



VPBANK ANNUAL REPORT 2017

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ATION TRANSFORMATION

At the end of the 5 year strategy 2012 – 2017, VPBank has achieved or exceeded key financial targets set by the General Meeting of Shareholders. These are results of endless efforts and innovation of the bank's leadership and every VPBankers during the past 5 years. The innovation and transformation have been embedded and executed aggressively in a series of critical actions, such as developing the business model, risk management, centralization of branch customer services and credit underwriting, investment in technology via development of online and mobile apps .etc. to build solid foundation for the steady and aggressive growth of VPBank. Entering the next 5-year journey 2018 – 2022, VPBank shall maintain the current growth momentum in parallel with seeking new growth engines based on endless innovation and reform.



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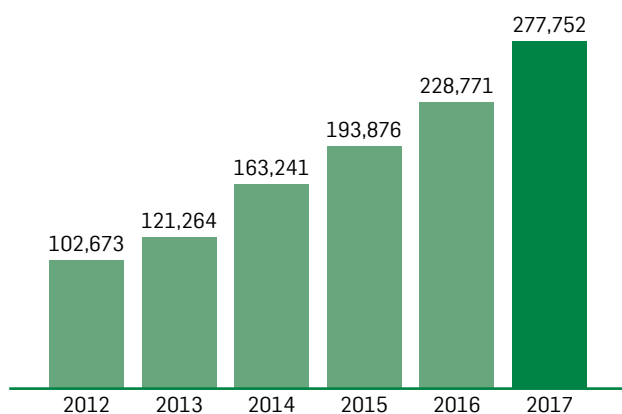
BUSINESS PERFORMANCE HIGHLIGHTS

PERFORMANCE INDICATORS (VND billion)	2012	2013	2014	2015	2016	2017
Total assets	102,673	121,264	163,241	193,876	228,771	277,752
Equity	6,709	7,727	8,980	13,389	17,178	29,696
Customer deposits & valuable papers issued	59,680	88,345	119,163	152,131	172,438	199,655
Loan balance ^(*)	44,965	65,626	91,719	126,943	158,696	196,673
<i>In particular, customer loans</i>	<i>36,903</i>	<i>52,474</i>	<i>78,379</i>	<i>116,804</i>	<i>144,673</i>	<i>182,666</i>
Total operating income	3,237	5,085	6,271	12,066	16,864	25,026
Profit before tax	949	1,355	1,609	3,096	4,929	8,130
PRUDENTIAL AND EFFICIENCY RATIOS	2012	2013	2014	2015	2016	2017
ROAA	0.77%	0.91%	0.88%	1.34%	1.86%	2.54%
ROAE	11%	14%	15%	21%	26%	27.5%
CAR (according to current State Bank of Vietnam's regulations)	12.5%	12.5%	11.3%	12.2%	13.2%	14.6%
CAR (according to Basel II)	-	-	-	-	9.5%	12.6%
Number of employees	4,326	6,795	9,501	12,927	17,387	23,826
Number of branches	204	207	209	208	215	216
Number of active customers (thousand)	353	635	1,305	2,088	3,290	4,901

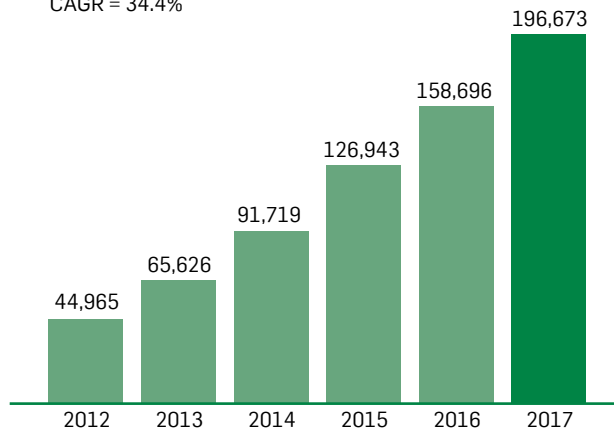
* excluding VAMC bonds

Source: Audited consolidated financial statements

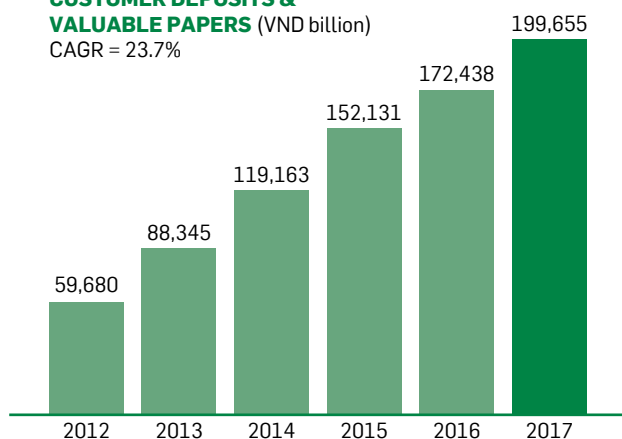
TOTAL ASSETS (VND billion)
CAGR = 22.0%



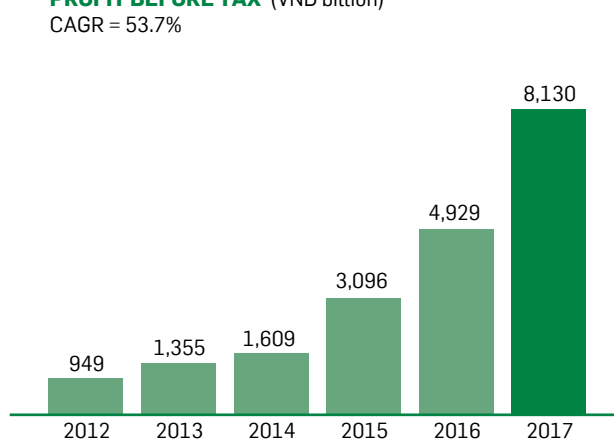
LOANS TO CUSTOMERS (VND billion)
CAGR = 34.4%



CUSTOMER DEPOSITS & VALUABLE PAPERS (VND billion)
CAGR = 23.7%



PROFIT BEFORE TAX (VND billion)
CAGR = 53.7%



Source: Audited consolidated financial statements

MESSAGE FROM CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dear Valued Shareholders, Customers, and Partners,

2017 marked the end of VPBank's five-year strategic journey towards the vision of becoming one of the top five joint stock commercial banks in Vietnam. 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 2017, and in particular the successful listing of VPBank's shares on the Ho Chi Minh City Stock Exchange (HoSE). Amid more demanding requirements for corporate governance and customer service quality, the listing presents the Bank with both opportunities and challenges, and makes it one of the most professional, transparent, and efficient financial institutions in Vietnam.

The Bank's achievements over the past five years are attributable to the sharp focus and relentless efforts of all VPBank's managerial staff and employees, 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 next five years thanks to its solid foundation, the overarching vision of the leadership, and our staff's dedication. We would like to extend our sincere gratitude towards you, our valued shareholders, customers, and partners, for your support over the past year. 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, 2017, VPBank's total deposits were up 16% year-on-year; profit before tax had reached VND 8,130 billion; equity had grown by 73%; and provision expenses stood at VND 8,001 billion, reflecting business reality, actual performance, and prudence. The results enabled the Bank to affirm its position among the top commercial joint stock banks in Vietnam in terms of volume growth and profitability. In terms of efficiency, ROAE reached 27.5%, the highest in the banking sector.

VPBank further sharpened its focus on three key segments: retail banking, SME banking, and household business banking. 2017 was also a successful year in terms of efficiency for the CIB Division, Financial Market Division, and FITB Center, among others, which proactively promoted dedicated products and services. At the same time, they enhanced



cross-functional collaboration and cooperation with external partners to conduct cross-selling and supply chain financing programs, thereby providing the best possible customer service and elevating bank-wide business results.

Last year marked a particular success for VPBank's consumer finance business, which succeeded in maintaining its remarkable average annual growth rate of around 40% for critical indicators such as customer base and business performance, thereby making impressive contributions to the Bank's profits.



with a direct impact on quality and efficiency have been closely monitored to identify and tackle challenges in a timely manner, and to continually improve productivity and quality. The effective development and transformation of these systems will be a key driver for attaining the goals of improving customer service quality, governance capability, and growth efficiency in 2018.

It is forecast that there will be numerous complex developments in the macro-economic environment in 2018 as a result of the impacts of global political and economic conditions, as well as local macro-economic 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 the restructuring period. Banks are getting back on their feet and are driving growth, intensifying competition in the market and especially in the retail banking and SME segments. Amid new opportunities and challenges, VPBank has approved its five-year strategy from 2018 to 2022 with aggressive goals, focusing on improving growth quality, securing the Bank's pioneering position in terms of growth and efficiency in all areas, and enhancing its leading position in retail banking and digital banking strategy.

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 reach our goal of becoming one of the leading joint stock banks in Vietnam by the end of 2018.

Our warmest thanks to you all!

Underlying the Bank's impressive business performance were the fundamental transformation and significant improvement of our foundational systems. In order to adapt to market trends and customer spending behaviors and to increase corporate governance capability, VPBank implemented 11 critical, bank-wide projects. Most of these focused on the transformation of the business model, centralization of operations, and specialization and segregation of businesses with a clearer view of finance, risk management, operations, and products driven by automation with support from IT. Metrics

A handwritten signature in black ink, appearing to read 'Ngo Chi Dzong', with a long horizontal stroke extending to the right.

Ngo Chi Dzong
Chairman

A handwritten signature in black ink, appearing to read 'Nguyen Duc Vinh', with a long horizontal stroke extending to the right.

Nguyen Duc Vinh
Chief Executive Officer

OVERVIEW

OF VPBANK



**Best Bank
in Vietnam
2017**



International Banker (UK)



**Best Digital
Banking Solution
in Vietnam**



The Asian Banker



**Best Unsecured
Lending Product
in Vietnam**



The Asian Banker



2017

- Listed 1.33 billion shares on HoSE. Raised VND 6,424 billion by issuing nearly 165 million shares via a private placement. Increased charter capital to VND 15,706 billion.
- Earned VND 25,026 billion in consolidated TOI and VND 8,130 billion in PBT, helping the Bank maintain its leading performance among joint stock commercial banks.
- Established VPDirect Division with the target of developing a digital-only bank.
- Received 20 prestigious local and international awards
- Had its long-term deposit and issuer ratings upgraded from B3 to B2 by Moody's.
- Completed implementation of the five-year 2012-2017 strategy and proceeded to develop the strategy for 2018-2022

2015

- Established and developed new business models, including Household Business and Digital Banking Service
- Centralized customer service functions to ensure consistent quality throughout the system
- Ranked as 21st largest corporate income tax payer in Vietnam
- Received six reputable international awards

2013

- Initiated phase one of the transformation program – Drive Growth and Strengthen Foundations
- Developed master plans for risk management and IT
- Restructured business units, back office, and distribution network
- Received B3 rating with 'stable' outlook from Moody's for the first time

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
- Reached charter capital of over VND5,000 billion for the first time
- Earned over VND1,000 billion in profit before tax for the first time

2016

- Achieved total assets of over VND200 trillion for the first time.
- Earned approximately VND16,900 billion in consolidated TOI and approximately VND9,300 billion in bank-only TOI, becoming the leading joint stock commercial bank in profitability.
- Received a loan of USD133 million from International Finance Corporation (IFC).
- Relocated Northern Head Office to VPBank Tower at No. 89 Lang Ha Street, Dong Da District, Hanoi and Southern Head Office to VPBank Tower Saigon, No. 1-1A-2 Ton Duc Thang Street, Ben Thanh Ward, District 1, HCMC with modern infrastructure, asserting the leading position of the Bank.

2014

- One of 10 local banks selected to adopt Basel II standards
- Acquired Vietnam National Coal – Mineral Finance Company and renamed it VPBank Finance Company Limited (VPB FC), focusing on offering services and products to mass consumer finance market.
- Became the first bank to establish a Data Committee with full data management function
- Received a 'Vietnam Value' National Brand Mark for the second time.

2012

- Formulated the growth strategy for the 2012–2017 period with McKinsey & Company's advice to become one of the three largest joint stock commercial retail banks.
- Introduced a detailed strategy map for implementation to reach the target.
- Established Risk Management Division and strengthened risk management framework.
- Received a 'Vietnam Value' National Brand Mark.

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



8 BUSINESS HIGHLIGHTS

MAINTAINED STRONG GROWTH MOMENTUM, PROFITS INCREASED BY NEARLY 65%

VPBank maintained high and steady growth throughout the 2012–2017 five-year strategy, reaching VND 25,026 billion in total operating income, VND 8,130 billion in profit before tax, VND 196,673 billion in loans, and VND 199,655 billion in deposits, keeping the Bank as the leader among JSCBs in bottom-line profit.

01



02



LISTING ON HoSE

1.33 billion shares of VPBank were listed on the Ho Chi Minh Stock Exchange (HoSE) at a reference price of VND 39,000 per share. The Bank successfully raised a further VND 6,400 billion by issuing 165 million shares in a private placement, increasing its charter capital from VND 14,059 billion to VND 15,706 billion, and providing a driver for the Bank's growth in the coming years.

FE CREDIT ACHIEVED IMPRESSIVE PERFORMANCE

In 2017, FE Credit achieved impressive performance: loan balance increased by 40%, reaching VND 45,000 billion for the first time, and profit after tax was up around 68%, rising from VND 2,000 billion in 2016 to VND 3,358 billion in 2017. These were the result of a rapid expansion of the customer base achieved by mining big data from FE Credit's partners. The Company also successfully rebuilt its IT platform to enable the digitalization and automation of processes and customer services.

03



ESTABLISHED DIGITAL LAB

To speed up **digitalization**, VPBank established a Digital Lab, in consultation with McKinsey, to gather vital resources and skills to digitalize customer processes and act as an incubator for new digital business models. As a result, digital users of VPBank have almost doubled since 2016.



05



A DIVERSIFIED PARTNER ECOSYSTEM

Building a diversified partner ecosystem is one of VPBank's focal strategies. The Bank is currently working with 17 partners, notably the major telecommunication companies and insurance groups, to grow the customer base and maximize services offered.

SIGNED LONG-TERM PARTNERSHIP AGREEMENT WITH AIA VIETNAM

AIA Vietnam and VPBank signed a **15-year exclusive bancassurance partnership agreement**. With this long-term agreement, AIA Vietnam and VPBank are jointly committed to investing in and building a market-leading bancassurance platform through the integration of digital capabilities, the delivery of the best training & coaching programs, and the adoption of new approaches to better serve customers.

06



07



IMPROVING CORPORATE SOCIAL RESPONSIBILITY THROUGH VPBANK STARTUP – A PROJECT TO SUPPORT THE STARTUP COMMUNITY

VPBank officially launched VPBank Startup – a project to support the startup community worth USD 1 million in its first year. Startup marks a new step in VPBank's corporate social responsibility, with a focus on giving full assistance to the Vietnamese startup community and supporting a major policy of the Government.

RECEIVED 20 PRESTIGIOUS LOCAL AND INTERNATIONAL AWARDS

VPBank received 20 prestigious local and international awards in 2017, securing its top position in many aspects in the domestic banking and financial market.

08





PRESTIGIOUS AWARDS AND RECOGNITION

The VPBank brand leapfrogged spectacularly as the Bank received 20 awards from prestigious local and international organizations.

In particular, Brand Finance, a leading global brand valuation consultancy, ranked VPBank among the 22 most valuable brands in Vietnam in 2017, four notches higher than 2016. The Bank was also ranked second among joint stock commercial banks in terms of brand value according to Forbes. Meanwhile, Global Brands Magazine gave VPBank "Best Bank Brand in Vietnam 2017" award.

In addition, VPBank also received other prestigious awards, including "Best Segment Solution 2017" from MasterCard, "Best Bank in Vietnam 2017" from International Banker, "SME Bank of the Year - Vietnam", "Best Cash Flow Management for SME in 2017" and "Lending Product of the Year" (for CommCredit's Tax Plus) from Asian Banking and Finance. Asian Banker, a leading financial and banking magazine in Asia, also gave VPBank three awards, including "Best Digital Banking Solution in Vietnam", "Best Unsecured Lending Product in Vietnam", and "Best Secured Lending

Product in Asia". The Bank was given "Best Bank for SMEs in Vietnam 2017" award by Asia Money thanks to its breakthrough initiatives, specialized products and superior financial packages, which offer optimal solutions to SMEs who have funding gaps and little experience in financial management.

Vietnam Report, a local, reputable enterprise ranking and assessment company, ranked VPBank among the top 10 private enterprises, top 500 most profitable enterprises and top 50 Vietnamese companies.

In 2017, VPBank also had the honor to receive the "Best Place to Work in Vietnam" award from Anphabe and Nielsen. In addition, VPBank was ranked as a Top 100 Asia Employer Brand by Employer Branding Institute.

Besides earning praise from local and international organizations for the quality of services and products and its contribution to the economy, these awards and recognition also demonstrate the Bank's business standing and the strength of its brand while affirming its position as one of the largest Vietnamese banks.



BUSINESS

PERFORMANCE REVIEW

 **Best Cash Flow
Management
for SME 2017** 
Asian Banking Finance

 **Top 50
Most Valuable
Brands in Vietnam** 
Brand Finance

PART 1. BUSINESS ENVIRONMENT

On the back of an improved global economy in 2017, Vietnam's economy saw impressive achievements. GDP was up by 6.81%, the largest rise in the past six years and well above the National Assembly's 6.7% target. Besides robust growth, all important macro-economic indicators were kept stable or improved. Inflation was below 5%, significantly lower than the average inflation rate of 6.5% in the 2011–2017 period, the debt-to-GDP ratio was on a downward path, and the balance of trade improved. Nevertheless, the economy faced many challenges, such as dependence on exports and FDI for growth, rising protectionism globally, high public debt, and budget deficits.

Vietnam's finance & banking industry made positive contributions to economic growth and macro-economic stability. Exchange rates were kept stable and interest rates low. As of December 20, 2017, total payment methods was up by 14.19%, credit growth rate was 16.96%, and deposit growth rate was below 14.5%, while liquidity was maintained and abundant.

Besides growth, the State Bank of Vietnam (SBV) devoted great attention to the resolution of NPLs to stabilize and improve asset quality.

The restructuring of credit institutions, coupled with NPL resolution, continued to be a focus, particularly with the issuance of Resolution No. 42/2017/QH14 and the Revised Law on Credit Institutions. In October 2017, Moody's published a positive outlook for Vietnam's banking industry, recognizing the robust transformations in the economy as well as the finance & banking industry.

VPBank made significant achievements in 2017 and was a standout in Vietnam's banking industry. The 2012–2017 five-year strategy came to a close with spectacular successes – stable, sustainable growth and specific quality developments that brought about efficiency and performance. VPBank is therefore ready to tackle the 2018–2022 strategy with its many new aspirations.



Ceremony for the listing of VPBank shares on HoSE

PART 2. BUSINESS PERFORMANCE REPORT

1. FURTHER STABLE AND SUSTAINABLE SCALING-UP WITH A FOCUS ON STRATEGIC CUSTOMER SEGMENTS

VPBank successfully completed the comprehensive transformation outlined in its business strategy, with 2017 marking the end of phase two of the transformation program (2012–2017) and significant breakthroughs on the back of solid foundations laid in the previous phase. Phase one (2012–2015) focused on volume growth and the strengthening of foundational systems while phase two (2015–2017) focused on specific, quality growth. With aggressive execution, the Bank managed to achieve stable, sustainable volume growth and strategic shifts towards the most efficient businesses, thanks to which the growth in efficiency far outpaced that of volume, once again proving the soundness of the strategy.

1.1 Shift in asset structure towards quality and efficiency

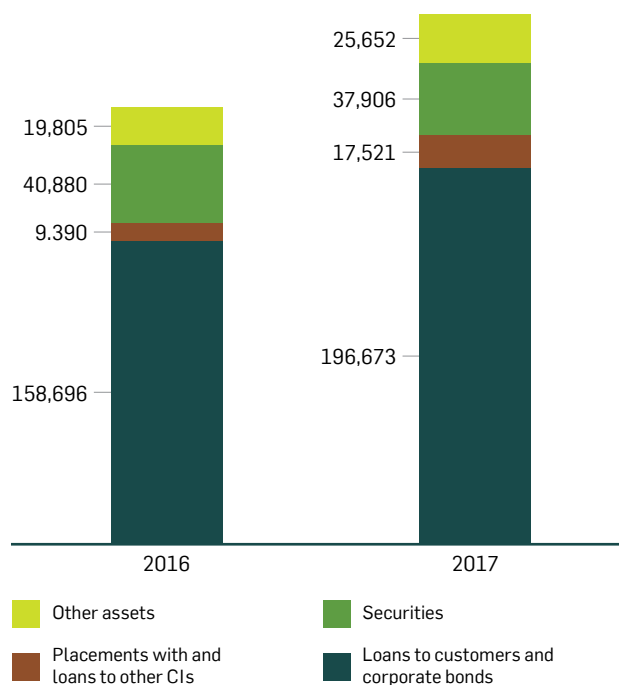
The Bank's total assets reached VND 277,752 billion, up 21.4% year-on-year. Assets continued to grow with a sustainable, efficient structure and significant contributions from core businesses. The fastest growth was in customer loans, at 26.3%, accounting for 66% of total assets. The net increase in loan balance (including customer loans and corporate bonds) was VND 38 trillion, up 24% year-on-year and significantly higher than the industry average.

VPBank continued its focus on four business segments: consumer credit, retail, SME, and household businesses – a relatively new segment – which together accounted for 71% of the total loan balance and helped achieve impressive growth results. The loan balance of Retail Banking Division was up 25%, SME Division up 20%, and Household Banking Division up 77% year-on-year. Consumer credit continued to be a highlight with a 40% year-on-year growth rate.

The product mix also changed markedly with a strong emphasis on highly profitable products such as unsecured loans, consumer loans, and credit cards. Consequently, unsecured loan volume increased by more than VND 22.8 trillion, up 50% year-on-year.

VPBank has paid great attention to risk management and debt collection. Credit policies were adjusted in a timely, reasonable manner and according to the SBV's regulations as well as the Bank's management objectives. VPBank proactively adopted advanced techniques and international standards, including big-

STRUCTURE OF TOTAL ASSETS (VND billion)



Source: Audited consolidated financial statement

data mining, which was of great help in generating leads, portfolio management, cross-sales, and early debt collection. Debt collection was effective thanks to many comprehensive measures such as technology adoption for the back office, financial planning support for customers in difficulty, and personal development for debt collectors. The National Assembly's Resolution no. 42/2017/QH14, on the resolution of credit institutions' NPLs, also created a favorable legal environment for collections. VPBank's NPL ratio has therefore been kept consistently under control at well below the SBV's 3% cap.

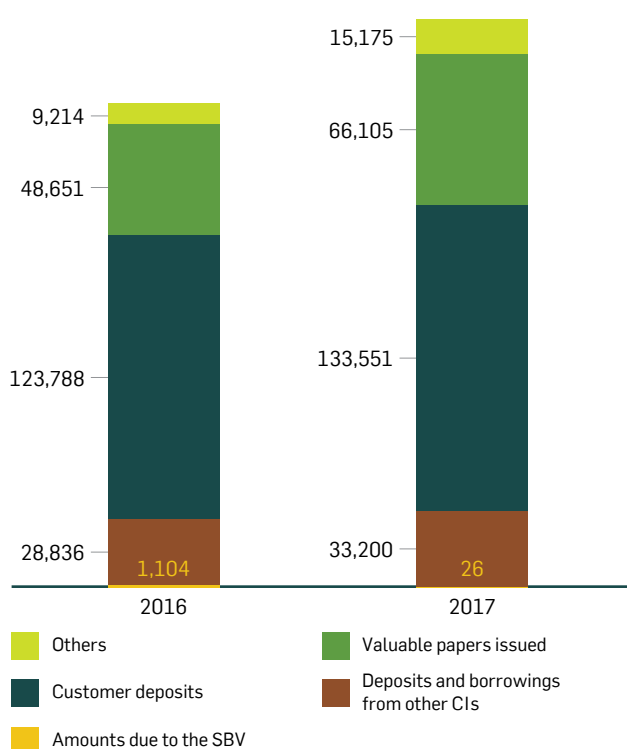
Investments were diversified by taking advantage of market opportunities to improve profitability and diversify income sources while controlling and managing liquidity. Consequently, the securities portfolio at the end of 2017 (excluding corporate bonds) consisted mainly of Government bonds, Government-guaranteed bonds, and valuable papers with a balance of nearly VND 31.5 trillion, accounting for 83% of the total securities portfolio.

1.2 Diversified, flexible, demand-driven funding; structural shift in accordance with liabilities strategy

VPBank has aimed to diversify funding sources with a broad range of deposit products, thus ensuring adequate funds for lending, sound liquidity, and growth. The funding strategy has gone hand-in-hand with the lending and investment strategy, thereby putting a reasonable, prudent asset-liabilities structure in place. The Bank's abundant funds have come from diverse groups of customers, including individuals, businesses, credit institutions, and financial institutions, both domestic and foreign. VPBank has continued to expand the issuance of valuable papers, strengthen medium- and long-term funds, and maintain a sound ratio of short-term funding to medium- and long-term lending. VPBank's funding plan has also been very flexible and responsive to market developments, the macro-economic situation, and the Bank's requirements. Thanks to the comprehensive strategy, funding growth has remained aligned with asset growth and structure, resulting in a sound, efficient funding structure and adequate medium- and long-term funding for growth.

Total liabilities at the end of 2017 reached VND 248,057 billion, up 17%, equal to an increase of VND 36,464 billion year-on-year, the majority of which was customer deposits, (54%) and valuable papers issued (27%).

STRUCTURE OF LIABILITIES (VND billion)



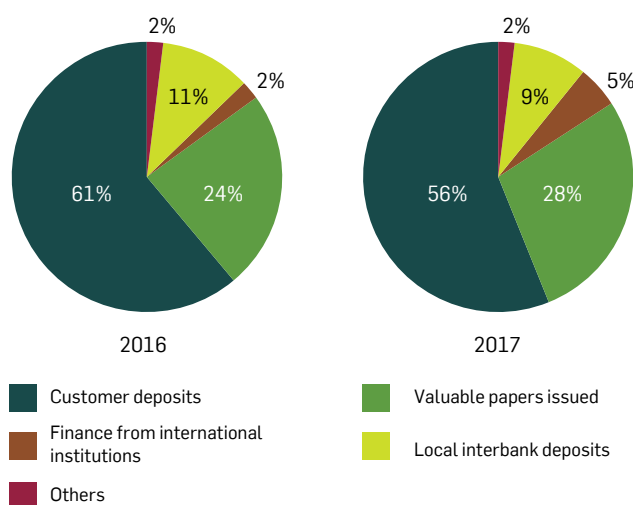
Source: Audited consolidated financial statement 2017

Total funding (including customer deposits; deposits and borrowings from other credit institutions; valuable papers issued; and finance from international institutions) as of December 31, 2017 was VND 236,781 billion, up 16% year-on-year. Specifically, customer deposits and valuable papers issued reached VND 199,655 billion, up 16% and an increase of VND 27.2 trillion year-on-year, in which strategic segments saw strong growth.

The structure of liabilities became more diverse and sustainable thanks to the significant on-going move from traditional deposits to valuable papers, the volume of which reached VND 66,105 billion, up 36% year-on-year and accounting for 28% of total liabilities (up from 24% in 2016). The issuance of valuable papers has helped strengthen and grow medium- and long-term liabilities in the long term and improve prudential ratios.

Finance from international organizations also increased significantly to more than VND 11.1 trillion, or 2.7 times the previous year, helping improve VPBank's position and reputation with international partners.

FUNDING MIX



Source: Audited consolidated financial statement 2017

1.3 Increased equity for improved prudence and sustainable growth.

In August, 2017, VPBank made a major strategic move to raise equity and list on the Ho Chi Minh Stock Exchange. The Bank issued nearly 165 million more common shares via a private placement at VND 39,000 per share, raising its equity by more than VND 6.4 trillion. As of December 31, 2017, total owners' equity was VND 29,696 billion, up by 73% year-on-year.

The funding sources, both externally raised and from retained earnings per VPBank policy, will help to ensure that the CAR will be compliant with legal regulations and Basel II requirements and will facilitate robust growth for at least three more years. The equity multiplier decreased from 13.32 in 2016 to 9.35 in 2017, much lower than the industry average and comparable to the best practices of Asia regional banks.

2. 2. MARKED IMPROVEMENT IN BUSINESS PERFORMANCE WITH STRENGTHENED EFFICIENCY RATIOS

2.1 Strong TOI growth due to changes in income structure and product structure

The Bank earned its highest-ever TOI of VND 25,026 billion in 2017, up 48% year-on-year, helping raise the CAGR in the 2012–2017 period to 51%. TOI grew at a much faster pace than volume as a result of the strategic focus on highly profitable segments, improved asset quality, and efficient acquisition and utilization of liabilities.

Net interest income as of the end of 2017 was VND 20,614 billion, up 36% or a year-on-year increase of VND 5,447 billion. The two main components in the NII structure were interest on loans, which was up by 38% or an increase of VND 7,851 billion, and interest expenses, which increased at a much slower pace (up by 29%) thanks to:

- Volume growth from the very beginning of the year. Focus on highly profitable products such as credit cards, unsecured loans, consumer loans, and an

improvement in credit worthiness which minimized interest reversals. Interest income, the main component of NII, therefore increased by VND 7,851 billion, up 38% year-on-year.

- Optimization of the balance sheet towards highly efficient, prudent fund utilization as evidenced by the increase in LDR (per SBV Circular No. 02) to 71% by the end of 2017.

Therefore, net interest margin continued to improve from 7.7% in 2016 to 8.7% in 2017, which shows that profitability has been on the rise.

