

ANNUAL REPORT

2015



CONTENTS

5	BUSINESS HIGHLIGHTS
6 7	MESSAGE FROM THE CHAIRMAN AND CEO
9 14	OVERVIEW OF VPBANK
16 20	2015 BUSINESS PERFORMANCE
22 27	HIGHLIGHTS OF THE BUSINESS PERFORMANCE
29 33	ACHIEVEMENTS IN FOUNDATION BUILDING
35 54	CORPORATE GOVERNANCE
56 112	2015 AUDITED FINANCIAL STATEMENTS
113	2016 BUSINESS PLAN
114	VPBANK'S NETWORK



VISION BY

2017

VPBank will become **1** of the
5 leading joint-stock
commercial banks in Vietnam
3 leading retail joint-stock
commercial banks in Vietnam

CORE VALUES



BUSINESS HIGHLIGHTS

BUSINESS PERFORMANCE INDICATORS (VND billion)	2011	2012	2013	2014	2015
Total assets	82,818	102,673	121,264	163,241	193,876
Shareholders' equity	5,996	6,709	7,727	8,980	13,389
Deposits from customers & Valuable papers issued	32,009	59,680	88,345	119,163	152,131
Total outstanding credit	39,376	44,965	66,263	95,675	131,463
<i>Of which: Loans to customers</i>	29,184	36,903	52,474	78,379	116,804
Net operating income	2,515	3,133	5,085	6,271	12,066
Profit before tax	1,064	949	1,355	1,609	3,096
PRUDENTIAL AND EFFICIENCY RATIOS					
ROA	1.12%	0.77%	0.91%	0.88%	1.34%
ROE	14%	11%	14%	15%	21%
CAR	11.90%	12.5%	12.5%	11.3%	12.2%
Number of employees	3,548	4,326	6,795	9,501	12,927
Number of branches		204	207	209	208
Number of active customers (thousands)		353	635	1,305	2,088

PROFIT BEFORE TAX (VND billion)



TOTAL ASSETS (VND billion)



CUSTOMER DEPOSITS & VALUABLE PAPERS ISSUED (VND billion)



LENDING TO CUSTOMERS (VND billion)



Source: VPBank's 2015 Audited Consolidated Financial Statement



Dear Valued Shareholders, Customers, and Partners,

2015 was the fourth year of VPBank's five-year strategic roadmap to realize our vision of becoming one of the top five joint stock commercial banks in Vietnam by 2017. On behalf of the Board of Directors and Board of Management, we would like to express our delight and satisfaction with the remarkable achievements that VPBank has made in 2015, which were attributable to the sharp focus and relentless efforts of all the managerial staff and VPBank employees during the last year, following the guidance of the Board of Directors and Board of Management. VPBank is approaching its ultimate goal of the five-year journey, and the destination is actually close at hand. VPBank strongly believes that this is only the first of many goals that the Bank can reach in the next five years thanks to its solid foundations, the overarching vision of the leadership, and the dedication of the Bank's staff.

We would like to extend our sincere gratitude towards our valued shareholders, customers, and partners who have supported VPBank during the year. Our special thanks are also extended to the Board of Management, managerial staff, and all VPBank employees for their contributions to the Bank's development.

As of December 31, 2015, deposits balance had risen by over 20%, profit before tax had reached VND3,096 billion, owners' equity had grown by 49%, and provisions were VND3,277 billion, all of which reflect the real performance, quality, and safety of the Bank's business. These results enabled VPBank to affirm its position among the top joint stock commercial banks in Vietnam in terms of volume growth and market profitability.

VPBank has further developed two key segments – Retail Banking and SME Banking – and established a new business line to serve a high potential, but underserved, segment – Household Banking. The impressive growth in deposits and loans volume of these segments was encouraging, and reaffirmed the relevance and realism of the objectives of the Bank's strategic segments. 2015 was also a rewarding year in terms of the efficiency of flanking segments such as Commercial Banking, Financial Markets, Investment & Project Financing, and Financial Institutions & Transaction Banking. These divisions proactively leveraged their specialized products and services, and closely collaborated with other divisions and external partners to implement cross-selling and distributor financing programs, therefore not only offering customers the best services but also optimizing the Bank's business performance in 2015.

2015 marked an outstanding success for VPBank's consumer finance, with an average growth rate of around 100% y-o-y for such critical criteria as customer base and business performance, thereby making significant contributions to the Bank's profits. Furthermore, VPBank Finance Company Limited was honored as the best consumer finance company in Vietnam by the Global Banking & Finance Review. To sustain the growth momentum of this segment, the Bank's leadership has started to develop a five-year strategy, through 2020, with McKinsey Company.

Underlying the impressive business performance were solid foundational systems, which were the backbone for VPBank's growth in 2015. In order to adapt to market trends and customer spending behaviors and to meet the business demands and the requirements of corporate governance and regulatory agencies, VPBank has been pioneering in systems architecture by implementing nearly 30 transformation projects and over 500 initiatives to optimize

and improve its key systems and processes over the past three years. Most of these transformational programs have focused on centralization and specialization of business and operating models and segregation of businesses with a clearer view of finance, risk management, operations, and products driven by automation with support from IT. Metrics having a direct impact on quality and efficiency have been closely monitored to timely identify and handle challenges, and to continually improve productivity and quality. VPBank has also started preparations for a new goal of becoming the first bank in Vietnam to establish a Digital Bank Service Division and make financial technology its focus, which is in line with the present vision of large international corporations and organizations. The effective development and transformation of these systems will be a key driver for success as VPBank continues its rapid development strategy and sharpens its focus on growth efficiency in 2016.

The macroeconomic environment in 2016 is forecasted to undergo numerous complex movements as a result of the impacts of global political and economic turmoil, as well as the internal factors of Vietnam's macro economy – especially the ever more stringent requirements from regulators regarding governance standards in the banking industry. The economy is entering a recovery phase, generating a brighter picture for the banking industry after its restructuring period. Banks are regaining their feet and willing to drive growth, intensifying competition in the market and especially in the retail banking segment. VPBank is entering 2016 with tougher challenges than past years. Nevertheless, VPBank sees these challenges as opportunities to new strengths and new heights.

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

Our warmest thanks to you all!



Ngô Chí Dũng
BOD Chairman



Nguyễn Đức Vinh
CEO



OVERVIEW OF VPBANK

TRIUMPHANT



BEST INNOVATION IN RETAIL BANKING VIETNAM 2015

VPBank was honored by UK-based International Banker Magazine in August 2015

With the aim of becoming a top retail bank in Vietnam, VPBank is pioneering in applying state-of-the-art, innovative technology for disruptive products and services. We take the initiative in improving traditional banking products and meeting the demands of a diverse range of customers.

INTERNATIONAL
Banker
BANKING AWARDS 2015

2010

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

2011

- Rolled out six strategic initiatives with the support of McKinsey & Company to transform the Bank into a modern model of retail banking;
- Kicked off the first standard branches under this model;
- Profits before tax exceeded VND1,000 billion for the first time.

2012

- Built VPBank's growth strategy for the 2012 – 2017 period with consultation from McKinsey & Company;
- Introduced a new branch outline;
- Total assets exceeded VND100 trillion for the first time;
- Being recognized as Vietnam Value by the Ministry of Industry and Trade.

2013

- Initiated and implemented the first phase of the Transformation Program; Developed master plans for risk management and IT;
- Restructured business units, back offices and distribution network;
- Received a rating of B3 with "Stable" outlook by Moody's for the first time;
- Profit after tax reached over VND1,000 billion for the first time.

2014

- Fulfilled the first phase of the Transformation Program; Became one of the top ten Vietnam's banks selected to adopt the standard approach of Basel II by 2015;
- Outlook upgraded to "Positive" from "Stable" by Moody's; Total assets exceeded VND160 trillion for the first time;
- Successfully acquired Vietnam National Coal – Mineral Finance Company and renamed it VPBank Finance Company Limited (VPB FC);
- Recognized as Vietnam Value for two consecutive times by the Ministry of Industry and Trade.

2015

- Ranked as the 21st largest corporate income tax payer in Vietnam;
- Established and developed new business models, including Household Banking and Digital Banking Services;
- Centralized customer services functions;
- Received six international awards.

10 HIGHLIGHTS OF VPBANK



1 OUTSTANDING BUSINESS GROWTH

Consolidated profit before tax of VND3,096 billion, which increased 92% y-o-y and fulfilled 124% of the full-year plan, was a highlight of VPBank's 2015 business results. Total net operating income reached VND12,066 billion, up by 92% y-o-y. Total fees income by the end of 2015 was VND1,597 billion, and net income from service operations rose 46% y-o-y to VND885 billion.

2 EFFECTIVE OPERATING EXPENSE CONTROL

The Bank systematically implemented several cost optimization projects to enhance cost efficiency and productivity, improve and streamline processes, and automate customer services and supporting activities. Initial results were positive as cost growth in 2015 was much lower than business scale and income growth. Cost to income ratio (CIR) therefore decreased from 59% in 2014 to 47% in 2015.



3

ROBUST GROWTH IN NON-FINANCIAL INDICATORS

In 2015, the Bank's number of active customers reached over 2 million, up by 60% y-o-y. This is an important foundation for the Bank to pursue its retail banking strategy. The number of new cards reached almost 350 thousand, including over 70 thousand credit cards. The Bank maintained more solid growth than the previous year, with improved indicators of profitability, capital efficiency, and systems prudence.



4

FORMATION AND FOSTERING OF NEW BUSINESS SEGMENTS

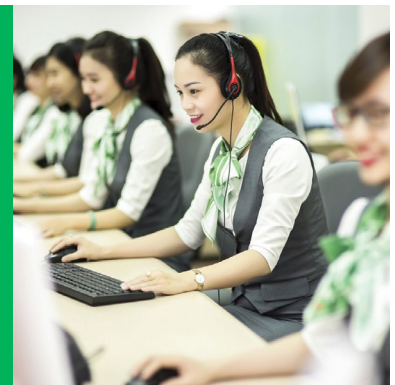
Household business is an important retail segment which has an estimated market opportunity of USD10 billion of loan balances over the next five years. VPBank officially established its Household Banking Division in July 2015 to provide dedicated products and services to this segment. After only six months of operation, the Division has created 35 business units, assembled a team of 550 employees, and acquired more than 9,000 customers with a total loans balance of over VND202 billion.

Placing digital banking at the center of its development strategy, VPBank officially established its Digital Banking Division in 2015. The Bank's internet and mobile banking customer numbers soared by 90% and 220% respectively, y-o-y. The number of transactions and transaction value also surged by over 300%, accounting for roughly 21% of total bank-wide transactions. Online savings balances increased six-fold, and online lending products received positive feedback from customers.

5

SUCCESSFUL IMPLEMENTATION OF CUSTOMER SERVICE CENTRALIZATION PROJECT

Centralizing customer service was considered a transformation project in 2015, with achievements such as the establishment of a Customer Service Center at the Head Office; effective centralization of customer services of 133 branches in Hanoi, HCMC, and other potential regions such as Hai Phong, Da Nang, Can Tho, Dong Nai, and Binh Duong; development of operational models and policies; and improvement of service quality at branches by implementing 40 centralization initiatives.



6 Int'l
awards
**GLOBALLY
CLAIMED**
FOR PIONEERING
IN VIETNAM'S BANKING

6

SIX INTERNATIONAL AWARDS

Upbeat business results brought VPBank several prestigious awards from renowned international organizations, including

- 'Best Commercial Bank of the Year Vietnam 2015', 'Best Innovation in Retail Banking Vietnam 2015' from International Banker Magazine
- 'SME Bank of the Year in Vietnam' from Asian Banking and Finance Magazine (ABF)
- 'Best Internet Bank Vietnam 2015' and 'Best Banking Product Vietnam' from Global Banking and Finance Review Magazine
- 'Enterprise Data Management Strategies 2015' from US-based TDWI (The Data Warehousing Institute)



7

CORPORATE CULTURE RAISED TO NEW HEIGHTS

With the objective of developing a corporate culture of high efficiency, the 2015 Corporate Culture Project has achieved remarkable success in four areas:

- Finalizing a behavioral framework based on six core values
- Implementing a mentoring program with the participation of the Bank's leaders and middle management
- Developing a collaborative working environment and proactive learning culture
- Developing a professional working environment via the adoption of labor regulations at Head Office.

8

LAUNCHING NUMEROUS KEY FOUNDATIONAL PROJECTS

- The SAP Enterprise Resource Planning project (ERP/SAP) for back-office automation provides a comprehensive solution for process standardization and integration to improve the Bank's management efficiency. The project also enhances professionalism and systematization, improves knowledge and skills for employees, as well as facilitates rapid, secure, and stable data mining. VPBank successfully automated all components of its financial and operational systems and a number of components of its human resource management system. The ERP/SAP project is expected to be completed in September 2016.
- The Data Warehouse project supports business forecasting, analysis, and decision-making, thereby strengthening the Bank's competitiveness and customer service quality. The project successfully implemented 22 reports and eight dashboards for senior leaders, and three data marts for the Business Intelligence Center and Finance Division.
- Every VPBank staff member now has a Microsoft Office 365 account providing 50GB of email storage and 25GB of data. Cloud-based OneDrive offers 1TB of storage, which will increase in the coming years. Office Online – integrated with Word, Excel, and PowerPoint – allows multiple simultaneous access and document compilation. Office 365 liberates file sharing between individuals and units from size and distance restrictions. All emails and calendars are synchronized across multiple devices and are directly accessible online.





9

BRAND STATURE STRENGTHENED BY WIDE-RANGING CULTURAL EVENTS

The invitational concerts 'Ramble and Return' with the musician Tran Tien, 'Diva's Night' featuring four Vietnamese soloists, and 'Where the Love Begins' with the duettists Tuan Hung and Le Quyen attracted over 3,000 guests. The inaugural Vietnamese concert ever by legendary saxophonist Kenny G drew an audience of nearly 4,000. The first VPBank Countdown in HCM City was attended by nearly half a million people at 23/9 Park, to see in the New Year.



10

INTERNAL EVENTS

2015 was also a successful year for the Bank-wide internal events, including:

- Miss & Mr VPBank – finding representatives of VPBank's holistic beauty
- Trang Nguyen Contest – honoring the most proficient staff
- Bikini Sports 2015 – encouraging employees' physical fitness
- VPBank's 22nd birthday celebration – an annual event for VPBankers
- VPBank's Got Talent Kids 2015 – encouraging VPBank's younger generations to confidently showcase their talents

2015 CLAIMED 6 PRESTIGIOUS INTERNATIONAL AWARDS

In 2015, VPBank was presented with six prestigious awards by international organizations: Best Commercial Bank of the Year, Best Innovation in Retail Banking, Best SME Bank of the Year, Best Internet Bank, Best Banking Product and Best Practices Award for Enterprise Data Management Strategies.

VPBank met International Banker magazine's stringent criteria for business performance, sustainable growth, reliability, and social responsibility, and in 2015 excelled in brand identity, financial effectiveness, effectiveness of retail strategies, sales capacity, risk management, business & IT process optimization, retail market potential, human resources, and future development potential, prompting the award of the accolades of Best Commercial Bank and Best Innovation in Retail Banking in Vietnam 2015.

VPBank provides flexible and innovative financial solutions for small and medium enterprises which, in 2015, received positive customer feedback that reflected such outstanding performance that Asian Banking and Finance magazine awarded VPBank the title of Best SME Bank in Vietnam 2015.

2015 also saw marked growth in VPBank's online customer base and the adoption of advanced security technology and convenient integrated products, thereby affirming the superior quality of the Bank's digital banking services and encouraging the use of non-cash transactions in Vietnam. The

UK's most prestigious electronic finance and banking review – Global Banking and Finance Review magazine – acknowledged this with the presentation of its Best Internet Bank and Best Banking Product awards. VPBank's Visa Smartcash was also honored in 2015, being the first online visa debit card in Vietnam, and offering secure and convenient online payments both domestically and internationally.

With a clear vision and a practical and effective implementation roadmap, VPBank has been Vietnam's pioneer in adopting a data governance platform, providing effective business analysis and product development, thereby increasing value for the Bank's customers. These trailblazing achievements earned VPBank the 2015 Best Practices Award for Enterprise Data Management Strategies from The Data Warehousing Institute.

These international awards reaffirmed VPBank's quality in terms of products, services, reliability, and competitiveness in the domestic banking and financial markets, and are a validation of VPBank's developmental vision. In the years to come, VPBank will retain its focus on the continual improvement of its products and services, providing customers with excellent benefits, and developing VPBank as an international standard commercial bank.

	BEST COMMERCIAL BANK OF THE YEAR		BEST BANKING PRODUCT
	BEST INNOVATION IN RETAIL BANKING		BEST INTERNET BANK
	SME BANK OF THE YEAR		BEST PRACTICES AWARD FOR ENTERPRISE DATA MANAGEMENT STRATEGIES

2015 BUSINESS PERFORMANCE



BEST INTERNET BANK IN VIETNAM

This award was presented by the prestigious UK-based Global Banking and Finance Review Magazine.

Thanks to 3DES technology (triple data encryption algorithm) for information security, VPBank Online consistently and reliably meets the demand for rapid, accurate online transactions.

PIONEERING



SECTION 1: MACROECONOMIC OVERVIEW

The global economy in 2015 underwent a broad slowdown with growth paces differed between markets, together with unstable and unpredictable factors. The slump of crude oil prices drove commodity prices downwards, with consequent unavoidable effects on exporters. The turmoil of worldwide financial markets, the devaluation of the Chinese Yuan (CNY), and China's stagnant growth all affected the global economy significantly.

However, Vietnam's economy was more stable than in previous years, as demonstrated by stable macroeconomic indicators – inflation was kept at low levels and the economic growth rate was 6.68%, higher than the average of 6.2% between 2011 and 2014. The business environment and its opportunities have been significantly improved by a warmer real-estate market, increased purchasing power, decreasing business and tax costs, and slightly lower lending rates.

The finance and banking system achieved some successes thanks to the implementation of several important solutions for enhancing stability and efficiency, which were evidenced by high forex reserves. Commercial banks' liquidity was increased to ensure the solvency and the liquidity of the system, which made a remarkable contribution to controlling inflation and stabilizing the macro-economy. Total means of payment rose 13.6%, with a credit growth rate of 17.02% – the highest since 2011. Meanwhile, the regulator's measures to settle NPLs started to show results, which contributed to improved credit quality and a reduced NPL ratio. In general, after 4 years of action, the plan to restructure credit institutions has yielded some of its intended targets, and has maintained and improved the system's safety and stability.

Thanks to favorable factors in both the economy and banking industry, VPBank enjoyed another successful and sustainable business year. After focusing on establishing and consolidating foundational systems in 2013 and 2014, VPBank shifted in 2015 to the second phase of the comprehensive transformation program of its 5-year 2012-2017 development strategy. Vigorous growth to reach volume targets, and entering the ranks of top joint stock commercial banks in 2017, are the key missions in this second phase.

With the well-considered direction of the action plan, and considerable decision-making acumen, VPBank underwent a year of effective and sustainable growth, surpassing the core business targets set for 2015. Profitability ratio, efficient fund use ratio, and prudential ratios have been improved, underlining VPBank's position in the market and moving the Bank closer to its target of becoming a leading joint stock commercial bank in Vietnam.



SECTION 2: 2015 BUSINESS PERFORMANCE REPORT

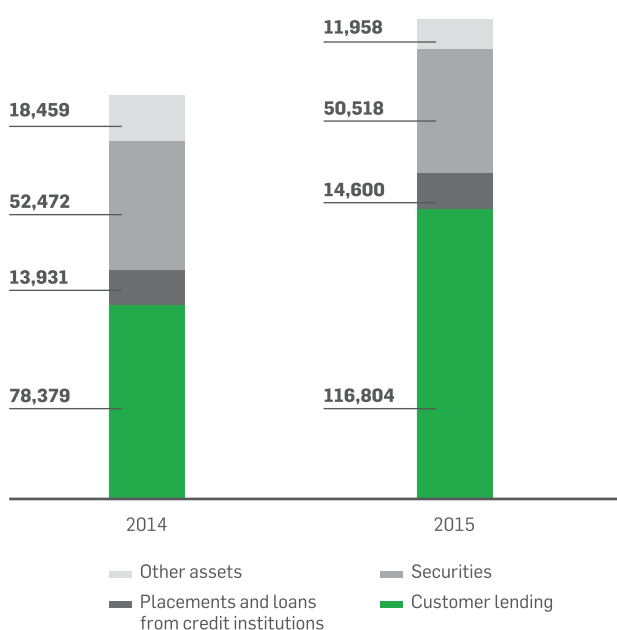
1. OPERATING SCALE CONTINUES ITS STABLE AND SUSTAINABLE GROWTH

Thanks to a shift in the sales model at branches, product standardization, the strengthening of supporting units during previous years, and an emphasis on fostering the efficiency of the operating network across the country, VPBank's operating scale in 2015 continued the remarkable momentum of previous years. The structure of the balance sheet was improved while maintaining the safety and efficiency of fund use.

1.1. Capital structure was continually improved with higher growth of earning assets

VPBank's total assets reached VND193,876 billion, with a growth rate of 18.8% from 2014. Of this, lending volume witnessed the highest rise, increasing lending weight to 60% of total assets, from 48% in 2014; corporate bonds and other assets decreased, with the remaining items increasing slightly.

Total assets structure (VND billion)



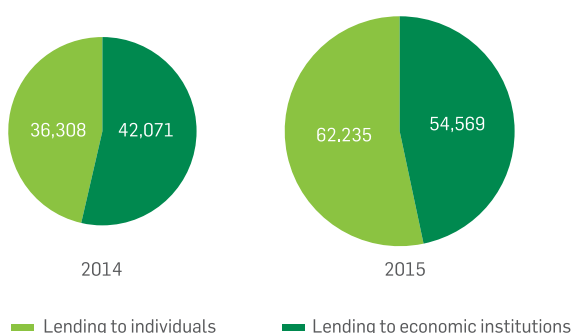
*Source: Audited consolidated financial statements

VPBank's business orientation in 2015 focused on the growth of credit, deposits, and the customer base of two key segments – Retail and SME – by improving sales productivity based on 2014's increased investment in sales force quality, the development of various products and services to access and align with each customer, and the completion of the product development process for each corresponding sales system. By the end of 2015, lending volume grew to VND116,804 billion, up by VND38,425 billion y-o-y, with lending to retail customers growing by VND25,927 billion, and to corporate customers by VND12,498 billion.

Lending to customers (VND billion)



Structure of lending 2014 and 2015 (VND billion)



*Source: Audited consolidated financial statements

In addition to growth, the Bank continues to focus on risk management and the control and settlement of NPLs. In 2015, the multi-layer risk management model was repeatedly strengthened, and risk management capability was improved by research, implementation, and deployment of advanced support systems and tools to identify, measure, and control risks. Risk monitoring, early forecasting, and risk-hedging activities were widely adapted in 2015 to ensure a portfolio of good assets.

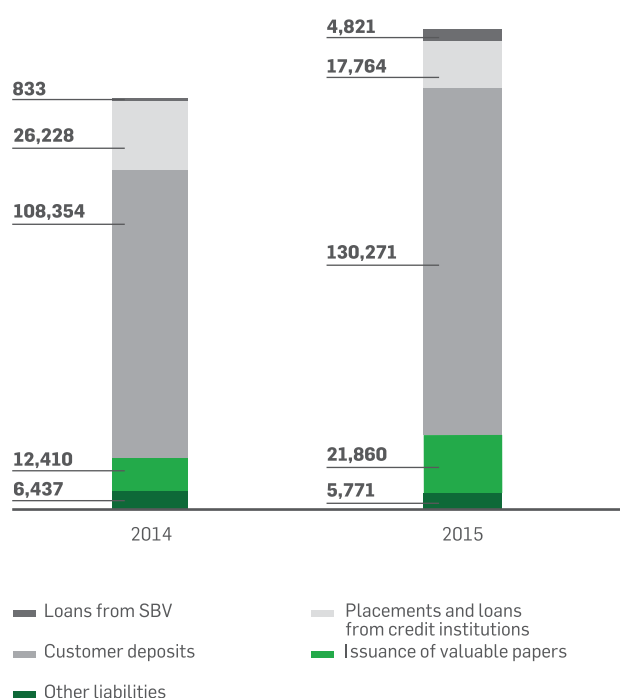
Debt collection – including both early and late collection – was also improved in 2015 in terms of both organization and operating strategy, resulting in positive achievements in the mitigation of new NPLs and old NPL recovery.

Investment and securities trading: Investment activities continued to diversify through restructuring, to boost profitability and ensure the liquidity of the system. The total securities portfolio was valued at VND50,518 billion, a slight decrease of VND1,954 billion from 2014, with investments in Government bonds and Government-backed bonds issued by credit institutions reaching VND32,615 billion, an increase of nearly VND5,000 billion – 18% higher than 2014 and accounting for 65% of the total securities portfolio.

1.2. Capital sources were flexibly adjusted to align with capital demand and the capital mobilization strategy

By the end of 2015, total liabilities were VND180,488 billion, increasing by roughly VND26,250 billion, approximately 17% higher than 2014, mainly as a result of growth in customer deposits and the issuance of valuable papers – the latter rising by more than VND31,300 billion.

