Shareholders' Meeting and increasing the compound annual growth rate of the past five years to 51%.

Return on Average Assets (ROAA) and Return on Average Equity (ROAE) in 2016 were 1.86% and 26% respectively, higher than those of other joint-stock commercial banks.

focus, and seamless innovation, VPBank came close to or exceeded the key targets set in the 2016 General Shareholders' Meeting, sustaining the momentum of previous years. The profitability ratio, capital efficiency ratio, and other prudential ratios all improved.

### **3. PRUDENTIAL RATIOS AND OPERATIONAL QUALITY**

The SBV's Circular 6 (dated May 27, 2016 on amending and supplementing Circular 36 regarding limits and prudential ratios of credit institutions) reduced the maximum ratio of short-term funds used for medium- and long-term loans to 50% from January 1, 2017, while the risk-weighted ratio for mortgages was raised to 200%. In preparation for these major changes, VPBank started to reallocate funds, set guidelines, and closely control both mortgages and medium- and long-term lending to comply with the regulations and ensure stable and sustainable operations for the Bank. Consequently, prudential ratios were maintained in compliance with the SBV's regulations throughout 2016 and beyond.

### **4. NON-FINANCIAL INDICATORS**

VPBank achieved successes in its non-financial indicators, as well as its financial ones.

Customer base: In 2016, VPBank's saw remarkable growth in its number of active customers, which reached nearly 3.3 million – a rise of 57% from 2015. This is an important foundation on which the Bank can pursue its retail banking strategy.

Card issuance: VPBank's number of active cards in 2016 was about 630,000, up 39% y-o-y. Nearly 100,000 new cards were issued, up 39% y-o-y.

Number of employees: Robust growth in the retail segment was marked by a sharp increase in the number of employees to ensure adequate manpower. There were 17,387 people working for the Bank by the end of 2016, an increase of 4,460 from the end of 2015.

### **5. GENERAL EVALUATION OF BUSINESS PERFORMANCE IN 2016**

Getting closer to the end of the five-year strategic roadmap, VPBank achieved impressive business results with several outperforming indicators, reflecting the Bank's sustainable performance and growth pace in accordance with its strategic objectives. With a proper business strategy, intense

## Business performance in 2016

Target (VND billion)	Actual 2016	Projected 2016	% difference, actual vs projected	% increase from 2015
Total assets	228,771	246,223	93%	18%
Customer deposits (including valuable papers)	172,438	188,326	92%	13%
Credit balances	162,832	171,017	95%	24%
of which: lending to customers	144,673	156,358	93%	24%
NPL ratio	2.9%	<3%		
Consolidated PBT	4,929	3,200	154%	59%

Source: Audited consolidated financial statements

HIGHLIGHTS OF

# BUSINESS

DIVISIONS



## BEST BANKING INITIATIVE FOR SELF-EMPLOYED CUSTOMERS VIETNAM 2016

**Presented by Global Banking & Finance Review to CommCredit – VPBank's tailored brand for household businesses**

CommCredit's full package of financial solutions was greatly preferred by household businesses due to its convenience in approvals, disbursements, and services. Tens of thousands of household businesses have chosen the package and gladly recommended it to other households in 2016.

## BEST MOBILE BANKING APPLICATION VIETNAM 2016

**Presented by Global Banking & Finance Review**

With the most secure SMS OTP features and an intuitive interface that enables easy access for customers from internet-connected devices at any time, VPBank Mobile is proud to provide its users with the most diverse online transaction features.



## RETAIL BANKING

2016 witnessed great strides from VPBank in its journey to become one of Vietnam's top-three retail joint-stock commercial banks by 2017. Retail Banking (RB) saw incredible growth of 54% in operating income and 116% in profit before cost allocation. The dedicated, dynamic, and professional sales force and tellers made a critical contribution to helping VPBank gain trust from close to 2 million customers, expanding the customer base in 2016 by about 50% versus 2015. VPBank's growth is also shown in the increase in both lending and deposit balances, with lending recording impressive growth of 50% from 2015.

With the motto "Actions for your dreams", VPBank aims to provide not only the best experience in banking services, but also diversified, convenient, and appropriate financial solutions for customers and their families, partners, and friends. In 2016, the Retail Banking Division has consistently put its greatest efforts into the development of best-in-class products, services, and strategic policies for diverse customer segments. These brought a successful year in 2016 and raised VPBank's recognition and competitiveness in the retail market.

2016 has seen new records for Retail Banking in its core Unsecured Personal Loan (UPL) product. Thanks to a series of creative product innovations, the number of customers using this product has been increasing rapidly. UPL disbursement has seen an increase of 152% compared with the previous year. We have also strived to offer customers more simple and convenient services by creating landing pages where all unsecured loans are processed online. This innovation not only improves customer satisfaction but also enhances VPBank's image as the pioneer in the digitization process. Pre-approved disbursement and shorter turn-around-time are considered to be the highlights in refining customers' experiences. These impressive features helped VPBank win the "Best unsecured lending product" award from The Asian Banker.

VPBank has also deepened its partnership with reputable real estate developers (e.g., Vingroup and Novaland) and now offers valuable financial and housing solutions for our customers. Partnerships with key auto dealers and suitable commissions have yielded better results for auto loans. Cross-selling programs have been effectively implemented, generating impressive results with a six-fold increase in branch productivity and doubled growth in the product holding ratio of customers with two or more products.

VPBank has also seen success with its credit card products in 2016. The bank has focused on creating strategic partnerships with numerous merchants, along with a series of marketing campaigns, in order to acquire more and more customers, resulting in a total of approximately 100,000 card holders. This led to VPBank winning the "Leadership in MasterCard credit volume" award at the Master Ceremony night. This has set the momentum for further growth in 2017.

Together with the remarkable growth in lending, positive results have been achieved on the liabilities front, with end-of-period balance increasing by 16% compared with the start of the period. Implementation of regular sales contests across branches and sales channels has motivated the sales force and contributed to a 91% increase in average demand deposits (CASA) versus last year. Outstanding achievements with term deposits have been recorded, with a doubling of total online balance. The deposit team has overcome a series of challenges to achieve these impressive results.

2016 was also a thriving year for Bancassurance, with inspiring outcomes. The transformation from a referral model to a staff model in some branches, along with the establishment of the telesales team and the organization of mini-shows at branches, made a great impression on customers, driving Bancassurance to excellent results by the year's end. This can be seen in net fees income and commissions, which both achieved more than threefold increases from the previous year. Successful cooperation with big insurance partners helped fees from life insurance rise nearly fivefold.

The Priority segment in 2016 has seen significant development, both in business scale and customer base. The number of branches with Gold Clubs increased by 75% – from 89 to 155 by the end of the year. Gold Club members jumped 120% compared with the previous year, with 90% of customers being satisfied with the service quality of relationship managers following the restructuring of the sales force policy. In 2016, the Priority Team focused more on improving sales skills, promoting productivity through emphasizing micro-marketing, and enhancing customer care and engagement.

In 2016, VPBank enhanced internal structures with sustained collaboration between departments, ensuring operations within divisions was more coherent. All departments in the Division are aware of the importance of developing and delivering initiatives. These have really helped Retail Banking keep moving forward with the objective of delivering

the best customer experience and becoming the leader in retail banking. In 2017, Retail Banking has set aggressive targets across 25 product and sales channels and will implement a five-pronged plan to foster principal strengths in core products. Moreover, we continue to focus on digitizing the banking process, redesigning the alternative channel to foster robust sales management, and exploiting the effectiveness of cross-selling programs and premium banking. With its discerning vision and strategy, VPBank is confident that by the end of 2017 we can reach our goal of becoming one of Vietnam's top-three retail joint-stock commercial banks.

## CONSUMER FINANCE BUSINESS

VPBank Finance Company – under the FE Credit brand – has proven to be the leader in virtually every aspect of the consumer finance market. FE Credit has constantly improved its products, expanded its distribution network, enhanced its stringent risk management framework, maintained a lower level of non-performing loans, and focused on creating powerful human resources in order to secure its sustainable growth.

As the leading organization with the largest nationwide distribution network, FE Credit has helped millions of Vietnamese customers to meet their financial challenges with a wide range of unsecured loan products and financial services. This distribution system delivered record-breaking volumes in consumer durables loans and two-wheeler loans. It has laid a strong and growing foundation for cross-selling and top-up products.

In 2016, FE Credit has witnessed incredible growth, with new acquisitions exceeding 2.7 million accounts, the number of points of sale growing by 148% to 7,900, and about 125,000 credit cards issued after only one year of distribution. FE Credit has also achieved great success in capital mobilization, with VND40,000 billion of funds mobilized from a diverse set of financial resources. Notably, FE Credit has recently obtained a USD100 million senior secured term-loan committed facility from Credit Suisse. This cooperation is a breakthrough for FE Credit's funding mobilization and demonstrates the trust that international banks have in the business performance and sustainable growth vision of FE Credit. It has also encouraged FE Credit to increase its targets and strengthen its sustainable future growth and development. Established in 2010, the company has created a professional working environment and become a positive and desirable workplace for many young, energetic, and ambitious talents, with the

number of employees having now reached 14,600.

2016 marks the sixth year of growth and development of FE Credit; the company has surpassed its more experienced competitors and become the leading consumer finance organization in Vietnam. In 2016, FE Credit was honored to receive three noteworthy awards:

- Best Consumer Finance Company Vietnam, from Global Banking & Finance Review, United Kingdom
- Best Consumer Finance Brand Vietnam, from Global Brands Magazine, United Kingdom
- Top Brands Vietnam 2016, from Global GTA Vietnam

FE Credit is accelerating its expansion in both breadth and depth, focusing on both business scale and efficiency. Along with meeting the company's bold business targets, the firm will improve its infrastructure, strengthen its risk management, optimize operating costs, enhance service quality, prepare for contingency scenarios, diversify product portfolios, and develop a healthy multinational corporate culture.

## HOUSEHOLD BANKING

Established in 2015, VPBank's household banking segment under the brand name CommCredit has been making vigorous strides in 2016. Targeting millions of mass-market, self-employed customers in Vietnam - traditionally called 'household' – CommCredit has enjoyed a year of explosive expansion and proven its core role in VPBank's journey to become a leading retail joint-stock commercial bank in Vietnam.

CommCredit leverages VPBank's wide network in urban markets, extensive domain knowledge, and highly engaged workforce to provide timely credit, enhance financial literacy, empower individuals, and improve the quality of life of its customers. The business is driven by a well-defined risk appetite framework, a relentless focus on credit quality, development of innovative and tailor made products, high quality asset portfolio, and robust business performance.

Pursuing the community-based business model, the corporate social responsibility initiatives executed by CommCredit have ably supported its objectives. The 'I Love Viet Markets – Keep Clean and Make Green' has been rolled out nationwide during the year. The strong segment focus has helped build trust and credibility for CommCredit, and earned the award for 'Best Banking Initiative for Self-employed Customers' from Global Banking & Finance Review.

Beyond helping VPBank to earn international awards and recognition, CommCredit's efforts in 2016 also won the trust and affection of thousands of customers all over Vietnam. From a network of 35 branches in 2015, CommCredit has expanded to 129 branches in more than 39 cities – a nearly three-fold expansion – making this one of the largest dedicated distribution networks for the household segment in Vietnam. The number of customers has grown seven-fold, to more than 50 thousand, proving that VPBank's improvements are not just in the physical network, but also in its customer attraction and satisfaction.

VPBank's success in customer approval has been translated into remarkable financial performance. By the end of 2016, loans balance and fees income had increased eight-fold, and revenue ten-fold. In addition, CommCredit achieved operational breakeven in July 2016, well ahead of schedule, and it is now expected to achieve financial breakeven in early 2017.

VPBank developed extensive nationwide coverage for CommCredit in 2016 and will strive to expand our presence in non-branch locations in 2017 to better serve household customers. Furthermore, the business will focus on strengthening frontline teams through internal training and simplifying effective frontline processes, as well as diversifying the simple and strong product mix. These efforts and targets are to make CommCredit the preferred financial partner for all household businesses in Vietnam.

## **SME BUSINESS**

The market environment in 2016 was marked by high foreign exchange volatility and a lack of credit demand from well-qualified enterprises. In spite of the external challenges, VPBank still managed to grow SME loans by 30%. To grow in scale with higher efficiency, VPBank consciously identified and focused on the under-served micro SME segment. New products like Business Installment Loans and a cost-efficient alternative sales channel piloted earlier were expanded to drive our results in 2016. Consequently, VPBank achieved its main growth targets as well as increasing its overall lending interest margins in the SME segment.

Whilst the smaller SME segment brought good performance, the shortage of collateral, financial transparency, and weak capital structure which are features of the segment were key challenges which required innovative loan pricing, expanded investment in human resources, and powerful risk management tools to successfully navigate.

VPBank also registered healthy growth in larger SME

segment, with higher cross-selling of products and services. As a result, total fees income grew by 38%, contributing to the 40% increase in total operating income from this segment and a five-fold increase in profit contribution to VPBank.

In 2016 VPBank made good headway in the SME market with transactional banking solutions. Revenue from insurance products and trade services contributed 75% of total fees income. Our commercial payment and collection solutions also opened exciting opportunities in the e-commerce space. To further strengthen payment propositions, VPBank launched Platinum VPBiz Card and Business Controller in 2016 to provide our customers with fast-moving commercial payments. VPBank's efforts in bringing product innovation to our customers was recognized with the 'The Most Innovative Credit Card' award from Asian Banking & Finance. VPBank will continue to focus on providing excellent services to increase fees income, and work with business partners and specialists to develop innovative solutions to ensure our ongoing presence in the digital world.

Our people are an important pillar of our success in delivering differentiated value to our SME customers. As such, VPBank has continually invested in human resources, and the skillsets of sales staff in 68 SME centers has expanded to provide our customers with sound banking advice and services. The people development plan and career path, which was launched in 2015, has been refreshed to ensure that we meet the aspirations of our people. Our investment in human resources has not only created higher productivity from our staff, but also sustainable relationships and success. For years, VPBank has strived hard to support the SME community in Vietnam through our cooperation with trade associations, Government authorities and international bodies like the International Finance Corporation and World Bank. Accolades like 'Best SME Partner 2016' from International Data Group and the Vietnam Banks Association are our encouragement to work harder to serve the business community.

2017 will be the fifth year of our SME growth plan. To drive continual improvement, VPBank has identified several SME themes to tackle in the new financial year. Growing the micro SME segment, which started in 2016, will continue to receive our strong commitment and financial investment. Our client relationship model will be reconstructed and processes will be simplified to increase customer-facing time and overall productivity. Segmental data and customer feedback will continue to improve our product development and customer care program in the coming years. Barring any unforeseen circumstances, VPBank is optimistic



that 2017 is going to be another successful year for the SME segment with sustainable growth in profitability and scale.

## COMMERCIAL BANKING

Overcoming the market turbulence and challenges encountered by the entire industry, both VPBank and Commercial Banking (CMB) Division have made great efforts to sustain growth throughout 2016 and to lay a solid foundation for future development.

Specifically, the VPBank continued to consolidate its leading position in the bank in guarantee, L/C, domestic and international payment services. At the same time, it maintained stable deposit volume and increased its average loan balance by 20% y-o-y. Consistent with the principles of sustainable development, focusing on transaction efficiency and boosting revenue by service fees and charges, CMB recorded an increase of 50% y-o-y in non-interest revenue and of 35% y-o-y in profit before tax. Expanding the customer portfolio paved the way for CMB Division to broaden its scope of business in the future. In addition, as risk management and post-disbursement control were frequently focused upon, the Division had no NPLs incurred in 2016.

Embarking on 2017 with plenty of both potential and challenges, CMB Division is directing its business operations towards four groups of products and services: (1) full package of financing service; (2) trade financing; (3) supplier/distributor financing; (4) continued studied and leveraging market opportunities for safe and effective project financing. CMB, therefore, will focus on cross-selling to the existing customers and expanding new customer portfolio at the same time for higher efficiency. Services and customer care will be further improved to strengthen customer engagement with the Bank, leading to sustainable business performance. In addition, CMB, in collaboration with related units, will work more closely with industry associations to develop and deliver the most suitable products for corporate customers.

Regarding risk management and post-disbursement monitoring, the Division will tighten customer selection principles to better recognize good customers upfront, enhance risk warning and detection, and provide effective and prompt solutions for risk settlement. With the achievements of five years of development, CMB is expected to take bigger leaps in 2017 to contribute to the growth of VPBank.

## CORPORATE AND INVESTMENT BANKING (CIB)

Despite both micro and macro turmoil in a volatile business environment, CIB still managed to meet its key financial targets in 2016.

Established by the merger of the Corporate and Institutional Banking Division and the Investment and Project Financing Division in late 2015, CIB has leveraged its flexible and specialized organizational model to deliver comprehensive financial solutions through end-to-end financial products and services to both its corporate customers and their agents and suppliers. The management of investment and debt portfolios was specifically focused upon, resulting in enhanced performance of investment and lending.

2016 witnessed CIB's close collaboration with the Financial Institution and Transaction Banking Center, acceleration of trade finance, increase in guarantees and letters-of-credit balance as well as fees income. In addition, the division contributed remarkably to the delivery of distributor financing to large corporations, and its investments also enjoyed success as portfolio management was continually strengthened to ensure security, efficiency, and quality of investment activities. Consulting services – including issuance and funding arrangements – were also improved, and recorded considerably higher fees income y-o-y.

In early 2017, in addition to continuing to improve service quality to its traditional corporate customers such as VNPT, Mobifone, Viettel, and VEAM, and to FDI enterprises such as Yamaha and Nippon Seiki, CIB will focus on offering off-balance sheet products and working capital to meet its customers' needs. The division will also promote cross-selling and collaboration with other units of VPBank to provide structured and specialized packages and services to best serve customers. The investment section will continue investing in bonds with high yields issued by other securities companies and financial institutions, while ensuring risk management. With all of these, CIB is highly confident that it will achieve greater success in 2017.

## FINANCIAL INSTITUTION AND TRANSACTIONAL BANKING

In three years of operations, VPBank's Financial Institution and Transactional Banking (FITB) Center has successfully promoted trade finance, executed transactional banking strategies, and built strong relationships with international financial institutions.

In 2016, FITB launched several key products, including trade finance (e.g. usance payable-at-sight letters of credit [UPASL/C], distributor financing, and warehouse financing in line with international standards) and monetary management (e.g., e-tax, online guarantee, and payment & collection services). Expending great efforts, VPBank made remarkable progress in offering 11 distributor financing programs to its customers, key of which were multinational enterprises and large corporates. UPAS L/C revenue rose by 29%, and total net fees income by 11%, y-o-y.

In the financial institution segment, VPBank achieved robust growth in capital volume and credit limits from domestic and international financial institutions. Total limits issued by foreign banks grew by 20%, and by State-owned banks by 35% y-o-y. Notably, VPBank was approved for a mid-term loan worth USD133 million for five years by IFC under its Global Trade Finance Program. In 2016, VPBank continued to be one of the banks receiving investment trust funds from international organizations such as World Bank and JICA to support SME production and business, with a total growth rate of 150% in loan balance over 2015. VPBank was also selected by World Bank as one of four banks to disburse Vietnam Sustainable Agriculture Transformation project capital of up to VND200 billion. Besides expanding those projects, the Bank expects to launch ODA-funded projects such as a renewable energy project of the German Development Bank and the Ministry of Planning and Investment's SME Development Fund.

FITB's outstanding performance helped reaffirm VPBank's position and prestige in both domestic and international markets. Entering 2017, VPBank will continue to develop supply-chain and industry financing products as well as cash-flow management solutions to meet diverse customer demand; strengthen the Bank's correspondent relationships with domestic and international financial institutions; and enhance relationships with international financial organizations such as the International Finance Corporation and the Asian Development Bank to raise mid- and long-term limits to support VPBank's business strategies and direction.

## FINANCIAL MARKET

In 2016, the Financial Market Division continued to restructure its activities, including FX, money market, and bonds, to achieve game-changing performance with exceptional achievements. The Division's success in 2016 was marked by impressive results.

In addition to strengthening traditional business, the

Division underwent major restructuring, introducing new financial products – notably FX, derivatives, and structured products – that target a wider range of customers, and especially high-value clients. This was instrumental to the successful issuance of VPBank's long-term bonds, based on well-considered product structuring and excellent prospects.

In 2016, the Financial Market Division sought out and cooperated in implementing solutions for managing prudential ratios, making the best use of excess funds, and optimizing the balance sheet, supported by financial analysis models to forecast compliance ratios and analyze and predict interest rate developments.

The Division took steps to develop a professional sales force and worked closely with other business divisions to deliver financial market products to customers in a more proactive manner. Thanks to the professional team, VPBank provided both conventional products and advice on exchange and interest rates to customers, offering greater value and setting itself apart from competitors.

From an operational perspective, the Division continued to implement modern management and trading software to enable quick execution, accurate and efficient pricing, and better risk management for special interbank activities such as bond trading, placements, foreign exchange, and derivatives. As a result, the Financial Market Division achieved outstanding results, hit its whole-year profit target by the third quarter, and increased its TOI by 43% y-o-y. In addition, VPBank remained among the top five highest-performing commercial joint-stock banks in government bond biddings in 2016, according to Ministry of Finance rankings, and the Bank is included in the Vietnam Bond Market Association's market-maker list for 2017 for the first time. Against this backdrop, VPBank is confident of achieving further financial market successes in 2017.

## DIGITAL BANKING SERVICES

Digital banking has been a critical strategy for VPBank, demonstrating the leadership's vision of the future of the banking sector and the shifts in customer behavior. Established in January 2016, the Digital Banking Services Division has been relentlessly focusing on realizing the following key dimensions of the digital strategy:

- Digitizing traditional banking services to improve service quality, optimize operating costs, and enhance customer acquisition



- Partnering with Fintech companies to adopt revolutionary ideas in banking services and create a highly differentiated and exciting customer experience

The establishment of a standalone function for digital banking demonstrates VPBank's determination to lead the field and build a solid foundation to radically transform VPBank into a leading bank in terms of customer growth and operational efficiency. VPBank has taken major steps to realize its vision:

- Established the 'Digital Lab' in October 2016 – an advanced innovation model to foster and develop the digital customer experience – with support from McKinsey and the engagement of staff from many functions
- Re-engineered VPBank's processes towards automation and digitization
- Digitized service delivery channels – under this strategy, services can be accessed online and customers can also self-conduct some transactions without going to branches

In parallel, VPBank has continued to push the digitization of products and processes, and enhance the quality of banking services delivered through computers and mobile devices. VPBank now offers its customers the most diverse suite of products and services of any bank in Vietnam, which include most online financial services such as account transfers, deposits, lending, credit cards, and bill payment of over 300 types of bills.