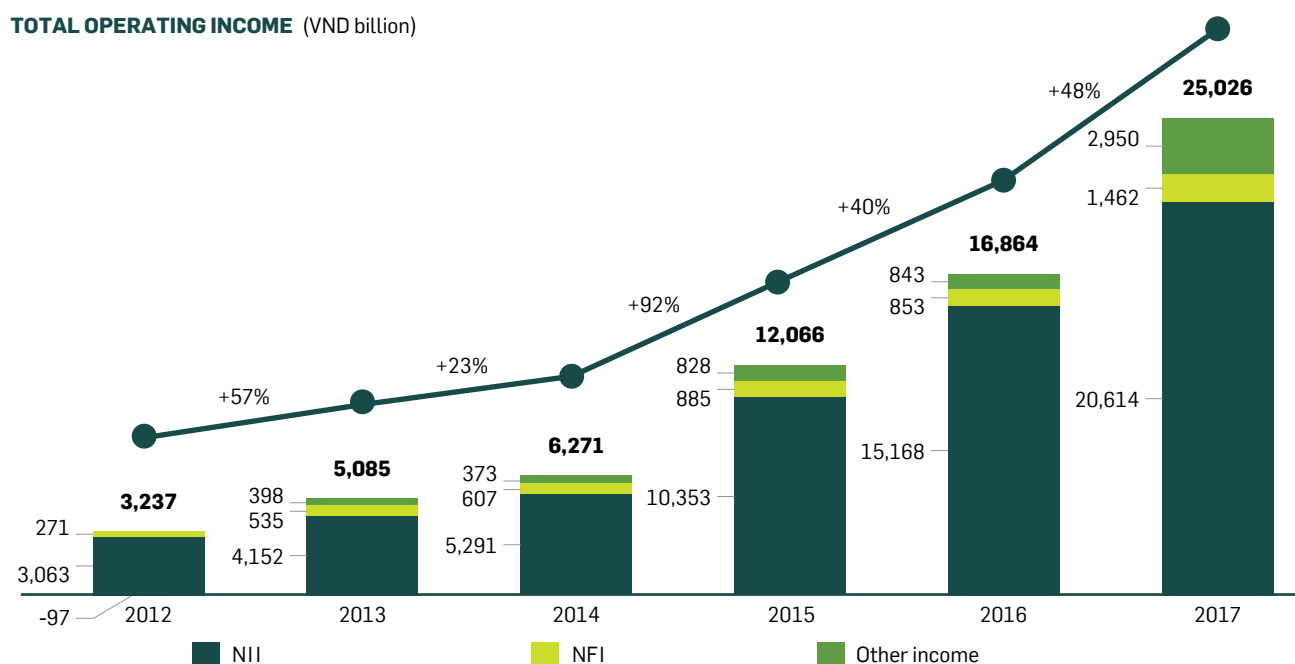
Net fee income was also a big driver, up 71% year-on-year to VND 1,462 billion. The Bank's strategic projects that aim to increase fees income produced good results. There was a healthy shift in the structure of net fee income, with modern retail services achieving a good growth rate. Notably, bancassurance business earned income of VND 2,206 billion, up 46% year-on-year. It is projected that this income will continue to rise in the coming years now that AIA Vietnam and VPBank have officially entered into a 15-year, exclusive bancassurance partnership.

Other incomes

The Bank seized market opportunities, thus a successful year for securities trading. Net income from both securities held for trading & investment securities grew significantly to VND 519 billion.

The rest accounted for VND 2,536 billion and mainly

TOTAL OPERATING INCOME (VND billion)



Source: Audited consolidated financial statement

came from collection of written-off debts and upfront-payment from the bancassurance partner.

TOI Breakdown by segment

In 2017, nearly 79% of the TOI was attributable to strategic segments.

Retail Banking Division continued to have a successful year with year-on-year TOI growth of 66%, which proved the role of strategic segments. The division accounted for 19% of the TOI, up from 17% thanks to appropriate business model and product policies.

SME Division also produced many good results, in particular the TOI growth of 39% thanks to aggressive focus on Micro SME segment with simple unsecured loan products, thus a margin breakthrough.

Household Banking Division achieved strong growth in both TOI and loan volume owing to the development of an extensive, nation-wide network, helping it provide finance to household businesses in a timely manner. The Division's year-end loan balance reached nearly VND 3.4 trillion, which enabled TOI to grow 2.5 times year-on-year.

The consumer finance business under FE Credit brand name continued to deliver impressive performance in both volume and efficiency. FE Credit earned VND 12,957 billion in TOI, up 52% year-on-year due to its 50% market share and relentless, creative improvement of products towards accessibility and flexibility, and its effective risk management.

Satellite business divisions such as CIB&IPF, Financial Market, FITB, etc. also achieved encouraging progress. By capitalizing on their strengths, the divisions provided specialized banking services, stepped up cross-sales, and grasped market opportunities, among others, to improve income, thus accounting for 21% of the TOI.

2.2 OPEX kept under control thanks to cost savings, improved efficiency, and improved productivity

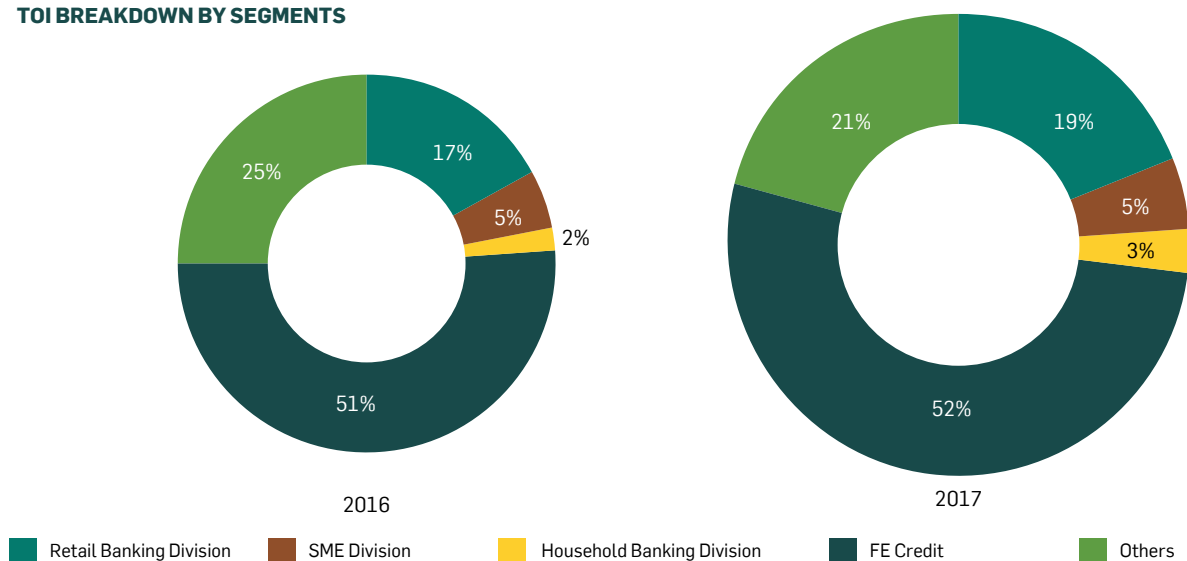
VPBank allocated more budget to some new businesses and key projects (such as digitize the bank, IT system upgrade, back-office automation, etc.) and invested more in the infrastructure and equipment for risk management and collection for the purpose of improving collection productivity. Total operating expense was up 34% year-on-year and was much lower than income growth (48%). Therefore, the CIR in 2017 was down 35.5% year-on-year.

The Bank has always prioritized staff costs, such as sales incentives, in the cost structure to improve the overall remuneration and benefits for staff. Accordingly, staff cost accounted for 57% of OPEX in 2017. Cost optimization projects and stepped-up digitalization and automation were instrumental in keeping OPEX under control.

2.3 Provisions fully made according to regulations.

In 2017, VPBank set aside more than VND 8 trillion as provision expense, up 51% year-on-year and equivalent to 32% of the TOI in 2017, mainly due to investment

TOI BREAKDOWN BY SEGMENTS



Source: VPBank

portfolio restructuring, provisions for credit losses, provisions for VAMC bonds. Therefore, the provisions were mainly for on-balance-sheet items.

2.4 Impressive growth in profit before tax, improved return and efficiency ratios

At the end of fiscal year 2017, VPBank earned the record consolidated profit before tax of VND 8.13 trillion, up 65% year-on-year and well above the AGM's target of 20%, thanks to which CAGR was raised to 54% for the 2012 – 2017 period.

As a result, ROAA was up 0.68% year-on-year, from 1.86% in 2016 to 2.54% in 2017. On the other hand,

despite in the sharp increase in equity in the year, ROAE reached 27.5% and after-tax return on charter capital reached 52%, putting the Bank among those with the highest profitability ratios.

3. PRUDENTIAL RATIOS AND OPERATIONAL QUALITY

Thanks to the growth in medium- and long-term funding and raised equity, the short-term funding to medium- and long-term lending ratio decreased to 30% by the end of 2017 (compared with 35% at the end of last year) and was lower than the market average as well as the SBV's cap (40%) from 2019. This was a result of the issuance of valuable papers per the Bank's policy and improved reputation, thus the acquisition of medium- and long-term funds from international organizations.

The capital adequacy ratio was improved significantly as a result of the issuance of more shares and profit retention policy. In 2017, VPBank raised charter capital to more than VND 15.7 trillion, thus increasing CAR to 14.6%. By Basel II standards, the CAR of 12.6% was already good and much better than the minimum of 8% under Circular 41/2016/TT-NHNN.

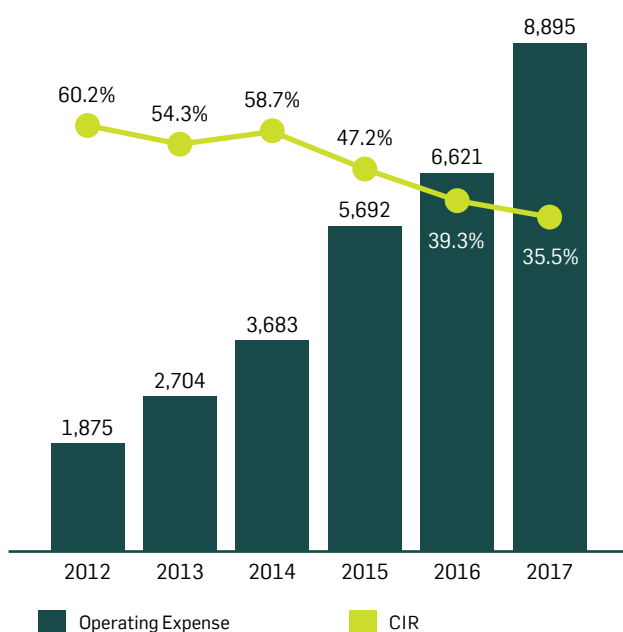
4. NON-FINANCIAL INDICATORS

VPBank's successes last year were not limited to financial aspects. The non-financial indicators also improved materially.

Customer base: the number of active customers increased substantially to more than 4.9 million, up 49% year-on-year, which is an important enabler for the Bank's retail strategy.

Card issuance: the number of active cards reached nearly 980,000, up 56% year-on-year. Nearly 204,000 credit cards were newly opened, nearly 2.3 times those in 2016. Besides, VPBank was one of the banks with the highest average spending per card in the market.

OPERATING EXPENSE (VND billion)



Source: Audited consolidated financial statement

Detailed provision expense (VND billion)	2017	2016	Change from 2016
Provision expense for loans to customers	7,682	5,383	2,299
Provision expense for VAMC bonds	320	-71	391
Provision expense for other assets	-1	1	-2
Total provision expense	8,001	5,313	2,688

Source: Audited consolidated financial statement

Headcount: the robust growth of retail segment was attributable to a sharp increase in headcount, thus adequate resources for business development. By the end of 2017, the total headcount was 23,826, an increase of 6,439 year-on-year.

5. GENERAL EVALUATION OF BUSINESS PERFORMANCE IN 2017

By the end of the fiscal year 2017, VPBank produced outstanding results in key aspects, i.e. stable volume growth (funding up by approximately 16% and credit growth up by approximately 24%) and record-high efficiency (TOI up approximately 48% and profit before tax up by approximately 65%).

VPBank successfully realized its commitment with AGM. It managed to raise equity on schedule, thus proactively adjusting the customer deposits for optimal performance. The measurement, monitoring, and projection of liquidity risk were carried out on a periodic basis. Therefore, the prudential ratios were always compliant. The highlight of the financial performance was outstanding delivery of the targets, especially profit and income ones. In particular, the actual profit-before

tax was 20% above the set-forth target.

The results proved that the Bank's retail-focused strategy was a driver for stable, sustainable, and efficient growth. The outstanding growth of business pillars greatly drove to the Bank's business performance, helping it successfully bring about comprehensive transformation.

By the end of the strategic journey 2012 – 2017, VPBank always topped the industry in terms of growth with its volume and efficiency ratios increasing three-to five-fold compared with the end of 2012.

The business strategy has always focused on following standards, complying with legal regulations, and keeping up with international practices. Therefore, the Bank has always been considered a modern, trustworthy, transparent, prudent, and efficient financial institutions to investors and shareholders.

The very trust is a strong motivation for VPBank in the next phase with many more ambitious targets and towards new heights and successes.

Business performance in 2017

Indicator	Actual 2017 (VND billion)	Target 2017 (VND billion)	% of target 2017	YoY %
Total assets	277,752	280,645	99%	21%
Customer deposits (including valuable papers issued)	199,655	217,732	92%	16%
Loan balance	196,673	200,591	98%	24%
<i>Including: customer loans</i>	182,666	182,433	100%	26%
NPL ratio (Circular 02)	2.9%	<3%	Complied	
Profit before tax	8,130	6,800	120%	65%

Source: Audited consolidated financial statement

HIGHLIGHTS OF BUSINESS DIVISIONS



**Best Secured
Lending Product
in Asia**
The Asian Banker

**Top Two
Joint Stock
Commercial
Bank Brand**
Forbes

**SME
Bank of the Year
Vietnam**
Asian Banking Finance

RETAIL BANKING

At the end of its strategic five-year period, VPBank has become one of the five largest retail joint stock commercial banks in Vietnam by revenue and profit, of which the Retail Banking Division accounted for 50%.

Following the successes of previous years, the income from retail banking in 2017 was on target and up 66% year-on-year. VPBank has also developed business strategies and product policies for optimal profitability using a Single Account Profitability model. As a result, PBT grew impressively by over 100% year-on-year. In 2017, the Bank launched successive initiatives to make products more suitable and attractive to customers, resulting in the customer base increasing significantly to more than 2.7 million, and producing 83% growth in loan balances. Together with credit growth, the Bank also launched several community-oriented projects and products to promote sustainable development for customers and society.

66% ↑

INCOME GROWTH IN 2017

2017 saw significant growth in credit cards, in both number of cards issued and card spending. VPBank rose from fifth position in 2016 to third by the number of cards issued and to second in card spending. By year-end, 198,000 cards had been issued – 132% year-on-year growth – while card spending continued to hit new milestones and surpassed VND 2 trillion per month. The 'One million cards by the end of 2019' project was launched and VPBank is confident of reaching this target. One of the key drivers of this success is proper, customer-centric design and the presentation of credit cards with an understanding of the characteristics and spending habits of each customer segment. Besides affluent and middle-class customers, the Bank has also designed credit cards for low-income customers, especially workers, giving all customers the opportunity to experience simple and convenient payments with plenty of special offers. As a result, VPBank received the 'Best Customer Segment in Asia Pacific 2017' award from MasterCard.

Loan products continued to maintain growth. Loan balance was up 29% year-on-year and unsecured personal loans (UPL) products continued to grow – loan balance rose 54% and revenue rose 114%. This key product is still leading the market in terms of simplicity,

flexibility, and coverage. Similar to credit cards, VPBank wants to approach every segment and offer financial solutions to low-income customers. A wide range of unsecured loan products dedicated to teachers, hospital staff, and low-income workers were launched and received wide positive feedback from customers. In December 2017, the Bank was given the 'Best Consumer Finance Product' award by The Asian Banker for the second time. In addition, the Bank's networks of real estate partners and auto dealers have continued to expand to provide customers with comprehensive and easily accessible offers and experiences.

Deposit and fee-based products also brought success, with a 15% increase in deposit balance compared with the start of the period. Payroll stimulation strategies began to produce positive results with the number of current accounts increasing by 260,000 year-on-year, cross-sales contracts nearly doubling, and the mean number of products held by each customer increasing from 1.48 to 1.63. With remarkable bancassurance achievements driven by a change in the bancassurance sales model, AIA Vietnam decided to enter into a 15-year exclusive bancassurance partnership with VPBank on October 23, 2017 – the largest deal of the year in the market. Besides life insurance, VPBank now also offers customers health insurance products from other partners, notably terminal illness insurance (K care).

To lead the digital banking trend, the Bank launched several projects to digitalize key products, including credit cards, UPLs, and deposits. The highlight is the 'Dream' project, an application that allows customers to manage personal finances and creates a savings roadmap with support from the Bank to help them realize their dreams as quickly as possible. VPBank has also developed a partner ecosystem, in which the Bank is a link between customers and suppliers, helping to meet customers' varied needs.

Focusing on the affluent segment has been one of the Bank's key strategies. In 2017, the Affluent Banking project was implemented with advice from Arete. The Bank also offers professional services such as wealth management to this segment, in addition to deposits. VPBank is proud to be the first bank to have a VIP lounge at Noi Bai International Airport for affluent customers, which tentatively will be put into operation in early 2018. VPBank believes that these activities will open up the opportunity to unlock great potential from affluent customers.

In addition, the organizational structuring and redesign of the alternative channel model (now Direct Sales), which started in September 2017, has begun to produce

positive results. The number of credit cards issued was up 50%, the number of payroll accounts doubled, and credit card sales productivity increased by 60%.

In 2018, VPBank will implement an 'Alphabet Strategy' for retail banking with five components: **A**ffluent (focus on affluent customers), **B**ancassurance (promote the growth of exclusive bancassurance products), **C**ards (promote the growth of credit cards), **D**igital (continue to speed up the digitalization process), and **E**cosystem (develop a diverse partner ecosystem).

CONSUMER FINANCE

With over seven million customers and 10,000 partners across 63 provinces and cities, VPBank Finance Company Limited (FE Credit) has affirmed its leading position in the consumer finance market. FE Credit holds more than 50% of market share and is aiming for even higher growth in the future by offering customers creative, flexible, and accessible products and services.



Thanks to the successful implementation of several initiatives in 2017, FE Credit achieved remarkable growth. FE Credit disbursed 3.7 million new loans and issued credit cards to more than 3 million new customers, increasing its active customer base to nearly 3.5 million and growing the loan balance to nearly VND45 trillion. Income consequently grew from VND8,552 billion in 2016 to VND12,957 billion in 2017, an increase of 51.5%, while profit after tax grew from nearly VND2,000 billion in 2016 to VND3,358 billion in 2017, an increase of 68%.

It is also noteworthy that FE Credit achieved this growth while also improving risk management and operational efficiency, as evidenced by a lower provision per average receivable; an improved NPL ratio, down from 6% to 5% year-on-year; and an improved CIR, down from 35.8% to 29.2% year-on-year. The improved credit risk parameters not only contributed to higher profitability but will also help FE Credit to achieve its growth aspirations in the future.

Having been in business for seven years, and with the sustained efforts of a young and vibrant team, FE Credit has achieved many business milestones, laying a solid foundation for dramatic growth in the future.

These milestones include:

- Migration of customer-facing processes to a best-in-class business process management platform that allows greater flexibility and efficiency for superior customer service. The bulk of the processes, like account opening and customer service, have already been migrated to this platform and the remainder will be completed in the near future.
- Implementation of one of the most efficient loan origination models, based on alternative data from a large local telco partner, bringing financial services to more than 300,000 unbanked and underbanked customers.
- Implementation of a cutting-edge contact center solution that will enhance customer experiences across contact channels while boosting efficiency and productivity.
- Creation of a state-of-the-art process automation platform in collaboration with global leaders in software and strategy, paving the way for robotic process automation in the near future.
- The first bank to implement functionalities such as 'Fast Cash' for credit card holders to enable convenient cash withdrawals from thousands of partner outlets by sending SMS messages. This functionality is considered a prime example of 'Real Fintech for Real People'.
- Deployment of a complete enterprise data warehouse, particularly reporting and modeling tools to analyze big data related to customers, products, risk management, credit, backend operations, finance, and personnel, which is accelerating business processes as part of the digitalization journey.
- Launch of an end-to-end digital channel to provide services faster, more conveniently, and in a highly flexible manner to our customers, creating a platform for the future.
- Partnership with large international financial institutions to access long-term funding to facilitate growth.
- Launch of a first-of-its-kind program for developing the management team by recruiting the best and brightest from leading educational institutions and enabling them to study while advancing on their career paths, thereby helping them grow faster and developing successors for the organization.

Thanks to its performance in 2017, FE Credit was given the 'Best Consumer Finance Brand South East Asia 2017' award by the UK's Global Brands magazine

and the 'Vietnam Excellent Brand Award 2017' by Vietnam Economic Times.

To maintain the momentum going forward, FE Credit will continue to focus on:

- Creating an end-to-end platform to provide frictionless and convenient access to flexible financial solutions
- Leveraging the big data repository and platform to offer more suitable products to a wider range of customers
- Optimizing the costs of operations, credit, and fund to achieve higher profitability
- Enhancing risk management for higher business performance

With this action plan, FE Credit is confident of achieving its long-term goal of financial inclusion by serving millions of Vietnamese and reaching its business goals for the next five years.

HOUSEHOLD BANKING

After securing a solid position in the household banking business in 2015 and 2016, VPBank has sustained momentum in this new, strategic, high-potential segment. To bring services to the majority of household businesses, the Bank continued to invest in growth and network expansion in 2017. By the end of the year, Household Banking Division (CommCredit) had created a large dedicated network of 236 outlets, covering 51 cities and provinces.

236

OUTLETS IN 51 CITIES AND PROVINCES

Besides the network expansion, the Bank made significant strides in upgrading systems and creating a technology-oriented environment. In addition to providing mobile devices to all household banking frontline staff, VPBank is also building and developing straight-through workflow platforms covering every stage, from origination, through evaluation, to customer service.

These efforts and initiatives led to high growth in both income and assets for the segment. By the end of the period, assets were up 78%, from VND1,915 billion to VND3,400 billion; total income had increased by 153%, from VND318 billion to VND804

billion; and total fees income had grown from VND85 billion to VND133 billion, up by 56%. Non-financial indicators were also encouraging. The network expanded from 129 to 236 business units, total headcount grew from 1,947 to 3,088, and the total number of customers with disbursements increased from 54,135 to 67,800.

With a sharp focus on the target customer segment, the development and delivery of suitable products and services, and a well-defined risk appetite framework, VPBank launched new products including 'Tax Plus' for taxpayers and 'Express Loan' for owners of fixed assets.

The strong focus on this strategic segment has helped to build trust and credibility. In recognition of this, VPBank received four awards for its household banking business, including 'Vietnam Top Trade Services Award 2016' from the Ministry of Industry & Trade; 'Brand of Excellence in Banking Service Providers for Self-Employed Customers Vietnam 2017' from Finance Digest; and 'Vietnam Excellence Brand 2017' and 'Lending product of the year' (for Tax+ loans) from Asian Banking & Finance.

In 2018, VPBank will strengthen the household banking business by launching a range of new financial products and services specifically for this segment, including new loans, savings, investment, and bancassurance.

SME

2017 was an exciting year for SME business. The Bank made substantial investment in sales channels, talent development, product development, risk management, and enhancement of its credit processing capacity. This sound investment strategy has started to bear fruit, enabling the Bank to gain deeper penetration into the SME market. 2017 was not only a pivotal year marking the completion of the first phase of the SME development strategy, but also started a new transformation roadmap, beginning with a robust digitalization journey and a sharp focus on the micro SME sub-segment. Although micro SMEs account for the majority of the SME segment, according to many researchers financial institutions fail to meet their needs for funding and financial services. Having identified the enormous need of micro SMEs, VPBank has aggressively invested in meeting the demands of this underserved sub-segment, starting with establishing a new sales channel with 350 staff. Built from the ground up, the new channel now accounts for 50% of the net

increase in unsecured loan balance and 30% of new SME customers on a monthly basis.

Having recognized that a lack of transparent financial reports and collateral is a key barrier for micro SMEs in accessing bank funds, VPBank launched its simple business installment loan (Simple BIL) which has been tailor-made for this particular group of businesses. The Bank will continue to launch innovative product lines in 2018, such as invoice financing and B2B payment services, to further improve its product portfolio for SME customers.

VPBank implemented an initiative to support women business owners in 2017, with the sponsorship and cooperation of IFC. VPBank recognizes gender-correlated differences in financial behavior and the particular financial demands of businesswomen. Besides purely financial solutions, businesswomen also seek non-financial services (NFS), such as management finance know-how or other support from banks. The Bank therefore launched NFS in 2017 with the aim of “helping SMEs thrive” through important online and offline events such as a series of talk shows with well-known experts and ‘Business Networking Day’ events, providing SME customers with many opportunities. These NFS have helped to bring added value to SME customers.

The Bank also initiated its digital roadmap to better compete with fintech companies. VPBank has identified two key digitalization roadmaps for the SME segment, with the primary goal of improving customer experience, acquiring more customers, and strengthening relationships with existing customers. The Bank has also streamlined and automated credit processes to shorten turn-around time and reduce manual steps. Digital sales tools, directly connected with the core banking system, were deployed for the first time, resulting in an immediate improvement in the sales productivity of the sales force and customer service staff.

39% ↑
INCOME GROWTH IN 2017

New product initiatives and appropriate resource allocation helped VPBank SME to increase income by 39% in 2017 and maintain good loan quality. Notably, the customer base of the micro SME sub-segment tripled from the same period in 2016. SME therefore achieved significant profit growth with lower cost-to-income ratio. VPBank also opened six new SME centers

and direct sales hubs in big cities (Ha Noi and Ho Chi Minh City) and provinces (Mong Cai and Ca Mau) to extend market coverage.

The Bank's success in the strategic SME segment was recognized with prestigious international awards, including ‘Best Bank for SME in Vietnam’ from AsiaMoney (part of EuroMoney) and ‘SME Bank of the Year – Vietnam’ from Asian Banking and Finance. VPBank's commitment to support the local SME community was also praised by the Ministry of Industry and Commerce, local governments, and IDG.

The Bank expects unsecured loan products to be the key driver for SME growth in 2018. The TOI target for the SME segment in 2018 is 55% higher than in 2017, with a significant contribution from NII (up by 63%). TOI from trade finance, foreign exchange, and cash flow management is expected to grow by 38% and continue to be an important driver of fees income. Bancassurance and business credit card products will be new, disruptive sources of fees income in 2018.

The micro SME development strategy is currently under review, with new improvement measures to be deployed in 2018 to enhance loan origination quality, sales efficiency, and risk management. This fundamental project is expected to help the SME strategy to produce more successful results in the coming years. At the same time, VPBank will further improve business payment solutions by working with partners and experts to launch B2B payment products. The strategy to offer NFS and banking services to businesswomen specifically is strengthened with the digital interface and specialized products. Credit quality is a key focus of the roadmap, with rich data sets and a more effective management policy to further enhance the early warning system, credit monitoring, fraud investigation measures, and risk management.

COMMERCIAL BANKING

In the face of challenging financial targets and fierce competition in the commercial banking segment, VPBank has made relentless efforts to develop creative solutions in line with market developments to drive growth in the segment and make significant contributions to the Bank's success.

In particular, Commercial Banking Division (CMB) focused on acquiring and serving potential corporate customers who produce or provide high value-added products and services with robust production management mechanisms; professional

financial and inventory management systems; and healthy financial indicators. The Bank also leveraged its strength in trade finance, targeting import and export enterprises with stable payment streams, large distribution networks, and high creditworthiness. To raise guarantee balances and fees income, the CMB Division focused on construction businesses with sound funding structures, extensive experience, and good contract execution reputation.

In addition, close collaboration with other units in cross-selling, industry-based finance, and supply chain finance programs helped differentiate VPBank's products in the CMB segment. To improve customer service quality, CMB Division regularly discussed and developed initiatives jointly with support units to provide flexible solutions tailored to customers' needs and market requirements, aimed at raising competitiveness while managing risks and providing financial services in a prudential manner.

VND 10 TRILLION
OFF-BALANCE-SHEET BALANCE IN 2017

The Bank always keeps a close eye on credit and risk management by closely tracking customers' businesses – evaluating and updating customers' business performance, profiles, industries, and the market. It has also developed stringent eligibility criteria to select good customers from the very beginning to maintain a sound credit portfolio.

By integrating disruptive solutions and initiatives to promote business growth in 2017, CMB maintained its lead in guarantees, letters of credit issuance, and import-export financing with significant contributions to the Bank's performance. The Division accounted for 53% of total guarantees balance, 43% of total LC balance, and 22% of total import-export balance. Its LC balance reached nearly VND 25 trillion, and its off-balance-sheet balance was about VND 10 trillion in 2017.

Amid numerous opportunities and challenges in 2018, VPBank will sharpen its focus on improving the efficiency of customer farming, streamlining credit processes, and payment processes in order to improve transaction processing efficiency and tailor product policies to customers' needs and market changes.

CORPORATE BANKING, INVESTMENT AND PROJECT FINANCING

VPBank made great efforts to maintain momentum in 2016 and fulfill key financial targets for the corporate banking, investment, and project financing segment (CIB & IPF) in 2017.

The Bank continued to promote deposit growth and selective credit growth and to increase TOI per customer in line with selective customer growth, product profitability, and cross-selling objectives. It also focused on liability products and loan restructuring with the aim of improving efficiency, by reducing its dependency on big corporations and approaching and farming private and FDI enterprises. VPBank grew CASA through products such as cash collection, payments, ebanking, cash management services, and distributor/supply chain finance programs.

In terms of investment and project financing, the Bank focused on restructuring its investment portfolio, particularly by reducing the proportion of bonds and middle- and long-term loans, and developed new services for projects and big customers in order to grow working capital loans and short-term loans, to offset the decline in middle- and long-term loans.