Structure of liabilities (VND billion)



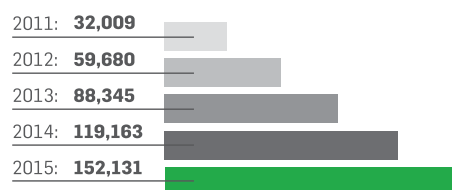
*Source: Audited consolidated financial statements

Total deposits: including customer deposits, placements and loans from other credit institutions, and issuance of valuable papers, reached VND169,895 billion, up by 16% y-o-y as of December 31, 2015, with the volume of customer deposits and valuable papers reaching VND152,131 billion, up by over VND31,300 billion (or 26%) y-o-y. During the 2011-2015 period, the CAGR of customer deposits and issuance of valuable papers was 48%.

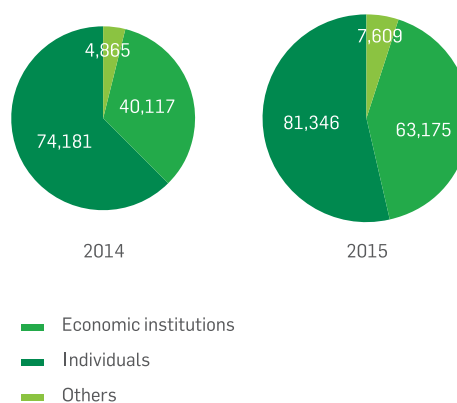
Customer deposits: By the end of 2015, the deposits balance had reached VND130,271 billion, with a net growth of nearly VND22,000 billion, equivalent to an increase of 20% from 2014, which was higher than the average sector-wide growth rate. VPBank is consequently ranked among the top joint stock commercial banks by deposit growth rate.

Issuance of valuable papers: Total valuable papers issued through the end of 2015 amounted to VND21,860 billion, up by 76% y-o-y. During 2015, the Bank issued valuable papers worth VND7,400 billion, with tenors ranging between 1 and 5 years. This is a stable and long-term capital source to finance long and medium-term asset growth, ensuring the safety of the asset structure.

Customer deposits and issuance of valuable papers (VND billion)



Structure of customer deposits and issuance of valuable papers (VND billion)



*Source: Audited consolidated financial statements

By the end of 2015, shareholders' equity had reached VND13,389 billion, increasing by VND4,409 billion, with the structure changing as follows:

Charter capital was VND8,056 billion, increasing by VND1,709 billion due to dividend payments in the share format and bonus shares from the supplementary reserve fund for charter capital.

Share premium reached VND1,289 billion, up by VND1,287 billion from the end of 2014 because of the recorded difference between the par value and asking price of VPBank's shares.

Retained earnings: VND2,719 billion, up by VND629 billion from 2014.

2. BUSINESS PERFORMANCE WAS POSITIVE FOR ALL INDICATORS

VPBank's financial efficiency was significantly improved thanks to ongoing improvements in asset quality, and the enhancement of sales productivity, risk management, and cost control.

The Bank's business highlight in 2015 was a consolidated profit before tax of VND3,096 billion, representing a robust growth of 92% from the previous year, and achieving 124% of the established target.

Target	2014	2015	Change	
	VND billion	VND billion	VND billion	%
I Total operating income	6,271	12,066	5,795	92%
1 Net interest income	5,291	10,353	5,062	96%
2 Net fee and commission income	607	885	278	46%
3 Net income from gold and FX trading	-90	-290	-201	-123%
4 Gain / loss from securities trading	461	73	-388	-84%
5 Net income from other activities	-7	875	882	N/A
6 Income from investment in other entities	9	171	162	1,863%
II Operating expenses	3,683	5,692	2,009	55%
III Profit before provision expenses	2,588	6,374	3,786	146%
Provision expenses	979	3,278	2,298	235%
IV Profit before tax	1,609	3,096	1,488	92%
V Corporate income tax	355	700	345	97%
VI Profit after tax	1,254	2,396	1,142	91%

* Source: Audited consolidated financial statements

Total operating income achieved high growth thanks to enormous contributions from services and net interest income

Total operating income was VND12,066 billion, growing by 92% from the previous year, mostly contributed by services and net interest income.

Net interest income saw a dramatic growth of 96% from 2014, attributable to the structuring and standardization of product and investment portfolios, a focus on robust growth in high-yield products, and improvements of the balance sheet, fund use efficiency, and asset quality in 2015.

Several projects supporting the increase in fees income were systematically implemented, with positive results. The income structure made a positive shift amidst the expansion of the retail banking product mix and the introduction of state-of-the-art banking products and services. Of these, fees from payment services, card payments, and other convenience services enjoyed a remarkable increase in transaction numbers. Non-credit services, including e-tax payments for enterprises, water and electricity bill payments via credit card, and phone recharging via e-banking or mobile banking channels, were also significantly expanded. By the end of 2015, VPBank's total fee income had reached VND1,597 billion, and net income from service operations was VND885 billion, up by 46% from the previous year. This also gave a large boost to VPBank's business performance.

Operating costs were effectively controlled and optimized with growth much lower than income

In 2015 VPBank continued to invest in and consolidate core foundational systems related to people, processes, and technology, to serve business growth. At the same time, operating costs were controlled by an emphasis on efficiency. The Bank executed a number of operating cost optimization projects with a view to enhancing efficiency in cost utilization, raising productivity, improving and shortening processes, and automating supporting activities and customer service operations. These projects generated

positive results with a rise in operating costs lower than the increase in business scale and income. As a result, the ratio of operating expenses to net income decreased to 47% in 2015 from 59% in 2014.

Higher provision expenses for better provisioning and disposal of NPLs

Based on a prudent approach to risk mitigation and NPL management, the Bank set aside VND3,278 billion for risk provisioning in 2015, an increase of VND2,298 billion from the previous year.

The higher risk provision expenses resulted from restructuring the investment portfolio, and using provision for risk disposal. Provisions made for on-balance-sheet items and for NPLs sold to Vietnam Asset Management Company (VAMC) therefore increased by VND1,650 billion.

3. PRUDENTIAL RATIOS AND OPERATION QUALITY

SBV Circular No. 36/2014/TT-NHNN, which covered significant changes in limits and operational safety ratios of credit institutions and foreign bank branches in Vietnam, took effect on February 1, 2015. In preparation, VPBank started to review its prudential and lending-related ratios in 2014, both to comply with these changing requirements and to ensure stable and sustainable operations for the Bank. Consequently, prudential ratios were maintained in compliance with the SBV Circular throughout 2015.

4. NON-FINANCIAL RATIOS

VPBank's successes were highlighted by both the above-mentioned financial ratios and the following non-financial ratios.

Customer base: In 2015, VPBank's number of active customers achieved a remarkable growth rate and reached over 2 million, representing a rise of 60% from 2014. This is an important basis from which the Bank can pursue its retail banking strategy.

Card issuance: In 2015, VPBank maintained its momentum in card issuance with nearly 350,000 new cards – including 70,000 new credit cards – issued.

Number of staff: There were 12,927 people working for the Bank by the end of 2015, up by 3,426 from the end of 2014.

5. GENERAL EVALUATION OF BUSINESS PERFORMANCE IN 2015

As the start of the second phase of the bank-wide transformation roadmap, with its destination of becoming a top-five joint stock commercial bank in Vietnam, VPBank's achievements in 2015 demonstrated that the Bank is firmly

on track. VPBankers' efforts, and the flexible and well-considered direction from executives, were rewarded by business performance in 2015 of which everyone can be proud.

In summary, 2015 ended with many high points in which VPBank came close to or exceeded the targets set in the General Shareholders' Meeting, and saw the Bank sustaining the momentum of previous years, with profitability, fund use efficiency ratio, and system-wide prudential ratios all improved. These results confirmed VPBank's progress as a strong and effective Vietnamese financial institution.

Current status of business performance in 2015

Units: VND billion, %

Target	Actual 2015	Projected 2015	% difference, actual vs projected
Total assets	193,876	204,000	95%
Customer deposits & valuable papers	152,131	140,000	109%
Credit balances	131,463	118,996	110%
<i>Of which: Lending to customers</i>	<i>116,804</i>	<i>101,892</i>	<i>115%</i>
NPL ratio	2.7%	<3%	within limit
Consolidated PBT	3,096	2,500	124%

* Source: Audited consolidated financial statements

HIGHLIGHTS ON BUSINESS PERFORMANCE

OUTPERFORMING



BEST BANKING PRODUCT VIETNAM

This honor was presented by Global Banking and Finance Review for VPBank's Online Visa Smart Cash in June 2015

VPBank is the first bank in Vietnam to launch an online international pre-paid card – Visa Smart Cash – to support customers in buying their favorite products and to provide more dependable transactions when using Visa-accepting domestic and international websites.

RETAIL BANKING

2015 marked the completion of the first half of VPBank's five-year journey to become one of Vietnam's top-three retail joint stock commercial banks by 2017. A 43% growth in the number of active customers and a 39% growth in operating income confirmed that all the major transformations introduced in 2014 started to generate positive effects in 2015, and more importantly have established a strong foundation for VPBank to excel in the retail market.

The number of new VPBank current accounts increased 53% in 2015 compared with 2014, bringing the total number of current accounts to approximately 1,110,000, and thereby continuing the success of 2014 in growing the customer base with effective campaigns, products, and policies. The expanded customer base proves that VPBank has become the bank of choice for more and more retail customers in Vietnam. VPBank's growth, however, was not only in scale, but also in quality, with lending and liabilities balance enjoying a growth rate even higher than that of the customer base.

81% 

GROWTH IN RETAIL LENDING PRODUCTS

2015 was also a very successful year for retail lending products, with an 81% growth in final balance. This success was contributed largely by the diversification of sub-products, which not only satisfied the demands of increasing numbers of customers, but also raised VPBank's competitiveness in the market. Partnership with some of Vietnam's largest real estate developers, and the establishment of a specialized team to monitor key projects, yielded fruitful results for home loans. Partnership development with key auto dealers continued to bring tremendously positive results with a three-fold increase in auto loan disbursement. Unsecured lending also finished the year strong with a 136% growth in total balance. Additionally, new cross-selling programs promised a better approach to reaching different segments of existing customers. Furthermore, a single account profitability model was constructed to give a clear assessment of every financial criterion for each product line, which can be used as a foundation to develop more effective product policies in the future.

Like lending products, liabilities products witnessed a very fruitful year with end-of-period balance increasing by 22% from 2014. Term deposits were noteworthy for achieving a 600% growth in total online balance thanks to three new online deposit products and separate promotion programs specifically designed for the online channel. Demand deposits (CASA) met with similar success with nearly 100% growth from 2014. On another positive note, Bancassurance generated important cooperation with big insurance partners and a five-fold increase in fees income from innovative programs. New processes have been implemented to improve the efficiency of the sales process, data entry, and incentive payments, and to provide better motivation for sales staff and business units.

Lending and deposits growth was significantly contributed

to by the priority segment, which VPBank made one of its key focuses in 2015, with an expansion of priority services from 80 branches at the beginning of the year to 98 branches by the end. During the year, the Priority Team devoted a large part of its efforts to advocating core products such as Bancassurance and CASA. Retail Banking also set out on a mission to improve service quality and develop new products to provide better experiences to priority customers. Impressive results included a 370% growth in the number of members of the Gold Club, a significant increase in the balance sheet of the priority segment, and 91% customer satisfaction with the service quality of relationship managers.

In 2015, Retail Banking also made a strategic move to enhance its current structure. Existing departments were strengthened and given broader roles, and new departments were formed to ensure better and more effective execution in partnership management, product development, and business monitoring and transformation. Furthermore, a new incentive policy was introduced focusing more on sales volume, and offering an encouraging career path for sales staff. The importance of cross-selling to utilize the existing customer base has been repeatedly emphasized to increase the awareness of the whole network.

The foundation built in 2015 will provide VPBank with the ability to reach ambitious targets for Retail Banking in 2016, with high expectations across products and sales channels. Retail Banking will implement a five-point plan to aggressively grow high potential, high income products; extensively explore new channels such as partnerships, and online or mobile applications and approvals; and deepen customer relationships by promoting greater services and products to further support our customers' lives and ambitions. VPBank is confident that by the end of 2016 it will be a significant step closer to its vision of becoming one of Vietnam's top-three retail joint stock commercial banks.

FE Credit in 2015

2015 was a year of significant milestones for VPBank Finance Company, with its trademark 'FE Credit', as it marked the first full year of operations after VPBank acquired the Vietnam National Coal - Mineral Finance Company Limited, and migrated its consumer finance business to this new company.

The growth of FE Credit has been amply supported by strong and stable economic growth, rising income levels, a young population that is adding a large number of first-time entrants into the workforce, and steadily improving consumer confidence which now ranks among the highest in the world.

Distribution and Products

FE Credit expanded its distribution network in 2015 by increasing the number of Points of Sale from over 4,100, to nearly 5,500, which resulted in the acquisition of more than 1.1 million customers. This was an important step in FE Credit's social mission of helping an ever-increasing number of Vietnamese people improve their lives and lifestyle. This is also a validation of the wide-ranging popularity of the innovative products and superior service offered by FE Credit to its valued customers.

FE Credit offers financial solutions to customers who are typically not served by banks, and thus it focuses strongly on offering products and services targeting this customer segment, and establishing a widely diversified and accessible distribution network. The products offered by FE Credit are flexible, convenient to use, and are gaining in popularity each month among their target segment of customer.

1.1 million 

NUMBER OF NEW CUSTOMERS
ACQUIRED IN 2015

Risk Management

In addition to a strong focus on acquiring new customers, FE Credit has also applied significant resources and management attention to maintaining best-in-class credit performance, along with managing operational, market, and systemic risks. The business has established a strong risk management organization with a wealth of expertise and talent, as well as invested in technology to improve risk management policies and practices in the company. The first set of application scorecards was rolled out during the year, resulting in improvements in both turnaround time and customer selection. The team has also worked dedicatedly on a project to create a comprehensive risk management training program to improve the skill and knowledge not just of the risk management team, but of the organization as a whole.

IT

Information technology has always played a key role in the development of FE Credit, and the business undertook an ambitious plan to completely overhaul the IT system, both at the back end and at the vital front end, to raise the levels of customer service even further. The project is well underway, and has already shown results. It will be completed in the coming year and is expected to extend significant support to our business units in helping the company to achieve its business plan for 2016.

Business Intelligence

In addition to the creation of a roadmap for transforming the IT systems, efforts have been undertaken to implement a Business Intelligence Competency Center with a focus on serving the growing information management needs of the business. Furthermore, an environment has been established which facilitates decision management supported by analytics more than opinion – which may not always be accurate. Best-in-class business intelligence tools, data warehousing, and other necessary software applications have been implemented; this is expected to significantly support the performance and growth of FE Credit's business in the future.

Human Resource Management

Vitality, the business has been able to lay a strong foundation of human capital management by not only setting up a very efficient channel for acquiring the best talent in

the market, but also effective policies and strategies for training, development, motivation, and rewards. As a result, the business has been able to retain key talent quite successfully.

2015 Milestones

A large part of early 2015 was spent developing policies and procedures for conducting business within the guidelines provided by Vietnam's legal framework. These efforts were validated during the first regulatory inspection conducted since the takeover.

At the end of this period, FE credit started working with global consulting leader, McKinsey, to draft a strategy and roadmap for 2016-2020, and undertook initiatives necessary to make FE Credit a leading player in the country and the region. The strategy was approved by the Board of Directors in the fourth quarter.

Since these policies have been put in place, the Finance Company has been able to focus on launching products and services, building an appropriate distribution network, and acquiring a significant number of customers. It has been focusing on managing risk in the business, especially credit risk. As a result, risk levels and delinquencies have been maintained at levels better than laid out in the plan. FE Credit has also started transforming its IT systems and building a strong organizational structure, both for the present and the future.

As a result of these efforts and achievements, FE Credit was recognized as the Best Consumer Finance Company in Vietnam by the Global Banking and Finance magazine.

With its growing strengths, FE Credit is now looking to consolidate its leading position in the industry, and continue to improve performance, not only by growing the balance sheet but also by improving credit performance and efficiency more and more in the future.

HOUSEHOLD BANKING

VPBank aims to become a top retail bank in Vietnam. One of the important retail markets is the mass-market, self-employed segment – traditionally called 'household customers' – which has an estimated market opportunity of \$10 billion of loans outstanding over the next five years. After conducting extensive market research and pilot projects to validate and analyze the opportunities, VPBank has embarked on a journey to create a banking solution for this segment.

VPBank's Board of Directors officially approved formation of the new business division on 13th July 2015. The new division is fittingly named the Household Banking Division, plainly reflecting its segment focus. To further ensure its unique identity in the segment, the division launched its very own brand 'CommCredit', emphasizing that it aims at customers in a very specific geographical area through a relationship and community approach.

With this new business model, VPBank offers products and services uniquely designed for the segment, helping household and family businesses in Vietnam to improve their performance and quality of life. In particular, CommCredit's business philosophy is built on providing life-cycle financial

solutions to its customers, including both short and medium-term products and services addressing both asset and liability needs, which can support all stages of a customer's life and development.

VPBank's products and services are easily accessible through a wide network, with local sales staff who thoroughly understand and are eager to support local businesses. Furthermore, the products and services are bundled into a clear, great value package, and customers are pleased with the simple process and best-in-class turnaround time. Last, but not least, repayment is easy through direct and alternative channels, giving the customer the peace of mind to focus on their own business.

In its first six months of operation in 2015, CommCredit has put together a robust central team of experts to comprehensively manage and grow the business. Additionally, it has rolled out 35 business units, and by the end of 2015 has assembled a team of 550 employees and acquired more than 9,000 customers with an asset book of over VND202 billion.

Its successful launch in 2015 was a good start for the Household Banking Division, and it has made significant advances by establishing strong fundamentals and delivering successfully on its business goals. The Household Banking Division is now poised for huge growth in 2016 and succeeding years, fuelling the Bank toward its target.

10 billion USD

LOANS OUTSTANDING ESTIMATED
OVER FIVE YEARS

SME BANKING

In spite of a tough business environment marked by global financial market volatility, SME Banking still found success in 2015. Higher profitability was underpinned by rapid loan portfolio growth, good credit quality, and disciplined operating expense management. The 'Vietnam SME Bank of the Year 2015' award from Asian Banking and Finance magazine was the recognition of the Division's achievements and sustained effort in its five-year transformation journey to become one of the top SME banks in Vietnam.

Amidst the market volatility and uncertainties arising from China's economic slowdown, SME Banking in 2015 still registered rapid growth in scale, and improved and optimized in quality, meeting targets set earlier in 2015 with loan growth of 30% and deposit growth of 54%. Average profit margin was increased year-on-year by the diversification of products and sectors, and by relentless loan quality improvement driven by better loan quality management. More effective cross-selling activities drove fee income higher, with 34% year-on-year growth. Leveraging its robust credit underwriting process and a stable loan portfolio, VPBank was one of the first banks to expand its unsecured Business Installment Loan (BIL) product into the high-potential, but underserved, Micro-SME segment.

Significant and targeted investments in risk management systems and processes in previous years benefited the SME Banking Division in 2015, as high credit growth was achieved with low risk provisioning, and the non-performing loan (NPL) ratio was kept below 3%. Risk management tools, such as scorecards and early-warning processes, will continue to be enhanced in the coming years to ensure the Division's sound and high-quality growth pace.

Our people are an important pillar for delivering differentiated value, and a crucial link to our customers and the local business community, and the Division has been continually investing in its people over the last three years. Our sales staff in 64 SME centers have received core training and developmental programs to ensure they have the knowledge and skills they need. A career path and long-term training plan were launched in 2015 to underline our strong commitment to our people. Our investment in human resources also yielded good gains across key productivity metrics.

SME Banking has focused on providing a variety of transaction banking solutions and prioritizing service quality improvements with an emphasis on simplicity and efficiency to drive high-margin deposit growth and keep customers' operating accounts with us. Our new, innovative products are aimed at providing the greatest simplicity and convenience, which has resulted in core working capital financing products – such as our Business Finance (BF) loans secured by real estate and our Credit Program (CP) loans secured by other assets – enjoying double-digit revenue growth.

34% 

GROWTH IN FEES

2016 will be the penultimate year of our five-year SME transformation journey, with growth targets as challenging as ever amidst an increasingly unpredictable external banking environment. In the face of strong competition, the SME Division will continue to identify and convert growth opportunities in potential, but underserved, customer segments. New financial products and solutions will be introduced to deliver stronger value propositions to our customers. Credit scorecards will be further evaluated as one of the key risk management initiatives to support aggressive loan growth. Customer care policies will be enhanced to reward our valued and loyal customers. Policies and processes will be further simplified to improve our customers' experience. Marketing efforts will be sharpened to build brand visibility and relationship links with our SME customers and business communities across the country. With all these innovations, we are optimistic that 2016 will be another successful year for the SME Division.

COMMERCIAL BANKING (CMB)

VPBank's business with corporate customers with annual revenue ranging from VND400 billion to VND1,600 billion,

which is led by Commercial Banking Division (CMB), has consistently delivered outstanding results since its establishment in 2013. In 2015, this segment maintained its growth momentum with impressive accomplishments.

By the end of 2015, CMB has achieved more than 30% growth in customer numbers, a surge of over 170% in both deposit and lending balances, over 180% growth in EOP guarantee balances, and over 250% growth in L/C balance from 2014. Fees income from services and FX-trading activities also experienced twofold and threefold increases from the preceding year.

To obtain these outstanding results in 2015, CMB undertook radical action plans and established a clear vision for fulfilling bank-wide objectives. It remained focused on private and local enterprises, as well as serving some medium-scale State-owned enterprises. CMB worked to meet customers' needs through its comprehensive financial solutions, including lending, guarantee, trade finance, deposit, and payment services. The Division also launched integrated products by combining deposit, lending, and FX products, international trade finance, and other elements, to expand the Bank's income sources and benefit customers with more efficient tools. In addition, CMB restructured its lending portfolio to select more efficient loans, deployed deposits promotion programs to enhance the Bank's liquidity, and delivered more services such as guarantee, L/C, and export and import payments, with the aim of meeting customers' needs and diversifying fee income sources for the Bank.

170%



GROWTH IN DEPOSIT AND LENDING VOLUMES

To seamlessly improve service quality and satisfy customers' diverse demands, CMB maintained close partnerships with other VPBank business and supporting units, helping to optimize credit processing procedures and payment processes, enhance efficiency, minimize turn-around time, and raise service quality.

Given its outstanding business performance and especially the on-going consolidation and strengthening of the organizational platform, the BOD expects CMB to take greater leaps in 2016, and continue to contribute to the prosperous and sustainable development of VPBank.

CORPORATE AND INVESTMENT BANKING (CIB)

In 2015, the Corporate and Institutional Banking Division contributed significantly to fee income from trade financing, guarantee, and letter of credit. Thanks to the close coordination with the Financial Institution and Transactional Banking Center, these services experienced remarkable growth in distributor financing for leading partners, such as Carlsberg and Hyundai Thanh Cong, creating a foundation for development in 2016.

2015 also saw success for the Investment and Project Financing Division (IPF). Thanks to its high-level

centralization and specialization, IPF improved the capacity and efficiency of corporate bonds and shares trading, and project financing for complex customers with comprehensive financial products and solutions, thereby benefiting customers and increasing the Bank's reputation. IPF's 2015 business made remarkable achievements, reaching 110% to 190% of all its key targets.

20%

CIB'S CONTRIBUTION IN BANK-WIDE DEPOSIT AND CREDIT VOLUMES

In November 2015, VPBank's Board of Directors established the Corporate and Investment Banking Division (CIB) by merging the Corporate and Institutional Banking Division and the Investment & Project Financing Division (IPF), to move VPBank to the next level of specialization and flexibility. The new Division has two centers, in the North and South of Vietnam, while the two sales departments – Investment Management and Project Financing – further improve its ability to provide comprehensive financial solutions via product bundles, tools, and diversified product chains for both corporate customers and their agents and suppliers. The Division also improved the safety, efficiency, and quality of its activities. With its contribution of over 20% of bank-wide deposit and credit volumes in 2015, CIB will be an important division of VPBank in 2016.

In 2016, CIB will continue to improve conventional banking service quality for corporate customers such as EVN, SCIC, Vinacomin, VEAM, Viettel, and Mobifone, and for prominent FDI enterprises such as Yamaha, Uni-President, and Nippon Seiki. CIB will collaborate with other divisions to promote cross-selling of tailored product bundles and specialized banking services with favorable policies, to maximize VPBank customers' benefits and contribute to building their competitive advantages. With youthful, dynamic, and dedicated human resources, the successes of investment and project financing via specialization will continue, and increase the safety, effectiveness, and quality of the division's activities. VPBank will also expand consulting services, such as securities issuance and project financing arrangements, to satisfy the increasing demands from Vietnamese enterprises and raise the Bank's fee incomes.

FINANCIAL INSTITUTION AND TRANSACTIONAL BANKING (FITB)

In early 2014, VPBank established its Financial Institution and Transactional Banking (FITB) Center to enhance its specialization and the development of functionality in this area. For nearly two years, FITB has successfully promoted trade finance and executed transactional banking strategies, as well as built up and maintained long-term relationships with domestic and international financial institutions.