In 2016, VPBank was one of the first banks to successfully digitize pre-approved credit cards, Timo credit cards, and overdraft products for payroll and current account customers (Sm@rt OD). Partnerships with Fintech companies – particularly Timo – have brought differentiated, modern, and convenient services to banking at VPBank.

With these constant efforts, the Bank has experienced a 260% rise in the number of digital users since 2015, and online savings balance has increased two-fold from 2015 and twelve-fold from 2014. The proportion of online transactions has reached 33%, with nearly 100% of transfer transactions conducted via digital channels. The number of financial transactions through digital channels surpassed the number conducted over the counter for the first time in November 2016. The number of online loan and credit card applications has also skyrocketed by around ten times from 2015.

Awards such as 'Best Digital Banking Initiative in Vietnam' from The Asian Banker, 'Best E-banking Initiative' from International Data Group, and 'Best Mobile Banking Application Vietnam' from Global Banking & Finance Review were presented to VPBank in recognition of its relentless efforts to serve customers. In 2017, the bank will continue to accelerate the implementation of initiatives and the creation of new customer experiences, and to take the lead in digitization in Vietnam's banking sector.

ACHIEVEMENTS IN

# FOUNDATION BUILDING



## BEST DIGITAL BANK

**Presented by International Data Group (IDG)**

This award proves VPBank's robust performance in its development strategy, online customer acquisition, security technology adoption, and product integration in the digital channel.



## RISK MANAGEMENT

VPBank's risk framework is based on three main pillars of risk management: credit, market, and operational. Risk management practices are integrated into key strategic, capital, and financial planning processes, as well as day-to-day business processes across the Bank, with the goal of ensuring risks are appropriately considered, evaluated, and responded to in a timely manner.

The Bank has taken extensive preparatory steps for the implementation of Circular 41/2016–NHNN (issued December 30, 2016) that envisages compliance with Basel II standards on credit institution capital adequacy. The Bank has executed regular computation of capital adequacy ratio, as per Basel and State Bank of Vietnam requirements, and is continuously improving its risk governance according to Basel recommendations. As 2018 approaches, advanced preparation, data quality and availability, and the implementation of integrated risk solutions will be top priorities for VPBank.

Building on the organization structure optimized in 2015, the skills and expertise of those tasked with implementing the management of risks was the focus in 2016, with over 150 training sessions conducted in-house by internationally experienced professionals.

### Credit Risk Management

The credit risk management strategy of VPBank is driven by a well-defined risk appetite framework, a relentless focus on credit quality, champion-challenger testing of credit underwriting criteria, facilitating high quality asset portfolios, and ensuring risk-reward transparency. In 2016, VPBank's credit quality remained under strict control with the non-performing loan ratio staying below the prudential limit of 3% of total loans. To ensure sufficient credit quality, VPBank has implemented application credit scoring cards for retail and SME customers, while credit rating models are used for corporate clients and financial institutions. In 2016 VPBank also introduced behavioral scoring models for cross-selling, up-selling, and card limit management for existing clients. VPBank is one of the leading banks in Vietnam in developing 'big data' scoring models for retail customers. To monitor and proactively manage its existing credit portfolio, VPBank uses robust portfolio analytics, early warning signal systems for all client types, and credit review processes to randomly check and address high-risk exposures.

In addition, the Bank has successfully upgraded

its Environmental and Social Management System (ESMS), which includes policy and procedure issuance as well as intensive training on ESMS for credit officers.

### Market Risk Management

In 2016 the market risk management governance framework of VPBank was improved by establishing a dedicated committee for addressing valuation and other market risk topics and updating respective approval authorities. The market risk limit system was reviewed and strengthened to ensure compliance with best international practices and the requirements of the State Bank of Vietnam, and to safeguard the Bank's risk positions against the challenges of the financial market.

### Operational Risk Management

The importance of operational risk management has been emphasized for all employees of the Bank. VPBank's current fraud management and information security frameworks were implemented in 2016, and the strict requirements of these policies, such as zero fraud tolerance programs, reduced time-to-investigate, prevention of internet usage for non-business purposes, and controlling USB connections with the Bank's computers, have been reinforced across the Bank to mitigate information leakage and computer virus infection. The vast majority of VPBank's documents and processes are assessed from an operational risk perspective and the process of operational risk incident recording and tracking is being systematically improved. VPBank has key risk indicator systems for all business lines and supporting units that are monitored regularly. General training for all employees, specialized training for specific business and supporting units, and communication sessions have been conducted through the year to enhance staff awareness of operational risk. A statistical approach has been implemented for operational risk limitation within main operational processes.

VPBank has 100% coverage of all major activities by business continuity plans. In 2016 several business continuity scenarios were successfully rolled out and tested.

### Collection

In 2016, VPBank substantially increased the efficiency of its collections processes by implementing a new collections IT solution alongside a predictive auto-dialer. The Bank has also developed comprehensive pre-collection strategies that are improving the quality of credit portfolios. Analytical tools and the

new collections system allow proactive execution of capacity management.

Risk management has been a key contributor to VPBank's success over the past year. In 2017 the Bank will continue to aggressively improve its risk management and collections system as a strategic foundation to reach its vision of becoming a top joint-stock commercial bank in Vietnam.

## OPERATIONS MANAGEMENT

In the penultimate year of the Bank's 2012-2017 transformation roadmap, the Operations Division consolidated and strengthened its position as the primary driver of excellence in customer service, efficient and cost-effective utilization of resources, and strong governance & controls within the processing areas of the Bank.

**Customer Service:** In 2016, VPBank was recognized as the "Best Customer Service Bank – Vietnam" by UK-based Global Banking & Finance Review.

Continuing the transformational initiative of centralizing the management of branch services into the Operations Division, the whole network was brought under Operations management during 2016, having completed branches in Hanoi & Ho Chi Minh City during 2015.

To ensure synergies among all the various service channels so as to heighten the customer experience, all key service delivery customer touchpoints – branch services, 24/7 contact centre, ATM network, and the complaints resolution unit -- were consolidated under a single service management structure within the Division. This has helped the Bank to improve the time taken to resolve customer grievances and provide better response time on other client issues.

In order to improve the overall branch experience for customers in terms of wait-time and convenience, a number of processes were re-engineered; these have resulted in improving the productivity at our branch counters by more than 30%. Additionally, 40 new cash deposit machines (CDMs) were installed in branches, thus offering clients a more efficient and convenient alternative to using teller services for their cash deposits.

Also, our branch service staff have proactively been educating customers on the use of alternate channels – ATMs, CDMs, and internet banking -- for service delivery. More than 80% of cash depositing customers at branches which have CDMs, have switched to the

new alternate mode of cash deposits. In addition to benefiting cash customers, this has allowed our service staff to improve service time for other customers.

Strong focus has also been attached to the customer experience of our Retail and SME credit card clients. Key initiatives in this field have seen a dramatic reduction in the number of failed transactions of both domestic and international credit card users.

Very clear service standards have been established across all service channels, with a focus on constantly measuring the Bank's service levels at our branches, call centre, automated teller machines network, and service recovery unit. These standards have been benchmarked against global best-in-class practices and are the cornerstone of the Bank's service delivery commitments to our clients.

**Operational Efficiency:** Enhanced productivity, improved processing time, and optimized usage of resources have continued to be the pillars of the Division's focus on operational efficiency during 2016.

Despite dramatic growth figures in lending by core business lines of the Bank, credit processing in Operations has sustained its turnaround times while simultaneously scaling its process capabilities without corresponding increases in human resources and cost. This has been achieved through a combination of process simplification, some elements of automation, and stronger management of labour productivity. This has also resulted in substantial reduction in the unit cost of our products and services.

Similar initiatives in payment processing, trade and treasury services have resulted in higher straight-through processing capabilities and quicker turnaround for our corporate clients during 2016.

'Continuous Improvement' is the guiding philosophy for the Bank's Head Office processing functions. The practice of receiving constant feedback from operating units, and converting ideas to action, has resulted in impressive savings in the number of operational headcount as well as marked improvement in 'time to serve' for our wholesale as well as retail clients. During 2016, these developments were of particular importance in view of the substantial growth in sales numbers across various products.

**Operational Control:** Recognizing the fact that breakthrough business growth requires stronger prudential controls, the Operations Division has strengthened its management capabilities by bringing process management and operational controls under a

consolidated structure. By merging the two functions, the Bank will have a more holistic picture of the risk points in every operational process.

Following the “three lines of defense” strategy propagated by the Institute of Internal Auditors and advocated by the Basel Committee on Banking Supervision, the Operations Division has taken steps towards institutionalizing the concept in both frontline branch services as well as back-end Head Office processing units.

Additionally, we have strengthened the Post-Disbursement Monitoring function to cover the entire SME lending portfolio and will soon cover secured lending in the Retail portfolio.

The need for security and safety of our card customers has driven us to take some major steps in Card Operations during 2016. After upgrading the cards management system last year, the Bank rolled out a Real Time Risk Management system to track card customer usage on a 24/7 basis and alert our clients in the event of any suspicious transactions. Additionally, the Bank implemented 3D Secure protocol, introducing an additional layer of security for our credit and debit card customers using e-commerce channels.

Further, to ensure EMV compliance for MasterCard and Visa acquiring on our ATM network, the Bank is upgrading all its ATMs to Windows 7 while simultaneously getting ATM PIN security audit done in line with Visa requirements.

**Vision:** During 2017, the final year of our current transformation journey, the Operations Division will continue its emphasis on enhancing service delivery and ensuring that process efficiency leads to greater customer satisfaction and cost optimization.

## HUMAN RESOURCES

Human resources have been one of the key drivers of VPBank’s success in recent years. In 2016, VPBank continued to implement and improve important HR policies, projects, and initiatives to improve management efficiency and create a solid human resources management (HRM) foundation.

The successful implementation of core HRM system projects in 2016 enabled the Bank to optimize HR and risk management processes and procedures. Since going live and being used throughout the Bank, the job family system has helped the Bank effectively manage human resources, develop and implement training programs according to work requirements, and assist

VPBank’s staff in recognizing different capability and experience requirements for each job position, thereby simplifying and centralizing recruitment where possible. The Human Resources Division has continued to work with Korn Ferry Group to finalize the job family group model and develop key criteria for each job grade so managers can align their HR plans with business plans and required headcount. Staff can also take the initiative in developing short-term and long-term career growth plans.

By adopting and implementing SAP’s HRM system, the Bank has followed international practices. Key modules, such as organizational structure and personal information management, online recruitment, timesheet and salary payment management, and the online service portal were finalized, and at the end of 2016 VPBank moved recruitment tests online to ensure transparency and concordance between tests and jobs. With aspirations to digitize HR processes, the Bank has put in place a strategic roadmap for finalizing other HR functionalities in 2017 to improve the productivity and efficiency of risk and HR management.

Recruiter branding plays an important role in the Bank’s long-term strategy. VPBank is aiming to become the choice of high caliber applicants with career growth ambitions. The motto “Not Just a Job, but a Career” represents VPBank’s aspirations for building a leading commercial joint-stock bank in Vietnam in partnership with its staff. The Bank also puts great effort into creating learning and knowledge acquisition opportunities for staff to advance in their careers, thereby gaining personal successes within a successful organization.

Staff training and development were given a boost by the introduction of knowledge and capacity-building programs tailored to job groups. VPBank Academy has focused on providing sales skills and credit risk identification courses to the bank’s key revenue centers, in addition to soft skills and knowledge courses for support units to improve understanding and productivity. Leadership and management skill courses focus on business units to improve management capability and train successors for the Bank. VPBank staff are encouraged to improve skills and learn on the job, to help realize their career development plans.

By devising and gradually fine-tuning the HRM strategy, the Bank is strengthening its position in the financial market in general and the human resources field in particular. In relentless pursuit of improvement, the Human Resources Management Division will keep listening to staff, improving systems, providing instructions to users, and making sure that

systems will be well used once they go live. In 2017, the division and the Bank's leadership will focus on recruiting the right people, retaining high performers, and finalizing core modules, thus putting together all the key components of the Bank's top local employer branding strategy.

## INFORMATION TECHNOLOGY

Information Technology was a key factor in, and enabler of, VPBank's success in 2016.

With past achievements on building IT applications and solutions, VPBank continued implementing projects and initiatives to foster innovation and efficiency in business operations, notably:

- World-class ERP solution from SAP, with the following modules going live in 2016:
  - Fund management
  - Finance – accounting & control
  - Budget planning & control
  - Human capital management and learning management
- Top-tier card management solution from OpenWay

In addition, ongoing and future projects and initiatives will enable the Bank to deliver even greater value:

- Pilot and launch of an advanced loan origination system
- Application systems for mobile and internet banking
- World-class core banking system from Temenos
- Data warehouse and integration service bus systems for data analytics based on IBM solutions
- Payment hub and call center system from globally renowned vendors

In 2016, VPBank shortened the time-to-market of new banking products and services by streamlining end-to-end IT-related services and processes, in particular:

- Restructuring the IT Division and developing mechanisms for managing relationships with other units
- Establishing a clear IT strategy and architectural controls
- Building a cross-functional team that focuses on digital banking and operates according to Agile and Scrum methodologies
- Attracting the most experienced people, both locally and internationally
- Investing in people development
- Maintaining strict SLAs with business units

In 2016, VPBank also teamed up with fintechs, telcos, and retailers, clearly demonstrating the Bank's strong emphasis on digital business processes that cater to youthful, dynamic customers.

It is critical to have a well-formulated plan for information security. Therefore, VPBank proactively invested in information security in 2016 by implementing many solutions as part of its IT security strategy. Those investments are aimed at increasing the level of protection for VPBank's customers.

With the achievements of 2016, IT will serve as a good foundation for VPBank's fast, sustainable growth and its leadership of industry trends, contributing significantly to Vietnam's economic development and prosperity.

## BUSINESS INTELLIGENCE COMPETENCY

Since 2014, VPBank has embarked, under an enterprise-level program, on a path to elevate its disparate data systems to the deserved status of strategic asset and reshape VPBank into a truly information-centric enterprise where both data quality and consumption are aggressively and consistently managed by the leadership team. The Business Intelligence Competency Center (BICC) has been operating under the direct supervision of the CEO since early 2014. In 2016, BICC continued to move forward with its agenda of report automation and providing incisive analytics to decision makers. At the end of 2016, BICC has become a critical support unit for the bank with almost 60 highly skilled people. Its reports and dashboards, deep-dive analyses, and advanced analytics have provided critical business intelligence and insights to business and supporting units of the Bank. BICC also caters to a host of data management and data governance services to create a solid foundation for managing data as an asset. More than 100 internal management and regulatory reports have been automated on a business intelligence platform, and the impact of analytics on business units' total operating income is being measured and presented to the Board of Management. BICC is proud of its services in:

- Sales and pre-sales
- Service/Channels
- Marketing campaigns
- Customer/Segments
- Risk and Collections
- Products



- Data Management
- Data Governance

In 2017, VPBank aims to take further great strides in substantially improving data quality, increasing the scope and impact of various analytics projects, and achieving a high degree of report automation.

## MARKETING & COMMUNICATIONS

### External communications

In 2016, VPBank continued to affirm its leadership role by organizing events for customers, partners, and the public – especially the VPBank Concert, which contributed considerably to enhancing the Bank's brand as it received positive feedback from both the press and public for unique ideas, artistic quality, and meticulous professionalism. The VPBank Legend Concert – Paris Ballet par VPBank presented the audience with classic ballet excerpts performed by ballerinas from L'Opera de Paris – the cradle of contemporary ballet. With this event, VPBank continued to show the consistency of its mission to deliver the world's quintessential arts and bring a prosperous life in both finance and spirit to the Vietnamese people. Following the success of the Richard Clayderman and Kenny G concerts, Paris Ballet has marked Vietnam on the map of international arts as a promising destination for the world's leading artists.

2016 witnessed the spectacular success of Private Concerts honoring the Bank's customers and partners. Two nights of Thomas Anders – vocalist of the legendary pop band Modern Talking – were enthusiastically received by nearly 7,000 people. Modern Talking Featuring Thomas Anders & Band exceeded the expectations of a year-end thank-you concert to become a genuine art event and a highlight among the Vietnamese art-loving community. Meanwhile, the 'We were in love' concert in Ho Chi Minh City, with the wonderful combination of Bang Kieu and My Tam, was a truly precious gift for 1,000 customers and partners of VPBank.

As a retail bank, VPBank is targeting younger customers through many exciting activities on the internet and social networks. Notably, VPBank's 'Dream Job' campaign, offering 2,000 candidates the opportunity to apply for the privilege of spending VND100 million via a Step Up credit card, marked an important milestone in 2016. Receiving attention from the public and press through widespread publicity, the campaign was a great example of an impressive disruptive marketing method.

VPBank's Facebook page experienced rapid growth in interactions in the past year, retaining its leading position among Vietnam's banks. A consistently high level of interactions – likes, shares, and comments – reflected customer engagement and interest in the Bank. Through its efforts, VPBank became the second



Thank you party 'Modern Talking Featuring Thomas Anders & Band'

highest online sharing brand among private joint-stock commercial banks with roughly 83,000 comments on social network.

### Internal communications

VPBank continued to make the most of its internal communication channels in 2016. The bilingual regular Prosperity Magazine newsletter and the e-newsletter VPBank Today consistently improved in both content and form, and were well received by all VPBankers. The Bank's Facebook fan page became an effective information channel with over 15,000 active followers. The internal poster system, employees' personal computer desktop backgrounds, LCD screens in hallways and elevators, and the recently launched VPRadio 'More Than Words Can Say' have made messages more compelling and interesting to VPBankers. Periodic bank-wide activities are receiving increasing interest from VPBankers, including "Commandos – Journey to Enlightenment", the Trang Nguyen professional contest, and events aimed at developing employees' creativity and talent like 'Sing & Dance', VPShow, and Night of the Stars. Professionally and creatively organized, Miss & Mr VPBank 2016 attracted great attention

from VPBankers and peer banks, and were a hit on both social networks and the news. For promoting the VPBank brand, internal activities are a bold experiment but one that is bringing positive results.

For communications to reach all VPBankers, a series of roadshows was held at local branches across the country before each event, which also helped to strengthen the relationship between colleagues at branches and Head Office. This approach was particularly effective in raising internal communication activities to new heights in 2016 and generating enthusiasm throughout the Bank for programs and events of ever-increasing scale.

### Social welfare programs

VPBank promoted benefactor social welfare programs regarding education in 2016 by funding over VND3 billion to provincial study encouragement funds and associations as well as building schools in needy localities. Besides, smaller-scale programs including "Warm clothes for winter", "Back to school after the flood", "Donation to Thien Nhan fund" were launched with increasing practicality and deep significance in sharing love and sympathy to the community.