2018 offers VPBank both numerous business opportunities and challenges. CIB & IPF will continue to pursue selective customer acquisition; effective, deep farming of existing customers such as VNPT, Mobifone, Viettel, and VEAM, and FDI customers such as Yamaha and Nippon Seiki; and expanding the customer base.

The investment team will continue to seek high-NIM bonds on the market (underwritten by securities companies and other financial institutions) while properly managing risks and gradually reducing the proportion of medium- and long-term bonds. VPBank is confident that 2018 will be another successful year for the CIB & IPF Division.

FINANCIAL INSTITUTIONS AND TRANSACTION BANKING

20% ↑
TOTAL CREDIT LIMITS EXTENDED BY FOREIGN FINANCIAL INSTITUTIONS

Financial Institutions and Transaction Banking (FITB) achieved robust growth in terms of funding and credit limits from local and international financial institutions. Total credit limits extended by foreign financial institutions to VPBank increased by 20% year-on-year, and that by local State-owned banks rose 30%.

Cooperation between VPBank and international financial institutions was particularly fruitful in 2017. In particular, IFC, a member of the World Bank Group, underwrote a five-year syndicated loan package of USD 158 million for VPBank. Other co-lenders of the loan included prestigious international financial institutions such as ICBC, Cathay United Bank, IIB, OeEB, and OFID. IFC also approved a medium-term convertible loan of USD 57 million and a trade limit of USD 50 million. IFC's loan and investment were among the factors behind VPBank's higher brand value and reputation, together with IFC's supervision and technical assistance in corporate governance, and especially risk management.

In addition to the IFC relationship, VPBank was also selected by ADB for inclusion in its Trade Finance Program. Higher year-on-year credit limits from these organizations helped the Bank to diversify its funding sources to support businesses in Vietnam, especially in import and export. The total credit limit provided by ADB was up 28% year-on-year.

VPBank was also one of the banks that received entrusted funds from international organizations such as the World Bank and JICA, enabling it to offer SMEs low-cost funding for production and business activities and increase the loan balance by 20% year-on-year.

VPBank was one of only four banks selected by the SME Development Fund (SMEDF) under the Ministry of Planning and Investment to disburse its funds in 2017. In addition to the aforementioned projects, the Bank will take part in a number of ODA-funded green credit projects in 2018.

2017 was a pivotal year for VPBank in terms of transaction banking. Various trade finance solutions to promote import, export, and local trade were implemented, including comprehensive industry-specific financing solutions such as animal feed, plastic, steel, and automobiles. The Bank also strengthened supply chain finance programs to provide local funds to suppliers and distributors of multinational companies (MNC) and large international corporations, focusing on fast-moving consumer goods (FMCG). By radically enhancing trade finance solutions to promote import, export, and local trade, VPBank saw remarkable results

in transaction banking in 2017, including increased off-balance-sheet balance, foreign exchange trading balance, and fees income. The Bank's off-balance-sheet balance rose 20%, with fees income from trade finance transactions up 13.8% year-on-year. Twenty supply chain financing programs are currently being implemented with year-on-year TOI growth of 31%.

Besides trade finance and supply chain finance products, the Bank continued to invest in traditional cash management products such as cash collection and payment, e-tax payment, and online guarantees. VPBank is proud to be one of the first commercial banks to successfully implement digital customs services, which are now ready to serve thousands of export and import businesses nationwide. In addition to cash collection and payment services for large corporations, the Bank has also provided electricity bill collection services for electricity companies throughout the country. Digital technologies have been adopted to minimize manual transactions over the counter and increase online transactions and internet banking. Thanks to rapid adoption of technology, the number of fund transfer transactions via the Bank's internet banking system in 2017 was double that of 2016, accounting for 20% of the total number of fund transfer transactions of the Bank.

Given the encouraging results in 2017, FITB's objective in 2018 is to develop partnerships with anchors, promote supply chain finance, and radically grow TOI and off-balance-sheet balance.

FINANCIAL MARKET SERVICE

VPBank achieved spectacular breakthroughs in financial market business in 2017 with numerous outstanding accomplishments, significantly driving the Bank's overall success. Financial Market Division (FM), which is mandated by the Bank to take care of financial market activities, surpassed its profit target for 2017 with its TOI reaching about VND 1,600 billion, up 37% year-on-year. Notably, the Bank maintained its position as one of the 10 most outstanding commercial banks in terms of Government bond trading, as ranked by the Ministry of Finance, and was included in the list of market makers published by the Ministry of Finance.

37% ↑

TOI GROWTH IN 2017

In terms of liquidity management and balance sheet efficiency, FM Division made sound recommendations, driving the success of the 'Asset and Liability Management Improvement' project in cooperation with PwC. The project's results enabled the Bank to create advanced solutions to manage prudential ratios and make the best of excess funds for balance sheet efficiency. In particular, financial modeling was applied to forecast prudential ratios such as 30-day solvency ratio and short-term funding to medium- and long-term lending ratio. FM Division also proactively conducted analysis and evaluation of interest rate movements and created solutions to improve prudential ratios, as required by IFC and ADB, optimize excess funds, and boost balance sheet efficiency.

In order to secure medium- and long-term funds to enhance prudence and efficiency, and to ensure compliance with SBV regulations and international rating agencies, FM Division always seeks both the best options and the best timing to approach funding sources. FM Division played a decisive role in the issuance of VPBank's medium- and long-term bonds by creating a proper product structure and using appropriate strategies to approach potential customers.

Noting that technology adoption in financial and banking services provides strategic competitiveness, FM Division has prioritized the application of advanced technology in operations and risk management. It has proactively worked with the IT Division to upgrade FX trading software for branches and derivative product software for businesses, with the aim of improving accuracy and supporting branches in providing updates on local and international exchange rates to customers.

In addition, FM Division is focusing on ensuring the progress and quality of the Treasury Trading System project to strengthen risk management capacity and, with deep knowledge about financial market products, lay the foundation for developing more advanced and sophisticated financial products, seizing new opportunities in the financial market, and acquiring customers.

In the face of the challenging year ahead, FM Division will sharpen its focus on maintaining liquidity and becoming the top profit-making division of the Bank. The Division will leverage its strength to help VPBank secure its position as the top market maker in the Government and Government-guaranteed bond markets with the highest transaction volume in both secondary and primary markets. VPBank will be a trustworthy partner of local and foreign investment

funds, securities companies, and top banks in investing in Government bonds and Government-guaranteed bonds. Foreign exchange transactions will remain one of the Bank's advantages thanks to a variety of products meeting customers' needs in import and export, international payments, and direct and indirect investment. The FM sales force will be enhanced and developed to not only provide services to businesses, but also to retail customers to meet their needs in travel, education, and investment.

DIGITAL BANKING SERVICE

VPBank has been conducting a profound transformation and continues to pursue the aspirations identified in its digital strategy. In an effort to accelerate digitalization, the Bank has established the Digital Lab which pools the critical resources and skills for digitalizing customer journeys and incubating new digital business models. The Lab makes use of the agile approach to streamline processes, provide exceptional, technology-driven benefits to customers, and reduce time to market.

The encouraging results so far have proved the soundness of leadership's digital strategy. In particular, Digital Lab has launched a number of products and apps targeting consumer finance, personal financial management, information exchange, and SMEs' fund-seeking needs. More than half a million customers have taken interest in, learned about, accessed, and used the products and apps in only the first six months of their various launch dates.



ONLINE BANKING CUSTOMER IN 2017

Apart from the digitalization of customer journeys, the Bank has further developed and strengthened partnerships with fintech companies to adopt breakthrough ideas and bring new experiences and innovative products to customers. The partnership with Timo, the first digital bank in Vietnam, is an example. In 2017, Timo launched a large number of products and functionalities, including advanced credit products, while expanding to Can Tho and Da Nang, thus tripling its customer base year-on-year. VPBank has expanded its partner network beyond payment and financial management firms and is now working with telcos in providing finance & banking services on mobile devices. This move aims to enable the Bank to reach out to the unbanked population

through simple, convenient functionalities. It also enables newly-acquired customers to access previously-inaccessible credit services.

VPBank has also continued its efforts to digitalize products and processes and raise the quality of online banking services. As a result, the number of online banking customers doubled from 2016 and the accounts opened online accounted for nearly 60% of the total. Digital transactions reached 1 million per month on average, accounted for over 40% of the total. The number of loans and credit cards opened online also quadrupled from 2016.

These outstanding digital achievements reinforce VPBank's standing and reputation in the local market in general, and in the digital banking arena in particular. The DBS Division will continue to pursue the leadership's digital strategy in 2018, focusing on customer growth, partnership with fintechs, the aggressive

implementation of initiatives, and the development of new customer journeys to further strengthen the first-mover advantage in digital banking. 2018 will be a critical year as the Bank concentrates its digital efforts on bringing brand new experiences, reducing CIR, and creating new income sources.

In addition to the DBS Division, with its objective of digitalizing processes, modern banking products, and services, VPBank also established VPDirect in January 2017 to pursue an ambition to develop a digital-only bank. VPDirect is positioned to bring banking and payment services to people in all walks of life and reach the unbanked. VPDirect's platform consists of not only traditional functionalities such as remittances, payments, deposits, and cards, but also personal finance, entertainment, shopping, and hotel booking. Its launch has been scheduled for April 2018 and it is expected to create a breakthrough in the local finance & banking industry.



Vay Nhanh VPBank.vn
Vay không thể chấp

ACHIEVEMENTS IN

FOUNDATION BUILDING



**Best Segment
Solution
2017**



Mastercard



**Lending Product
of the Year**
(for CommCredit's
Tax Plus)



Asian Banking Finance



RISK MANAGEMENT

The Bank's risk management framework was further improved to meet international standards through the issuance of many policies, streamlining of documents, and incorporation of risk management in strategy formulation processes, fund and financial planning, as well as "business-as-usual" processes. Many training and communication sessions were held to develop a risk management culture across business units.

Since Circular No. 41/2016-NHNN dated December 30, 2016 on the application of Basel II standards in the local market came into effect, VPBank has complied with risk indicators from early on according to the SBV's roadmap. In 2018, the Bank plans to calculate risk indicators according to the advanced approach under Basel II, which is a step up from the current standardized approach, adopt Internal Capital Adequacy Assessment Process (ICAAP), and implement integrated risk management solutions.

Credit risk management

In 2017, VPBank revised some important credit policies in view of the SBV's newly issued credit policies such as Circular No. 39/2016/ TT-NHNN on lending, Circular No. 13/2017/TT-NHNN on bank guarantee, Circular No. 14/2017/TT-NHNN on methods of calculating lending and deposit interest. The Bank always strives to control credit quality across all business segments and maintain NPL ratio of less than 3%.

Following the success in developing and applying credit risk scoring models, VPBank also developed a number of new models in 2017 by adopting advanced techniques in line with international standards and mining big data to generate leads, boost cross-sales, improve portfolio quality and enhance early collection efficiency.

Scoring models involving big data from large telcos like Mobifone and Viettel were successfully implemented and started to drive new acquisitions for Retail Banking Division. The Bank also implemented an auto approval model which is enabled by unsecured product scoring models, thus improving better loan quality and developing CLOS, an enterprise customer information management system. CLOS enables automated account management actions, from account opening to rating, to credit extension, to financial monitoring, and to collection.

By entering more strategic partnerships, including

those with telcos and aviation companies in 2017, the Bank diversified its customer portfolio and risks and better managed risks in new business segments such as household banking or digital banking.

Market risk management

The Bank issued a regulation on the separation of trading book and banking book according to Basel II standards to ensure the risks in each book are kept under control and impacts on the bottom line are constantly evaluated. The separation also helped clearly define liquidity risk management responsibilities and set liquidity gap limit. Such limit must be aligned with the Bank's risk appetite, the SBV's regulations and external investors' requirements.

All transactions between VPBank and FI customers were managed and monitored according to the policy on credit limits and market risk management, three lines of defense requirements, and with clear segregation of responsibilities and functions among related units to easily identify and mitigate market risks.

The business strategy of FI Division was completed with detailed approaches and roadmap for each year to ensure alignment with the risk management policies developed and monitored by Risk Management Division.

VPBank adopted modern valuation models to constantly measure and monitor portfolio values in consideration of market developments, thereby supporting businesses, making interventions in a timely manner, and maintaining operational prudence.

Operational risk management

The operational risk management model was of great value to VPBank. Key risk indicators (KRIs) have become an effective tool for business units to detect high risk areas and allocate resources to mitigate the risks accordingly. In terms of risk profile management, the Bank resolved 90% of the low risk event portfolio, 81% of the medium risk event portfolio, and 72% of the high risk event portfolio. The time duration for resolving risk events, finding root causes and addressing weaknesses in policies and controls was shortened. Staff's awareness of operational risks was heightened which helped shorten the duration between risk event detection by business units and event reporting to Operational Risk Management and better management of the Bank's risk profiles.

Having realized the importance of operational risk management, VPBank developed and tested Business Continuity Plans (BCP) for key functions. They enabled

the Bank to proactively respond to crises, maintain business continuity, and protect its image and reputation.

The Bank developed a fraud warning system, applied models, analyzed data and conducted mystery shopping to identify high risk areas/operations and detect fraud cases early to recover billions of VND. Additionally, the percentage of prevented frauds increased significantly from 70% in 2016 to 90% in 2017.

VPBank also developed an information security framework according to local and international standards such as ISO27001, COBIT, and PCI-DSS to reinforce the information security capability. The compliance with those standards enabled the Bank to operate effectively and safely while reducing risks. The Bank developed an information security strategy and detailed action plan through 2020 with E&Y's advice. The strategy includes over 40 information security projects to develop comprehensive capabilities that encompass processes, technologies, and people. In 2017, VPBank carried out over 10 projects to strengthen its information security system and facilitate the digital strategy. Those projects are part of the Bank's long-term strategy and instrumental in improving the information security system in line with the roadmap.

Debt collection

The year 2017 laid a solid foundation for rapid, sustainable improvements in collection by putting in place a young, dynamic, well-trained team, investing in and developing systems and tools to boost collection efficiency. The Bank deployed Medialtel & Tethys, an automated dialing and collection software system, which helped make three million calls and send one million SMS messages and 16,000 email messages as reminders. In addition, VPBank actively supported customers who faced temporary financial difficulties by working out appropriate financial solutions for them so that they can continue their business, thereby reducing NPLs.

The Bank also made use of the National Assembly's Resolution no. 42/2017/QH14 on resolving NPLs at credit institutions to seize collateral, shorten legal proceedings, etc. to effectively resolve NPLs.

The strategic goal for 2018 is to further develop and strengthen foundational systems, particular risk management and information security. The Bank will focus on improving risk management productivity and efficiency through process improvement, in particular the re-assessment of customer rating criteria, to

optimize the automatic approval system, increase collaboration efficiency and quality of support to business functions in product development, periodic risk assessment and resource optimization. In terms of collection, beside conventional methods, VPBank will also adopt new debt reminder methods such as Zalo and video messages to curb the increase in NPL buckets and reduce the NPL ratio. The Bank will continue to reinforce operational risk management and fraud prevention by focusing on high risk areas, applying data mining techniques and raising staff's risk awareness.

OPERATIONS

The Operations Division of the Bank has successfully established strong foundations which will be the basis and support for the organization's growth in the future. This has been done through a consistent focus on three key pillars:

- Providing a reliable, innovative, and excellent customer experience,
- Utilizing technology and focusing continuously on productivity improvement, and
- Strengthening operational control and risk management at the branches and back offices.

Customer Service

To meet our goal of becoming the foremost customer service proponent in Vietnam's banking landscape, Operations Division has taken a multi-pronged approach towards service enhancement.

- Voice of Customer: Multiple channels have been used to collect feedback from our clients about their experience with, and expectations from, our products and services.
- Analysis of Customer Feedback: Statistical tools have been used to group all feedback, identify root causes, and convert them to specific actionable steps.
- Re-engineer Front-end Processes: Through a combination of automation, centralization, and re-engineering, many frontline processes have been modified in order to make the customer experience more convenient.
- Self-service Capabilities for Customers: While the Bank has added to its network of ATMs and Cash Deposit Machines (CDMs), we have also enhanced the available functionalities in these machines so that customers can choose when they wish to transact – even after official banking hours are over. After 1 year of implementation, 85% of customers



at CDM-installed places have chosen CDMs for cash transactions instead of counter services

- Service time for Service staff: Although the number of clients has continued to grow substantially, the combination of enhancing self-service functionalities and making branch processes more efficient, has provided our frontline staff more time to service and counsel the individual needs of customers visiting branches.
- Resolution of Customer Problems: A fully operational centralized Complaints Resolution Unit now focusses exclusively on rapid resolution of all customers' banking problems that require in-depth investigations of transactional issues.
- Turn-Around Time for Product & Service Delivery: The Operations and Risk Divisions of the Bank have worked closely together to enhance the capabilities of our Loan Originating system that allows a faster time to delivery of our lending products to customers. Similarly, other tools of automation have made it quicker to deliver incoming payments, opening payroll accounts, and delivering customer statements and transaction advices to both our retail as well as corporate customers.
- Enhanced Customer Experience during Product Life Cycle: A wide-ranging set of initiatives have been undertaken to ensure that VPBank credit card holders have minimal operational issues during the entire life-cycle of the product – from onboarding and activation of the card; through usage at ATMs, POS machines, or online; receiving regular statements and alerts; allowing repayment through various channels; and finally the card renewal process.
- Service Training: Intensive training is now provided to all service personnel during the first few weeks and months of their joining the Bank, and this is followed up by regular and frequent programs and certifications to continuously enhance their service delivery capabilities.
- Alternate Channels Efficiency: In addition to augmenting the service levels at our branches, the Operations Division has also brought heightened attention to other channels of service delivery. Our 24-hour Contact Center is now receiving almost twice the volume of calls it received one year ago because of the growing number of customers and the additional functionalities provided by the call center. As a result, we are now in the process of

implementing a new state-of-the-art 24/7 call center telephony system which will enhance the overall customer experience. Similarly, we have also converted our CDMs into recycling machines which will now double up as ATMs as well.

Operational Efficiency

All the key levers of operational efficiency – technology, business process management, people development, and knowledge management – have now been embedded into the Operations Division's day-to-day functioning. Through the use of automation tools, process documents, and performance metrics, the Division has succeeded in establishing a culture of continuous improvement across its diverse and wide-ranging functions.

The newly implemented loan origination system has substantially improved employee productivity in the credit processing units of the Division, and has simultaneously allowed us to reduce the turn-around time for customers. Direct integration of the system to external content providers has further enhanced the efficiency of our lending operations.

Given the time-critical demands of our corporate customers for data and information, the Division has successfully automated the extraction and delivery of this content to our clients. By using automation tools, our payments and trade processing areas have continued to improve transaction straight-through rates during 2017.

In non-processing functions like our corporate services unit, special focus has been brought to the areas of purchasing & procurement, asset management, and overall cost optimization. The network development function is on track to add five new offices to our branch network in early 2018. Plans to increase and optimize the distribution of our ATM and CDM network have also been blueprinted.

Operational Control

In 2017, a comprehensive risk and control self-assessment (RCSA) framework was adopted across the Operations Division to formalize our approach to the “three lines of defense” risk management strategy and to follow the Basel Committee's requirements for identifying, measuring, managing, controlling and reporting of inherent and emerging day to day operational risks.

All transaction processing units in the Division including Trade Operations, Treasury Operations, Payments, and Credit Operations have successfully built their Risk Profiles and established Key Risk Indicators to manage, monitor and mitigate their potential operational risks.

Together with establishing the RCSA framework, the Division also took extensive steps to design a comprehensive control mechanism for testing control effectiveness at Branches and other Head-Office processing units.

The post-disbursement unit of Operations Division upgraded its monitoring system to provide more



insightful data that allows the unit to control and monitor customer credit in a more effective manner. While the unit was initially set up to monitor SME lending, this control was expanded in 2017 to include our retail lending portfolio as well.

Given the need to protect our credit card holders from the increasing threats of fraud, the Division had implemented the 3D Secure protocol in 2016. Additionally, a PIN Security audit was conducted and successful certification obtained by the Bank.

With a solid foundation set up in 2017, Operations Division will continue to accelerate service delivery in 2018 by digitizing, deploying self-service services, and automating support processes for maximum satisfaction while optimizing operating expenses.

HUMAN RESOURCES

Investment in human resources development has been always a top priority of VPBank and one of key success factors of VPBank in 2017. Given job family modeling results, VPBank continued to make dramatic and significant progress in completing its standard job system which lays a foundation for change management and disruptions in the 2018-2022 strategy. The adopted job family model provides the management an effective tool in talent planning, development and retention and creates chances for employees to identify and find various career opportunities at VPBank thanks to clear personal career development paths.

Given the slogan “not just a job but a career”, VPBank has gradually become a preferred employer in the market. Thanks to its strong development throughout the five year transformation journey, VPBank created jobs for over 10,000 employees as of the 2017 year end. The Bank also enhanced the cooperation with universities and created a lot of internship opportunities for young students so that they can experience actual jobs in working projects/ programs across its branch system and HO units. Many potential young students have become the Bank’s staff after internship.

The Bank put much more focus on the employee training and development in 2017 through the delivery of job family-based training programs to improve staff’s knowledge and competence. In addition to training courses on sales skill and credit risk identification for key income contributors and courses on soft skills and professional knowledge for back-office units, VPBank’s Learning Academy successfully piloted an online cloud-based learning

platform so that all staff can learn and get certificates online anytime, anywhere on different operating system devices.

Thanks to this encouraging result, the Academy will continue to study and extensively deploy this online training platform by adding convenient features and developing training programs that meet the needs of different groups of learners with the goal of changing the learning culture at VPBank and building a knowledge and experience sharing community across the Bank.

By implementing and improving its human resources management strategy, VPBank has step-by-step affirmed its position in the financial market in general and the human resources field in particular. Given its relentless efforts, VPBank was named in the list of top 100 Asian Employers and won the Asia Best Employer Brand Award 2017 – a prestigious award that was reviewed and selected by highly experience experts in the field in Asia and the world. Anphabe and Nielsen also named VPBank in the top 5 happiest workplaces and the Bank also ranked 26th of the 100 best workplaces in Vietnam. Again, prestigious awards presented by local and international reputable organizations have shown the Bank’s constant and tremendous effort in executing its human resources management strategy.

VPBank continues to collect comments from employees, strengthen systems, and provide users with detailed instructions to ensure that adopted systems will be optimally used. Recruiting right people, retaining good performers, reinforcing fundamental management modules, changing the learning culture and adopting advanced technology learning platforms are key tasks of VPBank in 2018 to further confirm its position as a top workplace in Vietnam.

INFORMATION TECHNOLOGY

Realizing the importance of information technology to the sustainable development of the Bank, VPBank executed a number of initiatives to improve the core technological systems, develop functionalities to serve business, optimize internal processes, save costs and better capabilities of the workforce, particularly:

- Shift the loan origination process, internet and mobile banking to a new platform provided by prestigious international companies and put the digital credit card process into operation.

- Strengthen the core banking system – a product of Temenos, a world leading core banking system provider, which lays the foundation for the development and launch of new banking products and services.
- Implement new processes on procurement, finance, HR were also put into use on SAP, ERP platforms to better organize and control the management of human resources and finance.
- Strongly upgrade the infrastructure across the system to support aggressive business development. The new storage system will ensure information safety and security. The renovation of the network, ATMs in some branches helped significantly improve the readiness of those systems.
- Equip staff with mobile devices in their sales activities. Sales staff of SME and CommCredit divisions can work from distance by using those devices.
- Implement cloud computing services greatly facilitate sales activity of staff.

VPBank is experiencing a period of rapid transformation with the implementation of over 30 projects, over 1,500 changes and 2.5 time growth pace against 2016. Initiatives on changing the core systems, network control allows the Bank to save considerable costs on license and telecommunication.

The development of human resources and internal processes helped accelerate the technological development of the Bank.

- The software development cycle management project helped the Bank to increase the level of control and reliability in the development process and reduce the number of errors.
- The comprehensive staff capacity building program helped double the number of training courses as compared to the previous year.

In 2017, the Bank approved the Information Technology Strategy for the 2017 – 2020 period, which paves the way for the Bank's digitization journey.

The technical aspects and organizational structure of over 250 initiatives were technically approved and this will help the Bank:

- Open up opportunities for cooperation with business partners.
- Get ready to expand business and outsource a

number of external service providers through high-speed electronic channels.

- Digitize and improve process efficiency.
- Incorporate the Agile approach (an approach to deal with issues in a highly flexible, adaptable manner in alignment with the actual situation, help deliver tasks more rapidly and facilitate continuous improvement).
- Ensure information security for the Bank.

In order to meet business transformation requirements towards higher growth and efficiency, minimize risks, strengthen key businesses, VPBank will continue to invest in IT projects, step up IT development and efficiency to support growth and maintain sustainable development.

BUSINESS INTELLIGENCE COMPETENCY

Set up 4 years back as part of VPBank's journey towards becoming a truly data-driven organization, Business Intelligence Competency Center (BICC) has been taking numerous strides each year in providing critical decision support for the bank's top management and business users. In 2017, in addition to providing regular services like reports & dashboards, business analytics, data management & governance, BICC also focused on enhancing staff productivity and diversifying its service catalogue to include more and more divisions e.g. Internal Audit, Household Banking, VPDirect, etc. Below are some key highlights from the year:

- Automated more than 90% regular reports and dashboards to free up time for more value added services like business analytics
- Developed and implemented Customer 360 Tool that provides multi-dimensional information on customer, sales performance, products, sales alerts, etc. for all SME centers
- Delivered 20+ major analytics projects and 50+ deep-dive analyses focused on solving business problems for our internal clients and contributing directly to their bottom line
- Launched an automated BI tool based Ranking Scoreboard for Credit Officers in Operations to track daily performance of credit processing activity
- Achieved 35% increase in new customer data quality

Turning to 2018, BICC targets to enhance data governance implementation by automating data quality management and managing master data, increase report automation and self-service capability and last but not the least, use more advanced analytics techniques to proactively support bank's digitalization programs.

COMMUNICATION AND BRANDING

Branding and communication underwent a broad transformation towards online activities and social media, and the adoption of new technologies. Externally, VPBank frequently published business and governance updates on the Bank's social pages and web portal, and via regular live broadcasts with international investors, and proactively provided information to domestic and international press and media.

These activities offered an accurate, up-to-date panorama of the Bank and helped to bolster customer, partner, and investor confidence. Communication was also instrumental in the private placement and the listing of more than 1.3 billion shares on the Ho Chi Minh Stock Exchange, and in maintaining market capitalization after this historic event.

Internally, the Bank continued to refine and refresh periodic publications such as 'VPBank Today' (email), 'Prosperity News Letter' (print), VPtv (Facebook), and Musical Gifts (VPRadio at Northern and Southern Head Offices). Creative social events were organized throughout the year, including adventure-themed events such as 'Conquering Three Summits', tests of knowledge like 'VPBank's Knowledge Masters', art competitions like 'Sing & Dance' and 'Graceful Ao Dai', sports such as 'VPLeague', and beauty pageants like 'Miss & Mr VPBank'. These events are unique to the Bank, and capture the attention of the majority of the staff, helping its corporate culture to stand out. It is noteworthy that all these internal events were brought into the spotlight on social networks, producing a ripple effect that has helped to make VPBank an employer of choice.

In terms of product marketing, the Bank has pioneered new technologies to reach new heights, most notably the Vaynhanh VPBank (VPBank FastLoan) campaign that mined big data from telco partners and social networks and not only found new loan customers but also enabled VPBank to secure the top position in terms of unsecured lending with its fast and convenient procedures. Household Banking Division's place as the first group with a presence on the biggest local social platform, Zalo,



Miss & Mr VPBank Competition

demonstrated an inexpensive way to find and care for customers.

As a part of the Bank's commitment to corporate social responsibility, the VPBank Startup project was launched in support of the startup community, with a first-year budget of USD 1 million and the Up@ shared working space on level 21 of VPBank Tower. The Bank's support consists of working space, advice, and training on management skills for qualified startups. The business community in general, and the finance & banking industry in particular, has recognized

VPBank Startup as an impressive community & social responsibility activity.

2017 marked the fifth year in a row in which VPBank's brand awareness was ranked among the highest in the finance & banking sector according to a survey by Nielsen. The Bank also received 20 awards from renowned international organizations. In 2018, branding will be shifted to better align with the recently announced 2018–2022 business strategy, strengthening brand awareness, and better supporting business activities.



