



VIB
Ngân hàng Quốc Tế

Annual Report
2018

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CEO report



CEO REPORT

CEO REPORT

2018 REVIEW

2018 marked the second consecutive year of outstanding business performance for VIB since the launch of transformation strategy VIB 2.0 at the end of 2016. After a period of comprehensive, systematic transformation, VIB has achieved outstanding growth in terms of total assets, total credit, funding and profit. This fantastic achievement was made thanks to the comprehensive, systematic and synchronous transformation which has been carried out across all aspects of the business, including: Product – product development; Customer – customer strategy; Sales

force – policy on sales staff; Sales platform – sales channels and tools; Risk – risk management; and System – system automatization. This systematic change has created an excellent operational model for VIB, improved business performance in both quantity and quality, and at the same time provided an amazing customer experience with optimal products and services. This continuous success over a number of several years has promoted VIB's brand identity and increased the trust of the SBV and other local and international partners in the bank.

Key business indicators in 2018 were as follows:

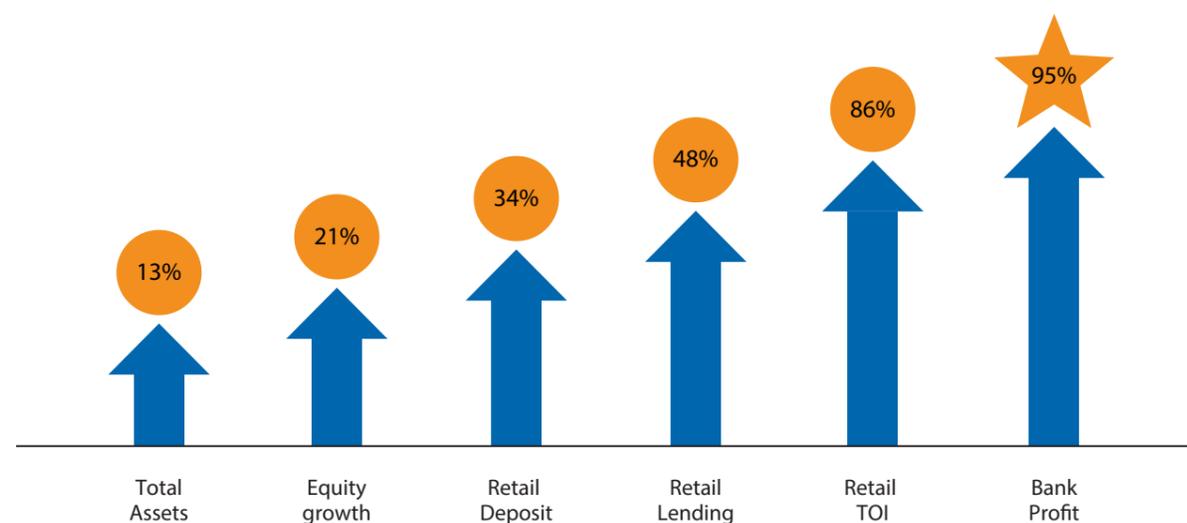
Unit: VND Billion, %

No	Indicators	Actual 2018	Actual 2017	Increase/ decrease vs. 2017 (%)	% of planned 2018
1	Profit before tax	2,743	1,405	95%	137%
2	Charter capital	7,835	5,644	39%	97%
3	Total assets	139,166	123,159	13%	93%
4	Total credit (*)	101,160	86,623	17%	100%
5	Funding (**)	95,015	77,423	23%	97%
6	NPL ratio	2.24%	2.50%	-10%	Accepted

(*) Total credit includes loans, corporate bonds and debt purchase

(**) Funding includes customer deposits and valuable papers

Financial performance YoY Growth (% 2018/2017)



Business performance

VIB's 2018 growth was the strongest in the past 5 years in terms of both asset quality and profitability. Total assets gained about VND140 trillion, of which total credit were over VND100 trillion and the growth rate was 17%. VIB was among banks with the most profitable assets in 2018.

Also regarding growth rate, VIB had the fastest retail banking outstanding loan growth rate in the banking sector at 48% in 2018, following a rate of 83% in 2017.

VIB's profit before tax almost doubled to VND2,743 billion. With a ROE of 22.5%, the bank was among the top profitable banks in Vietnam.

The bank's Cost-to-Income Ratio was 44%, the highest ever and reasonable for a retail bank with its core business as the main source of revenue.

With the NPL ratio decreasing to only 2.2%, zero VAMC outstanding bonds and the first private bank to apply Basel II, VIB showed its position as a quality bank with fast business expansion, ensuring further sustainable asset, revenue and profit growth in the future.

Superior products and services, innovative sales channels

Towards the vision of "Becoming the leading retail bank in terms of quality and size", VIB has proactively deployed a series of excellent, innovative and highly competitive products and services. Special attention has been paid to key elements in promotion programs: innovative and customer-centric products, a dedicated sales force and state-of-the-art technology-based sales tools. These elements are key drivers of the bank's sustainable development.

VIB continued to affirm its leading position in retail banking, reflected by its credit growth and being the

No. 1 player in auto loans over the past 2 years. Besides, VIB successfully ranked among the top 3 in bancassurance sales and ranked first in insurance productivity per branch.

In digital banking, VIB has boldly invested in MyVIB, Internet Banking, website vib.com.vn and an automatic sales tool with the expectation to be a pioneer in digital banking. Mobile Banking and Internet Banking have several advanced features. The number of MyVIB users has gone up sharply, attracting customers to open accounts at VIB. The number of customers conducting transactions via digital banking channels accounted for more than 70% of the total. The digital transaction account balance was three times that of the traditional transaction account balance.

Excellent operational model

Promoting transformation, in 2018 VIB carried out many key, creative and efficient initiatives to improve its operational model, including organizational structure, human resources, process automation, network upgrade, technology investment and platform project development.

For human resources, BOD and BOM have spent significant efforts in building VIB into a leading bank in terms of working environment and employee engagement. Accordingly, the bank has further improved and implemented attractive, performance-based remuneration policy. A democratic, creative environment has been enhanced; and policies on training, promotion, infrastructure and working tools have been deployed at the head office and branches. The bank is now designing a long-term, share bonus program in order to attract and develop highly qualified human resources.

VIB has carried out organizational restructuring towards a lean, flexible model in different departments and divisions. The proportion of sales staff has climbed,

targeting 75%-80%. Mixed and specialized sales channels have also been built.

Effective risk management in accordance with international standards

In parallel with credit growth, VIB has applied measures to better control and improve credit quality, strictly control new credit, and strengthen its credit risk early warning system and credit risk identification system. VIB has also focused on handling bad debts, especially debts sold to VAMC. As a result, in July 2018, VIB became one of the first four banks to clear outstanding dues with VAMC. NPL ratio also reduced from 2.5% at the end of 2017 to 2.2%.

In November 2018, VIB received approval from SBV to implement Basel II standards under Circular No. 41/2016/TT-NHNN from January 1, 2019. VIB's CAR under Basel II as of December 31, 2018 was over 10%, higher than the regulated minimum of 8%. Being the first private bank to apply Basel II, VIB has attracted

the financial sector and investors' attention and consolidated customer trust.

In 2018, Moody's upgraded VIB's credit rating twice. VIB's latest Baseline Credit Assessment was B1, Counterparty Risk Assessment was Ba3, long-term, local and foreign currency bank deposit rating was B1, some of the highest credit ratings in the market. This recognition of VIB's efforts in asset quality management and harmonized combination between growth and risk management.

BUSINESS PLAN 2019

With the transformation experience over the past 2 years, VIB expects to maintain growth higher than the market average in terms of both rate and quality to become a leading retail bank.

Based on operational environment forecasts, financial capacity and business strategy, VIB's BOD has set the following financial targets for 2019:

Unit: VND Billion, %

No	Indicators	Planned 2019	Actual 2018	% Increase
1	Profit before tax	3,400	2,743	24%
2	Total credit (*)	136,509	101,160	35%
3	Funding (**)	127,198	95,015	34%
4	NPL ratio	<2.00%	2.24%	
5	Total assets	182,908	139,166	31%

(*) Total credit includes loans, corporate bonds and debt purchase; Actual growth shall depend on the SBV's approval

(**) Funding includes customer deposits and valuable papers



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BUSINESS PERFORMANCE

BUSINESS PERFORMANCE

KEY FINANCIAL INDICATORS

Financial Performance

Unit: VND Billion, %

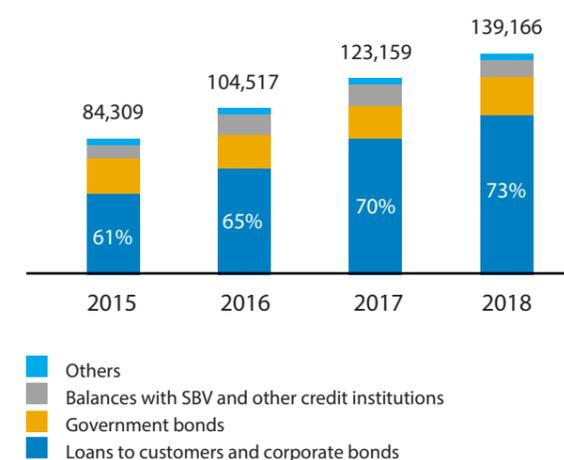
	2018	2017	% Change	% of planned
Balance Sheet				
Total assets	139,166	123,159	13.0%	92.6%
Total credit (including Corporate Bonds)	101,160	86,623	16.8%	100.0%
Deposits and valuable papers	95,015	77,423	22.7%	97.0%
Owner's equity	10,668	8,788	21.4%	82.0%
Income Statement				
Net interest income	4,825	3,456	39.6%	
Net non-interest income	1,260	633	98.9%	
Total operating income	6,086	4,089	48.8%	121.1%
Total operating expenses	(2,690)	(2,334)	15.2%	103.4%
Loan loss provision expenses	(653)	(350)	86.7%	155.7%
Profit before tax	2,743	1,405	95.2%	136.8%
Corporate income tax expenses	(549)	(281)	95.4%	
Profit after tax	2,194	1,124	95.1%	136.8%
Financial Ratios				
ROA	1.7%	1.0%	69.4%	Accepted
ROE	22.5%	12.8%	75.8%	Accepted
CIR	44.2%	57.1%	-22.6%	Accepted
CAR (Basel II)	10.0%	n/a	n/a	Accepted
NPL ratio	2.2%	2.5%	-11.6%	Accepted

TOTAL ASSETS

Regarding total assets, a sharp increase was seen in profitable items and a high proportion of liquid assets was maintained.

Total assets

Unit: billion VND



Total assets of VIB in 2018 almost reached VND140 trillion, up 13% year-on-year. Total credit (including loans and corporate bonds) was VND101 trillion, up 17% against 2017, and among the banks with the highest total credit growth. Total credit accounted for 73% of total assets in 2018.

Total assets of VIB in 2018 almost reached VND140 trillion, up 13% year-on-year. Total credit (including loans and corporate bonds) was VND101 trillion, up 17% against 2017, and among the banks with the highest total credit growth. Total credit accounted for 73% of total assets in 2018.

Outstanding retail loans reached over VND74 trillion, accounting for 73% of the total credit. In 2017 and 2018, retail loans grew by 83% and 48%, respectively.

To have firm growth in the retail segment in the context of a low credit line, VIB shifted from the corporate segment to the personal segment to reduce large-sized loans for corporate customers and reduce foreign currency loans in line with the banking sector's direction.

VIB has focused on handling existing bad debts, particularly those sold to the VAMC. By July 2018, VIB had become one of the first four banks having re-purchased all bad debts that it had sold to the VAMC. It has booked provision and written off most of these debts on the Balance Sheet. NPL ratio was down from 2.5% at the end of 2017 to 2.2%.

In addition, VIB maintained liquid asset value of VND27.7 trillion, equivalent to 20% of total assets. Of the liquid assets, 57% were Government bonds.

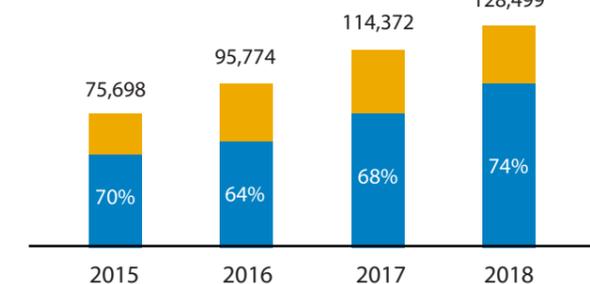
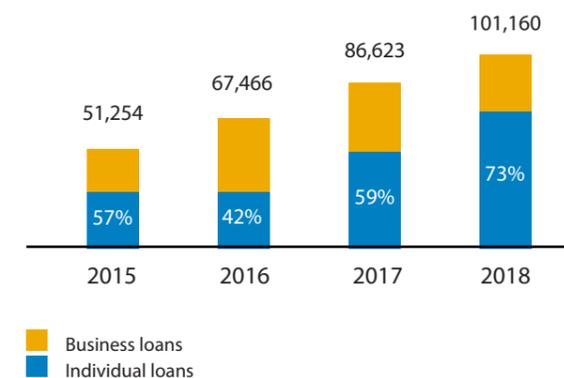
FUNDING

Funding

Unit: billion VND

Total loan outstanding

Unit: billion VND



VIB aims at funding diversification and various products to ensure funding stability and liquidity and facilitate sustainable credit growth. VIB's abundant funds are sourced from diversified customer segments including individuals, economic organizations and credit institutions. In 2018, VIB promoted its funding through valuable papers, consolidated medium and long-term funds, and maintained the ratio of short-term funds for long and medium-term loans of 36.5% (the limit regulated by SBV was 40%). Total funding of VIB went up by 23% against 2017, mainly contributed by deposits from customers (up by 24%) and valuable papers (up by 12%). Deposits from customers reached VND85 trillion and accounted for a major proportion (66%) of the funding structure, followed by deposits from other CIs (23%) and valuable papers (8%).

OWNER'S EQUITY

Total equity reached VND10.668 trillion, an increase of 21.4% compared to 2017. In 2018, VIB applied a 5% cash dividend and 41.13% bonus share to existing shareholders, and raised charter capital to VND 7.835 trillion in November 2018.

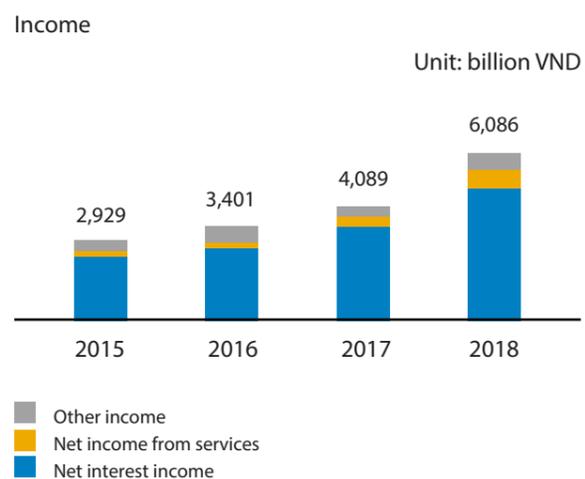
Given the business results in 2018, it is expected that VIB will maintain the policy of distributing cash dividends amounting to 20% of profit before tax (equivalent to 5.5% of charter capital) and a 18% bonus share to existing shareholders.

With the distribution of bonus shares from the above-mentioned funds and retained earnings and reasonable dividend policy, VIB can ensure a CAR higher than the minimum CAR stipulated in Circular 36/2013/TT-NHNN which is 12.9%, and Basel II's CAR which is 10%.

BUSINESS PERFORMANCE

Total net operating income (TOI) nearly doubled in the period 2015-2018

VIB's TOI in 2018 stood at over VND6 trillion, increasing by 49% vs. 2017, resulting in a CARG of 34% for 2016-2018. Net interest income and net non-interest income increased by 40% and 99% respectively. Net non-interest income grew rapidly thanks to the promotion of services and revenue diversification, currently accounting for 21% of total revenue.



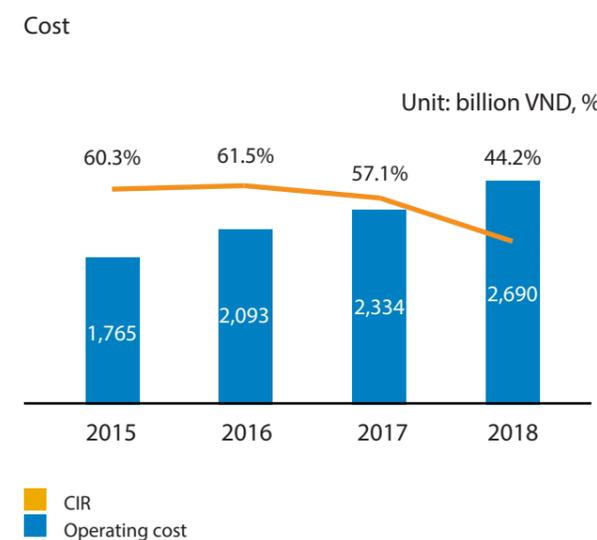
Net interest income reached VND 4.825 trillion by the end of 2018; mainly thanks to the growth of interest income from customer loans, which was VND8.060 trillion, an increase of 48% compared to 2017. Income from investment operations remained stable, up by 8% over the previous year. This was the result of impressive customer lending growth, maintaining VIB's leading position in segments of strength.

Net income from services also witnessed outstanding growth of VND735 billion, an increase of 81% compared to 2017. This achievement was the result of a bancassurance integrated model. VIB was among the top 3 in the insurance market in terms of market share (bancassurance). 2018 insurance premiums soared by 203% over the previous year. A new credit card product

also began to bring significant fee income that has increased sharply since the end of 2018. VIB has implemented a multi-channel credit card development model with the combination of digital banking and a series of competitive card lines providing advantages and premium features for cardholders.

Operating costs are managed on the basis of cost optimization, efficiency and labor productivity improvement

In 2018, VIB further improved its organizational structure in the direction of efficiency and automation of business processes. VIB has boldly invested in the development of an efficient sales force and sales channels.



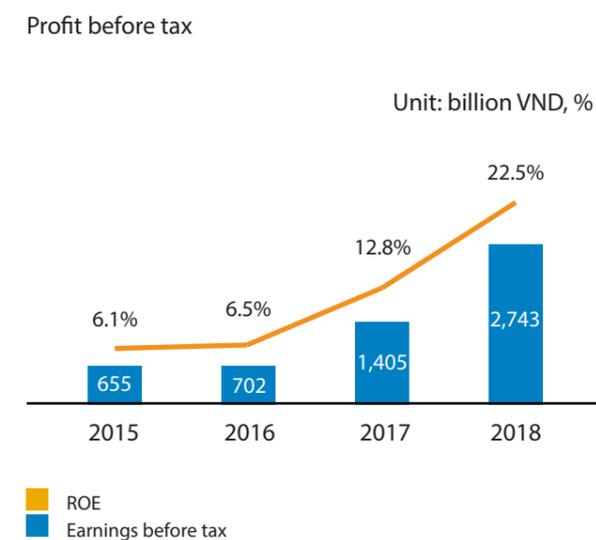
This change led to a revenue increase of 49% vs. a cost increase of 15%. This impressive low cost increase resulted in the reduction of the Cost-to-Income Ratio (CIR) from 62% in 2017 to 44% in 2018. Human resources investment is always a priority for VIB to become the leading bank in terms of working environment and employee engagement.

Disruptive growth of profit before tax, profitability ratios and capital efficiency were improved

VIB's profit before tax grew well in 2018 thanks to revenue increase and efficient cost management. Specifically, profit before tax reached VND 2.743 trillion, up by 95% compared to 2017. It also went up nearly 4 times from 2016-2018. Thus, ROE reached 22.5% in 2018, ensuring attractive benefits for investors.

Overall assessment of business performance 2018

VIB closed the fiscal year of 2018 with significant achievements in all key indicators: stable growth (funding ~ 23%, loan outstanding ~ 17%), particularly, performance indicators were highest in recent years, breaking new records (total operating income was ~ 49%, profit before tax was ~ 95%).



These outcomes prove the efficient, stable and sustainable development of the bank's retail-based strategy. The growth of all main business pillars has contributed largely to the business performance, enforcing the bank's successful and comprehensive transformation.

LARGE SCALE AND HIGH QUALITY RETAIL BANKING

Since the end of 2016, VIB has placed a strategic focus on becoming a top-quality retail bank by 2020, with the "Excellent Operational Model" approach.

After 2 years of implementation, VIB's retail banking division has achieved dramatic growth. Outstanding loans were VND 74 trillion, growing by 83% and 48% in 2017 and 2018, respectively. Within 2 years, VIB's outstanding retail loans had surpassed outstanding personal loan of many other large private joint stock banks which still focus largely on corporate banking. VIB's retail revenue also increased by 86% in 2018, of which interest income increased by 74% and non-interest income increased by 161%. Retail banking profit in 2018 climbed by 4 times compared to 2017.

To achieve this result, VIB has carried out the transformation towards an "Excellent Operating Model" in all areas: Product - product development; Customer - customer service; Sales force - sales staff policy; Sales platform - sales channel and sales tools; Risk - risk management; and System - system automation.

For products, VIB conducted customer need assessments to select potential products, based on which, related policies and processes shall be developed. This has helped the sales force to easily approach and quickly meet various needs of customers.

VIB's core retail products consist of home loans, auto loans, customer deposits, credit cards, bancassurance and transaction banking, including digital banking.

HOME LOANS

VIB aimed at loans for houses with red books, accounting for most of the home loan portfolio. This segment opened an unlimited market for VIB to meet the steadily growing demand for housings. In addition, VIB allocated a part of its portfolio for the housing segment, of which, the investor's profile and project's sustainability was appraised by VIB. Under this policy, VIB could avoid relying on individual projects in its loan portfolio.

Home loans

#1 in terms of growth in Vietnam: 96% and 45% in 2017 and 2018, respectively
Home loan NPL ratio remained under 0.7% in the 2 consecutive years

VIB managed the risk of real estate projects by focusing on the shophouse segment. Credit quality has been ensured, reflected by a very well managed NPL ratio below 0.7% for 2 consecutive years. In the near future, VIB will review and upgrade the process and products, shorten lead time to improve service quality, and reduce loan approval time. In order to better meet customers' borrowing needs and credit risk management goals, VIB largely outsourced collateral valuation services to reputable partners. Appraisal time has also been shortened by improving the process with partners selected by VIB. In addition, VIB has built a wide referral network for home loans which accounted for a high proportion of the bank's total home loan disbursement.

AUTO LOANS

VIB is proud to be one of the pioneers in auto loans since the early development stages of Vietnam automobile market. The relevant auto loan policy and deep understanding of customer's needs in combination with customer categorization by loan purpose and financial capability were the main drivers of VIB's fast, clear and convenient approval process, increasing the competitiveness against other banks.

Car loans

#1 in terms of market share in Vietnam
#1 in terms of growth in Vietnam: 161% and 59% in 2017 and 2018, respectively

Beside the car loan policy and procedure formulation, early partnerships with auto dealers have been a critical factor for VIB to build a wide POS network, covering all strong brands such as Toyota, Thaco, Ford, Honda and Hyundai.