Thank you party 'We were in love'



'Paris Ballet par VPBank' Concert



'The Miss & Mr VPBank' pageant



# CORPORATE

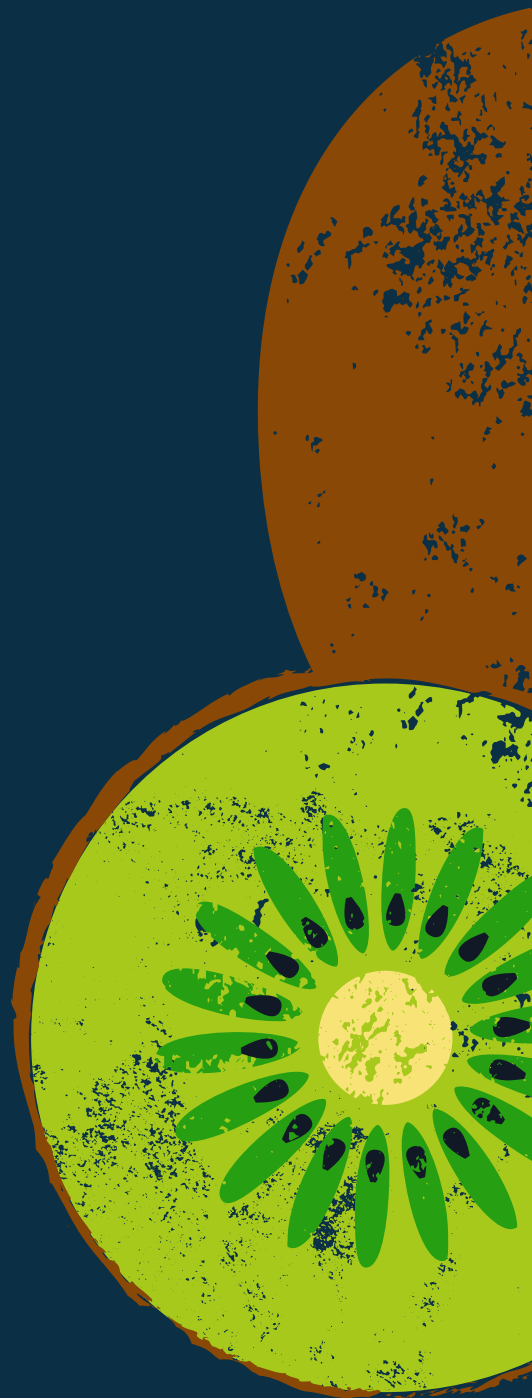
## GOVERNANCE



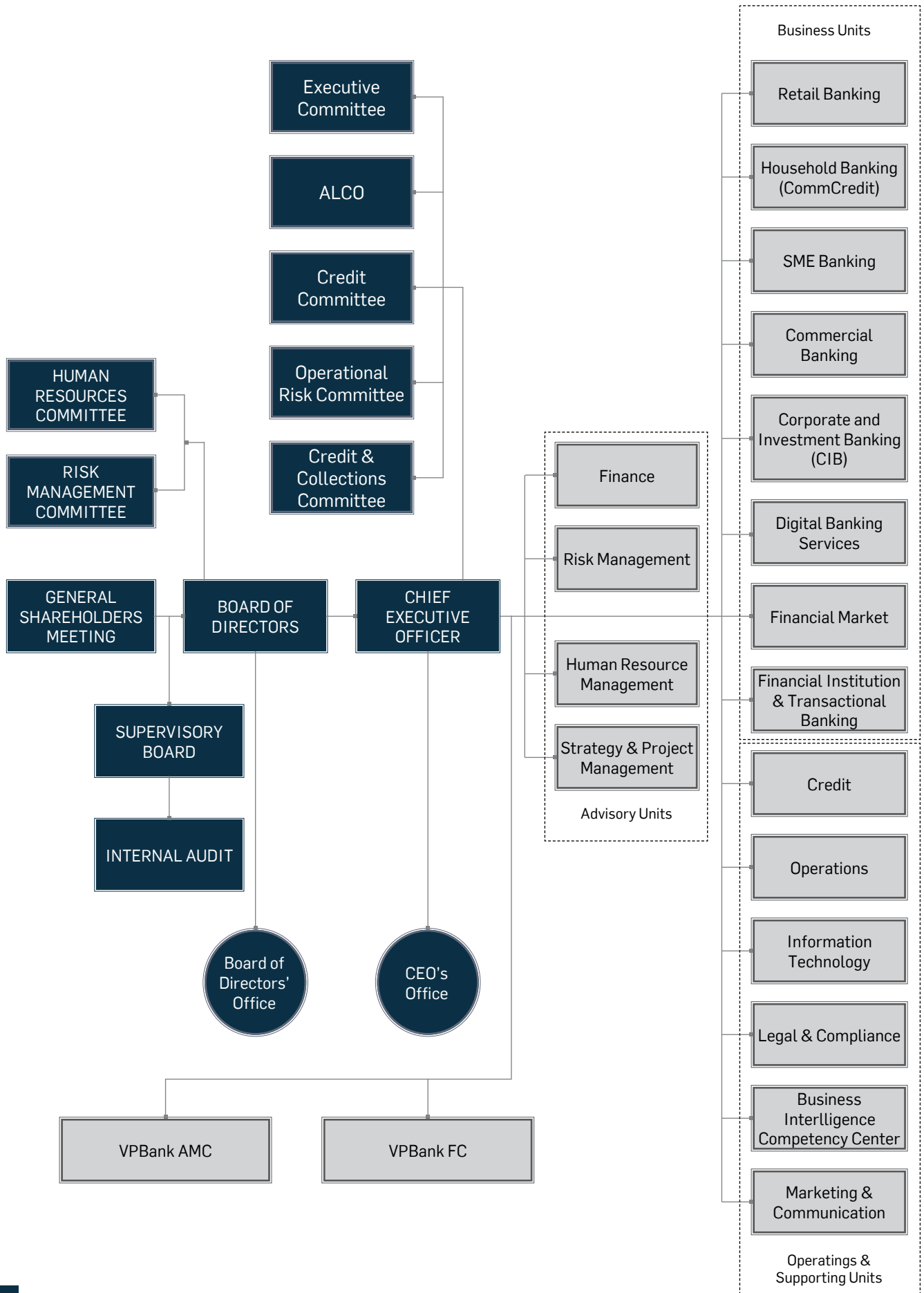
BEST CUSTOMER SERVICE BANKING VIETNAM 2016

**Presented by Global Banking & Finance Review**

VPBank has seamlessly and steadily implemented service quality improvement programs with a focus on customer service staff at branches. This award is a recognition and an initial success for VPBank in its journey toward perfecting services that are beyond customer expectations.



## VPBANK ORGANIZATION CHART



## MEMBERS OF THE BOARD OF DIRECTORS



1



2



3

### 1. Mr. NGO CHI DZUNG

Chairman of the Board of Directors

Having graduated from Moscow Geological Prospecting Institute in 1992, Mr. Dung completed his doctoral thesis at Institute of Social Political Research under Russian Academy of Sciences in 2002. From 1996 to 2004, he was a founder and elected member of the Board of Directors of Vietnam International Bank. From 2005 to 2010, he was the Chairman of KBG Group (Russia) and Vice Chairman of Vietnam Technological and Commercial Joint Stock Bank. He joined the Board of Directors of VPBank in April 2010, and was elected Chairman. In addition, he is the Chair of the Human Resources Committee, Vice Chair of the Risk Management Committee, and a voting member of the Credit Council and the Assets-Liabilities Council of VPBank.

### 2. Mr. BUI HAI QUAN

Vice Chairman of the Board of Directors

Mr. Quan obtained an economics degree from Kiev National Economic University. He is currently General Director of Viet Hai Technology Trading Company Limited, a member of the Board of Directors of Long Viet MDF Wooden Technology Joint Stock Company. He joined the Board of Directors of VPBank in April 2006 and was elected Vice Chairman in December 2008. He is also the Chair of the Risk Management Committee and a member of the Human Resources Committee, the Assets-Liabilities Committee, and the High-level Credit Council of VPBank.

### 3. Mr. LO BANG GIANG

Vice Chairman of the Board of Directors

Mr. Giang obtained a master's degree in Economics from National Aviation University based in Kiev in 2002. He also earned a bachelor's degree in Finance and Banking from Moscow State University of Economics, Statistics, and Informatics (MESI) in 2010. He was the Head of Supervisory Board of Delta Bank (Ukraine). He has been a Vice Chairman of the Board of Directors of VPBank since March 2010, and was elected Chairman of the Members Council of VPBank Finance Company Limited in April 2014. He has also been a member of the Human Resources Committee and the Risk Management Committee, and has been participating in Assets-Liabilities Committee and the High-level Credit Council of VPBank.

## MEMBERS OF THE BOARD OF DIRECTORS



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**4. Mr. NGUYEN VAN HAO**  
Independent Member of the Board of Directors

Mr. Hao obtained a master's degree in Linguistics from Pyatigorsk State Linguistic University in Russia in 1980 and a bachelor's in Economics from Foreign Trade University in Vietnam in 1987. Before joining VPBank in April 2015, he had several years of managerial experience as Head of Operations for Japan Airlines in Vietnam from September 1994 to August 2005, Deputy CEO of Prudential Vietnam Assurance Private Ltd. from September 2005 to August 2008, Deputy CEO of Prudential Group Vietnam from October 2008 to August 2010, and Consumer Finance advisor for Prudential Group UK from October 2010 to August 2013. He was elected independent member of VPBank's Board of Directors and Risk Management Committee member.



5

**5. Mr. LUONG PHAN SON**  
Member of the Board of Directors

Mr. Son graduated from Lvov Polytechnic National University in Ukraine with a bachelor's degree in Engineering. From 1988 to 1993, he worked for Bechka in Lvov. After returning to Vietnam, he took the position of Deputy General Director of Tan Hoang Minh from 1994 to 1997. Since 1998, he has been Deputy Director cum Chief Representative of INVESTLINK in Russia. Mr. Son has been a member of VPBank's Board of Directors since April 2012, with a brief hiatus from October 2012 to April 2013.



6

**6. Mr. NGUYEN DUC VINH**  
Member of the Board of Directors, Chief Executive Officer

Mr. Vinh earned two MBAs from universities in France and the United States. He was Deputy General Director for Vietnam Airlines Corporation before taking the positions of Vice Chairman of Board of Directors and Chief Executive Officer of Vietnam Technological and Commercial Joint Stock Bank. Since July 2012, Mr. Vinh has been the CEO of VPBank and was elected a member of the Board of Directors in April 2013. He is also the Chair or a member of several Committees and Councils, including the Risk Management Committee, the Human Resources Committee, the Assets-Liabilities Committee, and the Credit Council.

## MEMBERS OF THE SUPERVISORY BOARD



1

**1. Ms. NGUYEN QUYNH ANH**  
Head of Supervisory Board

Ms. Quynh Anh graduated from Lenin Pedagogical University in Moscow in 1994 with a bachelor's degree in Russian Linguistics and Literature. She also obtained a master's degrees in Educational Sciences and Business Administration from the State University of Management in Russia. She was Deputy Editor-in-Chief of 'Nhan Hoa' Newspaper under the Russian Press Committee from 1995 to 2003, and held the positions of Accountant, Material Supplies Manager, and Finance Director of BeePack Group in Russia from 2003 to 2008. From 2009 to February 2010, she was General Director of Lien Minh Investment Joint Stock Company and a member of the Supervisory Board of Vietnam Technological and Commercial Joint Stock Bank from 2008 to March 2010 and of Euro Capital Securities Company from 2009 to June 2010. She was elected a full-time member and Head of the Supervisory Board of VPBank in March 2010.



2

**2. Ms. NGUYEN THI BICH THUY**  
Full-time Member of the  
Supervisory Board

After graduating from the National Economics University in Vietnam with a bachelor's degree in Accounting in 1994, Ms. Bich Thuy obtained a master's degree in Finance and Banking at Paris Dauphin & ESCP University (France). She held the posts of Deputy Manager of General Treasury Department of Asia Pacific Bank and Deputy CEO of Habubank. From June 2010 to December 2013, she was the Deputy CEO of VPBank and Head of the Treasury and Investment Division. In April 2014, she was elected a full-time member of the Supervisory Board for the 2015 – 2020 term.



3

**3. Ms. NGUYEN THI MAI TRINH**  
Member of the Supervisory Board

Ms. Mai Trinh obtained a bachelor's degree in Economics from Moscow Geological State University, a bachelor's degree in Intellectual Property Law from the University of Intellectual Property Law in Russia, and a doctoral degree in Economics Science from Moscow Geological Prospecting Institute. She held various positions in Moscow, including Accountant at Dominanta Service from 1995 to September 1998 and at King Lion from October 1998 to December 2002, CFO at Beepack from August 2004 to October 2008, and Accounting Officer at Interlogo Business Corp – a company specializing in international financial investment – from August 2005 to December 2011. She was also the CFO of KBG Group from October 2008 to December 2011. Ms. Mai Trinh has been a member of the Supervisory Board of VPBank since March 2012.

## MEMBERS OF THE BOARD OF MANAGEMENT



### 1. Mr. NGUYEN DUC VINH Chief Executive Officer

Mr. Vinh earned two MBAs from universities in France and the United States. He was Deputy General Director for Vietnam Airlines Corporation before taking the positions of Vice Chairman of Board of Directors and Chief Executive Officer of Vietnam Technological and Commercial Joint Stock Bank. Since July 2012, Mr. Vinh has been the CEO of VPBank and was elected a member of the Board of Directors in April 2013. He is also the Chair or a member of several Committees and Councils, including the Risk Management Committee, the Human Resources Committee, the Assets-Liabilities Committee, and the Credit Council.

### 3. Mr. RAJEEV DE ROY Head of Operations Division

Mr. Rajeev De Roy obtained a Master's degree in Economics from Delhi University in India in 1977. He has over 30 years of working experience in the banking industry, and has held various managerial positions at Qatar Commercial Bank, American Express Bank (India), Mashreqbank (Dubai), and the State Bank of India. Mr. Rajeev served as Techcombank's Chief Operating Officer (COO) before joining VPBank as Head of Operations Division in November 2014.

### 2. Ms. LUU THI THAO Deputy CEO Head of Finance Division

Ms. Thao graduated from Banking Academy in Vietnam with a Bachelor's degree in Accounting. She has been a member of the Association of Chartered Certified Accountants of the United Kingdom (ACCA UK) since 2002. She worked for PricewaterhouseCoopers (Vietnam) and KPMG Vietnam before moving to ABN AMRO Vietnam where she held various management positions, including Head of Internal Audit, and then to ANZ Bank Vietnam where she served as Chief Financial Officer. Ms. Thao has been VPBank's Deputy CEO cum Head of Finance Division since August 2011.

### 4. Mr. DMYTRO KOLECHKO Head of Risk Management Division

Mr. Dmytro Kolehko holds a Master's degree in International Business Administration from Kiev National University of Economics. He has over 15 years of working experience in the banking industry, with over 10 years in senior leading positions in risk management, including Chief Risk Officer (CRO) at Raiffeisenbank Ukraine, CRO at Alfabank Ukraine, Deputy CRO at Raiffesenbank Aval, and national CRO for Hypo-Alpe-Adria Bank in Bosnia and Herzegovina. Since January 2015 he has held the position of Head of Risk Management Division (CRO) at VPBank.



## MEMBERS OF THE BOARD OF MANAGEMENT



**5. Mr. IGOR MUSHAKOV**  
Head of Information Technology Division

Mr. Igor Mushakov holds Bachelor's degrees in Technology, Economics, Leadership & Management, and Advanced Business Administration, and has acquired thorough knowledge of strategy orientation, platform development & management, procedure improvement, and IT projects, through 18 years of experience working in international organizations. He has held numerous senior managerial positions such as Chief Information Officer (CIO) and Board of Management member at the second largest Russian food retailer X5, CIO and Deputy CEO of Uralsib Bank, Head of the Initiative and IT Development Department at Sberbank, business consultant at IBM Group in Russia, and other positions at Alfabank – the second largest private bank in Russia. Mr. Igor Mushakov has been Head of IT Division of VPBank since January 2016.

**7. Mr. SANDEEP MADHAV DEOBHAKTA**  
Head of Retail Banking Division

Having earned a Bachelor's degree in India and a Master's degree in Business Administration from the Sloan School of Management at the Massachusetts Institute of Technology (USA), Mr. Sandeep has accumulated 25 years of working experience in the banking sector, particularly in retail banking and wealth management, at leading banks such as Citibank, Shinsei Bank, and Standard Bank in Asia, Africa, and the Middle East. Since May 2015, he has held the position of Head of Retail Banking Division at VPBank.

**6. Mr. FUNG KAI JIN**  
Deputy CEO  
Head of SME Banking Division

Mr. Fung Kai Jin earned a Bachelor's degree in Economics from Royal Melbourne Institute of Technology and a Master's in Business Administration from Curtin University, both in Australia. He has many years of experience working in the banking sector in Asia, having held senior management positions at Standard Chartered Bank in Malaysia, including Director of International Settlements, Director of Corporate Banking, and Head of SME Division. He was Executive Vice President and Head of Commercial Banking for six years at Alliance Bank (Malaysia) before joining VPBank in April 2013 as Head of Small and Medium Enterprises (SME) Banking Division. In October 2014 he was also appointed VPBank's Deputy CEO.

**8. Mr. KIRAN BABU KOSARAJU**  
Head of Household Banking Division

During 25 years of experience in various fields and over 17 years in finance and banking, Mr. Kiran has held various senior managerial and leadership positions in business, marketing, business administration, SME, and retail banking. Before joining VPBank, Mr. Kiran worked as Regional Sales Head of the Commercial Banking Group of Citibank India and was a founding member and executive manager of the Fullerton India commercial mass market business group – financed by Temasek – where he has had great success in expanding mass credit all across India. He has also worked as CEO of Firstsource Solutions Ltd. in Philippines – a vendor of global business procedure management provision. Mr. Kiran has held the position of Head of Household Banking Division of VPBank since July 2015.

## MEMBERS OF THE BOARD OF MANAGEMENT



### 9. Ms. DUONG THI THU THUY

Deputy CEO

Head of Corporate and Investment Banking Division

Ms. Thu Thuy obtained a Bachelor's Degree from Hanoi Banking College, a Bachelor's degree in Finance and Banking from University of National Economics, a Bachelor's Degree in English from University of Languages and International Studies under Hanoi National University, and a Master's Degree in Senior Management from National Economics University, all in Vietnam. She has worked at VPBank since 2002, and held various managerial positions including Head of Corporate Customer Relationship Department, Branch Manager of VPBank Hanoi, Deputy CEO, Director of Transaction Center, Head of Retail Division and SME Division, and Head of Sales and Distribution Division. From May 2014 to October 2015 she was Deputy CEO cum Head of Investment and Project Financing Division of VPBank; when the Division was merged with Corporate and Institutional Banking to form the Corporate and Investment Banking Division she was appointed its Head.

### 11. Mr. DINH VAN NHO

Head of Commercial Banking Division (CMB)

Mr. Nho obtained a Bachelor's degree in International Economics from Foreign Trade University, Vietnam, and a Master of Business Administration degree from Benedictine University, USA. He has held various managerial positions in Techcombank, including Branch Manager, Deputy Branch Manager, Regional Manager, and Head of Northern Middle Market Corporate. Since joining VPBank in 2013, he has held several important positions, including Head of CMB North and Deputy Division Head of CMB. In January 2017, he was appointed as Head of CMB Division.

### 10. Mr. PHAM PHU KHOI

Deputy CEO

Head of Financial Markets Division

Mr. Khoi obtained an MBA in Finance from the Wharton School at the University of Pennsylvania, and an MA in Economic Aviation from Riga Aviation University in Latvia. He also completed an International Executive course at INSEAD Business School, Fontainebleau, France. He has held the positions of Director of Northeast Asian Vietnam Airlines, Asian Director of Credit Investment and Trading at Standard Chartered Bank (Singapore), Director of Investment Bank Vietnam at Bank of America Merrill Lynch (Singapore), and CEO and member of the Board of Directors at ACB Securities Co., Ltd., (ACBS). Since July 6, 2015, he has worked as Deputy CEO cum Head of Financial Market Division of VPBank.

### 12. Mr. VO TAN LONG

Head of Digital Banking Services Division

Mr. Long graduated from Saint Petersburg State Electrical Engineering University as an electronic engineer in 1992, and completed his doctoral thesis in Physics and Mathematics at the same university in 1995. With 17 years of experience working as a technical advisor, project manager, and IT solution creator, and as the Business Manager and General Director of IBM Vietnam, Mr. Long joined VPBank in April 2013 as Head of Information Technology Division, and was appointed as Head of the Digital Banking Services Division in January 2016. With over 2 year experience in management in the Division.

## MEMBERS OF THE BOARD OF MANAGEMENT



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### 13. Ms. VO HANG PHUONG

Head of Financial Institutions and Transaction Banking Center

Graduating from Hanoi University and Hanoi Foreign Trade University, Ms. Hang Phuong earned her Master's degree in Economics from State University of New York as a Fulbright scholar. She has more than 20 years of experience in the banking industry and has held various senior managerial positions in the Financial Institutions, Foreign Exchange Trading, Corporate Credit, Credit Approval, and Risk Management Divisions of domestic and foreign banks including Vietcombank, Standard Chartered Bank, HSBC Bank, and ANZ. She has been with VPBank since June 2014 and is now the Head of Financial Institutions and Transaction Banking Center.

### 14. Mr. NGUYEN THANH BINH

Deputy CEO,  
Head of Credit Division

Mr. Binh served in the Armed Forces of Vietnam from 1985 to 1988 before earning a Bachelor's degree in Finance and Banking from Hanoi University of National Economics, and completing a postgraduate training course in Public Policies under the Fulbright Vietnam Program. Joining VPBank in 1994, he has held various managerial positions in Credit Department, Research & Development Department, and General Affairs & Branch Management Department at VPBank's Head Office – amongst others – before being appointed as Deputy CEO in 2002. He is now Deputy CEO cum Head of Credit Division.

### 15. Mr. PHAN NGOC HOA

Deputy CEO,  
Head of Southern Representative Office

After obtaining a Bachelor's Degree in Finance from University of Economics in Ho Chi Minh City in 1994, Mr. Hoa joined VPBank. He has held various senior managerial positions at VPBank's HCMC and Saigon branches, as well as Deputy CEO, Deputy Head of Sales and Distribution Division and Deputy Head of CMB Division of VPBank. He is now Deputy CEO cum Head of the Southern Representative Office.

### 16. Mr. NGUYEN THANH LONG

Deputy CEO,  
Head of Legal and Compliance Division

Holding a Master's degree in Law, Mr. Long has 19 years of working experience in banking law and formerly worked for the State Bank of Vietnam, with 7 years as Deputy Head of Department of Legal Affairs. In 2007, Mr. Long moved into the legal and compliance field, holding the position of Deputy CEO at a leading commercial joint stock bank in Vietnam, before becoming VPBank's Deputy CEO cum Head of Legal and Compliance Division.

## MEMBERS OF THE BOARD OF MANAGEMENT



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### 17. Ms. HUYNH THI NGOC TRUC

Head of Human Resources Management Division

Ms. Ngoc Truc graduated from the Asian Institute of Technology with a Master's degree in Human Resource Management. She has held the position of Chief Human Resources Officer (CHRO) at several large multinational companies, and has also been Head of Strategic Project Management at HSBC Bank (Vietnam) Ltd. She has been Head of Human Resources Division at VPBank since September 2014.

### 18. Mr. LE HOANG LAN

Chief of Board of Directors' Office,  
Head of Strategy and Project Management Center

Mr. Lan graduated from Banking Academy in 1994, and has nearly 10 years of experience working for the State Bank of Vietnam with extensive experience in Official Development Assistance (ODA) projects, program management, and international cooperation. While working for the SBV, he obtained a Master's degree in Public Policies from National Graduate Institute for Policies Studies (GRIPS) in Japan. From 2004, he worked as a consultant for Asian Development Bank (ADB) in public policy training. Joining VPBank in November 2010, he is now Head of Strategy and Project Management Center. Since August 2016, he was appointed as Chief of Board of Directors' Office.

### 19. Mr. TRAN TUAN VIET

Head of Marketing and Communications Center

A graduate of Hanoi Foreign Trade University, and of University of Languages and International Studies under Vietnam National University, Mr. Viet has 19 years of experience in the fields of commerce, marketing, communications, and advertising. He has held several positions, including Business Development Manager, Director of Retail Commerce, Managing Director, and Chief Operations Officer in multi-sector conglomerates such as FPT and Ocean Group and at media companies such as FPT Media, Santa Vietnam, and Ancom Communication. Mr. Tran Tuan Viet joined VPBank in July 2013 and is now Head of Marketing and Communications Center.