In 2015, FITB launched a host of key products, including trade finance (e.g. UPAS L/C, distributor financing, and warehouse financing in line with international standards) and monetary management (e-tax, online guarantee, and

payment and collection services). With enormous effort, VPBank achieved impressive off-balance-sheet revenue in 2015, laying the foundation for growth in fee income. In particular, guarantee and L/C balance rose by 54% and 23% respectively, with UPAS L/C enjoying a five-fold rise from 2014. As a result, the Bank's total net fee income nearly doubled from the previous year.

In the financial institution segment, VPBank achieved robust growth in capital volume and credit limits from domestic and foreign financial institutions. The total limits issued by foreign and State-owned banks grew by 50% from 2014, with the limits given by the Asian Development Bank (ADB) increasing by 50% compared with the previous year. The Bank also joined GSM-102 – a prestigious financing program. In 2015, VPBank was selected as one of the banks to receive investment trust funds from international organizations such as the World Bank and JICA to support SME production and business, with a total growth rate of 180% in loans balance from 2014. The Bank also joined several Government economic development programs, such as the lending program for rice purchase during the winter and spring of 2015, and the public housing preferential lending rates program.

VPBank also launched its cash flow management product, which captured significant attention from non-bank financial institutions. Last year, the Bank achieved impressive growth in deposits balance with a surge of 61% from 2014.

50% 

LIMITS ISSUED BY ADB

VPBank's outstanding performance in the FITB segment in 2015 helped to reaffirm its position and prestige in local and international markets. Entering 2016, VPBank will continue to develop supply-chain and industry financing products, as well as develop more cash-flow management solutions to meet the needs of diversified customers, strengthen the Bank's correspondent relationship with domestic and international financial institutions, enhance relationships with international financial organizations including IFC and FMO, and deploy ODA-funded projects to support VPBank's business strategies and orientations

FINANCIAL MARKET DIVISION

Given major instability in both domestic and international financial markets in 2015, services such as FX trading, and monetary and bond transactions made a remarkable contribution to the Bank's performance, paving the way for a radical and ambitious transformation strategy in the next few years, and building sustainable and valuable foundations for the long term.

In 2015, the Division improved both its net operating income and profit by 34% y-o-y. Major business activities enjoyed comparable growth rates, with Government bonds in particular achieving outstanding results. VPBank maintained its top-five market-share position in the primary

Government bond market, its top-three position in the secondary market, and was nominated as a Primary Dealer by the Ministry of Finance in 2016.

34% 

GROWTH IN REVENUE AND PROFIT

Holding 'customer focus' as its core value, VPBank has focused on capacity training and professionalization of the Division's staff, as well as creating groundbreaking and creative products. 2015 witnessed a radical restructuring of the Financial Market Division, with several newly-formed segments in the domestic financial market, especially the capital market, and an expansion of customer scope to non-banking financial institutions. Given its deep understanding of the market, VPBank has been providing customers with precise analysis and predictions to help them devise appropriate risk prevention strategies and maximize profit. Thus VPBank has continued to gain customers' trust and engagement in 2015, contributing to the Bank's outstanding business performance.

Building on its achievements in 2015, VPBank aims to meet the increasingly demanding and diversified expectations of customers, fully comply with international and professional standards regarding risk management in line with the Basel II Accord, and develop appropriate derivatives products. To these ends, VPBank will invest in end-to-end IT infrastructure to be deployed for all financial market segments, and complete risk management standards and limits to continually enhance the Bank's efficiency, security, and sustainable development in 2016.

DIGITAL BANKING SERVICES

Digital technology and online channels have been becoming increasingly important and inevitable for customers in banking transactions. VPBank is a pioneer among Vietnam's banks in considering digital banking services to be a focal point of the Bank's development strategy, via three approaches:

- Continuous and deep digitization in every traditional banking transactions and services.
- Strengthening partnerships with financial technology companies with a view to rapidly implementing disruptive, innovative ideas in banking services.
- Establishing a standalone digital bank to meet the requirements of early-adopters.

At the start of 2013, the Bank's digital banking strategy was officially executed by the creation of a project team dedicated to digitizing products and processes, monitoring and improving service capability and quality of banking channels, and promoting financial transactions via the internet and mobile devices, thereby paving the way for a diverse digital ecosystem.

Through the end of 2015, thanks to a whole-hearted focus and radical management, the number of customers using

VPBank's internet banking and mobile banking services soared by 90% and 220% respectively from 2014. The volume and value of transactions saw an increase of 300%, accounting for roughly 21% of total bank-wide transactions. In 2015 alone, VPBank witnessed a breakthrough in providing new products via the internet and smartphones, as the online term deposits balance rose sixfold and other online lending products were widely introduced to customers.

300% 

GROWTH IN THE VOLUME AND VALUE
OF ONLINE TRANSACTIONS

Fostering partnerships with other FinTech companies is VPBank's new strategy for the digitization of banking services and the generation of new opportunities to approach new customers. In 2015, VPBank worked with a host of FinTech companies in cashless payment, social media, and digital marketing to access technophiles who have not yet used banking services, and create a borderless inter-ecosystem among users, banks, and service providers.

The official establishment of the Digital Banking Services Division in January 2016 reinforced VPBank's innovating, digital-oriented strategy. This resulted from a successful strategy and roadmap to provide optimal and convenient digital banking products and services to customers, positioning VPBank at the forefront of the disruptive digital waves.

600% 

GROWTH IN ONLINE TERM DEPOSITS BALANCE

The '2015 Best Internet Bank in Vietnam' award was granted by Global Banking and Finance Review Magazine to recognize VPBank's efforts and successes in 2015. The Bank will continue its strong performance in 2016 to expand its capability and position in this challenging but fruitful field.

ACHIEVEMENTS IN FOUNDATION-BUILDING

2015 BEST PRACTICES AWARD

VPBank was recognized by US-based TDWI in July 2015

An international standard Data Governance system helps VPBank to analyze and measure corporate business performance, from which VPBank can provide appropriate products and financial expertise for customers' operations.



GROUND BREAKING



RISK MANAGEMENT

In 2015, VPBank experienced pivotal transformations by taking risk management to new levels with a vast array of changes and improvements in both quantity and quality, including the organizational structure of the Risk Management Division, its functionalities, and actual performance.

Basel II is one of the key projects being implemented by the Risk Management Division with a view to create holistic changes throughout the risk management system in order to conform to international standards and best practices, and the State Bank of Vietnam's compliance regulations, as well as to provide effective support for business development. The project successfully met its targeted progress, and has enabled VPBank's risk management system to adopt the Basel II standard approach in early 2016, and the advanced approach in 2018.

Organization structure and human resources

The Risk Management Division established five new departments in 2015, and upgraded two departments into Centers by combining them with similarly functional departments. In particular, the new Modeling and Capital Management Department was combined with the Risk Analysis Department to form the Risk Monitoring Center. Three specialized operational risk departments were also newly established, including Fraud Investigation & Prevention, Information Risk, and Business Continuity Management, which were incorporated with the Operational Risk Department to form the Operational Risk Center. Additionally, with a view to improve credit risk management quality and coordination, VPBank also founded the Credit Risk Sub-committee in 2015, along with the existing Risk Management and Operational Risk Committees.

Risk management headcounts were enhanced in critical areas, with staff working in collections and credit review nearly doubled and 50 new staff added for Basel II project; expatriate experts were also recruited for credit risk, management modeling, operational risk, market risk management and collections, in order to develop depth of expertise and embrace international models.

Credit risk

Amid robust business growth in 2015, VPBank's credit quality remained under strict control with the non-performing loan (NPL) ratio staying within prudent limits thanks to the adoption of various advanced credit control measures:

- Continued implementation and development of a centralized, bank-wide credit approval and underwriting system;
- Application of scorecards for each customer segment and product;
- Radical implementation of a more comprehensive Early Warning System (EWS) for different customer segments in 2016 (with separate EWS systems for SME and Retail Banking segments) to attain higher accuracy;
- Enhancement of restructuring and collection systems

- Development of dedicated risk management units in charge of each customer segment and product.

Market risk

By recruiting experienced market risk experts, VPBank laid the foundation for market risk management that conforms to international models, such as the adoption of an EWS system for financial institution customers, development of policy principles for the Financial Market Division, and granular analysis of open FX positions.

Operational risk

By the formation of Operational Risk Center with four functional departments, VPBank has made encouraging progress in operational risk management:

- The Information Risk Department is responsible for strict control over cyber security, email regulations, and internet access. Some pivotal policies on information security have been adopted (e.g information risk policy and regulations on using email, internet, and USB). Most requirements under these policies have been implemented, such as preventing Internet usage for non-business purposes, and controlling USB connections with the Bank's computers to mitigate information leakage and computer virus infection.
- The Business Continuity Management Department is responsible for developing policies and processes regarding the implementation of business continuity plans (BCP) to prepare for possible incidents and disasters. BCPs have been developed for over 50% of Head Office units, and a bank-wide BCP pilot plan has been developed for implementation in 2016.
- The Fraud Investigation and Prevention Department has started to investigate customers with fraud signals, as well as VPBank staff. Billions of VND have been collected for the Bank, and a fraud prevention culture has been cultivated and promoted within business units.
- Operational Risk Department: 100% of VPBank's documents and processes are reviewed from an operational risk perspective, and an operational data warehouse has been gradually developed. A number of training and communication sessions were conducted in 2015 to enhance staff awareness of operational risk. A vast array of documents and processes on operational risk prevention has been created and circulated with the aim of providing specific guidelines for staff in their professional operations, and mitigating operational risk damages to the bank.

Collections

2015 is considered a pivotal year for the Collection Center and Asset Management Company (AMC), with significant changes and milestones such as:

- Finalization of the Center's operational structure,
- More effective collections strategies based on customer and product risk analysis,
- Investment in collections technologies such as auto-

dialers, establishment of a telephone collections center in the North, and collection via VNPOST and Citibank.

OPERATIONS ACTIVITIES

2015 was a very important year for the Operations Division, as part of the 2012-2017 transformation roadmap. Customer service, efficiency, and control were the three major themes driving the Division's achievements and improvements.

Customer Services

A critical milestone for Operations was the start of the centralization of management of branch customer services, which began in April. The objective of this initiative was twofold: to establish a standardized and consistent first-class customer service experience across our branch network; and to remove all operational and administrative activities from the frontline, so our sales staffs can focus on growing the business. By the end of 2015, over 60% of branch customer services had been centralized, with over 900 staff, making Operations the second largest division in the Bank. In parallel with bringing all branch customer service staff under one roof, the Operations Division has also provided them with the tools and support needed to raise the standard of service in our branches – transparent performance measurement metrics were established to set standard goals for every service staff member, a clear road map with a promising career path was designed, and various training and coaching programmes were provided to boost confidence and capability. The centralization journey will extend into 2016, as Operations rolls out its plan for continuous improvement in service quality.

As one of the first steps in enhancing service quality, Operations focused on strengthening its Contact Centre. The Bank has focused its efforts on resolving customer complaints made via the call centre, reducing the number of abandoned calls, and enhancing the speed of call pick-up. Operations has also set up a dedicated customer complaint handling unit – becoming the first local bank to have a centralized complaint-handling team with the aim of solving all customer complaints in a timely and supportive manner. This unit will gather all complaints and follow up closely to ensure that customers receive fast and satisfactory responses.

Since 2015, VPBank has successfully accepted VISA, Mastercard, and many other types of cards in its ATM network, giving more card options to customers, while offering the convenience of using VPBank's services.

VPBank is now also able to provide cash pick-up services for corporate customers who need safe and secured cash transfer between locations, but do not have the resources to establish their own transporting team.

Efficiency

2015 has been a very successful year in terms of productivity improvement and efficiency enhancement in the Operations Division. In the credit processing area, numerous initiatives – including process re-engineering, staff capability improvement, and document simplification – were undertaken to reduce the time required to approve and disburse loans and other forms of credit.

Automation in the payment area has allowed VPBank to improve its straight-through processing rate, ensuring that a higher percentage of transactions are processed without manual intervention, especially for domestic payment transactions. The straight-through processing rate for retail banking inward domestic payments reached 98% in 2015.

To support the Bank's trade finance customers, a trade desk support team was set up to provide transparent information and relevant advice to customers whenever required. Simultaneously, the Bank ran a trade improvement project with initiatives to help automate manual functions and upgrade our trade system, which has allowed more productive operations and cost savings.

One of the areas that VPBank focused on in 2015, to achieve its objective of becoming one of the top three retail joint stock banks by 2017, was strengthening its card services. The Operations Division successfully upgraded the Card Management System, thus achieving greater accuracy and efficiency.

VPBank's Operations Division has also introduced and begun to use a number of performance metrics and tools to improve efficiency in the back offices. These include the measurement of average processing time (APT), service turn-around time (TAT), employee productivity & capacity planning models, service-level agreements (SLA), and internal satisfaction surveys.

A new document storage system that went live in mid-2015 has created a more convenient search engine with easier access to VPBank's library of policies, regulations, and supporting papers. All staff can now find needed information quicker, allowing them to improve processing time and productivity.

A natural corollary to these productivity and efficiency initiatives was the optimisation of our costs and resources. The Division has been able to process greater business volumes with a lower unit cost.

Control

In 2015, the Operations Division's risk control units optimised their function by adopting a more risk-based approach to their activities. A post-disbursement monitoring department was established to help business units track and control post-disbursement behavior of loan customers, and alert to any condition-violating cases, thus strengthening the Bank's risk management capability and giving it another competitive edge. A number of control initiatives have also been implemented to help the Bank minimize operational errors and create a low-risk working environment.

2016 is expected to be another significant year for the Operations Division. The primary focus will be on enhancing service standards across all channels and customer touch points. Further improvement will be generated in productivity and resource efficiency, with the aim of driving down product and service costs. These goals will be achieved through more automation and digitization of processes, and by creating service orientation for all personnel involved in the service chain.

HUMAN RESOURCES MANAGEMENT

Human resources (HR) remains one of the key drivers of VPBank's success in recent years. In 2015, VPBank has continued to improve its policies, deploy strategic projects for improving HR systems and processes, and conduct various talent attraction and retention programs.

Amid an increasingly competitive labor market, credit institutions must differentiate themselves and continuously innovate in order to strengthen their competitiveness. Common hurdles that domestic credit institutions often face include complicated organizational structures with multiple layers which hinder creativity, adaptation, and flexibility; and conventional corporate cultures that hinder innovation. Being fully aware of these obstacles, in 2015 VPBank underwent a radical transformation toward developing a lean organizational structure in line with international standards and best practices, with the aim of optimizing the HR structure to a number of layers which is suitable for both internal and external requirements. In parallel with simplifying the organizational structure, VPBank implemented a Corporate Culture Project to create a professional and engaging working environment and an active learning culture, in order to enhance staff motivation and talent retention. In particular, the mentoring program under the Corporate Culture Project has formed a foundation for VPBank to build up robust successive leadership. A corporate culture associated with an advanced organizational structure will help the Bank progressively overcome obstacles, foster innovation, and gain competitive advantages in the marketplace.

2015 also marks the successful development of job family, and a core competency framework associated with job family and each unit's functions. The successful development of job family, in line with advanced market standards, was considered a pivotal system for HR management, especially in VPBank's talent retention and succession planning programs. Additionally, automation of HR management processes has been steadily executed and improved with a view to strengthen HR's foundations and reinforce HR management effectiveness. Various functions of the HR management system (e.g. SAP HCM) were successfully launched in 2015, providing VPBank staff with crucial applications for recruitment and on-boarding, personal profile and time management. Other fundamental functions will be implemented in 2016. 2015 also saw successful updates of policies, documents, and regulations related to Cooperative Labor Agreements, Labor Regulations, and Violation Handling in compliance with new amendments to the Labor Law and other regulations, those updates will be issued in the coming year.

Against the backdrop of accelerating turnover in the banking industry in 2015, VPBank has sharpened its focus on internal capacity building and internal recruitment with professional, transparent and consistent processes. Policies on responsibility and secondment allowances encouraged internal staff rotation, enable experienced and competent employees to challenge themselves in higher positions or in new professional environments. Career paths for key sales positions of the core business divisions have been developed and updated. This strategy helps VPBank improve the diversity of human resources, culture, and working styles

by creating unique business advantages, supporting talent pool programs, and building a working environment in which employees can pursue their careers.

VPBank has also sharpened its focus on enhancing human resource quality through a bank-wide competency framework, and by training on sales management, cross-selling skills, and leadership in 2015. The Training Center was transformed into VPBank Academy to support such core divisions as Retail Banking and SME, enabling the Bank to adopt new approaches in training and human resource development, and helping to stimulate staff members' self-starting spirit to take ownership of their work and career personal development plan. At the same time, VPBank managed to develop a sustainable training approach for the branch network. With the clear goal of developing and enhancing leadership, VPBank Academy has implemented various initiatives and action plans to reinforce the management skills of sales development managers.

To enhance its competitiveness in offering a reward mechanism driven by high performance, VPBank has refined its incentive mechanisms based on employee competency, professional qualification and contribution to the Bank's performance. Top jobs and core contributors have been identified, categorized and provided with competitive reward policy. Leave policy has also been upgraded with more benefits for all staff.

These initiatives and transformation programs have enabled VPBank to grow its human resources in terms of both quality and quantity in 2015, to lay a firm foundation for robust growth. In 2016, VPBank will continue to conduct progressive human resource projects and actions through which it can retain and develop quality human resource, establish an effective human resource management system, and offer a highly attractive brand in the human resource market.

INFORMATION TECHNOLOGY

Information Technology (IT) is a crucial foundation for realizing VPBank's vision of becoming a top-five joint stock commercial bank in 2017.

In 2015, VPBank continued its comprehensive IT roadmap, in which IT operations have contributed enormously to the Bank's success by developing technological infrastructure and improving of system stabilization. Throughout all IT projects and actions, two mantras are always applied to ensure the sustainable development of bank-wide activities:

- Focus on maintaining the existing systems to ensure stable, safe, consistent and efficient operation of the system, supporting the aggressive growth pace of business activities.
- Prepare for the Bank's future business development and adapt to IT development trends in general and IT for the banking industry in particular by establishing and developing systems tailored to the business model and operations of VPBank.

In 2015, in addition to focusing on effectiveness and quality, and enhancing cooperation, safety and stability, VPBank's

IT systems have taken remarkable strides and made a considerable contribution to the dramatic growth of business transaction volume and the successful implementation of VPBank's key projects, specifically:

- Generating momentum and speeding up the performance of projects supporting key business initiatives, especially the completion of the first phase of the DWH/BI project – one of the most important IT projects that help VPBank rise to a new height in the usage of data and intelligence bank-wide for a more profound and robust transformation. Other strategic IT projects have been continually improved and expanded, including ESB/eBanking, ERP, preparatory activities for Digital Banking projects and the establishment and consolidation of technological foundations.
- Building a structure to support the effective implementation of the Bank's projects, thereby making the allocation and utilization of resources more efficient when business divisions need to access to dedicated IT resources.
- Further enhancing the ability to fulfill business requirements through software development and operations and preparing to support ever-increasing transactions by new business function development, centralized servers and core network upgrade.
- Significantly improving Service Level Agreements (SLA) and Key Risks Indicators (KRI) for self-control activities, improving on the efficiency of outsourcing activities by expanding outsourcing to development and testing, instead of focusing only on business operations as in previous years.

Thanks to its achievements in 2015, VPBank's IT Division will continue its transformation and innovation in 2016 to establish a solid IT foundation, paving the way for more interoperability and the restructuring of the organization toward greater flexibility, with operating models focusing on efficiency and customer-centric service quality.

BUSINESS INTELLIGENCE COMPETENCY

The ability of effective management of the vast and disparate information of corporate, customer and other business is a critical objective of today's largest financial institutions and VPBank is no exception. Since 2014, the Bank has embarked, under an enterprise-level program, on a path to elevate its disparate data to the deserved status of strategic asset, and reshape VPBank into a truly information-centric enterprise where both data quality and consumption are aggressively and consistently managed by the leadership team.

In order to manage the Bank's overall data strategy, VPBank established the Data Committee in late 2013, and to execute the strategy the Business Intelligence Competency Center (BICC) has been operated under the direct supervision of the CEO since early 2014.

In 2015, BICC has been built up into five departments with 50 people, and has developed strong capabilities in:

- End-to-end loan application funnel

- Pre-sales and sales productivity
- Operational productivity
- Loan and credit card application turn-around time
- Loan attrition
- Customer analytics and campaign management
- Portfolio quality (including risk and collection metrics)
- Customer product holding and cross-sell ratio
- Transactional behavior for all products and services
- Incentive effectiveness
- In-depth customer, product, and channel analyses
- Data quality management

Supported by these capabilities, and driven by a diligent working mindset, BICC has provided important information and analytics products to VPBank's units in 2015. Its services have enabled VPBank's divisions to make timely and informed decisions, and it has become highly regarded by other divisions. In 2015, the Center was voted the best unit in VPBank for excellence in internal customer satisfaction for the second consecutive year. Not only appreciated internally, VPBank's transformation in data and business intelligence has been recognized by international specialists. VPBank's Data Governance program received a "2015 Best Practices Award" from The Data Warehousing Institute (TDWI) in 2015.

Such recognition shows that VPBank is effectively progressing along its roadmap, which sets out the next step in 2016 of utilizing the data warehouse and business intelligence infrastructure set up in 2015 to automate all regular reports, and provide incisive and actionable insights and recommendations to bring tangible value to the business, and support it in becoming one of Vietnam's top joint stock commercial banks.

COMMUNICATION ACTIVITIES

In 2015, VPBank strongly affirmed its position as an organization striving to bring a life prosperous in both finance and spirit to its employees, customers, and the community at large.

Internal communications

VPBank continues to make the most of its internal communication channels to communicate promptly and effectively to all of its employees and units. These channels include regular news-letters ('Prosperity Magazine', e-newsletter 'VPBank Today' distributed to all staff and other units' e-newsletters), internal poster system, employees' personal computer desktop backgrounds and Yammer – a corporate social network platform.

In 2015, besides the increasingly popular periodic bank-wide activities such as the 'VPBank's Trang Nguyen'

professional contest or the series of high-energy events to mark the Bank's birthday; several new events were also launched to develop employees' creativity and talent, such as the swimming and water performance contest named 'Bikini Sports' and a talent contest for employees' children – 'VPBank's Got Talent Kids'.

VPBank's internal communication activities reached new heights in 2015, generating enthusiasm throughout the Bank for programs and events of ever-increasing ambition.

External communications

In 2015, VPBank continued to develop its connection to the community by organizing events for customers, partners and the public – especially a series of large-scale, high-art musical events – confirming the Bank's leading role in brand positioning via music.

The VPBank Concert series was widely recognized by the media and public for its scale, artistic quality and unique ideas.

Following 'Richard Clayderman in Concert by VPBank' in 2014, 'Kenny G live in Concert by VPBank', featuring the legendary American saxophonist, became a beacon in the panoramic picture of music and arts in Vietnam in 2015. The concert once again presented VPBank as a symbol of the Vietnamese business community encouragement of the appreciation and enjoyment of art.

Aiming to honor the press, music shows featuring top-class artists such as Tran Thu Ha, Uyen Linh, and Duong

Tran Nghia with Tran Tien's compositions, were held in June. Two other private concerts were held in January to thank customers – in Hanoi a performance by four divas, and in HCMC a performance by Le Quyen and Tuan Hung – exceeded the normal expectations of thank-you events to become genuine art shows.

The 'Divas' Night' brought together for the first time four Vietnamese 'golden vocalists' – Thanh Lam, Hong Nhung, My Linh and Tran Thu Ha – and drew the attention of newspapers and won the hearts of music lovers across the country in early 2016.

VPBank once again proved its brand to be on a par with international peers with the VPBank Countdown held in the center of Ho Chi Minh City on New Year's Eve 2015, with the participation of half a million people. The event stood out with its idea of combining traditional and electronic dance music, bringing traditional music closer to the younger generation.

As a retail bank, VPBank is targeting younger customers through many exciting activities on the internet and social networks. VPBank's Facebook page experienced a rapid growth in interactions in the past year, retaining its leading position among Vietnam's banks in 2015. VPBank is a joint stock commercial bank which devotes considerable investment and attention to online communication channels, and closely follows current customer behavioral trends, thus laying the foundation for effective access to these potential customers.



A person in a white jumpsuit is rappelling down a thin white rope. The background is a dark green gradient with a large, light green silhouette of a tree on the left side. The word 'AUDACIOUS' is written vertically in large, white, sans-serif capital letters to the left of the person.