The priority for auto loan growth has been the key to promote the reputation of VIB and its business partners. These were essential drivers of VIB's auto loan market share, which was 23% for the segment managed by VAMA, and VIB's top position in the banking sector in this regard.

CREDIT CARDS

After a period of market needs assessment, in November 2018, VIB officially launched a set of credit card products with 5 specialized lines with unique features tailored for the needs of different customer segments. These were VIB Financial Free, VIB Rewards Unlimited, VIB Cash Back, VIB Travel Élite and VIB Happy Drive.

The new brand identity is a tool for VIB to strengthen its branding and the results were also very positive. The card issuance growth rate was 176% compared to 2017. Meanwhile, the cumulative number of cards grew by 185% (higher than the growth rate of newly issued cards), showing the improved loyalty of VIB's customers.

Credit cards

Number of newly issued cards grew by 75% in 2018
#1 in terms of average card payment among Vietnamese banks
Total card payment volume increased by 300% in 2018

In addition, average card payment volume also soared by 200% compared to 2017, particularly in December 2018; it was at the record volume of over VND1 trillion per month. VIB gained the top position in terms of average card payments among domestic banks. According to MasterCard data, VIB's card indicators were also much higher than the market average, especially in some important criteria such as the rate of active cards, which was 65%, nearly double the market average (36%), while the rate of closed cards was at 2% - 3.5 times lower than the market average of 7%.



Happy Drive

1st time in the market

Earn up to 500 liters of gasoline every year

Cashback 30% car service fee



Cash Back

Cash back up to 6% for every transaction

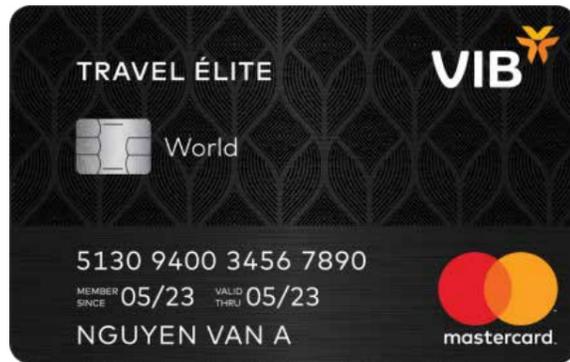


Financial Free

1st time in the market

Cash withdrawal limit equals 100% of credit limit

Waive annual fee for life



Travel Élite

Enjoy your trip with excellent foreign transaction

fee - only 1.75%



Rewards Unlimited

Earn 5X Reward Points

Enjoy the card privileges of VIB Worl



Zero IR

Only one in the market

0% interest lifetime

Waive processing fee for the first 3 months

BANCASURANCE

People's need for protection has been on the rise, creating huge potential for insurance growth. As a strategic partner of Prudential, VIB is proud to contribute to 76% of Prudential's bancassurance segment. In 2018, VIB increased bancassurance sales by 262% compared to 2017 and ranked first in terms of insurance sales per business unit and ranked third in nationwide insurance sales.

Bancassurance
#1 In terms of insurance sales per business unit (up by 314% vs. the same period last year),
#3 in terms of nationwide insurance sales

The result came from the development of a sales force with a deep understanding of insurance products and customers' needs, the application of a program called Contribution Linked Pay (CLP), emulation programs, customer loyalty days and gift programs. VIB has sufficient resources for cross-selling with attractive incentives to motivate the sales force directly and indirectly.

BRANCH NETWORK

The retail banking development strategy has been implemented step by step, attracting potential customers to VIB. Last year, VIB put an emphasis on branch infrastructure upgrades towards synchronous design criteria and brand identity. Large branches in prime locations have been built. The change in brand identity has not only brought satisfied more than 2 million individual customers and more than 20,000 corporate customers, but also promoted VIB's brand through 163 branches in over 27 provinces and cities nationwide.



163 branches in 23 largest provinces and cities

More than **2 million individual customers** and over 20 thousands corporate customers

Over **4,000 employees** in branches

618 ATMs and POS

PLAN FOR 2019

In 2019, VIB will focus on the following main strategies:

- Strong credit and deposit growth.
- Market leader in credit card and insurance sales.
- Development of an interactive model to establish a win-win relationship with the customer.
- Building excellent sales channels.
- Robust marketing and communication channels.
- Technology is the top priority.

Following the above-mentioned directions and implement initiatives on Product – Customer – Sales Force – Sales Channel – Risk Management – Branding – System in a reasonable priority order.



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DIGITAL BANKING

In 2018, under the significant impact of industry revolution 4.0, major banks around the world have been implementing long-term investment strategies for digital banking to bring fundamental changes to the business model, corporate governance, digitalization and optimization of products, services and digital distribution network expansion to meet the various needs of customers. In Vietnam, in order to proactively catch up with this trend, VIB has implemented continuous improvements and focused on investment strategy, carried out in-depth research and analysis and bold investment. The bank has maintained its pioneering position in Vietnam's digital banking development.

DIVERSIFICATION OF PRODUCTS, SERVICES, AND DIGITAL BANKING DISTRIBUTION CHANNELS FOR CUSTOMERS AND EMPLOYEES

MyVIB mobile app

Mobile banking and online banking are two key e-banking platforms, delivering customers 24/7 services. Not only offering more than 100 online services including basic services such as account management, card management, money transfers and bill payments, VIB offers outstanding features such as air ticket and hotel bookings, online gifts and digital deposits. In 2018, VIB introduced new features that bring customers a simple, fast and highly secure digital experience:

- MyVIB Smart OTP - a new authentication technology solution with flexible OTP for each transaction. Unlike traditional OTP, MyVIB Smart OTP is able to identify high value transactions and provide advanced OTP corresponding to that transaction. Thus, the transaction is better protected. With this new form of OTP, VIB has become the first bank in Vietnam to meet SBV's security requirements in accordance with Circular No. 630/QD-NHNN in 2017.
- 360 degree cash flow account management: Instead of a simple view on your balance and transaction history, MyVIB gives customers a more flexible and vivid financial management way with a view of cash inflow and outflow each month, and analysis of each

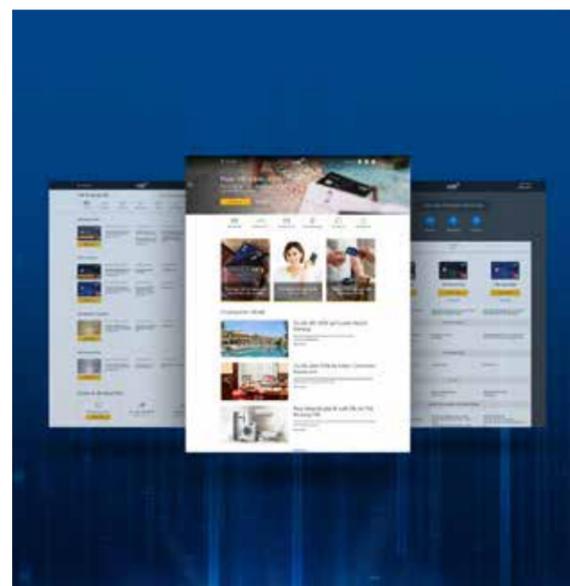
income and expenditure item presented on the 360-degree chart.

- Online deposit and savings contracts with interest rates higher than 0.15% compared to OTC deposit.
- Transfer of securities investment directly to VnDirect transaction exchange.
- Payment by QR Code in nearly 2000 points of acceptance.
- Proactive card management services: opening, locking, reset PIN, forgot PIN, opening and closing online payment features, accumulating points, exchanging gifts, registering for installment for each transaction, making payment for credit card statements.

Website WWW.VIB.COM.VN

VIB's new digital banking website was completed and officially launched in early 2019 to bring completely new experiences to customers. Some outstanding features of VIB's new digital website are:

- User experience design, with scientific information structure, simplified content, friendly interface, working well on most devices.



- Customer access and support within 5 minutes. As soon as the customer registers for a product, a countdown timer will be displayed on the screen to ensure the customer is served within 5 minutes. This process has brought a new standard of customer care and sales consulting on a digital platform.
- A tool for savings, auto loans, smart consumer loan interest rate calculation to enable customers to estimate, balance their income and expenses quickly and conveniently.
- The first outstanding credit card comparison tool on the market for customers to choose the most suitable credit card line basing on their own criteria and needs (personalized experience).
- Online credit card application tracking tool for customers to monitor their card status with a simple operation.

Sales support app - MyVIB Smart Sales

Together with continuous improvement and launch of products and services with outstanding features for customers, VIB has also focused on diversifying and developing advanced digital tools to improve labor productivity, sales productivity, business capacity and shortening processing and service delivery time.

MyVIB Smart Sales is an internal application for all VIB's direct sales staff and is currently being renovated with a goal of maximizing sales staff performance in a closed sales process from approaching customers and selling product to serving customers with daily transactions. In addition, MyVIB Smart Sales enables sales staff to set personal goals, contribute to the CLP and automatically update the results periodically to motivate employees to enhance productivity. MyVIB Smart Sales also regularly updates employees on training programs for capacity building and skill development. The new version of MyVIB Smart Sales is expected to provide a useful, practical and convenient digital tool to help VIB optimize the performance of the direct sales force, who account for the highest proportion of VIB's employees.

Internal portal of VIB - Intranet

Launched more than 5 years ago, VIB's internal portal – Intranet – is now being updated and the new version shall be launched in 2019 with the goal of becoming a "VIB Internal Google" for employees. VIB staff, both direct and indirect sales teams, can search and access all information about product policies, services, customer policies, general information about VIB, organizational structure, administrative activities, personnel and other useful information to navigate the work to be done and improve work efficiency and increase business performance.

FOCUS INVESTMENT IN DIGITAL PLATFORMS

The digital banking model is based on new technology solutions. Investing in digital technology platforms is a prerequisite for VIB. However, instead of a massive technology system renovation, VIB has chosen to focus on improving and optimizing legacy systems, and at the same time, investing in new digital technology platforms and solutions to ensure consistency and synchronicity.

- Legacy systems such as Core Banking, Core Card, E-banking, Payment and Enterprise Service Bus have been updated and improved periodically to ensure the delivery of digital banking transactions 24/7.
- Search and cooperation with Fintech and Start-Up companies in the market to offer flexible and applicable digital technology solutions.
- Study and apply Agile software development model, open sources platforms, and the Dev Ops model for information exchange among programmers and operators to speed up the process of bringing products and services to the market with lower costs and superior operating models.

RISK MANAGEMENT AND SECURITY ENHANCEMENT IN DIGITAL BANKING OPERATIONS

Along with opportunities, industrial revolution 4.0 has also brought many challenges to banks in general and digital banking operations in particular due to a series of cyber attacks. Cyber attacks include sophisticated and unpredictable ways of account and information hacking. Being aware of the importance of cyber security and customer information confidentiality, VIB has applied a risk management mechanism and enhanced the security of digital operations, detailed as:

- **Assisting customers' self-protection:** Provide services on the e-banking MyVIB app and Internet Banking that allow customers to actively protect their financial information such as opening and locking cards; opening and locking online card transactions, closing savings accounts, and applying advanced OTP (Smart OTP). In addition, VIB has also actively communicated and guided customers to identify possible risks and prevent them.
- **Internal product process and regulations:** According to statistics, up to 80% of security loopholes are related to internal staff. Therefore, the internal process is the first subject of security at VIB with the four-eyes principle. It's guaranteed that all updates and changes in the system must be approved and controlled. At the same time, the authentication and approval mechanisms to minimize risks for customers and for banks are also clearly defined with the advice and agreement of the digital banking risk management department.
- **Digital technology system:** Similar to product process, the systems and technology solutions not only comply with safety standards approved by SBV and other international technology organizations but are also monitored and controlled by a real-time transaction control system. In addition, 24/7 system monitoring combined with security vulnerability testing by advanced solutions and technologies implemented by network security experts quickly detect and eliminate security vulnerabilities.

So far, no attacks or frauds related to bank insecurity have been found in digital banking products and services provided to customers at VIB.

ACHIEVEMENTS

Business results

In 2018, with large investment in expansion and development of digital technology banking services, VIB recorded positive results:

- By the end of 2018, the number of customers registered for Digital Banking accounted for 48% of the total number of active individual customers. The number of customers who regularly used the monthly service reached 35% of the total number of registered customers.
- The number of new customers obtained from the website accounted for 20% of the number of individual customers newly registering for the services. This can be seen as an impressive result in the context that most banks in the market attracted new customers through traditional branch channels.
- 72% of individual customer's financial transactions throughout the system were made through digital banking, proving the convenience of services and the trust of customers.

Awards and Brand

Beside positive business results, VIB has continued to be honored in the international and Vietnamese markets with digital technology awards voted for by prestigious organizations around the world, affirming its position as a strong digital banking brand in Vietnam. In 2017 and 2018, we won several awards:

- The "Digital Bank of the Year" in 2017 and 2018, awarded by prestigious regional magazine The Asset. 2018 was the second consecutive year in which VIB was honored for this award, standing on a par with other large regional banks such as Citibank and DBS.

- The Asset Magazine's "Best Retail Mobile Banking Experience in Vietnam 2018"
- The "Most Innovative Mobile Banking Application 2018" by Global Banking & Finance Review
- The Asset Magazine's "Best Retail Mobile Banking Experience in Vietnam 2016, 2017" for MyVIB application
- The "Outstanding Innovative Banking Product/Service Award 2017" for the MyVIB Social keyboard service by IDG

PLAN FOR 2019

Digital banking has been defined as a strategic direction and needs long-term investment; the digital banking development objective in the next period is aligned with the direction set by the Board of Directors to become a leading digital bank in Vietnam, with three specific orientations:

- **Customer growth:** Further improve and diversify traditional products sold on digital channels, digitalize online sales processes, improve digital marketing to shorten sales process and increase customer convenience.
- **Digitalize transactional banking services and sales activities:** Improve and develop banking transaction services for customers on digital channels (MyVIB/Internet Banking and website) as well as create sales tools and information search tools on the digital platform for internal employees to promote labor productivity and business performance.
- **Improve the quality of digital banking services:** Promote self-services for customers, optimize the customer support process with a close-loop support model on digital channels to enable customers to perform all the operations themselves and immediately contact the bank's staff in case of errors in the transaction process on the digital technology channel.

CORPORATE BANKING

PERFORMANCE IN 2018

2018 marked a strong and comprehensive transformation and restructuring of the Corporate Division, creating many fundamental changes both in size and quality of customer, network and personnel towards the optimization goals, detailed as:

- **Customer portfolio optimization:** Increase net revenue from existing customer base, reduce services for low-profitable customers.
- **Network optimization:** Establish 2 new centers for large corporate customers in Hanoi and Ho Chi Minh City, while optimizing the existing network to increase the performance of these centers.
- **HR optimization:** Refine and rearrange human resources in accordance with the business center model for large corporate customers and business centers for small and medium enterprises, in alignment with the development orientation of the Corporate Banking Division and at the same time, develop mechanisms for labor productivity promotion, CLP application and intensive soft skills training.

Thanks to strong reforms in 2018, the division has exceeded profits, costs and revenue targets.

- Net income of the Corporate Banking Division increased by 2%, profit before tax increased by 22% compared to 2017 although the size of loans and deposits fell due to limited credit growth target.
- The ratio of expense to revenue was 33%, which was optimal for corporate banking.
- The total Net Interest Margin (NIM) in 2018 increased by 0.9% compared to 2017.
- Quality of the credit portfolio was strictly controlled in accordance with VIB's risk appetite with an overdue debt proportion of only 0.31% of total outstanding loans and sufficiently provisioned according to international standards.

PLAN FOR 2019

The outstanding performance in 2018 together with the preeminent customer base have created strong momentum for the division to enter a new growth period from 2019.

Main goals for 2019

- **Business expansion:** Increase credit scale in line with the bank's orientation.

- **Actively balance funding sources and increasing capital efficiency:** Focus on rapid growth of funding, ensure sufficient funding sources in terms of both size and structure to meet customers' borrowing needs and at the same time increase business efficiency under the new internal capital trading mechanism.
- **Optimize resources and improve performance:** Adopt the application of digital products and promote cross-selling among the Corporate Banking Division, the Retail Banking Division and the Treasury

Division.

- **Sustainable performance:** Maintain the performance and labor productivity at least equal to 2018 results.
- **Towards international standards:** The Corporate Banking Division ensures compliance with Basel II standards as per SBV and VIB regulations; strictly manage risks and overdue debts at a rate of no more than 0.3%.



TREASURY DIVISION

The Treasury Division made an excellent contribution to VIB's profitability and risk management in 2018:

- Total revenue grew by 32% while operating expenses decreased by 22%, leading to an increase of profit before tax of 49% compared to 2017, contributing 33% to total profit before tax.
- No bad debts have arisen
- Staff productivity was highest among the bank's divisions.

The division's success was not only reflected by the financial performance that far exceeded its targets, but also by the creative capacity and adaptability to unpredictable developments in the market, plus its significant contributions to VIB's risk management system and to strengthening VIB's reliable partner position in Vietnam and foreign markets.

STRONG ACTIVITIES IN THE DOMESTIC & INTERNATIONAL MARKETS

- Bond revenue amounted to VND112 trillion p.a
- FX revenue reached USD40 billion p.a
- Flexibility in mobilizing short-term and long-term funds from financial institutions in Vietnam and international markets: In 2018, the division successfully issued nearly VND2 trillion of deposit certificates and over VND5 trillion in bonds in Vietnam's financial market; and mobilized USD252 million from foreign financial institutions.

SUSTAINABLE BALANCE SHEET MANAGEMENT

In 2018, VIB's balance sheet grew strongly with an increase of 13% compared to 2017, and VIB managed its balance sheet in a safe, sustainable and compliant manner, fully complying with SBV regulations:

Ratios	2018	Limit
CAR – Cir.36	12.9%	>=9%
CAR – Basel II	10.0%	>=8%
Liquidity ratio	19.0%	>=10%
Loan to Deposit Ratio (LDR)	77.0%	<=80%
Ratio of Short term funds used for medium and long-term loans	36.5%	<=45%
Liquidity Coverage Ratio (LCR)	56.5%	>=50%

In addition, VIB also held a large proportion of liquid and low risk assets (such as government bonds), accounting for approximately 25% of total assets. Thanks to that, VIB successfully maintained stable liquidity and untapped business opportunities in the market, as well as consolidating trust of its domestic, foreign customers and partners.

RELIABLE PARTNER IN THE MARKET

In 2018, VIB made significant achievements in funding and forex activities, recognized by important partners in Vietnam and international markets:

- VIB ranked among the top 3 banks in the government bond bidding list by the Ministry of Finance to have the highest total trading value among joint stock banks.
- Best GTFP Issuing Bank in East Asia & the Pacific" awarded by IFC.
- "Leading SME Trade Bank" awarded by ADB.

- Actively participate in the money market, capital market, foreign exchange market.
- Maintain its market maker position: Strive to be in the top 5 bond market makers & top 10 most innovative & FX market makers in FX solutions.
- Be innovative in providing financial solutions & services to other business divisions.
- Manage liquidity, interest rate risk and ensure prudential ratios for VIB.
- Diversify funding sources in Vietnam & international markets for the operation of the division and VIB.

PLAN FOR 2019





RISK MANAGEMENT

In 2018, VIB focused its resources on projects to improve the bank's risk management, particularly the successful implementation of Basel II. The bank has completed information technology infrastructure, a risk management policy system, database, personnel apparatus and capital plan to ensure sufficient governance and prudential ratios stipulated in Circular No. 41/2016/TT-NHNN and to meet risk management requirements in Circular No. 13/2018-TT-NHNN.

CREDIT RISK

- Credit approval system
Retail Banking Division: VIB has assigned approval rights for low credit line and low-risk products to individuals in the division. This will be reviewed at least every 6 months based on the credit approval authority scoring. Credits that require higher authority will be approved by the Risk Management Division and Credit Committee.

Corporate Banking Division: Centralized approval by Risk Management Division.
- Collateral: VIB outsources collateral valuations to third parties and only assigns valuation authority to the business unit for low risk, low line collateral. VIB will maintain outsourcing valuation work to third parties.
- Credit risks are identified early, managed and processed by system data analysis tools. Control points, identified risk areas will be passed through functional departments to measure, evaluate, process early as well as analyze root causes for mitigation solutions from the system, policy, procedure perspectives.
- Develop credit risk and portfolio management models: VIB is developing credit risk models to meet the needs of retail lending development. Portfolio analysis reports are being gradually improved. VIB will select potential, low risk customer segments to better serve the retail banking division's growing and expanding needs.

- End to end debt recovery process: Established for both Corporate Banking and Retail Banking, VIB's centralized debt recovery process ensures that debts in Categories 2 - 5 are all managed by the Debt Management Center – Risk Management Division in coordination with the Corporate Banking Division and Retail Banking Division. The results of this efficient debt recovery process were VIB's repurchase of outstanding loans at VAMC in July 2018 and a low NPL ratio.

LIQUIDITY AND MARKET RISK

In 2018, VIB focused on a sound market and liquidity risk management under the strict guidance and control of ALCO.

- Liquidity and market risk management policies and procedures have been continuously reviewed, revised and issued in accordance with VIB's business strategy and management requirements as well as in compliance with SBV regulations.
- Internal limits on liquidity and market risk management have been regularly monitored and approved by ALCO to ensure VIB's compliance with risk appetite.
- Prudent view and high liquidity have been maintained. High CAR was seen. Interest rate and liquidity indicators have strictly complied with SBV regulations.
- Liquidity and market indicators have been monitored to comply with the limits set by SBV, its partners and internal limits. Market and liquidity risk management policies and procedures have been revised and issued periodically to be aligned with business strategies and timely meet VIB's management requirements as well as compliance according to SBV regulations.

OPERATIONAL RISK

- In 2018, operational risk management at VIB was strengthened and consolidated by the 3 lines of defense model. In addition, the bank invested in the ORM System project to enhance automation in operational risk management. Also in 2018, VIB developed and promulgated the regulation on operational risk management which fully meets the provisions of Circular No. 13/2018/TT-NHNN on the internal control system of commercial banks, foreign bank branches.
- Following the success of card transaction risk management solutions in 2017, fraudulent trends were frequently analyzed, evaluated; new card management criteria were established and card transaction risk control criteria were revised to provide early warning and detection system/ transaction/operation abnormalities to prevent external/internal attacks. In addition, card risk management documents were adjusted to ensure feasibility and efficiency, enhancing customer confidence in the bank's card payment system.
- In 2018, VIB enhanced the implementation of FATCA's requirements under the terms of the Intergovernmental Agreement between Vietnam and the US (IGA). In terms of money laundering prevention and control, VIB reviewed and updated internal regulations and procedures, strengthened control lines and the efficiency of anti-money laundering.

BASEL II



In 2018, VIB received the SBV Governor's approval on the application of Basel II risk management standards under Circular 41/2016/TT-NHNN from January 1, 2019, one year earlier than the deadline. Meeting the strict standards of Basel II shows VIB's safe operation according to developed countries' practices in credit risk, market risk and operational risk management.