### 20. Mr. VIVEK BHANOT

Head of Business Intelligence Competency Center

Mr. Vivek Bhanot earned a Bachelor's degree in Civil Engineering from Thapar Institute of Engineering & Technology in India, and an MBA from Hong Kong University. He worked as a structural design engineer at Punj Lloyd Limited in India for three years and since 2009 has been working in the Vietnamese banking industry in various roles providing extensive decision support to senior management and business units. After working at Techcombank for three and a half years, Mr. Vivek Bhanot joined VPBank in January 2013, and is now Head of Business Intelligence Competency Center.

# CORPORATE GOVERNANCE REPORT

## 1. INFORMATION REGARDING SHAREHOLDERS AND GENERAL SHAREHOLDERS' MEETING

The General Shareholders' Meeting (GSM), with the participation of all shareholders with voting rights, acts as the highest decision-making body of VPBank. The GSM airs opinions and makes decisions in its annual and extraordinary General Meetings by written vote. At the GSMs, held at least once a year, VPBank's shareholders discuss important issues with members of the Board of Directors (BOD) and the Board of Management (BOM) and make important decisions on operations and directions for the Bank in the upcoming financial year.

As of December 31, 2016, the Bank had 3,518 shareholders, 98% of whom are individuals with 41.22% of the bank's shares while legal entity shareholders hold 58.78% of the Bank's shares.

The rights, obligations, and participation of shareholders are specified in the Bank's Charter, which is available on the Bank's website for easy access by shareholders and investors.

Activities related to shareholder relations and the provision of information to shareholders are managed by the BOD's Office.

Contributions of ideas and feedback from shareholders are received and processed by the Office, or transferred to authorized persons as regulated by applicable laws and regulations. VPBank Securities Company Limited (VPBS) has been, and continues to be, retained by the Bank to perform the Bank's shareholder management services. Consequently, VPBS provides, among others, information provision services, confirmation of shareholders' share ownership, processing of share transfers, and dissemination of important information to shareholders.

The 2016 GSM was held on March 28, 2016. The Meeting approved the reports of the BOD, Supervisory Board, and CEO, the proposals for profits distribution, the capital raising plan, and other documents within their scope of authority.

In addition to the periodic GSM, the Bank may, in compliance with the regulations in VPBank's Charter, hold extraordinary GSMs or conduct written voting by shareholders for issues that might arise in the course of running the Bank's business within the GSM's scope of authority.

Official documents are published on the Bank's website prior to any extraordinary meeting or written voting. Shareholders who do not receive an invitation or request for written votes can still access and print out the documents from the Bank's website. The deadline for receiving shareholders' votes in writing is usually set between ten and thirty days prior to the meeting, so that the shareholders have enough time to review and express their opinions. The counting of votes must be witnessed by the members of the Supervisory Board and/or independent members of the BOD, and the vote-counting Minutes are published on the Bank's website within 24 hours of completion.

At the end of 2016, VPBank put to a vote by written ballot the registration and listing of VPBank's shares, and the GSM approved the registration of VPBank's shares at the Vietnam Securities Depository and an application for trading on UPCoM or listing on a stock exchange.

At the beginning of 2017, the BOD consulted the GSM on capping the total stake held by foreign investors at 20% of VPBank's charter capital to attract strategic foreign investor(s); the BOD also put to a vote the procedures for nominating or self-nominating replacements for members of the Supervisory Board, as two members resigned for personal reasons.



## 2. BOARD OF DIRECTORS

### 2.1 ORGANIZATIONAL STRUCTURE OF THE BOARD OF DIRECTORS

Members of VPBank's Board of Directors are:

- Mr. Ngo Chi Dzung: Chairman
- Mr. Bui Hai Quan: Vice Chairman
- Mr. Lo Bang Giang: Vice Chairman
- Mr. Luong Phan Son: Member
- Mr. Nguyen Duc Vinh: Member and CEO
- Mr. Nguyen Van Hao: Independent Member

The current term of office of VPBank's BOD started in 2015 and will end in 2020.

The organizational structure of VPBank's current BOD comprises a chairman, two vice chairmen, an independent member, an executive member, and an ordinary member.

The current number and structure fully satisfy the requirements of applicable laws and the Bank's current scale. The composition of members meets the criteria and conditions for competency and experience as prescribed by the State Bank of Vietnam and VPBank, and the members have the necessary strengths and experience in business management and banking, and in-depth knowledge and understanding of their functions, missions, rights, and obligations.

### 2.2 ACTIVITIES OF THE BOARD OF DIRECTORS IN 2016

In 2016, the BOD held four quarterly meetings and approved, within its scope of authority, the BOM's proposals by written ballot. Below are the BOD's resolutions in 2016:

- Approved the financial plan and business plan for 2016, and key projects for the whole bank and each division.
- Approved the reports and documents presented to the GSM in March 2016.
- Approved the selection of Ernst & Young Vietnam Company Limited as the auditor for the Bank and its subsidiaries for the fiscal year 2016.
- Passed Risk Management Committee and Human Resources Committee proposals such as the establishment/adjustment of the organizational structure, functions, and responsibilities of the Digital Banking Services Division and the Marketing and Communications Center. In 2016, the BOD also opened a new branch in Hanoi, three in Ho Chi Minh City, one in Dac Lac province, and one in Tien Giang province.
- Approved the BOM's periodic reports and directions for the Bank on a monthly, quarterly, and bi-annual basis. Based on close supervision of business performance in 2016, VPBank changed its objectives from aggressive credit growth to restructuring and adjustment of portfolios and customer segments.
- Carried out the resolutions of the GSM; procedures for raising charter capital; relocation of the Bank's head office; and amendments and supplements to the Bank's licenses according to legal regulations and the Bank's requirements such as the license on basic banking activities governed by the State Bank of Vietnam's Circular No. 08/2015/TT-NHNN dated June 30, 2016 and the license on basic foreign exchange and new derivatives operations according to the State Bank of Vietnam's Circular No. 28/2016/TT-NHNN and Circular No. 21/2014/TT-NHNN.
- Approved the amendment and issuance of new regulations and policies as proposed, including the regulation on information security, regulation on debt purchase and sale, mechanisms for making personnel decision, and regulation of some special benefits for staff.
- Approved proposals for asset purchase & sale, credit, investment, budget allocation to projects & units, and others that were beyond committees' scope of authority.

The BOD also held meetings with the BOM to discuss and disseminate business and operating guidance, and review and make changes to the strategy in line with market dynamics and the Bank's situation.



In addition to giving instructions to the BOM, the BOD also supervised the CEO/BOM:

- By attending the BOM's monthly meetings,
- With daily, weekly, monthly, and quarterly business reports and other reports/proposals from the BOM, and
- By reviewing and acting on Supervisory Board and Internal Audit reports on the Bank's units or Internal Audit thematic reports.
- The BOD also supervised the CEO by participating in and supervising the committees under the BOD and BOM to each business segments (assets-liabilities, credit, investment, risk, human resources, etc.).

### 3. ACTIVITIES OF COUNCILS AND COMMITTEES UNDER THE BOARD OF DIRECTORS

#### 3.1 HUMAN RESOURCES COMMITTEE

The Human Resources Committee is tasked with advising the BOD on the scope and structure of VPBank's BOD and Supervisory Board; counselling the BOD in tackling personnel issues arising in the course of voting, appointment, dismissal, and removal of members of the BOD, Supervisory Board, and executives of VPBank; advising and proposing remuneration, bonuses, and other benefits for members of the BOD, Supervisory Board, and CEO; reviewing and submitting the annual budget for employees to the BOD for approval; advising the BOD and making decisions within its authority regarding senior executives of the Bank; making decisions on policies, compensation, and benefits for employees, training projects, and human resources strategies; processes on personnel recruitment and assessment; and making decisions on issues related to the stock distribution plan for the Bank's employees. The Human Resources Committee meets on a monthly basis.

Members of VPBank's Human Resources Committee are:

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

The Human Resources Committee held 12 meetings in 2016 and reviewed and gave instructions in a timely manner on human resources indicators and operations of the Human Resources Division and subsidiaries. The Committee managed and supervised the Bank's human resources-related activities, including organizational structure, evaluation schemes, remuneration, and processes. In 2016, the Committee:

- Directly reviewed and approved the recruitment, promotion, demotion, and salary adjustments for 1,000 management positions.
- Carried out mid-year performance reviews for key positions such as division and center heads directly reporting to the CEO and heads of subsidiaries, as well as bank-wide performance, and consequently took relevant actions such as adjusting headcount for the second half of 2016, approving measures for staff members with gaps between actual job and job level and the Bank's requirements, and approving measures for staff members with performance ratings of 'improvement required' or 'inadequate'.
- Approved the bank-wide headcount and staffing budget for 2016, action plans for 2016 on staffing for the whole bank and Human Resources Division, and incentive budget for 2015 and 2016 together with allocation mechanism. At year-end meetings, the Committee approved proposals on staffing budget and headcount for 2017 and approved the Key Performance Indicators for 2017 for division heads and center heads directly reporting to the CEO.
- Approved, in year-end meetings, proposals from units such as the list of key positions at the Bank; successors to senior executive positions for promotion in view of market resource availability-cost constraints; the principles for talent management in some divisions; some new policies on recruitment and retention such as corporate accommodation for division heads and center heads directly reporting to the CEO; amended the performance review policy; new job levels for senior executives resulting from a joint assessment with a foreign consultancy together with implementation instructions; and the strategy for developing human resources as proposed by the Human Resources Division.

- Advised the BOD on adjusting the organizational structures of the Finance Division, the Alternative Channel under the Retail Banking Division, the Marketing and Communication Center, the Digital Banking Services Division, the SME Division, and the Financial Market Division; adjusting the organizational structure and approval matrix for the personnel function of VPBank AMC; piloting a new operating model for the Household Banking Division; regulations on measurement of target achievement; and regulations on handling violations.
- Frequently reviewed and assessed projects and regulations that impact the efficiency of human resource management such as evaluation of the corporate culture project – phase 1 and directions for phase 2; progress review for 'developing the platform for effective human resource management'; evaluation and changes to the approach to 360° assessment of division heads and center heads directly reporting to the CEO; benchmarking of VPBank's salary and benefits; review of bank-wide remuneration and recruitment processes; and review and directions for concurrent employment involving a managerial position, to put forth suitable solutions and thereby improve management efficiency and risk management.

### 3.2 RISK MANAGEMENT COMMITTEE

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

Members of VPBank's Risk Management Committee are:

1	Mr. Bui Hai Quan	BOD Vice Chairman	Committee Chair
2	Mr. Ngo Chi Dzung	BOD Chairman	Member
3	Mr. Lo Bang Giang	BOD Vice Chairman	Member
4	Mr. Nguyen Van Hao	BOD Independent Member	Member
5	Mr. Luong Phan Son	BOD Member	Member
6	Mr. Nguyen Duc Vinh	CEO	Member
7	Ms. Nguyen Quynh Anh	Head of Supervisory Board	Member
8	Mr. Dmytro Kolechko	Head of Risk Management Division	Member

During the year, the Committee held four quarterly meetings, in which the following were discussed and directions given:

- Credit quality: the Bank prioritized data quality improvement and management for the analysis and evaluation of business performance, collateral value, and related risks. Relevant units developed methodologies and a specific roadmap for improving data quality and reported to the Committee on a periodic basis.
- Limit management: at the request of the Committee, the Risk Management Division reviewed all the limits at the Bank, including credit limits, market limits, counterparty limits, and industry limits in consideration of the market, international financial institutions' requirements, and the Bank's risk appetites; developed and improved the policy, systems, and mechanisms for managing risk limits; developed limits at the product, industry, and division levels; and developed triggers for relevant units.
- The Committee also agreed on the liquidity limit for each currency and term and approved the methodology for calculating liquidity gap, which is used in daily liquidity reports.
- Product approval process: emphasized the significance of adequate and complete product approval processes to the Bank. Risk Management Division and related units were required to regularly review the Product Council's operations and clearly define the risks of each product and service and the responsibilities of Risk Management and business units in product approval. This ensures proactive control over risks, as well as each function's

responsibilities and obligations in the product approval process.

- Debt collection: requested Debt Collection Center and AMC to develop a highly professional debt collection system; Risk Management Division frequently assessed debt collections of each group to propose suitable solutions.
- Continued to implement Basel II project, which is one of the important programs for enhancing operational risk management and effective capital management.
- Requested Finance and Risk Management Divisions to develop a quantitative model for assessing risk costs, which will be factored into product and customer profitability.
- Approved the outsourcing of a consultancy to assess relevant policies; approved new methodologies towards international financial and management best practices; and implemented an internal project to switch to IFRS accounting principles and provisioning policies with the help of an external consultancy.
- Requested Risk Management Division and relevant units to assess risks by segment and aggregate risk by economic sector, analyze the rejection rate of the Bank's key products, and find solutions for increased disbursement and customer growth. In addition, Risk Management and business units were required to analyze portfolio risk by customer segment (Retail Banking, Household Banking, SME, etc.) for suitable debt collection policies.
- Made requests related to fraud awareness and prevention training for salespeople to mitigate risks and frauds early on.

### 3.3 COUNCILS & COMMITTEES UNDER THE BOARD OF MANAGEMENT WITH THE PARTICIPATION OF MEMBERS OF THE BOARD OF DIRECTORS

#### 3.3.1 Credit Council

The Council rates and approves credit applications or credit limits for customers; considers restructuring loans as proposed by functional departments; recommends to the BOD adjustment of credit policies in accordance with prevailing conditions; and handles tasks relating to credit activities of the Bank. Credit Councils at all levels of VPBank have increased the frequency of their meetings and established daily meetings to promptly settle credit approval under their respective authorities. The Credit Council is constituted from BOD members, CEO, Head of the Credit Division, Head of the Risk Management Division, and other high-level Bank credit approvers.

In 2016, the Council held approximately 100 meetings; reviewed more than 1,100 applications; discussed and approved 1,000 resolutions for credit application approval; and revised credit-granting conditions for loans beyond the approval limit of regional credit councils or loans with conditions that were exceptional to VPBank's regulations, and which were considered to pose higher risks to the Bank. The Northern and Southern Credit Councils held meetings on a daily basis and reviewed nearly 4,000 credit applications, of which 3,000 were approved.

In 2016, the Credit Council proposed and advised that the BOD approve some amendments to the regulation on the organization and operations of credit councils and regulations on credit approval as appropriate.

#### 3.3.2 Assets/Liabilities Management Council (ALCO)

ALCO researches and proposes strategies for balance sheet structure; manages the balance sheet structure of the Bank to maximize profits and minimize risks; develops and monitors financial and credit indicators in accordance with the Bank's business strategy; controls liquidity and liquidity risks; manages market risk against fluctuations in exchange rates and interest rates; guides the development, approval, and execution of policies, processes, and systems for internal funds transfer pricing to ensure profitability for business units; and manages owners' equity to ensure the sustainable growth of the Bank.

In 2016, ALCO held 12 monthly meetings, as well as other regular and ad-hoc meetings as needed, to discuss and decide issues regarding balance sheet optimization, efficiency, and prudential ratios to conform with the Bank's development strategies, local and international macro-economic factors, and VPBank's current context (e.g., capital balance and capital usage).

In 2016, the Bank's balance sheet was restructured for increased efficiency and prudence, both in terms of assets and liabilities. ALCO also:

- Issued recommendations, requests, and instructions, which were jointly carried out by functional units and business divisions in consideration of market context, macro policies, and the Bank's requirements.
- Developed a detailed capital plan at the beginning of the year. VPBank successfully issued bonds with a value of VND 2 trillion to raise tier 2 capital and a large volume of valuable papers to increase medium- and long-term funds for the Bank.
- Analyzed the profitability and risk of assets by division, product line, and customer segment to establish a suitable capital allocation plan in order to optimize the balance sheet and improve the Bank's capital adequacy ratio (CAR).
- Generated a weekly forecast of each division's loan balance growth (by segment, lending purpose, collateral, etc.) to strictly control credit activities, restructure high-risk credit, and improve CAR; set priorities for the lending activities of the Bank's core divisions (i.e. Retail Banking and SME); reviewed and selected loans with low risk ratios and high profitability; and collected ineffective loans.
- Tracked the Bank's loan-to-deposit ratio (LDR) to ensure capital effectiveness, conducted scenario analysis on the FX market through the end of 2016, and provided detailed proposals with business solutions and other targets for foreign currency status and LDR to determine whether to increase or reduce products related to foreign currency.
- In 2016, VPBank hired PWC to independently assess the maturity of the assets-liabilities management framework, fund transfer pricing, and capital management under the Bank's similarly titled project and make recommendations towards international standards.

### 3.3.3 Executive Committee

The Committee performs reviews and proposes the Bank's business strategies to the BOD for approval; produces regular updates of business performance; executes short-term action plans and solves challenges faced by the Bank's units during implementation; makes recommendations for changes to the organization's structure, budget plan, and business plan in line with current context and submits them to the BOD for approval; and reviews and discusses important project implementation proposals for the Bank. The Committee holds monthly meetings, with discretionary participation by members of the BOD and the Supervisory Board.

In 2016, the Committee held 12 monthly sessions to discuss and decide numerous issues arising during the course of the Bank's operations:

- Evaluated business performance in 2015 against targets, and discussed achievements, areas for improvement, difficulties, and challenges.
- Disseminated the directions and action plans for 2016.
- Identified priority business activities by month and quarter. In particular, assessed actual business growth and gave instructions as required, focused on deep farming, implemented cross-sale programs, developed and launched an early warning signal system, set risk limits, and developed profitability assessment models.
- Reviewed the five-year strategy and instructed two new divisions (Household Banking and Digital Banking Services) to finalize organizational structure and strive for business growth.
- Enhanced controls and compliance across the Bank; strengthened recruitment, especially for business units; implemented training and benefits programs for high-caliber managers; and improved customer service quality.
- Implemented and tracked the progress of key projects such as ERP, Digitizing the Bank, Digital Banking, Partnership with Insurance Firms, and VIP Customer Farming.
- Gave instructions on mid-year budget adjustment and budget development for 2017; reviewed 2016 action plans and developed those for 2017; disseminated business directions as approved by the BOD; and requested that every unit develop action plans for 2017.

### 3.3.4 Operational Risk Committee

The Operational Risk Committee (ORC) manages the Bank's operational risks, ensuring the effectiveness of the dissemination and implementation of policies for operational risk management, and directing the spread of knowledge and the creation of a culture of operational risk management throughout the Bank.

The members of ORC include members of the BOD, CEO, Head of the Risk Management Division, Head of the Operations Division, Head of the Supervisory Board, Chief Internal Auditor, Head of the Finance Division, and Head of the Legal and Compliance Division.

The Committee held meetings to discuss operational risks arising during the year and has approved issues regarding the guidelines on the Bank's operational risk management in 2016 as follows:

- Required related functions to collect, analyze, discuss, and reach consensus on solutions to issues, events, and losses related to operational risks, and monitored the implementation of those solutions.
- Continually required units to develop risk management system by controlling key risk parameters.
- Agreed on the significance of training on operational risk in the bank-wide system, raised awareness of operational risk, and required the Risk Management Division to organize specific training programs and leverage methods and tools in communicating about operational risk more effectively, for example via internal newsletters and by having all employees sign commitments on operational risk compliance.
- Required related units to implement and complete online training programs for managers on three insurances – Banker's Blanket Bond (BBB), Directors' & Officers' Liability (D&O), and Financial Institutions Professional Indemnity (FIPI) – to raise awareness and ensure the leveraging of insurance benefits most effectively in case of risks.
- Accelerated fraud inspection and prevention by issuing policies on risk management; developing inspection processes, techniques, and criteria; and communicating about fraud prevention in internal newsletters and other channels.
- Reached agreement on the bank-wide implementation of information security; organized online training courses for staff on information security; classified information for Head Office units; and developed information security policies and standards including Wi-Fi security regulations and access control policies and processes in accordance with ISO 27001.
- Continually developed, updated, and tested the business continuity project for Head Office units, and organized training on evacuation and actions to be taken during an emergency.

## 4. SUPERVISORY BOARD

### 4.1 GENERAL INTRODUCTION

The Supervisory Board has three members, two of whom are full-time (including the Head of the Board). On behalf of the GSM, the Supervisory Board monitors the activities of the BOD and concurrently plays the role of the Audit Committee in accordance with international practices; controls the Bank's financial and business activities; checks annual financial reports and other financial activities; supervises compliance with applicable laws and internal Bank regulations; and supervises the internal auditing function by directly managing the Bank's Internal Audit Division. VPBank's Supervisory Board is accountable to, and takes responsibility for reporting to, the GSM in accordance with applicable laws and regulations. Nevertheless, the Supervisory Board regularly works with the BOD and BOM to exchange views and advice on risks or key findings in the course of its operations. The Supervisory Board's current term started in 2015 and ends in 2020.

Members of VPBank's Supervisory Board:

1	Ms. Nguyen Quynh Anh	Head of Supervisory Board, full-time
2	Ms. Nguyen Thi Bich Thuy	Full-time member
3	Ms. Nguyen Thi Mai Trinh	Member

## 4.2 ACTIVITIES OF VPBANK'S SUPERVISORY BOARD IN 2016

### 4.2.1 General activities

- The Board held four quarterly meetings and assigned tasks to each member in accordance with the regulations, on the basis of developing their capabilities and qualifications. All members fulfilled their assigned tasks in 2016.
- Members of the Board fully attended all meetings chaired by the BOD, Risk Management Committee, Assets/Liabilities Management Committee, and the BOM to discuss strategy-oriented information, business plans, and the Bank's financial and credit status, in order to consolidate auditing direction and monitor the Internal Audit Division's operations.
- The Board monitored via governance and executive activities, and conducted monthly meetings with the Internal Audit Division, the BOM, and the Legal and Compliance Division to discuss and promptly handle systematic risks, and to improve internal audit systems, processes, and regulations in order to mitigate risks and ensure safe and robust bank operations.

### 4.2.2 Internal Audit

Directing, creating, and implementing auditing plan: The Supervisory Board directly steers and monitors the Bank's internal audit. The Board assigned the Internal Audit Division to conduct 71 auditing sessions, including periodic ones required by law and the State Bank of Vietnam (SBV) regarding anti-money laundering and liquidity control, and specific ones according to the Bank's business model and direction. With each auditing session, the Board expects to assess and have an overview of systematic and major risks in different segments, staff compliance, business processes, and the supervisory system of the Bank.