Conquering the Three Summits' contest

CORPORATE

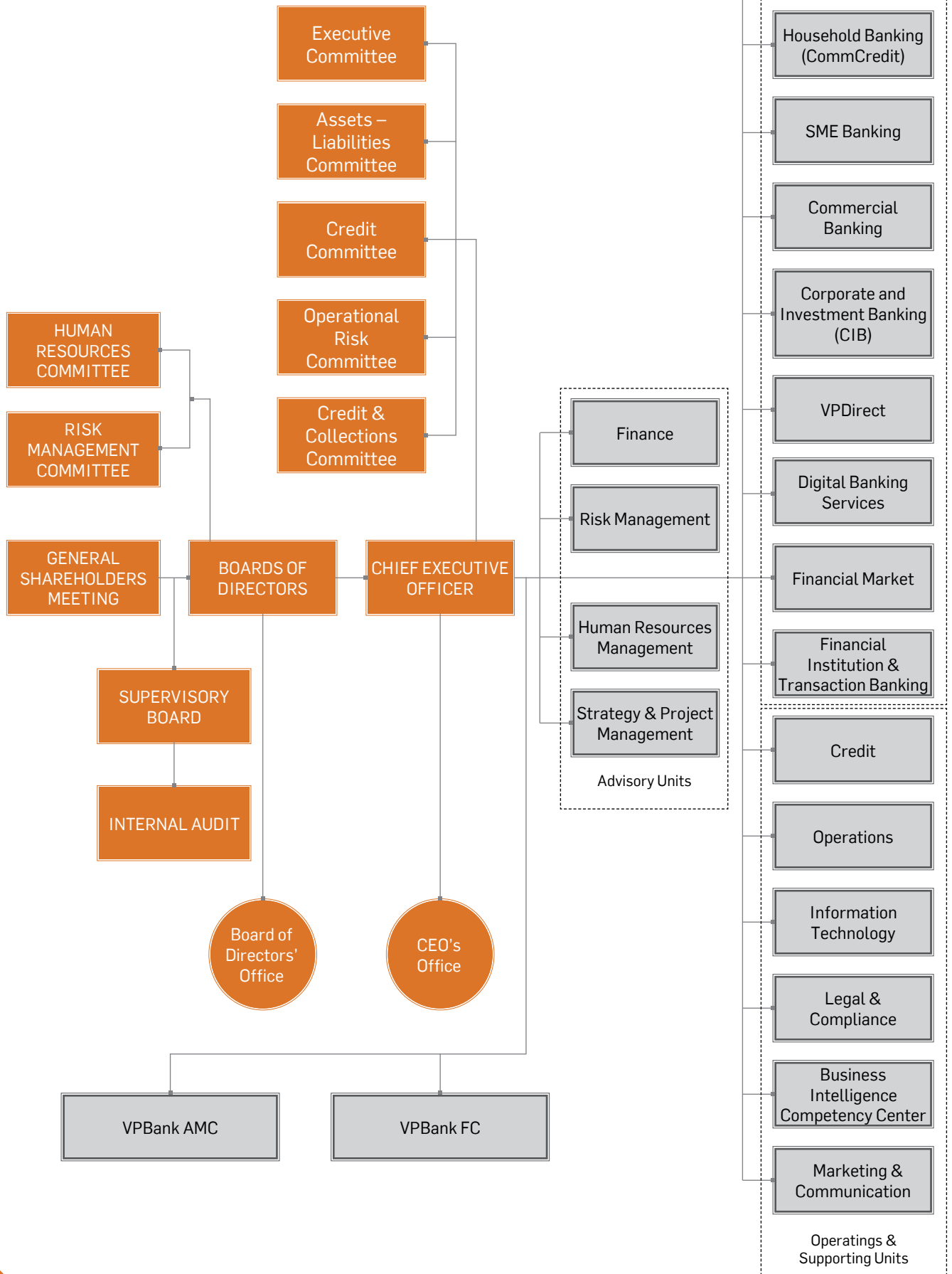
GOVERNANCE

 **Top 100
Asia Employer
Brand** 
Employer Branding Institute

 **Best Place
to Work
in Vietnam** 
Anphabe & Nielsen



ORGANIZATION CHART



MEMBERS OF THE BOARD OF DIRECTORS



1. Mr. NGO CHI DZUNG
Chairman of the Board of Directors

Having graduated from Moscow Geological Prospecting Institute in 1992, Mr. Dzong 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 (Techcombank). 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 a member of Members Council of Viet Hai Technology Trading Company Limited and Board of Directors of Bison MDF Wooden Technology Joint Stock Company, Chairman of Board of Directors of Viet Hai Investment Joint Stock Company, and Vice Chairman of Vietnam Advanced Technology Panel 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 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 Credit Council of VPBank.

MEMBERS OF THE BOARD OF DIRECTORS



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 in such positions as CEO of 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 October 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 in April 2005. He is also a member of Risk Management Committee.



5. 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 Chief Executive Officer, Chief Executive Officer cum member of Board of Directors, Vice Chairman of Board of Directors of Vietnam Technological and Commercial Joint Stock Bank (Techcombank). Since July 2012, Mr. Vinh has been the CEO of VPBank and was elected a member of the Board of Directors in April 2013.

MEMBERS OF THE SUPERVISORY BOARD



1. Mr. NGO PHUONG CHI
Head of Supervisory Board

Mr. Chi obtained Bachelor's degree in Banking and Finance at National Economics University in 1992 and a Master's degree in Financial Market Commerce and Management at Hitotsubashi University, Tokyo, Japan, in 2002. He had nearly 10 years working at the Ministry of Finance. From June 2005 to August 2010, he was Head of Consultancy Department and then Deputy CEO of Bao Viet Securities Company. From November 2010 to December 2011, he was CEO of Viet Thanh Finance Investment Company, Director of Vinafins Investment and Technology Joint Stock Company, Director of SCIC Investment Company. He was an independent member of VPBank's Board Member of VPBank for the 2012-2015 term. In April 2017, he was elected Head of Supervisory Board of VPBank.



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

Ms. Bich Thuy obtained a Bachelor's degree in Accounting at National Economics University in Vietnam in 1994 and 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. Ms. TRINH THI THANH HANG
Member of the Supervisory Board

Ms. Hang earned a Master's degree in Finance and Banking. She held the posts of Head Office IT Officer and Finance & Accounting Officer at Military Joint Stock Commercial Bank from 1999 to 2010. From 2010 to 2015, she was a Supervisory Board member and senior expert of Internal Audit Division at VPBank. From 2015 to April 2017, she was Full-time Controller of VPBank Asset Management Company (VPBank AMC). By the end of April 2017, she was elected full-time member of the VPBank's Supervisory Board.

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 Chief Executive Officer, Chief Executive Officer cum member of Board of Directors, Vice Chairman of Board of Directors of Vietnam Technological and Commercial Joint Stock Bank (Techcombank). Since July 2012, Mr. Vinh has been the CEO of VPBank and was elected a member of the Board of Directors in April 2013.



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 Compliance, 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.



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.

MEMBERS OF THE BOARD OF MANAGEMENT



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 Raiffeisenbank Aval. He was national CRO for Hypo-Alpe-Adria Bank in Bosnia and Herzegovina before taking the position of Head of Risk Management Division (CRO) at VPBank in January 2015.



5. Mr. IGOR MUSHAKOV

Head of Information Technology Division

Mr. Igor Mushakov, Russian nationality, 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 – Russian leading state-owned bank, business consultant for Eastern Europe and Africa at IBM Group – Russian branch, 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.



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. Before taking the position of Executive Vice President and Head of Commercial Banking for six years at Alliance Bank (Malaysia), he held senior management positions at Standard Chartered Bank in Malaysia, including Head of International Settlements, Head of Corporate Banking, and Head of SME Division. He joined VPBank in April 2013 as Head of Small and Medium Enterprises (SME) Banking Division. In October 2014 he was appointed VPBank's Deputy CEO cum Head of SME Banking Division.

MEMBERS OF THE BOARD OF MANAGEMENT



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

Having earned a Bachelor's degree in India and a MBA from the Sloan School of Management at the Massachusetts Institute of Technology (USA), Mr. Sandeep Deobhakta 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.



8. Mr. KIRAN BABU KOSARAJU
Deputy CEO
Head of Household Banking Division

With a cumulative experience of over 25 years of which more than 17 years of experience in the field of banking and financial services, Mr. Kiran has worked in various industry segments specifically in sales, marketing and business management in Corporate, SME and Retail Banking at management levels. Prior to joining VPBank, Mr Kiran was Vice President in Citibank India; and one of founders and senior management of Fullerton India – owned by Temasek where he was successful at planning and implementation of initiatives in the Mass Market Credit across India. His most recent job was Country Head of Firstsource Solutions in the Philippines – a company specialized in providing global business process management to the banking and financial services industry. Mr Kiran joined VP Bank in May 2014 to develop the Household business. In Jul 2015, Mr Kiran was officially appointed to the Head of Household Banking Division of VPBank. In November 2017, he was appointed to the DCEO of VPBank cum Head of Household Banking Division.



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, Deputy CEO cum Head of Hanoi Business Center, Deputy CEO cum Head of Retail Banking Division and SME Banking Division, and Deputy CEO cum 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 new Corporate and Investment Banking Division in November 2015, she was appointed its Head.

MEMBERS OF THE BOARD OF MANAGEMENT



10. Mr. PHAM PHU KHOI
Deputy CEO
Head of Financial Market 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 cum member of the Board of Directors at ACB Securities Co., Ltd., (ACBS). Since July 2015, he has worked as Deputy CEO cum Head of Financial Market Division of VPBank.



11. Mr. DINH VAN NHO
Head of Commercial Banking
Division

Mr. Nho obtained a Bachelor's degree in International Economics from Hanoi Foreign Trade University, 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. Joining VPBank in 2013, he has held several important positions, including Head of Northern CMB Center and Deputy Division Head of CMB cum Head of CMB Center. In January 2017, he was appointed Head of CMB Division.



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. After 17 years 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 held the position for two years. He was appointed Head of the Digital Banking Services Division in January 2016.

MEMBERS OF THE BOARD OF MANAGEMENT



13. Mr. SHAMEEK BHARGAVA
Head of VPDirect Division

Mr. Shameek Bhargava has over 22 years of experience in different fields of banking industry, including digital banking, electronic payment, credit and debit cards, electronic banking, asset management and risk management. Before joining VPBank as Head of VPDirect Division, he held the post of Managing Director and Country Head at DBS Bank India, where he established the first digital paperless bank. Prior to that, he worked at Deutsche Bank as Managing Director of Cards APAC and at ANZ Grindlays India.



14. Ms. VO HANG PHUONG
Head of Financial Institution and Transaction Banking Center

Ms. Hang Phuong graduated from Hanoi University and Hanoi Foreign Trade University, and earned a 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 Financial Institution, Foreign Exchange Trading, Corporate Credit, Credit Approval, and Risk Management at local and international banks including Vietcombank, Standard Chartered Bank, HSBC Bank, and ANZ. She has been working at VPBank since June 2014 and is now Head of Financial Institution and Transaction Banking Center.



15. Mr. NGUYEN THANH BINH
Deputy CEO,
Head of Credit Division

Mr. Binh served in the Viet Nam's People's Army from 1985 to 1988 before earning a Bachelor's degree in Finance and Banking from National Economics University, and completing a postgraduate training course in Public Policies under 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 before being appointed as Deputy CEO in 2002. He is now Deputy CEO cum Head of Credit Division.

MEMBERS OF THE BOARD OF MANAGEMENT



16. Mr. PHAN NGOC HOA
Deputy CEO,
Head of Southern
Representative Office

Obtaining a MBA for senior executives from University of Economics in Ho Chi Minh City, Mr. Hoa joined VPBank in 2004. He has held various senior managerial positions at VPBank's HCMC and Saigon branches, as well as Deputy CEO, Deputy CEO cum Deputy Head of Sales and Distribution Division. He is now Deputy CEO cum Head of Southern Representative Office.



17. 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 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.



18. Ms. TRAN THI DIEP ANH
Head of Human Resources
Management Division

Ms. Diep Anh graduated from Economics Faculty of University of Transport and Communications and earned a Bachelor's degree from Hanoi University. She has over 17 years of experience in human resources management in several well-known organizations and enterprises. In 1997, she started her career at Cargill Viet Nam - a subsidiary of US-based Cargill Corporation, and was appointed Human Resources Director. Ms. Diep Anh held the position of Human Resources Manager at Techcombank from 2011 until 2014 when she moved to Carlsberg Vietnam as Human Resources Manager. She started working as Head of Human Resources Management Division at VPBank since January 2018.

MEMBERS OF THE BOARD OF MANAGEMENT



19. Ms. LUONG THI HONG HANH
Head of Strategy and Project Management Center

Ms. Hanh obtained a Master's Degree in Psychology at Lomonosov University (Russia) and a Master's Degree in Project Management at London Business School and a Bachelor's Degree in Education from Hanoi National University of Education. From 1999 to 2004, she worked in the field of education at Hanoi University of Labor and Social Affairs and Hanoi National University of Education. In 2004, she took over the position of Supply Chain and Centralized Procurement Manager at Rollton Trading House & Mareven Food CIS in Russia. From September 2009 to 2014, she held the positions of Deputy Head of Transformation Management Department, Head of Corporate Customer Services Center and Project Management Manager at Vietnam International Bank. She started working at VPBank in February 2014 and is currently Head of Strategy and Project Management Center.



20. Mr. TRAN TUAN VIET
Head of Marketing and Communications Center

A graduate of Hanoi Multidisciplinary University, Hanoi Foreign Trade University, and of University of Languages and International Studies under Vietnam National University, Mr. Viet has over 20 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 in multi-sector conglomerates such as FPT and Ocean Group, Chief Executive Officer and Chief Operations Officer 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.



21. 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 (currently Thapar University), and an MBA from Hong Kong University. He worked as a structural design engineer at Punj Lloyd Limited in India for three years. He has been working in the Vietnamese banking industry since 2009 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

Corporate governance is seen a step stone for an enterprise's formation and development. As a participant in the banking sector, honoring the transparency, setting and following governance standards which align to best international practices will be the key driver for VPBank to attain sustainable values, gain confidence of shareholders, domestic and foreign investors, partners and all customers.

In recent years, VPBank has not only focused on business development and growth, but the BOD of the Bank also made great efforts in enhancing the governance capacity and quality to sustain its long-term growth and development values.

I. SHAREHOLDERS

The Annual General Meeting (AGM), which consists of all shareholders, is the highest decision-making body of VPBank. The AGM issues its opinions and decisions at the annual and extraordinary meetings and by ballot. The AGM is an opportunity to help shareholders, at least once a year, to discuss important matters directly with the members of the Board of Directors and the Board of Management and to decide on matters within their competence.

The rights of VPBank's shareholders are fully reflected in the Bank's Charter, which has been published on the website to make it available to all shareholders and investors.

1. The right to attend VPBank's Annual General Meeting

VPBank held the AGM on April 10, 2017. Procedures for meeting invitation, pre-meeting materials and issues related to electing the chairperson, vote counting committee, voting during the AGM, and disclosure of information on the AGM's resolution are implemented by VPBank in accordance with the applicable laws and are supervised by the representative of the State Bank of Viet Nam.

Accordingly, all registered shareholders as of March 30, 2017 have received the information related to the meeting invitation, meeting materials and guidelines related to the registration for attendance or proxy appointment to attend the meeting. All meeting documents have been posted on the Bank's website and on the information disclosure software of the State Securities Commission.

The bank has applied modern information technology to enable shareholders to best monitor the results of eligibility verification and the voting results at the meeting and shorten the implementation time.

During the meeting, the Chair of Presidium responded to questions and comments of VPBank's shareholders under the supervision of the representative of the State Bank of Vietnam and other press agencies, ensuring transparency in information disclosure and a willingness to listen for the Bank's overall development.

2. The right to receive dividends

According to the dividend policy approved by the AGM, VPBank has been paying dividends by stock for many years, aiming to increase its equity and financial capacity to meet the development needs of the Bank. In 2017, VPBank made dividend payments in the form of shares based on 2016 profit equivalent to 31.84% of the shares owned by each shareholder at the time of payment, and bonus shares equivalent to 0.99% of the shares owned by each shareholder from the capital supplementary reserve. Thus, in 2017, VPBank's shareholders received additional shares equivalent to 32.83% of the total owned shares.

VPBank's dividend plans must be submitted to the SBV for approval as a requirement of all companies operating in the banking sector. Therefore, VPBank will not be able to unilaterally determine and inform shareholders the dividend payment date. In 2017, all registered shareholders as of July 24, 2017 received additional shares, distributed automatically by a VPBank's shareholders management software in the complete and fair manners.

3. The right to participate in decision making related to fundamental changes of the Bank

The AGM is the highest governing body of the Bank, performing a decisive critical role, and has significant influence on the most important issues decisions of the Bank:

- Approve VPBank's development direction
- Decide on amendments and supplements to VPBank's Charter
- Decide the number of BOD and Supervisory Board members for each term; appoint, relieve from duty, remove from office, make supplementary election, and replace members of the BOD and Supervisory Board, as and when it may choose
- Determine the total remuneration, bonuses, and other benefits for members of the BOD and Supervisory Board, and their operating budgets
- Decide the types of shares and the total number of shares of each type to be offered for sale or acquisition
- Decide the annual dividends for each type of shares and decide on the issuance of convertible bonds
- Decide on the establishment of subsidiaries
- Approve the capital contribution plan and, the purchase of shares of enterprises or other credit institutions valued at 20% or more of VPBank's charter capital as stated in the most recently latest audited financial statements
- Make decisions on investment, purchase, and sale of VPBank's assets valued at 20% or more of VPBank's charter capital as stated in the latest audited financial statements
- Approve contracts, with a value of 20% or more than 20% of VPBank's charter capital as recorded in the latest audited financial statements, between VPBank and members of the BOD, Supervisory Board, CEO, major shareholders, subsidiaries and affiliates of VPBank, and related persons of the members of the BOD, Supervisory Board, CEO, and major shareholders management, members of the Supervisory Board, major shareholders, subsidiaries, and affiliates of VPBank
- Any other rights and duties as stipulated in the Bank's Charter and applicable laws

4. Equal treatment of shareholders

In 2017, VPBank has two types of shares which are preferred shares and common shares. The shareholders owning preferred shares have no voting right in accordance with the law and the shareholders' agreement. Each common share of the Bank has an equal voting right. The Bank always respects the interests of shareholders and makes significant efforts to provide shareholders with important information about the Bank's development. VPBank always gives shareholders owning common shares equal treatment as reflected in the followings:

- All of them shall receive notifications at the same time, same content and by the means which they have registered. VPBank applies new IT application such as messaging, email, etc. to ensure that shareholders receive complete information.
- VPBank has detailed information and guidelines on the shareholders' right to attend or appoint proxy attendance and voting at the AGM corresponding to the number of shares held.
- VPBank also informs all shareholders entitled to vote on the right to form a group of shareholders owning from 10% and more of the common shares for 6 consecutive months so that they can nominate or stand for election to the BOD and Supervisory Board before the election of the BOD and Supervisory Board for the new term or mid-term supplementary election.
- Shareholders having the voting right are entitled to cumulative voting, which allows minority shareholders to cumulate their shares and elect their representative(s) to participate in the BOD.
- The Bank's Charter allows the AGM to vote by ballot on matters within its competence, except for certain issues which must be voted at the meeting at any time if the BOD deems necessary for the interests of the Bank. Ballot forms and issues are posted on the Bank's website so that any shareholder who does not receive the hard copy of a ballot form can print them out. The duration for such voting by ballot is usually at least 30 days, so that shareholders can study and send back their ballots. The counting of votes shall be conducted in the presence of members of the Supervisory Board and the minutes of vote counting are published on the Bank's website within 24 hours after completion. In 2017, VPBank conducted voting by ballot with shareholders three

times on the proposal to the AGM on the capping the foreign ownership, the election of replacement members of the Supervisory Board and the approval of the plan for converting medium-term loans of the International Finance Corporation (IFC) into shares.

II. INFORMATION DISCLOSURE AND TRANSPARENCY

1. Reporting and information disclosure

Similar to other credit institutions, VPBank follows the reporting and information disclosure requirements applicable to credit institutions stipulated in SBV regulations, the and information disclosure requirements applicable to listed companies stipulated in Ministry of Finance Circular No. 155/2015/ TT-BTC dated October 6, 2015 guiding the information disclosure on securities markets, and the information disclosure regulations of HoSE applicable to securities listed on that exchange stipulated in HoSE Decision No. 340/QĐ-SGDHCM dated August 19, 2016 on information disclosure regulations on HoSE.

The Bank makes and sends directly to the State Bank of Vietnam the following reports: monthly, quarterly, semiannual and annual financial reports; monthly and quarterly reports on share ownership ratios, credit extension to internal shareholders and related persons; reports on organization, governance, management and change of senior executives; reports on operational prudence and reports on other specialized aspects in accordance with monitoring, assessment objectives as requested by the State Bank of Viet Nam (periodic and ad-hoc reports).

The Bank's information is posted on its website, information disclosure software of State Securities Commission, HOSE and other means of media as per regulations. Some of key information to be disclosed includes:

- Financial statements
 - Annual financial statements, including consolidated and stand-alone financial statements audited by an accredited auditing firm and released within 10 days from the date of signing audited reports and within 90 days from the end of the financial year, or
 - Semiannual financial statements including consolidated and stand-alone financial statements reviewed by an accredited auditing firm within 45 days from the end of the first six months of the financial year or maximum 60 days if the State Securities Commission approves the extension of report submission deadline to ensure sufficient time to make consolidated semiannual financial statements.
 - Quarterly financial statements including consolidated and stand-alone financial statements within 20 days from the end of the quarter or maximum 30 days from the end of the quarter if the State Securities Commission approves the extension of report submission deadline to ensure sufficient time to make quarterly consolidated financial statements.
- Annual reports: in addition to posting annual reports on its website, the Bank also publishes such reports to make them available to its big investors, partners and customers. Annual reports are released within 20 days from the date of disclosing audited financial statements and within 120 days from the end of the financial year.
- Corporate governance reports are released every 6 months and within 30 days from the end of the reporting period.
- Other information related to shareholders' rights and obligations is released on a periodic or ad-hoc basis upon occurrence under applicable existing laws.
- Information related to transactions of internal, big shareholders, etc. is also released in accordance with applicable existing laws.

In addition to information that must be disclosed by law, the Bank also actively discloses information on its business strategy and performance in the period to investors. The Bank also provides information on new products, promotion programs and big events that have significant impacts on its operation as well as social, welfare activities on mass media and its website.

The disclosure of information is conducted in compliance with the Bank's internal regulation on information announcement and disclosure and is coordinated by the Marketing and Communications Center and the BOD Office upon approval by the Bank's relevant authorities.

2. Transactions with related parties

According to VPBank's Regulations on Corporate Governance and Organization and operation of the BOD, members of the BOD, the Supervisory Board and the Board of Management and other executives have to disclose their related interests in compliance with Law on Enterprises and other applicable legal documents. The disclosed information on related interests and reports on related persons of members of the Board of Directors, the Supervisory Board and the Board of Management are sent to the BOD Office prior to the start of each year and upon occurrences during the year.

Regulations on transactions with related parties of the Bank are as follows:

- Members of the BOD, the Supervisory Board and the Board of Management are responsible for disclosing to the BOD the transactions between the Bank, its subsidiaries and companies that the Bank takes control of with those members or their related persons under law.
- The Bank complies with regulations on prohibited borrowers under Law on Credit Institutions, as a result, the Bank will not issue loans or guarantees to members of the BOD, the Supervisory Board, Deputy CEOs and related persons as per legal regulations.
- Members of the BOD are not entitled to vote on transactions involving such members or their related persons.
- The Bank restricts transactions with related persons if possible.
- Upon making transactions with related persons, the BOD, the Board of Management/other executives are obliged to ensure the signing of written contracts on the basis of equality and voluntary.

3. VPBank's stakeholders

The rights of the Bank's stakeholders are protected by law or under direct agreements between the Bank and such parties. VPBank always complies with legal regulations and fulfills its commitments in bilateral transactions in a serious manner. Thereby, VPBank:

- Always respect legitimate rights of the Bank's stakeholders including creditors, employees, service users, vendors, community and others.
- Always cooperate actively with its stakeholders by:
 - Sufficiently providing necessary information to customers, partners for their assessment of the Bank's financial and operating performance and decision making.
 - Encouraging its stakeholders to make comments on its business and financial performance as well as important decisions related to their interests via the issuance of Regulation on handling customers' complaints and denunciations in order to better protect customers' interests when they use VPBank's products and services.
 - Disclosing VPBank's anti-corruption policy whose principles will also be used for vendor selection at VPBank.
 - Disclosing the policy which ensures that the Bank also operates for the sake of the environment and society by issuing the Regulation on environmental and social policy which has been implemented since early 2017.
 - Providing contact information on the Bank's website and in annual reports (including phone number and email address) so that stakeholders can contact to complaint about possible violations against them: specifically customers and stakeholders can contact via 1900545415/02439288880 phone numbers or email address at chamsockhachhang@vpbank.com.vn; ir@vpbank.com.vn
- With regard to employees: the Bank has developed policies and made efforts to raise employees' productivity by adopting an appropriate and flexible organizational structure to best support its business and service models as well deploying human resources management and operation systems such as hiring, compensation, training and development systems in close association with performance of every employee and unit across the Bank. VPBank also focuses on enhancing staff's engagement through the adoption of compensation and short-term/long-term bonus policies in alignment with the Bank's performance; staff health, safety, welfare and training/development policies by deploying the following systems:
 - Performance Management System (PMS). Every employee has a clear understanding of their tasks and targets (KPI) in each period, how to link them with targets of their unit, other units and the Bank as a whole. PMS allows managers to manage, deliver training, revise and make fair assessments on staff performance. Such assessments will be a key factor to decide the compensation level of each employee as well as creating transparency and consistency across the system.

- The overall performance-based compensation system of VPBank consists of different elements: cash (salary based on job nature and short-term/long-term contribution), non-cash welfare (health care, annual leave, travel & meal allowance) and competency-based training policies in order to encourage staff to perform more effectively and become more committed to the Bank.
- Additionally, VPBank is among pioneering joint stock commercial banks that adopt advanced HR systems such as job model/family; core competency framework, mentoring programs in order to create a professional working environment and efficiency-driven corporate culture which not only attracts but also retains and develops talents who are committed to the Bank's development.

III. THE BOARD OF DIRECTORS (BOD)

1. The BOD's structure

VPBank's BOD consists of 5 members including 01 independent member, 01 executive member cum CEO. The term of the BOD is 5 years; the current term started in 2015 and will end by 2020.

The BOD members of VPBank fully meet requirements on eligibility, competency and experience in accordance with regulations of the SBV and VPBank. The existing BOD members have multiple years of experience in banking management and governance as well as in-depth understanding of their functions, tasks, rights and obligations.

The BOD members also comply with the regulation on not concurrently holding multiple offices under law:

- The BOD Chairman is not concurrently an executive of the Bank, other credit institutions and enterprises.
- Members of the BOD are not currently members of the Bank's Supervisory Board and managers in other credit institutions.

VPBank's BOD members include:

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

2. Roles and responsibility of the BOD

- The key roles and responsibilities of the BOD are clearly defined and stated in the Bank's governance documents such the Charter, Regulation on organization and operation of the BOD. They are: the BOD and its members take the leadership role in developing the Bank's strategic directions, monitoring and tracking strategy implementation, reviewing and approving key annual operation, budget and business plans and monitoring activities of the Board of Management.
- Set directions and effectively monitor corporate governance activities.
- Take responsibility for the Bank's business performance and value before shareholders and stakeholders.
- Ensure transparency in the process for nominating and voting on BOD members.
- Ensure integrity of audit and financial reports
- Set ethics standards and corporate culture. VPBank also issued an Internal Code of Ethics and widely applies it to all BOD members, senior executives and employees.

3. Independent BOD member

The criteria of an independent BOD member are defined in the Bank's Charter as follows:

- Meet requirements and conditions for being a BOD member in terms of civil capacity, professional ethics, non-concurrent holding of multiple positions, and competence and working experience in accordance with applicable regulations.
- An independent BOD member must also meet the additional criteria and conditions, specifically:
 - a. Neither currently working for VPBank or its subsidiary nor having worked for VPBank or its subsidiary at any time in the 3 preceding years;
 - b. Not enjoying regular salaries or pays from the Bank other than allowances for a BOD member under regulation;
 - c. Having no spouse, biological/adopted parents, biological/adopted child, biological/by-law brothers or sisters being major shareholders of VPBank, managers or Supervisory Board members of VPBank or its subsidiary;
 - d. Not being a manager or a Supervisory Board member of VPBank at any time in the 5 preceding years.
 - e. Neither directly nor indirectly owning or representing ownership of 1% or more of the charter capital or voting share capital of VPBank.
 - f. Together with his/her related persons not owning 5% or more of the charter capital or voting share capital of VPBank;

The independent BOD member of the Bank is also a member of Risk Management Committee but doesn't hold any other management positions at the Bank.

4. The BOD's activities in 2017

Holding periodic meetings and voting by ballot:

The work plan of the BOD and task assignment among its members are made annually and prior to the financial year so that all the members can actively arrange their own schedules and best involve themselves in the activities of the BOD. Invitations to BOD meetings and meeting documents are also sent to all members, a minimum of 10 days in advance for invitations and five days in advance for documents.

The number of members attending each meeting must represent at least 75% of total members as per the Bank's Charter. Normally, all BOD members attended the Bank's BOD meetings.

The role of the BOD Chairman and members are stated in the Charter and Regulation on Organization and Operation of the BOD approved by the AGM.

In 2017, the BOD organized four quarterly meetings and voted by ballot on proposals of the BOD Chairman, the Board of Management, Committees, and Councils. The following resolutions were passed by the BOD:

Resolutions executed by the AGM and other tasks authorized by the AGM:

- Executed resolutions of the AGM such as conducting procedures to raise charter capital by paying out 2016 share dividends and increasing charter capital from reserve funds for supplementing charter capital.
- Conducted procedures to list shares on HoSE.
- Identified investors and conducted a private placement to increase the Bank's charter capital.
- Made decisions on changing the ownership stake of foreign investors in line with extant realities and the direction of the Bank as per the AGM's authorization.
- Acted in the role of owner of the Bank's subsidiaries; approved audited financial statements and business results; and approved decisions on raising the charter capital of VPBank Finance Company Limited (VPBFC) and decisions as owner on approving changes in the contents of the Charter and registered businesses of VPBFC.

Made approval for 2017 business directions, plans and budget and decisions on big investments and procurement as per authorization.

- Approved the 2017 financial and business plan, budget plans of units and key projects.
- Approved reports and documents presented to and for approval by AGM in April, 2017.
- Approved periodic reports of the Board of Management, directions, policies of the Bank on a monthly, quarterly and semiannually basis and specialized reports of the Bank's key operations in each period.

- Approved business results in the first and second half of 2017 without changing the business plan set at the year beginning. Requested CEO to focus on TOI growth solutions, review processes and evaluate systems to control, optimize costs and manage provision costs to reach the 2017 profit target.
- Approved proposals for asset sale/purchase, credit extension, investment and projects/units' budget which exceeded approval limits of the Bank's councils and committees.
- Reviewed proposals of the Risk Management Division and other business divisions and approved deposit limits of the Bank's subsidiaries.
- Approved some proposals of the Board of Management regarding the implementation of big projects to modernize the data base system for the Bank.
- Approved VPBFC's restructuring plan in association with NPL settlement by 2020

Made approval for adjusted directions, policies, organizational structure in alignment with the Bank's business and risk management state.