PLAN FOR 2019

In 2019, VIB's Risk Management Division shall:

1. Build and regularly review risk management regulations to support the business units' prudent and sustainable growth.
2. Implement and improve the Loan Origination System (LOS) in order to maximize processing automation, shorten operational time, provide sufficient credit dashboards for loan appraisal and approval and effective management of the bank's credit portfolio.
3. Continue to upgrade and deploy the system towards a modern and flexible anti-money laundering solution that can respond to changing requirements.
4. Evaluate, upgrade/replace the card system to meet the objectives of operational risk management strengthening, including security requirements and multi-channel connectivity, allowing flexible criteria setting to control and enforce corresponding actions of scenarios, increasing the accuracy, timeliness and efficiency of card risk management to support the implementation of strategic card product development orientation.
5. Implement the Internal Capital Safety Assessment Process (ICAAP) as required by Circular No. 13/2018/TT-NHNN, develop credit risk models, calculate internal capital requirement according to the internal model for the development of business strategy; sufficient customer, product, pricing and risk management policies to improve the efficiency and safety of banking operations.

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CORPORATE GOVERNANCE

SHAREHOLDERS' INFORMATION

LIST OF INTERNAL SHAREHOLDERS AND RELATED PERSONS

No	Name of Shareholder	Related Person	Position at VIB	Relationship	No. of shares	%/ Charter Cap	
I. BOD						217,998,265	27.82%
1	Dang Khac Vy		BOD Chairman		39,095,018	4.99%	
		Tran Thi Thao Hien	None	Wife	38,725,902	4.94%	
		Dang Quang Tuan	None	Son	39,035,498	4.98%	
2	Dang Van Son		BOD Vice Chairman		2,875,303	0.37%	
		Dang Thi Thu Ha	None	Wife	27,561,507	3.52%	
3	Do Xuan Hoang		BOD Member		39,095,018	4.99%	
		Do Xuan Thu	None	Father	31,610,019	4.03%	
II. BOS						231,996	0.03%
1	Trinh Thanh Binh		Head of BOS		185,559	0.02%	
2	Nguyen Luong Thi Bich Thuy		BOS Member		46,437	0.01%	
III. BOM and Chief Accountant						52,364,883	6.68%
1	Han Ngoc Vu		CEO and BOD Member		1,530,779	0.20%	
2	Ho Van Long		Deputy CEO		3,194,045	0.41%	
3	Tran Thi Thu Huong		Director of Retail Banking - Strategic Business Division		4,549,352	0.58%	
4	Vuong Thi Huyen		Deputy CEO		20,122	0.00%	
5	Le Quang Trung		Deputy CEO		84,854	0.01%	
6	Hoang Linh		CFO		16,788	0.00%	
7	Ha Hoang Dung		CRO		202,373	0.03%	
		Pham Thu Ha	None	Wife	470,659	0.06%	
8	Tran Nhat Minh		Deputy CEO		180,474	0.02%	
		Pham Thi Kim Ngoc	None	Wife	581,191	0.07%	
		Tran Thi Thao Hien	None	Sister	38,725,902	4.94%	

No	Name of Shareholder	Related Person	Position at VIB	Relationship	No. of shares	%/ Charter Cap
9	An Thanh Son		Deputy CEO		2,227,732	0.28%
10	Dang Thi Phuong Diem		Director of General Affairs - Business Supporting Services Division		133,019	0.02%
11	Nguyen Hoang Hai		Director of General Affairs - Business Supporting Services Division		339,651	0.04%
12	Tran Tuan Minh		Director of HR Department		104,654	0.01%
13	Nguyen Thi Thanh Tam		Chief Accountant		3,288	0.00%
IV. Information Disclosure Representative						
1	An Thanh Son		Phó Tổng Giám đốc		2,227,732	0.28%
V. Major Shareholders						
1	Commonwealth Bank of Australia				156,693,456	20.00%

SHAREHOLDER STRUCTURE

No	Shareholder	No. of shares	%/ Charter Cap
I. Local Shareholder		590,930,781	75.43%
1	Local individual	548,257,942	69.98%
2	Local organization	42,672,839	5.45%
II. Foreign Shareholder		160,610,794	20.50%
1	Foreign individual	2,823,710	0.36%
2	Foreign organization	157,787,084	20.14%
III. Treasury Share		31,925,709	4.07%
Total		783,467,284	100%

BOARD OF DIRECTORS



Mr. DANG KHAC VY

- Chairman of the Board of Directors
- Chairman of Anti-Fraud and Corruption Committee
- Chairman of Human Committee

Age: 50
Education level: Doctor of Economics
 Engineering in Mining and Geology

Employment history:
 2013 - present Chairman of BOD, VIB
 2009 - present Chairman of BOD, Mareven Food Holdings, Cyprus
 2011 - 2015 CEO, Mareven Food Holdings, Cyprus
 1996 - 2014 BOD Member, VIB
 1992 - 1995 Private Business, Russian Federation
Present positions:
 At other companies Chairman of BOD, Mareven Food Holdings, Cyprus



Mr. DO XUAN HOANG

- Member of the Board of Directors

Age: 50
Education level: Doctor of Economics
 Master of Engineering, Radio Electronics

Employment history:
 2009 - present CEO, Mareven Food Central Ltd., Russian Federation
 2005 - present BOD Member, VIB
 1993 - 2009 Businessman, Moscow, the Russian Federation
 1991 - 1993 Engineer, "Polis Production Science" Association, Vinnitsa, Ukraine

Present positions:
 At other companies CEO, Mareven Food Central Ltd., Russian Federation



Mr. DANG VAN SON

- Vice Chairman of the Board of Directors
- Chairman of Risk Management Committee
- Chairman of Risk Handling Council

Age: 51
Education level: Bachelor of Economics
 Certificate of Senior Management Program

Employment history:
 2013 - present Vice Chairman of BOD, VIB
 2007 - 2013 BOD Member, Nettra
 2003 - 2007 CEO, Huong Dien Hydropower Joint Stock Company
 1989 - 2003 CEO, InterMark Company, the Russian Federation
 Representative, FPT Company in Moscow
 Chairman of Valma-M Company, Russian Federation
 1985 - 1989 Served in the Army, General Department of Defense

Present positions:
 At other companies n/a



Mr. HAN NGOC VU

- Member of the Board of Directors
- Chief Executive Officer
- Vice Chairman of Anti-Fraud and Corruption Committee
- Vice Chairman of Risk Handling Council

Age: 53
Education level: Master of Business Administration
 Bachelor of International Relations
 Diploma of Business English
 Certificate of General Management

Employment history:
 2013 - present BOD Member cum CEO, VIB
 2008 - 2013 Chairman of BOD, VIB
 2006 - 2008 CEO, VIB
 2004 - 2006 Hanoi Branch Manager cum Country Head of Corporate Banking, Citibank, Vietnam
 6/2006 - 10/2004 Hanoi Branch Manager, Calyon Bank Vietnam
 2001 - 2004 HCMC Branch Manager, Credit Lyonnais Vietnam
 1999 - 2004 Country Sales Manager, Credit Lyonnais Vietnam
 1993 - 1998 Relationship Manager, Credit Lyonnais
 1990 - 1992 Assistant of Hanoi Representative Office, Credit Lyonnais

Present positions:
 At other companies n/a



Mr. COENRAAD JOHANNES JONKER

- Member of the Board of Directors

Age: 50
Education level: Master of Business Administration
 Bachelor of Juris LLB

Employment history:

07/2015 - present Executive General Manager, Digital Banking, CBA International Financial Services Ltd.

01/2015 - present BOD Member, TYME Investments Proprietary Ltd.

01/2015 - present BOD Member, TYME Technical Solutions Proprietary Ltd.

07/2013 - present BOD Member, TYME Infield Proprietary Ltd.

06/2013 - present BOD Member, Vatoscan Proprietary Ltd.

01/2013 - present BOD Member, TYME Capital Proprietary Ltd.

06/2012 - present BOD Member, TYME Intellectual Properties Proprietary Ltd.

05/2012 - 06/2015 CEO, TYME

09/2011 - 05/2012 Director and Partner, Deloitte Consulting (SA)

09/2005 - 07/2011 Director, Inclusive Banking, Standard Bank

09/2000 - 06/2005 CEO, Edward Nathan (Now Edward Nathan Sonnenbergs)

09/1998 - 08/2000 Partner and Head of Employment Law Dept, Edward Nathan (Now Edward Nathan Sonnenbergs)

1/1995 - 8/1998 Lawyer, Edward Nathan (Now Edward Nathan Sonnenbergs)

1/1994 - 12/1994 Candidate Attorney, Gildenhuis van der Merwe (Inc)

1/1993 - 12/1993 Junior Lecturer, Constitutional Law, University of the Free State

Present positions:

At other companies Executive General Manager, Digital Banking, CBA International Financial Services Ltd.
 BOD Member, TYME Investments Proprietary Ltd.
 BOD Member, TYME Technical Solutions Proprietary Ltd.
 BOD Member, TYME Infield Proprietary Ltd.
 BOD Member, Vatoscan Proprietary Ltd.
 BOD Member, TYME Capital Proprietary Ltd.
 BOD Member, TYME Intellectual Properties Proprietary Ltd.



Mr. MICHAEL JOHN MURPHY

- Member of the Board of Directors

Age: 48
Education level: Diploma in Applied Finance and Investment
 Chartered Accountant
 Bachelor of Commerce in Accounting and Finance

Employment history:

2018 - present BOD Member, VIB
 BOD Member, CBA SA Holding (Pty) Ltd
 Chairman of Committee, PT State Investments Indonesia

11/2016 - present BOD Member – Digital Solutions Development, CBA

9/2015 - present BOD Member, CMG Asia

2/2015 - present CBA International Financial Services, Hong Kong
 - Chief Financial Officer
 - BOD Member

4/1999 - 9/2013 National Australia Bank:
 - Managing Director, NAB Private Wealth Advisory
 - General Manager, Strategic Projects Asia
 - Chief Financial Officer, Asia
 - Chief Financial Officer, MLC Hong Kong Ltd.
 - Chief Financial Officer, MLC Asia Limited, Hong Kong
 - Financial Controller, MLC Limited Australia

1992 - 1999 Senior Audit Manager, Arthur Andersen - Sydney & London

Present positions:

At other companies BOD Member, CMG Asia Pty Ltd.
 BOD Member – CBA Digital Solutions Development Co. Ltd.
 Chief Financial Officer, CBA International Financial Services, Hong Kong
 BOD Member, CBA International Financial Services, Hong Kong
 BOD Member, CBA SA Holding (Pty) Ltd.
 Chairman of Committee, PT State Investments Indonesia



Mr. IAN PARK

- Independent Member of the Board of Directors

Age: 66
Education level: O level and A level achievement
Employment history:
 5/2011 - present Executive General Manager - Retail and Business Banking, ASB
 11/2010 - 4/2011 Acting CEO, ASB
 12/2006 - 10/2010 Head of Retail Banking, ASB
 1/2001 - 12/2006 General Manager Personal Banking
 1/1997 - 12/2000 Chief Manager Personal Banking
 1/1987 - 12/1996 Regional Manager, ASB
 3/1972 - 12/1986 Accountant, National Bank of New Zealand Branch
Present positions:
 At other companies Executive General Manager – Retail and Business Banking, ASB



Mr. TRAN TUAN PHONG

- Independent Member of the Board of Directors

Age: 45
Education level: Master of Law
 eMaster of Business Administration
 Bachelor of Law
Employment history:
 2015 - present Chairman of Vietnam Business Lawyer Club, Vietnam Bar Federation
 1996 - 2016 Founder Lawyer, Vietnam International Law Firm (VILAF-Hong Duc)
 1995 - 1996 Probationary Lawyer, Clifford Chance, Hanoi Branch
 1995 Lecturer, University of Law
Present positions:
 At other companies Chairman of Vietnam Business Lawyer Club, Vietnam Bar Federation

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BOARD OF DIRECTORS' REPORT

2018 CORPORATE GOVERNANCE REPORT

In 2018, the global economy maintained its growth momentum despite signs of a slowdown due to unexpected developments and rising global geo-political uncertainties. Nevertheless, Vietnam's economy continued its upward trend and achieved significant results in terms of production, trade and services, with GDP growth reaching an 11-year high of 7.08% in 2018, and average annual CPI kept at a low level of 3.54%. As a result of more favorable macro-economic conditions, Vietnam's commercial banks enjoyed more visible business opportunities in 2018.

2018 was a turning point for VIB with a series of significant transformations being implemented in full force and positive achievements recorded. In 2018, VIB witnessed its best business performance over the past 5 years in terms of both growth and quality, with better than planned revenue and profit in all of its operations. VIB standardized and introduced highly competitive products and services to the market. To ensure effective governance, a light organizational structure has been established with attractive compensation packages and a flexible recruitment policy. In terms of risk management, VIB has maintained high credit quality and low non-performing loan (NPL) rates.

These efforts brought positive financial results:

- Earnings before tax reached VND2.743 trillion, almost double compared to 2017, fulfilling 137% of the objective tasked by the General Meeting of Shareholders.
- Total assets rose to nearly VND140 trillion.
- Credit growth was 17%.
- NPL rate curbed at 2.2%.
- No VAMC outstanding bonds.

Thanks to growing momentum that has been cultivated over many years, a solid base for corporate governance and a development strategy consistently built on vision, mission and core values, VIB has created sustainable, long-term value for shareholders:

- VIB has continuously been accredited by prominent financial institutions and state regulatory agencies for its leading transparency and quality.

- VIB was the first private commercial bank approved by The State Bank of Vietnam to implement Basel II standards in accordance with Circular 41. As such, VIB has gained attention from the financial and investor community as well as trust from customers.
- In 2018, VIB's credit rating was raised twice by Moody's in acknowledgement of the bank's enormous efforts in monitoring its assets statement and combining the right mix of growth and risk management.
- Investment in VIB stock produced high yield with a total rate of dividend payout and ESOP issuance of over 46%; ROE rose to 22.5% in 2018 from 12.7% in 2017.

In 2018, VIB's Board of Directors comprised of eight members including two independent members and two from the CBA. All BOD members carried out their responsibilities on the basis of serving shareholders' interests. The BOD held 5 meetings and approved 12 important resolutions related to the bank's operations. Besides, the BOD commented on and issued 57 resolutions in the form of Action by Written Consent of BOD Members related to numerous bank operations and businesses, with a focus on key tasks such as approval of annual business strategies and plans, implementation of strategic plans, charter capital increase in 2018, business growth, risk management enhancement, corporate governance improvement, productivity incentives, human resources management, etc., which provided timely support to the Board of Management in executing business objectives.

The implementation of the 2018 General Meeting of Shareholders Resolution has achieved the following results related to shareholders' rights:

- The BOD submitted for approval by the State Bank of Vietnam (SBV) cash dividend payout of 4.98% of VIB charter capital in May 2018. However, dependent on SBV approval, VIB only completed dividend payments to shareholders on December 10, 2018.
- Regarding the plan to raise charter capital in 2018, upon approval by SBV and the State Securities Commission (SSC), VIB completed stock issuance to

existing shareholders at a rate of 41.13%, which raised its charter capital to VND7.835 trillion on November 19, 2018. The newly issued amount was recorded in the Corporate Charter and in the Operation License as well as the Business Registration Certificate of VIB.

Activities of the Human Resources Committee (HRC)

The Human Resources Committee of VIB operates in accordance with Regulation No. 1.0052.16.01 issued by the Board of Directors dated January 10, 2016, with 4 members:

- Mr. Dang Khac Vy, Chairman of the Board of Directors.
- Mr. Do Xuan Hoang, Member of the Board of Directors.

- Mr. Han Ngoc Vu – Member of the Board of Directors cum CEO.
- Mr. Coenraad Johannes Jonker - Member of the Board of Directors.

In 2018, the HRC effectively fulfilled its duties by advising the Board of Directors on the orientations of human resources planning and management; approving VIB's internal policies and regulations on salary, remuneration, bonuses and other benefit packages, thereby attracting and retaining senior executives as well as providing incentives to encourage and motivate employees to improve productivity and work efficiency.

The HRC held 7 meetings and decided on the following:

No	Date	Method	Decision(s)
1	January 24, 2018	Written consent by email	- Approval of the 2017 Bonus Fund Allocations Principle
2	April 20, 2018	Written consent by email	- Approval of a new Salary Policy to replace Salary Policy No. 1.0038.16.01 dated September 23, 2016
3	May 25, 2018	Written consent by email	- Approval of Treasury Stocks Allocations to Employees Policy
4	June 27, 2018	Written consent by email	- Approval of the Treasury Stocks Allocations principle to employees in 2018
5	July 3, 2018	Written consent by email	- Approval of base salary for members of the Board of Management
6	July 3, 2018	Written consent by email	- Approval of assignments of BOD members, and remuneration of members of BOD, Supervisory Board, and CEO
7	January 7, 2019	Written consent by email	- Approval of Support Policy for Rotation of key employees

Activities of Risk Management Committee (RMC)

The Risk Management Committee of VIB operates pursuant to the regulations of Decision No. 1.0041.16.01 of the BOD dated September 28, 2016, comprising 5 members.

- Mr. Dang Van Son, Vice Chairman of the BOD
- Mr. Dang Khac Vy, Chairman of the BOD
- Mr. Han Ngoc Vu – Member of the Board of Directors cum CEO.
- Mr. Michael John Murphy – Member of the BOD.
- Mr. Tran Tuan Phong – Independent member.

In 2018, the Board of Management successfully fulfilled its duties of advising the BOD prior to decision-making on issues related to risk management, ensuring VIB's effective risk management framework, policies and processes, among which was the revision of quarterly risk reports submitted to the BOD, including: credit risks, market risks, liquidity risks, operational risks, compliance risks; advising and assisting the BOD to lead the implementation of important risk management projects such as the Basel II project, the credit assessment project (Scoring); proposal of risk appetite for 2018; proposal of 2019 Risk Appetite Policy and Risk Management Strategy.

Details of the meetings of the RMC in 2018 are as follows:

No	Date	Method	Decision(s)
1	March 28, 2018	Live meeting	- Review of 2018 Risk Appetite Policy proposed by the Board of Management
2	April 18, 2018	Written consent by email	- Review of the risk appetite policy
3	July 24, 2018	Live meeting	- Revision of Risk report submitted to the BOD - Proposal to the BOD on Amendments to the 2018 Risk Appetite Policy - Request to the Board of Management to feature retail lending portfolio projections in the risk appetite proposal
4	October 25, 2018	Live meeting	- Revision of Risk report submitted to the BOD - Review of Basel II progress report and the repurchase of VAMC special bond VAMC - Request to the Board of Management to revise and enhance the Risk appetite policy
5	December 18, 2018	Live meeting	- Revision of Risk report submitted to the BOD - Review of the Proposal of 2019 Risk Appetite and Risk Management Strategy

BOARD OF DIRECTORS' ORIENTATIONS FOR OPERATION IN 2019

In 2019, the Board of Directors will continue to consistently deploy the set strategy in accordance with the functions and duties of the board in the aforementioned 7 groups of activities. The key objectives are as follows:

(i) Strategy and operations

The Board of Directors will continue to improve the bank's strategies, observe the implementation process and provide timely instructions and guidelines for the Board of Management in order to maximize value to shareholders, including the VIB 2.0 Transformation Strategy, strategies for specific operational divisions and supporting units. The Board of Directors will also support the Board of Management to set strategic priorities for each developmental stage and promote the implementation of strategic business objectives.

6 strategic business objectives of VIB include:

- Strong credit growth and funding.
- Leading position for strategic products: credit card and insurance.
- Establishment of an interactive approach for a win-win relationship with customers.
- Creation of an excellent sales channels.
- Massive marketing and communication.
- Technology a top priority.

(ii) Risk management and compliance

The BOD's focus on risk management and compliance in the next term will ensure the following:

- Sustaining last term's achievements, establishing a sustainable growth model, achieving the optimal point in the growth – risk management – effective governance triangle.
- Improving the quality of risk management processes,

regulations and standards, including compliance with Basel II standards.

- Strict compliance with the law and SBV regulations, ensuring compliance with prudent limits and ratios, debt classification and adequate risk provisions required by law, abide by tax policies and obligations to the State.
- Growth in market capitalization for shareholders.

(iii) Reinforcing the corporate governance structure

The Board of Directors will continue to improve VIB's governance model in line with the best standards, focusing on standardizing internal functions and tasks, strengthening the effective operations of the BOD, Supervisory Board, Board of Management members and its affiliated councils and committees. Moreover, the Board of Directors will continue to improve the interaction mechanism between the Board of Directors and the Board of Management, between the CEO and the operational divisions; application of international standards in internal, risk, financial control and compliance. VIB aims to list its shares on the Ho Chi Minh Stock Exchange to further improve its operational model, information disclosure and shareholder relations.

All of the above mentioned objectives are intended to support VIB in seeking the business targets for the next term of the board, including:

- Annual growth of 20%-30% for fundamental indicators: outstanding loans, customer deposits and profits.
- Consistently holding the real NPL ratio below 2%.
- Top 5 banks with the best financial strength rating in Vietnam (or similar indicator) according to Moody's assessment.
- Maintaining attractive yield for shareholders with a target rate of dividend payout and ESOP issuance at 15-25%/year.

SUPERVISORY BOARD



Mr. TRINH THANH BINH
 • Head of the Board of Supervisory

Age: 46
Education level: Master of Business Administration
 Bachelor of Banking and Finance
Employment history:
 2008 - present Head of Supervisory Board, VIB
 2007 - 2008 Head of Credit Card Division, VIB
 2005 - 2007 Head of Retail Banking Division, VIB
 2002 - 2008 Deputy CEO, VIB
 2001 - 2002 Manager of Foreign Payment, North Hanoi Branch,
 Agriculture and Rural Development Bank
 1998 - 2001 Manager of Foreign Exchange Department, Agriculture and
 Rural Development Bank
 1992 - 1998 External Relation Officer
Present positions:
 At other companies n/a



Mr. ANTHONY MICHAEL GREENHILL
 • Member of the Board of Supervisory

Age: 45
Education level: Master of Commerce
 Bachelor of Information Technology
Employment history:
 2002 - present General Manager for Audit, CBA
 1998 - 2002 Assistant to Vice Chairman – Audit, Credit Suisse
 1997 - 1998 Business Analyst, Qantas Ltd.
 1995 - 1997 Senior Advisor, PWC
Present positions:
 At other companies General Manager for Audit, CBA



Ms. NGUYEN LUONG THI BICH THUY
 • Member of the Board of Supervisory

Age: 43
Education level: Bachelor of Law
 Bachelor of Economics
Employment history:
 2013 - present BOS Member, VIB
 2004 - 2013 Head of Internal Audit Department - South, VIB
 Officer, Internal Audit Department, VIB
 2000 - 2004 Officer, Internal Audit and Recovery Department, Sacombank
 1999 - 2000 Sales Officer, Khai Hoan Trading Company.
Present positions:
 At other companies n/a

SUPERVISORY BOARD'S REPORT

REPORT OF THE SUPERVISORY BOARD ON VIB'S PERFORMANCE IN 2018

In 2018, with joint efforts from the Board of Directors, the Supervisory Board, the Management Board, and all employees, VIB scored remarkable results in business performance.