AUDACIOUS

CORPORATE
GOVERNANCE

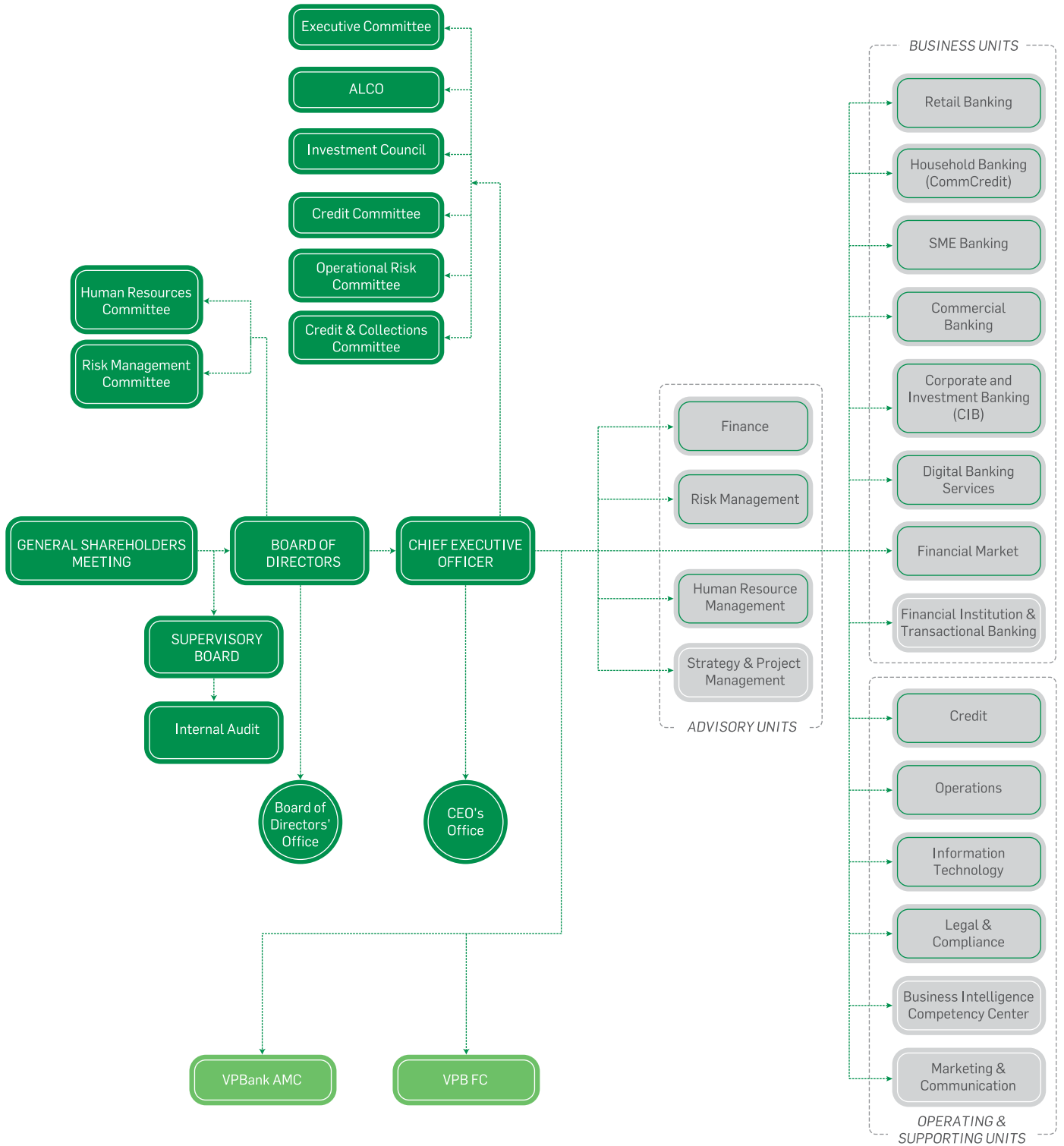
INTERNATIONAL
Banker
BANKING AWARDS 2015

BEST COMMERCIAL BANK OF THE YEAR - VIETNAM

This accolade was awarded by UK-based International Banker magazine in August 2015

This is recognition of VPBank as an international organization on a par with its global peers in operational quality, sustainable growth pace, prestige, and social responsibility.

VPBANK ORGANIZATION CHART



MEMBERS OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD



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

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



2. MR. BUI HAI QUAN
Vice Chairman
of the Board of Directors

After graduating in Economics from Kiev National Economics University, Mr. Quan became an intern and researcher at the university from 1991 to 1993. He is currently General Director of Viet Hai Trading and Technical Service Co., Ltd., a member of the Board of Directors of Long Viet MDF Wooden Technology Joint Stock Company, and Chairman of the Board of Directors of Viet Hai Investment Joint Stock Company. He joined the Board of Directors of VPBank in April 2006 and was elected Vice Chairman in December 2008. He is also the Chairman of the Risk Management Committee, a member of the Human Resources Committee, Investment Council, ALCO, and the high-level Credit Council of VPBank.



3. MR. LO BANG GIANG
Vice Chairman
of the Board of Directors

Mr. Lo Bang Giang obtained a Master's degree in Economics from Kiev National Aviation University in 2002. He also earned a Bachelor's degree in Finance and Banking from Moscow Economics, Statistics, and Information University (MESI) in 2010. He acted as Head of the Supervisory Board of Delta Bank (Ukraine) and has been a Member of the Board of Directors of Hung Vuong Corporation since 2008. He has been a Vice Chairman of the Board of Directors of VPBank since March 2010, and was appointed Chairman of the Members Council of VPBank Finance Company Limited (VPB FC) in August 2014. He has also been a member of the Human Resources Committee and Risk Management Committee, and has been participating in the Investment Council, ALCO, and Credit Council of VPBank.



4. MR. NGUYEN VAN HAO
Independent Member
of the Board of Directors

Mr. Nguyen Van Hao obtained a Master's degree in Linguistics from Pyatigorsk State Linguistic University in Russia in 1980 and a Bachelor's in Economics from Foreign Trade University in Vietnam in 1987. Before joining VPBank in April 2015, Mr. Hao had nearly two decades of managerial experience as Head of Operations for Japan Airlines in Vietnam from September 1994 to August 2005, Deputy CEO of Prudential Vietnam Assurance Private Ltd. from September 2005 to August 2008, Deputy CEO of Prudential Group Vietnam from October 2008 to August 2010, and Consumer finance advisor for Prudential Group UK from October 2010 to August 2013. Mr. Hao was elected as an independent member of VPBank's Board of Directors in April 2015 and is a member of the Risk Management Committee.



5. MR. LUONG PHAN SON
Member of the Board of Directors

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



6. MR. NGUYEN DUC VINH
Member of the Board of Directors,
Chief Executive Officer (CEO)

Mr. Nguyen Duc Vinh has earned two MBAs from universities in France and the United States. He worked as Deputy General Director for Vietnam Airlines Corporation (Vietnam Airlines) before assuming a position on the Board of Directors and the Board of Management of Vietnam Technological and Commercial Joint Stock Bank (Techcombank), during which time he held the offices of CEO and Vice Chair of the Board of Directors. Since July 2012 Mr. Nguyen Duc Vinh has been the CEO of VPBank, and was elected a member of the Board of Directors in April 2013. He is also the Chair or a member of several Committees and Councils, including the Risk Management Committee, Human Resources Committee, Investment Council, ALCO, and Credit Council.

MEMBERS OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD



7. MS. NGUYEN QUYNH ANH
Head of Supervisory Board

Ms. Nguyen Quynh Anh graduated from Lenin Pedagogical University in Moscow in 1994 with a Bachelor's degree in Russian Linguistics and Literature. She also obtained Master's degrees in Educational Sciences and Business Administration from the State University of Management in Russia. She was Deputy Editor-in-Chief of the 'Nhan Hoa' Newspaper under the Russian Press Committee from 1995 to 2003, and held the positions of Accountant, Material Supplies Manager, and Financial Director of the BeePack Group in Russia from 2003 to 2008. From 2009 to February 2010 she was General Director of Lien Minh Investment Joint Stock Company, and was a member of the Supervisory Board of Vietnam Technological and Commercial Joint Stock Bank (Techcombank) from 2008 to March 2010, and of Euro Capital Securities Company from 2009 to June 2010. She was elected a full-time member and Head of the Supervisory Board of VPBank in March 2010, and appointed as Chief Supervisor of VPBank Securities Company in September 2011.



8. MS. NGUYEN THI BICH THUY
**Full-Time Member
of the Supervisory Board**

After graduating from the National Economics University in Vietnam with a Bachelor's degree in Accounting in 1994, Ms. Nguyen Thi Bich Thuy completed a Master's in Finance and Banking at Paris Dauphin & ESCP University. She held the posts of Deputy Manager of the General Treasury Department of Asia Pacific Bank and Deputy CEO of Habubank, and from June 2010 to December 2013 was the Deputy CEO of VPBank and Head of the Treasury and Investment Division. In April 2014, she was elected a full-time member of the Supervisory Board.



9. MS. NGUYEN THI MAI TRINH
Member of the Supervisory Board

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

MEMBERS OF THE BOARD OF MANAGEMENT



1. MR. NGUYEN DUC VINH CEO

Mr. Nguyen Duc Vinh has earned two MBAs from universities in France and the United States. He worked as Deputy General Director for Vietnam Airlines Corporation (Vietnam Airlines) before assuming a position on the Board of Directors and the Board of Management of Vietnam Technological and Commercial Joint Stock Bank (Techcombank), during which time he held the offices of CEO and Vice Chairman of the Board of Directors. Since July 2012 Mr. Nguyen Duc Vinh has been the CEO of VPBank and in April 2013 was elected a member of the Board of Directors.

3. MR. RAJEEV DE ROY Head of Operations Division

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

2. MS. LUU THI THAO Deputy CEO, Head of Finance Division

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

4. MR. DMYTRO KOLECHKO Head of Risk Management Division

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

MEMBERS OF THE BOARD OF MANAGEMENT



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

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

7. MR. FUNG KAI JIN **Deputy CEO,** **Head of SME Banking Division**

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

6. MR. SANDEEP MADHAV DEOBHAKTA **Head of Retail Banking Division**

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

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

With 24 years' experience, Mr. Kiran has held various senior managerial and leadership positions in India, Philippines and Vietnam. Before joining VPBank, Mr. Kiran worked as Vice President and Regional Sales Head of Citibank India – Commercial Banking Group, and a founding member of Fullerton India - Commercial Mass Market Business Group. He has also worked as CEO and Managing Director of CoOptions Corporation Ltd. and Senior VP and Country Manager of Firstsource Solutions Ltd. in Philippines. Mr. Kiran has held the position of Head of the Household Banking Division of VPBank since July 2015.



9. MR. PHAN NGOC HOA
Deputy CEO,
Head of Southern Representative Office and Head of
Commercial Banking Division

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

11. MR. PHAM PHU KHOI
Deputy CEO,
Head of Financial Markets Division

Mr. Pham Phu Khoi obtained an MBA in Finance from the Wharton School of the University of Pennsylvania, and an MA in Economic Aviation from Riga Aviation University in Latvia. He also completed an International Executive course at INSEAD Business School, Fontainebleau, France.

He has held the positions of Director of Northeast Asian Vietnam Airlines, Asian Director of Credit Investment and Trading at Standard Chartered Bank (Singapore), Director of Investment Bank Vietnam at Bank of America Merrill Lynch (Singapore), and CEO and member of the Board of Directors at ACB Securities Co., Ltd., (ACBS). From July 6, 2015, he has worked as Deputy CEO and Head of the Financial Market Division of VPBank.

10. MS. DUONG THI THU THUY
Deputy CEO,
Head of Corporate and Investment Banking Division

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

12. MR. VO TAN LONG
Head of Digital Banking Services Division

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

MEMBERS OF THE BOARD OF MANAGEMENT



13. MS. VO HANG PHUONG
Head of Financial Institutions and Transaction Banking Center

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



14. MR. NGUYEN THANH BINH
**Deputy CEO,
Head of Credit Division**

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



15. MR. NGUYEN THANH LONG
**Deputy CEO,
Head of Legal and Compliance Division**

Holding a Master's degree in Law, Mr. Nguyen Thanh Long has 17 years of working experience in banking law and formerly worked for the State Bank of Vietnam, with seven years as the Deputy Head of the Department of Legal Affairs. In 2007, Mr. Nguyen Thanh Long moved into the legal and compliance field, holding the position of Deputy CEO at a leading commercial joint stock bank in Vietnam, before becoming VPBank's Deputy CEO and Head of the Legal and Compliance Division.



16. MS. HUYNH THI NGOC TRUC
Head of Human Resources Management Division

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



17. MR. LE HOANG LAN
Head of Strategy and Project Management Center

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



18. MR. TRAN TUAN VIET
Director of Marketing and Communications Center

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



19. MR. VIVEK BHANOT
Head of Business Intelligence Competency Center

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

CORPORATE GOVERNANCE REPORT

I. INFORMATION REGARDING SHAREHOLDERS AND GENERAL SHAREHOLDERS' MEETING

1. ORGANIZATIONAL STRUCTURE OF SHAREHOLDERS

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

As of December 31, 2015, the Bank had 3,539 shareholders, 98% of whom are individual shareholders holding a total of 45% of the Bank's shares.

The rights and obligations of shareholders are specified in the Bank's Charter, which has been uploaded to the Bank's website for easy access by shareholders and investors. The Bank also uses its website as a tool for providing official, comprehensive, and up-to-date information about the Bank's business results, as well as ad-hoc information as required by applicable laws and regulations.

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

The agenda and procedures for convening and voting in the General Shareholders' Meeting fully comply with the relevant provisions of the Bank's Charter. At the Annual General Shareholders' Meeting the Bank also presents to shareholders, for endorsement and adoption, regulations for organizing the General Meeting, regulations for voting on the General Meeting's resolutions, and regulations for electing members of the BOD and Supervisory Board (in the case of additional or replacement members). These regulations are included in the meeting materials and published on the Bank's website at least seven days prior to the opening formalities so that all shareholders have adequate time to review and provide feedback.

According to general meeting practices, and applicable laws and regulations regarding the agenda of items to be reported and approved at an Annual General Shareholders' Meeting, the following are all presented to and discussed by the shareholders prior to a vote for their approval: reports on the performance of the BOM; performance of the BOD and the Committees under the BOD; CEO's reports on the Bank's performance; proposals for profits distribution; capital raising plans; and the Bank's annual operations plan.

The Bank uses state-of-the-art information technology to allow shareholders to best supervise the results of delegate eligibility, and the results of voting on issues discussed in the meeting, as well as to reduce the time needed to complete these tasks.

The 2015 Annual General Shareholders' Meeting was conducted on April 20, 2015. The Meeting elected the new BOD and Supervisory Board for a five-year term. At the same time, the Meeting approved the reports of the BOD, Supervisory Board, and CEO; the proposals for profits distribution; the capital raising plan; and other documents within their scope of authority.

In addition to the Annual General Shareholders' Meeting organized on a periodic basis, the Bank may, in compliance with the regulations in VPBank's Charter, hold extraordinary General Shareholders' Meetings or conduct written voting by shareholders for issues within the General Shareholders' scope of authority that might arise in the course of running the Bank's business. Official documents are published on the Bank's website prior to any extraordinary meeting or written voting.

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

In 2015, along with one annual General Shareholders' Meeting, VPBank held sessions to collect shareholders' written feedback on approval of the capital raising plan, nomination and candidacy for the BOD, and partial disposal of its capital contribution in subsidiaries such as VPBS and VPBFC.

II. BOARD OF DIRECTORS

1. ORGANIZATIONAL STRUCTURE OF THE BOARD OF DIRECTORS

Members of VPBank's Board of Directors are:

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

2015 marked the re-election of the BOD for a new term. The new term of VPBank's BOD is five years, and members can be re-elected an unlimited number of time. The current term of office of VPBank's BOD started in 2015 and will end in 2020, with five of the six previous members re-elected for the new term.

The organizational structure of VPBank's BOD in its new term is unchanged, with six members comprising the Chair, two Vice-Chairs, an Independent Member, an Executive Member, and a Normal Member.

The current scale and structure of VPBank's BOD fully satisfies the requirements of applicable laws and the Bank's current scale. The members of VPBank's BOD meet criteria and conditions on competency and experience as prescribed by the State Bank of Vietnam and VPBank, having strengths and experience in business management and banking, and in-depth knowledge and understanding of their functions, missions, rights, and obligations.

2. ACTIVITIES OF THE BOARD OF DIRECTORS IN 2015

In 2015, the BOD held four periodic meetings in each of the four quarters. The BOD also provided written comments and directions to timely meet the Bank's requirements for operations and development. Consequently, the following resolutions were discussed and approved by the BOD:

- Approved the business plan and budget for 2015;
- Passed resolutions on the appointment and re-arrangement of members of Councils and Committees under the BOD;
- Approved the agenda presented to the Annual General Shareholders' Meeting in April 2015;
- Approved the 2014 Annual Report;
- Established the direction for the quarterly business plans; reviewed and adjusted the functional strategy for business and operations; reviewed and adjusted the annual plan after six months of implementation;
- Approved network restructuring and expansion plan for 2015;
- Discussed, finalized and communicated the Bank's next five-year strategy to senior managers;
- Approved proposals that were beyond the authorized power of the CEO, Councils and Committees, including the Credit Committee, Executive Committee, Investment Council and others;
- Enacted amending regulations and policies on authorization, document processing, credit approval and financial regulations of the Bank;
- Enacted adjustments to the organizational and operating regulations of divisions including Operations, CIB and Investment, Digital Banking Services and Human Resources;
- Discussed and approved the Bank's orientations toward capital growth to meet business requirements, plans for divestment from subsidiaries and the sale and selection plan for foreign strategic investors;
- Approved the capital-raising plan for FE Credit – VPBank Finance Company Limited;
- Discussed and approved the credit growth plan to meet business conditions and strategic directions, including submitting specific growth rates for each period to the State Bank of Vietnam for endorsement;
- Discussed and approved the strategy and implementation for selling the Bank's non-performing loans (NPLs) to the Vietnam Asset Management Company (VAMC) and the strategy for NPL recovery;
- Finalized the proposal for purchasing and disposing of the Bank's assets to meet the requirements for use of assets and debt settlement.

III. ACTIVITIES OF COUNCILS AND COMMITTEES UNDER THE BOARD OF DIRECTORS

1. HUMAN RESOURCES COMMITTEE

The Human Resources Committee is tasked with:

- Advising the BOD on the scope and structure of VPBank's BOD and Supervisory Board, as well as counselling the BOD in tackling personnel issues arising in the course of voting, appointment, dismissal, and removal of members of the BOD, Supervisory Board, and executive managers of VPBank;
- Advising and proposing remuneration, bonuses, and other benefits for members of the BOD, Supervisory Board, and CEO;
- Reviewing and submitting the annual budget for employees to the BOD for approval;
- Advising the BOD, and making decisions within its authority, regarding senior executives of the Bank;
- Making decisions on policies, compensation, and benefits for employees; training projects and human resources strategies; regulations on personnel recruitment and assessment; and making decisions on issues related to the stock distribution plan for the Bank's employees.

The Human Resources Committee meets on a monthly basis.

Members of VPBank's Human Resources Committee are:

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

The Human Resources Committee held 12 meetings in 2015 and approved the following resolutions:

- ✓ Consultation with the BOD on promulgation and amendment of organizing and operating regulations of some divisions of VPBank, including Human Resources, Commercial Banking and Operations;
- ✓ Investment in technical tools for the Human Resources Division to maximize the effectiveness of personnel management, meeting the Bank's growth needs;
- ✓ Program for improving employees' benefit packages, including an increase in the number of day allowed for annual leave and providing housing to certain positions;
- ✓ Review and approval of incentive programs for sales personnel in business divisions;
- ✓ Recruitment, assignment, transfer and review of salary range for over 1,500 managers at the Bank and its subsidiaries;
- ✓ Proposal for bank-wide salary review to maintain the Bank's attractiveness and competitiveness in the labour market, and other solutions to attract talent;
- ✓ Corporate Culture project for 2015 with a focus on direct reporters to Heads of Division and Heads of Centre accountable to the CEO;
- ✓ Launch and approval of head-hunting programs for talent and filling core vacancies in divisions; determination of the Bank's key personnel and relevant incentives;
- ✓ Principles of the Bank's project for succession planning and talent development;
- ✓ Review and direction of a project for optimization of the operating model and organizational structure;
- ✓ Tracking the progress of the Human Resources Division's incentives project, which was deployed in 2015 and will be continued in 2016;
- ✓ Review of strategies and approval of the direction of VPBank's Learning Academy;
- ✓ Plan for collaborator recruitment and management, and policies for this segment;
- ✓ Staff cost analysis for 2015, considering productivity indicators, historical and market salary ranges and details of staff costs in core divisions in order to provide insight on actual personnel costs to evaluate personnel effectiveness
- ✓ Personnel budget for 2016;
- ✓ Analysis and monthly direction of personnel and operating variables of the Human Resources Division and the Bank's subsidiaries;
- ✓ Evaluation of bank-wide performance in the first half and the whole year 2015.

2. RISK MANAGEMENT COMMITTEE

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

Members of VPBank's Risk Management Committee are:

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

During the year, the Committee held five meetings and approved the following significant resolutions:

- Adjusted the credit limit for each industry in accordance with the current market and the Bank's risk appetite and assigned limit management and control tasks to relevant units;
- Amended the product approval process for some core products of the Retail Banking and SME Divisions to ensure the effectiveness of risk assessment for each product line;
- Approved the Risk Management Division's proposal for the Bank's provisioning estimate;
- Approved the guidelines for prevailing and incurred debt collection (by classifying overdue loans and assigning contact points to communicate with relevant units for debt collection and settlement);
- Approved the adjustment of organizational structure, headcount and operational budget of the Debt Collection Centre, Corporate Risk Management Department, Credit Monitoring Department, Operational Risks Department and Fraud Investigation & Prevention Department within the Risk Management Division, consistent with relevant functions and operating scope presenting the proposal to the Personnel Committee and the BOD for approval;
- Approved a strategy to apply the risk management framework, operating model and personnel allocation within the operational risks units;
- Approved strategies for implementation of the end-to-end processes for fraud prevention and the creation of an 'uncompromising' culture for addressing fraud;
- Established a Scoring Committee as a sub-unit of the Risk Management Committee, with a BOD Vice-Chair as the head of the sub-committee, CEO and Head of the Risk Management Division as members, to be responsible for reviewing and approving issues regarding each product line's scorecard;
- Reviewed and evaluated product risks, and reported to Councils or relevant Committees on the vulnerability of lending products;
- Reviewed the proposals of the Risk Management Division and specialized units regarding new risk provisioning calculations conforming to international standards, prior to presenting proposals to the BOD for approval of the implementation methods and roadmap.

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

1. CREDIT COUNCIL

The Council rates and approves credit applications or credit limits which exceed the decision-making power of the Credit Committees in each branch; considers restructuring loans as proposed by functional departments; considers the exemption of fees and interest rates related to credit in accordance with VPBank's regulations on fee and interest rate exemptions; recommends to the BOD adjustment of credit policies in accordance with prevailing conditions; and handles tasks relating

to credit activities of the Bank. Credit Councils at all levels of VPBank have increased the frequency of their meetings and established daily meetings to promptly settle credit approval under their respective authorities. The Credit Council is constituted from among BOD members, CEO, Head of the Credit Division, Head of the Risk Management Division, and other high-level Bank credit approvers.

In 2015, the Council held approximately 100 meetings; reviewed 1,146 applications; discussed and approved 1,000 resolutions for credit application approval; and revised credit-granting conditions for loans of more than VND50 billion and loans with conditions that were exceptional to VPBank's regulations, and which were considered to pose higher risks to the Bank.

2. INVESTMENT COUNCIL

The Investment Council reviews and approves investment projects of VPBank and its subsidiaries whose value exceeds the approval limits of CEO, the Member Councils of the subsidiaries, or other limits specified in the Bank's Financial Regulations. The Council also makes decisions on business limits with regards to credit institutions, and on proposals for investment in promissory notes, bonds and other valuable papers. The Council meets on a quarterly basis and evaluates the Bank's proposals by obtaining written opinions.

In 2015, the Council approved nearly 100 decisions, including proposals regarding to financial investments (including plans for trading government bonds, corporate bonds, promissory notes and financial transaction limits with financial institutions) and proposals for projects with budgets exceeding the approval authority of the Bank's senior management as delegated by CEO (including office rental & purchase projects, acquisition of new systems for loan generation, investment in IT hardware, backup and disaster recovery for core IT systems, investment in card management systems, eBanking, and enterprise service bus).

3. ASSETS/LIABILITIES MANAGEMENT COUNCIL (ALCO)

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

In 2015, ALCO held twelve monthly meetings, as well as regular and ad-hoc meetings as needed, to discuss and decide issues regarding balance sheet optimization, efficiency, and prudential ratios to conform with the Bank's development strategies, local and international macro-economic factors, and VPBank's current context (e.g., capital balance and capital usage):

- Analysed the profitability and risk of assets by division, product line, and customer segment to establish a suitable capital allocation plan in order to optimize the balance sheet and improve the Bank's capital adequacy ratio (CAR);
- Generated a weekly estimate of each division's loan balance growth (by segment, lending purpose, secured status, etc.) to strictly control credit activities, restructure high-risk credit and improve CAR;
- Set priorities for the lending activities of the Bank's core divisions, including Retail Banking and SME, reviewed and selected loans with low risk ratios and high profitability and collected ineffective loans;
- Analysed different scenarios to stress test the CAR, reviewed options to improve these indicators and the subsequent progress of implementation;
- Tracked the Bank's loan-to-deposit ratio (LDR) to ensure capital effectiveness, conducted scenario analysis on the FX market through the end of 2015, and provided detailed proposals with business solutions and other targets for foreign currency status and LDR to determine whether to increase or reduce products related to foreign currency.

4. EXECUTIVE COMMITTEE

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

Members of the Committee consist of the BOD Chair and other BOD members as determined by the BOD Chair; the CEO; members of the BOM; Heads of Divisions; and Directors of Centres under the CEO. The CEO is Chair of the Executive Committee.