- Agreed to adjust/newly issue regulations and policies as per proposals of the Bank's functions or based on results of policy consulting projects, including: Regulation on card issuance and payment; Regulation on staff home loan; Regulation project management; Regulation on method for determining and applying cost of capital; Regulation on business allowance; Regulation on debt sale and purchase between VPBank and VAMC; Policy on granting transaction limits to financial institutions; Regulation on risk appetite framework; Decision on 2018 risk appetite statement; Regulation on issuing internal documents of VPBank; Decision on amending and supplementing Regulation on approving the resolution of problematic debts; Regulation on risk management and credit approval at CommCredit division; Regulation on banking development, change and control and forecast making on SAP system; Decision on amending and supplementing lending regulation of VPBank; Regulation on service and product procurement at VPBank, etc.
- Newly established/changed personnel structure of some units in the Bank as per consultation of Human Resources Committee: established new Micro SME direct sales channel at SME division; Restructured Retail Banking Division (Assets Partnership Center); established VPDirect Division; restructured CommCredit Division (optimize segmentation for business units); Restructured CIB Division; established Digital Factory under Digital Banking Division; Issued Regulation on organization and structure of Legal and Compliance Division (add Environment and Social Department under Compliance Inspection and Control Center); Restructured VPBank AMC (established Credit Card Loan Handling Department under Retail Loan Handling Center).
- Approved actual provisions in the year for products, segments, etc. in line with approved provisioning methodology and actual asset quality.
- Approved the direction on restarting the transformation project/program, review personnel of units to enhance work efficiency.
- Continued to focus on discipline tightening programs to increase discipline compliance across the system; developed legal framework, KPI/salary/bonus evaluation criteria in association with compliance for branch managers/unit heads.

5. Supervisory activities of the BOD over CEO:

In addition to guiding the activities of the Board of Management, the BOD also supervised the activities of the CEO and Board of Management through management channel and control points, specifically:

- Attended 12 periodic executive committee meetings of the Board of Management.
- Supervised the Bank's activities through daily, weekly, monthly, and quarterly business performance reports and other reports or proposals arising from the Board of Management.
- Supervised and approved the resolution of issues noted in reports on activities of units from the Supervisory Board and Internal Audit. Internal Audit issued 70 field audit reports and 10 remote supervision and control reports in 2017; the BOD also supervised the Bank's activities through 12 compliance control reports.
- The BOD also supervised the CEO by attending meetings and reviewing the reports and resolutions of Councils and Committees under the BOD in each specialized operational area (assets/liabilities management, credit, risk, HR, etc.).
- Through the Human Resources Committee, the BOD also reviewed the annual performance of the CEO and key

executives of the Bank by evaluating their performance on PMS and conducting 360 degree surveys, which are a useful tool to receive varied feedback on the performance and competence of the management team. The BOD also reviewed and evaluated the Bank's internal structure regularly to ensure clarity in scope of work and the responsibilities of each manager and management level.

6. General assessment on the BOD's performance

Task assignment was conducted by the BOD with its members which aimed to leverage the strengths of each member and ensure that all members monitored their assigned tasks closely.

Members of the BOD also had regular discussions and updates with other members and evaluated the performance of each member regarding their assignments.

The BOD expended significant effort to strengthen corporate governance capabilities regarding information transparency, in line with legal regulations applicable to listed companies, and actively provided information to shareholders and investors on a regular basis.

The BOD also frequently updated and added to corporate governance regulations based on best practices and new legal regulations in the banking industry through updated reports from consulting units, corporate secretaries, and meetings on corporate governance with International Finance Corporation.

7. BOD's assessment on the Bank's general performance in 2017

2017 was the last year of the first five-year strategic transformation plan of VPBank. Although the Bank could have done better in some aspects, VPBank achieved the targets it set, including becoming one of the top five joint stock commercial banks in terms of customer loans and deposits and one of the top three retail banks in terms of loans, deposits, and number of customers.

These achievements were the result of an ambitious development strategy initiated by the BOD, combined with the determination and dedication of the CEO, Board of Management, and all staff. Business models and products which were proposed and implemented, in parallel with the execution of the process and customer experience digitalization project, contributed to the positive results in 2017 and created a growth momentum for the Bank in future years. 2017 also marked an important milestone in the development of VPBank when its shares were listed, and the Bank is committed to information transparency with the goal of becoming a top professional financial institution in Vietnam.

Although some of the 2017 financial targets were not fully achieved as planned, VPBank essentially met the targets in the five-year strategy. Its total assets reached VND 277,752 billion, fulfilling 99% of the target, up 21% year-on-year and doubling between 2012 and the end of 2017. Credit balance, including corporate bonds, increased to about VND 197,000 billion, up 23.9% year-on-year and fulfilling 98.9% of the target. The NPL ratio was below 3%. Customer deposits, including valuable papers, reached VND 199,000 billion, up 16% year-on-year and fulfilling 88% of the target. However, the most encouraging result was business efficiency, represented by profit before tax of VND 8,130 billion, which was much higher than the full-year target and 8.6 times that of 2012.

Given these results in 2017, the BOD highly appreciates the efforts of the CEO, the Board of Management, and all the staff of the Bank in realizing the action plans to achieve the challenging targets assigned by the BOD and the AGM. Scale targets were 92%–99% fulfilled, in addition to the fine-tuning of product structures and improved asset quality. As a result, total operating income and profit increased impressively and exceeded their targets by 20%. Besides financial achievements, the CEO and the Board of Management also effectively implemented the BOD's directions on business expansion and competitiveness improvement through the execution of product and service digitalization projects and the development of ecosystems to provide offerings to customers more effectively.

IV. ACTIVITIES OF COUNCILS AND COMMITTEES UNDER THE BOARD OF DIRECTORS (RISK MANAGEMENT COMMITTEE, HUMAN RESOURCES COMMITTEE, INVESTMENT COUNCIL) AND OTHER SUB-COMMITTEES UNDER THE BOARD OF MANAGEMENT

1. HR Committee

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

The HR Committee also advises and counsels the Board in HR management issues, and acts on behalf of the BOD to make decisions within the scope of the BOD's authorization; makes assessment and proposal on the annual HR budget, makes decision within its mandates on senior executives, other decisions on policies and benefits to staff, training projects, HR strategy, staff performance appraisal procedures, recruitment .etc.; make decisions on stock distribution plan for the Bank's employees.

The HR Committee includes:

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

The Committee held 12 monthly meetings in 2017 to consider and approve HR Division Action Plan and regularly assessed HR indicators of the Bank and of subsidiaries and provided timely instructions. In 2017, the Committee reviewed and approved the hiring, appointing, removal of and adjusting salary for over 1,600 managers. In parallel with execution of staff incentive, remuneration and engagement policies, HR Committee also paid attention to tightening working disciplines, raising the bank-wide compliance. Accordingly, the Committee handled 1,134 violation cases and made 691 disciplinary or corrective decisions, ranging from notification, warning, demoting to dismissal and issued regulation on accountability of violators' line manager. These actions helped to raise awareness of each individual as well as their line manager, therefor enhance the compliance in the Bank.

In order to optimize the organization, the HR Committee advised the BOD on the following issues: re-engineering MarCom organizational structure, establishment of Quality control department under the Risk Management, Investor Relation Department under the Finance Division, a supporting team under the Legal and Compliance Division to handle cases having criminal signs, Card & UPL Centre and the Affluent Banking Centre under the Retail Banking Division, update the organizational structure and operational mechanism for IT and CommCredit Divisions. The Committee also advised the BOD on appointment of 1 additional deputy CEO, making the Board of CEO from 8 to 9 (CEO and 8 deputy CEOs).

The Board frequently provided instructions to increase productivity, stabilizing attrition rate, talent development and meeting the hiring needs from different functions. To constantly enhance the salary and benefits scheme of VPBank to retain its competitiveness in the market, the Committee advised the BOD on an Employee Stock Ownership Plan to be submitted to the upcoming 2018 AGM, approving 2017 variable bonus and assigning 2018 KPIs to CEO and Head of Divisions.

To ensure compliance with applicable legal frameworks, the HR Committee approved a new social insurance contribution scheme to align with the amended Labor Code, altered the staff income scheme to comply with new minimum salary regulations effective from January 1, 2018, and reviewed and amended labor contracts to conform to new regulations.

2. Risk Management Committee (RMC)

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 analyses and provides warnings regarding the safety of VPBank against potential risks, and recommends preventive measures; analyses and decides the general risk level of the Bank; sets risk appetite and risk acceptance level for both functional areas and the bank as a whole; and supervises the execution of this policy within the Bank. RMC takes responsibility for reviewing and deciding changes in the Bank's risk management structure to meet the risk management requirements of regulatory agencies, and disseminates knowledge and a culture of risk management throughout the Bank. The Committee organizes regular meetings once or twice a quarter, or as issues arise that fall under the jurisdiction of the Committee.

Members of the Committee are:

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

In 2017, RMC held 3 periodical meetings in March, May and October. It reviewed and discussed based on risk reports analysed by the RMD, and provided instructions to related functions to make necessary adjustment, enhancement the monitoring of areas with critical risks exposure.

RMC also agreed to request the Finance to cooperate with RMD and business functions to revisit the single account profitability (SAP) in association with risk cost of some key products under RB, HHB.

RMC assessed the critical impacts of operational risks and frauds in the bank and assigned the RMD to i) cooperate with Legal and Compliance Division, HR Division to conduct detail assessments of risks associated with operation and information, developing the risk monitoring regulations, applying disciplinary actions on collaborators; ii) cooperate with business units to assess the risks and benefits of outsourcing debt collection per each buckets; iii) developing and delivering training on fraud prevention for staff working on credit extension; iv) regularly assess risk exposed to large outstanding loans and report to the BOD and Credit Council.

RMC supported a policy which requires functional units to thoroughly analyse critical risks of each business segment, associating such risks with required capabilities and resources in order to minimize frauds originated internally and by staff attrition.

RMC instructed the RMD to cooperate with other functions to build and execute measures to increase late collection efficiency; finalise the methodology to define and calculate the industries' limit to align with SBV's new regulations as well as to align with prudential limits of major partners of the Bank.

RMC agreed that the RMD should be more focus on analyzing the financial fraud trend, classifying frauds by types and processes to trigger the investigation accordingly, and to propose KPIs for each of such types or processes. RMD, base on these basis, shall report to the RMC the actual status, trend and propose solutions, including building detail action plan to enhance management capability on operational risks; building policies and systems to ensure information security and other critical risks exposed to the bank at different stages; prepare a proposed methodology to include KRI into the 2018 KPIs of Division's Heads.

RMC agreed to request the RMD to report on the action plan on information security; analyse risks exposed to SME Banking; analyse and compare target vs actual collection performance between VPBank and AMC so that proper risk management plans will be prepared accordingly.

RMC agreed on 2018 risk appetite and proposed a risk management framework for the BOD's approval.

RMC also developed its new organizational and operation scheme in September 2017 toward improving the Committee's power in reviewing and approving risk limits as well as in developing internal regulations.

3. Assets and Liabilities 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 SBV's requirements, external partners and rating agencies as well as with the Bank's internal governance objectives and business strategy; controls liquidity, 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 owners equity efficiency ratios and the sustainable growth of the Bank.

In 2017, ALCO held twelve monthly meetings, as well as other weekly and ad-hoc meetings as needed, to discuss and decide issues regarding balance sheet optimization, efficiency, and financial 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 2017, the Bank's balance sheet was restructured for increased efficiency and prudence, both in assets and liabilities. From time to time, ALCO made recommendations to the BOD, 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. Examples:

- Developed detailed funding and owners's equity plans for 2017 and projection until 2020. Accordingly, VPBank successfully raised 6,000 bils in owners's equity and issued a large volume of valuable papers to increase medium and long-term funds for the Bank.
- Proposed to the BOD the amended operating model of ALCO and defined the governance model for the Bank's owners' equity, making it closer to the best international practices and the implementation of the Bank's strategic objectives;
- Proposed to the BOD to review and approve policies on capital management, regulations on methodology and detail to calculate the cost of owners' equity. Analysed the risk-weighted profitability of assets by Divisions, product lines, customer segments to establish an optimal capital allocation plan, optimize the balance sheet and improve the Bank's 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 which may have impacts on CAR; set priorities for the lending activities of the Bank's core divisions, i.e. Retail Banking, CommCredit and SME, reviewed and selected loans with low risk ratios and high profitability and collected ineffective loans .etc.;
- Closely tracked the Bank's financial prudential ratios, including short term liquidity ratio and other mid to long term ratios, such as solvency, loan-to-deposit ratio (LDR), short term deposits used to fund middle to long term credit ratio to ensure the balance, prudence and effectiveness for both liabilities and assets. Conducted scenarios analysis on the FX market through the end of 2017 and projection for 2018, 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.

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:

- Chair: being member of the BOD
- Permanent members: CEO, Head of the Risk Management, Head of the Operations, Head of the Supervisory Board, Chief Internal Auditor, Head of the Finance, Head of IT, Head of Operational Risk Centre, and Head of Operation Risk Department.
- Non-permanent members: Hear of HR, Head of Legal and Compliance and Head of other business Divisions.

The Committee held meetings to discuss operational risks arising during the year and approved issues regarding the orientation of the Bank's operational risk management in 2017 as follows:

- Required related functions to collect, analysis, discuss and reach consensus on solutions to issues, events related to operational risks; monitored the implementation of those solutions. Required each function to take responsibility in handling the operational risks, minimizing losses, investigating the root causes and solutions to thoroughly resolve them.
- Required units to continuously develop operational risk management system via monitoring and controlling key risk parameters.
- Agreed on the significance of training on operational risk in the bank-wide system, raising awareness on operational risk, require the Risk Management, Operations and MarCom to organize a separate communication channel to raise awareness of staff on operation risks.
- Required Operational Risk Centre and related Divisions to closely cooperate to develop and evaluate the effectiveness of the check-points in the processes and conduct the processes optimization.
- Required RMD to update business continuity management scenario when necessary, boost the communication on the impacts and conduct an emergency evacuation plan; periodically update systems/software/apps for related units to ensure readiness in backup data. The Committee also approved a plan for building and testing the business continuity plan at the Bank's branches.
- Approved the strategy and policy on fraud prevention in 2018, the structure of the Fraud Investigation and Prevention Department and the allocation of necessary resources for implementation.
- Defined the significance of and enhanced the information security with support of external resources.

5. Executive Committee (EXCO)

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; 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.

Members of the Committee consist of the BOD Chairman and other BOD members as determined by the BOD Chairman; the CEO; BOM members; Division heads; and center heads who directly reporting to the CEO. The CEO is Chair of the Executive Committee.

In 2017, 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 2016 against targets; discussed achievements, areas for improvement, difficulties and challenges;
- Disseminated the directions and action plan for 2017; proposed initiatives to improve performance by each Division/Centre as well as to promote the innovation during 2017;
- Worked with the consultant to reviewed the existing five-year strategy and develop the new five-year strategy 2018-2022;
- Focused on digitizing the Bank projects: boosting the digital services for traditional banking services, digitizing a number of products, journeys e.g. credit cards, unsecured personal loan, VPDirect, loan origination system, and other projects in partnership with external partners;

- Identified priority business activities by the month and quarter. In particular, assessed actual business growth and gave instructions as required, enhanced analytical capability for more efficient business performance, especially in risk analysis and set risk limits based on international standards;
- Gave instructions on other key projects, such as Banca, affluent banking, supporting local start-up community via a partnership with UP, sponsoring a start-up contest .etc.;
- Enhanced the business support systems: upgrading core system T24, finalizing personnel structure for key projects, restructuring the training platform, improving staff benefits, improving customer service quality;
- Gave instruction on mid-year budget plan adjustment and 2018 budget planning, reviewed 2017 action plans and those for 2018; disseminated the 2018 business orientation after BOD's approval, requested the Bank's functions to develop their plan of key actions for 2018.

6. Credit Council

The Council reviews and approves credit applications for customers; considers restructuring loans as proposed by functional departments; recommends to the BOD adjustment of credit policies in accordance with actual conditions and handles other 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 of BOD members, CEO, Head of the Credit Division, Head of the Risk Management Division, and discretionary other high-level Bank credit approvers.

In 2017, the high-level Council held 104 meetings; reviewed more than 1,082 applications, of which they discussed and issued 1,024 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 are exceptional to VPBank's regulations. The Northern and Southern Credit Councils held meetings on a daily basis and reviewed 2,291 credit applications, of which more than 2,000 were approved.

In 2017, Credit Council proposed and advised the BOD to approve some amendments to the statute on the organization and operations of the Credit Council and regulation on credit approval as appropriate.

V. SUPERVISORY BOARD

1. Structure and functionalities of the Supervisory Board

The Supervisory Board has three members, two of whom are full-time. All members have financial and accounting background and required qualifications in accordance with applicable laws and VPBank's regulations. On behalf of the AGM, the Supervisory Board monitors the BOD's activities and concurrently plays the role of the Audit Committee in line 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 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 AGM 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.

Members of VPBank's Supervisory Board:

No.	Full name	Position	Date of birth	Voting shares at VPBank		Other stocks issued by VPBank	
				amount	rate	type	amount
1	Ngo Phuong Chi	Head of Supervisory Board	15/10/1970	0	0	0	0
2	Nguyen Thi Bich Thuy	Full-time member	09/07/1973	0	0	0	0
3	Trinh Thi Thanh Hang	Member	05/11/1976	0	0	0	0

2. Activities of the Supervisory Board:

Hold meetings and assign tasks to each member of the Supervisory Board:

The Supervisory Board holds periodic and extraordinary meetings to assign tasks to its members in accordance with the regulations, on the basis of developing their capabilities and qualifications. All members fulfilled their assigned tasks in 2017.

The Supervisory Board regularly conducts internal meetings to discuss and handle issues in accordance with the applicable laws and VPBank's regulations, gives directions to the Internal Audit Division to monitor the Bank's performance during the auditing sessions. The Board conducted 9 meetings in 2017 to evaluate, review and give directions to the Internal Audit Division according to the action plan approved at the beginning of the year, and to conduct the following tasks:

- Elect members of the Supervisory Board for the term 2015-2020 (for the period commencing from April 2017);
- Assign tasks to each member of the Supervisory Board;
- Approve VPBank's draft Internal Control System Review during the first half of 2017.
- Approve VPBank's draft prospectus for listing on HoSE;
- Give directions to the internal audit activities after listing;
- Approve the draft appraisal report on the consolidated financial statements of 2016 and the first half of 2017;
- Adopt the internal regulations on the organization and operation of the Supervisory Board;
- Approve adjustments to the quarterly audit plans (if any);
- Approve the Supervisory Board's directions on internal audit plan in 2018;
- Review the Supervisory Board's activities in 2017, its orientation in 2018 and some key guidelines for internal audit in 2018.

Monitor the Bank's governance through attending external meetings:

Members of the Supervisory Board also attended key meetings of the BOD, Risk Management Committee, Assets/Liabilities Management Committee, and the BOM, etc. to discuss strategy-oriented information, business plans, and the Bank's financial and credit status, in order to consolidate auditing directions and monitor the Internal Audit Division's operations.

The Board monitored the Bank's governance by sending its members to attend the aforementioned meetings of the BOD, BOM and Committees. To monitor the Bank's operations, the Board sent its members to attend most of monthly meetings between 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 with the aim of mitigating risks and ensuring safe and robust operations of the Bank.

The Supervisory Board is responsible for directly appointing/relieving from duty the Head of Internal Audit Division and giving directions to the Division in implementing its assigned tasks as follows:

- Internal audit sessions:
 - The total number of auditing sessions according to the approved plan is 92 (80 field sessions and 12 remote ones).
 - The auditing plan was revised on the basis of the Bank's actual operations. According to the revised plan, the total number of auditing sessions in 2017 is 87 (78 field sessions and 9 remote ones).
 - The Internal Audit Division conducted 87 auditing sessions, including 78 field sessions and 9 remote ones (official reports of 70 sessions were issued in 2017, the remaining ones will be released at the beginning of 2018).
 - Conducted auditing sessions from multiple angles, covering unit-related topics and thematic ones, aiming at overseeing the major risks of the bank's core functions.

- Made systematic recommendations with the aim of improving the validity and effectiveness of the internal control system, preventing and mitigating risks to the Bank.
- Post-audit remedial action monitoring:
 - Internal Audit Division and the BOM jointly monitored the implementation of recommended remedial actions, ensuring that the audit findings were handled in a timely manner. Some remedial actions which had not been completed within the deadline because of objective reasons were closely monitored and reported to the CEO, Supervisory Board and BOD on a monthly basis.
 - In addition, Internal Audit Division made periodic reports to the SBV on recommendations and progress of remedial actions in accordance with the regulations.

Periodic update, amendment and revision of legal documents:

- Reviewed documents related to the Supervisory Board's operations to make necessary amendments, supplementations and updates in line with new applicable law as well as the Bank's actual operations.
- Issued document number 74/2017/QD-BKS dated 31 October 2017 on internal regulations of VPBank's Supervisory Board.

Other tasks:

- Appraised the Bank's first-half and full-year financial statements of 2017;
- Informed the BOD and CEO on the evaluation of the Bank's Internal Control System in the first half of 2017;
- Hired and provided trainings for internal auditors on auditing skills and ethical conducts.

VI. REMUNERATION FOR THE BOD AND THE SUPERVISORY BOARD

The policy on remuneration, being up to 1% of annual consolidated profit before tax for the BOD and Supervisory Board, was approved by the AGM. Given a rapid improvement in business results, together with the unchanged number of members of the BOD and Supervisory Board and the small increase in annual remuneration, the actual utilization of the remuneration budget was below the limit approved by the AGM.

The principles for determining the remuneration of members of the BOD and Supervisory Board are considered by the BOD and agreed on with each member every month. The remuneration includes fixed pay to each position and assignment pay when members participate in Councils and Committees under the BOD or Supervisory Board. The BOD members do not receive performance bonuses or any other type of bonuses.

In 2017, total actual remuneration for members of the BOD and Supervisory Board was nearly VND 11 billion. Other benefits and allowances for the BOD and Supervisory Board include hospitality, transportation, healthcare insurance, and regular health check-ups, and are provided in line with VPBank's internal regulations on expenditure in each period. Total expenditure for those items was about VND 7 billion in 2017.

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

1. Shares:

As of December 31, 2017, the Bank had 6,297 shareholders and 1,570,623,015 shares, equivalent to the charter capital of VND15,706,230,150,000 (15 thousand seven hundred and six billion two hundred thirty million one hundred fifty thousand dong).

Individual shareholders account for the majority in terms of share number and stake. VPBank also has 87 foreign institutional shareholders who own 22.387% which is also the foreign shareholder cap announced by VPBank's AGM.

	No. of shareholders	Percentage of total shareholders	Total shares	Percentage of shares owned/Total shares
DOMESTIC	6,210	98.618%	1,219,145,864	77.622%
Individual	6,135	97.427%	893,595,331	56.894%
Institution	75	1.191%	325,550,533	20.727%
FOREIGN	87	1.382%	351,477,151	22.378%
Individual	0	0.000%	-	0.000%
Institution	87	1.382%	351,477,151	22.378%
TOTAL	6,297	100%	1,570,623,015	100%

VPBank's shares comprise common and preferred, of which preferred shares account for 4.66% of total shares. VPBank has no treasury shares.

VPBank has no major shareholders – those owning 5% or more of total voting shares. Internal shareholders of VPBank are three BOD members who combined own 6.87% of the total shares of the Bank.

No.	Item	No. of shareholders	Shareholder structure		No. of shares	Percentage of shares owned/Total shares
			Institution	Individual		
1	Major shareholders (owning 5% or more of total shares)	0	0	0	0	0
2	The Bank's Labor Union	2	2	0	1,371,182	0.0873%
3	Internal shareholders	3	0	3	107,926,652	6.8716%
4	Treasury shares	0	0	0	0	0
5	Preferred shares	73	5	68	73,219,600	4.6618%
6	Common shares	6,224	162	6,062	1,497,403,415	94.8520%

The restricted transfer shares of VPBank includes shares issued in the private placement in September/2017 with will be locked for one year; shares owned by the BOD, the Supervisory Board and CEO during their time of office as stipulated in clause 1, article 56 of the Law on Credit institutions No. 47/2010/QH11 and the number of shares as voluntarily locked by shareholders as per their agreement with related parties through mortgage, pledge transactions, etc.

No.	Restricted transfer shares	No. of shareholders	No. of shares	Percentage on total shares	Percentage on Total restricted transfer shares
1	Common shares	23	275,368,825	18.3898%	79.1360%
	<i>Private placement in 2017</i>	3	164,714,380	11.0000%	47.3359%
	<i>Internal individuals</i>	3	107,926,652	7.2076%	31.0162%
	<i>Other individuals</i>	20	2,727,787	0.1822%	0.7839%
2	Preferred shares	72	72,600,227	99.1541%	20.8640%
	TOTAL	95	347,969,052		100%

As of December 31, 2017, the information on shares owned by members of BOD, the Supervisory Board and CEO of VPBank were as follows:

No.	Full name	Current position at VPBank	Number of shares	Percentage of shares owned/Total shares
1	Ngo Chi Dzung	BOD Chairman	70,257,132	4.4732%
2	Bui Hai Quan	Vice Chairman	35,781,376	2.2782%
3	Lo Bang Giang	Vice Chairman	1,888,144	0.1202%
4	Nguyen Van Hao	Independent BOD Member	None	None
5	Ngo Phuong Chi	Head of the Supervisory Board	None	None
6	Nguyen Thi Bich Thuy	Member of the Supervisory Board	None	None
7	Trinh Thi Thanh Hang	Dedicated Member of the Supervisory Board	None	None
8	Nguyen Duc Vinh	CEO	None	None
	TOTAL		107,926,652	6.8716%

2. Changes in equity capital (charter capital):

VPBank raised its charter capital in three phases as follows:

Phase 1: Charter capital raised from VND9,181,000,000,000 to VND10,765,453,000,000

Method and source	Amount (VND)	Payout ratio/total common shares
Distributing shares dividends from 2015 retained earnings	1,104,000,000,000	13.07%
Raising equity capital via reserve and fund Including:	480,453,000,000	5.69%
<i>Charter capital supplementary reserve</i>	71,750,000,000	
<i>Investment and development fund</i>	408,703,000,000	
TOTAL	1,584,453,000,000	18.75%

- Charter capital increased by VND1,584,453,000,000, equal to 158,445,300 shares

Time	Common shares	Preferred shares	Total
Before capital raise	8,448,804,000,000	732,196,000,000	9,181,000,000,000
After capital raise	10,033,257,000,000	732,196,000,000	10,765,453,000,000

- Closing shareholder list for distributing share dividends and bonus: 5:00 p.m. January 13, 2017
- Completing registering for increased charter capital: March 31, 2017

Phase 2: Charter capital raised from VND10,765,453,000,000 to VND14,059,086,350,000 from 2016 retained earnings and charter capital supplementary reserve at payout ratio as follows:

Target	Amount (VND)	Number of shares	Payout ratio/total common shares
Raising equity capital from VPBank's charter capital supplementary reserve	98,846,970,000	9,884,697	0.99%
Distributing shares dividends from 2016 consolidated retained earnings	3,194,786,380,000	319,478,638	31.84%
Total	3,293,633,350,000	329,363,335	32.83%

Charter capital increase in detail:

Time	Common shares	Preferred shares	Total
Before capital raised	10,033,257,000,000	732,196,000,000	10,765,453,000,000
After capital raised	13,326,890,350,000	732,196,000,000	14,059,086,350,000

- Closing shareholder list for share dividends and bonus distribution: 12:00 June 24, 2017
- Completing registering for increased charter capital: July 10, 2017

Phase 3: Charter capital raised from VND14,059,086,350,000 to VND15,706,230,150,000; Owner's equity increased by VND6,224,936,471,996 via a private placement to investors.

- Total shares issued: 164,714,380 shares, accounting for 100% of scheduled shares for issuance
- Price: VND39,000/share (Thirty nine thousand VND per share)
- Total income from private placement: VND6,423,860,820,000 (Six thousand, four hundred and twenty three billion, eight hundred and sixty million, eight hundred and twenty thousand VND)
- Amount booked into charter capital raise: VND1,647,143,800,000 (One thousand, six hundred and forty seven billion, one hundred and forty three million, eight hundred thousand VND)
- Difference between traded and face value: VND4,776,717,020,000 (Four thousand seven hundred seventy six billion, seven hundred and seventeen million, twenty thousand VND) was booked into owner's equity after deducting placement fees.