With new directions and an adjusted plan, the Internal Audit Division conducted 70 specific and periodic auditing sessions for 2016 – one of which was conducted in January 2017 in line with the changes in operational structure and timeline. The scope of work was implemented in 2016 as follows:

- Post-audit remedial action monitoring: Monitoring remedial actions to audit findings in the system was strengthened and accelerated. Periodic meetings with relevant units were conducted as scheduled. Remedial actions were imposed for 329 findings in 2016, and 80% of those findings were completely remedied during Internal Audit monitoring.
- Other activities: Supported independent inspection and audit, periodic/ad-hoc reports to the SBV, and other functions and responsibilities of Internal Audit.
- Policies and procedures: Internal Audit apparatus was strengthened and completed. The Supervisory Board focused on updating the policies and auditing techniques of Internal Audit. Code of Ethics, Organization and Operation Regulations, and Internal Regulations of Internal Audit were updated and issued. Capability Framework was also issued to internal auditors.
- Internal Audit management infrastructure: The Bank implemented phase II of its internal audit software.
- Training: Training activities for Internal Audit staff in 2016 were accelerated, both in form and content. Internal Audit staff attended 24 main workshops (including 12 on the Bank and its units, 10 for internal training, one on the SBV, and other workshops and forums). Auditors were able to apply training knowledge to their daily work as well as preparation for future requirements.
- New internal audit model: Internal Audit activities kept up with developing trends and changes in the Bank's operational model. Internal Audit continued to apply a 'risk-oriented' auditing method, allocating resources to audit high-risk units, departments, and processes. Consequently, several system problems were detected and recommendations were put forward to mitigate risks, add value, and reinforce control over the Bank's key activities. Internal Audit also contributed to the prevention and settlement of violations and fraud occurring in the Bank's activities, especially in credit operations.
- Direction and plan for 2017: VPBank is one of the commercial banks chosen by the SBV to pilot risk management capability enhancement as required by Basel II from 2015 to 2018. With the implementation of this project, Internal Audit activities are expected to go through several changes in the near future to fulfill functions and



duties required by Basel II. With such directions and requirements, the Supervisory Board and Internal Audit Division have constantly updated and studied to develop an appropriate auditing plan.

## **5. REMUNERATION FOR THE BOARD OF DIRECTORS, THE SUPERVISORY BOARD, AND THE BOARD OF MANAGEMENT**

The total operating budget for the BOD and the Supervisory Board was 1% of profit before tax as approved by the GSM. Given 2016 business results, the total operating budget for the BOD and the Supervisory Board was about VND50 billion.

The principle of determining remuneration for members of the BOD and the Supervisory Board has been reviewed, approved, and remains unchanged since 2012. On a monthly basis, each member receives a fixed rate of remuneration according to his or her position, as well as task-based remuneration as members of the Councils or Committees under the BOD. In 2016, the BOD agreed to an increase of nearly 20% for fixed remuneration and meeting-based remuneration for BOD members.

In 2016, the total actual remuneration and operating expenses for members of the BOD and the Supervisory Board was around VND15 billion.

## **6. PREVENTION OF CONFLICTS OF INTEREST**

The disclosure of related interests and related persons of members of the BOD, members of the Supervisory Board, and members of the BOM (CEO and Deputy CEOs) are made at the beginning of each year, and during the year upon any changes in the disclosed information.

The Secretary unit under the BOD's Office gathers information from members and sends them the compiled report as the basis for defining related persons of officers of the Bank, and procedures in cases where the Bank has transactions with such persons. In terms of credit contracts between the Bank and persons related to the BOD, BOM, or Supervisory Board, VPBank sends monthly reports to the SBV to control and monitor.

Apart from the implementation of applicable laws regarding related persons, the Bank's internal regulations regarding permissible contracts and transactions between the Bank and members of the BOD, members of the Supervisory Board, members of the BOM, and related persons of these members, are all subject to endorsement by the BOD or Councils and Committees under the BOD based on majority rule, with related members having no voting rights. All such transactions are reflected in signed contracts or clear documentation as having been underwritten, evaluated, and proposed by the Bank according to the same transparent and clear procedures as other contracts.

Also, under the provisions of the Law on Credit Institutions, the Bank does not grant credit to any member of the BOD, the Supervisory Board, CEO, Deputy CEOs, or anyone with equivalent titles, nor to the mother, father, wife, husband, or children of the same. VPBank has fully complied with this regulation in the past year.

VPBank is considering creating tighter regulations on defining related persons and transactions with such persons to increase transparency and efficiency of the Bank's governance and management.

## **7. REPORTS AND INFORMATION DISCLOSURE**

VPBank has a reporting regime which is in compliance with the law on accounting and statistics as required by the SBV, and with the regulations of the Ministry of Finance applicable to large-scale public companies.

VPBank has established a working team to produce reports as regulated by the SBV, including daily, monthly, quarterly, and annual reports and a specific or ad-hoc reporting process as required by the authorities' monitoring, management, or evaluation objectives. The Bank's website is also used to disclose the Bank's official, complete, and most recent business results and ad-hoc information in conformity with applicable laws.

In addition, as a large-scale public company, VPBank conducts reporting and disclosure of information as regulated by the Ministry of Finance. VPBank therefore discloses its periodic and ad-hoc reports via information disclosure software in compliance with the regulations of the State Securities Commission of Vietnam, on its own website and in other mass media.

The annual major reports include:

- Financial statements:
  - Annual financial statements, consisting of consolidated and bank-only financial statements, which are audited by an accredited auditing firm and made available within ninety days of the end of the financial year;
  - Semi-annual financial reports, consisting of consolidated and bank-only financial statements, which are reviewed and checked by an authorized auditing firm and made available within sixty days from the end of the first six months of the financial year;
  - Quarterly financial reports, consisting of consolidated and bank-only financial statements, made available within forty-five days from the end of each quarter;
- Annual Report;
- Related information of major shareholders, released as per regulations;
- Other information regarding the Bank is made available regularly or on an ad-hoc basis as per regulations.

In addition to information required to be made available by law, the Bank also proactively makes available information on its strategies, new products, promotion programs, and major events which may have a significant impact on the Bank's operations, as well as social welfare activities, in mass media and on its own website. Information disclosure is undertaken in accordance with the Bank's internal regulations on speech and information disclosure, with the focal points being the Marketing and Communications Center and the BOD's Office, after the disclosure of such information has been endorsed by relevant competent bodies within the Bank.

## **8. SHAREHOLDER STRUCTURE AND CHANGES IN OWNERS' INVESTMENT CAPITAL**

### **8.1 SHARES**

The total number of shares of the Bank as of December 31, 2016, was 918,100,000 shares (in words: Nine hundred and eighteen million, one hundred thousand shares only), including:

- Common shares: 844,880,400
- Preferred shares: 73,219,600

All of these shares are outstanding. The shareholders' book for all of these shares has been managed by VPBank Securities Company, as per the Shareholder Book Management Authorization Contract, since 2008.

According to clause 1, Article 56 of the Law on Credit Institutions No. 47/2010/QH11, "individual and institutional shareholders whose representatives are members of the Board of Directors, Supervisory Board, or CEO of a credit institution, shall not be allowed to transfer their shares in that institution during their respective terms of office". According to clause 3, Article 53 of the Law on Credit Institutions No. 47/2010/QH11, "members of the Board of Directors, members of the Supervisory Board, CEO (Director), and other managers of credit institutions shall not be allowed to buy preferred shares issued by their credit institutions". Therefore, the members of the BOD, the Supervisory Board, and the CEO of VPBank do not own preferred shares, and their common shares are all transfer-restricted.

As of December 31, 2016, the shares owned by members of the BOD, the Supervisory Board, and CEO of VPBank were as follows:

No	Full name	Current position(s) at VPBank	Number of common shares	Percentage of common shares owned/ charter capital	Percentage of preferred shares owned
1	Mr. Ngo Chi Dzung	BOD Chairman	37,884,031	4.126%	None
2	Mr. Bui Hai Quan	BOD Vice Chairman	22,684,198	2.471%	None
3	Mr. Lo Bang Giang	BOD Vice Chairman	1,197,020	0.13%	None
4	Mr. Nguyen Van Hao	BOD Independent Member	-	None	None
5	Mr. Luong Phan Son	BOD Member	3,490,217	0.38%	None
6	Ms. Nguyen Quynh Anh	Head of the Supervisory Board	33,269,300	3.62%	None
7	Ms. Nguyen Thi Mai Trinh	Supervisory Board Member	41,510,706	4.52%	None
8	Ms. Nguyen Thi Bich Thuy	Supervisory Board Member	-	None	None
9	Mr. Nguyen Duc Vinh	BOD Member and CEO	-	None	None

## 8.2 SHAREHOLDER STRUCTURE

As of December 31, 2016, the shareholder structure of the Bank was as follows:

No.	Shareholder type	Number of shareholders	Number of common shares	Number of preferred shares	Total number of shares	Percentage of shares owned/ charter capital
<b>I</b>	<b>Individual</b>	3,470	312,103,045	66,357,602	378,460,647	41.22%
1	Staff	398	145,524,188	62,859	145,587,047	15.86%
2	Individual	3,072	166,578,857	66,294,743	232,873,600	25.36%
3	Foreign	0	0	0	0	0.00%
<b>II</b>	<b>Institutional</b>	48	532,777,355	6,861,998	539,639,353	58.78%
1	Institutional	40	529,299,839	6,861,998	536,161,837	58.40%
2	State-owned	8	3,477,516	-	3,477,516	0.38%
3	Foreign	0	0	0	0	0.00%
<b>III</b>	<b>Total</b>	<b>3,518</b>	<b>844,880,400</b>	<b>73,219,600</b>	<b>918,100,000</b>	<b>100.00%</b>

## 8.3 CHANGES IN OWNERS' INVESTMENT CAPITAL

VPBank increased its charter capital from VND8,056,466,000,000 to VND9,181,000,000,000 in 2016 by distributing dividends from 2014 retained earnings in the form of common shares, and issuing common shares from the reserve fund for charter capital supplementation (distributing bonus shares).

Charter capital was increased by VND1,124,534,000,000, in which distributing dividends in shares accounted for VND1,066,997,000,000 (dividend payout ratio was 14.57%) and distributing bonus shares accounted for VND57,537,000,000 (bonus share distribution ratio was 0.78%). The raising of charter capital was completed in March 2016.

VPBank had obtained the SBV's approval for distributing dividends from 2015 retained earnings in the form of common and bonus shares with a total ratio of 18.75%, to raise charter capital from VND9,181 billion to VND10,765 billion. The Bank is completing procedures for this charter capital increase and the new charter capital is expected to be recognized in Q1/2017.

#### 8.4 TRANSACTIONS OF TREASURY STOCKS

VPBank had no transactions of treasury stocks during the reporting year.

#### 8.5 SHARE TRANSACTIONS BY INTERNAL SHAREHOLDERS

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

The Deputy CEOs are regarded as senior managers of VPBank in accordance with the provisions of the Bank's Charter. The Corporate Secretary includes staff members of the BOD's Office.

Share transactions by persons related to VPBank's Leadership in 2016 were as follows:

No.	Name of VPBank's Leadership	Shareholder as related person of VPBank's Leadership	ID card number/ tax code/ business registration number	Relationship with VPBank's Leadership	Shares transactions in 2016	
					Number of shares sold	Number of shares bought
1	Mr. Ngo Chi Dzung	Ms. Dang Thi Lam	011740449	Mother-in-law	6,500,000	231,512
2	Mr. Ngo Chi Dzung	Mr. Tran Ngoc Be	011658996	Brother-in-law	-	96,788
3	Mr. Ngo Chi Dzung	North Star Investment and Management Consulting Company Limited	0106551134	Company chaired by mother-in-law	-	29,298,930
4	Mr. Bui Hai Quan		012191698	BOD Vice Chairman	-	9,599,371
5	Mr. Bui Hai Quan	Ms. Kim Ngoc Cam Ly	011529218	Wife	-	20,993,636
6	Mr. Bui Hai Quan	Viet Hai Technical and Trading Company Limited			20,993,636	-
7	Mr. Lo Bang Giang	Ms. Ly Thi Thu Ha	012100621	Mother	-	180,747
8	Mr. Nguyen Duc Vinh	Ms. Nguyen Thi Nguyet Nga	010045110	Sister	63,385	63,385
9	Ms. Nguyen Quynh Anh	Mr. Vu Tien Duc	011353087	Husband	5,905,868	-
10	Ms. Nguyen Thi Mai Trinh	Ms. Tran Thi Bach Mai	011115627	Mother	-	88,012
11	Mr. Nguyen Thanh Binh	Ms. Nguyen Thi Ngoc Anh	011785352	Wife	-	103,679

#### 8.6 TRANSACTIONS BY FOREIGN STRATEGIC SHAREHOLDERS

VPBank currently has no foreign strategic shareholders.

AUDITED

# FINANCIAL

STATEMENTS 2016



## BEST SME BANK 2016

### **Presented by International Data Group (IDG)**

Presented to VPBank in January 2016, this award once again affirms VPBank's outstanding performance and significant contribution to the development of the banking and finance sector.

## BEST MOBILE BANKING APPLICATION VIETNAM 2016

### **Presented by Global Banking & Finance Review**

With the most secure SMS OTP features and an intuitive interface that enables easy access for customers from internet-connected devices at any time, VPBank Mobile is proud to provide its users with the most diverse online transaction features.



## THE BANK

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

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

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

### Charter capital

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

### Location

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

## THE BOARD OF SUPERVISION

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

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



## THE BOARD OF MANAGEMENT

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

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

## LEGAL REPRESENTATIVE

The legal representative of the Bank during the year and as at the date of the 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 2016 according to Authorization Document No. 09/2012/UQ-CT dated 5 July 2012.

## AUDITORS

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

## 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 2016 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 its operations and its 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 2016, 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 comply with relevant regulations stipulated by the State Bank of Vietnam and other statutory requirements relevant to preparation and presentation of the consolidated financial statements.

For and on behalf of the Board of Management



Mr. Nguyen Duc Vinh  
Chief Executive Officer

Hanoi, Vietnam  
20 February 2017

## 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 and its subsidiaries ("the Bank") as prepared on 20 February 2017 and set out on pages 6 to 64 which comprise the consolidated balance sheet as at 31 December 2016, the consolidated income statement and the consolidated cash flow statement for the year then ended and the notes thereto.

### MANAGEMENT'S RESPONSIBILITY

Management of the Bank is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions, relevant regulations stipulated by the State Bank of Vietnam and other statutory requirements relevant to preparation and presentation of the consolidated financial statements, and for such internal control as the Management of the Bank determines is necessary to enable the preparation and presentation of 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 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 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 2016, 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 comply with relevant regulations stipulated by the State Bank of Vietnam and other statutory requirements relevant to preparation and presentation of consolidated financial statements.

**Ernst & Young Vietnam Limited**



Nguyen Xuan Dai  
Deputy General Director  
Audit Practising Registration  
Certificate No. 0452-2013-004-1

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

Hanoi, Vietnam  
20 February 2017

## VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

**CONSOLIDATED BALANCE SHEET**

as at 31 December 2016

B02/TCTD-HN

	Notes	31/12/2016 VND million	31/12/ 2015 VND million
<b>ASSETS</b>			
<b>Cash, gold and gemstones</b>	<b>5</b>	<b>1,727,361</b>	<b>1,632,425</b>
<b>Balances with the State Bank of Vietnam</b>	<b>6</b>	<b>2,982,589</b>	<b>2,261,499</b>
<b>Placements with and loans to other credit institutions</b>	<b>7</b>	<b>9,388,905</b>	<b>14,599,675</b>
Placements with other credit institutions		4,089,176	8,729,745
Loans to other credit institutions		5,300,460	5,870,661
Provision for credit losses of loans to other credit institutions		(731)	(731)
<b>Securities held for trading</b>	<b>8</b>	<b>2,952,206</b>	<b>2,043,647</b>
Securities held for trading		2,953,769	2,046,735
Provision for securities held for trading		(1,563)	(3,088)
<b>Loans to customers</b>		<b>142,583,251</b>	<b>115,062,473</b>
Loans to customers	10	144,673,213	116,804,247
Provision for credit losses of loans to customers	11	(2,089,962)	(1,741,774)
<b>Investment securities</b>	<b>12</b>	<b>55,339,988</b>	<b>47,744,838</b>
Available-for-sale securities	12.1	51,948,658	43,965,978
Held-to-maturity securities	12.2	4,136,200	4,520,639
Provision for investment securities	12.3	(744,870)	(741,779)
<b>Long-term investments</b>	<b>13</b>	<b>222,930</b>	<b>307,154</b>
Other long-term investments		299,372	307,627
Provision for long-term investments		(76,442)	(473)
<b>Fixed assets</b>	<b>14</b>	<b>624,197</b>	<b>509,574</b>
<i>Tangible fixed assets</i>	<i>14.1</i>	<i>422,772</i>	<i>325,013</i>
Cost		939,411	704,679
Accumulated depreciation		(516,639)	(379,666)
<i>Intangible fixed assets</i>	<i>14.2</i>	<i>201,425</i>	<i>184,561</i>
Cost		392,849	339,057
Accumulated amortization		(191,424)	(154,496)
<b>Investment properties</b>	<b>15</b>	<b>27,162</b>	<b>27,600</b>
Cost		29,965	29,965
Accumulated amortization		(2,803)	(2,365)
<b>Other assets</b>	<b>16</b>	<b>12,922,329</b>	<b>9,687,543</b>
Receivables	16.1	5,588,814	1,985,973
Accrued interest and fees receivable	16.2	4,165,577	4,133,763
Other assets	16.3	3,395,320	3,799,869
<i>In which: Goodwill</i>	<i>17</i>	<i>12,485</i>	<i>37,453</i>
Provision for other assets	16.4	(227,382)	(232,062)
<b>TOTAL ASSETS</b>		<b>228,770,918</b>	<b>193,876,428</b>

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK  
**CONSOLIDATED BALANCE SHEET (continued)**  
as at 31 December 2016

B02/TCTD-HN

	Notes	31/12/2016 VND million	31/12/ 2015 VND million
<b>LIABILITIES</b>			
<b>Amounts due to the Government and the State Bank of Vietnam</b>	<b>18</b>	<b>1,103,686</b>	<b>4,821,063</b>
<b>Deposits and borrowings from other credit institutions</b>	<b>19</b>	<b>28,835,898</b>	<b>17,764,430</b>
Deposits from other credit institutions	19.1	13,437,105	9,603,163
Borrowings from other credit institutions	19.2	15,398,793	8,161,267
<b>Customer deposits</b>	<b>20</b>	<b>123,787,572</b>	<b>130,270,670</b>
<b>Derivatives and other financial liabilities</b>	<b>9</b>	<b>191,325</b>	<b>131,760</b>
<b>Other borrowed and entrusted funds</b>	<b>21</b>	<b>1,389,786</b>	<b>383,188</b>
<b>Valuable papers issued</b>	<b>22</b>	<b>48,650,527</b>	<b>21,859,941</b>
<b>Other liabilities</b>	<b>23</b>	<b>7,634,596</b>	<b>5,256,454</b>
Interest and fees payable	23.1	3,161,924	2,804,740
Other payables	23.2	4,472,672	2,451,714
<b>TOTAL LIABILITIES</b>		<b>211,593,390</b>	<b>180,487,506</b>
<b>OWNERS' EQUITY</b>			
Charter capital	25	9,181,000	8,056,466
Share premium		1,288,863	1,288,863
Reserves		2,950,192	1,324,775
Retained profits		3,757,473	2,718,818
<b>TOTAL OWNERS' EQUITY</b>		<b>17,177,528</b>	<b>13,388,922</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>228,770,918</b>	<b>193,876,428</b>

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK  
**CONSOLIDATED BALANCE SHEET (continued)**  
as at 31 December 2016

B02/TCTD-HN

	31/12/2016 VND million	31/12/ 2015 VND million
<b>OFF-BALANCE SHEET ITEMS</b>		
Credit guarantees	12,108	1,373,115
Foreign exchange commitments	33,307,126	36,139,958
- <i>Spot foreign exchange commitments - buy</i>	3,687,797	-
- <i>Spot foreign exchange commitments - sell</i>	3,669,239	-
- <i>Cross currency swap contracts</i>	25,950,090	36,139,958
Letters of credit	6,356,322	6,326,988
Other guarantees	11,585,463	8,550,490
Other commitments	2,334,851	1,171,006
	<b>53,595,870</b>	<b>53,561,557</b>

Prepared by:



Ms. Nguyen Thi Thu Hang  
Chief Accountant

Reviewed by:



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

Approved by:



Mr. Nguyen Duc Vinh  
Chief Executive Officer

Hanoi, Vietnam  
20 February 2017



**CONSOLIDATED INCOME STATEMENT**

for the year ended 31 December 2016

B03/TCTD-HN

	Notes	2016 VND million	2015 VND million
Interest and similar income	27	25,631,116	18,758,801
Interest and similar expenses	28	(10,463,257)	(8,405,364)
<b>Net interest and similar income</b>		<b>15,167,859</b>	<b>10,353,437</b>
Fee and commission income		2,114,834	1,597,313
Fee and commission expenses		(1,261,908)	(712,646)
<b>Net fee and commission income</b>	<b>29</b>	<b>852,926</b>	<b>884,667</b>
<b>Net loss from trading of foreign currencies</b>	<b>30</b>	<b>(318,960)</b>	<b>(290,472)</b>
<b>Net (loss)/gain from securities held for trading</b>	<b>31</b>	<b>(149,384)</b>	<b>44,587</b>
<b>Net gain from investment securities</b>	<b>32</b>	<b>91,874</b>	<b>27,966</b>
Other operating income		1,450,885	957,363
Other operating expenses		(232,315)	(82,291)
<b>Net gain from other operating activities</b>	<b>33</b>	<b>1,218,570</b>	<b>875,072</b>
<b>Income from investments in other entities</b>	<b>34</b>	<b>872</b>	<b>171,054</b>
<b>TOTAL OPERATING INCOME</b>		<b>16,863,757</b>	<b>12,066,311</b>
Personnel expenses		(3,430,934)	(3,183,691)
Depreciation and amortization charges		(177,433)	(144,532)
Other operating expenses		(3,012,985)	(2,364,246)
<b>TOTAL OPERATING EXPENSES</b>	<b>35</b>	<b>(6,621,352)</b>	<b>(5,692,469)</b>
<b>Net profit before provision for credit losses</b>		<b>10,242,405</b>	<b>6,373,842</b>
Provision expenses for credit losses	36	(5,313,094)	(3,277,640)
<b>PROFIT BEFORE TAX</b>		<b>4,929,311</b>	<b>3,096,202</b>
Current corporate income tax expense	24.1	(994,266)	(700,598)
Deferred corporate income tax income	24.2	-	264
<b>Corporate income tax expense</b>		<b>(994,266)</b>	<b>(700,334)</b>
<b>PROFIT AFTER TAX</b>		<b>3,935,045</b>	<b>2,395,868</b>
<b>Basic earnings per share (VND)</b>	<b>26</b>	<b>4,485</b>	<b>2,662</b>