Key financial indicators:

Unit: Billion VND, %

No	Indicators	Actual 2018	Actual 2017	YoY (%)	% of 2018 Plan
1	Earnings before tax	2.743	1.405	95%	137%
2	Charter capital	7.835	5.644	39%	97%
3	Capital Adequacy Ratio (CAR)	12,88%	13,07%	-1%	N/A
4	Total assets	139.166	123.159	13%	93%
5	Total credit	101.160	86.623	17%	100%
6	Funding	95.015	77.423	23%	97%
7	Non-performing loans	2,24%	2,50%	-10%	Satisfactory
8	Investment in assets	107	226	-53%	36%

Source: Consolidated financial statement (audited)

2018 was a year of success for VIB as earnings before tax reached VND2.743 trillion, increasing by 95% from 2017 and accounting for 137% of the 2018 plan. All other financial indicators markedly improved over the year and nearly reached 100% of the target. The non-performing loan ratio was reduced by 10% compared to 2017, meeting shareholders' expectations. Loan loss provision expenses amounted to VND653 billion, increasing by 87% compared to 2017 (to handle debt bought from VAMC).

Evaluation of Audited Financial Report

The Supervisory Board has reviewed VIB's 2018 Financial Report, including the independent audited financial report in accordance with the Vietnam Accounting Standard. Information disclosure, reporting and accounting practices, as well as the process to prepare 2018 financial statements, were carried out in accordance with the accounting standards and regulations of the State Bank of Vietnam and Vietnamese laws.

Key risks assessments:

- **Credit risk:** Credit risk was actively managed through adjusting strategy for retail lending products. Credit portfolio quality has been improved as retail credit is being redirected to more diversified and less-risky targets, while risk in the wholesale business has been mitigated through specific risk control actions.
- **Market and Liquidity risk** were prudently controlled, strengthening liquidity position. CAR scored at 12.88%. Interest rate risks and liquidity ratios complied with SBV standards.
- **Operational risks:** Organizational restructuring was implemented by streamlining back office divisions, promoting the role of the front office, increasing the application of process automation, and strengthening internal auditing. In 2018, VIB continued to focus on eliminating fraud and corruption cases, resolutely resolving negative incidents, promoting integrity and compliance culture within the bank.
- **Strategic risks:** The Board of Directors and Management Board, comprising qualified members with local knowledge and international experiences, have pursued strategies to promote business and mitigate risks. VIB is accountable to the best international standards and practices.

EVALUATING THE IMPLEMENTATION OF THE 2018 RESOLUTION OF THE GENERAL SHAREHOLDER'S MEETING

- Based on the resolution of the shareholders' meeting on 29/03/2018, VIB increased charter capital to VND7.834,673 trillion via issuing bonus shares to current shareholders. Charter capital was increased by VND2,190,247 billion, an increase of 41.13%. A 4.98% cash dividend rate was distributed to current shareholders at the same time.
- 1.944.790 treasury stocks were distributed to high performing full-time employees who have been working with VIB for at least 12 months.
- In 2018, VIB headquarters was moved to 1st floor (ground floor) and 2nd floor of Sailing Tower No. 111A Pasteur, Ben Nghe Ward, District 1, Ho Chi Minh City. However, the plan to list VIB shares on Ho Chi Minh Stock Exchange was not delivered in 2018, but is expected to be completed in 2019.
- Regarding implementation of the authorization of the General Meeting of Shareholders, the Board of Directors has approved new Financial Regulation No. 1,0005.19.18 dated 17/01/2019.

REPORT ON OPERATION OF THE SUPERVISORY BOARD IN 2018

The Supervisory Board include the following members:

Name	Title
Mr. Trinh Thanh Binh	Full-time member - Head of the Board
Mrs. Nguyen Luong Thi Bich Thuy	Full-time member
Mr. Anthony Michael Greenhill	Non full-time member

The Supervisory Board's composition was properly maintained in accordance with legal requirements. 2 full-time members of the Supervisory Board were experienced officers in the banking industry, who have held various management positions at VIB. The Supervisory Board has worked in tandem with the Board of Directors and Management Board to build the foundation of a modern banking organization, properly equipped with advanced and effective risk management systems. Activities of the Supervisory Board include:

(i) Monitoring financial performance:

The Supervisory Board paid special attention to the monitoring of financial performance, ensuring transparency and compliance with Vietnamese financial and accounting standards. The board's activities include:

- Regular monitoring of VIB's financial performance, changes in financial and accounting policies, as well as key performance indicators that closely affect VIB's business performance. Review financial statements on a semi-annual and annual basis.
- Working with independent international auditors in the process of reviewing VIB's financial reports.

(ii) Monitoring internal control activities:

Our internal control system consists of mechanisms, policies, processes, internal regulations and organizational structure which were built in accordance with Circular 13/2018/TT-NHNN, dated May 18, 2018 and Circular 40/2018/TT-NHNN dated December 28, 2018, issued by the State Bank of Vietnam. Main activities of the Supervisory Board include:

- Review VIB's organizational structure to be in line with business strategy. Closely monitoring risks arising during the review process to be within the risk appetite parameters set by the Board of Directors. Detecting control loopholes and taking suitable actions to respond in a timely manner.
- Through internal audit control and investigation, assess the environment and internal control system of subjects under the first and second layers of protection.
- Cooperate with independent auditors and inspectors to evaluate and improve VIB's control environment and system, according to requirements of the State Bank of Vietnam.

(iii) Improving efficiency for the third protection layer

In 2018, as a third line of defense, the Supervisory Board actively and effectively participated in VIB's risk management activities. The third protection layer is in charge of internal audit and investigation, providing independent and transparent assessments of risk management activities carried out by the first and second protection layers.

Key activities of an effective third protection layer include:

- Directly coordinating internal audit operations, ensuring the internal audit's independence and transparency. Promoting the role of internal audit in the processes of risk management and compliance. Closely following up on high-risk issues and directly reviewing audit reports.
- Directly overseeing fraud management and internal investigation, particularly focusing on safeguarding mechanisms through various forms of communication, training, surveys and whistle blowing. Directly reviewing and approving investigation reports related to complaints, denunciations and other arising cases.
- Strengthening communication between the Supervisory Board and other stakeholders within the bank, including shareholders, the BOM, BOD and

executives. Regularly consulting and providing feedback on issues, risks, violations, adjustments post-inspection as well as audit matters.

- Closely cooperate with authorities, including the State Bank of Vietnam's inspection division, in inspection, complaint and denunciation settlements, as well as handling of violations and fraud.

(iv) Building an internal audit system in compliance with international practices

The Supervisory Board actively conducted internal audits, which focused on identifying violations, risks and boosting compliance across the whole system. Main activities of internal audits include:

- Capacity building for information and technology auditing, involving auditors with international experience in banking information technology.
- Continuously improving risk-based monitoring and auditing framework, focused on identifying violations, risks and responsibilities of specific individuals and divisions.
- Implementing system-wide auditing of divisions, carrying out comprehensive inspections of branches' activities, from credit to treasury activities... with emphasis on auditing credit activities.
- Conduct audit of departments at headquarters, focused on evaluating internal control systems, processes and policies.
- Closely cooperating with the State Bank of Vietnam's inspection division to address all inspection and supervision inquiries. Implement adjustments to the whole system according to inspector's recommendations.

(v) Preventing frauds and corruptions:

Works of internal fraud prevention and audit were implemented in an active and effective fashion. Main activities and results included:

- Actively apply mechanisms for fraud and corruption

prevention, protecting VIB's values of transparency and integrity.

- Members of Internal Fraud and Group Investigation Department are officers with in-depth experience in investigation, which helped to detect and eliminate negative and corrupt behavior at VIB.
- In 2018, we continued to implement measures for fraud and corruption prevention as well as mechanisms to provide diligent supervision and monitoring of the bank's activities. Initiatives included: establishing a risk management framework; building indicators to identify early signs of fraud and risks; raising awareness and implementing fraud prevention mechanisms through communication for officers; coordinating with authorities to promote effective anti-corruption measures, and further strengthening fraud and corruption prevention at VIB.

ACTION PLAN FOR 2019

- Monitoring financial performance, ensuring transparency and accuracy of financial data.
- Maintaining and improving the internal control system as part of the effective risk management and performance framework.
- Ensuring effectiveness and authority of VIB's three-layer protection system for risk management.
- Maintaining the advisory role of internal audit over first and second protection layer. Monitoring and auditing using a risk-based approach.
- Continue to promote the culture of compliance, anti-corruption and anti-fraud.

REMUNERATION REPORT OF BOD AND BOS

Remuneration and operational expenses of Board of Directors and Supervisory Board in 2018

- According to Resolution No 1.0017.18.20 DHDCD, issued at the 2018 General Meeting Shareholders, total remuneration in 2018 for members of the Board of Directors and Supervisory were capped at a maximum of 1.5% of earnings before tax in 2018.
- At the beginning of 2018, VIB set a target for earnings before taxes of VND2.005 trillion. Before the end of the fiscal year of 2018, VIB's earnings before taxes reached VND2.743 trillion. Accordingly, the maximum remuneration budget was VND41.1 billion.
- By December 31, 2018, operational expenses of the Board of Directors and the Supervisory Board were VND9,082,774,890. Remuneration for officers who were also CBA's members were covered by

CBA, therefore were not included in the boards' expenses. The remuneration of an executive board member who also held CEO position was covered by the Salary Fund and excluded from the board's remuneration package. The remuneration package for the Board of Directors and Supervisory Board is detailed as follows:

- Operation expenses of the Board of Directors was VND 6,990,343,527, with VND 6,456,000,000 for remuneration and allowances, and VND 534,343,527 for travel cost.
- Operation expenses of the Supervisory Board was VND 2,092,431,363, with VND 2,054,700,000 for remuneration and allowances, and VND 37,731,363 for travel cost.

Details are as follows:

No	Name	Position	Term of Office	Note
Board of Directors				
1	Dang Khac Vy	Chairman of the Board of Directors	01.01.2018-31.12.2018	
2	Dang Van Son	Vice Chairman of the Board of Directors	01.01.2018-31.12.2018	
3	Do Xuan Hoang	Member of the Board	01.01.2018-31.12.2018	
4	Han Ngoc Vu	Member of the Board	01.01.2018-31.12.2018	CEO Salary
5	Micheal John Venter	Member of the Board	01.01.2018-29.03.2018	Paid by CBA
6	Michael John Murphy	Member of the Board	29.03.2018-31.12.2018	Paid by CBA
7	Coenraad Johannes Jonker	Member of the Board	01.01.2018-31.12.2018	Paid by CBA
8	Ian Park	Independent member	01.01.2018-31.12.2018	
9	Tran Tuan Phong	Independent member	01.01.2018-31.12.2018	
Supervisory Board				
1	Trinh Thanh Binh	Head of the Board	01.01.2018-31.12.2018	
2	Nguyen Luong Thi Bich Thuy	Full-time member	01.01.2018-31.12.2018	
3	Anthony Michael Greenhill	Member	01.01.2018-31.12.2018	Paid by CBA

BOARD OF MANAGEMENT



Mr. HAN NGOC VU

- Member of the Board of Directors
- Chief Executive Officer
- Vice Chairman of Anti-Fraud and Corruption Committee
- Vice Chairman of Risk Handling Council

Age: 53
Education level: Master of Business Administration
 Bachelor of International Relations
 Diploma of Business English
 Certificate of General Management

Employment history:
 2013 - present BOD Member cum CEO, VIB
 2008 - 2013 Chairman of BOD, VIB
 2006 - 2008 CEO, VIB
 2004 - 2006 Hanoi Branch Manager cum Country Head of Corporate Banking, Citibank, Vietnam
 6/2006 - 10/2004 Hanoi Branch Manager, Calyon Bank Vietnam
 2001 - 2004 HCMC Branch Manager, Credit Lyonnais Vietnam
 1999 - 2004 Country Sales Manager, Credit Lyonnais Vietnam
 1993 - 1998 Relationship Manager, Credit Lyonnais
 1990 - 1992 Assistant of Hanoi Representative Office, Credit Lyonnais

Present positions:
 At other companies n/a



Mr. HO VAN LONG

- Deputy CEO
- Head of Retail Banking Division – Core Businesses

Age: 42
Education level: Bachelor of Economics
 Certificate of Association of Chartered Certified Accountants

Employment history:
 11/2018 - present Head of Retail Banking Division – Core Business, VIB
 2016 - present Deputy CEO cum Head of Corporate Transformation Center, VIB
 2009 - 2010 VIB:
 - CFO
 - Acting CFO
 2008 - 2009 Deputy CFO, VIB
 Before 2009 Manager of Finance and Accountant, Asia Pacific Breweries Co. Ltd.
 Senior Auditor, Ernst & Young Vietnam
 Assistant to CEO cum Head of MIS & ABC Project, Techcombank

Present positions:
 At other companies n/a



Ms. TRAN THI THU HUONG

- Head of Retail Banking Division – Strategic Businesses

Age: 35
Education level: Master of Business Administration
 Master of Finance Analysis
 Bachelor of International Economics

Employment history:
 11/2018 - present Head of Retail Banking Division – Strategic Businesses, VIB
 2016 - present Manager of Strategy and Business Support Department, VIB
 2014 - 2015 Structured Finance Senior Specialist, VIB
 Structured Finance Specialist, VIB
 Before 2014 Worked in other companies, banks: General Electrics,
 Goldman Sachs, Glendon Capital Management, HSBC, SCIC

Present positions:
 At other companies n/a



Mr. LE QUANG TRUNG

- Deputy CEO
- Head of Treasury Division
- Chairman of Asset – Liability Committee

Age: 45
Education level: Master of Business Administration

Employment history:
 2016 - present Deputy CEO, VIB
 2010 - present Head of Treasury Division, VIB
 2016 - 2017 Head of Global Banking Division, VIB
 01/2013 -05/2013 Acting CEO, VIB
 01/2010 - 01/2013 Deputy CEO, VIB
 04/01/2010 - 10/01/2010 Senior Advisor to Head of Treasury Division, VIB
 Assistant to CEO in charge of Capital, VIB
 Before 2010 Independent Advisor for Monetary & Capital; Lecturer,
 Training Center for Banking (MPDF) and BTC
 Head of Monetary and Capital Business, BNP Paribas
 Head of Monetary Business, Citigroup Vietnam
 Head of Monetary and Capital; Member of Asset – Liability
 Committee, Deutsche Bank AG

Present positions:
 At other companies n/a



Ms. VUONG THI HUYEN

- Deputy CEO
- Head of Wholesales Banking Division

Age: 44
Education level: Master of Business Administration
 Bachelor of Foreign Language
 Bachelor of Economics

Employment history:
 2016 - present Deputy CEO, VIB
 2013 - present Head of Wholesales Banking Division, VIB
 2016 - 2017 Head of Small and Medium Enterprises (SME) Division, VIB
 2012 - 2013 Deputy Head of Wholesales Banking Division, VIB
 Head of Commercial & SME Banking Project, VIB
 Head of Wholesales Support Center, VIB
 Head of HUB Hanoi, VIB
 Before 2012 Head of SME Division, Vietinbank
 Hanoi Branch Manager, Credit Agricole Corporate &
 Investment
 Head of Project Credit, Structured Finance & Export, ANZ

Present positions:
 At other companies n/a



Mr. HOANG LINH

- Chief Financial Officer
- Chairman of Capital Management Council

Age: 39
Education level: Bachelor of International Economics

Employment history:
 9/2017 - present Chief Financial Officer, VIB
 2016 - 8/2017 Acting Chief Financial Officer, VIB
 2013 - 2016 Manager of Planning and Budgeting Department cum
 Manager of Finance System and Projects, VIB
 2012 - 2013 Manager of Planning Department, VIB
 Before 2012 Worked in companies and banks: Fullerton Financial
 Holdings – Vietnam, Temasek Singapore; FPT Securities JSC;
 PWC Vietnam

Present positions:
 At other companies n/a



Mr. HA HOANG DUNG

- Chief Risk Officer
- Deputy of Risk Handling Council
- Chairman of Risk Council

Age: 44

Education level: Bachelor of Finance

Employment history:

11/2018 - present Chief Risk Officer, VIB
 7/2018 - 10/2018 Acting Chief Risk Officer, VIB
 2017 - 2018 Deputy Chief Risk Officer cum Head of Risk Monitoring and Compliance Center, VIB
 2012 - 2017 Manager of Market and Financial Institutional Risk Department, VIB
 Manager of Operational Risk Management Department, VIB
 2011 - 2012 BOD Member cum Chief Risk Officer, VIB
 2010 - 2011 Deputy CEO in charge of Investment and Special Projects, VIB
 2008 - 2010 Deputy CEO cum Head of Treasury, VIB
 Before 2008 Head of Treasury, Vietnam Branch, Mizuho Bank
 Other senior positions, Fuji Bank

Present positions:

At other companies n/a



Mr. TRAN NHAT MINH

- Deputy CEO
- Head of Business Technology Services Division

Age: 46

Education level: Doctor of Science and Technology
Master of Business Administration

Employment history:

2017 - present Deputy CEO cum Head of Business Technology Services Division, VIB
 2016 - 2017 Deputy CEO cum Head of Digital Banking Division, VIB
 2015 - 2016 Deputy CEO in charge of Business Technology and Operations Division; Head of Business Technology Services Division, VIB
 2012 - 2015 BOD Member cum Deputy CEO in charge of Support Divisions, VIB
 Before 2012 Managing Director, Mareven Food Central Co.
 Deputy CEO and CEO, ProInvest Co. Ltd, FG Co. Ltd., ZAO "DHV-S JSC.

Present positions:

At other companies n/a



Mr. AN THANH SON

- Deputy CEO
- Head of General Counsel Division
- Chairman of Grievance Handling Council

Age: 47

Education level: Master of International Business Administration
Bachelor of Economics Law
Engineer of Marine Transportation Economics

Employment history:

2013 - present Deputy CEO cum Head of General Counsel Division, VIB
 2011 - 2013 Chairman of VIBAMC
 2008 - 2011 CEO, VIB
 2007 - 2008 Permanent Deputy CEO cum Head of Branch and Services Division, VIB
 2004 - 2007 Deputy CEO cum Office Manager, VIB;
 Deputy CEO in charge of Branch Development Division, VIB
 2003 - 2004 Office Manager, VIB
 2002 - 2003 Assistant to CEO, VIB
 Before 2003 MSB:

- Office Manager
- Head of Personnel Department
- Deputy Office Manager
- Marketing Officer

Present positions:

At other companies Chairman of Member Law Board, SH Legal Vietnam Ltd. Co.
BOD Member, IsofH Technology JSC.



Ms. DANG THI PHUONG DIEM
 • Head of Operations Services Division

Age: 45
Education level: Master of International Trade
 Bachelor of Business Administration
Employment history:
 2012 - present Head of General Operations Division – Operation Services, VIB
 Head of Operations Services Division, VIB
 2009 - 2012 Deputy Head of Operations Services Division, VIB
 Head of Processing Center, VIB
 2003 - 2008 Head of Trade Processing and Cash Flow Management
 Department, VIB
 Manager of International Payment and Monetary Business
 Department, HCM Branch, VIB
 2002 - 2003 Deputy Manager of International Payment Department,
 HCM Branch, VIB
 Before 2002 Head of Credit Department, Techcombank
Present positions:
 At other companies n/a



Mr. TRAN TUAN MINH
 • Head of Human Resources Division

Age: 44
Education level: Bachelor of Business Administration
Employment history:
 2017 - present Head of Human Resources Division, VIB
 2014 - 2017 Deputy Head of Human Resources Division cum Head of
 Human Resources Services Department, VIB
 2012 - 2014 Head of Compensation and Benefits Department, VIB
 Before 2012 Personnel Manager, Human Resources Consulting Company
 NIC
 Personnel Manager, Vimaflour Co. Ltd.
Present positions:
 At other companies n/a



Mr. NGUYEN HOANG HAI
 • Head of General Operations – General Affairs

Age: 45
Education level: Master of Technology
 Bachelor of Engineering in Radio Physics
Employment history:
 11/2018 - present Head of General Operations Division – General Affairs, VIB
 2017 - present Head of Operating Model Transformation Department, VIB
 2013 - 2017 Deputy Head of General Operations Division, VIB
 Before 2013 Chief Operation Officer cum Strategic Director;
 Chief Commercial Officer, GTEL JSC
 Chief Technique Officer, Millicom Laos Ltd.
Present positions:
 At other companies n/a

CORPORATE GOVERNANCE MODEL AND ORGANIZATIONAL STRUCTURE

CORPORATE GOVERNANCE MODEL

Transparent governance model as well as an agile and dynamic organizational structure are key factors contributing to efficiency and productivity at VIB.

VIB has applied a professional corporate governance model in compliance with international standards. We successfully applied the model into our daily operation, taking Vietnam's legal system and the distinct characteristics of Vietnam's economy, society and culture into consideration.

The setup of the corporate governance framework at VIB is consistently developed based on principles, designating clear responsibilities among governance, control and administration functions. The governance framework promotes decision-making processes based on the accountable and transparent manners of the Board of Directors, Supervisory Board and Board of Management. VIB ensures a democratic working environment and a cutting edge corporate governance structure, taking into account the specific features of the Vietnamese market. Our managerial team constantly improves in various aspects. The Board of Directors includes both full-time members and independent members. The Board of Management and Supervisory Board consist of outstanding individuals with years of experiences at local and foreign financial institutions and banks, along with foreign managers. The involvement of high-skilled members with international experiences has contributed to the effective operation of our Board of Directors, Supervisory Board and Board of Management.

Our business, service and operation services strictly follow our charter, corporate governance framework, internal regulations and processes. The corporate governance framework is set to coordinate and regulate interactions between divisions as recommended by international-standard best practices. Management activities are constantly updated with clear policies, regulations and processes, and applied by our divisions efficiently.

VIB has successfully implemented a new business and service model across all of our branches, helping to foster sales performance, improve service quality, and strengthen risk management. Our strategy is to continue to enhance the quality of our customer services through the standardization of processes and procedures across the bank. We are determined to deliver our vision of "innovative and customer-centric" through these changes.

Recently, we have focused on fostering risk management activities, with the implementation of centralized credit approval system, credit rating, and risk appetite framework, as well as new policies and regulations for risk management. Efforts have been made to centralize debt recovery and risk mitigation as well as to launch regular professional technical training for our staff. Gradually, VIB is striving for a modern risk management system, aiming to meet international standards. VIB has built a sufficient risk management capacity to sustain long-term growth targets. VIB has also implemented a centralized credit approval system across our 162 branches.

At the same time, VIB's internal control and audit systems were enhanced. Our internal control mechanisms and processes were improved to fulfill comprehensive governance and supervision tasks required by business operation as well as the implementation of credit policies.