Charter capital increase in detail:

Time	Common shares	Preferred shares	Total
Before capital raised	13,326,890,350,000	732,196,000,000	14,059,086,350,000
After capital raised	14,974,034,150,000	732,196,000,000	15,706,230,150,000

Summary of changes in owner's equity:

	Bank stand-alone (million VND)		Consolidated (million VND)	
OWNER'S EQUITY	31-12-17	31-12-16	31-12-17	31-12-16
Charter capital	15,706,230	9,181,000	15,706,230	9,181,000
Share premium	5,866,105	1,288,863	5,866,105	1,288,863
Reserves	1,646,619	1,761,847	3,558,265	2,950,192
Retained profits	2,693,120	2,822,651	4,565,110	3,757,473
TOTAL OWNER'S EQUITY	25,912,074	15,054,361	29,695,710	17,177,528

VIII. SHARE TRANSACTIONS BY INTERNAL SHAREHOLDERS AND RELATED PERSONS

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

The Deputy CEOs and Chief Accountant are regarded as internal shareholders of VPBank in accordance with the provisions of the Bank's Charter. Share transactions by internal shareholders and persons related to VPBank's Leadership in 2017 were as follows:

No.	Shareholder	Internal shareholder/ Relationship with internal shareholders	Number of shares at the beginning of the period (1/1/2017)		Number of shares at the end of the period (31/12/2017)		Reason (buying, selling, dividends, bonus shares, etc.)
			Numer of shares	Ratio	Numer of shares	Ratio	
1	Ngo Chi Dzung	BOD Chairman	37,884,031	4.13%	70,257,132	4.47%	Receiving share transfer, shares dividends and bonus
2	Bui Hai Quan	BOD Vice Chairman	22,684,198	2.47%	35,781,376	2.28%	Shares dividend and bonus
3	Lo Bang Giang	BOD Vice Chairman	1,197,020	0.13%	1,888,144	0.12%	Shares dividends and bonus
4	Nguyen Thanh Binh	Deputy CEO	316,155	0.03%	-	0.00%	Share transfer
5	Phan Ngoc Hoa	Deputy CEO	196,877	0.02%	-	0.00%	Share transfer
6	Duong Thi Thu Thuy	Deputy CEO	22,309	0.00%	-	0.00%	Share transfer
7	Luu Thi Thao	Deputy CEO	64,521	0.01%	-	0.00%	Share transfer
8	Hoang Anh Minh	Mr. Ngo Chi Dzung's wife	1,837,416	0.20%	67,918,279	4.32%	Receiving share transfer, shares dividends and bonus
9	Kim Ngoc Cam Ly	Mr. Bui Hai Quan's wife	23,752,672	2.59%	66,324,344	4.22%	Receiving share transfer, shares dividends and bonus
10	Công ty CP Đầu tư Việt Hải	Company chaired by Mr. Bui Hai Quan	18,315,110	1.99%	-	0.00%	Share transfer
11	Ly Thi Thu Ha	Mr. Lo Bang Giang's mother	906,283	0.10%	64,574,711	4.11%	Share transfer, receiving share transfer, shares dividends and bonus
12	Lo Hai Yen Ngoc	Mr. Lo Bang Giang's sister	-	0.00%	1,001,660	0.06%	Receiving share transfer
13	Nguyen Thu Thuy	Mr. Lo Bang Giang's wife	-	0.00%	46,543,586	2.96%	Receiving share transfer
14	Nguyen Thi Ngoc Anh	Mr. Nguyen Thanh Binh's wife	163,633	0.02%	597,248	0.04%	Receiving share transfer, shares dividends and bonus
15	Nguyen Thi Thanh Nhan	Mr. Nguyen Thanh Binh's sister	541,629	0.06%	336,245	0.02%	Receiving share transfer, shares dividends and bonus
16	Nguyen Hai Van	Ms. Duong Thi Thu Thuy's husband	10,121	0.00%	-	0.00%	Share transfer

IX. ORIENTATION IN 2018

With regards to business activities

Being seen as the most dynamic economy in the Asia Pacific Region, coupled with strong growth momentum in 2017, it is forecast that Vietnam will have both development opportunities and many challenges during 2018. The competition in the banking sector will become fiercer, especially with the increasing penetration of State-owned commercial banks onto the retail segment. Partnerships with Fintech, to develop and offer digital products, will be another trend which will attract significant attention from banks. The SBV is expected to maintain credit growth at about 18–20%, equivalent to 2.5–3.0x of GDP growth, which is seen as high enough to foster economic growth but also moderate enough to control inflation. The banking market will be under stricter management with higher pressure to be more transparent, settle NPLs, enhance service quality, and raise capital. Some smaller and ineffective credit institutions will likely either be merged or sold to foreign investors.

Under this development scenario, VPBank embarks on its 2018–2022 strategy with more challenges, having completed key objectives in its previous five-year strategy. It is expected that during the next five years, the local market will experience a robust 'fourth industrial revolution', driven by the Vietnamese people becoming wealthier and having higher expectations; a more favorable legal environment; advancements in data and technology; and the emergence of fintech and its ecosystems. In this context, to pursue its aspiration to become one of the top three MOST VALUABLE BANKS in Vietnam by 2022 and the most consumer friendly bank through technology, the Board has set the following development strategy:

Deliver a step change in sales and network productivity (2x productivity) to drive value from **existing franchise** in retail, SME, household and commercial banking

Conduct end to end redesign and digitization of the core banking journeys to substantially improve customer experience and lower costs with a lean and efficient process

Achieve excellence in risk management and IT to support the growth of the bank, including through investing in new-age risk management tools, automating credit decisions and decreasing the time to market for development via building capabilities in Agile and DevOps



Launch new growth engines (e.g. transactions banking, unbanked, mobility and housing ecosystems) and scale up strategic partnerships (e.g. banca) to fuel future growth for VPBank

Build next generation capabilities in data and analytics to unlock the power of data to drive non-linear growth and improve decision making

Strengthen organizational health to build a performance driven organization that attracts the best banking talent in the country and define a VPBank culture that promotes cross-functional collaboration

Be home to the best banking talent in the country

The above are also supported by the adjusted strategic objectives toward building a leading retail bank, achievable via the following objectives:

- Leading in retail customer base (individual and SMEs);
- Leading in retail loan volume;
- Leading in bank-wide TOI, and
- High business efficiency with leading ROE in 2018.
- Becoming top 5 JSCBs in deposit and loan balance, a top 3 retail bank in retail deposit and loan balance and retail customer base.

Key consolidated financial and business targets in 2018:

No.	Item (VND billion, %)	Targets 2018
1	Total assets	359,477
2	Customer deposits and issued valuable papers	241,675
3	Loan balance	243,320
	Of which: customer loans	229,148
4	NPLs	<3%
5	Profit before tax	10,800

* Notes: the planned growth in loan balance which is exclusive of VAMC bonds has been developed by VPBank and submitted to the State Bank of Vietnam for approval.

Corporate governance

The governance system of VPBank has been built and enforced adequately and aligned with existing laws and requirements of regulators. The BOD shall continue its efforts to enhance governance towards best international practices to offer long-term benefits to all of the Bank's shareholders:

- Amend VPBank's Charter to ensure compliance with Decree 71/2017/NĐ-CP and the amended 2014 Law on Credit Institutions
- Apply, communicate, and train on new corporate governance mechanisms
- Make necessary efforts to provide corporate governance documents in both Vietnamese and English to serve the needs of foreign shareholders and investors
- With regard to the Annual General Meeting: the Bank shall consider necessary changes to enhance AGM quality and encourage shareholders to actively share their comments and contributions with the Bank. Changes may include finalizing and making available AGM documents earlier than legally required, and preparing and providing meeting documents and minutes in both Vietnamese and English.
- With regard to the BOD: it shall endeavor to improve its performance in supervision; controlling internal governance, including internal audit and risk management; enhancing the roles and tasks of the RMC; and building mechanisms to assess the operation of the Board, Councils, and functional Committees.
- With regard to information disclosure and transparency: besides complying with laws on disclosure, the Bank shall promote the proactive provision of information related to the Bank's strategy, business performance, and corporate governance to shareholders and investors.



Asia Money



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FINANCIAL STATEMENTS

2017



THE BANK

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The Bank was established pursuant to Banking License No. 0042/NH-GP dated 12 August 1993 issued by the State Bank of Vietnam ("the SBV") and Business Registration Certificate No.0100233583 dated 8 September 1993 issued by Hanoi Department of Planning and Investment which was amended for the 39th time on 17 November 2017. The Bank started operation on 12 August 1993 with an operation period of 99 years.

On 17 August 2017, the Bank's shares were officially listed on Ho Chi Minh City Stock Exchange.

The Bank's principal activities are to provide banking services including mobilizing and receiving short, medium and long-term deposits from organizations and individuals; making short, medium and long-term loans and advances to organizations and individuals; conducting foreign exchange transactions; international trade finance services; discounting of commercial papers, bonds and other valuable papers; making investments in stocks and bonds; providing settlement services and other banking services as allowed by the SBV.

Charter capital

As at 31 December 2017, the charter capital of the Bank is VND15,706,230 million (31 December 2016: VND9,181,000 million).

Operational network

The Bank's Head Office is located at No. 89 Lang Ha, Lang Ha Ward, Dong Da District, Hanoi, Vietnam. As at 31 December 2017, the Bank has one (1) Head Office, fifty three (53) 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 Resigned on 10 April 2017
Mr. Nguyen Duc Vinh	Member

THE BOARD OF SUPERVISION

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

Name	Position
Mr. Ngo Phuong Chi	Head of Board of Supervision – Non-permanent Appointed on 10 April 2017
Ms. Nguyen Quynh Anh	Head of Board of Supervision Resigned on 10 April 2017
Ms. Nguyen Thi Bich Thuy	Full-time member
Ms. Trinh Thi Thanh Hang	Full-time member Appointed on 10 April 2017
Ms. Nguyen Thi Mai Trinh	Member Resigned on 10 April 2017

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
Mr. Kosaraju Kiran Babu	Deputy Chief Executive Officer Appointed on 28 November 2017

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 2017 according to Authorization Document No. 09/2012/UQ-CT dated 5 July 2012.

AUDITORS

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

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT BY THE BOARD OF MANAGEMENT

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Vietnam Prosperity Joint Stock Commercial Bank ("the Bank") and its subsidiaries as prepared on 5 February 2018 and set out on pages 6 to 75 which comprise the consolidated balance sheet as at 31 December 2017, the consolidated income statement and the consolidated cash flow statement for the year then ended and the notes thereto.

Management's responsibility

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2017, and of the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other statutory requirements relevant to preparation and presentation of the consolidated financial statements.

Ernst & Young Vietnam Limited



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

Tran Mai Thao
Auditor
Audit Practising Registration
Certificate No. 2466-2018-004-1

Hanoi, Vietnam
5 February 2018

CONSOLIDATED BALANCE SHEET

as at 31 December 2017

B02/TCTD-HN

	Notes	31/12/2017 VND million	31/12/2016 VND million
ASSETS			
Cash, gold and gemstones	5	2,574,284	1,727,361
Balances with the State Bank of Vietnam	6	6,460,795	2,982,589
Placements with and loans to other credit institutions	7	17,520,025	9,388,905
Placements with other credit institutions	7.1	15,218,720	4,089,176
Loans to other credit institutions	7.2	2,302,036	5,300,460
Provision for credit losses of loans to other credit institutions		(731)	(731)
Securities held for trading	8	1,424,854	2,952,206
Securities held for trading		1,424,854	2,953,769
Provision for securities held for trading		-	(1,563)
Loans to customers		179,518,809	142,583,251
Loans to customers	10	182,666,213	144,673,213
Provision for credit losses of loans to customers	11	(3,147,404)	(2,089,962)
Investment securities	12	53,558,049	55,339,988
Available-for-sale securities	12.1	50,384,788	51,948,658
Held-to-maturity securities	12.2	4,151,127	4,136,200
Provision for investment securities	12.3	(977,866)	(744,870)
Long-term investments	13	152,506	222,930
Other long-term investments		194,602	299,372
Provision for long-term investments		(42,096)	(76,442)
Fixed assets	14	808,486	624,197
<i>Tangible fixed assets</i>	<i>14.1</i>	<i>457,682</i>	<i>422,772</i>
Cost		1,090,758	939,411
Accumulated depreciation		(633,076)	(516,639)
<i>Intangible fixed assets</i>	<i>14.2</i>	<i>350,804</i>	<i>201,425</i>
Cost		623,226	392,849
Accumulated amortization		(272,422)	(191,424)
Investment properties	15	-	27,162
Cost		-	29,965
Accumulated amortization		-	(2,803)
Other assets	16	15,734,506	12,922,329
Receivables	16.1	8,539,528	5,588,814
Accrued interest and fees receivable	16.2	3,812,015	4,165,577
Other assets	16.3	3,404,366	3,395,320
<i>In which: Goodwill</i>	<i>17</i>	<i>-</i>	<i>12,485</i>
Provision for other assets	16.4	(21,403)	(227,382)
TOTAL ASSETS		277,752,314	228,770,918

CONSOLIDATED BALANCE SHEET (continued)

as at 31 December 2017

B02/TCTD-HN


	Notes	31/12/2017 VND million	31/12/2016 VND million
LIABILITIES			
Amounts due to the State Bank of Vietnam	18	26,015	1,103,686
Deposits and borrowings from other credit institutions	19	33,200,418	28,835,898
Deposits from other credit institutions	19.1	7,834,381	13,437,105
Borrowings from other credit institutions	19.2	25,366,037	15,398,793
Customer deposits	20	133,550,812	123,787,572
Derivatives and other financial liabilities	9	160,469	191,325
Other borrowed and entrusted funds	21	3,899,364	1,389,786
Valuable papers issued	22	66,104,605	48,650,527
Other liabilities	23	11,114,921	7,634,596
Interest and fees payable	23.1	5,063,166	3,161,924
Other payables	23.2	6,051,755	4,472,672
TOTAL LIABILITIES		248,056,604	211,593,390
OWNERS' EQUITY			
Charter capital	25	15,706,230	9,181,000
Share premium	25	5,866,105	1,288,863
Reserves	25	3,558,265	2,950,192
Retained profits	25	4,565,110	3,757,473
TOTAL OWNERS' EQUITY		29,695,710	17,177,528
TOTAL LIABILITIES AND OWNERS' EQUITY		277,752,314	228,770,918

CONSOLIDATED BALANCE SHEET (continued)

as at 31 December 2017

B02/TCTD-HN

Notes	31/12/2017 VND million	31/12/2016 VND million
OFF-BALANCE SHEET ITEMS		
Credit guarantees	3,792	12,108
Foreign exchange commitments	76,976,531	33,307,126
- <i>Spot foreign exchange commitments - buy</i>	369,768	3,687,797
- <i>Spot foreign exchange commitments - sell</i>	370,388	3,669,239
- <i>Swap contracts</i>	76,236,375	25,950,090
Letters of credit	8,801,290	6,356,322
Other guarantees	11,590,623	11,585,463
Other commitments	7,034,321	2,334,851
40	104,406,557	53,595,870

Prepared by: 

Reviewed by:

Approved by:

Ms. Nguyen Thi Thu Hang
Chief AccountantMs. Luu Thi Thao
Deputy Chief Executive Officer
cum. Chief Financial OfficerMr. Nguyen Duc Vinh
Chief Executive OfficerHanoi, Vietnam
5 February 2018

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2017

B03/TCTD-HN

	Notes	2017 VND million	2016 VND million
Interest and similar income	27	34,133,371	25,631,116
Interest and similar expenses	28	(13,518,945)	(10,463,257)
Net interest and similar income		20,614,426	15,167,859
Fee and commission income		3,210,071	2,114,834
Fee and commission expenses		(1,748,527)	(1,261,908)
Net fee and commission income	29	1,461,544	852,926
Net loss from trading of foreign currencies	30	(158,842)	(318,960)
Net gain/(loss) from securities held for trading	31	179,638	(149,384)
Net gain from investment securities	32	339,477	91,874
Other operating income		3,208,782	1,450,885
Other operating expenses		(672,502)	(232,315)
Net gain from other operating activities	33	2,536,280	1,218,570
Income from investments in other entities	34	53,568	872
TOTAL OPERATING INCOME		25,026,091	16,863,757
Personnel expenses		(5,060,266)	(3,430,934)
Depreciation and amortization charges		(244,832)	(177,433)
Other operating expenses		(3,589,872)	(3,012,985)
TOTAL OPERATING EXPENSES	35	(8,894,970)	(6,621,352)
Net profit before provision for credit losses		16,131,121	10,242,405
Provision expenses for credit losses	36	(8,001,058)	(5,313,094)
PROFIT BEFORE TAX		8,130,063	4,929,311
Current corporate income tax expense	24.1	(1,689,296)	(994,266)
Corporate income tax expense		(1,689,296)	(994,266)
PROFIT AFTER TAX		6,440,767	3,935,045
Basic earnings per share (VND)	26	4,564	2,843

Prepared by:


Ms. Nguyen Thi Thu Hang
Chief Accountant

Reviewed by:


Ms. Lưu Thị Thao
Deputy Chief Executive Officer
cum. Chief Financial Officer

Approved by:


Mr. Nguyễn Đức Vinh
Chief Executive OfficerHanoi, Vietnam
5 February 2018

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2017

B04/TCTD-HN


	Notes	2017 VND million	2016 VND million
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and similar receipts		34,490,849	25,501,896
Interest and similar payments		(11,637,208)	(10,039,057)
Net fee and commission receipts		1,479,101	850,669
Net payments from dealing in foreign currencies, gold and securities trading activities		396,450	(271,622)
Other income		1,230,931	476,319
Recoveries from bad debts previously written-off		1,098,054	715,606
Payments for operating and salary expenses		(8,560,105)	(6,479,434)
Corporate income tax paid in the year	24.1	(1,501,672)	(795,175)
Net cash flows from operating profit before changes in operating assets and liabilities		16,996,400	9,959,202
Changes in operating assets			
Decrease in placements with and loans to other credit institutions		2,998,424	570,201
Decrease/(Increase) in investment securities		2,689,025	(8,889,714)
Increase in loans to customers		(37,795,799)	(27,641,819)
Utilization of provision to write off loans to customers, securities and long-term investments		(6,784,262)	(4,882,929)
Increase in other assets		(3,169,515)	(390,722)
Changes in operating liabilities:			
Decrease in amounts due to the Government and the SBV		(1,077,671)	(3,717,377)
Increase in deposits and borrowings from other credit institutions		4,364,520	8,114,707
Increase/(Decrease) in customer deposits (including deposits from State Treasury)		9,763,386	(6,483,098)
Increase in valuable papers issued (except for valuable papers issued for financing activities)		17,454,078	23,913,626
Increase in other borrowed and entrusted funds		2,509,578	1,006,598
(Decrease)/Increase in derivatives and other financial liabilities		(30,856)	59,565
Increase in other liabilities		1,298,474	1,958,319
Net cash flows from/(used in) operating activities		9,215,782	(6,423,441)

CONSOLIDATED CASH FLOW STATEMENT (continued)

for the year ended 31 December 2017

B04/TCTD-HN

	Notes	2017 VND million	2016 VND million
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets		(214,416)	(188,473)
Proceeds from disposal of fixed assets		237,074	47,723
Proceeds from disposal of investment property		10,000	-
Payments for disposal of investment property		(52)	-
Payments for investments in other entities		(30,000)	-
Proceeds from disposals of investments in other entities		157,740	8,255
Dividends received from long-term investments		598	872
Net cash flows from/(used in) investing activities		160,944	(131,623)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in charter capital from capital contribution and/or share issuance	25.1	6,224,386	-
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)	(146,439)
Cash flows from financing activities		6,077,947	2,730,521
Net cash flows for the year		15,454,673	(3,824,543)
Cash and cash equivalents at the beginning of the year		8,799,126	12,623,669
Cash and cash equivalents at the end of the year	37	24,253,799	8,799,126
SIGNIFICANT NON-CASH TRANSACTIONS IN THE YEAR			
Bonus shares issued using the capital supplementary reserve and investment and development fund	25.1	579,300	57,537
Increase in charter capital from retained earnings	25.1	4,298,786	1,066,997

Prepared by: Ms. Nguyen Thi Thu Hang
Chief Accountant

Reviewed by:

Ms. Lưu Thị Thao
Deputy Chief Executive Officer
cum. Chief Financial Officer

Approved by:

Mr. Nguyễn Đức Vinh
Chief Executive OfficerHanoi, Vietnam
5 February 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2017 and for the year then ended

B05/TCTD-HN

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 39th time on 17 November 2017. The Bank started operation on 12 August 1993 with an operation period of 99 years.

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Operational network

The Bank's Head Office is located at No. 89 Lang Ha, Lang Ha Ward, Dong Da District, Hanoi, Vietnam. As at 31 December 2017, the Bank has one (1) Head Office, fifty three (53) branches, one hundred and sixty three (163) transaction offices nationwide and two (2) subsidiaries.

Subsidiaries

As at 31 December 2017, the Bank has two (2) directly owned subsidiaries as follow:

Subsidiaries	Operating License	Nature of Business	Share capital	Ownership
VPBank Asset Management Company Limited (VPB AMC)	Business Registration Certificate No. 010583748 dated 15 April 2013 issued by Hanoi Department of Planning and Investment	Asset and liabilities management	VND115 billion	100%
VPBank Finance Company Limited (VPB FC)	Business Registration Certificate No. 0102180545 issued by Ho Chi Minh City Department of Planning and Investment which was last amended on 12 August 2017	Other finance activities	VND4,474 billion	100%

Employees

As at 31 December 2017, total number of permanent employees of the Bank and its subsidiaries is 23,826 persons (31 December 2016: 17,387 persons).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2017 and for the year then ended

B05/TCTD-HN

2. ACCOUNTING PERIOD AND ACCOUNTING CURRENCY**2.1 Fiscal year**

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

2.2 Accounting currency

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

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM**3.1 Statement of compliance**

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

3.2 Accounting standards and system

The consolidated financial statements of the Bank are prepared in accordance with the Accounting System applicable to Credit Institutions required under Decision No. 479/2004/QĐ-NHNN issued on 29 April 2004 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2017 and for the year then ended

B05/TCTD-HN

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 provision. The actual results may differ from such estimates and assumptions.

3.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries for the year ended 31 December 2017.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**4.1 Changes in accounting policies and disclosures**

The accounting policies adopted by the Bank in preparation of the consolidated financial statements are consistent with those followed in the preparation of the Bank's consolidated financial statements for the year ended 31 December 2016, except for the following change in the accounting policies.

Decree No. 93/2017/ND-CP on financial regime applicable to credit institutions, foreign bank branches and financial supervision and evaluation of efficiency of State capital investment at credit institutions with State owning 100% of charter capital and State-owned credit institutions

On 7 August 2017, the Government promulgated Decree No. 93/2017/ND-CP on the financial regime applicable to credit institutions, foreign bank branches, and financial supervision and efficiency evaluation of State capital investment in credit institutions with State owning 100% of charter capital and State-owned credit institutions ("Decree 93"). Decree 93 replaces Decree No. 57/2012/ND-CP dated 20 July 2012 of the Government, and takes effect on 25 September 2017, except for regulations on the efficiency evaluation of State investment in joint-stock credit institutions with State owning over 50% of charter capital.

Decree 93 supplements the regulations on capital adequacy, income, expenses, accounting currency and the distribution order of profit after corporate income tax.

Circular No. 39/2016/TT-NHNN on lending activities to customers of credit institutions and foreign bank branches

On 30 December 2016, the State Bank of Vietnam ("SBV") issued Circular No. 39/2016/TT-NHNN on lending activities to customers of credit institutions and foreign bank branches, which has taken effect from 15 March 2017.

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4.2 Standards issued but not yet effective

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

The main changes in Circular 22 are as follows:

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

Circular 22 will take effect on 1 April 2018.

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 Placements with and loans to other credit institutions

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

Placements with and loans to other credit institutions are classified and provided for allowance in accordance with Circular No. 02/2013/TT-NHNN dated 21 January 2013 of the SBV on classification of assets, levels and method of making risk provision, and use of provision against risk resolution of credit institutions, foreign bank branches ("Circular 02") and Circular No. 09/2014/TT-NHNN dated 18 March 2014 on amending and supplementing Circular 02 ("Circular 09").

Accordingly, the Bank makes a specific provision for placements with (except for current accounts) and loans to other credit institutions according to the method as described in *Note 4.6*.

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

4.5 Loans to customers

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

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

Loan classification and provision for credit losses are made according to Circular 02 and Circular 09 as presented in *Note 4.6*.

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4.6 Loan classification and provision for credit losses applied to placements with and loans to other credit institutions, unlisted corporate bonds purchased and trusted for purchase by the Bank, loans to customers granted and trusted for grant by the Bank and other credit risk bearing assets

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

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

1	Current	(a) Current debts are assessed as fully and timely recoverable for both principals and interests; or (b) Debts are overdue for a period of less than 10 days and assessed as fully recoverable for both overdue principals and interests, and fully and timely recoverable for both remaining principals and interests.	0%
2	Special Mention	(a) Debts are overdue for a period of between 10 days and 90 days; or (b) Debts which the repayment terms are restructured for the first time.	5%
3	Sub standard	(a) Debts are overdue for a period of between 91 days and 180 days; or (b) Debts which the repayment terms are extended for the first time; or (c) Debts which interests are exempted or reduced because customers do not have sufficient capability to repay all interests under credit contracts; or (d) Debts under one of the following cases which have not been recovered in less than 30 days from the date of the recovery decision: ▪ Debts made in compliance with Clause 1, 3, 4, 5, 6 under Article 126 of Law on Credit Institutions ; or ▪ Debts made in compliance with Clause 1, 2, 3, 4 under Article 127 of Law on Credit Institutions ; or ▪ Debts made in compliance with Clauses 1, 2 and 5 under Article 128 of Law on Credit Institutions. (e) Debts are required to be recovered according to regulatory inspection conclusions.	20%
4	Doubtful	(a) Debts are overdue for a period of between 181 days and 360 days; or (b) Debts which the repayment terms are restructured for the first time but still overdue for a period of less than 90 days under that restructured repayment term; or (c) Debts which the repayment terms are restructured for the second time; or (d) Debts are specified in point (d) of Loan group 3 and overdue for a period of between 30 days and 60 days after decisions of recovery have been issued; or (e) Debts are required to be recovered according to regulatory inspection conclusions but still outstanding with an overdue period up to 60 days since the recovery date as required by regulatory inspection conclusions.	50%

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Group	Description	Provision rate
5 Loss	<ul style="list-style-type: none"> (a) Debts are overdue for a period of more than 360 days; or (b) Debts which the repayment terms are restructured for the first time but still overdue for a period of 90 days or more under that first restructured repayment term; or (c) Debts which the repayment terms are restructured for the second time but still overdue under that second restructured repayment term; or (d) Debts which the repayment terms are restructured for the third time or more, regardless of being overdue or not; or (e) Debts are specified in point (d) of Loan group 3 and overdue for a period of more than 60 days after decisions on recovery have been issued; or (f) Debts are required to be recovered under regulatory inspection conclusions but still outstanding with an overdue period of more than 60 days since the recovery date as required by regulatory inspection conclusions; or (g) Debts of credit institutions under special control as announced by the SBV, or debts of foreign bank branches which capital and assets are blocked. 	100%

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

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

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

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

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

4.7 Securities held for trading*4.7.1 Classification and recognition*

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

4.7.2 Measurement

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

Provision for credit losses on corporate bonds which are not listed on the stock market or not registered on the unlisted public companies market is made in accordance with Circular 02 and Circular 09 as described in Note 4.6.

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

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

4.7.3 De-recognition

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

4.8 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 4.6*.

4.9 Held-to-maturity investment securities

Held-to-maturity investment securities include special bonds issued by VAMC and other investment securities held to maturity.

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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 Vietnam Asset Management Company ("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 minimum specific provision for each special bond using the below formula:

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

In which:

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

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

Specific provision for each special bond is recognized in the 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".

Other held-to-maturity securities

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

Held-to-maturity securities are recorded and measured identical to debt securities available-for-sale and presented at Note 4.8.

4.10 Re-purchase and re-sale contracts

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

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

4.11 Other long-term investments

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

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

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

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

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

4.12 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.

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4.13 Depreciation and amortization

Depreciation of tangible fixed assets and amortization of intangible 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	6 years
Machines and equipment	3 – 7 years
Computer software	3 – 7 years
Other fixed assets	3 – 5 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 Receivables*4.16.1 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 4.6.

4.16.2 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 in the year.

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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%

4.17 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.

4.18 Share capital*4.18.1 Ordinary shares*

Ordinary shares are classified as equity.

4.18.2 Share premium

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

*4.18.3 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. 93/2017/ND-CP and its Charter as follow:

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

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

These reserves are created annually based on the annual separate operating results.

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.

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Reserves of VPBank Finance Company Limited ("VPB FC")

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

4.19 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.

4.20 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 48*). Income and expenses arising in foreign currencies in 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.

4.21 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.

4.22 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.

4.23 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.

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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.

4.24 Fiduciary assets

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

4.25 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.

4.26 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.

4.27 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.

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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.

4.28 Employee benefits*4.28.1 Post - employment benefits*

Post-employment benefits are paid to retired employees of the Bank by the Social Insurance Agency which belongs to the Ministry of Labor, Invalids and Social Affairs. The Bank is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 18% of an employee's basic salary on a monthly basis. From 1 June 2017, the Bank is required to pay a social insurance premium at the rate of 17.5% of an employee's basic monthly salary, salary-related allowances and other supplements. Other than that, the Bank has no further obligation relating to post-employment benefits.

4.28.2 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.

4.28.3 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.

4.29 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.

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5. CASH, GOLD AND GEMSTONES

	31/12/2017 VND million	31/12/2016 VND million
Cash on hand in VND	1,164,862	1,036,240
Cash on hand in foreign currencies	1,256,907	667,059
Gold on hand	152,515	24,062
	2,574,284	1,727,361

6. BALANCES WITH THE STATE BANK OF VIETNAM

	31/12/2017 VND million	31/12/2016 VND million
Demand deposits at the SBV	6,460,795	2,982,589

Balances with the SBV include current account and compulsory reserves. As at 31 December 2017, 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 2016: 1.20% p.a. and 0.05% p.a., respectively).

Under the SBV regulations, the Bank is required to maintain certain cash reserves with the SBV in the form of compulsory reserves. In December 2017, the required cash reserves of customer deposits in VND and foreign currencies having maturity of less than 12 months are computed at 3.00% and 8.00%, respectively (2016: 3.00% and 8.00%, respectively) and having maturity of over 12 months are computed at 1.00% and 6.00% (2016: 1.00% and 6.00% respectively).