Prepared by:

Reviewed by:

Approved by:



Ms. Nguyen Thi Thu Hang  
Chief Accountant



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



Mr. Nguyen Duc Vinh  
Chief Executive Officer

Hanoi, Vietnam  
20 February 2017

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK  
**CONSOLIDATED CASH FLOW STATEMENT**  
for the year ended 31 December 2016

B04/TCTD-HN

	Notes	2016 VND million	2015 VND million
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest and similar receipts		25,501,896	18,535,899
Interest and similar payments		(10,039,057)	(7,536,405)
Net fee and commission receipts		850,669	891,088
Net payments from dealing in foreign currencies, gold and securities trading activities		(271,622)	(34,896)
Other income		476,319	620,946
Recoveries from bad debts previously written-off		715,606	251,519
Payments for operating and salary expenses		(6,479,434)	(5,065,782)
Corporate income tax paid during the year	24.1	(795,175)	(505,521)
<b>Net cash flows from operating profit before changes in operating assets and liabilities</b>		<b>9,959,202</b>	<b>7,156,848</b>
<b>Changes in operating assets</b>			
Decrease in deposits at and loans to other credit institutions		570,201	5,792,760
Increase in investment securities		(8,889,714)	(22,989)
Increase in loans to customers		(27,641,819)	(39,866,419)
Utilization of provision to write off loans to customers, securities and long-term investments		(4,882,929)	(2,024,786)
(Increase)/decrease in other assets		(390,722)	2,616,599
<b>Changes in operating liabilities:</b>			
(Decrease)/increase in amounts due to the Government and the SBV		(3,717,377)	3,988,508
Increase/(decrease) in deposits and borrowings from other credit institutions		8,114,707	(8,463,820)
(Decrease)/increase in customer deposits (including deposits from State Treasury)		(6,483,098)	21,837,894
Increase in valuable papers issued (except for valuable paper issued for financing activities)		23,913,626	11,530,397
Increase in other borrowed and entrusted funds		1,006,598	257,942
Increase/(decrease) in derivatives and other financial liabilities		59,565	(83,573)
Increase/(decrease) in other liabilities		1,958,319	(1,540,974)
<b>Net cash flows (used in)/from operating activities</b>		<b>(6,423,441)</b>	<b>1,178,387</b>

**CONSOLIDATED CASH FLOW STATEMENT** (continued)

for the year ended 31 December 2016

B04/TCTD-HN

	Notes	2016 VND million	2015 VND million
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of fixed assets		(188,473)	(222,114)
Proceeds from disposal of fixed assets		47,723	155,911
Payments for investments in other entities		-	(185,276)
Proceeds from disposals of investments in other entities		8,255	382,702
Dividends received from long-term investments		872	2,344
<b>Net cash flows (used in)/from investing activities</b>		<b>(131,623)</b>	<b>133,567</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in charter capital from capital contribution and/or share issuance	25.1	-	2,019,690
Proceeds from issuance of long term valuable papers eligible to be included in capital and other long term borrowings		2,876,960	-
Dividend distributed to shareholders	25.1	(146,439)	-
<b>Cash flows from financing activities</b>		<b>2,730,521</b>	<b>2,019,690</b>
<b>Net cash flows for the year</b>		<b>(3,824,543)</b>	<b>3,331,644</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>12,623,669</b>	<b>9,292,025</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>37</b>	<b>8,799,126</b>	<b>12,623,669</b>
<b>SIGNIFICANT NON-CASH TRANSACTIONS DURING THE YEAR</b>			
Bonus shares issued using the capital supplementary reserve	25.1	57,537	44,350
Increase in charter capital from retained earnings	25.1	1,066,997	932,510

Prepared by:

Reviewed by:

Approved by:



Ms. Nguyen Thi Thu Hang  
Chief Accountant



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



Mr. Nguyen Duc Vinh  
Chief Executive Officer

Hanoi, Vietnam  
20 February 2017

**1. GENERAL INFORMATION**

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

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

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

**Charter capital**

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

**Location**

The Bank's Head Office is located at No. 89 Lang Ha, Lang Ha Ward, Dong Da District, Hanoi, Vietnam. As at 31 December 2016, the Bank has one (1) Head Office, fifty one (51) branches, one hundred and sixty three (163) transaction offices nationwide and two (2) subsidiaries.

**Subsidiaries**

As at 31 December 2016, the Bank has two (2) directly owned subsidiaries as follow:

Subsidiaries	Operating Licence	Nature of Business	Share capital	Ownership
VPBank Asset Management Company Limited (VPB AMC)	Business Registration Certificate No. 0105837483 dated 15 April 2013 issued by Hanoi Department of Planning and Investment	Asset and liabilities management	VND115 billion	100%
VPBank Finance Company Limited (VPB FC)	Business Registration Certificate No. 0102180545 dated 1 June 2015 issued by Hanoi Department of Planning and Investment	Other finance activities	VND2,790 billion	100%

**Employees**

As at 31 December 2016, total number of permanent employees of the Bank and its subsidiaries is 17,387 persons (31 December 2015: 12,927 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 comply with relevant regulations stipulated by the State Bank of Vietnam and other relevant statutory requirements.

**3.2 ACCOUNTING STANDARDS AND SYSTEM**

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

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

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

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

### 3.3 ASSUMPTIONS AND USES OF ESTIMATES

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

### 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 2016.

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-company balances, income and expenses and unrealized gains or losses resulting from intra-company 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 annual consolidated financial statements for the year ended 31 December 2015.

### 4.2 ISSUED ACCOUNTING POLICIES AND DISCLOSURES WHICH HAVE NOT COME INTO EFFECT

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

### 4.3 CASH AND CASH EQUIVALENTS

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

### 4.4 LOANS TO CUSTOMERS

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

### 4.5 PROVISION FOR CREDIT LOSSES

The classification of placements with and loans to other credit institutions, direct and entrusted investments in



unlisted corporate bond, 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 02/2013/TT-NHNN (“Circular 02”).

The specific provision for debts as at 31 December is made based on the principal balance less discounted value of collaterals multiplied by provision rates which are determined based on the debt classification results 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	
3	Sub Standard	(a) Debts are overdue for a period of between 91 days and 180 days; or	20%
		(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 pay 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 Clauses 1, 3, 4, 5, 6, Article 126 of the Law on Credit Institutions ; or</li> <li>• Debts made in compliance with Clauses 1, 2, 3, 4, Article 127 of the Law on Credit Institutions; or</li> <li>• Debts made in compliance with Clauses 1, 2 and 5 of Article 128 of the Law on Credit Institutions.</li> </ul>	
4	Doubtful	(e) Debts are required to be recovered according to regulatory inspection conclusions.	50%
		(a) Debts are overdue for a period of between 181 days and 360 days; or	
		(b) Debts which the repayment terms are restructured for the first time but still overdue for a period of less than 90 days under that restructured repayment term; or	
		(c) Debts which the repayment terms are restructured for the second time; or	
		(d) Debts are specified in point (d) of Loan group 3 and overdue for a period of between 30 days and 60 days after decisions of recovery have been issued; or	
		(e) Debts are required to be recovered according to regulatory inspection conclusions but still outstanding with an overdue period up to 60 days since the recovery date as required by regulatory inspection conclusions.	

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

as at 31 December 2016 and for the year then ended

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Group		Description	Provision rate
5	Loss	<ul style="list-style-type: none"> <li>(a) Debts are overdue for a period of more than 360 days; or</li> <li>(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</li> <li>(c) Debts which the repayment terms are restructured for the second time but still overdue under that second restructured repayment term; or</li> <li>(d) Debts which the repayment terms are restructured for the third time or more, regardless of being overdue or not; or</li> <li>(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</li> <li>(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</li> <li>(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.</li> </ul>	100%

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

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

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

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

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

**4.6 SECURITIES HELD FOR TRADING**

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

Securities held for trading are initially recognized at the cost of acquisition and subsequently measured at the

lower of the book value and the market value. Gains or losses from sales of trading securities are recognized in the consolidated income statement.

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

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

#### 4.7 AVAILABLE-FOR-SALE SECURITIES

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

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

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

In subsequent periods, these securities are continuously recorded at par value, and the discount/premium (if any) is amortized to the 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 securities investment interest income on a straight-line basis over the term of securities investment.

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

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

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

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

As required by Circular No. 14/2015/TT-NHNN, each year within five consecutive working days prior to the maturity date of special bonds, the Bank is obliged to fully make 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). Credit institutions should co-operate with VAMC to determine the recovery of the bad debts.

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

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

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

**4.9 OTHER LONG-TERM INVESTMENTS**

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

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

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

Provision for diminution in the value of investment is made using the below formula:

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

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.

#### 4.10 RECEIVABLES

##### 4.10.1 Receivables classified as credit-risk assets

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

##### 4.10.2 Other receivables

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

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

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

Overdue status	Allowance rate
From over six (6) months up to 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%

#### 4.11 PREPAID EXPENSES

Prepaid expenses are reported as short-term or 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.

#### 4.12 FIXED ASSETS

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

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

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

#### 4.13 DEPRECIATION AND AMORTIZATION

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

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

#### 4.14 INVESTMENT PROPERTIES

Investment properties are stated at cost less accumulated amortization.

Expenses related to investment properties incurred after initial recognition are accounted from the remaining value of the investment properties when the Bank have the ability to obtain the economic benefits in future more than the initial assessment of the investment properties.

Investment properties are no longer recognized and presented in the consolidated balance sheet after selling or after the investment properties are no longer used and considered no economic benefit in future from the disposal of the investment properties. The difference between the net proceeds from disposal of the investment properties with its remaining value is recognized in operating results in the year.

The transfer of properties from the owner used to investment properties only if there is a change in the purpose of using as the owners stop using the properties and begin operating lease to another party or at the end of the construction phase. The transfer from investment property to owners used only when there is a change in use, such as the case of the owners start to use this asset or initiated for the purpose of sale.

#### 4.15 OPERATING LEASE

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

#### 4.16 RECOGNITION OF INCOME AND EXPENSE

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

Fees and commissions are recognized on an accrual basis.



**4.17 FOREIGN CURRENCY TRANSACTIONS**

All transactions are recorded in original currencies. Monetary assets and liabilities denominated in foreign currencies are translated into VND using exchange rates ruling at the consolidated balance sheet date (Note 45). Income and expenses arising in foreign currencies during the year are converted into VND at rates ruling at the transaction dates. Foreign exchange differences arising from the translation of monetary assets and liabilities are recognized and followed in the "Foreign exchange differences" under "Owners' equity" in the consolidated balance sheet and will be transferred to the consolidated income statement at the end of the financial year.

**4.18 PAYABLES AND ACCRUALS**

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

**4.19 DEPOSITS FROM BANKS, CUSTOMER DEPOSITS AND VALUABLE PAPERS ISSUED**

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

**4.20 CORPORATE INCOME TAXES***Current income tax*

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

Current income tax is charged or credited to the consolidated income statement except when it relates to items recognized directly to equity the current income tax is also dealt with in equity.

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

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

*Deferred tax*

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

Deferred tax payable is recognized for temporary taxable differences.

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

**4.21 CLASSIFICATION FOR OFF-BALANCE-SHEET COMMITMENTS**

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

**4.22 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.

**4.23 FOREIGN EXCHANGE CONTRACTS**

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

*Currency forward contracts*

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

The currency swap contracts are revalued periodically. Gains or losses realized or unrealized are recognized in the “*Foreign exchange differences*” under “*Owners’ equity*” in the 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.

**4.24 EMPLOYEE BENEFITS****4.24.1 Post - employment benefits**

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

*4.24.2 Voluntary resignation benefits*

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

*4.24.3 Unemployment insurance*

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

**4.25 STATUTORY RESERVES***Reserves of the Bank*

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

	<b>Basic for calculation</b>	<b>Maximum balance</b>
Capital supplementary reserve	5% from profit after tax	100% of charter capital
Financial reserve	10% from profit after tax	25% of charter capital

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

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

*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, VPBank Asset Management Company Limited ("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 ("VPB FC")*

According to Decree No. 57/2012/ND-CP dated 20 July 2012 issued by the Government of Vietnam which replaces Decree No. 146/2005/ND-CP dated 23 November 2005, VPB FC is required to make appropriation of profit to reserves in a similar way to the Bank.

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

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**4.26 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, equity instruments issued and liabilities incurred or assumed at the date of exchange 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**

	31/12/2016 VND million	31/12/2015 VND million
Cash on hand in VND	1,036,240	850,227
Cash on hand in foreign currencies	667,059	756,702
Gold on hand	24,062	25,496
	<b>1,727,361</b>	<b>1,632,425</b>

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

	31/12/2016 VND million	31/12/2015 VND million
Demand deposits at the SBV	2,982,589	2,261,499

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

Under the SBV regulations, the Bank is required to maintain certain cash reserve with the SBV in the form of compulsory reserve computed at 3.00% and 8.00% (2015: 3.00% and 8.00%) of customer deposits denominated in VND and foreign currencies which are demand deposits or have maturity less than 12 months; 1.00% and 6.00% (2015: 1.00% and 6.00%) of customer deposits denominated in VND and foreign currencies which have maturity over 12 months.

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

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

	31/12/2016 VND million	31/12/2015 VND million
<b>Demand deposits</b>	<b>2,025,318</b>	<b>843,579</b>
- In VND	1,430,569	128,905
- In foreign currencies	594,749	714,674
<b>Term deposits</b>	<b>2,063,858</b>	<b>7,886,166</b>
- In VND	690,000	4,815,000
- In foreign currencies	1,373,858	3,071,166
	<b>4,089,176</b>	<b>8,729,745</b>
Provisions for placements with other credit institutions	-	-
	<b>4,089,176</b>	<b>8,729,745</b>

**7.2 LOANS TO OTHER CREDIT INSTITUTIONS**

	31/12/2016 VND million	31/12/2015 VND million
In VND	5,300,460	5,060,731
In foreign currencies	-	809,930
	<b>5,300,460</b>	<b>5,870,661</b>
Provisions for loans to other credit institutions	(731)	(731)
	<b>5,299,729</b>	<b>5,869,930</b>

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

	31/12/2016 % per annum	31/12/2015 % per annum
Term deposits in VND	3.10% - 7.30%	4.30% - 7.13%
Term deposits in foreign currencies	1.30% - 1.50%	0.10% - 2.50%
Loans in VND	3.50% - 6.10%	4.50% - 6.20%
Loans in foreign currencies	Not applicable	0.50% - 1.50%

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

	31/12/2016 VND million	31/12/2015 VND million
Current	9,388,905	14,599,675
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	731	731
	<b>9,389,636</b>	<b>14,600,406</b>

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

	31/12/2016 VND million	31/12/2015 VND million
Government securities	1,499,929	1,324,317
Securities issued by other credit institutions	1,453,840	722,418
<i>In which: Bonds guaranteed by the Government</i>	1,245,445	529,214
	<b>2,953,769</b>	<b>2,046,735</b>
Provision for securities held for trading	(1,563)	(3,088)
	<b>2,952,206</b>	<b>2,043,647</b>

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

	2016 VND million	2015 VND million
<b>Opening balance</b>	<b>3,088</b>	<b>16,298</b>
Reversal of provision during the year	(1,525)	(10,390)
Decrease due to divestment of subsidiaries	-	(2,820)
<b>Closing balance</b>	<b>1,563</b>	<b>3,088</b>



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

	31/12/2016 VND million	31/12/2015 VND million
Listed	2,745,374	2,046,735
Unlisted	208,395	-
	<b>2,953,769</b>	<b>2,046,735</b>

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

	31/12/2016 VND million	31/12/2015 VND million
Current	208,395	-
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	-	-
	<b>208,395</b>	<b>-</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 2016				
Derivative financial instruments	25,869,954	25,471,176	(25,666,246)	(195,070)
Foreign exchange forward contracts	12,754,991	12,524,584	(12,662,735)	(138,151)
Foreign exchange swap contracts	13,114,963	12,946,592	(13,003,511)	(56,919)
Other derivative financial instruments	107,050	110,795	(107,050)	3,745
	25,977,004	25,581,971	(25,773,296)	(191,325)
As at 31 December 2015				
Derivative financial instruments	30,504,434	29,872,496	(30,006,656)	(134,160)
Foreign exchange forward contracts	12,191,830	11,919,271	(12,040,579)	(121,308)
Foreign exchange swap contracts	18,312,604	17,953,225	(17,966,077)	(12,852)
Other derivative financial instruments	107,050	109,450	(107,050)	2,400
	30,611,484	29,981,946	(30,113,706)	(131,760)

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**10. LOANS TO CUSTOMERS**

	31/12/2016 VND million	%	31/12/2015 VND million	%
Loans to local economic entities and individuals	144,082,942	99.60	116,166,919	99.46
Discounted bills and valuable papers	46,621	0.03	22,893	0.02
Payments on behalf of customers	1,382	-	3,522	-
Loans financed by borrowed and entrusted funds	537,664	0.37	564,143	0.48
Loans to foreign economic entities and individuals	4,604	-	46,770	0.04
	<b>144,673,213</b>	<b>100</b>	<b>116,804,247</b>	<b>100</b>

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

	31/12/2016 % per annum	31/12/2015 % per annum
In VND	3.00% - 13.50%	3.00% - 14.00%
In foreign currencies	1.40% - 4.50%	1.60% - 5.00%

**10.1 ANALYSIS OF LOAN PORTFOLIO BY QUALITY**

	31/12/2016 VND million	31/12/2015 VND million
Current	132,510,660	106,713,646
Special mention	7,955,500	6,945,556
Substandard	2,335,222	1,268,015
Doubtful	975,528	523,016
Loss	896,303	1,354,014
	<b>144,673,213</b>	<b>116,804,247</b>

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

	31/12/2016 VND million	31/12/2015 VND million
Short term loans	35,892,482	32,497,945
Medium term loans	59,596,064	56,545,821
Long term loans	49,184,667	27,760,481
	<b>144,673,213</b>	<b>116,804,247</b>

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

	31/12/2016 VND million	%	31/12/2015 VND million	%
State-owned companies	2,169,805	1.50	1,547,766	1.32
One-member limited liability companies with 100% State ownership	970,215	0.67	630,928	0.54
Two or more member limited liability companies with over 50% State ownership or being controlled by the State	26,001	0.02	414,632	0.35
Other limited liability companies	27,408,987	18.95	28,712,712	24.58
Joint stock companies with over 50% State ownership or being controlled by the State	663,314	0.46	860,868	0.74
Other joint-stock companies	21,200,544	14.65	20,976,352	17.96
Private enterprises	784,738	0.54	624,926	0.54
Foreign invested enterprises	598,944	0.41	573,459	0.49
Co-operatives and unions of co-operative	67,446	0.05	100,609	0.09
Household business and individuals	89,972,801	62.19	62,234,822	53.28
Operation administration entity, the Party, unions and associations	110,007	0.08	125,469	0.11
Others	700,411	0.48	1,704	-
	<b>144,673,213</b>	<b>100</b>	<b>116,804,247</b>	<b>100</b>

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**10.4 ANALYSIS OF LOAN PORTFOLIO BY SECTORS**

	31/12/2016 VND million	%	31/12/2015 VND million	%
Agricultural, forestry and aquaculture	2,498,851	1.73	4,584,262	3.94
Mining	290,298	0.20	214,216	0.18
Processing, manufacturing	16,637,628	11.50	9,643,927	8.26
Electricity, petroleum and steam	2,479,019	1.72	2,569,617	2.20
Water supply and waste treatment	562,659	0.39	620,461	0.53
Construction	6,035,306	4.17	6,368,949	5.45
Wholesale and retail trade, repair of motor vehicles, motor cycles and personal goods	11,228,534	7.76	7,755,952	6.64
Transportation and logistics	3,427,557	2.37	2,687,377	2.30
Hospitality and restaurants	3,258,575	2.25	1,170,540	1.00
Information and media	562,148	0.39	1,558,204	1.33
Finance, banking and insurance services	5,540,253	3.83	2,851,196	2.44
Real estates	17,794,732	12.30	19,078,633	16.33
Scientific research	962,987	0.67	1,115,272	0.95
Administrative activities and support services	1,838,986	1.27	1,738,015	1.49
Activities of the Communist Party, political - social organizations, state management, security and defense	206,364	0.14	141,667	0.12
Education and vocational training	700,782	0.48	532,416	0.46
Healthcare and community development	228,241	0.16	211,920	0.18
Recreational, cultural, sporting activities	633,031	0.44	989,411	0.85
Other services	8,565,281	5.92	7,888,924	6.75
Households services, production of material products and services used by households	61,186,300	42.29	45,070,221	38.59
Activities of other foreign organizations and offices	35,681	0.02	13,067	0.01
	<b>144,673,213</b>	<b>100</b>	<b>116,804,247</b>	<b>100</b>

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

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

	31/12/2016 VND million	31/12/2015 VND million
General provision	1,031,565	813,948
Specific provision	1,058,397	927,826
	<b>2,089,962</b>	<b>1,741,774</b>

Changes in provision for credit losses during the year 2016 are as follows:

	General provision VND million	Specific provision VND million	Total VND million
Opening balance	813,948	927,826	1,741,774
Provision charged	217,617	5,165,072	5,382,689
Provision decreased for sale of debts to VAMC	-	(157,292)	(157,292)
Provision used to write-off bad debts	-	(4,877,209)	(4,877,209)
<b>Closing balance</b>	<b>1,031,565</b>	<b>1,058,397</b>	<b>2,089,962</b>

Changes in provision for credit losses during 2015 are as follows:

	General provision VND million	Specific provision VND million	Total VND million
Opening balance	573,535	549,605	1,123,140
Provision charged	240,413	2,592,866	2,833,279
Provision increased from repurchase of debts from VAMC	-	9,522	9,522
Provision decreased for sale of debts to VAMC	-	(263,984)	(263,984)
Provision used to write-off bad debts	-	(1,960,183)	(1,960,183)
<b>Closing balance</b>	<b>813,948</b>	<b>927,826</b>	<b>1,741,774</b>

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

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

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

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

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

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

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**12.2 HELD-TO-MATURITY SECURITIES**

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

	31/12/2016 VND million	31/12/2015 VND million
Special bonds	4,136,200	4,520,639
Specific allowance for special bonds	(496,311)	(566,946)
	<b>3,639,889</b>	<b>3,953,693</b>

**12.3 PROVISION FOR INVESTMENT SECURITIES**

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

	Available-for-sale securities VND million	Held-to-maturity securities VND million	Total VND million
<b>Opening balance</b>	<b>174,833</b>	<b>566,946</b>	<b>741,779</b>
Provision charged/(reversed) during the year	73,726	(70,635)	3,091
<b>Closing balance</b>	<b>248,559</b>	<b>496,311</b>	<b>744,870</b>

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

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



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**13. LONG-TERM INVESTMENTS**

	31/12/2016		31/12/2015	
	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 JSC (BTC)	371	4.30%	371	4.78%
Vietnam Credit Information JSC (PCB)	3,934	3.28%	3,934	3.28%
Sai Gon Port Joint-Stock Company	185,276	7.44%	185,276	7.44%
VPBank Securities JSC (VPBS)	104,770	11.00%	104,770	11.00%
Petro Vietnam Oil Central Joint Stock Company	-	-	7,705	5.50%
Thinh An Security Guard Service JSC	-	-	550	11.00%
	<b>299,372</b>		<b>307,627</b>	
<b>Provision for other long-term investments</b>	<b>(76,442)</b>		<b>(473)</b>	
	<b>222,930</b>		<b>307,154</b>	

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

Movements of tangible fixed assets during 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	94,506	394,989	106,847	60,063	48,274	704,679
Purchases in the year	14,793	172,225	24,828	18,574	7,565	237,985
Reclassification	-	3,643	(2,720)		(324)	599
Disposal	-	(1,410)	(185)	(1,259)	(948)	(3,802)
Other decreases	-	(50)	-	-	-	(50)
Closing balance	109,299	569,397	128,770	77,378	54,567	939,411
<b>Accumulated depreciation</b>						
Opening balance	23,557	229,627	58,742	42,714	25,026	379,666
Charge for the year	7,119	97,204	14,134	12,449	9,714	140,620
Reclassification	-	2,971	(2,882)	-	-	89
Disposal	-	(1,410)	(185)	(1,260)	(854)	(3,709)
Other decreases	-	(7)	-	(20)	-	(27)
Closing balance	30,676	328,385	69,809	53,883	33,886	516,639
<b>Net book value</b>						
As at beginning date	70,949	165,362	48,105	17,349	23,248	325,013
As at closing date	78,623	241,012	58,961	23,495	20,681	422,772

Cost of fully-depreciated tangible fixed assets which are still in use as at 31 December 2016 is VND213,639 million.

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**14.2 INTANGIBLE FIXED ASSETS**

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

	Indefinite land use rights VND million	Computer software VND million	Total VND million
<b>Cost</b>			
Opening balance	90,132	248,925	339,057
Purchases in the year	-	71,801	71,801
Reclassification	-	(599)	(599)
Other increases	-	3,575	3,575
Disposal	(20,985)	-	(20,985)
Closing balance	69,147	323,702	392,849
<b>Accumulated amortization</b>			
Opening balance	868	153,628	154,496
Charge for the year	-	36,375	36,375
Reclassification	-	553	553
Closing balance	868	190,556	191,424
<b>Net book value</b>			
At the beginning date	89,264	95,297	184,561
At the closing date	68,279	133,146	201,425

Cost of fully-depreciated intangible fixed assets which are still in use as at 31 December 2016 is VN79,464 million.

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**15. INVESTMENT PROPERTIES**

Movements of investment properties during the year are as follows:

	Land use right VND million	Building and architectonic models VND million	Total VND million
<b>Cost</b>			
Opening balance	20,075	9,890	29,965
Closing balance	20,075	9,890	29,965
<b>Accumulated depreciation</b>			
Opening balance	-	2,365	2,365
Charge for the year	-	438	438
Closing balance	-	2,803	2,803
<b>Net book value</b>			
At the beginning date	20,075	7,525	27,600
At the closing date	20,075	7,087	27,162

**16. OTHER ASSETS****16.1 RECEIVABLES**

	31/12/2016 VND million	31/12/2015 VND million
Internal receivables	56,696	46,104
External receivables	5,516,549	1,918,724
Construction in progress	15,569	21,145
	<b>5,588,814</b>	<b>1,985,973</b>

External receivables mainly include receivables related to LC UPAS (VND2,956,761 million) (Note 19.2); deposits for economic contracts (VND1,329,633 million); overdue deposits classified into credit risk assets; and other external receivables.

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**16.2 ACCRUED INTEREST AND FEE RECEIVABLES**

	31/12/2016 VND million	31/12/2015 VND million
Interest receivables from deposits	3,225	11,904
Interest receivables from investment securities	2,052,693	1,675,724
Interest receivables from credit activities	2,044,017	2,276,522
Interest receivables from derivative instruments	63,107	163,048
Interest receivables from entrusted investments	-	6,565
Other fee receivables	2,535	-
	<b>4,165,577</b>	<b>4,133,763</b>

**16.3 OTHER ASSETS**

	31/12/2016 VND million	31/12/2015 VND million
Materials	14,123	10,332
Prepaid expenses	1,123,391	928,885
Foreclosed assets (*)	2,245,321	1,934,353
- <i>Real estates</i>	2,245,321	1,934,353
Receivables from entrusted investment contracts	-	887,150
Goodwill	12,485	37,453
Other assets	-	1,696
	<b>3,395,320</b>	<b>3,799,869</b>

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

**16.4 PROVISION FOR OTHER ASSETS**

Provision for other assets include provision for bad debts and general provision for entrusted investments. Changes in provision for other assets during the year are as follow:

	2016 VND million	2015 VND million
<b>Opening balance</b>	<b>232,062</b>	<b>255,397</b>
Charge of provision during the year	1,040	10,474
<i>In which:</i>		
<i>Provision reverse for doubtful receivables</i>	-	(30)
<i>Charge of provision for other credit risk bearing assets (Note 36)</i>	1,040	10,504
Provision used to write-off bad debts	(5,720)	-
Decrease due to divestment of subsidiaries	-	(33,809)
<b>Closing balance</b>	<b>227,382</b>	<b>232,062</b>

Details of provision for other assets are as follows:

	31/12/2016 VND million	31/12/2015 VND million
Provision for credit risks bearing assets	225,731	230,411
- <i>General provision (i)</i>	3,976	5,626
- <i>Specific provision (ii)</i>	221,755	224,785
Provision for doubtful debts	838	838
Provision for other risks	813	813
	<b>227,382</b>	<b>232,062</b>

(i) General provision is made for entrusted investment contracts to purchase unlisted securities.

(ii) Specific provision is made for the overdue deposits reclassified into credit risk bearing assets.

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**17. GOODWILL**

	2016 VND million	2015 VND million
<b>Total value of goodwill</b>	<b>74,905</b>	<b>74,905</b>
<b>Amortization period</b>	<b>3 years</b>	<b>3 years</b>
Value of accumulated amortized goodwill at the beginning of the year	(37,452)	(12,484)
Value of unamortized goodwill at the beginning of the year	37,453	62,421
<b>Increase in goodwill during the year</b>	-	-
Goodwill arisen during the year	-	-
Adjustment due to changes in determinable value of assets and liabilities	-	-
<b>Decrease in goodwill during the year</b>	<b>(24,968)</b>	<b>(24,968)</b>
Decrease in goodwill due to disposal, sale of part or entire financial investment	-	-
Goodwill amortized during the year	(24,968)	(24,968)
Other decrease in goodwill	-	-
<b>Total value of unamortized goodwill at the end of the year</b>	<b>12,485</b>	<b>37,453</b>

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

	31/12/2016 VND million	31/12/2015 VND million
<b>Borrowings from the SBV</b>		
Discount, rediscount of valuable papers	1,077,995	4,819,153
Other borrowings	25,691	1,910
	<b>1,103,686</b>	<b>4,821,063</b>

**19. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS****19.1 DEPOSITS FROM OTHER CREDIT INSTITUTIONS**

	31/12/2016 VND million	31/12/2015 VND million
<b>Demand deposits</b>	<b>1,006,828</b>	<b>44,501</b>
In VND	1,006,806	43,400
In foreign currencies	22	1,101
<b>Term deposits</b>	<b>12,430,277</b>	<b>9,558,662</b>
In VND	10,580,000	8,775,000
In foreign currencies	1,850,277	783,662
	<b>13,437,105</b>	<b>9,603,163</b>



**19.2 BORROWINGS FROM OTHER CREDIT INSTITUTIONS**

	31/12/2016 VND million	31/12/2015 VND million
In VND	6,974,121	7,776,807
<i>In which: Discounted valuable papers in VND</i>	5,085,556	3,375,026
In foreign currencies (*)	8,424,672	384,460
	<b>15,398,793</b>	<b>8,161,267</b>

(\*) This balance includes the payables arising from usance letter of credits with amount of VND 2,956,761 million, which is recorded in line with Official Letter No. 3333/NHNN-TCKT providing guidance on accounting treatment for letter of credit reimbursing transactions (Note 16.1).

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

	31/12/2016 % per annum	31/12/2015 % per annum
Term deposits from other credit institutions in VND	4.00% - 6.30%	3.70% - 8.70%
Term deposits from other credit institutions in foreign currencies	0.70% - 1.80%	0.10% - 1.00%
Borrowings from other credit institutions in VND	4.30% - 7.00%	4.30% - 5.95%
Borrowings from other credit institutions in foreign currencies	0.75% - 5.75%	0.75% - 2.09%

**20. CUSTOMER DEPOSITS**

	31/12/2016 VND million	31/12/2015 VND million
Demand deposits	15,238,430	12,568,456
- <i>Demand deposits in VND</i>	12,322,190	11,824,753
- <i>Demand deposits in foreign currencies</i>	2,916,240	743,703
Term deposits	108,064,068	117,162,064
- <i>Term deposits in VND</i>	103,563,011	106,514,016
- <i>Term deposits in foreign currencies</i>	4,501,057	10,648,048
Deposits for specific purpose	69,569	122,541
- <i>Deposits for specific purpose in VND</i>	65,867	110,247
- <i>Deposits for specific purpose in foreign currencies</i>	3,702	12,294
Margin deposits	415,505	417,609
- <i>Margin deposits in VND</i>	410,085	378,453
- <i>Margin deposits in foreign currencies</i>	5,420	39,156
	<b>123,787,572</b>	<b>130,270,670</b>

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

	31/12/2016 VND million	%	31/12/2015 VND million	%
State-owned companies	5,058,364	4.09	6,087,819	4.69
One-member limited liability companies with 100% State ownership	2,134,004	1.72	2,569,185	1.97
Two or more member limited liability companies with over 50% State ownership or controlled by the State	132,097	0.11	245,475	0.19
Other limited liability companies	11,292,431	9.12	13,722,842	10.53
Joint stock companies with over 50% State ownership or controlled by the State	139,695	0.11	1,519,106	1.17
Other joint-stock companies	22,118,212	17.87	20,911,579	16.05
Partnership companies	451	-	804	-
Private enterprises	130,572	0.11	83,890	0.06
Foreign invested enterprises	799,203	0.65	225,972	0.17
Co-operatives and unions of co-operative	12,682	0.01	4,990	-
Household business and individuals	74,115,293	59.87	77,290,266	59.33
Operation administration entity, the Party, unions and associations	1,494,688	1.21	1,741,099	1.34
Others	6,359,880	5.14	5,867,643	4.50
	<b>123,787,572</b>	<b>100</b>	<b>130,270,670</b>	<b>100</b>

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

	31/12/2016 % per annum	31/12/2015 % per annum
Demand deposits in VND	0.50%	0.50%
Demand deposits in foreign currencies	0.00%	0.00%
Term deposits in VND	1.00%-11.60%	1.00% - 10.25%
Term deposits in foreign currencies	0.00%-2.10%	0.00% - 2.00%

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**21. OTHER BORROWED AND ENTRUSTED FUNDS**

	31/12/2016 VND million	31/12/2015 VND million
Other borrowed and entrusted funds in VND	281,836	383,188
Other borrowed and entrusted funds in foreign currencies	1,107,950	-
	<b>1,389,786</b>	<b>383,188</b>

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

**22. VALUABLE PAPERS ISSUED**

	31/12/2016 VND million	31/12/2015 VND million
Under 12 months	7,223,950	3,010,175
From 12 months up to 5 years	36,044,989	14,869,766
From 5 years and above	5,381,588	3,980,000
	<b>48,650,527</b>	<b>21,859,941</b>

Valuable papers of the Bank consist of certificates of deposits and bonds which bear interest at rates ranging from 3.6% to 13.5% per annum (31 December 2015: from 5.0% to 12.75% per annum).

Types of valuable papers issued are as follows:

	31/12/2016 VND million	31/12/2015 VND million
Certificates of deposit to retail customers	19,043,913	4,056,179
Certificates of deposit to corporate customers	19,828,214	10,603,312
Bonds (*)	9,778,400	7,200,450
	<b>48,650,527</b>	<b>21,859,941</b>

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

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**23. OTHER LIABILITIES****23.1 INTEREST AND FEES PAYABLE**

	31/12/2016 VND million	31/12/2015 VND million
Interest payables for deposits from customers	789,569	748,249
Interest payables for savings from customers	923,845	1,217,873
Interest payables for valuable papers issued	1,334,871	630,356
Interest payables for borrowings from other credit institutions	35,465	75,081
Interest payables for other borrowed and entrusted fund	12,085	76
Interest payables for derivative instruments	51,521	118,815
Fee payables	14,568	14,290
	<b>3,161,924</b>	<b>2,804,740</b>

**23.2 OTHER LIABILITIES**

	31/12/2016 VND million	31/12/2015 VND million
<b>Internal payables</b>	<b>627,602</b>	<b>764,054</b>
Payables to employees	627,602	764,054
<b>External payables</b>	<b>3,845,070</b>	<b>1,687,660</b>
Unearned income	68,709	28,779
Transfer payment awaiting settlement	123,887	36,567
Taxes and other obligations to the State Budget (Notes 24)	533,037	301,576
Valuable papers sold with repurchase commitments	1,264,344	-
Other payables	1,855,093	1,320,738
	<b>4,472,672</b>	<b>2,451,714</b>

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

	Opening balance VND million	Movements during the year		Closing balance VND million
		Payables VND million	Paid VND million	
Corporate income tax	268,556	994,266	(795,175)	467,647
Value added tax	13,573	157,557	(142,735)	28,395
Other taxes	19,447	237,130	(219,582)	36,995
	<b>301,576</b>	<b>1,388,953</b>	<b>(1,157,492)</b>	<b>533,037</b>

**24.1 CURRENT CORPORATE INCOME TAX**

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

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

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Provision for current income tax expense is computed as follows:

	2016 VND million	2015 VND million
<b>Profit before tax</b>	<b>4,929,311</b>	<b>3,096,202</b>
<i>Plus/(Minus)</i>		
- Tax-exempt income	(872)	(9,982)
- Non-deductible expenses	15,105	41,229
- Other deductions	(7,875)	(372)
- Expenses arising from consolidation	24,968	57,235
- Other adjustments	-	(304)
<b>Estimated taxable income</b>	<b>4,960,637</b>	<b>3,184,008</b>
Tax expense	992,127	700,482
Adjustment for previous years	2,139	116
<b>Total income tax expenses in the year</b>	<b>994,266</b>	<b>700,598</b>
<b>Income tax payable at the beginning of the year</b>	<b>268,556</b>	<b>73,479</b>
Income tax paid during the year	(795,175)	(505,521)
<b>Current income tax payable at the end of the year</b>	<b>467,647</b>	<b>268,556</b>

**24.2 DEFERRED INCOME TAX**

Movements of deferred income tax during the year are as follows:

	2016 VND million	2015 VND million
<b>Deferred tax liabilities at the beginning of the year</b>	<b>-</b>	<b>(264)</b>
Realized expenses during year	-	264
<b>Deferred tax liabilities at the end of the year</b>	<b>-</b>	<b>-</b>

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**25. OWNERS' EQUITY AND RESERVES****25.1 STATEMENT OF CHANGES IN EQUITY**

	Charter capital VND million	Share premium VND million	Other capital VND million	Capital supplementary reserve VND million	Financial reserve VND million	Investment and development fund VND million	Retained earnings VND million	Non- controlling interest VND million	Total VND million
<b>Balance as at 1 January 2015</b>	<b>6,347,410</b>	<b>1,369</b>	-	<b>107,471</b>	<b>433,875</b>	<b>35</b>	<b>2,090,130</b>	<b>5</b>	<b>8,980,295</b>
Net profit for the year	-	-	-	-	-	-	2,395,868	-	2,395,868
Issuance of bonus shares	44,350	-	17,543	(61,893)	-	-	-	-	-
Stock dividends	932,510	-	-	-	-	-	(932,510)	-	-
Issuance of preference shares	732,196	1,287,494	-	-	-	-	-	-	2,019,690
Appropriations to other reserves	-	-	-	152,751	301,376	408,703	(862,830)	-	-
Transfer of the financial reserve to investment and development fund	-	-	-	-	(28,750)	28,750	-	-	-
Adjustment due to divestment of subsidiaries	-	-	(17,543)	-	(17,543)	-	28,160	(5)	(6,931)
<b>Balance as at 31 December 2015</b>	<b>8,056,466</b>	<b>1,288,863</b>	-	<b>198,329</b>	<b>688,958</b>	<b>437,488</b>	<b>2,718,818</b>	-	<b>13,388,922</b>
Net profit for the year	-	-	-	-	-	-	3,935,045	-	3,935,045
Issuance of bonus shares	57,537	-	-	(57,537)	-	-	-	-	-
Stock dividends	1,066,997	-	-	-	-	-	(1,066,997)	-	-
Dividend paid for preference shares	-	-	-	-	-	-	(146,439)	-	(146,439)
Appropriations to reserves	-	-	-	198,004	395,817	1,089,133	(1,682,954)	-	-
<b>Balance as at 31 December 2016</b>	<b>9,181,000</b>	<b>1,288,863</b>	-	<b>338,796</b>	<b>1,084,775</b>	<b>1,526,621</b>	<b>3,757,473</b>	-	<b>17,177,528</b>

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



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**25.2 EQUITY**

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

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

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

**26. BASIC EARNINGS PER SHARE**

	2016 VND million	2015 VND million
Profit attributable to the ordinary shareholders of the Bank (VND million)	3,788,606	2,249,429
Weighted average number of ordinary shares (share)	844,880,400	844,880,400
Basic earnings per share (VND)	4,485	2,662

Profit attributable to the ordinary shareholders is calculated by the consolidated profit minus (-) dividends paid to preference shareholders.

Basic earnings per share of the prior year was adjusted due to the effects from the issuance of bonus shares and stock dividends in March 2016.

There was no event or condition which could lead to dilution of earnings per share at the year end.