In 2015, the Committee held twelve monthly meetings to discuss and decide numerous issues arising during the course of the Bank's operations:

- Evaluated 2015 business results as compared with the projected plan, and discussed achievements and prevailing issues

and challenges;

- Discussed 2016 action plans in accordance with the BOD's vision for the Bank;
- Reached agreement on the business plan for each element of the BOD's vision: to increase the proportion of fee income to total revenue; increase collaboration between business units to accelerate cross-selling and customer service quality; establish review of the lending portfolio, individual loan quality and profitability of business units; control credit growth at each stage; and improve customer service quality by connecting the customer services provided at the counters to the internal services provided at the centralized back office;
- Approved the direction of the Retail Banking and SME Divisions in reviewing and planning the restructure of branches and business centres to emphasize larger cities and potential markets, and to provide sufficient assessment when relocating or closing ineffective small points of sale;
- Instructed the division heads and managers to disseminate to staff the transformation plans to improve morale and awareness, and to advocate for and deploy the Bank's transformation projects related to corporate culture and the business and management models;
- Discussed and decided regulations for project implementation – including cost optimization, new card system, information security, and business maintenance – prior to presentation to the Councils and Committees for approval within their authorities;
- Proposed to the BOD the establishment of a new business division to serve the household segment, following the pilot project in 2015;
- Directed the Risk Management Division to hold a workshop to explain the new Basel Capital Accord and raise relevant units' awareness of the importance of Basel II to the Bank's operations and implementation roadmap;
- Required units to review 2015 action plans and prepare for the upcoming year, finalized the 2016 vision proposed to the BOD for approval, and presented the action plan for 2016.

5. OPERATIONAL RISK COMMITTEE

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

ORC is tasked with reviewing and approving overall operational risk management strategies; the operational risk management framework; policies and regulations related to operational risks; capital strategies for operational risk management; monitoring the implementation and management of operational risks; and submitting regular and ad-hoc reports to the BOD and the Risk Management Committee on issues that might arise.

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

In 2015, the Committee held five meetings, approving issues related to the guidelines on the Bank's operational risk management:

- Monitored, assessed, discussed, and reached consensus on solutions to issues, events and losses related to operational risks;
- Continuously tracked and finalized solutions as and when Internal Auditing detected systematic risks;
- Accelerated fraud investigation and prevention, including the creation of a communication strategy to raise staff awareness of fraud; setting up a hotline to receive claims in order to promptly address fraudulent cases; coordination with relevant parties to generate reporting mechanisms immediately after detecting frauds; and proposing measures, sanctions, and procedures for each case filed with the authorities;
- Established an insurance coordinator in charge of monitoring and claiming compensation from the Bank's insurance contracts;
- Reached agreement on the bank-wide implementation of information security and business continuity projects, and provided bank-wide communication and training courses.

IV. SUPERVISORY BOARD

1. GENERAL INTRODUCTION

In 2015, the Supervisory Board was re-elected at the General Shareholders' Meeting for the same term as the new BOD. Three members of the former Supervisory Board were re-elected to the new term. On behalf of General Shareholders' Meeting, two members (including the Head of the Board) monitor the activities of the BOD, and concurrently play the role of the Audit Committee in accordance with international practices; control the Bank's financial and business activities; check annual financial reports and other financial activities; supervise compliance with applicable laws and internal Bank regulations; and supervise the internal auditing function by directly managing the Bank's Internal Audit Division. VPBank's Supervisory Board is accountable to, and takes responsibility for reporting to, the General Shareholders' Meeting in accordance with applicable laws and regulations. Nevertheless, the Supervisory Board regularly works with the BOD and BOM to exchange views and advice on risks or key findings in the course of its operations.

Members of VPBank's Supervisory Board:

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

2. ACTIVITIES OF VPBANK'S SUPERVISORY BOARD IN 2015

2.1. General activities

- The Board holds quarterly meetings, as well as other meetings to proactively discuss and develop suitable solutions to emerging issues;
- The Board conducts monthly meetings with the Internal Audit Division and BOM to discuss systematic risks detected in monthly auditing sessions, and determine the contact point, solutions, and deadlines for settling claims. The Board and Internal Audit Division coordinate closely with specialized units of the BOM such as Compliance and Operational Risk Management to settle issues and conduct follow-up audits to monitor and prepare reports for monthly meetings;
- Members of the Board fully attended all meetings chaired by the BOD, Risk Management Committee, Assets/Liabilities Management Committee, and the BOM to discuss strategy-oriented information, business plans, and the Bank's financial and credit status, in order to consolidate auditing direction and monitor the Internal Audit Division's operations.

2.2. Internal Audit

Direct auditing plan for units, and actual progress in 2015

According to the auditing plan approved by the Supervisory Board early in 2015, and the adjustment for the second half of the year following the mid-year risk assessment update, the Supervisory Board conducted 54 auditing sessions, exceeding the target of 51 established at the start of the year. The Board focused on thematic topics to provide systematic proposals in line with the Bank's centralized operating model.

Variances between the implementation and plan mainly resulted from risk updates and reassessments, as changes in VPBank's existing models, operations, and audits arose.

The conducted audits covered all major risks of the different segments, specialized processes, and major activities of the Bank. Additionally, in 2015, the Internal Audit Division also conducted periodic audits in compliance with applicable laws, such as those on money laundering and liquidity control.

Key findings of internal audits in 2015

The Bank updated policies and applied the latest auditing techniques in 2015 to develop insights into the comprehensiveness, effectiveness, and efficiency of its internal audit system, along with the consolidation and development of the internal audit mechanism. Internal audit activities also evolved with the developments and changes in the Bank's operating model, applied 'risk-oriented' internal auditing methods, and used resources to audit units, departments, and high-risk procedures. The Internal Audit Division covered all high-risk activities, segments, units, and procedures, detected shortcomings in the system, and provided proposals to mitigate risk, increase growth momentum, and narrow the gaps in the Bank's controlling activities. Furthermore, the Internal Audit Division contributed to prevention and settlement of violations and attempted frauds discovered in the Bank's activities in general, and in the credit segment in particular.

- 54 audits were conducted on the Bank's systems to improve the Bank's control. Along with the system investigation, the Internal Audit Division also detected individual errors in order to mitigate the risks and losses of the Bank;
- Findings of potential areas for improvement within the system, and proposals to upgrade the internal audit system, occurred in the following areas:

- ✓ Product management in different segments;
 - ✓ Loan application allocation, underwriting, and approval;
 - ✓ Collateral management (valuation, data processing, insurance, storage, etc.);
 - ✓ Post-disbursement monitoring;
 - ✓ Activities of sales and alternative channels;
 - ✓ Customer services;
 - ✓ Risk management – including limits, liquidity risk, and market risk;
 - ✓ Outsourcing activities (in term of procedures, operations, and effectiveness);
 - ✓ Reporting and data quality at the Bank;
 - ✓ Human resources management (appraisal, recruitment, personnel acquisition, etc.);
 - ✓ IT systems and project management.
- The Bank reviewed and updated internal audit policies, including dissemination of risk-based internal audit guidelines and issuance of procedures to respond to audit findings by the Internal Audit Division;
 - The Bank completed and implemented two modules of phase II of its internal audit software in January 2016: auditing, and monitoring of recovery. Phase II of the software project is expected to be completed and applied in full by the end of February 2016;
 - Training activities for internal audit staff in 2015 were accelerated, both in form and content. Internal audit staff attended 30 main workshops (including 18 to introduce the guidelines for the Bank and units, 11 for internal training and one hosted by external experts) plus other workshops and forums;
 - Monitoring of the audits findings recovery was accelerated and reach 90% of the expected progress in the supervising period. Specifically, VPBank recovered or corrected 499 errors discovered by audits in 2015;
 - The Division proactively supported external investigations and auditing, reported to the SBV and performed other functions and tasks as required by the Supervisory Board and BOD.

In addition to official reports for the BOD, Supervisory Board, and CEO after each audit, the Internal Audit Division holds monthly meetings with the BOM to discuss existing areas for improvement, and to improve internal control systems, procedures, and regulations in order to mitigate risk and ensure the security of VPBank's development.

V. REMUNERATION FOR THE BOARD OF DIRECTORS, THE SUPERVISORY BOARD AND THE BOARD OF MANAGEMENT

The total remuneration budget for the BOD and the Supervisory Board, as approved by the General Shareholders' Meeting, was equal to 1% of the consolidated profit before tax (this policy has remained unchanged since 2012). Given the business results in 2015, with profit before tax of over VND3,000 billion, the total remuneration budget for the BOD and the Supervisory Board in 2015 was over VND30 billion.

The principle of determining remuneration for members of the BOD and the Supervisory Board has been reviewed, approved, and remains unchanged. On a monthly basis, each member receives a fixed rate of remuneration according to his or her position, as well as task-based remuneration as members of the Councils or Committees under the BOD. In 2015, the BOD agreed to an increase of nearly 20% for fixed remuneration and meeting-based remuneration for BOD members.

In 2015, the total actual remuneration paid to members of the BOD and the Supervisory Board was around VND10.2 billion.

VI. PREVENTION OF CONFLICT OF INTEREST

The disclosure of related interests of members of the BOD, members of the Supervisory Board, members of the BOM (CEO and Deputy CEOs) and the declaration of related persons are made at the beginning of each year, and during the year upon any changes in the disclosed information. The Secretary unit under the BOD's Office gathers information from members and sends them the compiled report as the basis for defining related persons of officers of the Bank, and procedures in cases where the Bank has transactions with such persons. In terms of credit contracts between the Bank and persons related to the BOD, BOM, or Supervisory Board, VPBank sends monthly reports to the SBV to control and monitor.

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

according to the same transparent and clear procedures as other contracts.

Also, under the provisions of the Law on Credit Institutions, the Bank does not grant credit to any member of the BOD, the Supervisory Board, CEO, Deputy CEO, or anyone with equivalent titles, nor to the mother, father, wife, husband, or children of the same.

According to the 2016 business plan, VPBank will create separate regulations on related persons and transactions with related parties, increasing transparency and preventing conflicts of interest in the Bank's governance and management.

VII. REPORTS AND INFORMATION DISCLOSURE

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

VPBank has established a working team to produce reports as regulated by the SBV, including daily, monthly, quarterly, and annual reports. The average number of reports is about 120 per month, with hundreds of file-transfer reports as required. CEO also assigns relevant specialized units to tackle issues arising from regulations and specific reports or ad-hoc monitoring, management, or evaluation objectives required by the authorities as circumstances may require.

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

The annual major reports include:

■ Financial reports:

- Annual financial reports, consisting of consolidated and bank-only financial statements, which are audited by an accredited auditing firm and made available within ninety days of the end of the financial year;
- Semi-annual financial reports, consisting of consolidated and bank-only financial statements, which are reviewed and checked by an authorized auditing firm and made available within sixty days from the end of the first six months of the financial year;
- Quarterly financial reports, consisting of consolidated and bank-only financial statements, made available within forty-five days from the end of each quarter.

■ Annual Report:

- Corporate Governance Report, which is made available every six months within thirty days from the end of the reporting period;
- Related information of major shareholders, released as per regulations;
- Other information regarding the Bank is made available regularly or on an ad-hoc basis as per regulations.

In addition to information required to be made available by law, the Bank also proactively makes available information on its strategies, new products, promotion programs, and major events which may have a significant impact on the Bank's operations, as well as social welfare activities, in mass media and on its own website.

Information disclosure is undertaken in accordance with the Bank's internal regulations on speech and information disclosure, with the focal points being the Communications and Marketing Centre and the BOD's Office, after the disclosure of such information has been endorsed by relevant competent bodies within the Bank.

VIII. SHAREHOLDER STRUCTURE AND CHANGES IN OWNERS' INVESTMENT CAPITAL

1. SHARES

The total number of shares of the Bank as of December 31, 2015, is 805,646,600 shares (in words: Eight hundred and five million, sixty hundred and forty-six thousand, six hundred shares), including:

Common shares: 732,427,000

Preferred shares: 73,219,600

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

According to clause 1, Article 56 of the Law on Credit Institutions No. 47/2010/QH11 "individual and institutional shareholders whose representatives are members of the Board of Directors, Supervisory Board, or CEO of a credit institution, shall not be

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

As of December 31, 2015, the shares owned by members of the BOD, the Supervisory Board, and CEO of VPBank were as follows:

No	Full Name	Current Position(s) at VPBank	Number of common shares	Percentage of common shares owned/ charter capital	Percentage of preferred shares owned
1	Mr. Ngo Chi Dzung	BOD Chairman	32,841,675	4.08%	None
2	Mr. Bui Hai Quan	BOD Vice-Chairman	11,343,240	1.41%	None
3	Mr. Lo Bang Giang	BOD Vice-Chairman	1,037,697	0.13%	None
4	Mr. Nguyen Van Hao	BOD Independent Member	-	None	None
5	Mr. Luong Phan Son	BOD Member	3,025,670	0.38%	None
6	Ms. Nguyen Quynh Anh	Head of the Supervisory Board	28,841,164	3.58%	None
7	Ms. Nguyen Thi Mai Trinh	Supervisory Board Member	35,985,640	4.47%	None
8	Ms. Nguyen Thi Bich Thuy	Full-time Supervisory Board Member	-	None	None
9	Mr. Nguyen Duc Vinh	BOD Member and CEO	-	None	None

2. Shareholder structure

No	Shareholder type	Number of shareholders	Number of shares			Percentage
			Common	Preferred	Total	
1	Individual	3,490	313,313,221	51,715,219	365,028,500	45.31%
2	Institutional	49	419,113,779	21,504,321	440,618,100	54.69%
3	Foreign	0	0	0	0	0%
Total		3,539	732,427,000	73,219,600	805,646,600	100%

3. CHANGES IN OWNERS' INVESTMENT CAPITAL

VPBank increased its charter capital from VND7,324,270,000,000 to VND8,056,466,000,000 in 2015 via preferred share issuance, comprising:

- Additional preferred shares: 73,219,600 shares (in words: seventy-three million, two hundred and nineteen thousand, six hundred shares)
- Total value of shares issued at par value: VND732,196,000,000 (in words: seven hundred and thirty-two billion, one hundred and ninety-six million dong)
- Charter capital after issuance: VND8,056,466,000,000 (in words: eight thousand and fifty-six billion, four hundred and sixty-six million dong)
- Number of shares after issuance: 805,646,600 shares, including:
 - Common shares: 732,427,000
 - Preferred shares: 73,219,600
- Premium share capital arising from preferred share issuance: VND1,287,493,446,000 (in words: one thousand, two hundred and eighty-seven billion, four hundred and ninety-three million, four hundred and forty-six thousand dong).

A second charter capital increase in 2015 was planned to raise the charter capital from VND8,056,466,000,000 to VND9,181,000,000,000 by distributing dividends from 2015 retained earnings in the form of common shares, and issuing common shares from the reserve fund for charter capital supplementation (distributing bonus shares). VPBank had obtained the SBV's approval for this charter capital increase by December 31, 2015, but the additional charter capital could not be recognized in 2015 due to other procedures required per applicable law. The process is expected to be completed in January 2016.

4. TRANSACTIONS OF TREASURY STOCKS

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

5. SHARE TRANSACTIONS BY INTERNAL SHAREHOLDERS

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

The Deputy CEOs are regarded as senior managers of VPBank in accordance with the provisions of the Bank's Charter. The Corporate Secretary includes staff members of the BOD's Office. During the year, these shareholders made no share transfer transactions.

6. TRANSACTIONS BY FOREIGN STRATEGIC SHAREHOLDERS

VPBank currently has no foreign strategic shareholders.

2015 AUDITED FINANCIAL STATEMENTS

DAUNTLESS



**BANKING & FINANCE
RETAIL BANKING
AWARDS 2015**

BANKING & FINANCE RETAIL BANKING AWARDS 2015

Vietnam's SME Bank of the Year was awarded to VPBank by Asian Banking and Finance.

VPBank focuses on providing flexible solutions to support SMEs in facing and overcoming the particular difficulties of Vietnam's financial markets with such products as unsecured loans, installment payments, and credit cards. After just 2 years in the market, VPBank has become the bank of choice for over 32,000 SMEs.

GENERAL INFORMATION

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

Banking Licence No.	0042/NH-GP	12 August 1993
	The banking licence was issued by the State Bank of Vietnam and was valid for 99 years from the date of the banking licence	
Business Registration Certificate No.	0100233583	8 September 1993
	The initial Business Registration Certificate and updates were issued by Hanoi Department of Planning and Investment, of which was amended for the 34 th time in 2015	

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

Charter capital	As at 31 December 2015, the charter capital of the Bank is VND8,056,466 million (31 December 2014: VND6,347,410 million).				
Location	The Bank's Head Office is located at Floor 1-7, Capital Tower, 72 Tran Hung Dao Street, Tran Hung Dao Ward, Hoan Kiem District, Hanoi, Vietnam.				
	As at 31 December 2015, the Bank has one (01) Head Office, forty four (44) branches, one hundred and sixty four (164) transaction offices nationwide and two (2) subsidiaries.				
BOARD OF DIRECTORS The members of the Board of Directors of the Bank during the year and as at the date of the consolidated financial statements are as follows:	Mr. Ngo Chi Dzung	Chairman			
	Mr. Bui Hai Quan	Vice Chairman			
	Mr. Lo Bang Giang	Vice Chairman			
	Mr. Nguyen Van Hao	Independent member Appointed on 20 April 2015			
	Mr. Ngo Phuong Chi	Independent member Resigned on 20 April 2015			
	Mr. Luong Phan Son	Member			
	Mr. Nguyen Duc Vinh	Member			
THE BOARD OF SUPERVISION The members of the Board of Supervision of the Bank during the year and as at the date of the consolidated financial statements are as follows:	Ms. Nguyen Quynh Anh	Head of Board of Supervision			
	Ms. Nguyen Thi Bich Thuy	Member in charge			
	Ms. Nguyen Thi Mai Trinh	Member			
THE BOARD OF MANAGEMENT The members of the Board of Management of the Bank during the year and as at the date of the consolidated financial statements are as follows:	Mr. Nguyen Duc Vinh	Chief Executive Officer			
	Mr. Nguyen Thanh Binh	Deputy Chief Executive Officer			
	Mr. Phan Ngoc Hoa	Deputy Chief Executive Officer			
	Ms. Duong Thi Thu Thuy	Deputy Chief Executive Officer			
	Ms. Luu Thi Thao	Deputy Chief Executive Officer			
	Mr. Nguyen Thanh Long	Deputy Chief Executive Officer			
	Mr. Fung Kai Jin	Deputy Chief Executive Officer			
	Mr. Pham Phu Khoi	Deputy Chief Executive Officer Appointed on 6 July 2015			
	Mr. Vu Minh Truong	Deputy Chief Executive Officer Resigned on 9 May 2015			
Subsidiaries	As at 31 December 2015, the Bank has two (2) directly owned subsidiaries as follow:				
	Subsidiaries	Operating Licence	Nature of Business	Share capital	Ownership
	VPBank Asset Management Company Limited (VPBank AMC)	Business Registration Certificate No.0105837483 dated 15 April 2013 issued by Hanoi Department of Planning and Investment	Asset and liabilities management	VND115 billion	100%
	VPBank Finance Company Limited (VPB FC)	Business Registration Certificate No.0102180545 dated 1 June 2015 by Hanoi Department of Planning and Investment	Other financial activities	VND1,500 billion	100%

GENERAL INFORMATION *(continued)*

LEGAL REPRESENTATIVE	The legal representative of the Bank during the year ended 31 December 2015 and as at the date of the consolidated financial statements is Mr. Ngo Chi Dzung – Chairman.
	Mr. Nguyen Duc Vinh - Chief Executive Officer was authorized by Mr. Ngo Chi Dzung to sign off the accompanying consolidated financial statements for the year ended 31 December 2015.
AUDITORS	The auditors of the Bank are Ernst & Young Vietnam Limited.

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Vietnam Prosperity Joint Stock Commercial Bank ("the Bank") is pleased to present its report and the consolidated financial statements of the Bank and its subsidiaries as at 31 December 2015 and for the year then ended.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

STATEMENT BY THE BOARD OF MANAGEMENT

The Board of Management of the Bank does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2015, 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 comply with relevant regulations stipulated by the State Bank of Vietnam and other statutory requirements relevant to preparation and presentation of the consolidated financial statements.

For and on behalf of the Board of Management:



Mr. Nguyen Duc Vinh

Chief Executive Officer

Hanoi, Vietnam

3 February 2016

INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated financial statements of Vietnam Prosperity Joint Stock Commercial Bank and its subsidiaries ("the Bank") as prepared on 3 February 2016 and set out on pages 6 to 69 which comprise the consolidated balance sheet as at 31 December 2015, the consolidated income statement and the consolidated cash flow statement for the year then ended and the notes thereto.

MANAGEMENT'S RESPONSIBILITY

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

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 auditors consider internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

AUDITORS' OPINION

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2015, and of the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and comply with relevant regulations stipulated by the State Bank of Vietnam and other statutory requirements relevant to preparation and presentation of consolidated financial statements.

OTHER MATTER

The consolidated financial statements of the Bank for the year ended 31 December 2014 were audited by another auditor who expressed an unmodified opinion on those financial statements on 6 March 2015.

Ernst & Young Vietnam Limited



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

A blue ink signature of Tran Mai Thao.

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

Hanoi, Vietnam
3 February 2016

CONSOLIDATED BALANCE SHEET

as at 31 December 2015

B02/TCTD-HN

	Notes	31 December 2015 VND million	31 December 2014 VND million
A ASSETS			
I Cash, gold and gemstones	5	1,632,425	1,358,034
II Balances with the State Bank of Vietnam	6	2,261,499	3,701,393
III Placements with and loans to other credit institutions	7	14,599,675	13,924,797
1 Placements with other credit institutions		8,729,745	2,300,846
2 Loans to other credit institutions		5,870,661	11,630,402
3 Provision for credit losses of loans to other credit institutions		(731)	(6,451)
IV Securities held for trading	8	2,043,647	4,243,718
1 Securities held for trading		2,046,735	4,260,016
2 Provision for securities held for trading		(3,088)	(16,298)
V Loans to customers		115,062,473	77,255,692
1 Loans to customers	10	116,804,247	78,378,832
2 Provision for credit losses of loans to customers	11	(1,741,774)	(1,123,140)
VI Investment securities	12	47,729,481	47,960,783
1 Available-for-sale securities	12.1	43,950,621	44,189,329
2 Held-to-maturity securities	12.2	4,520,639	4,022,686
3 Provision for investment securities	12.3	(741,779)	(251,232)
VII Long-term investments	13	322,511	71,831
4 Other long-term investments		322,984	72,304
5 Provision for long-term investments		(473)	(473)
VIII Fixed assets	14	509,574	602,947
1 Tangible fixed assets	14.1	325,013	291,025
a Cost		704,679	596,927
b Accumulated depreciation		(379,666)	(305,902)
2 Intangible fixed assets	14.2	184,561	311,922
a Cost		339,057	437,365
b Accumulated amortization		(154,496)	(125,443)
IX Investment properties	15	27,600	28,175
1 Cost		29,965	29,965
2 Accumulated amortization		(2,365)	(1,790)
X Other assets	16	9,687,543	14,094,008
1 Receivables	16.1	1,985,973	7,060,716
2 Accrued interest and fee receivables	16.2	4,133,763	4,114,405
3 Deferred tax assets	24.2	-	-
4 Other assets	16.3	3,799,869	3,174,284
In which: Goodwill (Note 17)		37,453	62,421
5 Provision for other assets	16.4	(232,062)	(255,397)
TOTAL ASSETS		193,876,428	163,241,378
B LIABILITIES			
I Amounts due to the Government and the State Bank of Vietnam	18	4,821,063	832,555
II Deposits and borrowings from other credit institutions	19	17,764,430	26,228,249
1 Deposits from other credit institutions	19.1	9,603,163	14,694,977
2 Borrowings from other credit institutions	19.2	8,161,267	11,533,272

CONSOLIDATED BALANCE SHEET (continued)

as at 31 December 2015

III	Customer deposits	20	130,270,670	108,353,665
IV	Derivatives and other financial liabilities	9	131,760	215,333
V	Other borrowed and entrusted funds	21	383,188	125,246
VI	Valuable papers issued	22	21,859,941	12,409,544
VII	Other liabilities	23	5,256,454	6,096,491
1	Interest and fee payables		2,804,740	2,038,490
2	Deferred tax liabilities	24.2	-	264
3	Other payables	23.2	2,451,714	4,057,737
	TOTAL LIABILITIES		180,487,506	154,261,083
C	OWNERS' EQUITY			
I	Charter capital	25	8,056,466	6,347,410
II	Share premium	25	1,288,863	1,369
III	Other capital	25	-	-
IV	Reserves	25	1,324,775	541,381
V	Retained profits	25	2,718,818	2,090,130
VI	Non-controlling interest	25	-	5
	TOTAL OWNERS' EQUITY		13,388,922	8,980,295
	TOTAL LIABILITIES AND OWNERS' EQUITY		193,876,428	163,241,378
			31/12/2015	31/12/2014
			VND million	VND million
	OFF-BALANCE SHEET ITEMS			
I	Credit guarantees		1,373,115	-
II	Foreign exchange commitments		36,139,958	37,660,630
1	Spot foreign exchange commitments - buy		-	924,626
2	Spot foreign exchange commitments - sell		-	926,765
3	Cross currency swap contract		36,139,958	35,809,239
III	Letters of credit		6,326,988	2,610,856
IV	Other guarantees		8,550,490	6,464,718
V	Other commitments		1,171,006	1,680,163
			53,561,557	48,416,367