Periodical and independent audits have been implemented in accordance with regulations with the participation of approved international auditing firms. VIB strictly follows the process to prepare financial statements, ensuring that financial reports and annual reports are independently audited, approved by the authorities and our shareholders in a timely manner with good quality.

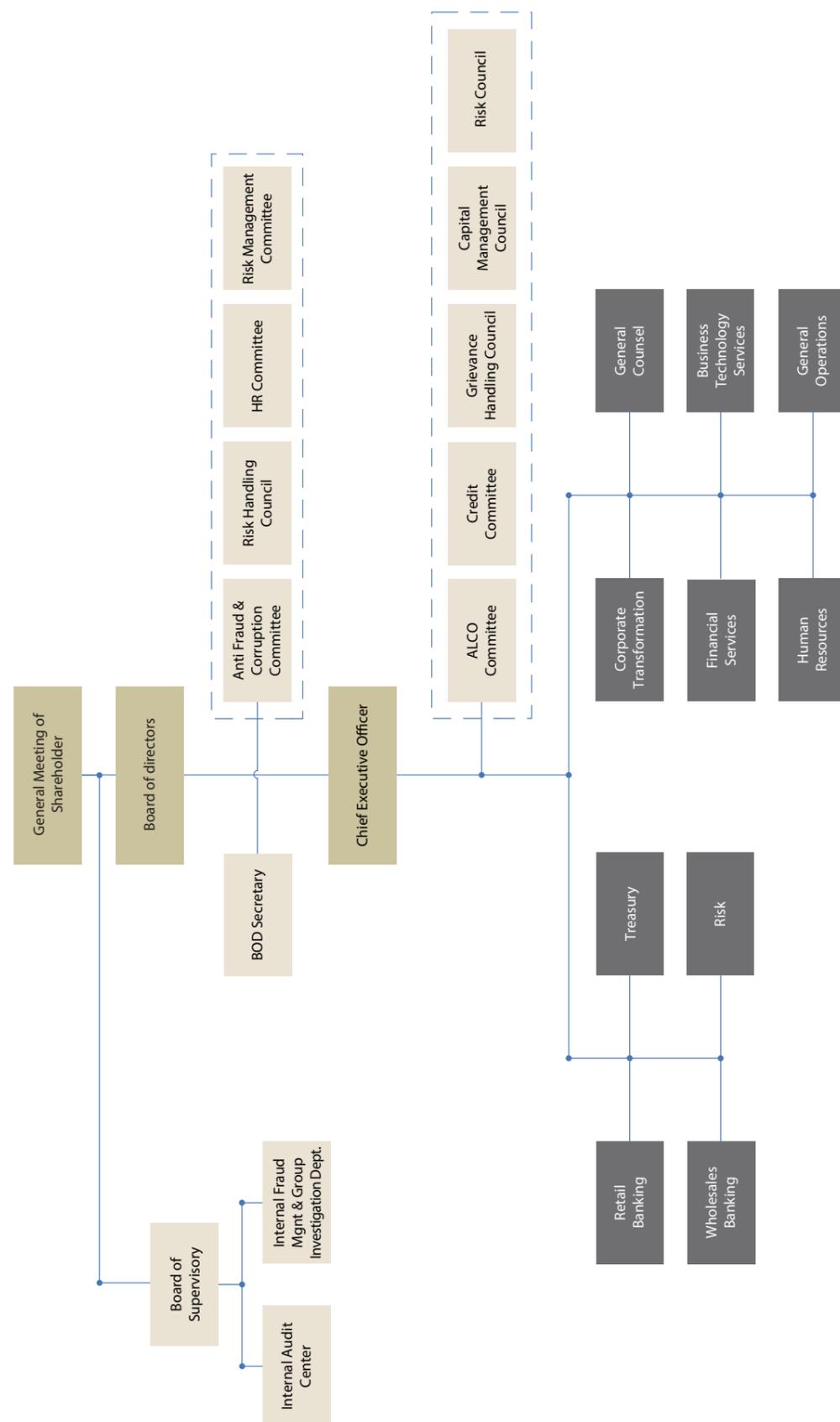
In addition, VIB revised and amended our charter in accordance with the Law on Credit Institutions and Law on Enterprises 2014, as well as developed internal regulations and mechanisms for Board of Directors,

Supervisory Board, Board of Management and committees. These efforts aim at ensuring compliance with the law and creating a legal foundation for the management, supervision and administration of the bank.

In short, in the banking sector, VIB has gained credibility for the transparency, ethical code of conduct, and a modern and efficient corporate governance structure, recognized by the State Bank of Vietnam, independent auditing firms such as KPMG, Ernst & Young, our shareholders – including appraisals from CBA, Moody's, international financial market institutions such as the World Bank, IFC, ADB, and other prestige domestic and international organizations.



• ORGANIZATIONAL STRUCTURE



VIB has a single-member limited subsidiary wholly-owned by the Bank known under the trading name as VIB Asset Management Company ("VIB AMC").

HUMAN RESOURCES DEVELOPMENT REPORT

HUMAN RESOURCES STATISTICS

VIB employees in 2018 is as follows:

- Total employees: 5,372 employees
- Average employees in 2018: 5,138 employees
- Average salary for 2018: 18.05 million VND/employee/month
- Average income for 2018: 22.88 million VND/employee/month

SALARY, REMUNERATION, AND WELFARE SCHEMES

VIB views its employees as the most valuable and important asset for the Bank's continued growth and development. VIB therefore pay due attention to policies related to workers' remuneration.

VIB has reformed its employees' remuneration policies to a contribution-based system. Policies are designed for each categories of positions to accurately reflect the contribution level of each employee, to motivate employees to strive to the best of their abilities, and to reflect VIB's commercial operation priorities in each period.

In addition to superior compensation policies, VIB has also developed an annual cash and stock bonus

scheme with the aim of turning employees into stakeholders. In 2018, over 3500 employees held VIB's free-float shares.

Moreover, VIB also has an employees' insurance, healthcare and accidents schemes. Employees can enjoy discounts from insurance partners for in/out-patient treatment, as well as for dental and maternal healthcare services,... unique to each insurance package.

MODERN AND PROFESSIONAL WORKING ENVIRONMENT

VIB cultivates a culture of 5S. With a modern, clean, spacious, orderly, less paperwork working environment, employees enjoy an optimum atmosphere for productive work.

HUMAN RESOURCE DEVELOPMENT

In 2018, over 22,700 participants (19,000 turns of employees and 3,700 turns of managers) took part in training courses totaling over 92,000 hours. As of 31/12/2018, the average official training hour for an employee is over 17 hours, nearly equivalent to 3 work-days. The average training hour is tallied for individual employees and employee categories.

Criteria	Employees	Managers	Total
Turns of trainees	19,001	3,706	22,707
Training hours	72,228	19,780	92,008
Average training hour/employee	15.24	31.80	17.16

VIB gives priority to developing skills development and continuing education programs to help employees in their career advancement and personal development. Training courses include components related to Compliance and Risk Management; Products and Processes; Sales and Services; effective working skills; leadership skills and human resource management; and Future Manager training courses. These courses are structured into 3 main themes: 1. VIB Essentials; 2. Sales & Services; 3. Professional.

At the same time, also gives priority to developing and improve 5 core competencies for employees, including: i) information about technology; ii) analysis-based decision-making; iii) adaptability to changes; iv) development mentality; and v) empathy. These skills help employees' personal development, adapt to a highly interactive, fast-changing work environment that is gradually digitizing as a result of the 4th Industrial Revolution.

ADVANCES IN ORGANIZATIONAL STRUCTURE, HUMAN RESOURCE MANAGEMENT POLICIES

VIB has successfully developed an organizational structure information management system, a KPI assessment system for job categories which has allowed for flexible human resource planning and adjustments that optimally meets business development needs. VIB has reviewed and classified positions into specialized job categories, standardized job description for individual positions, identified and removed positions that do not add value to the organization. Job categories are appropriately resourced towards in-depth specialization. Management scope is optimized to increase interaction efficiency as well as boost inter-division cooperation in business operations, promoting a democratic working environment at VIB.

In addition, VIB worked to standardize policies, processes, regulations for all business units within the system through the development of a Business

Direction Manual. The bank has strived to replace abstract policies, procedures whose application are problematic in reality with transparentm easy-to-understand regulations that are tailored to specific issues, job categories. This has helped improve compliance and accuracy in operations, and helped the system to operate flexibly and smoothly.

An impressive step up in management at VIB has been the application of real-life data analysis-based decision-making. Decision-making is the most complex and difficult task, which usually is time-sensitive, based on prior experience, and always carry potential risks. Therefore, analysis of data, generating conclusions based on reliable inputs, are always at a premium, and helps the decision-making process to be easier, more reliable, limit risks, and as a result, improve business performance for VIB.



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AUDITED FINANCIAL STATEMENTS

AUDITED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To: The Shareholders of
Vietnam International Commercial Joint Stock Bank

We have audited the accompanying consolidated financial statements of Vietnam International Commercial Joint Stock Bank and its subsidiary ("the Bank"), as prepared on 22 February 2019 and set out on page 6 to page 61, which comprise the consolidated balance sheet as at 31 December 2018, the consolidated income statement and the consolidated cash flow statement for the year then ended and the notes thereto.

MANAGEMENT'S RESPONSIBILITY

Management of the Bank is responsible for the preparation and fair presentation of the 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 controls as management determines are 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 the consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free 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 auditor's 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 auditor considers internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Bank as at 31 December 2018, and of the consolidated results of its operations and its 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

Hanoi, Vietnam
26 February 2019

Nguyen Van Trung
Auditor
Audit Practising Registration
Certificate No. 3847-2016-004-1

CONSOLIDATED BALANCE SHEET

as at 31 December 2018

	31/12/2018 VND million	31/12/2017 VND million
ASSETS		
Cash, gold and gemstones	1,098,117	1,016,409
Balances with the State Bank of Vietnam ("SBV")	2,473,941	3,587,550
Deposits at and loans to other credit institutions	8,415,605	10,274,966
Deposits at other credit institutions	7,723,631	9,389,716
Loans to other credit institutions	691,974	885,250
Derivatives and other financial assets	-	-
Loans to customers	95,260,970	78,919,360
Loans to customers	96,138,735	79,864,220
Provision for loans to customers	(877,765)	(944,860)
Debts purchased	418,273	955,774
Debt purchased	419,171	956,288
Provision for debt purchased	(898)	(514)
Investment securities	28,577,760	25,609,896
Available-for-sale securities	28,676,423	24,893,365
Held-to-maturity securities	42,380	1,570,470
Provision for diminution in value of investment securities	(141,043)	(853,939)
Long-term investments	114,799	113,947
Other long-term investments	185,274	185,259
Provision for diminution in value of long-term investments	(70,475)	(71,312)
Fixed assets	350,758	369,709
Tangible fixed assets	195,020	219,617
Cost	581,930	553,033
Accumulated depreciation	(386,910)	(333,416)
Intangible fixed assets	155,738	150,092
Cost	325,770	284,562
Accumulated amortisation	(170,032)	(134,470)
Investment properties	-	16,403
Cost	-	16,403
Other assets	2,455,993	2,295,103
Receivables	611,478	662,308
Accrued interest and fee receivables	1,404,848	1,124,648
Deferred tax assets	127	76
Other assets	439,540	508,071
TOTAL ASSETS	139,166,216	123,159,117

CONSOLIDATED BALANCE SHEET

as at 31 December 2018

	31/12/2018 VND million	31/12/2017 VND million
LIABILITIES		
Borrowings from the Government and the SBV	832,575	1,000,000
Deposits and borrowings from other credit institutions	29,399,947	33,695,516
Deposits from other credit institutions	17,215,102	17,263,910
Borrowings from other credit institutions	12,184,845	16,431,606
Deposits from customers	84,862,629	68,377,753
Derivatives and other financial liabilities	20,471	89,431
Other borrowed and entrusted funds	19,818	31,248
Valuable papers issued	10,152,430	9,045,061
Other liabilities	3,210,701	2,132,587
Accrued interest and fee payables	1,463,142	1,212,805
Other payables and liabilities	1,747,559	919,782
TOTAL LIABILITIES	128,498,571	114,371,596
SHAREHOLDERS' EQUITY		
Capital	7,835,885	6,039,799
Charter capital	7,834,673	5,644,425
Share premium	720,568	1,158,533
Treasury shares	(719,356)	(763,159)
Reserves	1,708,703	2,027,583
Retained earnings	1,123,057	720,139
TOTAL SHAREHOLDERS' EQUITY	10,667,645	8,787,521
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	139,166,216	123,159,117

CONSOLIDATED BALANCE SHEET

as at 31 December 2018

	31/12/2018 VND million	31/12/2017 VND million
OFF-BALANCE SHEET ITEMS		
Credit guarantees commitments	-	25
Foreign exchange commitments	58,922,073	33,275,495
- Foreign exchange commitments - buy	3,016,280	2,515,184
- Foreign exchange commitments - sell	667,124	2,276,090
- Currency swap contract	55,238,669	28,484,221
Letters of credit commitments	1,652,769	2,569,478
Other guarantees	6,173,831	4,662,725
Other commitments	12,765,242	9,239,013
	79,513,915	49,746,736

Prepared by:

Approved by:

Approved by:






Ms. Nguyen Thi Thanh Tam
Chief Accountant

Mr. Hoang Linh
Chief Financial Officer

Mr. Han Ngoc Vu
Chief Executive Officer

Hanoi, Vietnam
22 February 2019

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2018

	2018 VND million	2017 VND million
Interest and similar income	10,085,843	7,252,564
Interest and similar expenses	(5,260,350)	(3,796,588)
Net interest income	4,825,493	3,455,976
Fee and commission income	1,026,934	594,174
Fee and commission expenses	(292,189)	(187,283)
Net fee and commission income	734,745	406,891
Loss from trading of foreign currencies	(25,871)	(62,888)
Net gain from investment securities	35,757	161,340
Net gain from investments in other entities	535	1,380
Other income	598,878	160,975
Other expenses	(83,764)	(34,212)
Gain from others activities	515,114	126,763
TOTAL OPERATING INCOME	6,085,773	4,089,462
Payroll and other staff costs	(1,639,419)	(1,324,020)
Depreciation and amortisation charges	(91,074)	(90,904)
Other operating expenses	(959,223)	(919,533)
TOTAL OPERATING EXPENSES	(2,689,716)	(2,334,457)
Profit before provision for credit losses	3,396,057	1,755,005
Provision expenses for credit losses	(653,487)	(349,935)
PROFIT BEFORE TAX	2,742,570	1,405,070
Current income tax expenses	(548,700)	(280,779)
Deferred tax expense	51	(12)
Total income tax expenses	(548,649)	(280,791)
PROFIT AFTER TAX	2,193,921	1,124,279
Basic earnings per share (VND/share)	3,873	1,968

Prepared by:

Approved by:

Approved by:






Ms. Nguyen Thi Thanh Tam
Chief Accountant

Mr. Hoang Linh
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Mr. Han Ngoc Vu
Chief Executive Officer

Hanoi, Vietnam
22 February 2019

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2018

	2018 VND million	2017 VND million
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and similar received	9,959,284	7,432,862
Interest and similar paid	(5,010,013)	(3,206,477)
Fee and commission received	734,745	406,891
Net receipts from dealing in foreign currencies, gold and securities trading activities	8,069	98,452
Other incomes/(expenses)	387,749	(7,349)
Recoveries from bad debts previously written off	126,239	107,399
Payments for employees and other operating activities	(2,498,329)	(2,243,553)
Current income tax paid in the year	(501,724)	(182,472)
Net cash flows from operating activities before changes in operating assets and liabilities	3,206,020	2,405,753
Changes in operating assets	(19,111,426)	(18,364,720)
Decrease/(Increase) in deposits at with and loans to other credit institutions	193,276	(217,873)
(Increase)/Decrease in securities held for trading	(2,254,968)	3,117,631
Decrease in derivatives and other financial assets	-	100,762
Increase in loans to customers	(15,737,398)	(20,640,411)
Used of provision to write off loan to customers, securities and long-term investment losses	(1,714,237)	(603,092)
Decrease/(Increase) in other assets	401,901	(121,737)
Changes in operating liabilities	13,529,267	17,724,543
(Decrease)/Increase in borrowings from Government and the SBV	(167,425)	1,000,000
(Decrease)/Increase in deposits and borrowings from other credit institutions	(4,295,569)	433,525
Increase in deposits from customers (including The State Treasury)	16,484,876	9,116,911
Increase in valuable papers issued (except valuable papers issued for financing activities)	1,107,369	7,045,061
Decrease in other borrowed and entrusted funds	(11,430)	(26,227)
Decrease in derivatives and other financial liabilities	(68,960)	-
Increase in other liabilities	480,406	155,273
Net cash flows (used in)/from operating activities	(2,376,139)	1,765,576

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2018

	2018 VND million	2017 VND million
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for purchases of fixed assets	(74,697)	(89,321)
Proceeds from disposals of fixed assets	1,126	2,902
Proceeds from investments property	16,403	3,006
Dividends received from long-term investments	535	1,380
Net cash flows used in investing activities	(56,633)	(82,033)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends distributed to shareholders	(265,195)	(282,220)
Payments to purchase treasury shares	(19)	(763,140)
Net cash flows used in financing activities	(265,214)	(1,045,360)
Net cash flows in the year	(2,697,986)	638,183
Cash and cash equivalents at the beginning of the year	13,993,675	13,355,492
Cash and cash equivalents at the end of the year	11,295,689	13,993,675
SIGNIFICANT NON-CASH TRANSACTIONS IN THE YEAR		
Bonus shares issued using the capital supplementary reserve and investment and development fund	1,978,712	-
Increase in charter capital from retained earnings	211,536	-

Prepared by:



Ms. Nguyen Thi Thanh Tam
Chief Accountant

Approved by:



Mr. Hoang Linh
Chief Financial Officer

Approved by:



Mr. Han Ngoc Vu
Chief Executive Officer

Hanoi, Vietnam
22 February 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

1. GENERAL INFORMATION

Establishment and Operations

Vietnam International Commercial Joint Stock Bank (herein referred to as “the Bank”) is a joint stock commercial bank incorporated and registered in the Socialist Republic of Vietnam in accordance with the Banking Licence No. 0060/NH-GP issued by the State Bank of Vietnam on 25 January 1996 with validity of 99 years from the date of the banking licence.

The Bank was established to provide banking services including mobilizing and receiving short-term, medium-term and long-term deposits from organizations and individuals; making short-term, medium-term and long-term loans and advances to organizations and individuals based on the nature and capability of the Bank’s sources of capital; making foreign exchange transactions, international trade financial services, discounting of commercial papers, bonds and other valuable papers and providing other banking services allowed by the State Bank of Vietnam.

Charter Capital

The charter capital of the Bank was VND 50,000,000,000 when it was established in 1996 and has been increased periodically according to decisions of the General Meeting of Shareholders. The charter capital of the Bank as at 31 December 2018 is VND 7,834,672,840,000 (as at 31 December 2017: VND 5,644,425,000,000).

Operational network

The Bank’s Head Office is located at 1st and 2nd floor, Sailing Tower, 111A Pasteur Street, Ben Nghe Ward, 1 District, Ho Chi Minh, Vietnam. As at 31 December 2018, the Bank has one (1) Head Office, one hundred and sixty three (163) business units including Head Office, fifty (50) branches and one hundred, twelve (112) transaction offices nationwide and one (1) subsidiary.

Subsidiary

As at 31 December 2018, the Bank had one (01) directly owned subsidiary as follows:

No.	Name	Operating licence	Nature of Business	Charter capital	% owned by the Bank
1	Vietnam International Commercial Joint Stock Bank - Asset Management Company Limited (“VIB AMC”)	Decision No.0104009004 dated 29 December 2009 issued by Hanoi Department of Planning and Investment	Asset and liability management	VND 100 billion	100%

Employees

As at 31 December 2018, total number of employees of the Bank and its subsidiary was 5,372 people (as at 31 December 2017: 5,005 people).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

2. ACCOUNTING PERIOD AND ACCOUNTING CURRENCY

2.1. Fiscal year

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

2.2. Accounting currency

Currency used in accounting of the Bank is Vietnam dong (“VND”). However, due to the large operating scale, for the purpose of preparing consolidated financial statements as at 31 December 2018, all amounts are rounded to the nearest million and presented in Vietnam dong million (“VND million”). Presentation does not have an impact on the users’ view of the consolidated financial position, consolidated result of operation and consolidated cash flows.

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 statutory requirements relevant to the preparation and presentation of the consolidated financial statement.

3.2. Accounting standards and system

The consolidated financial statements of the Bank are prepared in accordance with the Accounting System for Credit Institutions required under Decision No. 479/2004/QD-NHNN issued on 29 April 2004, Circular No. 10/2014/TT-NHNN dated 20 March 2014 and Circular No. 22/2017/TT-NHNN dated 29 December 2017 amending and supplementing Decision No. 479/2004/QD-NHNN; the financial reporting regime

applicable to credit institutions required under Decision No. 16/2007/QD-NHNN dated 18 April 2007 and Circular No. 49/2014/TT-NHNN amending and supplementing a number of articles of Decision No. 16/2007/QD-NHNN and the chart of account system for Credit Institutions issued in connection with Decision No. 479/2004/QD-NHNN by the State Bank of Vietnam and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

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

Accordingly, the accompanying consolidated financial statements and their utilisation 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 and consolidated results of operations and consolidated cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

3.3. Basis of assumptions and uses of estimates

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

3.4. Basic of consolidation

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

The financial statements of the subsidiary are prepared for the same reporting year as the Bank, using consistent accounting policies.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1. Changes in accounting policies and disclosures

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

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

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

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

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

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

Changes in Circular 16 are as below:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

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

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

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

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.

4.2. Cash and cash equivalents

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

4.3. Deposits at and loans to other credit institutions

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

The classification of credit risks for deposits at and loans to other credit institutions and the corresponding provision are made in accordance with Circular No. 02/2013/TT-NHNN issued by the SBV on 21 January 2013 regarding asset classification, risk provisioning and use of provision against credit risks by credit institutions and foreign bank's branches ("Circular 02") and Circular No. 09/2014/TT-NHNN issued by the SBV on 18 March 2014 on amending and supplementing a number of Articles of Circular 02 ("Circular 09").

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

4.4. Loans to customers

Loans to customers are presented and disclosed at the principal amounts outstanding less at the financial year.

Short-term loans have maturity of less than or equal to one (01) year from disbursement date. Medium-term loans have maturity from one (01) to five (05) years from the disbursement date. Long-term loans have maturity of more than five (05) years from the disbursement date.

The classification of loans and provision for credit losses are carried out in accordance with Circular 02 and Circular 09 as described in Note 4.5.