7. PLACEMENTS WITH AND LOANS TO OTHER CREDIT INSTITUTIONS**7.1 Placements with other credit institutions**

	31/12/2017 VND million	31/12/2016 VND million
Demand deposits	6,186,517	2,025,318
- In VND	5,222,342	1,430,569
- In foreign currencies	964,175	594,749
Term deposits	9,032,203	2,063,858
- In VND	8,778,800	690,000
- In foreign currencies	253,403	1,373,858
	15,218,720	4,089,176
Provision for placements with other credit institutions	-	-
	15,218,720	4,089,176

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7.2 Loans to other credit institutions

	31/12/2017 VND million	31/12/2016 VND million
In VND	1,864,748	5,300,460
In foreign currencies	437,288	-
	2,302,036	5,300,460
Provision for loans to other credit institutions	(731)	(731)
	2,301,305	5,299,729

Interest rates of placements with and loans to other credit institutions as at the end of the year are as follows:

	31/12/2017 % per annum	31/12/2016 % per annum
Term deposits in VND	1.50 - 6.60	3.10 - 7.30
Term deposits in foreign currencies	1.65 - 2.00	1.30 - 1.50
Loans in VND	3.25 - 5.30	3.50 - 6.10
Loans in foreign currencies	1.70	Not applicable

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

	31/12/2017 VND million	31/12/2016 VND million
Current	11,333,508	7,363,587
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	731	731
	11,334,239	7,364,318

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8. SECURITIES HELD FOR TRADING**8.1 Debt securities**

	31/12/2017 VND million	31/12/2016 VND million
Government and municipal bonds	1,424,854	1,499,929
Bonds issued by other credit institutions	-	1,453,840
<i>In which: Bonds guaranteed by the Government</i>	-	1,245,445
	1,424,854	2,953,769
Provision for securities held for trading	-	(1,563)
General provision	-	(1,563)
	1,424,854	2,952,206

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

	2017 VND million	2016 VND million
Opening balance	1,563	3,088
<i>Reversal of provision in the year (Note 31)</i>	(1,563)	(1,525)
Closing balance	-	1,563

8.2 Securities held for trading by listing status

	31/12/2017 VND million	31/12/2016 VND million
Listed	1,424,854	2,745,374
Unlisted	-	208,395
	1,424,854	2,953,769

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

	31/12/2017 VND million	31/12/2016 VND million
Current	-	208,395
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	-	-
	-	208,395

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9. DERIVATIVES AND OTHER FINANCIAL LIABILITIES

	Total contract nominal value (at contractual exchange rate) VND million	Total carrying value (at exchange rate as at reporting date)		Net value VND million
		Assets VND million	Liabilities VND million	
As at 31 December 2017				
Derivative financial instruments	42,188,757	41,777,187	(41,909,789)	(132,602)
Currency forward contracts	7,553,187	7,512,691	(7,411,395)	101,296
Currency swap contracts	34,635,570	34,264,496	(34,498,394)	(233,898)
Other derivative financial instruments	3,915,001	2,093,000	(2,120,867)	(27,867)
	46,103,758	43,870,187	(44,030,656)	(160,469)
As at 31 December 2016				
Derivative financial instruments	25,869,954	25,471,176	(25,666,246)	(195,070)
Currency forward contracts	12,754,991	12,524,584	(12,662,735)	(138,151)
Currency 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)

10. LOANS TO CUSTOMERS

	31/12/2017 VND million	%	31/12/2016 VND million	%
Loans to domestic economic entities and individuals	182,038,631	99.66	144,082,942	99.60
Discounted bills and valuable papers	118,161	0.06	46,621	0.03
Payments on behalf of customers	1,506	0.00	1,382	0.00
Loans financed by borrowed and entrusted funds	505,797	0.28	537,664	0.37
Loans to foreign economic entities and individuals	2,118	0.00	4,604	0.00
	182,666,213	100	144,673,213	100

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

	31/12/2017 % per annum	31/12/2016 % per annum
Range of interest rate of commercial loans in VND	3.00 - 13.50	3.00 - 13.50
Range of interest rate commercial loans in foreign currencies	2.30 - 4.50	1.40 - 4.50
Average interest rate of consumer loans in VND	43.90	43.78

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10.1 Analysis of loan portfolio by quality

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

	31/12/2017 VND million	31/12/2016 VND million
Current	163,809,825	132,510,660
Special mention	12,656,366	7,955,500
Substandard	3,166,441	2,335,222
Doubtful	1,966,441	975,528
Loss	1,067,140	896,303
	182,666,213	144,673,213

10.2 Analysis of loan portfolio by original maturity

	31/12/2017 VND million	31/12/2016 VND million
Short term	58,092,547	35,892,482
Medium term	80,231,829	59,596,064
Long term	44,341,837	49,184,667
	182,666,213	144,673,213

10.3 Analysis of loan portfolio by ownership and type of customers

	31/12/2017 VND millio	%	31/12/2016 VND million	%
State-owned companies	2,138,441	1.17	2,169,805	1.50
One-member limited liability companies with 100% State ownership	1,564,284	0.86	970,215	0.67
Two or more member limited liability companies with over 50% State ownership or being controlled by the State	171,242	0.09	26,001	0.02
Other limited liability companies	29,041,774	15.90	27,408,987	18.95
Joint stock companies with over 50% State ownership or being controlled by the State	644,236	0.35	663,314	0.46
Other joint-stock companies	30,304,222	16.59	21,900,544	15.13
Private enterprises	561,338	0.31	784,738	0.54
Foreign invested enterprises	721,886	0.40	598,944	0.41
Co-operatives and unions of co-operative	56,476	0.03	67,446	0.05
Household business and individuals	117,375,994	64.25	89,972,801	62.19
Operation administration entity, the Party, unions and associations	84,708	0.05	110,007	0.08
Others	1,612	0.00	411	0.00
	182,666,213	100	144,673,213	100

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10.4 Analysis of loan portfolio by sector

	31/12/2017 VND million	%	31/12/2016 VND million (Represented)	%
Agricultural, forestry and aquaculture	3,538,605	1.94	1,045,660	0.72
Mining	268,934	0.15	168,178	0.12
Processing, manufacturing	12,141,713	6.65	8,412,917	5.82
Electricity, petroleum and steam	2,171,806	1.19	2,273,026	1.57
Water supply and waste treatment	227,500	0.12	395,533	0.27
Construction	8,333,164	4.56	5,012,167	3.46
Wholesale and retail trade, repair of motor vehicles, motor cycles and personal goods	22,300,670	12.21	7,813,290	5.40
Transportation and logistics	9,381,099	5.14	10,046,085	6.94
Hospitality and restaurants	4,235,161	2.32	3,272,257	2.26
Information and media	460,972	0.25	435,139	0.30
Finance, banking and insurance services	1,911,085	1.05	2,793,831	1.93
Real estates	15,553,631	8.51	16,946,370	11.71
Scientific research	255,577	0.14	268,448	0.19
Administrative activities and support services	1,225,731	0.67	432,055	0.30
Activities of the Communist Party, political - social organizations, state management, security and defense	40,051	0.02	-	-
Education and vocational training	338,584	0.19	212,721	0.15
Healthcare and community development	389,020	0.21	26,663	0.02
Recreational, cultural, sporting activities	275,179	0.15	434,654	0.30
Other services	1,541,832	0.84	288,375	0.20
Households services, production of material products and services used by households	97,976,774	53.64	84,395,844	58.34
Activities of other foreign organizations and offices	99,125	0.05	-	-
	182,666,213	100	144,673,213	100

On 31 December 2015, the SBV issued Circular No. 35/2015/TT-NHNN regulating statistical reporting applicable to credit institutions and branches of foreign banks' ("Circular 35"), which requires the analysis report of loan portfolio by sector to be based on the sector of loan purpose. Circular 35 has taken effect since 1 January 2017. The Bank has reclassified the relevant comparative figures as at 31 December 2016.

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11. PROVISION FOR CREDIT LOSSES OF LOANS TO CUSTOMERS

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

	31/12/2017 VND million	31/12/2016 VND million
General provision	1,290,695	1,031,565
Specific provision	1,856,709	1,058,397
	3,147,404	2,089,962

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

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

Changes in provision for credit losses in 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 in the year	217,617	5,165,072	5,382,689
Provision decreased due to sale of debts to VAMC	-	(157,292)	(157,292)
Provision used to write off bad debts	-	(4,877,209)	(4,877,209)
Closing balance	1,031,565	1,058,397	2,089,962

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12. INVESTMENT SECURITIES**12.1 Available-for-sale securities**

	31/12/2017 VND million	31/12/2016 VND million
Debt securities	50,369,431	51,933,301
Government bonds	17,201,861	21,721,281
Debt securities issued by other domestic credit institutions	19,161,043	16,189,376
<i>In which: Bonds guaranteed by the Government</i>	<i>12,751,017</i>	<i>11,691,300</i>
Bonds issued by domestic economic entities	14,006,527	14,022,644
Equity securities	15,357	15,357
Equity securities issued by domestic economic entities	15,357	15,357
	50,384,788	51,948,658
Provision for available-for-sale securities	(161,117)	(248,559)
Diminution provision	(17,818)	(19,829)
General provision	(143,299)	(122,609)
Specific provision	-	(106,121)
	50,223,671	51,700,099

Government bonds have terms from 3 years to 15 years and bear interest at rates ranging from 4.90% per annum to 10.80% per annum (31 December 2016: terms of 3 years to 15 years, interest rates ranging from 5.00% per annum to 11.00% per annum).

Debt securities issued by domestic credit institutions have terms from 11 months to 15 years and bear interest at rates ranging from 5.00% per annum to 12.20% per annum (31 December 2016: terms of 2 years to 10 years, interest rates ranging from 5.70% per annum to 12.20% per annum).

Debt securities issued by other domestic economic entities have terms from 1 year to 11 years and bear interest at rates ranging from 8.73% per annum to 11.50% per annum (31 December 2016: terms from 1 year to 6 years, interest rates ranging from 8.50% per annum to 11.00% per annum).

Face value of bonds pledged for capital mobilization contracts as at 31 December 2017 amounted to VND6,176,038 million (31 December 2016: VND8,545,572 million).

Face value of bonds sold under agreement to repurchase as at 31 December 2017 amounted to VND8,400,000 million (31 December 2016: VND8,109,000 million).

Analysis available-for-sale securities by listing status:

	31/12/2017 VND million	31/12/2016 VND million
Listed bonds	29,952,878	33,412,580
<i>Unlisted bonds (Note 12.4)</i>	<i>19,276,527</i>	<i>17,420,718</i>
Other unlisted debt securities	1,140,026	1,100,003
Listed equity securities	15,357	15,357
	50,384,788	51,948,658

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12.2 Held-to-maturity securities

	31/12/2017 VND million	31/12/2016 VND million
Government bonds	102,689	-
Special bonds	4,048,438	4,136,200
	4,151,127	4,136,200
Provision for held-to-maturity securities	(816,749)	(496,311)
Provision for special bonds	(816,749)	(496,311)
	3,334,378	3,639,889

Government bonds have terms from 3 years to 5 years and bear interest at rates ranging from 5.70% per annum to 8.20% per annum. Special bonds are bonds issued by VAMC with term of 5 years and bear no interest.

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

	31/12/2017 VND million	31/12/2016 VND million
Listed bonds	102,689	-

12.3 Provision for investment securities

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

	Available-for-sale securities VND million	Held-to-maturity securities VND million	Total VND million
Opening balance	248,559	496,311	744,870
Provision charged in the year	39,707	320,438	360,145
<i>In which:</i>			
<i>VAMC bonds (Note 36)</i>	-	320,438	320,438
<i>Other securities (Note 32)</i>	39,707	-	39,707
Provision decreased due to sale of debts to VAMC	(127,149)	-	(127,149)
Closing balance	161,117	816,749	977,866

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Movement of provision for investment securities during 2016 is as follows:

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

12.4 Analysis of investment securities by quality

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

	31/12/2017 VND million	31/12/2016 VND million
Current	19,276,527	13,248,250
Special mention	-	3,611,425
Substandard	-	-
Doubtful	-	561,043
Loss	-	-
	19,276,527	17,420,718

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13. LONG-TERM INVESTMENTS

	31/12/2017		31/12/2016	
	Cost VND million	% owned	Cost VND million	% owned
Investments in economic entities				
ITRACO Transportation Joint Stock Company (INTRACO JSC)	21	0.64%	21	0.64%
Dong Xuan Join Stock Company (Dong Xuan JSC)	5,000	10.00%	5,000	10.00%
Banking Training and Consultancy JSC (BTC)	371	5.29%	371	5.15%
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%
	194,602		299,372	
Provision for other long-term investments	(42,096)		(76,442)	
	152,506		222,930	

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

	2017 VND million	2016 VND million
Opening balance	76,442	473
Provision (reversed)/charged in the year (Note 35)	(34,346)	75,969
Closing balance	42,096	76,442

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14. FIXED ASSETS**14.1 Tangible fixed assets**

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

	Buildings and architectonic models VND million	Machines and equipment VND million	Motor vehicles VND million	Office equipment VND million	Other VND million	Total VND million
Cost						
Opening balance	109,299	569,397	128,770	77,378	54,567	939,411
Purchases in the year	-	101,287	24,208	1,779	146	127,420
Transferred from construction in progress and purchase of fixed assets	202	64,377	-	12,711	6,599	83,889
Reclassification	-	214	(38)	(176)	-	-
Disposal	(25,180)	(28,872)	(1,077)	(2,530)	(2,303)	(59,962)
Closing balance	84,321	706,403	151,863	89,162	59,009	1,090,758
Accumulated depreciation						
Opening balance	30,676	328,385	69,809	53,883	33,886	516,639
Charge for the year	5,622	118,620	15,853	13,841	9,752	163,688
Reclassification	-	90	(2)	(88)	-	-
Disposal	(12,606)	(28,772)	(1,077)	(2,528)	(2,268)	(47,251)
Closing balance	23,692	418,323	84,583	65,108	41,370	633,076
Net book value						
As at beginning date	78,623	241,012	58,961	23,495	20,681	422,772
As at closing date	60,629	288,080	67,280	24,054	17,639	457,682

Cost of fully-depreciated tangible fixed assets which are still in active use as at 31 December 2017 is VND271,954 million (31 December 2016: VND213,639 million).

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14.2 Intangible fixed assets

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

	Indefinite land use rights VND million	Computer software VND million	Total VND million
Cost			
Opening balance	69,147	323,702	392,849
Purchases in the year	-	86,996	86,996
Transferred from purchase of fixed assets	-	143,381	143,381
Closing balance	69,147	554,079	623,226
Accumulated amortization			
Opening balance	868	190,556	191,424
Charge for the year	-	80,998	80,998
Closing balance	868	271,554	272,422
Net book value			
At the beginning date	68,279	133,146	201,425
At the closing date	68,279	282,525	350,804

Cost of fully-depreciated intangible fixed assets which are still in active use as at 31 December 2017 is VND137,275 million (31 December 2016: VND79,464 million).

15. INVESTMENT PROPERTIES

Movements of investment properties in the year are as follows:

	Land use right VND million	Building and architectonic models VND million	Total VND million
Cost			
Opening balance	20,075	9,890	29,965
Disposals	(20,075)	(9,890)	(29,965)
Closing balance	-	-	-
Accumulated depreciation			
Opening balance	-	2,803	2,803
Charge for the year	-	146	146
Disposals	-	(2,949)	(2,949)
Closing balance	-	-	-
Net book value			
At the beginning date	20,075	7,087	27,162
At the closing date	-	-	-

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16. OTHER ASSETS**16.1 Receivables**

	31/12/2017 VND million	31/12/2016 VND million
Internal receivables	104,880	56,696
External receivables	8,186,347	5,311,782
• <i>Receivables related to usance letters of credit (Note 19.2)</i>	5,148,955	2,956,761
• <i>Deposits for economic contracts</i>	499,764	1,330,057
• <i>Overdue deposits classified into credit risk assets</i>	165	221,755
• <i>Other external receivables</i>	2,537,463	803,209
Purchase of fixed assets	237,824	204,767
Construction in progress	10,477	15,569
	8,539,528	5,588,814

16.2 Accrued interest and fee receivables

	31/12/2017 VND million	31/12/2016 VND million
Interest receivables from deposits	19,534	3,225
Interest receivables from investment securities	1,728,995	2,052,693
Interest receivables from credit activities	1,993,928	2,044,017
Interest receivables from derivative instruments	69,434	63,107
Other fee receivables	124	2,535
	3,812,015	4,165,577

16.3 Other assets

	31/12/2017 VND million	31/12/2016 VND million
Materials	15,490	14,123
Prepaid expenses	1,490,230	1,123,391
Foreclosed assets (*)	1,898,646	2,245,321
- <i>In which: Real estates</i>	1,898,646	2,245,321
Goodwill	-	12,485
	3,404,366	3,395,320

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

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16.4 Provision for other assets

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

	2017 VND million	2016 VND million
Opening balance	227,382	232,062
Charge of provision in the year	18,331	1,040
<i>In which:</i>		
(Reversal)/charge of provision for other credit risk bearing assets (Note 36)	(1,256)	1,040
Charge of provision for doubtful debts (Note 35)	19,587	-
Provision used to write-off bad debts	(224,310)	(5,720)
Closing balance	21,403	227,382

Details of provision for other assets are as follows:

	31/12/2017 VND million	31/12/2016 VND million
Provision for credit risks bearing assets	165	225,731
- General provision	-	3,976
- Specific provision	165	221,755
Provision for doubtful debts	21,238	1,651
	21,403	227,382

17. GOODWILL

	2017 VND million	2016 VND million
Total value of goodwill	74,905	74,905
Amortization period	3 years	3 years
Value of accumulated amortized goodwill at the beginning of the year	(62,420)	(37,452)
Value of unamortized goodwill at the beginning of the year	12,485	37,453
Increase in goodwill in the year	-	-
Goodwill arisen in the year	-	-
Adjustment due to changes in determinable value of assets and liabilities	-	-
Decrease in goodwill in the year	(12,485)	(24,968)
Decrease in goodwill due to disposal, sale of part or entire financial investment	-	-
Goodwill amortized in the year	(12,485)	(24,968)
Other decrease in goodwill	-	-
Total value of unamortized goodwill at the end of the year	-	12,485

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18. AMOUNTS DUE TO THE STATE BANK OF VIETNAM

	31/12/2017 VND million	31/12/2016 VND million
Borrowings from the SBV		
Discount, rediscount of valuable papers	-	1,077,995
Other borrowings	26,015	25,691
	26,015	1,103,686

19. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS**19.1 Deposits from other credit institutions**

	31/12/2017 VND million	31/12/2016 VND million
Demand deposits	108,363	1,006,828
In VND	108,341	1,006,806
In foreign currencies	22	22
Term deposits	7,726,018	12,430,277
In VND	5,870,000	10,580,000
In foreign currencies	1,856,018	1,850,277
	7,834,381	13,437,105

19.2 Borrowings from other credit institutions

	31/12/2017 VND million	31/12/2016 VND million
Payables arising from usance letters of credit (Note 16.1)	5,148,955	2,956,761
Borrowings from other credit institutions	20,217,082	12,442,032
In VND	7,646,667	6,974,121
<i>In which: Discounted valuable papers in VND</i>	<i>5,725,231</i>	<i>5,085,556</i>
In foreign currencies	12,570,415	5,467,911
	25,366,037	15,398,793

Analysis of borrowings from other credit institutions by original maturity:

	31/12/2017 VND million	31/12/2016 VND million
Up to 6 months	12,705,053	8,621,741
From over 6 months to 12 months	1,410,623	1,329,540
From over 12 months to 5 years	5,920,356	2,385,194
Over 5 years	181,050	105,557
	20,217,082	12,442,032

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

	31/12/2017 % per annum	31/12/2016 % per annum
Term deposits from other credit institutions in VND	1.00 - 5.80	4.00 - 6.30
Term deposits from other credit institutions in foreign currencies	0.10 - 2.20	0.70 - 1.80
Borrowings from other credit institutions in VND	1.50 - 7.50	4.30 - 7.00
Borrowings from other credit institutions in foreign currencies	0.75 - 9.30	0.75 - 5.75

20. CUSTOMER DEPOSITS

	31/12/2017 VND million	31/12/2016 VND million
Demand deposits	19,670,947	15,238,430
- Demand deposits in VND	17,711,736	12,322,190
- Demand deposits in foreign currencies	1,959,211	2,916,240
Term deposits	113,467,607	108,064,068
- Term deposits in VND	110,089,721	103,563,011
- Term deposits in foreign currencies	3,377,886	4,501,057
Deposits for specific purposes	58,484	69,569
- Deposits for specific purposes in VND	52,935	65,867
- Deposits for specific purposes in foreign currencies	5,549	3,702
Margin deposits	353,774	415,505
- Margin deposits in VND	348,924	410,085
- Margin deposits in foreign currencies	4,850	5,420
	133,550,812	123,787,572

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

	31/12/2017 VND million	%	31/12/2016 VND million	%
State-owned companies	2,847,526	2.13	5,058,364	4.09
One-member limited liability companies with 100% State ownership	1,149,170	0.86	2,134,004	1.72
Two or more member limited liability companies with over 50% State ownership or controlled by the State	151,792	0.11	132,097	0.11
Other limited liability companies	18,720,792	14.02	11,292,431	9.12
Joint stock companies with over 50% State ownership or controlled by the State	1,438,706	1.08	139,695	0.11
Other joint-stock companies	28,238,527	21.15	22,118,212	17.86
Partnership companies	1,936	0.00	451	-
Private enterprises	80,168	0.06	130,572	0.11
Foreign invested enterprises	1,386,953	1.04	799,203	0.65
Co-operatives and unions of co-operative	16,962	0.01	12,682	0.01
Household business and individuals	77,464,297	58.00	74,115,293	59.87
Operation administration entity, the Party, unions and associations	1,852,220	1.39	1,494,688	1.21
Others	201,763	0.15	6,359,880	5.14
	133,550,812	100	123,787,572	100

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

	31/12/2017 % per annum	31/12/2016 % 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 - 11.60
Term deposits in foreign currencies	0.00 - 2.30	0.00 - 2.10

21. OTHER BORROWED AND ENTRUSTED FUNDS

	31/12/2017 VND million	31/12/2016 VND million
Borrowed and entrusted funds in VND from Official Development Assistance (ODA)	328,777	281,836
Borrowed and entrusted funds in foreign currencies from International Finance Company (IFC)	3,570,587	1,107,950
	3,899,364	1,389,786

Other borrowed and entrusted funds have terms from 21 months to 10 years and interest rates ranging from 4.66% per annum to 4.96% per annum.

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22. VALUABLE PAPERS ISSUED

	31/12/2017 VND million	31/12/2016 VND million
Under 12 months	10,533,722	7,223,950
From 12 months up to 5 years	49,603,267	36,044,989
From 5 years and above	5,967,616	5,381,588
	66,104,605	48,650,527

Valuable papers of the Bank consist of certificates of deposits and bonds which bear interest at rates ranging from 4.80% per annum to 13.50% per annum (31 December 2016: from 3.60% per annum to 13.50% per annum).

Types of valuable papers issued are as follows:

	31/12/2017 VND million	31/12/2016 VND million
Certificates of deposit to retail customers	27,576,840	19,043,913
Certificates of deposit to corporate customers	23,550,348	19,828,214
Bonds (*)	14,977,417	9,778,400
	66,104,605	48,650,527

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

23. OTHER LIABILITIES**23.1 Interest and fees payable**

	31/12/2017 VND million	31/12/2016 VND million
Interest payables for customer deposits	949,740	789,569
Interest payables for customer saving deposits	1,114,044	923,845
Interest payables for valuable papers issued	2,821,959	1,334,871
Interest payables for borrowings from other credit institutions	71,568	35,465
Interest payables for other borrowed and entrusted funds	20,260	12,085
Interest payables for derivative instruments	55,881	51,521
Fee payables	29,714	14,568
	5,063,166	3,161,924

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23.2 Other liabilities

	31/12/2017 VND million	31/12/2016 VND million
Internal payables	719,909	627,602
Payables to employees	719,909	627,602
External payables	5,331,846	3,845,070
Unearned income	1,342,199	965,527
Transfer payment awaiting settlement	243,341	123,887
Taxes and other obligations to the State Budget (Note 24)	759,545	533,037
Valuable papers sold with repurchase commitments	1,292,844	1,264,344
Other payables	1,693,917	958,275
	6,051,755	4,472,672

24. TAXES AND OTHER OBLIGATIONS TO THE STATE BUDGET

	Opening balance VND million	Movements in the year		Closing balance VND million
		Payables VND million	Paid VND million	
Corporate income tax	467,647	1,689,764	(1,501,672)	655,739
Value added tax	28,395	242,152	(241,423)	29,124
Other taxes	36,995	375,975	(338,288)	74,682
	533,037	2,307,891	(2,081,383)	759,545

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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 which became effective from 2 August 2014.

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

Current corporate income tax payables are determined based on taxable income of the year. Taxable income differs from the one reported in the consolidated income statement since taxable income excludes incomes which are taxable or expenses which are deducted in prior 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.

Provision for current income tax expense is computed as follows:

	2017 VND million	2016 VND million
Profit before tax	8,130,063	4,929,311
<i>Plus/(Minus)</i>		
- Tax-exempt income	(598)	(872)
- Non-deductible expenses	61,535	15,105
- Other additions/(deductions)	239,667	(7,875)
- Expenses arising from consolidation	12,485	24,968
Estimated taxable income	8,443,152	4,960,637
Estimated income tax expense using prevailing tax rate	1,688,631	992,127
Adjustment of tax expenses in previous years	665	2,139
Income tax expense for the year	1,689,296	994,266
Income tax payable at the beginning of the year	467,647	268,556
Adjustment of tax payable in previous years	468	-
Income tax paid in the year	(1,501,672)	(795,175)
Current income tax payable at the end of the year	655,739	467,647

24.2 Deferred income tax

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

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25. OWNERS' EQUITY AND RESERVES**25.1 Statement of changes in equity**

	Charter capital VND million	Share premium VND million	Capital supplementary reserve VND million	Financial reserve VND million	Investment and development fund VND million	Retained earnings VND million	Total VND million
Balance as at 1 January 2016	8,056,466	1,288,863	198,329	688,958	437,488	2,718,818	13,388,922
Net profit for the year	-	-	-	-	-	3,935,045	3,935,045
Issuance of bonus shares	57,537	-	(57,537)	-	-	-	-
Dividend paid for preference shares	-	-	-	-	-	(146,439)	(146,439)
Stock dividends	1,066,997	-	-	-	-	(1,066,997)	-
Appropriation to reserves	-	-	198,004	395,817	1,089,133	(1,682,954)	-
Balance as at 31 December 2016	9,181,000	1,288,863	338,796	1,084,775	1,526,621	3,757,473	17,177,528
Net profit for the year	-	-	-	-	-	6,440,767	6,440,767
Issuance of ordinary shares	1,647,144	4,776,717	-	-	-	-	6,423,861
Issuance of bonus shares	579,300	-	(170,597)	-	(408,703)	-	-
Dividend paid for preferred shares	-	-	-	-	-	(146,439)	(146,439)
Transfer from develop and investment fund to increase charter capital	-	-	-	-	(1,684,040)	1,684,040	-
Stock dividends	4,298,786	-	-	-	-	(4,298,786)	-
Appropriation to reserves	-	-	322,662	645,220	1,903,531	(2,871,413)	-
Consultancy fee for issuance of ordinary shares	-	(199,475)	-	-	-	-	(199,475)
Adjustment on tax expenses of previous years	-	-	-	-	-	(532)	(532)
Balance as at 31 December 2017	15,706,230	5,866,105	490,861	1,729,995	1,337,409	4,565,110	29,695,710

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The Bank increased its charter capital from VND9,181,000 million to VND15,706,230 million through three times of capital increases as follows:

- The first increase from VND9,181,000 million to VND10,765,000 million was made by way of stock dividends and bonus shares using the outstanding retained earnings after the distribution of profit in 2015 pursuant to Decision No. 300/QĐ-NHNN dated 10 March 2017 granted by the State Bank of Vietnam, Official Letter No. 8341/UBCK-QLCB dated 16 December 2016 issued by the State Securities Commission and the Business Registration Certificate No. 0100233583, modified for the 37th time on 31st March 2017 by Hanoi Planning and Development Department
- The second increase from VND10,765,000 million to VND14,059,086 million was made by way of stock dividends and bonus shares using the outstanding retained earnings after the distribution of profit in 2016 pursuant to Decision No. 1426/QĐ-NHNN dated 7 July 2017 granted by the State Bank of Vietnam, Official Letter No. 467/UBCK-QLCB dated 10 July 2017 issued by the State Securities Commission and Business Registration Certificate No. 0100233583, modified for the 38th time on 10 July 2017 by Hanoi Planning and Development Department.
- The third increase from VND14,059,086 million to VND15,706,230 million was made by way of issuance of ordinary shares to investors pursuant to Decision No. 2336/QĐ-NHNN dated 7 November 2017 granted by the State Bank of Vietnam, Official Letter No. 6289/UBCK-QLCB dated 19 September 2017 issued by the State Securities Commission and Business Registration Certificate No. 0100233583, modified for the 39th time on 17 November 2017 by Hanoi Planning and Development Department.

25.2 Equity

	31 December 2017		31 December 2016	
	Shares	VND million	Shares	VND million
Number of registered shares	1,570,623,015	15,706,230	918,100,000	9,181,000
Number of shares issued	1,570,623,015	15,706,230	918,100,000	9,181,000
- Ordinary shares	1,497,403,415	14,974,034	844,880,400	8,448,804
- Preference shares	73,219,600	732,196	73,219,600	732,196
Number of outstanding shares	1,570,623,015	15,706,230	918,100,000	9,181,000
- Ordinary shares	1,497,403,415	14,974,034	844,880,400	8,448,804
- 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

	2017	2016
Profit attributable to the ordinary shareholders of the Bank (VND million)	6,294,328	3,788,606
Weighted average number of ordinary shares (share)	1,379,170,079	1,332,689,035
Basic earnings per share (VND)	4,564	2,843

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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 2017.