Prepared by:



Ms. Nguyen Thi Thu Hang
Chief Accountant

Reviewed by:



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

Approved by:



Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam
3 February 2016

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2015

B03/TCTD-HN

	Notes	2015 VND million	2014 VND million
1 Interest and similar income	27	18,758,801	12,404,218
2 Interest and similar expenses	28	(8,405,364)	(7,113,131)
I Net interest and similar income		10,353,437	5,291,087
3 Fees and commission income		1,597,313	959,852
4 Fees and commission expenses		(712,646)	(352,700)
II Net fees and commission income	29	884,667	607,152
III Net loss from trading of foreign currencies	30	(290,472)	(89,905)
IV Net gain from securities held for trading	31	44,587	(4,607)
V Net gain from investment securities	32	27,966	465,573
5 Other operating income		957,363	246,408
6 Other operating expenses		(82,291)	(253,363)
VI Net gain/(loss) from other operating activities	34	875,072	(6,955)
VII Income from investments in other entities	33	171,054	8,716
TOTAL OPERATING INCOME		12,066,311	6,271,061
7 Personnel expenses		(3,183,691)	(1,925,033)
8 Depreciation and amortization charges		(144,532)	(107,832)
9 Other operating expenses		(2,364,246)	(1,650,119)
TOTAL OPERATING EXPENSES	35	(5,692,469)	(3,682,984)
VIII Net profit before provision for credit losses		6,373,842	2,588,077
IX Provision expense for credit losses	36	(3,277,640)	(979,474)
X PROFIT BEFORE TAX		3,096,202	1,608,603
10 Current corporate income tax expenses	24.1	(700,598)	(355,102)
11 Deferred corporate income tax income	24.2	264	92
XI Corporate income tax expense		(700,334)	(355,010)
XII PROFIT AFTER TAX		2,395,868	1,253,593
XIII Earnings per share (VND/share)	26	3,072	1,712

Prepared by:



Ms. Nguyen Thi Thu Hang
Chief Accountant

Reviewed by:



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

Approved by:



Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam
3 February 2016

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2015

B04/TCTD-HN

	Notes	2015 VND million	2014 VND million
CASH FLOWS FROM OPERATING ACTIVITIES			
01	Interest and similar receipts	18,535,899	11,436,872
02	Interest and similar payments	(7,536,405)	(7,182,728)
03	Net fees and commission receipts	891,088	606,685
04	Net (payments)/receipts from dealing in foreign currencies, gold and securities trading activities	(34,896)	280,556
05	Other income	620,946	(77,183)
06	Recoveries from bad debts previously written-off	251,519	69,994
07	Payments for operating and salary expenses	(5,065,782)	(3,427,249)
08	Corporate income tax paid during the year	24.1	(505,521)
	Net cash flows from operating profit before changes in operating assets and liabilities	7,156,848	1,204,344
Changes in operating assets			
09	Decrease/(Increase) in deposits at and loans to other credit institutions	5,792,760	(1,747,926)
10	Increase in investment securities	(22,989)	(9,354,176)
11	Increase in loans to customers	(39,866,419)	(28,530,673)
12	Utilization of provision to write off loans to customers, securities and long-term investments	(2,024,786)	(707,090)
13	Decrease in other assets	2,616,599	3,641,010
Changes in operating liabilities:			
14	Increase/(Decrease) in amounts due to the Government and the SBV	3,988,508	(1,052,902)
15	(Decrease) /Increase in deposits and borrowings from other credit institutions	(8,463,820)	13,094,197
16	Increase in deposits from customers (including deposits from State Treasury)	21,837,894	24,481,553
17	Increase in valuable papers issued (except for valuable paper issued for financing activities)	11,530,397	4,808,789
18	Increase in other borrowed and entrusted funds	257,942	61,509
19	(Decrease) /Increase in derivatives and other financial liabilities	(83,573)	164,482
20	Decrease in other liabilities	(1,540,974)	(929,975)
I	Net cash flows from operating activities	1,178,387	5,133,142
CASH FLOWS FROM INVESTING ACTIVITIES			
01	Purchase of fixed assets	(222,114)	(96,945)
02	Proceeds from disposal of fixed assets	155,911	1,895
03	Payments for investments in other entities	(185,276)	(1,222,817)
04	Proceeds from disposals of investments in other entities	382,702	-
05	Dividends received from long-term investments	2,344	8,716
II	Net cash flows generated from/(used in) investing activities	133,567	(1,309,151)

CONSOLIDATED CASH FLOW STATEMENT *(continued)*

for the year ended 31 December 2015

B04/TCTD-HN

	Notes	2015 VND million	2014 VND million	
CASH FLOWS FROM FINANCING ACTIVITY				
01	Increase in charter capital from capital contribution and/or share issuance	25.1	2,019,690	-
III	Cash flows from financing activity		2,019,690	-
IV	Net cash flows for the year		3,331,644	3,823,991
V	Cash and cash equivalents at the beginning of the year		9,292,025	5,468,034
VI	Cash and cash equivalents at the end of the year	37	12,623,669	9,292,025
SIGNIFICANT NON-CASH TRANSACTIONS DURING THE YEAR				
	Bonus shares issued from capital supplementary reserve		44,350	27,526
	Increase in charter capital from retained earnings		932,510	549,884

Prepared by:



Ms. Nguyen Thi Thu Hang
Chief Accountant

Hanoi, Vietnam
3 February 2016

Reviewed by:



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

Approved by:



Mr. Nguyen Duc Vinh
Chief Executive Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2015 and for the year then ended

B05/TCTD-HN**1. GENERAL INFORMATION**

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

The Bank was established pursuant to Banking Licence No. 0042/NH-GP dated 12 August 1993 issued by the State Bank of Vietnam ("the SBV") and Business Registration Certificate No.0100233583 dated 8 September 1993 issued by Hanoi Department of Planning and Investment which was amended for the 34th time on 8 July 2015. The Bank started operation on 12 August 1993 with an operation period of 99 years.

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

Charter capital

As at 31 December 2015, the charter capital of the Bank is VND8,056,466 million (31 December 2014: VND6,347,410 million).

Location

The Bank's Head Office is located at Floor 1-7, Capital tower, 72 Tran Hung Dao Street, Tran Hung Dao Ward, Hoan Kiem District, Hanoi. As at 31 December 2015, the Bank has one (1) Head Office, forty four (44) branches, one hundred and sixty four (164) transaction offices nationwide and two (2) subsidiaries.

Subsidiaries

As at 31 December 2015, the Bank has two (2) directly owned subsidiaries as follow:

Subsidiaries	Operating Licence	Nature of Business	Share capital	Ownership
VPBank Asset Management Company Limited (VPBank AMC)	Business Registration Certificate No.0105837483 dated 15 April 2013 issued by Hanoi Department of Planning and Investment	Asset and liabilities management	VND115 billion	100%
VPBank Finance Company Limited (VPB FC)	Business Registration Certificate No.0102180545 dated 1 June 2015 by Hanoi Department of Planning and Investment	Other finance activities	VND1,500 billion	100%

Employees

As at 31 December 2015, total number of permanent employees of the Bank is 12,927 persons (31 December 2014: 9,501 persons).

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

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

2.2. Accounting currency

Currency used in 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 2015, all amounts are rounded to the nearest million and presented in million Vietnam dong. Presentation does not have an impact on the users' view of the consolidated financial position, consolidated result of operation and consolidated cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

as at 31 December 2015 and for the year then ended

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM

3.1. Statement of compliance

The Board of Management of the Bank confirms that the accompanying consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and comply with relevant regulations stipulated by the State Bank of Vietnam and other relevant statutory requirements.

3.2. Accounting standards and system

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

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

The accompanying consolidated financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Vietnam. Accordingly, the accompanying consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement and the notes to the consolidated financial statements and their 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 results of consolidated operations and consolidated cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

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

3.3. Assumptions and uses of estimates

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

3.4. Basic of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries for the year ended 31 December 2015.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

as at 31 December 2015 and for the year then ended

accounting policies.

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

In case the Bank divests a majority of its equity interest in the subsidiary resulting in loss of control over the subsidiary which turns into a normal investment, the Bank only consolidates the financial result of the subsidiary from the beginning of the year up to the date of the divestment without consolidating the net assets of the subsidiary. Furthermore, the Bank makes adjustments of indirect impact of the divestment transactions on the consolidated cash flow statement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1. Changes in accounting policies and disclosures

The accounting policies adopted by the Bank in preparation of the consolidated financial statements are consistent with those followed in the preparation of the Bank's annual consolidated financial statements for the year ended 31 December 2014, except for the following changes in the accounting policies.

Loan classification according to Circular No.02/2013/ TT-NHNN ("Circular 02") and Circular No. 09/2014/TT-NHNN ("Circular 09")

Since 1 January 2015, credit institutions and foreign bank branches should adjust their classification for customer debts and off-balance sheet commitments in accordance with the results provided by the Credit Information Centre ("CIC") at the classification date. In case the debts and off-balance sheet commitments of customers are classified into the group with lower risk than that provided by the CIC, credit institutions and foreign bank branches should adjust their classification result according to the debt group provided by the CIC.

In addition, as Paragraph 3a Article 10 of Circular 02 officially expired on 1 April 2015, the Bank is no longer allowed to restructure the payment period while still maintaining the loan group unchanged as stipulated in Paragraph 3a, Article 10.

Circular No. 49/2014/TT-NHNN - amending and supplementing a number of articles related to the financial reporting regime applicable to credit institutions issued in connection with Decision No. 16/2007/QD-NHNN dated 18 April 2007 and the chart of account system applicable to credit institutions issued in connection with Decision No. 479/2004/QD-NHNN dated 29 April 2004 of the State Bank of Vietnam ("Circular 49")

On 31 December 2014, the SBV issued Circular No. 49/2014/TT-NHNN ("Circular 49") which comes effective from 15 February 2015, to amend and supplement a number of articles related to the financial reporting regime applicable to credit institutions issued in connection with Decision No. 16/2007/QD-NHNN dated 18 April 2007 and the chart of account system applicable to credit institutions issued in connection with Decision No. 479/2004/QD-NHNN dated 29 April 2004 of the State Bank of Vietnam. Key changes to the financial statement templates are as follows:

- Amending templates of balance sheet, income statement and cash flow statement in accordance with amendments and supplements promulgated under Circular 02, Circular 09, and Circular 10;
- Supplementing notes to align with changes in the new templates of financial statements including balance sheet, income statement and cash flow statement.

Circular No. 202/2014/TT-BTC providing guidance for the preparation and presentation of consolidated financial statements ("Circular 202").

On 22 December 2014, the Ministry of Finance issued Circular No.202/2014/TT-BTC providing guidance on preparation and presentation of consolidated financial statements, which replace Section XIII of Circular No.161/2007/TT BTC dated 31 December 2007, and is effective for the preparation and presentation of consolidated financial statements for the financial years beginning on or after 1 January 2015.

The effects of the change in accounting treatment in accordance with Circular 202 are applied on a prospective basis as this Circular does not required for retrospective application.

Circular No. 200/2014/TT-BTC – replacing the enterprise accounting system under Decision No. 15/2006/QD–BTC ("Circular 200")

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

as at 31 December 2015 and for the year then ended

On 22 December 2014, the Ministry of Finance promulgated Circular No. 200/2014/TT-BTC providing guidance on the accounting system applicable to enterprises operating in all economic sectors. The Circular is applied to financial years beginning on or after 1 January 2015. Below are some new requirements of Circular 200 which might have impact the Bank's accounting policies and preparation of financial statements.

- Provision for diminution in value of long-term investments:
 - For an investment in listed shares or shares whose fair value can be determined reliably, provision shall be made based on the shares' market value (similarly to provision for diminution in value of trading securities).
 - For an investment in shares whose fair value cannot be reliably determined on the reporting date, provision shall be made based on the loss incurred by the investee (provision for loss of investment in other entities).
- Presentation of the income statement:
 - Other incomes and expenses: gain or loss on liquidation or sales of fixed assets and real estates is presented on net basis.
 - Basic earnings per share: In case the bonus and welfare fund is appropriated from profit after tax, basic earnings per share is determined after deducting the bonus and welfare fund in the year.
- Some highlights on profit appropriation:
 - The Bank is entitled to distribute its earnings to the shareholders which shall not exceed the undistributed after-tax profits on the consolidated financial statements after eliminating the impact of profits recognized from a bargain purchase (negative goodwill). If the undistributed after-tax profit on the Bank's consolidated financial statements is higher than that on its separate financial statements and if the earnings approved to be distributed exceed the undistributed after-tax profits on the separate financial statement, the Bank is only allowed to make the appropriation of profits after its subsidiaries' profits are transferred to the Bank.
 - The Bank, when distributing profits, should consider the impact of non-monetary items included in the undistributed earnings on its cash flows and ability to pay dividends and distribute profits.

Circular No. 14/2015/TT-NHNN issued on 28 August 2015 by the SBV amending some articles of Circular No. 19/2013/TT-NHNN on the purchase, sale, and settlement of bad debts of Vietnam Asset Management Company ("Circular 14")

In accordance with Circular 14, each year within 5 consecutive working days prior to the maturity date of special bonds issued by Vietnam Asset Management Company ("VAMC"), credit institutions are obliged to fully make a minimum specific provision as required for such year depending on the type and maturity of the bonds. The formula for calculation of specific provision is also set out in Paragraph 2, Article 46 of this Circular. The Circular takes effect from 15 October 2015.

4.2. Cash and cash equivalents

Cash and cash equivalents comprise current accounts at the SBV, current deposits and placements with banks with an original maturity of three months or less from the transaction date, securities with recovery or maturity less than 3 months from date of purchase which can be converted into a known amount of cash and do not bear the liquidity risk as at the date of these consolidated financial statements.

4.3. Loans to customers

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

4.4. Provision for credit losses

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

as at 31 December 2015 and for the year then ended

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 pay all interests under credit contracts; or (d) Debts under one of the following cases which have not been recovered in less than 30 days from the date of the recovery decision: <ul style="list-style-type: none"> ■ Debts made in compliance with Clauses 1, 3, 4, 5, 6, Article 126 of the Law on Credit Institutions ; or ■ Debts made in compliance with Clauses 1, 2, 3, 4, Article 127 of the Law on Credit Institutions; or ■ Debts made in compliance with Clauses 1, 2 and 5 of Article 128 of the 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 *(continued)*

as at 31 December 2015 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 a higher of the risk group assessed by the leading bank and by the Bank.

According to Article 10, Clause 3a of Circular 09, loans are rescheduled and classified in the same loan groups as before the restructuring when they meet the following conditions:

- Loans and disbursements do not violate the provisions of laws and regulations;
- The restructure is consistent with the purpose of the loan in the credit contract;
- The loan purposes are properly used by the customers;
- The customer has new feasible repayment plans in line with business conditions; and
- The Bank satisfies the SBV provisions on the limit and safety operating ratios, including the maximum ratio of short-term funds used for medium and long term loans in case of restructuring short-term loans to the medium and long-term loans.

When these conditions are met, the Bank can restructure the loan and keep the previous loan group as current classification. The loans are permitted to be restructured without changing the risk group for only one time. Article 10, Clause 3a of Circular 09 was effective for the period from 20 March 2014 to 31 March 2015.

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

In accordance with the requirements of Circular 02, as at 31 December 2015 the Bank is also required to make a general provision at 0.75% of total outstanding loans excluding loans classified as loss (group 5) at 30 November 2015.

Provision for debt purchases from other credit institutions and other debt-trading companies by VPBank AMC are charged in accordance with Circular No. 27/2002/TT-BTC issued by the Ministry of Finance on 22 March 2002. Increases or decreases in the provision balance are recognized in "Provision expenses for credit losses" in the year.

4.5. Securities held for trading

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

Securities held for trading are initially recognized at the cost of acquisition and subsequently measured at the lower of the book value and the market value. Gains or losses from sales of trading securities are recognized in the consolidated income statement.

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

Provision for 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 4.4*.

4.6. Available-for-sale securities

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

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

Available-for-sale debt securities are recognized at par value at the purchase date. Accrued interest (for debt securities with

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

as at 31 December 2015 and for the year then ended

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

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

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

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

Provision for credit losses 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 4.4.

4.7. Held-to-maturity investment securitiesSpecial bonds issued by VAMC

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

as at 31 December 2015 and for the year then ended

Other held-to-maturity securities

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

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

4.8. Other long-term investments

Other long-term investments are investments in other entities in which the Bank and its subsidiary hold less than or equal to 11% of voting rights and investments under business co-operation contracts. These investments are initially recorded at cost at the investment date.

Provision for diminution in value is made when the investee suffers loss, except that such loss had been forecasted in the investee's business plan before the investment was made. For an investment in listed shares or shares which fair value can be determined reliably, provision is made based on the shares' market value (similarly to provision for diminution in value of trading securities).

For an investment in shares which fair value cannot be determined reliably, the provision is made based on the total invested amount of all parties in the entity (at face value) minus (-) owners' equity multiplied by (x) the ownership ratio of the Bank (at face value) 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.

4.9. Receivables*4.9.1. Receivables classified as credit assets*

Receivables classified as credit assets are recognized at cost. Doubtful receivables are classified and provided for allowance by the Bank in accordance with the regulations on recognition and use of provision to resolve the credit risk as presented in *Note 4.4*.

4.9.2. Other receivables

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

Provision for receivables is determined based on the overdue status of debts or expected loss of current debts in case the debts are not due for payment yet, however, 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 during the year.

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

Overdue status	Allowance rate
From over six (06) months up to one (01) year	30%
From one (01) to under two (02) years	50%
From two (02) to under three (03) years	70%
From three (03) years and above	100%

4.10. Prepaid expenses

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

as at 31 December 2015 and for the year then ended

4.11. Fixed assets

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

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

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

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

4.12. Depreciation and amortization

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

Buildings and improvements	5 - 40 years
Motor vehicles	8 years
Machines and equipment	3 - 10 years
Computer software	3 - 7 years

4.13. Investment properties

Investment properties are stated at cost less accumulated amortization.

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

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

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

4.14. Operating lease

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

4.15. Recognition of income and expense

Interest income and expenses are recognized in the consolidated income statement on an accrual basis using the nominal interest rates. The recognition of accrued interest income of a loan is suspended when such loan is classified in groups 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 upon actual receipt.

Fees and commissions are recognized on an accrual basis.

Income and expenses from the sale of debts are recognized in accordance with Decision No. 59/2006/QD-NHNN issued by

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

as at 31 December 2015 and for the year then ended

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

According to Decision No. 59/2006/QĐ-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 the 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.

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

4.16. Foreign currency transactions

All transactions are recorded in original currencies. Monetary assets and liabilities denominated in foreign currencies are translated into VND using exchange rates ruling at the consolidated balance sheet date (*Note 47*). 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.

4.17. 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.

4.18. Deposits from banks, customer deposits and valuable paper issued

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

4.19. Corporate income taxesCurrent income tax

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

as at 31 December 2015 and for the year then ended

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

Deferred tax

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

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

4.20. Classification for off-balance-sheet commitments

According to Circular 02 and Circular 09, credit institutions should classify guarantees, payment acceptances and non-cancelable loan commitments with specific effective date (generally called "*off-balance sheet commitments*") in compliance with Article 10, Circular 02 for management and monitoring of credit quality. Off-balance sheet commitments are classified into groups such as Current, Special Mention, Substandard, Doubtful and Loss based on the overdue status and other qualitative factors.

4.21. 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.

4.22. Foreign exchange contracts

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

The currency forward contracts are commitments to settle in cash on a pre-determined future date based on the difference between pre-determined exchange rates, calculated on the notional amount. The currency forward contracts are recognised at nominal value at the transaction date and are revalued for the reporting purpose at the exchange rate at the reporting date. Gains or losses realized or unrealized are recognized in the "*Foreign exchange differences*" under "*Owner's equity*" in the consolidated balance sheet and will be transferred to the consolidated income statement at the end of the financial year.

The currency swap contracts are commitments to settle in cash on a pre-determined future date based on the difference between pre-determined exchange rates, calculated on the notional principal amount. The currency swap contracts are revalued periodically. Gains or losses realized or unrealized are recognized in the "*Foreign exchange differences*" under "*Owner's equity*" in the consolidated balance sheet and will be transferred to the consolidated income statement at the end of the financial year.

4.23. Employee benefits**4.23.1. Post - employment benefits**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

as at 31 December 2015 and for the year then ended

4.23.2. Voluntary resignation benefits

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

4.23.3. Unemployment insurance

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

4.24. Statutory reserves*Reserves of the Bank:*

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

Other funds are created at the discretion of the General Meeting of Shareholders.

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

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

*Reserves of subsidiaries:**Reserves of VPBank Asset Management Company Limited*

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

According to Circular No. 200/2014/TT-BTC, for the financial year starting on or after 1 January 2015, VPB AMC has stopped making provision for financial reserve and decided to transfer the outstanding balance of the financial reserve to the investment and development funds.

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

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

4.25. Business combinations and goodwill

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

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost the business combination over the Corporation's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

as at 31 December 2015 and for the year then ended

If the cost of a business combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement. After initial recognition, goodwill is measured at cost less any accumulated amortization. Goodwill is amortized three (3) years on a straight-line basis.

5. CASH, GOLD AND GEMSTONES

	31 December 2015 VND million	31 December 2014 VND million
Cash on hand in VND	850,227	709,463
Cash on hand in foreign currencies	756,702	555,826
Gold on hand	25,496	92,745
	1,632,425	1,358,034

6. BALANCE WITH THE STATE BANK OF VIETNAM

	31 December 2015 VND million	31 December 2014 VND million
Demand deposits at SBV	2,261,499	3,701,393

Balances with the SBV include current account and compulsory reserves. As at 31 December 2015, compulsory reserve in VND and current account in foreign currencies bear interest at rate of 1.20% p.a. and 0.05% p.a., respectively (31 December 2014: 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 computed at 3.00% and 8.00% (2014: 3.00% and 8.00%) of customer deposits denominated in VND and foreign currencies which are demand deposits or have maturity less than 12 months; 1.00% and 6.00% (2014: 1.00% and 6.00%) of customer deposits denominated in VND and foreign currencies which have maturity over 12 months.