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**27. INTEREST AND SIMILAR INCOME**

	2016 VND million	2015 VND million
Interest income from deposits	137,527	230,783
Interest income from loans to customers	20,898,218	14,872,500
Interest income from trading and investment securities	3,994,439	3,308,140
- <i>Interest income from trading securities</i>	161,557	87,902
- <i>Interest income from investment securities</i>	3,832,882	3,220,238
Interest income from guarantee activities	121,751	104,033
Other income from credit activities	479,181	243,345
	<b>25,631,116</b>	<b>18,758,801</b>

**28. INTEREST AND SIMILAR EXPENSES**

	2016 VND million	2015 VND million
Interest expenses for deposits	6,636,684	6,420,360
Interest expenses for borrowings	478,123	418,793
Interest expenses for valuable papers issued	3,200,385	1,523,461
Expense for other credit activities	148,065	42,750
	<b>10,463,257</b>	<b>8,405,364</b>

**29. NET FEE AND COMMISSION INCOME**

	2016 VND million	2015 VND million
<b>Fee and commission income</b>	<b>2,114,834</b>	<b>1,597,313</b>
Settlement and treasury services	242,661	189,163
Advisory activities	115,451	72,910
Trusted and agency activities	71,652	75,604
Income from business and insurance services	1,509,213	993,805
Other services	175,857	265,831
<b>Fee and commission expenses</b>	<b>(1,261,908)</b>	<b>(712,646)</b>
Settlement services and treasury services	(156,182)	(112,224)
Post and telecommunication	(119)	(663)
Trusted and agency activities	(1,279)	(2,557)
Advisory activities	(18,591)	(6,877)
Brokerage fees	(424,528)	(257,933)
Other expenses	(661,209)	(332,392)
	<b>852,926</b>	<b>884,667</b>

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

	2016 VND million	2015 VND million
<b>Income from trading of foreign currencies</b>	<b>1,946,880</b>	<b>6,244,005</b>
Income from spot trading of foreign currencies	417,567	330,463
Income from trading of monetary derivatives	1,529,313	5,913,542
<b>Expenses for trading of foreign currencies</b>	<b>(2,265,840)</b>	<b>(6,534,477)</b>
Expenses for spot trading of foreign currencies	(1,450,692)	(5,843,662)
Expenses for trading of monetary derivatives	(815,148)	(690,815)
	<b>(318,960)</b>	<b>(290,472)</b>

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

	2016 VND million	2015 VND million
Income from trading of securities held for trading	40,911	100,758
Expenses for trading of securities held for trading	(191,820)	(66,561)
Provision reversal for securities held for trading	1,525	10,390
	<b>(149,384)</b>	<b>44,587</b>

**32. NET GAIN FROM INVESTMENT SECURITIES**

	2016 VND million	2015 VND million
Income from trading of investment securities	321,263	251,560
Expenses for trading of investment securities	(155,663)	(140,926)
Provision expenses for investment securities (Note 12.3)	(73,726)	(82,668)
	<b>91,874</b>	<b>27,966</b>

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

	2016 VND million	2015 VND million
<b>Income from other operations</b>	<b>1,450,885</b>	<b>957,363</b>
Income from other derivatives	11	6,833
Bad debt recoveries	715,606	251,519
Income from fixed assets disposal	26,645	2,606
Income from other assets disposal	163,244	-
Income from debt purchase activities	460,893	622,222
Income from contracts penalty receivables	735	39,025
Other income	83,751	35,158
<b>Expenses for other operations</b>	<b>(232,315)</b>	<b>(82,291)</b>
Expenses for other derivatives	(3,647)	(21,737)
Expenses for purchasing debt activities	-	(46,093)
Loss from disposal of assets purchases contracts	(160,987)	-
Other expenses	(67,681)	(14,461)
	<b>1,218,570</b>	<b>875,072</b>

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

	2016 VND million	2015 VND million
Income from disposal or divestment of other entities' shares	-	168,710
Dividend income	872	2,344
	<b>872</b>	<b>171,054</b>

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**35. OPERATING EXPENSES**

	2016 VND million	2015 VND million
<b>Expenses on taxes</b>	<b>175,396</b>	<b>70,654</b>
<b>Personnel expenses</b>	<b>3,430,934</b>	<b>3,183,691</b>
<i>In which:</i>		
Salary and allowances	2,948,388	2,843,791
Expenses related to salary	217,958	165,835
Subsidy	167,096	115,564
Other allowances	97,492	58,501
<b>Fixed asset expenses</b>	<b>949,653</b>	<b>740,327</b>
<i>In which: depreciation and amortization of fixed assets</i>	177,433	144,532
<b>Administrative expenses</b>	<b>733,927</b>	<b>670,510</b>
<i>In which:</i>		
Expenses on per diem	41,803	39,942
<b>Other provision expenses</b>	<b>75,970</b>	<b>-</b>
<b>Insurance fee for customer deposits</b>	<b>111,853</b>	<b>95,507</b>
<b>Other administrative expenses</b>	<b>1,143,619</b>	<b>931,780</b>
	<b>6,621,352</b>	<b>5,692,469</b>

**36. PROVISION EXPENSE FOR CREDIT LOSSES**

	2016 VND million	2015 VND million
Reversal of provision for placements with and loans to other credit institutions	-	(5,720)
Provision expense for loans to customers (Note 11)	5,382,689	2,833,279
Provision (reversal)/expense for VAMC bonds (Note 12.3)	(70,635)	439,607
Provision expense for other assets (Note 16.4)	1,040	10,474
	<b>5,313,094</b>	<b>3,277,640</b>

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**37. CASH AND CASH EQUIVALENTS**

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

	31/12/2016 VND million	31/12/2015 VND million
Cash and cash equivalents on hand	1,727,361	1,632,425
Balances with the SBV	2,982,589	2,261,499
Current accounts at other credit institutions	2,025,318	843,579
Placements with other credit institutions with original term of three months or less	2,063,858	7,886,166
	<b>8,799,126</b>	<b>12,623,669</b>

**38. EMPLOYEES' REMUNERATIONS**

	2016 VND million	2015 VND million
<b>I. Total average number of employees</b> (persons) (only official employees)	15,157	11,066
<b>II. Employees' remuneration</b> (VND million)		
1. Total salary fund	2,332,047	2,352,722
2. Other remuneration	293,582	152,793
3. Total remuneration (1+2)	2,625,629	2,505,515
4. Average monthly salary	12,82	17,72
5. Average monthly remuneration	14,44	18,87

**39. COLLATERALS AND MORTGAGES**

Customers' collaterals and mortgages at the Bank as at the end of the year are broken down as follows:

	Book value	
	31/12/2016 VND million	31/12/2015 VND million
Real estates	148,665,359	136,759,382
Estates	30,749,819	21,046,244
Valuable papers	66,248,237	77,312,889
Others	94,972,311	89,346,542
	<b>340,635,726</b>	<b>324,465,057</b>

**40. RELATED PARTY TRANSACTIONS**

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

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

The Bank does not have any significant transactions, receivables and payables with related parties as at 31 December 2016 and for the year then ended, except for remunerations of members of the Board of Management, Board of Supervision and Board of Directors amounting to VND33,412 million during the year (31 December 2015: VND30,369 million).

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

	Domestic VND million	Foreign VND million	Total VND million
Loans to customers and other credit institutions	149,969,069	4,604	149,973,673
Total fund mobilized	196,441,153	7,326,316	203,767,469
Credit commitments	17,953,893	-	17,953,893
Derivative instruments	191,325	-	191,325
Trading and investment securities	59,038,627	-	59,038,627



**42. 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, its objectives, policies and processes for measuring and managing risk, and management of capital.

***Risk management framework***

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

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

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

**42.1 CREDIT RISK**

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

***Credit risk management***

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

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

The Bank measures credit risks, make allowances and comply 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.

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

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

	Not past due VND million	Past due but not impaired VND million	Past due and impaired individually VND million	Total VND million
Placements with and loans to other credit institutions	9,388,905	-	731	9,389,636
- Placements with other credit institutions	4,089,176	-	-	4,089,176
- Loans to other credit institutions	5,299,729	-	731	5,300,460
Trading securities	2,953,769	-	-	2,953,769
Loans to customers	133,327,709	4,523,159	6,822,345	144,673,213
Investment securities	51,912,390	226,907	3,945,561	56,084,858
- Available-for-sale investment securities	47,776,190	226,907	3,945,561	51,948,658
- Held-to-maturity investment securities	4,136,200	-	-	4,136,200
Other assets	12,926,305	-	223,406	13,149,711
<b>Total</b>	<b>210,509,078</b>	<b>4,750,066</b>	<b>10,992,043</b>	<b>226,251,187</b>

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

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

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

The Bank is currently holding collaterals in the forms of real estates, movable assets, valuable papers and other types for the above financial assets. 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.

## 42.2 MARKET RISK

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

### **Market risk management**

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

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

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

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

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

### **(a) Interest rate risk**

The interest rates set by the Bank for loans to customers and customer deposits by maturity and currency are respectively presented in Note 10 and Note 20.

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The below table shows an analysis of the interest re-pricing period of assets and liabilities of the Bank as at 31 December 2016.

	Overdue VND million	Non-interest bearing VND million	Interest re-pricing period						Total VND million
			Up to 1 month VND million	From 1 to 3 months VND million	From 3 to 6 months VND million	From 6 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million	
<b>Assets</b>									
Cash, gold and gemstones	-	1,727,361	-	-	-	-	-	-	1,727,361
Balances with the SBV	-	-	2,982,589	-	-	-	-	-	2,982,589
Balances with and loans to other credit institutions – gross	731	-	5,579,175	3,809,730	-	-	-	-	9,389,636
Securities held for trading – gross	-	-	-	109,307	51,677	208,395	1,989,930	594,460	2,953,769
Loans to customers - gross	11,345,504	-	54,430,148	22,668,855	17,329,358	19,751,469	19,106,544	41,335	144,673,213
Investment securities - gross	4,172,468	4,136,200	3,755,355	6,021,663	204,666	3,150,245	29,193,667	5,450,594	56,084,858
Long-term investments – gross	-	299,372	-	-	-	-	-	-	299,372
Fixed assets and investment properties	-	651,359	-	-	-	-	-	-	651,359
<b>Other assets</b>	<b>223,406</b>	<b>9,969,544</b>	<b>379,183</b>	<b>447,254</b>	<b>1,045,763</b>	<b>1,084,561</b>	<b>-</b>	<b>-</b>	<b>13,149,711</b>
<b>Total assets</b>	<b>15,742,109</b>	<b>16,783,836</b>	<b>67,126,450</b>	<b>33,056,809</b>	<b>18,631,464</b>	<b>24,194,670</b>	<b>50,290,141</b>	<b>6,086,389</b>	<b>231,911,868</b>
<b>Liabilities</b>									
Amounts due to the SBV	-	-	1,078,968	4,720	19,998	-	-	-	1,103,686
Deposits and borrowings from other credit institutions	-	-	15,663,990	9,002,955	1,754,852	2,414,101	-	-	28,835,898
Customer deposits	-	-	44,234,667	28,214,211	19,650,000	16,336,020	15,351,508	1,166	123,787,572
Derivatives and other financial liabilities	-	187,580	3,745	-	-	-	-	-	191,325
Other borrowed and entrusted funds	-	-	140,918	140,918	1,107,950	-	-	-	1,389,786
Valuable papers issued	-	-	1,350,710	5,143,930	5,601,745	20,550,938	16,001,764	1,440	48,650,527
Other liabilities	-	6,370,252	-	-	1,264,344	-	-	-	7,634,596
<b>Total liabilities</b>	<b>-</b>	<b>6,557,832</b>	<b>62,472,998</b>	<b>42,506,734</b>	<b>29,398,889</b>	<b>39,301,059</b>	<b>31,353,272</b>	<b>2,606</b>	<b>211,593,390</b>
<b>Interest sensitivity gap (balance sheet)</b>	<b>15,742,109</b>	<b>10,226,004</b>	<b>4,653,452</b>	<b>(9,449,925)</b>	<b>(10,767,425)</b>	<b>(15,106,389)</b>	<b>18,936,869</b>	<b>6,083,783</b>	<b>20,318,478</b>
<b>Interest sensitivity gap (off-balance sheet)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Interest sensitivity gap (on, off- balance sheet)</b>	<b>15,742,109</b>	<b>10,226,004</b>	<b>4,653,452</b>	<b>(9,449,925)</b>	<b>(10,767,425)</b>	<b>(15,106,389)</b>	<b>18,936,869</b>	<b>6,083,783</b>	<b>20,318,478</b>

*Interest sensitivity*

Assuming that all other variables are unchanged, the fluctuation of interest rates of the loans with floating interest rates will have impact on profit before tax and equity of the Bank as follows:

		Impact on	
	Assumed increase in interest rate	Profit before tax VND million	Profit after tax and equity VND million
<b>As at 31 December 2016</b>			
USD	1.50%	(157,764)	(126,211)
VND	3.00%	161,595	129,276
<b>As at 31 December 2015</b>			
USD	1.50%	(65,674)	(51,225)
VND	3.00%	39,859	31,090

**(b) Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank was incorporated and operates in Vietnam, with VND as its reporting currency. Meanwhile, the Assets – Resources Structure of the Bank includes other currencies (e.g. USD, EUR, AUD, etc.) which expose the Bank to currency risk.

**Currency risk management**

The Bank's management has set limits on positions by currency in accordance with the Bank's internal risk assessment system and the SBV's regulations. The major currency in which the Bank transacts is VND. The Bank's loans and advances were mainly denominated in VND with the remainder mainly in USD. Some of the Bank's other assets are in currencies other than the reporting currency of VND and USD. 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 45. The exchange rate of USD/VND in 2017 is forecasted by the Bank to increase by from 5% to 5.5% in comparison with the exchange rate as at 31 December 2016.

*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 due to the changes that may occur by exchange rate. Risks due to the changes of exchange rates to other currencies of the Bank are not significant.

	Assumed level of increase	Impact on profit after tax VND million
<b>As at 31 December 2016</b>		
USD	2.00%	(12,359)
<b>As at 31 December 2015</b>		
USD	2.00%	(665)

The following table presents assets and liabilities in foreign currencies translated into VND as at 31 December 2016.

	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	174,522	302,870	24,062	189,667	691,121
Balances with the SBV	-	646,720	-	-	646,720
Placements with and loans to other credit institutions	201,973	1,585,659	-	180,975	1,968,607
Loans to customers	-	3,006,614	-	-	3,006,614
Other assets	15,819	3,218,314	-	19,476	3,253,609
<b>Total assets</b>	<b>392,314</b>	<b>8,760,177</b>	<b>24,062</b>	<b>390,118</b>	<b>9,566,671</b>
<b>Liabilities</b>					
Deposits and borrowings from the SBV and other credit institutions	15,819	10,259,153	-	-	10,274,972
Customer deposits	511,939	6,524,966	-	389,514	7,426,419
Derivatives and other financial liabilities	(254,589)	(8,492,101)	-	(122,312)	(8,869,002)
Other borrowed and entrusted funds	-	1,107,950	-	-	1,107,950
Other liabilities	1,976	117,170	-	2,059	121,205
<b>Total liabilities and equity</b>	<b>275,145</b>	<b>9,517,138</b>	<b>-</b>	<b>269,261</b>	<b>10,061,544</b>
<b>FX position on balance sheet</b>	<b>117,169</b>	<b>(756,961)</b>	<b>24,062</b>	<b>120,857</b>	<b>(494,873)</b>
<b>FX position off-balance sheet</b>	<b>(149,419)</b>	<b>(608,100)</b>	<b>-</b>	<b>(24,557)</b>	<b>(782,076)</b>
<b>Net on, off-balance sheet FX position</b>	<b>(32,250)</b>	<b>(1,365,061)</b>	<b>24,062</b>	<b>96,300</b>	<b>(1,276,949)</b>

**(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 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 Balance sheet Management Department under the Finance Division is responsible for daily oversight of the Bank's liquidity and submission of the Bank's separate liquidity reports to the ALCO for review and making decisions that are compatible with the development strategy of the Bank and the business status and market developments in different periods. The Bank adopts both of the common approaches to managing liquidity, namely Stock Approach and Flow Approach. Accordingly, the Bank monitors on a daily basis the compliance with adequate liquidity ratios and forecasts movements of cash flows which may have impact on the Bank's liquidity position in the future to ensure compliance at any time with all regulations of the SBV as well as its internal regulations.

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

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



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Below table presents the analysis of remaining maturity of assets and liabilities of the Bank as at 31 December 2016.

	Overdue		Current					Total VND million
	Above 3 months VND million	Within 3 months VND million	Up to 1 months VND million	From 1 to 3 months VND million	From 3 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million	
Assets								
Cash, gold and gemstones	-	-	1,727,361	-	-	-	-	1,727,361
Balances with the SBV	-	-	2,982,589	-	-	-	-	2,982,589
Balances with and loans to other credit institutions – gross	731	-	5,579,175	3,809,730	-	-	-	9,389,636
Securities held for trading – gross	-	-	2,953,769	-	-	-	-	2,953,769
Loans to customers – gross	3,744,895	7,600,609	10,669,086	14,587,409	37,370,047	52,273,302	18,427,865	144,673,213
Investment securities – gross	561,043	3,611,425	285,355	400,933	4,971,675	37,863,833	8,390,594	56,084,858
Long-term investments – gross	-	-	-	-	-	-	299,372	299,372
Fixed assets and investment property	-	-	-	-	-	-	651,359	651,359
Other assets	223,406	-	8,661,991	588,315	3,565,819	110,180	-	13,149,711
Total assets	4,530,075	11,212,034	32,859,326	19,386,387	45,907,541	90,247,315	27,769,190	231,911,868
Liabilities								
Amounts due to the Government and the SBV	-	-	1,078,968	4,720	19,998	-	-	1,103,686
Deposits and borrowings from other credit institutions	-	-	15,411,565	6,769,689	4,574,359	2,071,345	8,940	28,835,898
Customer deposits	-	-	44,234,667	28,214,211	35,734,034	15,603,494	1,166	123,787,572
Derivatives and other financial liabilities	-	-	132,170	83,251	(38,590)	14,494	-	191,325
Other borrowed and entrusted funds	-	-	57	394	14,344	1,371,898	3,093	1,389,786
Valuable papers issued	-	-	1,352,149	5,143,930	21,427,684	18,226,764	2,500,000	48,650,527
Other liabilities	-	-	5,943,233	221,921	1,454,681	14,761	-	7,634,596
Total liabilities	-	-	68,152,809	40,438,116	63,186,510	37,302,756	2,513,199	211,593,390
Net liquidity gap	4,530,075	11,212,034	(35,293,483)	(21,051,729)	(17,278,969)	52,944,559	25,255,991	20,318,478

**(d) Other market price risk**

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

**43. 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 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.

➤ *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 loans 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.

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

Offsetting of financial assets and financial liabilities

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

The carrying value and fair value of financial assets the Bank as at 31 December 2016 are presented as follows:

	Financial assets at fair value through profit and loss VND million	Held-to-maturity VND million	Loans and receivables VND million	Available-for-sale VND million	Other assets and liabilities recorded at amortized cost VND million	Total VND million	Fair value VND million
Cash, gold and gemstones	-	-	1,727,361	-	-	1,727,361	1,727,361
Balances with the SBV	-	-	2,982,589	-	-	2,982,589	(*)
Balances with and loans to other credit institutions - gross	-	-	9,389,636	-	-	9,389,636	(*)
Securities held for trading - gross	2,953,769	-	-	-	-	2,953,769	(*)
Loans to customers- gross	-	-	144,673,213	-	-	144,673,213	(*)
Available-for-sale securities - gross	-	-	-	51,948,658	-	51,948,658	(*)
Held-to-maturity securities - gross	-	4,136,200	-	-	-	4,136,200	(*)
Other financial assets	-	-	9,228,496	299,372	-	9,527,868	(*)
	<b>2,953,769</b>	<b>4,136,200</b>	<b>168,001,295</b>	<b>52,248,030</b>	<b>-</b>	<b>227,339,294</b>	<b>(*)</b>
Deposits and loans from State Bank of Vietnam	-	-	-	-	1,103,686	1,103,686	(*)
Deposits and loans from other credit institutions	-	-	-	-	28,835,898	28,835,898	
Customer deposits	-	-	-	-	123,787,572	123,787,572	(*)
Derivatives and other financial liabilities	191,325	-	-	-	-	191,325	(*)
Other borrowed and entrusted funds	-	-	-	-	1,389,786	1,389,786	(*)
Valuable papers issued	-	-	-	-	48,650,527	48,650,527	(*)
Other financial liabilities	-	-	-	-	6,383,843	6,383,843	(*)
	<b>191,325</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>210,151,312</b>	<b>210,342,637</b>	<b>(*)</b>

(\*) 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.

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

as at 31 December 2016 and for the year then ended

B05/TCTD-HN

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

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

**45. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST VIETNAMESE DONG AT THE END OF THE YEAR**

	31/12/2016 VND	31/12/2015 VND
AUD	16,274	16,290
CAD	16,718	16,041
CHF	22,121	22,471
CNY	3,192	3,389
DKK	3,159	3,160
EUR	23,770	24,340
GBP	27,656	33,193
JPY	194	186
NZD	17,122	17,122
SEK	3,027	3,078
SGD	15,609	15,758
THB	620	Not applicable
TWD	30	30
USD	22,159	21,890
XAU	359,000	324,500

Prepared by:



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Chief Accountant

Reviewed by:



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Deputy Chief Executive Officer  
cum. Chief Financial Officer

Approved by:



Mr. Nguyen Duc Vinh  
Chief Executive Officer

Hanoi, Vietnam  
20 February 2017

## 2017 BUSINESS PLAN

The world economy is forecast to experience many unfavorable developments and uncertainties in 2017, and international organizations have reduced global economic growth projections multiple times. The International Monetary Fund (IMF) projects global economic growth of between 3.3% and 3.4%; in comparison, global economic growth during the years preceding the 2008 economic crisis averaged around 5%. The IMF has warned of current trends toward rolling back trade liberalization and the consequent risk of prolonged slow growth. The IMF has also reduced its growth forecasts for leading economies: United States to 1.8%, China to 6.2%, Japan to 0.6%, and Britain to 1.1%.

Vietnam's economy is projected to improve as growth stimulation policies adopted in 2016 start to take effect, including Resolution 19 on business environment reform, the Law on Enterprises, the Law on Investment, and the roadmap for reducing tariffs on key export products. Key economic indicator forecasts include GDP growth of around 6.7%, total export growth of 3.5%, a trade deficit of about 3.5%, an average CPI increase of about 4%, and total development investments at around 31.5% of GDP.

The macroeconomic environment is forecast to remain stable in 2017, according to Fitch Ratings. A stable exchange rate and benign inflation will support the quality of assets and the liquidity of the banking industry, and the State Bank of Vietnam has set 2017 growth targets of 18% for credit and 16%–18% for total payment instruments.

For VPBank, 2017 is the final year of its five year strategy, which started in 2012, with its vision of becoming a leading retail bank and the goal of becoming one of the leading banks in terms of retail & SME customer base, retail loan volume, total operating income, and return on average equity. Quality growth is therefore VPBank's focus in all its policies and directions in 2017, along with selective volume growth.

Specifically, VPBank will focus on the three fundamental areas during the year:

- Continuing to push strong growth with a focus on key strategic segments, improving profitability by optimizing product structure for higher NIM and fee income.
- Researching and selecting more potential business opportunities in order to make focused investments to create drivers for income growth in the coming years.
- Continuing to strengthen and solidify fundamental systems by focusing on improving quality and efficiency in all key areas, with a strong push toward digitization, centralization, and automation; completing strategic projects for strong growth; and qualitative changes in optimization of bank-wide operating costs in line with overall service quality improvement in the most critical processes.

Key consolidated financial and business targets for 2017

No	Indicator (VND billion)	2017 target
1	Total assets	280,645
2	Customer deposits and valuable papers issued	217,732
3	Credit balance	200,591
	<i>of which: customer loans*</i>	182,433
4	NPL	<3%
5	Profit before tax	6,800

\*Note: VPBank's loan growth target is subject to approval by the State Bank of Vietnam.

Given its solid foundations of people, systems, and technology; a mindset of constant innovation and creativity; and a drive towards business sustainability, we firmly believe the Bank will meet its challenging financial and business targets for 2017.



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

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TRANSACTION POINTS OF VPBANK  
NATION-WIDE







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