4.5. Asset classification and provisioning rate, risk provisioning for deposits at and loans to other credit institutions, investments and trusted investments in non-listed corporate bonds, loans to customers, entrustments for credit granting and other credit risk bearing assets

Classification

The classification of deposits at and loans to other credit institutions, investments and trusted investments in unlisted corporate bonds, loans to customers and entrustments for credit granting (here refer as "debts") is made in compliance with quantitative method as prescribed in Article 10 of Circular 02. Accordingly, debts are classified according to the level of risk as follows: Current, Special Mention, Substandard, Doubtful and Loss based on the overdue status and other qualitative factors. Debts in "Substandard, Doubtful or Loss" are defined as bad debts.

Specific provision

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

Group	Overdue status	Provision rate
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:	20%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

Group	Overdue status	Provision rate
3	Sub standard - 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 Clause 1, 2, 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%
5	Loss (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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

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 Bank should classify the entire remaining debts of such customer into the corresponding higher risk group.

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

If a customer has outstanding debts which is classified into a lower risk group than the debt group according to the list provided by CIC, the Bank should reclassify the debt group as the list provided by CIC.

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

In accordance with the requirements of Circular 02, as at 31 December 2018 the Bank is also required to make a general provision of 0.75% of total outstanding loans excluding deposits at and loans to other credit institutions and debts classified as loss as at 30 November 2018.

Loans written-off

Provision is recognized as an expense in the consolidated income statement and is used to write-off bad debts. According to Circular No. 02/2013/TT-NHNN, the Bank should establish Risk Management Committee to write-off bad debts if they are classified into group "Loss", or if the borrowers have declared bankruptcy or dissolved in accordance with the law or the individuals have been dead or missing.

4.6. Available-for-sale securities

Available-for-sale investments securities include debt

and equity securities that the Bank holds for investment purpose and that are ready for sale not frequently traded but could be sold at any time once they are profitable. For equity securities, the Bank is neither founding shareholder nor strategic partner and does not have the ability to make certain influence in establishing and making the financial and operating policies of the investee by a written agreement on delegating its representatives to take part in the Board of Directors/Board of Management.

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

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

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

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

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

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

4.7. Held-to-maturity investment securities

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.

Special bonds issued by VAMC (continued)

During the holding period, the Bank annually calculates and makes detail allowance in accordance with the guidance of Circular No. 14/2015/TT-NHNN dated 28 August 2015 issued by SBV on amending and supplementing a number of articles of Circular No. 19/2013/TT-NHNN on the purchase, sale, and settlement of bad debts of Asset Management Company of Vietnam Credit Institutions.

In accordance with Circular No. 14/2015/TT-NHNN, each year within 5 consecutive working days prior to

the maturity date of special bonds, the Bank is obliged to fully make specific provision for each special bond using the below formula:

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

In which:

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

Other held-to-maturity securities

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

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Held-to-maturity securities are recorded and measured identical to debt securities available-for-sale and presented at Note 4.6.

4.8. 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 unlisted securities but registered for trading

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

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.

4.9. 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.

securities 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 year end.

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

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

When fixed assets are sold or liquidated, any gains or losses resulting from their disposal (the difference between the net proceeds from the sale of assets and the remaining value of the assets) are recorded to the consolidated income statement.

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4.10. Depreciation and amortization

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

Buildings and improvements	5 - 25 years
Machines and equipment	3 - 10 years
Motor vehicles and transmission equipment	6 - 8 years
Office equipment	3 - 10 years
Other tangible fixed assets	3 - 8 years
Land use right (*)	over the term
Computer software	3 - 8 years
Other intangible fixed assets	3 - 8 years

(*) Land use rights are not amortized if they are granted by the Government of Vietnam with indefinite term. The cost of land use rights with a definite term is amortized over the lease term or the use term.

4.11. Investment properties

Investment properties are stated at cost less accumulated depreciation.

Subsequent expenditure relating to an investment property that has already been recognized recognised is added to the net book value of the investment property when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing investment property, will flow to the Bank and its subsidiary.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the assets is recognised in the consolidated income statement in the year of retirement or disposal.

Transfers are made from investment properties when, and only when, there is change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. The transfer from investment property to owner-occupied property or inventories does not change the cost or the carrying value of the property for subsequent accounting at the date of change in use.

4.12. Operating lease

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

4.13. Receivables

Receivables classified as credit risk bearing assets

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

Other receivables

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

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

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The provision rates for overdue receivables in accordance with Circular 228/2009/TT-BTC dated 7 December 2009 are as follows:

Overdue	Provision rate
From six months up to under one year	30%
From one year up to under two years	50%
From two years up to under three years	70%
From three years	100%

4.14. Prepaid expenses

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

	Percentage of profit after tax	Maximum balance
Supplement Capital reserve	5% from profit after tax	100% of share capital
Financial reserve	10% from profit after tax	Not regulated

Other equity funds are allocated from profit after tax. The allocation from profit after tax and the utilisation of the other equity funds are approved by the shareholders in the Annual General Meeting. These funds are not required by law and are fully distributable.

Reserves and funds of subsidiary:

Vietnam International Commercial Joint Stock Bank – Asset Management Company Limited (“VIB AMC”)

4.15. Share capital

Ordinary shares

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

Share premium

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

Reserves and funds

Reserves and funds of the Bank:

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

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

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss upon purchase, sale, issue or cancellation of the Bank's own equity instruments.

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4.16. Recognition of income and expense

Interest income and expenses are recognized in the consolidated income statement on an accrual basis using nominal interest rates. The recognition of accrued interest income of a loan is suspended when such loan is classified in Group 2 to 5 in compliance with Circular No. 02/2013/QD-NHNN and Circular No. 09/2014/TT-NHNN. Suspended interest income is reversed and monitored off-balance sheet and recognized in the consolidated income statement on a cash basis.

Fees and commissions are recognised in the consolidated income statement on an accrual basis.

Dividends receivable in cash are recognised in the consolidated income statement when the Bank's right to receive payment is established. Dividends received in the form of shares and bonus shares are not recognised as an increase in income of the Bank but only the number of shares is updated.

4.17. Debts trading operation

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

Purchase debts

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

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

Sale of debts

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

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

For debts recorded in the consolidated balance sheet:

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

For debts written off and monitored off-balance sheet, the proceeds from sale of debts shall be recognized as other income of the Bank.

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

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Debt purchase and sale price are the sum of money to be paid by a debt purchaser to a debt seller under a debt purchase and sale contract.

4.18. Foreign currency transactions

According to the Bank's accounting systems, 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 40). Income and expenses arising in foreign currencies during the year are converted into VND at rates ruling at the transaction dates. Foreign exchange differences arising from the translation of monetary assets and liabilities are recognized and followed in the "Foreign exchange differences" under "The equity" section in the consolidated balance sheet and will be transferred to the consolidated income statement at the end of the financial year.

4.19. Payables and accruals

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

4.20. Deposits from other credit institutions, customer deposits and valuable paper issued

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

4.21. Corporate income taxes

Current tax

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

Current corporate income tax is charged or credited into consolidated income statement, except when it relates to items recognized directly to equity, in which case the current 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 and its subsidiary to offset current tax assets against current tax liabilities and when the Bank intends to settle its current tax assets and liabilities on a net basis.

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

Deferred corporate income tax assets are levied on deductible temporary differences, deductible amounts carried over to subsequent year of taxable losses, and unutilized tax advantages when it is likely that the corporate makes earnings in foreseeable future to use deductible temporary differences, taxable losses and tax advantages, except:

- Where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

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The carrying amount of deferred income tax assets is reviewed at consolidated balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognized deferred income tax assets are reassessed at consolidated balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset realized or the liability is settled based on tax rates and tax laws that have been enacted at the consolidated balance sheet date.

Deferred tax is charged or credited to the consolidated income statement, except when it relates to items recognized directly to equity, in which case the deferred tax is also dealt with in equity.

4.22. Fiduciary assets

Assets held in a fiduciary capacity are not recognised in the consolidated financial statements as they are not assets of the Bank and its subsidiary.

4.23. Derivative financial instruments

For foreign currency forward and swap contracts, the difference between equivalent VND amounts of foreign currency commitments to buy/sell using forward exchange rate and spot exchange rate as at effective date of the contract is recognized immediately as at the effective date of the contract in line "Derivative instruments and other financial assets" as an asset when it is positive, and in line "Derivatives instruments and other financial liabilities" as liabilities when it is negative. The difference is subsequently amortized in the consolidated income statements as "Net gain/loss from trading of foreign currencies" using straight-line method over the term of the contracts. As at the

consolidated balance sheet date, commitments of foreign currency forward, swap contracts are re-measured using the official inter-bank exchange rate announced by the State Bank of Vietnam. Loss from revaluation is recorded in "Gain/loss from trading of foreign currencies".

Interest rate swap contracts

Commitment value in interest rate swap contracts is not recognized in the consolidated balance sheet. Differences in interest rate swaps are recognized in the consolidated income statement on an accrual basis.

4.24. 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.

4.25. Related parties

Parties are related to the Bank and its subsidiary if they are able to, neither directly nor indirectly, control the other parties, or partly affect to the other in making financial and operating decisions; or when the Bank and its subsidiary and parties are under the same control and effect. Related parties could be organizations or individuals, including the relation of individuals considered as related parties.

4.26. Classification for off-balance commitment

According to Circular 02, credit institutions only classify loan to guarantee, payment acceptance and unconditional irrevocably credit commitment at specific conducted time (off-balance commitment) into group as prescribed at Article 10 of Circular 02 to manage and control credit quality. Accordingly,

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off-balance commitments are classified into groups such as: Current, Special Mention, Sub Standard, Doubtful and Loss based on overdue situation and other qualitative factors.

4.27. Employee benefits

Retirement benefits

Retirement benefits are paid to retired employees of the Bank and its subsidiary by the Social Insurance Agency which belongs to the Ministry of Labour, Invalids and Social Affairs. The Bank and its subsidiary are required to pay social insurance premium to the Social Insurance Agency at the rate of 17.5% of an employee's basic salary on a monthly basis. Other than that, the Bank and its subsidiary have no further obligations.

Voluntary resignation benefits

Under Article 48 of the Vietnam Labor Code No. 10/2012/QH13 dated 18 June 2012, the Bank and

its subsidiary has the obligation to pay allowance arising from voluntary resignation of employees. The allowance is equivalent to one-half month's salary for each year of employment plus salary allowances (if any) until 31 December 2008. 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.

Unemployment allowance

According to Circular No. 04/2013/TT-BLDTBXH dated 1 March 2013 on providing guidance for Decree No. 127/2008/ND-CP on unemployment insurance, from 1 January 2009, the Bank and its subsidiary are required to contribute to unemployment insurance at the rate of 1% of salary and wage budget of unemployment insurance joiners and appropriate 1% of monthly salary and wage of each employee to pay for unemployment insurance fund at the same time.

5. CASH, GOLD AND GEMSTONES

	31/12/2018 VND million	31/12/2017 VND million
Cash on hand in VND	726,340	728,555
Cash on hand in foreign currencies	370,620	286,697
Gold on hand	1,157	1,157
	1,098,117	1,016,409

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6. BALANCES WITH THE STATE BANK ("SBV")

	31/12/2018 VND million	31/12/2017 VND million
Balances with SBV in VND	2,466,260	2,780,506
Balances with SBV in foreign currencies	7,681	807,044
	2,473,941	3,587,550

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

Under the regulations of the SBV, the Bank is required to maintain certain cash reserve with the SBV in the form of compulsory reserve. In December 2018, compulsory reserve rates are at 3.00% and 8.00% (2017: 3.00% and 8.00%) for demand deposits and deposits with term of less than 12 months in VND and foreign currencies and compulsory reserve rates are 1.00% and 6.00% (2017: 1.00% and 6.00%) for deposits with term of over 12 months in VND and foreign currencies.

7. DEPOSITS AT AND LOANS TO OTHER CREDIT INSTITUTIONS

7.1. Deposits at other credit institutions

	31/12/2018 VND million	31/12/2017 VND million
Demand deposits	6,723,631	8,690,236
- In VND	6,053,137	8,044,769
- In foreign currencies, gold	670,494	645,467
Term deposits	1,000,000	699,480
- In VND	1,000,000	450,000
- In foreign currencies, gold	-	249,480
	7,723,631	9,389,716
Provisions for deposits at other credit institutions	-	-
	7,723,631	9,389,716

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7.2. Loans to other credit institutions

	31/12/2018 VND million	31/12/2017 VND million
In VND	493,384	408,000
In foreign currencies	198,590	477,250
	691,974	885,250
Provisions for loans at other credit institutions	-	-
	691,974	885,250

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

	31/12/2018 % per annum	31/12/2017 % per annum
Term deposits in VND	4.5% - 4.8%	1.5% - 4.2%
Term deposits in foreign currencies	2.6% - 3.6%	1.6% - 1.7%
Loans in VND	4.4% - 8.0%	1.8% - 5.8%
Loans in foreign currencies	3.7% - 4.5%	2.5% - 2.9%

8. LOANS TO CUSTOMERS

	31/12/2018 VND million	%	31/12/2017 VND million	%
Loans to local economic entities and individuals	96,040,898	99.90	79,618,046	99.69
Discounted bills and valuable papers	5,840	0.01	48,388	0.06
Frozen loans and loans waiting for resolution	-	0.00	20,264	0.02
Payments on behalf of customers	10,034	0.01	15,162	0.02
Loans financed by entrusted funds	68,114	0.07	78,200	0.10
Loans awaiting for resolution	13,849	0.01	84,160	0.11
	96,138,735	100.00	79,864,220	100.00

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

	31/12/2018 VND million	31/12/2017 VND million
In VND	4.80% - 13.09%	4.78% - 13.09%
In foreign currencies	2.50% - 5.36%	1.00% - 5.66%

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8.1. Analysis of loan portfolio by original term

	31/12/2018 VND million	31/12/2017 VND million
Short-term	14,516,450	18,349,147
Medium-term	24,226,138	21,888,863
Long-term	57,396,147	39,626,210
	96,138,735	79,864,220

8.2. Analysis of loan portfolio by ownership and type of customers

	31/12/2018 VND million	%	31/12/2017 VND million	%
Economic entity loans	25,023,112	26.03	29,156,545	36.51
State-owned enterprises	3,173,578	3.30	4,630,664	5.80
Limited liability companies and joint-stock companies	18,665,272	19.42	19,783,774	24.77
Foreign invested enterprises	3,123,877	3.25	3,726,689	4.67
Private enterprises	60,385	0.06	1,015,418	1.27
Individual loans and others	71,115,623	73.97	50,707,675	63.49
	96,138,735	100.00	79,864,220	100.00

8.3. Analysis of loan portfolio by industrial sectors

	31/12/2018 VND million	%	31/12/2017 VND million	%
Agriculture and forestry	1,592,815	1.66	1,474,003	1.84
Trading, manufacturing and processing	16,818,945	17.49	19,787,655	24.78
Construction	2,587,311	2.69	3,042,694	3.81
Warehousing, transportation and communication	3,274,619	3.41	4,598,279	5.76
Individuals and others	71,865,045	74.75	50,961,589	63.81
	96,138,735	100.00	79,864,220	100.00

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9. PROVISION FOR LOANS TO CUSTOMERS

As at 31 December 2018, the Bank classifies loans in compliance with Article 10 of Circular 02 and Circular 09. Accordingly, the provision and loans classification of the Bank were made based on the outstanding loans as at 30 November 2018. Details of provision for credit losses on the consolidated balance sheet at the end of the year are as follows:

	31/12/2018 VND million	31/12/2017 VND million
General provision	679,950	555,005
Specific provision	197,815	389,855
	877,765	944,860

The results of loans classification and provision for loans to customers made at 30 November 2018 are as follows:

	Outstanding balance (*) VND million	General provision VND million	Specific provision VND million	Total provision VND million
Current	88,854,401	666,408	-	666,408
Special mention	1,325,880	9,944	20,845	30,789
Substandard	231,220	1,734	17,047	18,781
Doubtful	248,563	1,864	43,769	45,633
Loss	1,934,076	-	116,154	116,154
	92,594,140	679,950	197,815	877,765

(*) Outstanding balance as at 30 November 2018

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Changes in provision for credit losses of loans to customers for the prior year are as follows:

	General provision VND million	Specific provision VND million	Total VND million
Opening balance	555,005	389,855	944,860
Provision expenses in the year	124,945	448,569	573,514
Reclassified from provision of investment securities	-	15,701	15,701
Impact of selling loans in the year	-	1,052,295	1,052,295
Provision utilized to write off bad debts in the year	-	(1,714,237)	(1,714,237)
Other increases	-	5,632	5,632
Closing balance	679,950	197,815	877,765

Changes in provision for credit losses of loans to customers for the prior year are as follows:

	General provision VND million	Specific provision VND million	Total VND million
Opening balance	420,650	594,592	1,015,242
Provision expenses in the year	133,188	203,394	336,582
Impact of selling loans in the year	1,167	194,961	196,128
Provision utilized to write off bad debts in the year	-	(603,092)	(603,092)
Closing balance	555,005	389,855	944,860

10. DEBTS PURCHASED

As at 4 September 2017, the Bank received outstanding loans from Commonwealth Bank of Australia, Ho Chi Minh City branch under a debt-to-equity transfer agreement with Commonwealth Bank of Australia. The value of debts purchased as at 4 September 2017 is as follows:

	4/9/2017 VND million
Debts purchased - principal - VND	1,147,463
Accrued interest	3,426
Provision for debts purchased	(18,940)
Debt purchased as at 4 Sep 2017	1,131,949

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Details of the Bank's debt purchased activities as at the end of the year are as follows:

	31/12/2018 VND million	31/12/2017 VND million
Debts purchased in VND	419,171	956,288
Provision	(898)	(514)
	418,273	955,774

Details of the principal and interest of the debt purchased as at the end of the year are as follows:

	31/12/2018 VND million	31/12/2017 VND million
Debts purchased - principal	422,644	968,247
Interest of debts purchased	6,402	10,904
	429,046	979,151

11. INVESTMENT SECURITIES

	31/12/2018 VND million	31/12/2017 VND million
Available-for-sale securities	28,676,423	24,893,365
Held-to-maturity securities (not including special bonds issued by VAMC)	42,380	42,380
Special bonds issued by VAMC	-	1,528,090
Provision for investment securities	(141,043)	(853,939)
	28,577,760	25,609,896

11.1. Available-for-sale securities

	31/12/2018 VND million	31/12/2017 VND million
Available-for-sale securities		
Debt securities	28,676,423	24,893,365
Government debt securities	15,700,272	12,452,281
- Government bonds	15,700,272	12,452,281
Debt securities issued by other credit institutions	8,416,151	6,680,584
Debt securities issued by local business entities	4,560,000	5,760,500
	28,676,423	24,893,365

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

	31/12/2018 VND million	31/12/2017 VND million
Provision for diminution in value of available-for-sale securities		
- General provision	(68,816)	(70,633)
- Specific provision	(72,227)	(87,928)
	(141,043)	(158,561)
	28,535,380	24,734,804

11.12 Held-to-maturity securities (not including special bonds issued by VAMC)

Details of held-to-maturity investment securities (not including special bonds issued by VAMC) of the Bank are as follows:

	31/12/2018 VND million	31/12/2017 VND million
Special bonds issued by Vietnam Debt and Asset Trading Corporation	42,380	42,380
	42,380	42,380

Bonds issued by Vietnam Debt and Asset Trading Corporation are convertible bonds for loans to Vietnam Ship Building Finance Company VFC guaranteed by Government, the 10-year bonds with interest rate of 8.9% p.a. as at 31 December 2018.

11.3. Special bonds issued by VAMC

Details of special bonds issued by VAMC of the Bank are as follows:

	31/12/2018 VND million	31/12/2017 VND million
Special bonds issued VAMC	-	1,528,090
Provision for held-to-maturity securities	-	(695,378)
	-	832,712

Special bonds issued by VAMC are the 5-year bonds with interest rate at 0% p.a. Face value of these special bonds is equal to principal balance minus the unused specific provision at the time of selling debts to VAMC. As at 31 December 2018, all of these bonds has been settled and is writing off by the Bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

11.4. Provision for investment securities

Changes in provision for available-for-sale securities in 2018 are as follows:

	General provision VND million	Specific provision VND million	Total VND million
As at 1 January 2018	70,633	87,928	158,561
Reversal of provision in the year	(1,817)	-	(1,817)
Reclassified to provision for loans to customers	-	(15,701)	(15,701)
As at 31 December 2018	68,816	72,227	141,043

Changes in provision for available-for-sale securities in 2017 are as follows:

	General provision VND million	Specific provision VND million	Total VND million
As at 1 January 2017	42,717	895,396	138,113
Provision expense/(Reversal of provision) in the year	27,916	(7,468)	20,448
As at 31 December 2017	70,633	87,928	158,561

Changes in provision for held-to-maturity securities in the year are as follows:

	2018 VND million	2017 VND million
As at 1 January 2018	695,378	744,984
Provision expenses in the year	76,752	13,355
Impact of acquisition of the debts and settlement of special bonds issued by the VAMC	(772,130)	(62,961)
As at 31 December 2018	-	695,378

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

12. OTHER LONG-TERM INVESTMENTS

Details of other long-term investments as at 31 December are as follows:

	31/12/2018 VND million	31/12/2017 VND million
Other long-term investments	185,274	185,259
Provision for diminution in value of long-term investments	(70,475)	(71,312)
	114,799	113,947

Changes in provision for diminution in value of long-term investments are as follows:

	2018 VND million	2017 VND million
Opening balance	71,312	60,633
(Reversal of provision)/Provision expenses in the year	(837)	10,679
Closing balance	70,475	71,312

13. FIXED ASSETS

13.1. Tangible fixed assets

Movements of tangible fixed assets in 2018 are as follows:

	Building & improvements VND million	Machines & equipment VND million	Motor vehicles & transmission equipment VND million	Office equipment VND million	Other tangible fixed assets VND million	Total VND million
Cost						
Opening balance	99,442	283,669	54,680	30,048	85,194	553,033
Purchases	2,465	20,736	1,442	5,311	3,535	33,489
Disposals	-	-	(4,592)	-	-	(4,592)
Closing balance	101,907	304,405	51,530	35,359	88,729	581,930
Accumulated depreciation						
Opening balance	34,898	182,064	46,536	12,690	57,228	333,416
Charges	6,163	30,428	1,032	5,044	12,845	55,512
Disposals	-	-	(2,018)	-	-	(2,018)
Closing balance	41,061	212,492	45,550	17,734	70,073	386,910
Net book value						
Opening balance	64,544	101,605	8,144	17,358	27,966	219,617
Closing balance	60,846	91,913	5,980	17,625	18,656	195,020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

13.2. Intangible fixed assets

Movements of intangible fixed assets in 2018 are as follows:

	Land use right VND million	Computer software VND million	Others VND million	Total VND million
Cost				
Opening balance	-	277,425	7,137	284,562
Purchases	3,880	37,220	108	41,208
Closing balance	3,880	314,645	7,245	325,770
Accumulated amortization				
Opening balance	-	129,075	5,395	134,470
Charges	-	34,593	969	35,562
Closing balance	-	163,668	6,364	170,032
Net book value				
Opening balance	-	148,350	1,742	150,092
Closing balance	3,880	150,977	881	155,738

14. OTHER ASSETS

	31/12/2018 VND million	31/12/2017 VND million
Receivables	611,478	662,308
Receivables from internal activities	61,463	46,561
Receivables from external activities	550,015	615,747
- Receivables from State Budget	27,023	30,110
- Receivables from VAMC	-	14,787
- Receivables from Usance Payable At Sight (UPAS) Letter of Credit (L/C) (i)	176,969	372,935
- Securities transactions waiting for settlement	132,125	-
- Collaterals settlement expenses	25,653	24,569
- Other external receivables	188,245	173,346
Accrued interest and fee receivables (ii)	1,404,848	1,124,648
Deferred tax assets	127	76
Other assets	439,540	508,071
- Materials	6,880	7,040
- Foreclosed assets, whose ownership has been transferred to credit institutions, awaiting for resolution	19,714	181,306
- Prepaid expenses	412,946	319,725
	2,455,993	2,295,103

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

(i) Receivables from UPAS LC are receivables from importers who are the Bank's clients of usance payable at sight imported letters of credit financing service provided by the Bank. This product has been approved by the SBV under Official letter No. 5698/NHNN-TD.