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

	31 December 2015 VND million	31 December 2014 VND million
Demand deposits	843,579	1,057,896
In VND	128,905	223,591
In foreign currencies	714,674	834,305
Term deposits	7,886,166	1,242,950
In VND	4,815,000	807,407
In foreign currencies	3,071,166	435,543
	8,729,745	2,300,846
Provisions for placements with other credit institutions	-	(5,720)
	8,729,745	2,295,126

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2015 and for the year then ended

7.2. Loans to other credit institutions

	31 December 2015 VND million	31 December 2014 VND million
In VND	5,060,731	8,086,357
In foreign currencies	809,930	3,544,045
	5,870,661	11,630,402
Provisions for loans to other credit institutions	(731)	(731)
	5,869,930	11,629,671

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

	31 December 2015 % per annum	31 December 2014 % per annum
Term deposits in VND	4.30% - 7.13%	4.00%
Term deposits in foreign currencies	0.10% - 2.50%	0.10% - 1.70%
Loans in VND	4.50% - 6.20%	3.00% - 8.20%
Loans in foreign currencies	0.50% - 1.50%	1.19% - 4.50%

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

	31 December 2015 VND million	31 December 2014 VND million
Current	14,599,675	13,924,797
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	731	6,451
	14,600,406	13,931,248

8. SECURITIES HELD FOR TRADING**8.1. Securities held for trading**

	31 December 2015 VND million	31 December 2014 VND million
Debt securities	2,046,735	4,026,941
Government securities	1,324,317	1,590,990
Securities issued by other credit institutions	722,418	361,346
<i>In which: Bonds guaranteed by the Government</i>	529,214	175,766
Securities issued by local economic entities	-	2,074,605
Equity securities	-	233,075
Equity securities issued by other credit institutions	-	115,497
Equity securities issued by local economic entities	-	117,578
	2,046,735	4,260,016
Provision for securities held for trading	(3,088)	(16,298)
	2,043,647	4,243,718

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2015 and for the year then ended

8.2. Securities held for trading by listing status

	31 December 2015 VND million	31 December 2014 VND million
Debt securities	2,046,735	4,026,941
Listed	2,046,735	3,839,440
Unlisted	-	187,501
Equity securities	-	233,075
Listed	-	5,922
Unlisted	-	227,153
	2,046,735	4,260,016

9. DERIVATIVES AND OTHER FINANCIAL LIABILITIES

	Total contract nominal value (at contractual exchange rate) VND million	Total carrying value (at exchange rate as at reporting date)		Net value VND million
		Assets VND million	Liabilities VND million	
As at 31 December 2015				
Derivative financial instruments	30,504,434	29,872,496	(30,006,656)	(134,160)
Foreign exchange forward contracts	12,191,830	11,919,271	(12,040,579)	(121,308)
Foreign exchange swap contracts	18,312,604	17,953,225	(17,966,077)	(12,852)
Other derivatives financial instruments	107,050	109,450	(107,050)	2,400
	30,611,484	29,981,946	(30,113,706)	(131,760)
As at 31 December 2014				
Derivative financial instruments	43,226,798	11,191,967	(11,407,300)	(215,333)
Foreign exchange forward contracts	25,178,021	7,549,617	(7,748,089)	(198,472)
Foreign exchange swap contracts	18,048,777	3,642,350	(3,659,211)	(16,861)

10. LOANS TO CUSTOMERS

	31 December 2015 VND million	%	31 December 2014 VND million	%
Loans to local economic entities and individuals	116,166,919	99.46	78,128,770	99.67
Discounted bills and valuable papers	22,893	0.02	20,925	0.03
Payments on behalf of customers	3,522	-	4,679	0.01
Loans financed by entrusted funds	564,143	0.48	216,506	0.28
Loans to foreign economic entities and individuals	46,770	0.04	7,952	0.01
	116,804,247	100	78,378,832	100

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

	31 December 2015 % per annum	31 December 2014 % per annum
In VND	3.00% - 14.00%	3.00% - 14.00%
In foreign currencies	1.60% - 5.00%	1.70% - 5.50%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2015 and for the year then ended

10.1. Analysis of loan portfolio by quality

	31 December 2015 VND million	31 December 2014 VND million
Current	106,713,646	74,230,191
Special mention	6,945,556	2,159,699
Substandard	1,268,015	766,633
Doubtful	523,016	706,443
Loss	1,354,014	515,866
	116,804,247	78,378,832

10.2. Analysis of loan portfolio by original maturity

	31 December 2015 VND million	31 December 2014 VND million
Short term loans	32,497,945	24,914,040
Medium term loans	56,545,821	37,350,268
Long term loans	27,760,481	16,114,524
	116,804,247	78,378,832

10.3. Analysis of loan portfolio by sectors

	31 December 2015 VND million	%	31 December 2014 VND million	%
State-owned companies	1,547,766	1.32	1,836,557	2.35
One-member limited liability companies with 100% State ownership	630,928	0.54	1,413,413	1.80
Two or more member limited liability companies with over 50% State ownership or being controlled by the State	414,632	0.35	65,747	0.08
Other limited liability companies	28,712,712	24.58	18,564,862	23.69
Joint stock companies with over 50% State ownership or being controlled by the State	860,868	0.74	697,745	0.89
Other joint-stock companies	20,976,352	17.96	18,022,059	22.99
Partnership companies	-	-	752	-
Private enterprises	624,926	0.54	466,298	0.59
Foreign invested enterprises	573,459	0.49	593,212	0.76
Co-operatives and unions of co-operative	100,609	0.09	79,897	0.10
Household business and individuals	62,234,822	53.28	36,307,720	46.32
Operation administration entity, the Party, unions and associations	125,469	0.11	326,284	0.42
Others	1,704	-	4,286	0.01
	116,804,247	100	78,378,832	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2015 and for the year then ended

10.4. Analysis of loan portfolio by industries

	31 December 2015 VND million	%	31 December 2014 VND million	%
Agricultural, forestry and aquaculture	4,584,262	3.94	2,386,837	3.04
Mining	214,216	0.18	171,886	0.22
Processing, manufacturing	9,643,927	8.26	7,923,647	10.11
Electricity, petroleum and steam	2,569,617	2.20	2,616,678	3.34
Water supply and waste treatment	620,461	0.53	297,484	0.38
Construction	6,368,949	5.45	4,186,335	5.34
Wholesale and retail trade, repair of motor vehicles, motor cycles and personal goods	7,755,952	6.64	6,336,297	8.08
Transportation and logistics	2,687,377	2.30	1,972,396	2.52
Hospitality and restaurants	1,170,540	1.00	417,437	0.53
Information and media	1,558,204	1.33	1,525,186	1.95
Finance, banking and insurance services	2,851,196	2.44	1,597,153	2.04
Real estates	19,078,633	16.33	13,711,398	17.49
Scientific research	1,115,272	0.95	470,304	0.60
Administrative activities and support services	1,738,015	1.49	1,631,780	2.08
Activities of the Communist Party, political - social organizations, state management, security and defense	141,667	0.12	87,812	0.11
Education and vocational training	532,416	0.46	287,057	0.37
Healthcare and community development	211,920	0.18	171,049	0.22
Recreational, cultural, sporting activities	989,411	0.85	878,040	1.12
Other services	7,888,924	6.75	9,940,445	12.68
Households services, production of material products and services used by households	45,070,221	38.59	21,763,499	27.77
Activities of other foreign organizations and offices	13,067	0.01	6,112	0.01
	116,804,247	100	78,378,832	100

11. PROVISION FOR CREDIT LOSSES OF LOANS TO CUSTOMERS

As at 31 December 2015, the Bank classifies loans in compliance with Article 10 of Circular 02 and Circular 09 of the State Bank of Vietnam.

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

	31 December 2015 VND million	31 December 2014 VND million
General provision	813,948	573,535
Specific provision	927,826	549,605
	1,741,774	1,123,140

Under Article 8 of Circular 02, loans to customers are classified at the end of the first three quarters of the year and at 30 November for the fourth quarter of the financial year.

Accordingly, for the purpose of preparing consolidated financial statements, provisions and loan classification of the Bank has been made based on the outstanding balance as at 30 November 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2015 and for the year then ended

The results of loan classification and provision for loans to customers made at 30 November 2015 are as follows:

	Outstanding balance (*) VND million	General provision VND million	Specific provision VND million	Total VND million
Current	100,395,225	752,965	-	752,965
Special mention	6,357,453	47,681	204,524	252,205
Substandard	605,737	4,543	60,812	65,355
Doubtful	1,167,927	8,759	506,132	514,891
Loss	1,483,092	-	156,358	156,358
	110,009,434	813,948	927,826	1,741,774

(*) Outstanding balance as at 30 November 2015

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

	General provision VND million	Specific provision VND million	Total VND million
Opening balance as at 1 January 2015	573,535	549,605	1,123,140
Provision charged	240,413	2,592,866	2,833,279
Provision increased relating to the repurchase of debts from VAMC	-	9,522	9,522
Provision decreased relating to the sale of debts to VAMC	-	(263,984)	(263,984)
Provision used to write off bad debts	-	(1,960,183)	(1,960,183)
Closing balance as at 31 December 2015	813,948	927,826	1,741,774

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

	31 December 2015 VND million	31 December 2014 VND million
Debt securities	43,950,621	44,180,929
State Bank of Vietnam bills	-	2,385,203
Treasury bills	-	1,892,890
Government bonds	21,024,986	17,279,638
Bonds issued by other domestic credit institutions	12,787,075	11,541,583
<i>In which: Bonds guaranteed by the Government</i>	9,736,500	8,618,211
Bonds issued by local economic entities	10,138,560	11,081,615
Equity securities	-	8,400
Equity securities issued by local economic entities	-	8,400
Provision for available-for-sale securities	(174,833)	(70,007)
General provision	(107,133)	(70,007)
Specific provision	(67,700)	-
	43,775,788	44,119,322

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2015 and for the year then ended

Government bonds have terms from 8 months to 15 years and bear interest at rates ranging from 5% to 13.2% per annum (31 December 2014: terms of 1 month to 15 years, interest rates ranging from 5.4% to 13.2% per annum).

Debt securities issued by domestic credit institutions have terms from 7 months to 10 years and bear interest at rates ranging from 5.9% to 12.7% per annum (31 December 2014: terms from 7 months to 10 years, interest rates ranging from 6.1% to 12.6% per annum).

Debt securities issued by local economic entities have terms from 1 year to 5 years and bear interest at rates ranging from 6.0% to 15.0% per annum (31 December 2014: terms from 1 year to 5 years, interest rates ranging from 6.0% to 13.5% per annum).

Face value of bonds which are pledged for capital mobilization contracts as at 31 December 2015 amounted to VND9,166,032 million (31 December 2014: VND7,159,000 million).

12.2. Held-to-maturity securities

	31 December 2015 VND million	31 December 2014 VND million
Special bonds issued by VAMC	4,520,639	3,956,097
Bonds issued by local economic entities	-	66,589
Provision for held-to-maturity securities	(566,946)	(181,225)
<i>Provision for bonds issued by local economic entities</i>	-	(53,886)
<i>Provision for special bonds</i>	(566,946)	(127,339)
	3,953,693	3,841,461

12.3. Provision for investment securities

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

	Available-for-sale securities VND million	Held-to-maturity securities VND million	Total VND million
Opening balance as at 1 January 2015	70,007	181,225	251,232
Provision charged during the year	71,951	450,324	522,275
<i>In which:</i>			
<i>VAMC bonds (Note 12.2)</i>	-	439,607	439,607
<i>Other securities</i>	71,951	10,717	82,668
Provision arising from repurchase of bonds from VAMC	32,875	-	32,875
Provision used to write off bad debts	-	(64,603)	(64,603)
Closing balance as at 31 December 2015	174,833	566,946	741,779

12.4. Analysis by quality for securities classified as credit risk bearing assets at the end of the year

	31 December 2015 VND million	31 December 2014 VND million
Current	12,500,396	11,081,615
Special mention	561,577	-
Substandard	-	-
Doubtful	-	-
Loss	-	-
	13,061,973	11,081,615

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

as at 31 December 2015 and for the year then ended

13. LONG-TERM INVESTMENTS

Breakdown of other long-term investments as at 31 December 2015 and 31 December 2014 is as follows:

	31 December 2015		31 December 2014	
	Cost VND million	Ownership %	Cost VND million	Ownership %
Investments in credit institutions				
Bank for Investment and Development of Vietnam JSC	-	-	38,366	0.08%
Investments in economic entities				
ITRACO Transportation Joint Stock Company	21	0.64%	21	0.64%
Dong Xuan Join Stock Company	5,000	10.00%	5,000	10.00%
Banking Training and Consultancy JSC (BTC)	371	4.78%	371	4.78%
Foreign Trade Development and Investment Corporation of Ho Chi Minh City (FIDECO)	15,357	1.67%	15,357	1.67%
Vietnam Credit Information JSC (PCB)	3,934	3.28%	3,934	3.28%
Sai Gon Port Joint-Stock Company	185,276	7.44%	-	-
VPBank Securities JSC (VPBS)	104,770	11.00%	-	-
Petro Vietnam Oil Central Joint Stock Company	7,705	5.50%	7,705	5.50%
Thinh An Security Guard Service JSC	550	11.00%	550	11.00%
Thinh Dien Co., Ltd	-	-	1,000	10.00%
	322,984		72,304	
Provision for other long-term investments	(473)		(473)	
	322,511		71,831	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2015 and for the year then ended

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

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

	Buildings and improvements VND million	Machines and equipment VND million	Motor vehicles VND million	Office equipment VND million	Other VND million	Total VND million
Cost						
Opening balance	123,314	273,276	86,490	74,852	38,995	596,927
Purchases in the year	301	124,286	20,978	20,342	17,664	183,571
Other increases	4,444	1,201	2,551	-	-	8,196
Reclassification	-	(1,336)	(613)	(786)	(80)	(2,815)
Disposal	(33,553)	(1,571)	(97)	(3,290)	(8,026)	(46,537)
Decrease due to divestment of subsidiaries	-	(867)	(2,462)	(31,055)	(279)	(34,663)
Closing balance	94,506	394,989	106,847	60,063	48,274	704,679
Accumulated depreciation						
Opening balance	16,479	176,160	42,736	49,054	21,473	305,902
Charge for the year	7,756	54,330	14,747	14,270	9,849	100,952
Other increases	4,444	1,201	2,551	-	-	8,196
Reclassification	-	40	207	(152)	(95)	-
Disposal	(5,122)	(1,347)	(87)	(3,228)	(5,965)	(15,749)
Decrease due to divestment of subsidiaries	-	(757)	(1,412)	(17,230)	(236)	(19,635)
Closing balance	23,557	229,627	58,742	42,714	25,026	379,666
Net book value						
As at beginning date	106,835	97,116	43,754	25,798	17,522	291,025
As at closing date	70,949	165,362	48,105	17,349	23,248	325,013

Cost of fully-depreciated tangible fixed assets which are still in use as at 31 December 2015 is VND177,787 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2015 and for the year then ended

14.2. Intangible fixed assets

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

	Indefinite land use rights VND million	Computer software VND million	Total VND million
Cost			
Opening balance	213,012	224,353	437,365
Purchases in the year	-	38,543	38,543
Other increases	-	3,482	3,482
Disposal	(122,880)	-	(122,880)
Decrease due to divestment of subsidiaries	-	(17,453)	(17,453)
Closing balance	90,132	248,925	339,057
Accumulated amortization			
Opening balance	868	124,575	125,443
Charge for the year	-	43,005	43,005
Other increases	-	3,482	3,482
Decrease due to divestment of subsidiaries	-	(17,434)	(17,434)
Closing balance	868	153,628	154,496
Net book value			
At the beginning date	212,144	99,778	311,922
At the closing date	89,264	95,297	184,561

During the year, the Bank disposed two fixed assets, in which the cost of the land use rights associated with these assets amounted to VND120,558 million and VND2,322 million, respectively.

Cost of fully-depreciated intangible fixed assets which are still in use as at 31 December 2015 is VND78,426 million.

15. INVESTMENT PROPERTIES

Movements of investment properties during the year are as follows:

	Land use right VND million	Building and architectonic models VND million	Total VND million
Cost			
Opening balance	20,075	9,890	29,965
Increase in the year	-	-	-
Decrease in the year	-	-	-
Closing balance	20,075	9,890	29,965
Accumulated depreciation			
Opening balance	-	1,790	1,790
Depreciation charged in the year	-	575	575
Disposal	-	-	-
Closing balance	-	2,365	2,365
Net book value			
At the beginning date	20,075	8,100	28,175
At the closing date	20,075	7,525	27,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

as at 31 December 2015 and for the year then ended

16. OTHER ASSETS**16.1. Receivables**

	31 December 2015 VND million	31 December 2014 VND million
Internal receivables	46,104	50,722
External receivables (*)	1,918,724	7,009,743
Construction in progress	21,145	251
	1,985,973	7,060,716

(*) External receivables include deposit for economic contracts, overdue deposits classified as credit risk bearing assets and other external receivables

16.2. Accrued interest and fee receivables

	31 December 2015 VND million	31 December 2014 VND million
Interest receivable from deposits	11,904	26,178
Interest receivable from investment securities	1,675,724	2,098,055
Interest receivable from credit activities	2,276,522	1,642,960
Interest receivable from derivative instruments	163,048	331,602
Interest receivable from entrusted investments	6,565	13,721
Other fee receivables	-	1,889
	4,133,763	4,114,405

16.3. Other assets

	31 December 2015 VND million	31 December 2014 VND million
Materials	10,332	10,782
Prepaid expenses	928,885	602,781
Foreclosed assets (i)	1,934,353	1,606,192
Real estates	1,934,353	1,606,192
Receivable from entrusted investment contracts (ii)	887,150	887,150
Goodwill	37,453	62,421
Other assets	1,696	4,958
	3,799,869	3,174,284

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

(ii) Including VND 750,150 million entrusted investment contract with a fund management company for purchase of bonds. This contract is unsecured, having term of 62 months and earning the return subject to actual investment results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2015 and for the year then ended

16.4 . Provision for other assets

Provision for other assets include provision for debt trading activities, provision for bad debts and general provision for entrusted investments. Changes in provision for other assets during the year are as follows:

	2015 VND million	2014 VND million
Opening balance	255,397	606,560
Provision made/ (reversed) during the year	10,474	(351,163)
<i>In which:</i>		
<i>Provision reversed for doubtful receivables (Note 36)</i>	(30)	(80,086)
<i>Provision made/ (reversed) for other credit risk bearing assets (Note 36)</i>	10,504	(271,077)
Decrease due to divestment of subsidiaries	(33,809)	-
Closing balance	232,062	255,397

Details of provision for other assets are as follows:

	31 December 2015 VND million	31 December 2014 VND million
Provision for credit risks bearing assets	230,411	219,907
<i>General provision (i)</i>	5,626	15,405
<i>Specific provision (ii)</i>	224,785	204,502
Provision for doubtful debts	838	34,677
Provision for other risks	813	813
	232,062	255,397

- (i) General provision is made for entrusted investment contracts to purchase unlisted securities.
- (ii) Specific provision is made in 2015 for the overdue deposits reclassified into credit risk bearing assets.

17. GOODWILL

	2015 VND million	2014 VND million
Total value of goodwill	74,905	74,905
Amortized period	3 years	3 years
Value of accumulated amortized goodwill at the beginning of the year	(12,484)	-
Value of unamortized goodwill at the beginning of the year	62,421	-
Increase in goodwill during the year	-	74,905
Goodwill arised during the year	-	74,905
Adjustment due to changes in determinable value of assets and liabilities	-	-
Decrease in goodwill during the year	(24,968)	(12,484)
Decrease in goodwill due to disposal, sale of part or entire financial institution	-	-
Goodwill amortized during the year	(24,968)	(12,484)
Other decrease in goodwill	-	-
Total value of unamortized goodwill at the end of the year	37,453	62,421

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2015 and for the year then ended

18. AMOUNT DUE TO THE GOVERNMENT AND THE STATE BANK OF VIETNAM

	31 December 2015 VND million	31 December 2014 VND million
Borrowings from the SBV		
Discount, rediscount of valuable papers	4,819,153	832,555
Other borrowings	1,910	-
	4,821,063	832,555

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

	31 December 2015 VND million	31 December 2014 VND million
Demand deposits	44,501	51,943
In VND	43,400	47,458
In foreign currencies	1,101	4,485
Term deposits	9,558,662	14,643,034
In VND	8,775,000	8,568,000
In foreign currencies	783,662	6,075,034
	9,603,163	14,694,977

19.2. Borrowings from other credit institutions

	31 December 2015 VND million	31 December 2015 VND million
In VND	7,776,807	6,817,732
<i>In which: Discounted valuable papers in VND</i>	3,375,026	5,513,585
In foreign currencies	384,460	4,715,540
	8,161,267	11,533,272

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

	31 December 2015 % per annum	31 December 2014 % per annum
Term deposit from other credit institutions in VND	3.70% - 8.70%	3.00% - 5.40%
Term deposit from other credit institutions in foreign currencies	0.10% - 1.00%	0.50% - 1.20%
Borrowing from other credit institutions in VND	4.30% - 5.95%	3.20% - 7.10%
Borrowing from other credit institutions in foreign currencies	0.75% - 2.09%	0.70% - 2.80%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2015 and for the year then ended

20. CUSTOMER DEPOSITS

	31 December 2015 VND million	31 December 2014 VND million
Demand deposits	12,568,456	7,869,933
Demand deposits in VND	11,824,753	7,056,913
Demand deposits in foreign currencies	743,703	813,020
Term deposits	117,162,064	98,689,035
Term deposits in VND	106,514,016	89,831,886
Term deposits in foreign currencies	10,648,048	8,857,149
Deposits for specific purpose	122,541	1,439,197
Deposits for specific purpose in VND	110,247	1,430,685
Deposits for specific purpose in foreign currencies	12,294	8,512
Margin deposits	417,609	355,500
Margin deposits in VND	378,453	257,428
Margin deposits in foreign currencies	39,156	98,072
	130,270,670	108,353,665

Analysis of customer deposits by sectors is as follows:

	31 December 2015 VND million	%	31 December 2014 VND million	%
State-owned companies	6,087,819	4.69	6,646,023	6.12
One-member limited liability companies with 100% State ownership	2,569,185	1.97	5,191,812	4.79
Two or more member limited liability companies with over 50% State ownership or controlled by the State	245,475	0.19	222,673	0.21
Other limited liability companies	13,722,842	10.53	11,990,837	11.07
Joint stock companies with over 50% State ownership or controlled by the State	1,519,106	1.17	940,621	0.87
Other joint-stock companies	20,911,579	16.05	14,202,653	13.11
Partnership companies	804	-	3,763	-
Private enterprises	83,890	0.06	47,176	0.04
Foreign invested enterprises	225,972	0.17	854,034	0.79
Co-operatives and unions of co-operative	4,990	-	8,908	0.01
Household business and individuals	77,290,266	59.33	63,371,776	58.49
Operation administration entity, the Party, unions and associations	1,741,099	1.34	1,977,937	1.83
Others	5,867,643	4.50	2,895,452	2.67
	130,270,670	100	108,353,665	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

as at 31 December 2015 and for the year then ended

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

	31 December 2015 % per annum	31 December 2014 % per annum
Demand deposits in VND	0.50%	0.50%
Demand deposits in foreign currencies	0.00%	0.25%
Term deposits in VND	1.00% - 10.25%	1.00% - 9.00%
Term deposits in foreign currencies	0.00% - 2.00%	0.20% - 2.00%

21. OTHER BORROWED AND ENTRUSTED FUNDS

	31 December 2015 VND million	31 December 2014 VND million
Other borrowed and entrusted funds in VND	383,188	125,246

22. VALUABLE PAPERS ISSUED

	31 December 2015 VND million	31 December 2014 VND million
Under 12 months	3,010,175	-
From 12 months up to 5 years	14,869,766	7,429,544
From 5 years and above	3,980,000	4,980,000
	21,859,941	12,409,544

Valuable papers of the Bank consist of certificates of deposits and bonds which bear interest at rates ranging from 5.0% to 12.75% per annum (31/12/2014: from 7.08% to 11.2% per annum).

23. OTHER LIABILITIES**23.1. Interest and fee payables**

	31 December 2015 VND million	31 December 2014 VND million
Interest payable for deposits from customers	748,249	549,006
Interest payable for savings from customers	1,217,873	992,441
Interest payable for valuable papers issued	630,356	295,510
Interest payable for borrowings from other credit institutions	75,081	23,270
Interest payable for other borrowed and entrusted fund	76	57
Interest payable for derivative instruments	118,815	176,626
Fee payable	14,290	1,580
	2,804,740	2,038,490

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2015 and for the year then ended

23.2. Other liabilities

	31 December 2015 VND million	31 December 2014 VND million
Internal payables	764,054	306,867
Payables to employees	764,054	306,867
External payables	1,687,660	3,750,870
Deferred incomes	28,779	31,246
Transfer payment awaiting for settlement	36,567	43,798
Tax and other obligations to the State Budget (Notes 24)	301,576	118,035
Other payables (*)	1,320,738	3,557,791
	2,451,714	4,057,737

(*) Other payables mainly include early loan repayments and other payables.

24. TAX AND OTHER OBLIGATIONS TO THE STATE BUDGET

	Opening balance VND million	Movements during the year		Adjustment due to divestment of subsidiaries VND million	Closing balance VND million
		Payables VND million	Paid VND million		
Tax and receivables	(5,852)	7,026	(1,542)	368	-
Corporate income tax	(5,142)	5,142	-	-	-
Value added tax	(710)	1,884	(1,542)	368	-
Tax and payables	118,035	962,540	(776,718)	(2,281)	301,576
Corporate income tax	78,621	695,456	(505,521)	-	268,556
Value added tax	12,062	91,370	(89,859)	-	13,573
Other taxes	27,352	175,714	(181,338)	(2,281)	19,447
	112,183	969,566	(778,260)	(1,913)	301,576

24.1. Current corporate income tax

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

as at 31 December 2015 and for the year then ended

Provision for current income tax expense is computed as follows:

	2015 VND million	2014 VND million
Profit before tax	3,096,202	1,608,603
<i>Plus/(Minus)</i>		
Tax-exempt income	(9,982)	(8,716)
Non-deductible expenses	41,229	13,669
Other deductions	(372)	-
Realised expenses in the year	57,235	-
Other adjustments	(304)	-
Adjustment according to tax audit result	-	15
Estimated taxable income	3,184,008	1,613,571
Tax expenses	700,482	354,986
Adjustment for previous year	116	24
Total income tax expenses in the year	700,598	355,010
Income tax payable at the beginning of the year	73,479	219,926
Income tax payable arised from business combination	-	1,054
Income tax paid during the year	(505,521)	(502,603)
Current income tax payable at the end of the year	268,556	73,387

24.2. Deferred income tax

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

	2015 VND million	2014 VND million
Deferred tax liabilities at the beginning of the year	(264)	-
Realised expenses during year	264	92
Unrealised income during the year	-	(356)
Deferred tax liabilities at the end of the year	-	(264)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2015 and for the year then ended

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

	Charter capital VND million	Share premium VND million	Other capital VND million	Capital supplementary reserve VND million	Financial reserve VND million	Investment and development fund VND million	Retained earnings VND million	Non-con- trolling interest VND million	Total VND million
Balance as at 1 January 2014	5,770,000	1,369	-	53,944	274,316	35	1,627,033	-	7,726,697
Net profit for the year	-	-	-	-	-	-	1,253,593	-	1,253,593
Issuance of bonus shares	27,526	-	-	(27,526)	-	-	-	-	-
Capital increased from capital supplementary reserve	549,884	-	-	-	-	-	(549,884)	-	-
Appropriations to other reserves	-	-	-	81,046	159,552	-	(240,598)	-	-
Consolidation adjustment	-	-	-	-	-	-	-	5	5
Other	-	-	-	7	7	-	(14)	-	-
Balance as at 31 December 2014	6,347,410	1,369	-	107,471	433,875	35	2,090,130	5	8,980,295
Net profit for the year	-	-	-	-	-	-	2,395,868	-	2,395,868
Issuance of bonus shares (i)	44,350	-	-	(44,350)	-	-	-	-	-
Capital increased from retained earnings (i)	932,510	-	17,543	(17,543)	-	-	(932,510)	-	-
Issuance of preference shares (ii)	732,196	1,287,494	-	-	-	-	-	-	2,019,690
Appropriations to reserves	-	-	-	152,751	301,376	408,703	(862,830)	-	-
Transfer the financial reserve to investment and development fund (iii)	-	-	-	-	(28,750)	28,750	-	-	-
Adjustment due to divestment of subsidiaries	-	-	(17,543)	-	(17,543)	-	28,160	(5)	(6,931)
Balance as at 31 December 2015	8,056,466	1,288,863	-	198,329	688,958	437,488	2,718,818	-	13,388,922

(i) The Bank increased its charter capital from VND7,324,270,000,000 to VND7,324,270,000,000 by way of stock dividends and bonus shares using the outstanding capital supplementary reserve pursuant to SBV Decision No. 1112/QĐ-NHNN dated 3 June 2015, Official Letter No. 21/25/UBCK-QLPH dated 6 May 2015 issued by the State Securities Commission ("SSC") and Business Registration Certificate with business code No. 0100233583 modified for the 33rd time on 11 June 2015 by Hanoi Department of Planning and Investment ("DPI-HN").