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

27. INTEREST AND SIMILAR INCOME

	2017 VND million	2016 VND million
Interest income from deposits	219,773	137,527
Interest income from loans to customers	28,748,896	20,898,218
Interest income from securities held for trading and investment securities	4,221,610	3,994,439
- <i>Interest income from securities held-for-trading</i>	158,421	161,557
- <i>Interest income from investment securities</i>	4,063,189	3,832,882
Income from guarantee activities	129,284	121,751
Other income from credit activities	813,808	479,181
	34,133,371	25,631,116

28. INTEREST AND SIMILAR EXPENSES

	2017 VND million	2016 VND million
Interest expenses for deposits	7,069,179	6,636,684
Interest expenses for borrowings	757,165	478,123
Interest expenses for valuable papers issued	5,325,631	3,200,385
Expense for other credit activities	366,970	148,065
	13,518,945	10,463,257

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29. NET FEE AND COMMISSION INCOME

	2017 VND million	2016 VND million
Fee and commission income	3,210,071	2,114,834
Settlement and treasury services	288,572	242,661
Advisory activities	138,538	115,451
Trusted and agency activities	-	71,652
Income from business and insurance services	2,205,667	1,509,213
Other services	577,294	175,857
Fee and commission expenses	(1,748,527)	(1,261,908)
Settlement services and treasury services	(232,274)	(156,182)
Advisory activities	(6,673)	(18,591)
Brokerage fees	(611,799)	(424,528)
Other expenses	(897,781)	(662,607)
	1,461,544	852,926

30. NET LOSS FROM TRADING OF FOREIGN CURRENCIES

	2017 VND million	2016 VND million
Income from trading of foreign currencies	1,223,643	1,946,880
Income from spot trading of foreign currencies	346,606	400,432
Income from gold trading	16,325	17,135
Income from trading of monetary derivatives	860,712	1,529,313
Expenses for trading of foreign currencies	(1,382,485)	(2,265,840)
Expenses for spot trading of foreign currencies	(629,451)	(1,432,620)
Expenses for gold trading	(18,134)	(18,072)
Expenses for trading of monetary derivatives	(734,900)	(815,148)
	(158,842)	(318,960)

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

	2017 VND million	2016 VND million
Income from trading of securities held for trading	279,799	40,911
Expenses for trading of securities held for trading	(101,724)	(191,820)
<i>Provision reversal for securities held for trading (Note 8.1)</i>	1,563	1,525
	179,638	(149,384)

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32. NET GAIN FROM INVESTMENT SECURITIES

	2017 VND million	2016 VND million
Income from trading of investment securities	481,849	321,263
Expenses for trading of investment securities	(102,665)	(155,663)
Provision expenses for investment securities (Notes 12.3)	(39,707)	(73,726)
	339,477	91,874

33. NET GAIN FROM OTHER OPERATING ACTIVITIES

	2017 VND million	2016 VND million
Other operating income	3,208,782	1,450,885
Income from other derivatives	47,669	11
Bad debt recoveries	1,098,054	715,606
Income from fixed assets disposal	224,364	26,645
Income from other assets disposal	562,948	163,244
Income from debt purchase activities	289,056	460,893
Income from contracts penalty receivables	42,376	735
Supports and other income	944,315	83,751
Other operating expenses	(672,502)	(232,315)
Expenses for other derivatives	(63,715)	(3,647)
Expenses from disposal of investment properties	(17,068)	-
Expenses for other assets disposal	(570,875)	(160,987)
Other expenses	(20,844)	(67,681)
	2,536,280	1,218,570

34. INCOME FROM INVESTMENTS IN OTHER ENTITIES

	2017 VND million	2016 VND million
Income from disposal or divestment in other entities	52,970	-
Dividend income	598	872
	53,568	872

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35. OPERATING EXPENSES

	2017 VND million	2016 VND million
Expenses on taxes	229,264	175,396
Personnel expenses	5,060,266	3,430,934
<i>In which:</i>		
Salary and allowances	4,339,711	2,948,388
Expenses related to salary	296,524	217,958
Subsidy	314,689	167,096
Other allowances	109,342	97,492
Fixed asset expenses	1,101,356	949,653
<i>In which: depreciation and amortization of fixed assets</i>	244,832	177,433
Administrative expenses	948,596	733,927
<i>In which:</i>		
Expenses on per diem	58,833	41,803
Other provision expenses	(14,759)	75,969
Reversal)/charge of provision for other long-term investments (Note 13)	(34,346)	75,969
Charge of provision for doubtful debts (Note 16.4)	19,587	-
Insurance fee for customer deposits	141,741	111,853
Other administrative expenses	1,428,506	1,143,620
	8,894,970	6,621,352

36. PROVISION EXPENSE FOR CREDIT LOSSES

	2017 VND million	2016 VND million
Provision expense for loans to customers (Note 11)	7,681,876	5,382,689
Provision expense/(reversed) for VAMC bonds (Note 12.3)	320,438	(70,635)
Provision (reversed)/expense for other assets (Note 16.4)	(1,256)	1,040
	8,001,058	5,313,094

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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:

	31/12/2017 VND million	31/12/2016 VND million
Cash and cash equivalents on hand	2,574,284	1,727,361
Balances with the SBV	6,460,795	2,982,589
Current accounts at other credit institutions	6,186,517	2,025,318
Placements with other credit institutions with original term of three months or less	9,032,203	2,063,858
	24,253,799	8,799,126

38. EMPLOYEES' REMUNERATIONS

	2017 VND million	2016 VND million
I. Total average number of employees (persons) (only official employees)	20,607	15,157
II. Employees' remuneration (VND million)		
1. Total salary fund	4,364,765	2,332,047
2. Other remuneration	423,717	293,582
3. Total remuneration (1+2)	4,788,482	2,625,629
4. Average monthly salary	17.65	12.82
5. Average monthly remuneration	19.36	14.44

39. COLLATERAL AND MORTGAGES**39.1 Assets, valuable papers taken for mortgage, pledge and discount, rediscount**

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

	Book value	
	31/12/2017 VND million	31/12/2016 VND million
Real estates	173,456,281	148,665,359
Mobile assets	39,934,274	30,749,819
Valuable papers	79,901,398	66,248,237
Others	106,177,159	94,972,311
	399,469,112	340,635,726

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

	Face value	
	31/12/2017 VND million	31/12/2016 VND million
Government bonds purchased under agreements to resell	2,050,000	2,702,000

39.2 Assets, valuable papers for mortgage, pledge and discount, rediscount

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

	31/12/2017 VND million	31/12/2016 VND million
Valuable papers pledged or mortgaged	6,160,155	8,545,572
Valuable papers sold under agreements to repurchase	8,400,000	8,109,000
Other assets for mortgage, pledge and discount, rediscount	13,949,016	2,921,715
	28,509,171	19,576,287

40. CONTINGENT LIABILITIES AND COMMITMENTS

Detail of contingent liabilities and commitments as at 31 December 2017 are as follows:

	31/12/2017 VND million	31/12/2016 VND million
Credit guarantees	3,792	12,108
Foreign exchange commitments	76,976,531	33,307,126
- Foreign exchange commitments - buy	369,768	3,687,797
- Foreign exchange commitments - sell	370,388	3,669,239
- Swap contracts	76,236,375	25,950,090
Letters of credit	8,801,290	6,356,322
Other guarantees	11,590,623	11,585,463
- Payment guarantees	1,802,861	2,096,425
- Contract performance guarantees	2,399,403	3,150,585
- Tender guarantees	575,831	511,987
- Other guarantees	6,812,528	5,826,466
Other commitments	7,034,321	2,334,851
	104,406,557	53,595,870
Minus: Margin deposits	(353,774)	(415,505)
Contingent liabilities and commitments	104,052,783	53,180,365

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41. RELATED PARTY TRANSACTIONS

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

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

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

Related parties	Transactions	Amount	
		2017 VND million	2016 VND million
Members of the Board of Management, Board of Supervision and Board of Directors	Remuneration expenses	48,919	33,412
	Interest expenses for deposits of management	1,483	640

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

Related parties	Balances	Receivables/Payables	
		31/12/2017 VND million	21/12/2016 VND million
Members of the Board of Management, Board of Supervision and Board of Directors	Deposits at the Bank	40,962	20,246

Besides the transactions and balances presented above, the Bank does not have any other significant transactions, receivables and payables with its related parties as at 31 December 2017 and the year then ended.

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42. SEGMENT INFORMATION

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

42.1 The primary segment information by business segment

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

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

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Primary segment information by business segment as at 31 December 2017 and for the year then ended are as follows:

	Banking VND million	Asset management VND million	Inter-segment adjustments VND million	Total VND million
I. Income				
1. Interest and similar income	34,133,371	1,512	(1,512)	34,133,371
<i>External interest and similar income</i>	34,133,371	-	-	34,133,371
<i>Inter-segment interest and similar income</i>	-	1,512	(1,512)	-
2. Net fee and commission income	1,461,428	130,978	(130,862)	1,461,544
3. Other operating income	2,966,555	(16,434)	-	2,950,121
	38,561,354	116,056	(132,374)	38,545,036
II. Expenses				
1. Interest and similar expenses	(13,518,945)	-	-	(13,518,945)
<i>External interest and similar expenses</i>	(13,518,945)	-	-	(13,518,945)
<i>Inter-segment interest and similar expenses</i>	-	-	-	-
2. Depreciation and amortization charges	(244,364)	(468)	-	(244,832)
3. Other direct operating expenses	(8,536,019)	(114,119)	-	(8,650,138)
	(22,299,328)	(114,587)	-	(22,413,915)
Net profit before provision for credit losses	16,262,026	1,469	(132,374)	16,131,121
Provision expense for credit losses	(8,001,058)	-	-	(8,001,058)
Segmental profit before tax	8,260,968	1,469	(132,374)	8,130,063
III. Total assets				
1. Cash, gold and gemstones	2,574,284	-	-	2,574,284
2. Fixed assets	807,600	886	-	808,486
3. Other assets	274,283,013	185,144	(98,613)	274,369,544
	277,664,897	186,030	(98,613)	277,752,314
IV. Total liabilities				
1. External liabilities to customers	242,004,849	-	-	242,004,849
2. Other internal liabilities	719,909	-	-	719,909
3. Other liabilities	5,306,697	25,149	-	5,331,846
	248,031,455	25,149	-	248,056,604

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Primary segment information by business segment as at 31 December 2016 and for the year then ended are as follows:

	Banking VND million	Asset management VND million	Inter-segment adjustments VND million	Total VND million
I. Income				
1. Interest and similar income	25,631,116	3,763	(3,763)	25,631,116
<i>External interest and similar income</i>	25,631,116	-	-	25,631,116
<i>Inter-segment interest and similar income</i>	-	3,763	(3,763)	-
2. Net fee and commission income	852,303	81,824	(81,201)	852,926
3. Other operating income	841,361	1,611	-	842,972
	27,324,780	87,198	(84,964)	27,327,014
II. Expenses				
1. Interest and similar expenses	(10,463,257)	-	-	(10,463,257)
<i>External interest and similar expenses</i>	(10,463,257)	-	-	(10,463,257)
<i>Inter-segment interest and similar expenses</i>	-	-	-	-
2. Depreciation and amortization charges	(176,757)	(676)	-	(177,433)
3. Other direct operating expenses	(6,359,640)	(84,279)	-	(6,443,919)
	(16,999,654)	(84,955)	-	(17,084,609)
Net profit before provision for credit losses	10,325,126	2,243	(84,964)	10,242,405
Provision expense for credit losses	(5,313,094)	-	-	(5,313,094)
Segmental profit before tax	5,012,032	2,243	(84,964)	4,929,311
III. Total assets				
1. Cash, gold and gemstones	1,727,361	-	-	1,727,361
2. Fixed assets	623,771	426	-	624,197
3. Other assets	226,313,876	187,613	(82,129)	226,419,360
	228,665,008	188,039	(82,129)	228,770,918
IV. Total liabilities				
1. External liabilities to customers	207,120,718	-	-	207,120,718
2. Other internal liabilities	627,602	-	-	627,602
3. Other liabilities	3,819,309	25,761	-	3,845,070
	211,567,629	25,761	-	211,593,390

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42.2 The supplementary segment information by geographical area

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

43. 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	184,966,131	2,118	184,968,249
Total fund mobilization	220,375,495	16,405,719	236,781,214
Credit commitments and other guarantees	20,395,705	-	20,395,705
Derivative instruments	160,469	-	160,469
Securities held for trading and investment securities	55,960,769	-	55,960,769

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

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

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

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44.1 Credit risk

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

Credit risk management

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

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

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

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

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

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

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

	Not past due VND million	Past due but not impaired VND million	Past due and individually impaired VND million	Total VND million
Placements with and loans to other credit institutions	17,520,025	-	731	17,520,756
- <i>Placements with other credit institutions</i>	15,218,720	-	-	15,218,720
- <i>Loans to other credit institutions</i>	2,301,305	-	731	2,302,036
Securities held for trading	1,424,854	-	-	1,424,854
Loans to customers	174,841,497	1,071,994	6,752,722	182,666,213
Investment securities	54,535,915	-	-	54,535,915
- <i>Available-for-sale securities</i>	50,384,788	-	-	50,384,788
- <i>Held-to-maturity securities</i>	4,151,127	-	-	4,151,127
Other assets	15,689,475	-	66,434	15,755,909
Total	264,011,766	1,071,994	6,819,887	271,903,647

The above table presents the worst scenario in which the Bank will incur the maximum credit exposures as at 31 December 2017, 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 of Vietnam.

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

44.2 Market risk

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

Market risk management

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

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In 2017, market risk management policies were revised to introduce a new risk management model. Market risk management functions have been segregated amongst different units and committees, using three lines of defense model. Market Risk Sub-committee (MACO) under Risk Committee (RCO) was established to propose and analyze in-depth market risk, liquidity risk and counterparty risk issues. Also, internal document which requires segregation between Trading Book and Banking Book has been issued in accordance with the SBV's regulation and Basel II standards, accordingly, business strategy, hedging strategy and analysis of potential risks have been clearly regulated for each portfolio. Valuation methodology is also established in accordance with IFRS, which enables the Bank to determine fair value of financial instruments appropriately.

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

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

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

(a) Interest rate risk

The interest rates set by the Bank for loans to customers and customer 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 2017.

	Overdue VND million	Non-interest bearing VND million	Interest re-pricing period					Over 5 years VND million	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		
Assets									
Cash, gold and gemstones	-	2,574,284	-	-	-	-	-	-	2,574,284
Balances with the SBV	-	-	6,460,795	-	-	-	-	-	6,460,795
Placements with and loans to other credit institutions – gross	731	-	13,284,623	4,235,402	-	-	-	-	17,520,756
Securities held for trading – gross	-	-	1,424,854	-	-	-	-	-	1,424,854
Loans to customers - gross	7,824,716	-	83,215,711	27,646,672	21,619,017	19,328,027	22,962,512	69,558	182,666,213
Investment securities - gross	-	4,063,794	4,905,000	7,247,976	2,521,964	11,689,997	17,384,025	6,723,159	54,535,915
Long-term investments – gross	-	194,602	-	-	-	-	-	-	194,602
Fixed assets and investment properties	-	808,486	-	-	-	-	-	-	808,486
Other assets	66,433	10,540,521	921,516	1,240,944	2,072,809	913,686	-	-	15,755,909
Total assets	7,891,880	18,181,687	110,212,499	40,370,994	26,213,790	31,931,710	40,346,537	6,792,717	281,941,814
Liabilities									
Amounts due to the SBV	-	-	676	6,901	16,416	2,022	-	-	26,015
Deposits and borrowings from other credit institutions	-	-	17,116,718	9,643,755	4,965,634	913,686	560,625	-	33,200,418
Customer deposits	-	-	55,790,287	24,752,110	28,264,642	16,241,959	8,500,722	1,092	133,550,812
Derivatives and other financial liabilities	-	-	145,212	(13,010)	(31,611)	44,625	15,253	-	160,469
Other borrowed and entrusted funds	-	-	164,389	1,161,068	1,295,682	1,278,225	-	-	3,899,364
Valuable papers issued	-	-	3,197,782	6,825,096	16,705,346	28,171,007	11,205,374	-	66,104,605
Other liabilities	-	9,822,078	-	-	1,292,843	-	-	-	11,114,921
Total liabilities	-	9,822,078	76,415,064	42,375,920	52,508,952	48,651,524	20,281,974	1,092	248,056,604
Interest sensitivity gap (balance sheet)	7,891,880	8,359,609	33,797,435	(2,004,926)	(26,295,162)	(14,719,814)	20,064,563	6,791,625	33,885,210
Interest sensitivity gap (off-balance sheet)	-	-	-	872,332	697,687	(224,115)	(1,345,904)	-	-
Interest sensitivity gap (on, off- balance sheet)	7,891,880	8,359,609	33,797,435	(1,132,594)	(25,597,475)	(14,943,929)	18,718,659	6,791,625	33,885,210

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Interest sensitivity

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

		Impact on	
	Assumed increase in interest rate	Profit before tax VND million	Profit after tax and equity VND million
As at 31 December 2017			
USD	1.50%	(14,615)	(11,692)
VND	3.00%	588,962	471,169
As at 31 December 2016			
USD	1.50%	(157,764)	(126,211)
VND	3.00%	161,595	129,276

(b) Currency risk

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

Currency risk management

Exchange rate risk is managed by the means of limits on open FX position in every currency as well as total open FX position. The Bank's management has set limits on position for each currency in accordance with the Bank's business strategy and the SBV's regulations.

VND is the major currency of transactions within the Bank; USD is transacted by loans, deposits and derivatives; other currencies are very tiny proportion of the Bank's assets and liabilities. Open currency positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

Exchange rates of major currencies as at the reporting date are presented in *Note 48*. The exchange rate of USD/VND in 2018 is forecasted by the Bank to be fluctuated around 22,730 VND per 1 USD.

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 and equity VND million
As at 31 December 2017		
USD	2,00%	(11.742)
As at 31 December 2016		
USD	2,00%	(12.359)

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The following table presents assets and liabilities in foreign currencies translated into VND as at 31 December 2017.

	EUR equivalent VND million	USD equivalent VND million	Gold equivalent VND million	Other currencies equivalent VND million	Total VND million
Assets					
Cash, gold and gemstones	378,732	288,990	152,515	589,185	1,409,422
Balances with the SBV	-	1,775	-	-	1,775
Placements with and loans to other credit institutions	250,186	1,327,535	-	77,145	1,654,866
Loans to customers	-	5,136,810	-	-	5,136,810
Other assets	55,905	5,215,032	-	1,687	5,272,624
Total assets	684,823	11,970,142	152,515	668,017	13,475,497
Liabilities					
Deposits and borrowings from other credit institutions	355,627	19,218,096	-	1,687	19,575,410
Customer deposits	380,127	4,540,160	-	427,209	5,347,496
Derivatives and other financial liabilities	19,185	(14,808,265)	-	225,083	(14,563,997)
Other borrowed and entrusted funds	-	3,570,587	-	-	3,570,587
Other liabilities	3,734	168,727	-	4,075	176,536
Total liabilities and equity	758,673	12,689,305	-	658,054	14,106,032
FX position on balance sheet	(73,850)	(719,163)	152,515	9,963	(630,535)
FX position off-balance sheet	(15,804)	38,255	-	(23,071)	(620)
Net on, off-balance sheet FX position	(89,654)	(680,908)	152,515	(13,108)	(631,155)

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(c) Liquidity risk

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

Liquidity risk management

The Bank 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.

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Below table presents the analysis of remaining maturity of assets and liabilities of the Bank as at 31 December 2017.

	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	
Assets							
Cash, gold and gemstones	-	-	2,574,284	-	-	-	2,574,284
Balances with the SBV	-	-	6,460,795	-	-	-	6,460,795
Balances with and loans to other credit institutions – gross	731	-	13,284,623	4,235,402	-	-	17,520,756
Securities held for trading – gross	-	-	1,424,854	-	-	-	1,424,854
Loans to customers – gross	3,424,826	4,399,890	18,179,639	20,794,944	52,672,331	61,211,791	182,666,213
Investment securities – gross	-	-	-	207,634	11,839,761	32,425,004	54,535,915
Long-term investments – gross	-	-	-	-	-	-	194,602
Fixed assets and investment property	-	-	-	-	-	-	808,486
Other assets	66,433	-	11,402,180	1,241,573	2,995,627	23	15,755,909
Total assets	3,491,990	4,399,890	53,326,375	26,479,553	67,507,719	93,636,818	281,941,814
Liabilities							
Amounts due to the SBV	-	-	676	6,901	18,438	-	26,015
Deposits and borrowings from other credit institutions	-	-	17,860,244	5,694,891	4,475,634	5,047,426	33,200,418
Customer deposits	-	-	55,790,287	24,752,110	44,506,601	8,500,722	133,550,812
Derivatives and other financial liabilities	-	-	145,212	(13,009)	13,013	15,253	160,469
Other borrowed and entrusted funds	-	-	667	421	9,810	3,884,634	3,899,364
Valuable papers issued	-	-	3,163,598	6,859,281	35,055,353	18,526,373	66,104,605
Other liabilities	-	-	9,058,291	191,497	1,857,539	7,594	11,114,921
Total liabilities	-	-	86,018,975	37,492,092	85,936,388	35,982,002	248,056,604
Net liquidity gap	3,491,990	4,399,890	(32,692,600)	(11,012,539)	(18,428,669)	57,654,816	33,885,210

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(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.

45. 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.

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› *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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2017 and for the year then ended

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 the Bank's financial assets and liabilities as at 31 December 2017 are presented as follows:

	Carrying value					Fair value VND million
	Financial assets at fair value through profit and loss VND million	Held-to- maturity VND million	Loans and receivables VND million	Available-for- sale VND million	Other assets and liabilities recorded at amortized cost VND million	Total VND million
Cash, gold and gemstones	-	-	2,574,284	-	-	2,574,284
Balances with the SBV	-	-	6,460,795	-	-	6,460,795
Balances with and loans to other credit institutions - gross	-	-	17,520,756	-	-	17,520,756
Securities held for trading - gross	1,424,854	-	-	-	-	1,424,854
Loans to customer - gross	-	-	182,666,213	-	-	182,666,213
Available-for-sale securities - gross	-	-	-	50,384,788	-	50,384,788
Held-to-maturity securities - gross	-	4,151,127	-	-	-	4,151,127
Other financial assets	-	-	11,964,741	194,602	-	12,159,343
	1,424,854	4,151,127	221,186,789	50,579,390	-	277,342,160
Amounts due to the SBV	-	-	-	-	26,015	26,015
Deposits and borrowings from other credit institutions	-	-	-	-	33,200,418	33,200,418
Customer deposits	-	-	-	-	133,550,812	133,550,812
Derivatives and other financial liabilities	160,469	-	-	-	-	160,469
Other borrowed and entrusted funds	-	-	-	-	3,899,364	3,899,364
Valuable papers issued	-	-	-	-	66,104,605	66,104,605
Other financial liabilities	-	-	-	-	8,268,311	8,268,311
	160,469	-	-	-	245,049,525	245,209,994

(*) 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 2017 and for the year then ended

46. COMPARATIVE FIGURES

On 31 December 2015, the SBV issued Circular No. 35/2015/TT-NHNN regulating statistical reporting regime applicable to credit institutions and foreign banks' branches ("Circular 35"), which requires the analysis report of loan portfolio by sector to be based on the sector of borrowing purpose. The Bank has reclassified the comparative figures as at 31 December 2016.

Extracted from Note 10.4 Analysis of loan portfolio by sectors:

	31/12/2016 Presented VND million	%	Reclassified VND million	%	31/12/2015 Represented VND million	%
Agricultural, forestry and aquaculture	2,498,851	1.73	(1,453,191)	(1.01)	1,045,660	0.72
Mining	290,298	0.20	(122,120)	(0.08)	168,178	0.12
Processing, manufacturing	16,637,628	11.50	(8,224,711)	(5.68)	8,412,917	5.82
Electricity, petroleum and steam	2,479,019	1.72	(205,993)	(0.15)	2,273,026	1.57
Water supply and waste treatment	562,659	0.39	(167,126)	(0.12)	395,533	0.27
Construction	6,035,306	4.17	(1,023,139)	(0.71)	5,012,167	3.46
Wholesale and retail trade, repair of motor vehicles, motor cycles and personal goods	11,228,534	7.76	(3,415,244)	(2.36)	7,813,290	5.40
Transportation and logistics	3,427,557	2.37	6,618,528	4.57	10,046,085	6.94
Hospitality and restaurants	3,258,575	2.25	13,682	0.01	3,272,257	2.26
Information and media	562,148	0.39	(127,009)	(0.09)	435,139	0.30
Finance, banking and insurance services	5,540,253	3.83	(2,746,422)	(1.90)	2,793,831	1.93
Real estates	17,794,732	12.30	(848,362)	(0.59)	16,946,370	11.71
Scientific research and technology	962,987	0.67	(694,539)	(0.48)	268,448	0.19
Administrative activities and support services	1,838,986	1.27	(1,406,931)	(0.97)	432,055	0.30

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2017 and for the year then ended

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Extracted from Note 10.4 Analysis of loan portfolio by sectors: (continued)

	31/12/2016 Presented VND million	%	Reclassified VND million	%	31/12/2015 Represented VND million	%
Activities of the Communist Party, political - social organizations, state management, security and defense	206,364	0.14	(206,364)	(0.14)	-	-
Education and vocational training	700,782	0.48	(488,061)	(0.33)	212,721	0.15
Healthcare and community development	228,241	0.16	(201,578)	(0.14)	26,663	0.02
Recreational, cultural, sporting activities	633,031	0.44	(198,377)	(0.14)	434,654	0.30
Other services	8,565,281	5.92	(8,276,906)	(5.72)	288,375	0.20
Households services, production of material products and services used by households	61,186,300	42.29	23,209,544	16.05	84,395,844	58.34
Activities of other foreign organizations and offices	35,681	0.02	(35,681)	(0.02)	-	-
	144,673,213	100	-	-	144,673,213	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2017 and for the year then ended

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47. 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.

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

	31/12/2017 VND	31/12/2016 VND
AUD	17,718	16,274
CAD	18,054	16,718
CHF	23,308	22,121
CNY	3,486	3,192
DKK	3,160	3,159
EUR	27,248	23,770
GBP	30,692	27,656
JPY	202	194
NZD	17,249	17,122
SEK	3,078	3,027
SGD	16,980	15,609
THB	640	620
TWD	30	30
USD	22,425	22,159
XAU	364,500	359,000

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Chief Accountant

Reviewed by:



Ms. Lưu Thị Thao
Deputy Chief Executive Officer
cum. Chief Financial Officer

Approved by:



Mr. Nguyễn Đức Vinh
Chief Executive Officer

Hanoi, Vietnam
5 February 2018

BUSINESS PLAN FOR 2018

The momentum of global economic recovery is expected to continue in 2018, with encouraging growth in most key economies. The IMF forecasts global growth of 3.7%, with differences in outlook across regions and weak growth in the Middle East, Africa, and Latin America. There are also some potential risks, including protectionism and political instability. The economic growth forecast for Asia is positive, thanks to regional and global economic growth across the board and looser national monetary policies.

In this context, Moody's Investors Service forecasts that Vietnam will be a standout among ASEAN economies. However, Vietnam's economy will face the challenges of maintaining growth in a low inflation environment and exporting in the face of changes in other countries' trade policies. The growth target of 6.5–6.7% which the National Assembly has set is deemed quite conservative and feasible. The credit growth target of 18–20% (2.5–3.0 times the economic growth) is considered reasonable to boost economic growth without raising inflation.

The State Bank of Vietnam will continue its efforts to structure the finance & banking industry with an emphasis on operational prudence in 2018, in addition to its policies to regulate the economy. In early 2018, the amended Law on Credit Institutions, which allows banks to go into bankruptcy, went into effect, putting healthy pressure on banks to improve transparency, asset quality, and service quality.

VPBank has developed a five-year strategy for 2018–2022 with the ambitious goals of achieving quality growth, maintaining VPBank's lead in terms of growth and efficiency in all aspects, consolidating its leading position in retail and digital banking strategies, providing reliable financial services to all Vietnamese, improving the percentage of self-service transactions, and spearheading new banking technologies towards two main goals:

1. Become one of the top three most valuable banks in Vietnam by 2022.
2. Become the most consumer friendly bank through technology.

The objectives for 2018 are to maintain quality growth in key segments and improve technology and risk management infrastructure to robustly support the implementation of the digital banking strategy. 2018 is critical as it marks the beginning of the five-year 2018–2022 strategy. VPBank has identified the following key tasks for the year:

- Maintain the growth of all business divisions and focus on boosting growth in lending, deposits, and customer base in all core customer segments; pursue selective growth while improving efficiency with 20–30% growth rates for volume KPIs and 40–50% growth rates for efficiency KPIs.
- Concentrate efforts on improving and upgrading critical foundational systems, especially risk management systems (including information security); strengthen the approval systems; strengthen the systems for managing, resolving, and collecting problematic debts; implement and fine-tune the organizational model for sales and service systems; develop people; and implement the 2017–2020 IT strategy while continuing to improve existing technologies to best facilitate rapid business growth and improve service quality.
- Seek and select new business opportunities for the Bank to make the best of capital investments and create new revenue streams for efficient growth in the future.

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

No.	Item	Target for 2018 (VND billion)
1	Total assets	359,477
2	Customer deposits and issued valuable papers	241,675
3	Loan balance*	243,320
	Of which: customer loans	229,148
4	NPLs	<3%
5	Profit before tax	10,800

**Note: the planned growth in loan balance, which is exclusive of VAMC bonds, has been developed by VPBank and submitted to the State Bank of Vietnam for approval*

2018 kick-starts a challenging five-year journey that entails rapid changes in digital technologies, user behavior, and new developments in the business landscape. However, VPBank is ready to take both opportunities and challenges to further its growth and conquer new heights. The Board of Management is fully confident that the Bank will achieve successes in 2018 and realize the vision of making VPBank the most consumer-friendly bank through technology and becoming one of the top three most valuable banks in Vietnam by 2022.



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

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**TRANSACTION POINTS
NATION-WIDE**



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