(ii) Accrued interest and fee receivables

	31/12/2018 VND million	31/12/2017 VND million
Interest receivable from deposits	3,335	2,483
Interest receivable from investment securities	810,384	629,272
Interest receivable from credit activities	541,941	434,366
Interest receivable from derivative instruments	49,188	58,527
	1,404,848	1,124,648

15. BORROWINGS FROM THE GOVERNMENT AND THE SBV

	31/12/2018 VND million	31/12/2017 VND million
Demand deposits from State Treasury of Vietnam	-	1.000.000
In VND	-	1.000.000
Borrowings from State Bank of Vietnam	832.575	-
In VND	832.575	-
	832.575	1.000.000

16. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

16.1. Deposits from other credit institutions

	31/12/2018 VND million	31/12/2017 VND million
Demand deposits	6,020,812	8,016,430
In VND	6,020,786	8,016,404
In foreign currencies	26	26
Term deposits	11,194,290	9,247,480
In VND	7,469,000	6,730,000
In foreign currencies	3,725,290	2,517,480
	17,215,102	17,263,910

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

16.2. Borrowings from other credit institutions

	31/12/2018 VND million	31/12/2017 VND million
In VND	1,800,034	5,012,335
In foreign currencies	10,384,811	11,419,271
	12,184,845	16,431,606

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

	31/12/2018 % per annum	31/12/2017 % per annum
Deposits from other credit institutions in VND	3.8% - 5.8%	0.7% - 3.8%
Deposits from other credit institutions in foreign currencies	2.5% - 3.4%	0.8% - 2.2%
Borrowings from other credit institutions in VND	3.4% - 5.9%	1.1% - 4.8%
Borrowings from other credit institutions in foreign currencies	2.7% - 4.5%	0.8% - 2.9%

17. DEPOSITS FROM CUSTOMERS

17.1. Balances by type of deposits

	31/12/2018 VND million	31/12/2017 VND million
Demand deposits	12,126,600	11,143,445
- Demand deposits in VND	9,943,053	9,010,996
- Saving demand deposits in VND	210,781	280,697
- Demand deposits in foreign currencies	1,962,571	1,812,619
- Saving demand deposits in foreign currencies	10,195	39,133
Term deposits	72,437,102	57,013,431
- Term deposits in VND	38,816,563	30,511,095
- Saving term deposits in VND	29,763,628	23,188,461
- Term deposits in foreign currencies	208,141	137,485
- Saving term deposits in foreign currencies	3,648,770	3,176,390
Deposits for special purpose	104,835	62,794
- Deposits for special purposes in VND	35,536	43,045
- Deposits for special purpose in foreign currencies	69,299	19,749
Margin deposits	194,092	158,083
- Margin deposits in VND	156,679	116,984
- Margin deposits in foreign currencies	37,413	41,099
	84,862,629	68,377,753

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

17.2. Analysis of customer deposit by type of customers

	31/12/2018 VND million	31/12/2017 VND million
Deposits from economic entities	27,090,392	26,683,802
Deposits from individuals and others	57,772,237	41,693,951
	84,862,629	68,377,753

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

	31/12/2018 % per annum	31/12/2017 % per annum
Demand deposits in VND	0.00% - 0.10%	0.00% - 0.10%
Demand deposits in foreign currencies	0.00% - 0.05%	0.00% - 0.05%
Term deposits in VND	0.50% - 7.80%	0.10% - 7.80%
Term deposits in foreign currencies	0.00% - 0.20%	0.00% - 1.20%

18. OTHER BORROWED AND ENTRUSTED FUNDS

	31/12/2018 VND million	31/12/2017 VND million
Funds received from International credit projects management board of the SBV	19,818	31,248
	19,818	31,248

19. VALUABLE PAPERS ISSUED

	31/12/2018 VND million	31/12/2017 VND million
Under 12 months	800,000	400,000
From 12 months up to 5 years	7,798,953	7,336,309
From 5 years and above	1,553,477	1,308,752
	10,152,430	9,045,061

Valuable papers issued by the Bank comprise certificates of deposits which bear annual interest at rates ranging from 6.30% p.a. to 8.83% p.a.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

20. OTHER LIABILITIES

	31/12/2018 VND million	31/12/2017 VND million
Accrued interest and fee payables⁽ⁱ⁾	1,463,142	1,212,805
Internal payables	511,956	289,298
Payables to employees	301,501	201,188
Bonus and welfare funds	81,669	36,215
Other internal payables	128,786	51,895
External payables	767,940	619,606
Taxes and other payables to State Budget	213,250	161,323
Amount kept for customers and awaiting for settlement	3,748	58,566
Payment payables between credit institutions	145,167	89,182
Remittance payables waiting for settlement	39,802	63,664
Other payables waiting for settlement	365,920	246,729
Other payables	53	142
Unearned revenue	467,663	10,878
	3,210,701	2,132,587

(i) Accrued interest and fee payables:

	31/12/2018 VND million	31/12/2017 VND million
Interest payables for term deposits	815,631	556,357
Interest payables for savings	366,279	412,454
Interest payables for valuable papers issued	137,468	171,916
Interest payables for deposits and borrowings from other credit institutions	66,740	50,016
Interest payables for other borrowed and entrusted funds	164	673
Interest payables for derivative instruments	76,860	21,389
	1,463,142	1,212,805

21. OBLIGATIONS TO THE STATE BUDGET

	Movement in the year (VND million)			
	Opening balance	Payable	Paid	Closing balance
Corporate income tax	153,727	548,700	(501,724)	200,703
Value added tax	303	32,235	(32,247)	291
Other taxes	7,293	125,013	(120,050)	12,256
	161,323	705,948	(654,021)	213,250

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

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. 96/2015/TT-BTC which became effective from 22 October 2015.

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

Current corporate income tax payables are determined based on taxable income of the year. Taxable income differs from the one reported in the consolidated income statement since taxable income excludes incomes which are taxable or expenses which are deducted in prior years due to the differences between the Bank's accounting policies and the tax regulations. 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 31 December 2018.

Provision for current income tax expense is computed as follows:

	2018 VND million	2017 VND million
Income from operating activities before tax	2,742,570	1,405,070
Less:		
- Other decreases	(916)	(1,821)
- Other adjustments arising from consolidation	-	-
Plus:		
- Other increases	639	649
- Other adjustments arising from consolidation	1,209	-
Taxable income	2,743,502	1,403,898
Current income tax expenses in the year	548,700	280,779
Current corporate income tax expense	548,700	280,779
Adjusted according to period tax	-	(226)
CIT payable at the beginning of the year	153,727	55,646
CIT paid in the year	(501,724)	(182,472)
CIT payable at the end of the year	200,703	153,727

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

22. CAPITAL AND RESERVES

22.1. Changes in owners' equity and reserves

Changes in owners' equity and reserves of the Bank and its subsidiary in 2018 are as follows:

Unit: VND million

	Charter capital	Share premium	Treasure shares	Investment & Development fund ^(*)	Financial reserve	Capital supplementary reserve	Retained earnings	Total
Balance as at 1/1/2018	5,644,425	1,158,533	(763,159)	707,319	431,994	888,270	720,139	8,787,521
Net profit for the period	-	-	-	-	-	-	2,193,921	2,193,921
Increasing in the year	2,190,248	(394,143)	-	(700,099)	-	(884,470)	(211,536)	-
Appropriation to equity funds	-	-	-	1,103,336	106,800	57,967	(1,268,103)	-
Appropriation to bonus and welfare funds	-	-	-	-	-	-	(46,169)	(46,169)
Rewarding employees by treasure shares	-	(43,822)	43,822	-	-	-	-	-
Dividend payments	-	-	-	-	-	-	(265,195)	(265,195)
Acquisition of odd stocks from capital increases in the year	-	-	(19)	-	-	-	-	(19)
Written-off in the year	-	-	-	-	(2,414)	-	-	(2,414)
Balance as at 31/12/2018	7,834,673	720,568	(719,356)	1,110,556	536,380	61,767	1,123,057	10,667,645

(*) In 2018, the Bank appropriated VND 1,100,000 million from profit in 2018 for the Investment & Development Fund in accordance with the Resolution of the General Meeting of Shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

Changes in owners' equity and reserves of the Bank and its subsidiary in 2017 are as follows:

Unit: VND million

	Charter capital	Share premium	Treasure shares	Investment & Development fund ^(*)	Financial reserve	Capital supplementary reserve	Retained earnings	Total
Balance as at 1/1/2018	5,644,425	1,158,533	(19)	7,319	389,074	860,331	683,111	8,742,774
Net profit for the year	-	-	-	-	-	-	1,124,279	1,124,279
Increasing in the year	-	-	(763,140)	-	-	-	-	(763,140)
Appropriation to equity funds	-	-	-	700,000	53,084	27,939	(781,023)	-
Appropriation to bonus and welfare funds	-	-	-	-	-	-	(19,111)	(19,111)
Used during the year	-	-	-	-	(10,164)	-	-	(10,164)
Dividend payments	-	-	-	-	-	-	(282,223)	(282,223)
Other movements	-	-	-	-	-	-	(4,894)	(4,894)
Balance as at 31 December 2017	5,644,425	1,158,533	(763,159)	707,319	431,994	888,270	720,139	8,787,521

(*) In 2017, the Bank appropriated VND700,000 million from profit in 2017 for the Investment & Development Fund in accordance with the Resolution of the General Meeting of Shareholders.

Details of the capital contribution of the shareholders to the Bank's capital are as follows:

	31/12/2018 (VND million)			31/12/2017 (VND million)		
	Total	Ordinary shares	Preference shares	Total	Ordinary shares	Preference shares
Shareholders' capital	7,834,673	7,834,673	-	5,644,425	5,644,425	-
Premium shares	720,568	720,568	-	1,158,533	1,158,533	-
Treasury shares	(719,356)	(719,356)	-	(763,159)	(763,159)	-
	7,835,885	7,835,885	-	6,039,799	6,039,799	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

22.2. Basic earnings per share

	2018	2017
Net profit after tax (VND million)	2,193,921	1,124,279
Minus Bonus and Welfare funds	(46,169)	(19,111)
Net profit after tax to attributable to ordinary shareholder (VND million)	2,147,752	1,105,168
Weighted average number of outstanding ordinary shares (shares)	554,535,930	561,618,377
Basic earnings per share (VND/share)	3,873	1,968

22.3. Equity

	31/12/2018		31/12/2017	
	Shares	VND million	Shares	VND million
Số lượng cổ phiếu đăng ký phát hành	783,467,284	7,834,673	564,442,500	5,644,425
Số lượng cổ phiếu được mua lại	31,925,709	319,257	33,868,461	338,685
- Cổ phiếu phổ thông	31,925,709	319,257	33,868,461	338,685
Số lượng cổ phiếu đang lưu hành	751,541,575	7,515,416	530,574,039	5,305,740
- Cổ phiếu phổ thông	751,541,575	7,515,416	530,574,039	5,305,740

The face value of each share of the Bank is VND 10,000. Each ordinary share corresponds to one vote at shareholders meetings of the Bank. Shareholders are entitled to receive dividends as declared by the Bank. All ordinary shares have the same priorities for the remaining assets of the Bank.

23. INTEREST AND SIMILAR INCOME

	2018	2017
	VND million	VND million
Interest income from deposits	51,878	48,159
Interest income from loans	8,059,783	5,457,726
Interest income from trading and investing securities	1,774,903	1,642,608
Income from guarantee activities	57,383	44,448
Other income from credit activities	141,896	59,623
	10,085,843	7,252,564

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

24. INTEREST AND SIMILAR EXPENSES

	2018	2017
	VND million	VND million
Interest expenses for deposits	4,154,130	3,137,521
Interest expenses for borrowings	510,256	319,016
Interest expenses for valuable papers issued	576,600	338,565
Expenses for other credit activities	19,364	1,486
	5,260,350	3,796,588

25. NET FEE AND COMMISSION INCOME

	2018	2017
	VND million	VND million
Fees and commission income	1,026,934	594,174
Settlement services	335,239	218,653
Treasury activities	4,709	4,494
Advisory activities	19,041	22,312
Trusted and agency activities	1,772	1,011
Fee income from maintaining accounts	18,154	14,747
Fee income from mobile banking services	23,594	17,533
Fee income from insurance commissions	239,888	79,170
Other income	384,537	236,254
Fees and commission expense	(292,189)	(187,283)
Settlement services	(155,685)	(114,872)
Post and telecommunication	(29,408)	(22,725)
Entrusted agency	(4,245)	(1,494)
Consulting service	(5,652)	(32)
Brokerage fee	(80,189)	(26,655)
Other expenses	(17,010)	(21,505)
Net fee and commission income	734,745	406,891

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

26. LOSS FROM TRADING OF FOREIGN CURRENCIES

	2018 VND million	2017 VND million
Income from trading of foreign currencies	144,263	127,966
Income from spot trading of foreign currencies	64,875	16,010
Income from trading of derivatives	79,388	111,956
Expenses from trading of foreign currencies	(170,134)	(190,854)
Expenses from spot trading of foreign currencies	-	-
Expenses from trading of derivatives	(170,134)	(190,854)
Loss from trading of foreign currencies	(25,871)	(62,888)

27. NET GAIN FROM TRADING OF INVESTMENT SECURITIES

	2018 VND million	2017 VND million
Income from trading of investment securities	34,364	181,813
Expenses for trading of investment securities	(424)	(25)
Income from reversal of/(expenses for) provision of investment securities	1,817	(20,448)
Net gain from investment securities	35,757	161,340

28. GAIN FROM OTHER OPERATING ACTIVITIES

	2018 VND million	2017 VND million
Income from other derivatives instruments	54,020	20,943
Income from written-off loans	129,234	131,176
Other income	415,624	8,856
Income from other activities	598,878	160,975
Expenses from other derivatives instruments	(73,440)	(29,412)
Expenses from other operating activities	(257)	(132)
Other expenses	(10,067)	(4,668)
Other operating expenses	(83,764)	(34,212)
	515,114	126,763

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

29. TOTAL OPERATING EXPENSES

	2018 VND million	2017 VND million
Taxes and fees	26,926	26,926
Expenses for employees	1,639,419	1,639,419
Expenses for fixed assets	548,387	548,387
Expenses for operating management	409,256	409,256
Insurance for customer's deposits	66,565	66,565
(Reversal of)/Provision for diminution in value of long-term investment	(837)	(837)
	2,689,716	2,689,716

30. CASH AND CASH EQUIVALENTS

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

	2018 VND million	2017 VND million
Cash and cash equivalents	1,098,117	1,016,409
Balances with the SBV	2,473,941	3,587,550
Current account at other credit institutions	6,723,631	8,690,236
Deposits other credit institutions with original terms of three months or less	1,000,000	699,480
	11,295,689	13,993,675

31. EMPLOYEES' REMUNERATIONS

	2018 VND million	2017 VND million
I. AVERAGE EMPLOYEES (person)	5,138	4,642
II. EMPLOYEE'S INCOME		
1. Total salary fund	1,113,047	928,401
2. Other income and bonus	297,357	201,844
3. Total income (1+2)	1,410,404	1,130,245
4. Average salary/month	18.05	16.67
5. Average income/month	22.88	20.29

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

32. ASSETS, VALUABLE PAPERS FOR MORTGAGE, DISCOUNT AND REDISCOUNT

32.1. Assets, valuable papers received for mortgage, discount and rediscount

Types and book value of collaterals of the customers as at 31 December 2018 are as follows

	Book value	
	31/12/2018 VND million	31/12/2017 VND million
Guarantees	17,302,300	13,911,482
Real estates	145,697,762	107,656,101
Commodities	12,434,995	13,890,821
Machines and equipment	25,606,383	10,524,769
Transport vehicle	54,858,753	36,123,670
Exploiting property rights	17,033,795	17,256,108
Gold, foreign currencies, valuable papers	15,918,997	19,376,809
Other assets	2,319,356	2,251,033
	291,172,341	220,990,793

Assets, valuable papers received for mortgage, discount and rediscount of other credit institutions

	Par value	
	31/12/2018 VND million	31/12/2017 VND million
Guarantees	111,336	131,145
Real estates	-	208,378
Gold, foreign currencies, valuable papers	795,000	795,000
	906,336	1,134,523

32.2. Assets, valuable notes used for mortgage, discount and rediscount

Detail of assets, valuable papers of the Bank and its subsidiary used for mortgage, discount and rediscount as at 31 December 2018 are as follows:

	31/12/2018 VND million	31/12/2017 VND million
Investment securities	2,441,000	4,602,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

33. CONTINGENT LIABILITIES AND COMMITMENTS

Details of contingent liabilities and commitments are as follows:

	31/12/2018 VND million	31/12/2017 VND million
Credit guarantees commitments	-	25
Foreign exchange commitments	58,922,073	33,275,495
- Foreign exchange commitments - buy	3,016,280	2,515,184
- Foreign exchange commitments - sell	667,124	2,276,090
- Cross currency swap contract	55,238,669	28,484,221
Letters of credit commitments	1,652,769	2,569,478
Other guarantees	6,173,831	4,662,725
Other commitments	12,765,242	9,239,013
	79,513,915	49,746,736

34. RELATED PARTY TRANSACTIONS

Related party transactions include all transactions undertaken with other parties to which the Bank and its subsidiary is related. A party is related to the Bank and its subsidiary if:

- Directly, or indirectly through one or more intermediaries, the party:
 - controls, is controlled by, or is under common control with the Bank (this includes parents, subsidiaries);
 - has an interest in the Bank that gives it significant influence over the Bank; or
 - has joint control over the Bank;
- The party is a joint venture in which the Bank is a venture or an associate (Vietnam Accounting Standard No. 8 – Financial information about joint venture);

- The party is a member of the key management personnel of the Bank's Board of Management/ Board of Directors;
- The party is a close member of the family of any individual referred to in (a) or (c); or
- The party is an organization that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such Bank resides with, directly or indirectly, any individual referred to in (c) or (d).

The Bank does not have significant transactions and material receivables and payables as at 31 December 2018 and for the year then ended with related parties. Remunerations of the Board of Directors, Board of Supervision and Board of Management for year are VND 42,347 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

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

	Domestic VND million	Foreign VND million	Total VND million
Assets as at 31 December 2018	133,508,705	368,883	133,877,588
Deposits at and loans to other credit institutions	8,047,326	368,279	8,415,605
Loans to customers	96,138,735	-	96,138,735
Debt purchased	419,171	-	419,171
Investment securities	28,718,803	-	28,718,803
Long-term investments	184,670	604	185,274
Liabilities as at 31 December 2018	111,036,398	14,231,654	125,268,052
Borrowings from the Government and the SBV	832,575	-	832,575
Deposits and borrowings from other credit institutions	19,231,966	10,167,981	29,399,947
Customer deposits	80,798,956	4,063,673	84,862,629
Derivatives	20,471	-	20,471
Valuable papers issued	10,152,430	-	10,152,430
Off-balance sheet commitments as at 31 December	79,513,915	-	79,513,915

36. SEGMENT REPORTING

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.

36.1. The primary segment information by business segment

At present, the Bank and its subsidiary has one business segment which is banking including provide the following products and services to customers:

- Deposit taking;
- Credit extension;
- Wire transfer; and
- Other banking operations.

Therefore, The Bank's management is of the view that the Bank and its subsidiary have only one business segment which is banking, simultaneously, the Bank's risks and returns are reflected in this single business segment. Accordingly, the presentation of business segment information is not required.

36.2. The supplementary segment information by geographical area

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

37. RISK MANAGEMENT POLICIES

Risk management policy relating to financial instruments

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk management framework

On the basis of the proposal of the Risk Committee, the Board of Directors ("the Board") monitors the Chief Executive Officer in developing and implementing risk management policies, and dealing with limitations on risk management according to the requirements and

recommendations of the SBV, independent auditing organizations and other Government entities.

The Chief Executive Officer monitors individuals and departments based on the proposal of the Credit Risk Handling Committee, the Asset Liability Committee (ALCO) and the Capital Management Council in developing and implementing policies, banking risk management regulations and procedures in each management field.

Bank and its subsidiary's risk management policies are established to identify and analyse the risks faced by the Bank and its subsidiary, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank and its subsidiary, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

37.1. Credit risk

Credit risk is inherent risk in the business activities of the Bank. Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations.

The Bank and its subsidiary has maintained an appropriate risk management policy to ensure these following basic principles:

- Establish appropriate risk managing environment;
- Operate under healthy credit granting procedure;

- Maintain appropriate credit managing, measuring, supervising procedure; and
- Ensure adequate control on credit risk.

Depending on the level of risk, the Bank conducts credit approval through the individual level at the Business Unit, the Risk Management Division and the Credit Committee to ensure a loan is reviewed objectively, independently and compliant. The granting of personal authority at the Business Unit is reviewed and adjusted periodically by the Bank.

The aging of such financial assets which overdue but not impaired as at 31 December 2018 are presented below:

	Undue & unimpaired VND million	Overdue but unimpaired VND million	Overdue & impaired VND million	Total VND million
Deposits at and loans to other credit institutions	8,415,605	-	-	8,415,605
- Deposits at other credit institutions	7,723,631	-	-	7,723,631
- Loans to other credit institutions	691,974	-	-	691,974
Loans to customers	92,543,983	2,140,148	1,454,604	96,138,735
Debt purchased	398,504	18,692	1,975	419,171
Investment securities	28,618,803	-	100,000	28,718,803
- Available-for-sale securities	28,576,423	-	100,000	28,676,423
- Held-to-maturity securities	42,380	-	-	42,380
Other assets	2,455,993	-	-	2,455,993
Total	132,432,888	2,158,840	1,556,579	136,148,307

Financial assets overdue but not impaired because the Bank is currently holding sufficient collaterals to offset credit risk in accordance with the SBV's regulations.

Bank's financial assets which are not past due or not impaired include loans which are classified as Current loan under Circular No. 02/2013/TT-NHNN and Circular No. 09/2014/TT-NHNN, except the loans are remained at

Group 1 under Circular No.09/2014/TT-NHNN; securities, receivables and other financial assets which are not past due and no provision is required under Decision No. 228/2009/TT-BTC. The Bank believes that it has the ability to collect these financial assets adequately and timely in the future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

Classification of credit risk assets according to the debt status of customers at the Bank:

	31/12/2018				
	Loan to customers	Debt purchase	Investment securities	Deposits at & loans to other credit institutions	Total VND million
Current	93,404,880	404,939	12,918,531	12,918,531	108,420,324
Special mention	527,453	8	100,000	100,000	627,461
Substandard	154,056	445	-	-	154,501
Doubtful	318,427	1,113	-	-	319,540
Loss	1,733,919	16,139	-	-	1,750,058
	96,138,735	422,644	13,018,531	13,018,531	111,271,884

	31/12/2017				
	Loan to customers	Debt purchase	Investment securities	Deposits at & loans to other credit institutions	Total VND million
Current	77,412,680	943,062	12,383,464	1,584,730	92,323,936
Special mention	464,856	1,164	100,000	-	566,020
Substandard	53,746	2,283	-	-	56,029
Doubtful	62,921	3,607	-	-	66,528
Loss	1,870,017	18,131	-	-	1,888,148
	79,864,220	968,247	12,483,464	1,584,730	94,900,661

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

Classification of credit risk assets according to the debt status of customers after updating system-wide information from CIC:

	31/12/2018				
	Loan to customers	Debt purchase	Investment securities	Deposits at & loans to other credit institutions	Total VND million
Current	92,543,983	401,977	12,918,531	1,691,974	107,556,465
Special mention	1,173,101	767	100,000	-	1,273,868
Substandard	242,532	2,649	-	-	245,181
Doubtful	386,230	1,113	-	-	387,343
Loss	1,792,889	16,138	-	-	1,809,027
	96,138,735	422,644	13,018,531	1,691,974	111,271,884

	31/12/2017				
	Loan to customers	Debt purchase	Investment securities	Deposits at & loans to other credit institutions	Total VND million
Current	76,833,988	939,387	12,383,464	1,584,730	91,741,569
Special mention	921,544	2,260	100,000	-	1,023,804
Substandard	103,631	4,160	-	-	107,791
Doubtful	97,531	3,704	-	-	101,235
Loss	1,907,526	18,736	-	-	1,926,262
	79,864,220	968,247	12,483,464	1,584,730	94,900,661

37.2. Market risk

Interest rate risk

The effective interest rate re-pricing term of the assets and liabilities is the remaining period from the date of consolidated financial statements as at 31 December 2018 to the nearest interest rate re-pricing date of assets and liabilities.

The following assumptions and conditions have been adopted in the analysis of effective interest rate

re-pricing term of the Bank and its subsidiary's assets and liabilities:

- Cash and cash equivalents on hand, long-term investments and other assets (fixed assets and other assets) are classified as non-interest bearing items;
- Deposits at SBV are considered settlement deposits, thus the effective interest repricing term is assumed to be within one month;
- The effective interest re-pricing term of deposits at and loans to other banks, investment securities (except special bonds issued by VAMC), loans to

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

customers, borrowings from the Government and the SBV, deposits from customers, valuable papers issued and other borrowed and entrusted funds that the Bank bears risks are determined as follows:

+ Items with fixed interest rate during the contractual term: the effective interest re-pricing term is determined based on the maturity date from the consolidated balance sheet date.

+ Items with floating interest rate: the effective

interest re-pricing term is determined based on the time to the nearest interest rate re-pricing date from the consolidated balance sheet date.

- The effective interest re-pricing term of others payables is arranged based on the maturity date from the consolidated balance sheet date of each item.

Classification of assets and liabilities based on re-pricing term as at 31 December 2018 as follows:

	Interest re-pricing period				
	Overdue	Non-interest bearing	Up to 1 month	From 1 - 3 months	From 3 - 6 months
Assets					
Cash, gold and gemstones	-	-	-	-	-
Balances with the SBV	-	2,473,941	2,473,941	-	-
Deposits at and loans to other credit ins (*)	-	7,974,480	7,974,480	217,591	223,534
Loans to customers and debt purchased (*)	1,556,471	23,978,552	23,978,552	42,898,821	11,384,038
Investments securities (*)	100,000	1,008,769	1,008,769	5,364,142	4,788,147
Long term investments (*)	-	-	-	-	-
Fixed assets and investment properties	-	-	-	-	-
Other assets (*)	-	-	-	-	-
Total assets	1,656,471	35,435,742	35,435,742	48,480,554	16,395,719
Liabilities					
Deposits and borrowings from other credit ins	-	19,315,160	19,315,160	3,245,176	3,375,519
Deposits from customers	-	34,217,735	34,217,735	17,155,981	21,775,853
Derivatives and other financial liabilities	-	-	-	-	-
Other borrowed and entrusted funds	-	799	799	10,807	36
Valuable papers issued	1,149	-	-	119,614	255,512
Other liabilities (*)	-	-	-	-	-
Total liabilities	1,149	53,533,694	53,533,694	20,531,578	25,406,920
On balance sheet interest sensitivity gap	1,655,322	(18,097,952)	(18,097,952)	27,948,976	(9,011,201)
Off balance sheet interest sensitivity gap	-	(41,966)	(41,966)	(78,794)	60,634
Total interest sensitivity gap	1,655,322	(18,139,918)	(18,139,918)	27,870,182	(8,950,567)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

	Interest re-pricing period			Total
	From 6 - 12 months	From 1 - 5 years	Over 5 years	
Assets				
Cash, gold and gemstones	-	-	-	1,098,117
Balances with the SBV	-	-	-	2,473,941
Deposits at and loans to other credit ins (*)	-	-	-	8,415,605
Loans to customers and debt purchased (*)	15,456,321	1,259,587	24,116	96,57,906
Investments securities (*)	6,265,810	5,343,145	5,848,790	28,718,803
Long term investments (*)	-	-	-	185,274
Fixed assets and investment properties	-	-	-	350,758
Other assets (*)	-	-	-	2,455,993
Total assets	21,722,131	6,602,732	5,872,906	140,256,397
Liabilities				
Deposits and borrowings from other credit ins	42	4,296,625	-	30,232,522
Deposits from customers	8,170,557	3,540,373	2,130	84,862,629
Derivatives and other financial liabilities	-	-	-	20,471
Other borrowed and entrusted funds	1,427	6,749	-	19,818
Valuable papers issued	1,900,000	7,602,399	273,756	10,152,430
Other liabilities (*)	-	-	-	3,210,701
Total liabilities	10,072,026	15,446,146	275,886	128,498,571
On balance sheet interest sensitivity gap	11,650,105	(8,843,414)	5,597,020	11,757,826
Off balance sheet interest sensitivity gap	36,963	2,803	-	(20,360)
Total interest sensitivity gap	11,687,068	(8,840,611)	5,597,020	11,737,466

(*): Balances of these items do not include provisions.

Currency risk

Currency risk is the risk that the value of a financial instrument fluctuates due to changes in foreign exchange rates.

As the Bank was incorporated and operates in Vietnam, with VND as its reporting currency. The major currency in which the Bank transacts is VND. The Bank's loans to

customers were mainly denominated in VND and USD. However, some of the Bank's other assets are in USD, partly EUR and other currencies. The Bank's management has set limits on position of all currencies. Positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limit.

Classification of assets and liabilities in foreign

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

currencies which are converted into VND as at 31 December 2018 are as follows:

Unit: VND million

	USD equivalent	EUR equivalent	Other currencies equivalent	Total
Assets				
Cash, gold and gemstones	277,582	51,180	43,015	371,777
Balances with the SBV	7,681	-	-	7,681
Deposits at and loans to other credit institutions (*)	804,228	3,861	60,995	869,084
Derivatives and other financial assets	12,134,490	452,047	261,952	12,848,489
Loans to customers (*)	4,197,704	-	-	4,197,704
Long-term investments (*)	604	-	-	604
Other assets (*)	282,178	1,337	69	283,584
Total assets	17,704,467	508,425	366,031	18,578,923
Liabilities				
Deposits and borrowings from other credit institutions	14,108,847	1,280	-	14,110,127
Deposits from customers	5,007,149	523,309	405,931	5,936,389
Other liabilities (*)	110,635	1,169	2,703	114,507
Total liabilities	19,226,631	525,758	408,634	20,161,023
FX position on-balance sheet	(1,522,164)	(17,333)	(42,603)	(1,582,100)
FX position off-balance sheet	2,277,835	20,869	50,452	2,349,156
FX position on and off-balance sheet	755,671	3,536	7,849	767,056

(*): Balances of these items do not include provisions.

Liquidity risk

The maturity term of assets and liabilities represents the remaining period of assets and liabilities as calculated from the consolidated balance sheet date as at 31 December 2018 to the settlement date as stipulated in contracts or in issuance terms and conditions.

The following assumptions and conditions are applied in the analysis of overdue status of the Bank's assets and liabilities:

- Deposits at the SBV are classified as demand deposits which include compulsory deposits. The balance of compulsory deposits depends on the proportion and terms of the Bank's customer deposits;
- The maturity term of investment debt securities is calculated based on the maturity date of each kind of securities;
- The maturities of deposits at and loans to other banks and loans to customers are based on the contractual repayment date of deposit contracts or loan contracts. The actual maturity sometimes varies from contractual term when the contract is extended;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

- The maturity term of equity investments is considered as more than five (05) years because these investments do not have specific maturity date;
 - The maturity term of deposits and borrowings from other banks; and customer's deposits is determined based on features of these items or the maturity date as stipulated in contracts. Demand deposits are transacted as required by customers, and therefore, being classified as current accounts. The maturity term of borrowings and deposits is determined based on the maturity date in contracts. In fact, these amounts may be rotated, and therefore, they last beyond the original maturity date;
 - The maturity term of fixed assets do not have specific maturity date ;
 - The maturity term of valuable papers issued is determined based on the actual maturity of each category of valuable paper;
 - The maturity term of other borrowed and entrusted funds that the Bank bears risks is determined based on the actual maturity from the consolidated balance sheet date of each contract;
 - The maturity term of other liabilities is determined based on the actual maturity date of each liability.
- Classification of assets and liabilities based on the maturity as at 31 December 2018 are as follows:

Unit: VND million

	Over due			Current
	Over 3 months	Within 3 months	Within 1 month	1-3 months
Assets				
Cash, gold and gemstones	-	-	1,098,117	-
Balances with the SBV	-	-	2,473,941	-
Deposits at and loans to other credit institutions (*)	-	-	7,904,480	263,534
Loans to customers and debt purchased (*)	123,519	1,432,952	2,875,246	19,018,567
Investment securities (*)	-	100,000	369,669	8,515,345
Long term investments (*)	-	-	-	-
Fixed assets and investment properties	-	-	2	-
Other assets (*)	-	-	1,051,403	1,404,590
Total assets	123,519	1,532,952	15,772,858	29,202,036
Liabilities				
Deposits and borrowings from other credit institutions	-	-	19,216,768	3,413,322
Deposits from customers	10,993	4,030	31,000,746	18,416,312
Derivatives and other financial liabilities	-	-	20,471	-
Other borrowed and entrusted funds	-	-	-	6,218
Valuable papers issued	230	919	-	1,055,512
Other liabilities(*)	-	-	1,079,781	2,130,920
Total liabilities	11,223	4,949	51,317,766	25,022,284
Net liquidity difference	112,296	1,528,003	(35,544,908)	4,179,752

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

	Current			Total
	3-2 months	1-5 years	Over 5 years	
Assets				
Cash, gold and gemstones	-	-	-	1,098,117
Balances with the SBV	-	-	-	2,473,941
Deposits at and loans to other credit institutions (*)	263,534	-	-	8,415,605
Loans to customers and debt purchased (*)	19,018,567	40,782,386	26,420,835	96,557,906
Investment securities (*)	8,515,345	9,447,950	6,888,697	28,718,803
Long term investments (*)	-	-	185,274	185,274
Fixed assets and investment properties	-	-	350,756	350,758
Other assets (*)	1,404,590	-	-	2,455,993
Total assets	29,202,036	50,230,336	33,845,562	140,256,397
Liabilities				
Deposits and borrowings from other credit institutions	3,413,322	4,357,215	42	30,232,522
Deposits from customers	18,416,312	27,479,006	2,270	84,862,629
Derivatives and other financial liabilities	-	-	-	20,471
Other borrowed and entrusted funds	6,218	6,749	-	19,818
Valuable papers issued	1,055,512	7,702,399	1,273,756	10,152,430
Other liabilities(*)	2,130,920	-	-	3,210,701
Total liabilities	25,022,284	39,545,369	1,276,068	128,498,571
Net liquidity difference	4,179,752	10,684,967	32,569,494	11,757,826

(*): Balances of these items do not include provisions.

38. COMMITMENTS FOR OPERATING LEASE

Obligations of payments under operating lease contract as at 31 December 2018 are as follows:

	31/12/2018 VND million	31/12/2017 VND million
Within one year	279,244	249,197
From two years to five years	1,213,129	1,036,800
	1,492,373	1,285,997

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2018 and for the year then ended

39. EVENTS AFTER THE CONSOLIDATED BALANCE SHEET DATE

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

40. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST VND AS AT 31 DECEMBER 2018

	31/12/2018 VND	31/12/2017 VND
USD	23,225.00	22,680.00
EUR	26,591.00	27,252.00
GBP	29,453.50	30,697.00
CHF	23,764.50	23,430.00
JPY	210.31	201.51
SGD	17,003.50	16,988.50
CAD	17,021.50	18,158.00
AUD	16,372.00	17,728.50

Prepared by:

Ms. Nguyen Thi Thanh Tam
Chief Accountant

Approved by:

Mr. Hoang Linh
Chief Financial Officer

Approved by:

Mr. Han Ngoc Vu
Chief Executive Officer

Hanoi, Vietnam
22 February 2019

vib.com.vn





OVERVIEW

OVERVIEW OF VIB

- Name in Vietnamese: NGAN HANG THUONG MAI CO PHAN QUOC TE VIET NAM
- Name in English: VIETNAM INTERNATIONAL COMMERCIAL JOINT STOCK BANK
- Establishment and Operation License No. 95/GP-NHNN dated September 28, 2018, revised on December 19, 2018.
- Certificate of Business Registration No. 0100233488, first registered on February 14, 1996, 32nd amendment on December 27, 2018.
- Headquarters: 1st, and 2nd Floor, Sailing Tower, No. 111A Pasteur, Ben Nghe, District 1, HCMC, Viet Nam
- Tel: (84-4).62760068
- Fax: (84-4).62760069
- Email: vib@vib.com.vn
- Website: www.vib.com.vn
- Stock code: VIB

HISTORY OF ESTABLISHMENT AND DEVELOPMENT

Vietnam International Commercial Joint Stock Bank, abbreviated as Vietnam International Bank (VIB), was founded on 18th September 1996; currently headquartered at No. 111A Pasteur, Ben Nghe Ward, District 1, HCMC.

Following 22 years in operation, on December 31, 2018, we have become one of the leading commercial joint stock banks in Vietnam, with shareholders' equity of nearly VND 10.668 trillion, and chartered capital of VND 7.835 trillion. Currently, VIB has 5,372 employees working at nearly 163 branches and transaction offices in major provinces/cities across the country.

BUSINESS LINES AND AREAS

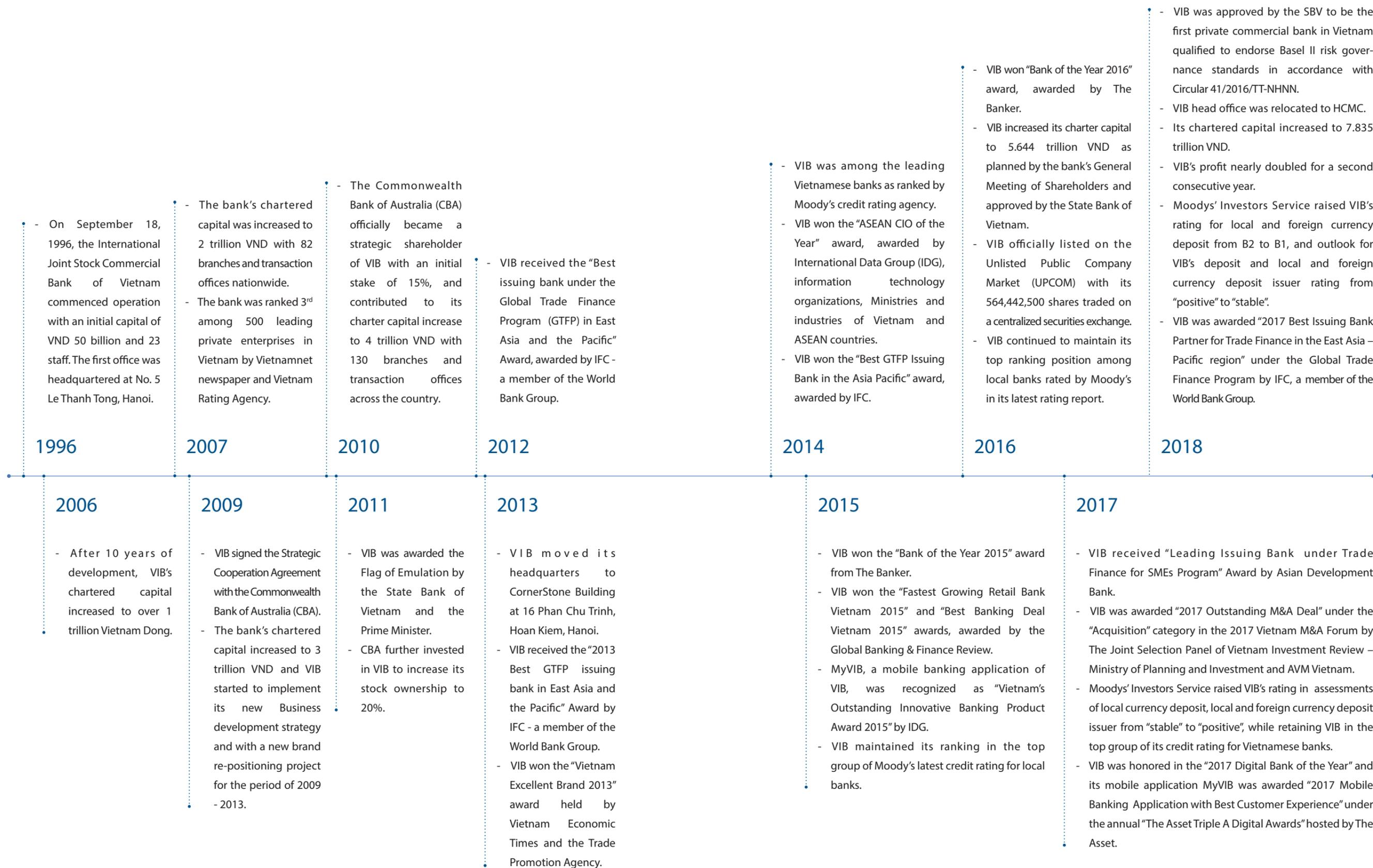
VIB's main business lines include:

- Demand, term, savings and other types of deposits;
- Issuing credits for:
 - + Loans;
 - + Discounts, rediscounts of negotiable instruments and other securities;
 - + Bank guarantees;
 - + Issuance of credit cards;
 - + Domestic factoring services.
- Current account for customers.
- Domestic payment services:
 - + Payment tools;
 - + Providing check payment services, payment and collection orders, letter of credit, bank cards, collection and payment services.
- Open an account:
 - + Open an account at the State Bank of Vietnam;
 - + Opening accounts at other credit institutions and foreign bank branches.
- Organizing internal payment, participating in the domestic inter-bank payment system.
- Cash management, banking and financial consulting services; asset management, safe deposit boxes.
- Corporate finance consulting, merger and acquisition consulting, investment consulting.
- Participating in bidding, sales and purchase of Treasury bills, negotiable instruments, Government bonds, State Bank bills and other valuable papers on the monetary market.
- Sales and purchase of Government and corporate bonds.
- Currency brokerage services.
- Issuing deposit certificates, promissory notes, bills and bonds to mobilize capital in accordance with the

Law on Credit Institutions, the Securities Law, Government regulations and guidelines of the State Bank of Vietnam.

- Borrowing capital from the State Bank through refinancing in accordance with the Law on The State Bank of Vietnam and guidelines of the State Bank of Vietnam.
- Borrowing, lending, depositing and receiving capital of credit institutions, foreign bank branches, domestic and foreign financial institutions in accordance with the laws and guidelines of the State Bank of Vietnam.
- Contributing capital, buying shares in accordance with the law and guidelines of the State Bank of Vietnam.
- Offer and acceptance of trusteeship in banking operations, insurance business, asset management in accordance with the laws and guidelines of the State Bank of Vietnam.
- Trading and providing foreign exchange services in the domestic and international markets as stipulated by the State Bank of Vietnam.
- Trading and supplying interest derivative products in accordance with law and guidelines of the State Bank.
- Buying debt.
- Investing in Government bond futures contracts.
- Electronic wallet

Business location: As of 31 December 2018, the Bank has one (01) Headquarters, one hundred and sixty three (163) business units including Headquarters, fifty (50) branches and one hundred and twelve (112) transaction offices in provinces and cities across the country and one (01) subsidiary.



Recognitions & Awards

- The TOP RATINGS for Private Joint Stock Banks in Vietnam

Baseline Credit Assessment



Counterparty Risk Assessment



- Outstanding Innovative Banking Product/Service 2015, 2017, IDG

- Best Trade Partner Bank in East Asia and Pacific 2014, 2016, IFC;
- Vietnam's leading SME bank 2017, ADB
Total limits given to VIB by IFC & ADB and other Global FIs reached USD350 million



- Vietnam Bank of the Year 2016 and 2015
The Banker, Financial Times

- Best innovative solutions for global payment card, 2015; MasterCard



- Best Bank for Credit Cards Vietnam 2018
Global Banking and Finance Review

- Vietnam Digital Bank of the Year 2017
- Best Retail Mobile Banking Experience, Vietnam, 2016 & 2017
The Asset Triple A



- Most Innovative Workplace Environment 2018
International Finance Magazine

ABBREVIATION

VIB	Vietnam International Commercial Joint Stock Bank
BOS	Board of Supervisory of VIB
BOM	Board of Management of VIB
BOD	Board of Directors of VIB
AGM	Annual General Meeting of Shareholders of VIB
CEO	Chief Executive Officer
CFO	Chief Financial Officer
HOSE	Ho Chi Minh Stock Exchange
SSC	Vietnam State Securities Commission
USD	US Dollar
VND	Vietnam Dong
CPI	Consumer price index

VIETNAM INTERNATIONAL COMMERCIAL JOINT STOCK BANK

Headquarter: F11, 2, Sailing Tower, 111A Pasteur,
Ben Nghe Ward, District 1, HCM City, Vietnam

Website: www.vib.com.vn

Stock code: VIB