(ii) The Bank increased its charter capital from VND7,324,270,000,000 to VND8,056,466,000,000 by cash pursuant to SBV Decision No. 1261/QĐ-NHNN dated 30 June 2015, SSC Official Letter No. 3598/UBCK-QLPH dated 23 June 2015 and Business Registration Certificate with business code No. 0100233583 modified for the 34th time on 8 July 2015 by DPI-HN.

(iii) In accordance to Circular No. 200/2014/TT-BTC, from the financial year start on or after 1 January 2015, VPB AMC does not continue to charge financial provision. VPB AMC decided to transfer the outstanding amount of financial reserve to the Investment and Development fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

as at 31 December 2015 and for the year then ended

25.2. Equity

	31 December 2015		31 December 2014	
	Shares	VND million	Shares	VND million
Number of registered shares	805,646,600	8,056,466	634,741,000	6,347,410
Number of shares issued	805,646,600	8,056,466	634,741,000	6,347,410
Ordinary shares	732,427,000	7,324,270	634,741,000	6,347,410
Preference shares	73,219,600	732,196	-	-
Number of shares circulated	805,646,600	8,056,466	634,741,000	6,347,410
Ordinary shares	732,427,000	7,324,270	634,741,000	6,347,410
Preference shares	73,219,600	732,196	-	-

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

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

26. BASIC EARNINGS PER SHARE

	2015 VND million	2014 VND million
Profit attributable to the ordinary shareholders (VND million) (i)	2,249,429	1,253,593
Weighted average number of ordinary shares (share) (ii)	732,427,000	732,427,000
Basic earnings per share (VND/share)	3,072	1,712

(i) Profit attributable to the ordinary shareholders is calculated by consolidated profit minus (-) dividends paid to shareholders owning preferred shares.

(ii) Total weighted average number of ordinary shares for the year ended 31 December 2014 was adjusted due to the effects from the issuance of bonus shares and stock dividend payments in June 2015.

27. INTEREST AND SIMILAR INCOME

	2015 VND million	2014 VND million
Interest income from deposits	230,783	199,763
Interest income from loans to customers	14,872,500	8,399,420
Interest income from trading and investment securities	3,308,140	3,338,733
Interest income from guarantee activities	104,033	89,004
Other income from credit activities	243,345	377,298
	18,758,801	12,404,218

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2015 and for the year then ended

28. INTEREST AND SIMILAR EXPENSES

	2015 VND million	2014 VND million
Interest expenses for deposits	6,420,360	5,637,244
Interest expenses for borrowings	418,793	561,334
Interest expenses for valuable papers issued	1,523,461	750,923
Expense for other credit activities	42,750	163,630
	8,405,364	7,113,131

29. NET FEES AND COMMISSION INCOME

	2015 VND million	2014 VND million
Fees and commission income	1,597,313	959,852
Settlement and treasury services	189,163	120,027
Advisory activities	72,910	80,772
Trusted and agency activities	75,604	83,464
Income from business and insurance services	993,805	454,910
Other services	265,831	220,679
Fees and commission expenses	(712,646)	(352,700)
Settlement services	(112,224)	(68,529)
Post and telecommunication	(663)	(3,742)
Trusted and agency activities	(2,557)	(14,869)
Advisory activities	(6,877)	(33,045)
Brokerage fee	(257,933)	(144,857)
Other expenses	(332,392)	(87,658)
Net fees and commission income	884,667	607,152

30. NET LOSS FROM TRADING OF FOREIGN CURRENCIES

	2015 VND million	2014 VND million
Income from trading of foreign currencies	6,244,005	5,601,115
Income from spot trading of foreign currencies	330,463	700,310
Income from trading of monetary derivatives	5,913,542	4,900,805
Expenses for trading of foreign currencies	(6,534,477)	(5,691,020)
Expenses for spot trading of foreign currencies	(5,843,662)	(4,801,580)
Expenses for trading of monetary derivatives	(690,815)	(889,440)
	(290,472)	(89,905)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2015 and for the year then ended

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

	2015 VND million	2014 VND million
Income from trading of securities held for trading	100,758	85,177
Expenses for trading of securities held for trading	(66,561)	(90,008)
Provision expenses for securities held for trading	10,390	224
Net gain/(loss) from securities held for trading	44,587	(4,607)

32. NET GAIN FROM INVESTMENT SECURITIES

	2015 VND million	2014 VND million
Income from trading of investment securities	251,560	526,684
Expenses for trading of investment securities	(140,926)	(61,111)
Provision expenses for investment securities (Note 12.3)	(82,668)	-
Net gain from investment securities	27,966	465,573

33. INCOME FROM INVESTMENT IN OTHER ENTITIES

	2015 VND million	2014 VND million
Income from disposal or divestment of other entities' shares (*)	168,710	-
Dividend income	2,344	8,716
	171,054	8,716

(*) Including VND164,276 million gains from the divestment of 89% of charter capital in VPBS. In the consolidated financial statements, profit from the divestment of subsidiaries is calculated by proceed from the divestment minus (-) net assets of the subsidiaries that are transferred to other parties.

34. NET GAIN/(LOSS) FROM OTHER OPERATING ACTIVITIES

	2015 VND million	2014 VND million
Income from other operations	957,363	246,408
Income from other derivatives	6,833	23,944
Bad debt recoveries	251,519	69,994
Income from fixed assets disposal	2,606	7,132
Income from purchasing debt operations	622,222	3,218
Income from contracts penalty receivable	39,025	114,028
Other incomes	35,158	28,092
Expenses for other operations	(82,291)	(253,363)
Expenses for other derivatives	(21,737)	(21,906)
Expenses for debt trading activities	(46,093)	(18,655)
Expenses for fixed assets disposal	-	(10,435)
Loss from disposal of assets purchases contract	-	(189,494)
Other expenses	(14,461)	(12,873)
Net gain/(loss) from other operations	875,072	(6,955)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

as at 31 December 2015 and for the year then ended

35. OPERATING EXPENSES

	2015 VND million	2014 VND million
Expenses on taxes	70,654	5,125
Personnel expenses	3,183,691	1,925,033
<i>In which:</i>		
Salary and allowances	2,843,791	1,713,532
Expenses related to salary	165,835	116,658
Subsidy	115,564	61,464
Other allowances	58,501	33,379
Fixed asset expenses	740,327	291,891
<i>In which: depreciation and amortization of fixed assets</i>	144,532	107,832
Administrative expenses	670,510	857,417
<i>In which:</i>		
Expenses on per diem	39,942	29,979
Expenses for social activities	16,834	6,322
Insurance fee for customer deposits	95,507	75,234
Other administrative expenses	931,780	528,284
	5,692,469	3,682,984

36. PROVISION EXPENSE FOR CREDIT LOSSES

	2015 VND million	2014 VND million
Provision expense for loans to customers <i>(Note 11)</i>	2,833,279	1,183,399
Reversal of provision for placements with and loans to other credit institutions	(5,720)	(54,236)
<i>(Reversal)/Expense of provision for other assets (Note 16.4)</i>	10,474	(351,163)
Provision reversal for off-balance sheet commitments	-	(43,726)
Provision expense for VAMC bonds <i>(Note 12.3)</i>	439,607	127,339
Provision expense for securities held for trading	-	14,979
Provision expense for investment securities	-	102,882
	3,277,640	979,474

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2015 and for the year then ended

37. CASH AND CASH EQUIVALENTS

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

	31 December 2015 VND million	31 December 2014 VND million
Cash and cash equivalent on hand	1,632,425	1,358,034
Balances with the SBV	2,261,499	3,701,393
Current account at other credit institutions	843,579	1,057,896
Placements with other credit institutions with original term of three months or less	7,886,166	639,043
Investment securities due within three months from acquisition date	-	2,535,659
	12,623,669	9,292,025

38. SUBSIDIARY ACQUISITIONS AND DIVESTMENT

	Figures related to acquisition or divestment of subsidiaries		Figures presented on the consolidated financial statements	
	2015 VND million	2014 VND million	2015 VND million	2014 VND million
Total value of acquisition /disposal (1)	1,068,000	1,224,035	1,068,000	1,224,035
Acquisition or disposal paid by cash or cash equivalent	1,068,000	1,224,035	1,068,000	1,224,035
Actual cash or cash equivalent in the acquired/disposed subsidiaries or other business units (ii) (2)	718,282	1,218	718,282	1,218
Assets or liabilities which are not cash or cash equivalent in acquired/disposed subsidiaries or other business unit during the year (ii) (3)	185,442	1,147,912	-	1,147,912
Placements with and loans to other credit institutions with the maturity of more than 90 days	614,889	283,738	-	283,738
Securities held for trading	548,853	-	-	-
Loans to customers	-	760,027	-	760,027
Investment securities	7,476	-	-	-
Long-term investments	-	-	-	-
Fixed assets	13,390	57,654	-	57,654
Other assets	1,649,403	152,546	-	152,546
Deposits and borrowings from other credit institutions	-	-	-	-
Deposits from customers	-	(28,332)	-	(28,332)
Valuable papers issued	(1,958,000)	-	-	-
Other liabilities	(690,569)	(77,721)	-	(77,721)
Total ((1)-(2)-(3))	164,276	74,905	349,718	74,905

(i) After the divestment, VPBS is no longer a subsidiary of the Bank, and accordingly, the assets and liabilities of VPBS are not presented in the consolidated financial statements of the Bank as at 31 December 2015.

(ii) The assets and liabilities related to the divestment of subsidiaries in 2015 are multiplied by the divestment ratio (89%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

as at 31 December 2015 and for the year then ended

39. EMPLOYEES' REMUNERATIONS

	2015 VND million	2014 VND million
I Total average number of employees (person) (only official employees)	11,066	8,148
II Employees' remuneration (VND million)		
1 Total salary fund	2,352,722	1,614,377
2 Bonus	-	-
3 Other remuneration	152,793	58,222
4 Total remuneration (1+2+3)	2,505,515	1,672,599
5 Average monthly salary	17.72	16.50
6 Average monthly remuneration	18.87	17.08

40. COLLATERALS AND MORTGAGES

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

	Book value	
	31 December 2015 VND million	31 December 2014 VND million
Real estates	136,759,382	121,670,767
Estates	21,046,244	14,422,896
Valuable papers	77,312,889	47,453,887
Others	89,346,542	51,033,278
	324,465,057	234,580,828

41. RELATED PARTY TRANSACTIONS

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

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

The Bank does not have any significant transactions and material receivables and payables with related parties as at 31 December 2015 and for the year then ended. Remunerations of members of the Board of Management, Board of Supervision and Board of Directors during the year amounted to VND30,369 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

as at 31 December 2015 and for the year then ended

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

	Domestic VND million	Foreign VND million	Total VND million
Loans to customers and other credit institutions	122,628,138	46,770	122,674,908
Total fund mobilised	174,576,996	522,296	175,099,292
Credit commitments	53,561,557	-	53,561,557
Derivatives instruments	131,760	-	131,760
Trading and investment in securities	50,517,995	-	50,517,995

43. FINANCIAL RISK MANAGEMENT POLICIES

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

- Credit risk.
- Liquidity risk.
- Market risk.

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

Risk management framework

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

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

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

43.1. Credit risk

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

Credit risk management

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2015 and for the year then ended

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

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

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

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

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

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

	Neither past due nor impaired VND million	Past due but not impaired VND million	Individually impaired VND million	Total VND million
Placements with and loans to other credit institutions	14,599,675	-	731	14,600,406
Placements with other credit institutions	8,729,745	-	-	8,729,745
Loans to other credit institutions	5,869,930	-	731	5,870,661
Trading securities	2,046,735	-	-	2,046,735
Loans to customers	105,787,548	3,183,775	7,832,924	116,804,247
Investment securities	47,909,683	-	561,577	48,471,260
Available-for-sale investment securities	43,389,044	-	561,577	43,950,621
Held-to-maturity investment securities	4,520,639	-	-	4,520,639
Other assets	9,693,170	-	226,435	9,919,605
Total	180,036,811	3,183,775	8,621,667	191,842,253

The Bank's financial assets which are neither past due nor impaired include loans classified as Current loans, except for the loans overdue less than 10 days, under Circular No. 02 and Circular No. 09; securities, receivables and other financial assets which are not past due and no provision is required under Circular 228/QD-BTC and Circular No.89/2013/TT-BTC. The Bank believes that the Bank has the ability to collect adequately and timely these financial assets in the future.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

as at 31 December 2015 and for the year then ended

43.2. Market risk

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

Market risk management

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

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

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

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

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

(a) Interest rate risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2015 and for the year then ended

Below table shows an analysis of the interest re-pricing period of assets and liabilities of the Bank as at 31 December 2015.

	Overdue VND million	Non-interest bearing VND million	Interest re-pricing period					Total VND million
			Up to 1 month VND million	From 1 to 3 months VND million	From 3 to 6 months VND million	From 6 to 12 months VND million	From 1 to 5 years VND million	
Assets								
Cash, gold, gemstones	-	1,632,425	-	-	-	-	-	1,632,425
Balances with the State Bank of Vietnam	-	-	2,261,499	-	-	-	-	2,261,499
Balances with and loans to other credit institutions – gross	731	-	9,768,368	521,857	809,450	3,500,000	-	14,600,406
Securities held for trading – gross	-	-	159,120	421,473	735,176	1,10,770	298,621	2,046,735
Loans to customers - gross	8,867,759	-	50,042,122	18,593,190	8,783,495	11,506,072	615,122	116,804,247
Investment securities - gross	561,577	4,520,639	4,554,224	8,581,999	4,009,246	1,178,460	18,641,115	48,471,260
Long-term investment – gross	-	322,984	-	-	-	-	-	322,984
Fixed assets and investment property	-	537,174	-	-	-	-	-	537,174
Other assets	226,435	8,806,020	137,000	-	-	-	750,150	9,919,605
Total assets	9,656,502	15,819,242	66,922,333	28,118,519	14,337,367	16,295,302	38,086,373	196,596,335
Liabilities								
Deposits and borrowings from the Government and the SBV	-	-	4,821,063	-	-	-	-	4,821,063
Deposits and borrowings from other credit institutions	-	-	8,658,183	6,869,916	1,862,005	204,750	165,991	17,764,430
Customer deposits	-	-	45,068,471	30,722,888	33,391,667	17,784,100	3,301,799	130,270,670
Derivatives and other financial liabilities	-	134,160	-	-	-	-	(2,400)	131,760
Other borrowed and entrusted funds	-	-	383,188	-	-	-	-	383,188
Valuable paper issued	-	-	256,825	1,845,557	6,199,128	8,984,204	4,574,227	21,859,941
Other liabilities	-	5,256,454	-	-	-	-	-	5,256,454
Total liabilities	-	5,390,614	59,187,730	39,438,361	41,452,800	26,973,054	8,039,617	180,487,506
Interest's sensitivity gap (balance sheet items)	9,656,502	10,428,628	7,734,603	(11,319,842)	(27,115,433)	(10,677,752)	30,046,756	16,108,829
Off-balance sheet commitments which have impact on interest sensitivity of assets and liabilities (net)	-	-	-	-	-	-	-	-
Interest sensitivity gap (on, off- balance sheet items)	9,656,502	10,428,628	7,734,603	(11,319,842)	(27,115,433)	(10,677,752)	30,046,756	16,108,829

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2015 and for the year then ended

Interest sensitivity

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

	Assumed increase in interest rate	Impact on	
		Profit before tax VND million	Profit after tax and equity VND million
As at 31 December 2015			
USD	1.50%	(65,674)	(51,225)
VND	3.00%	39,859	31,090
As at 31 December 2014			
USD	1.50%	(108,681)	(84,771)
VND	3.00%	61,788	48,195

(b) Currency risk

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

Currency risk management

The Bank's management has set limits on positions by currency in accordance with the Bank's internal risk assessment system and the SBV's regulations. The major currency in which the Bank transacts is VND. The Bank's loans and advances were mainly denominated in VND with the remainder mainly in USD. Some of the Bank's other assets are in currencies other than the reporting currency of VND and USD. Positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

Exchange rates of major currencies as at the reporting date are presented in Note 47. The exchange rate of USD/VND in 2016 is forecasted by the Bank to increase by from 4% to 6% in comparison with the exchange rate as at 31 December 2015.

Exchange rate sensitivity

Assuming that all other variables are unchanged, the table below shows the impact on profit before tax and equity of the Bank due to the changes that may occur by exchange rate. Risks due to the changes of exchange rates to other currencies of the Bank are not significant.

	Assumed level of increase	Impact on profit after tax VND million
As at 31 December 2015		
USD	2.00%	(665)
As at 31 December 2014		
USD	2.00%	4,412

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2015 and for the year then ended

The following table presents assets and liabilities in foreign currencies translated into VND as at 31 December 2015:

	EUR equivalent VND million	USD equivalent VND million	Gold equivalent VND million	Other currencies equivalent VND million	Total VND million
Assets					
Cash, gold, silver and gemstones	246,409	309,047	25,496	201,246	782,198
Balances with the State Bank of Vietnam	-	249,345	-	-	249,345
Placements with and loans to other credit institutions	415,436	4,139,353	-	40,981	4,595,770
Securities held for trading	-	-	-	-	-
Loans to customers	-	3,123,868	-	-	3,123,868
Other assets	-	255,927	-	-	255,927
Total assets	661,845	8,077,540	25,496	242,227	9,007,108
Liabilities					
Deposits and borrowings from the SBV and other credit institutions	-	1,169,223	-	-	1,169,223
Customer deposits	818,190	10,060,811	-	564,200	11,443,201
Derivatives and other financial liabilities	(149,000)	(3,181,490)	-	(329,028)	(3,659,518)
Other liabilities	6,732	70,762	-	2,581	80,075
Equity and reserves	-	-	-	-	-
Total liabilities and equity	675,922	8,119,306	-	237,753	9,032,981
FX position on balance sheet	(14,077)	(41,766)	25,496	4,474	(25,873)
FX position off-balance sheet	-	-	-	-	-
Net on, off-balance sheet FX position	(14,077)	(41,766)	25,496	4,474	(25,873)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

as at 31 December 2015 and for the year then ended

(c) Liquidity risk

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

Liquidity risk management

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2015 and for the year then ended

Below table presents the analysis of remaining maturity of assets and liabilities of the Bank as at 31 December 2015:

	Overdue		Current					Total VND million
	Above 3 months VND million	Within 3 months VND million	Up to 1 months VND million	From 1 to 3 months VND million	From 3 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million	
Assets								
Cash, gold, silver and gemstones	-	-	1,632,425	-	-	-	-	1,632,425
Balances with the State Bank of Vietnam	-	-	2,261,499	-	-	-	-	2,261,499
Balances with and loans to other credit institutions – gross	731	-	9,768,368	521,857	4,309,450	-	-	14,600,406
Securities held for trading – gross	-	-	2,046,735	-	-	-	-	2,046,735
Loans to customers – gross	4,184,404	4,683,355	9,092,030	10,293,907	24,031,849	41,753,254	22,765,448	116,804,247
Investment securities – gross	-	561,577	1,001,163	3,294,530	6,172,227	30,801,846	6,639,917	48,471,260
Long-term investments – gross	-	-	-	-	-	-	322,984	322,984
Fixed assets and investment property	-	-	-	-	-	120,405	416,769	537,174
Other assets	226,435	1,285	8,229,491	137,917	509,532	814,790	155	9,919,605
Total assets	4,411,570	5,246,217	34,031,711	14,248,211	35,023,058	73,490,295	30,145,273	196,596,335
Liabilities								
Deposits and borrowings from the SBV	-	-	-	4,819,153	1,910	-	-	4,821,063
Deposits and borrowings from other credit institutions	-	-	8,658,182	6,869,917	2,066,755	165,991	3,585	17,764,430
Customer deposits	-	-	45,068,471	30,722,888	51,175,767	3,301,799	1,745	130,270,670
Derivatives and other financial liabilities	-	-	127,765	-	3,995	-	-	131,760
Other borrowed and entrusted funds	-	-	-	-	2,656	337,536	42,996	383,188
Valuable papers issued	-	-	256,825	1,845,557	12,683,332	4,574,227	2,500,000	21,859,941
Other liabilities	-	-	5,239,938	16,516	-	-	-	5,256,454
Total liabilities	-	-	59,351,181	44,274,031	65,934,415	8,379,553	2,548,326	180,487,506
Net liquidity gap	4,411,570	5,246,217	(25,319,470)	(30,025,820)	(30,911,357)	65,110,742	27,596,947	16,108,829

(d) Other market price risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

as at 31 December 2015 and for the year then ended

44. ADDITIONAL INFORMATION ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

Financial assets

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

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

➤ Financial asset at fair value through profit or loss

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

a) A financial asset is classified as held for trading if:

- ✓ It is acquired or incurred principally for the purpose of reselling or repurchasing it in the near term;
- ✓ There is evidence of a recent actual pattern of short-term profit-taking; or
- ✓ It is a derivative (except derivative that is a financial guarantee contract or effective hedging instrument).

b) Upon initial recognition, it is designated by the entity as at fair value through profit or loss.

➤ Held to maturity investments

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

- a) Those that the entity upon initial recognition designates as at fair value through profit or loss;
- b) Those that the entity designates as available for sale;
- c) Those meet the definition of loans and receivables.

➤ Loans and receivables

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

- a) Those that the Bank intends to sell immediately or in the near future are classified as holding-assets for trading purposes, and others that at the same time of initial recognition that the entity classified at fair value according to result of income statement;
- b) Those that the Bank classifies as available-for-sale at the time of initial recognition; or
- c) Those that the holders may not recover most of the initial investment cost, not due to the impairment of the credit quality and are classified as available-for-sale.

➤ Available-for-sale financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

as at 31 December 2015 and for the year then ended

- a) Loans and receivables;
- b) Held-to-maturity investments;
- c) Financial assets at fair value through profit or loss.

Financial liabilities

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

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

- Financial liability at fair value through profit or loss:

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

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

- Financial liabilities at amortized cost:

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

Offsetting of financial assets and financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2015 and for the year then ended

The carrying value and fair value of financial assets the Bank as at 31 December 2015 are presented as follows

	Carrying value					Fair value VND million
	Financial assets at fair value through profit and loss VND million	Held-to-maturity VND million	Loans and receivables VND million	Available-for-sale VND million	Other assets and liabilities recorded at amortized cost VND million	
Cash, gold, silver and gemstones	-	-	1.632,425	-	-	1.632,425
Balances with the State Bank of Vietnam	-	-	2,261,499	-	-	2,261,499 (*)
Balances with and loans to other credit institutions - gross	-	-	14,600,406	-	-	14,600,406 (*)
Securities held for trading - gross	2,046,735	-	-	-	-	2,046,735 (*)
Loans to customers- gross	-	-	116,804,247	-	-	116,804,247 (*)
Available-for-sale securities - gross	-	-	-	43,950,621	-	43,950,621 (*)
Held-to-maturity securities - gross	-	4,520,639	-	-	-	4,520,639 (*)
Other financial assets	-	-	8,765,936	322,984	-	9,088,920 (*)
	2,046,735	4,520,639	144,064,513	44,273,605	-	194,905,492 (*)
Deposits and loans from other credit institutions	-	-	22,585,493	-	-	22,585,493 (*)
Customer deposits	-	-	130,270,670	-	-	130,270,670 (*)
Derivatives and other financial liabilities	131,760	-	-	-	-	131,760 (*)
Other borrowed and entrusted funds	-	-	383,188	-	-	383,188 (*)
Valuable papers issued	-	-	21,859,941	-	-	21,859,941 (*)
Other financial liabilities	-	-	4,954,878	-	-	4,954,878 (*)
	131,760	-	180,054,170	-	-	180,185,930 (*)

(*) The fair value of those financial assets and liabilities cannot be determined because there is no specific guidance from Vietnamese Accounting Standards and Accounting System on determination of fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 31 December 2015 and for the year then ended

45. COMMITMENTS FOR OPERATING LEASE

Obligations of payments under operating lease contract as at the end of the year are as follows:

	31 December 2015 VND	31 December 2014 VND
Within one year	37,155	6,806
From two years to five years	10,872	10,194
	48,027	17,000

46. EVENTS AFTER THE CONSOLIDATED BALANCE SHEET DATE

There have been no significant events occurring after the consolidated balance sheet date which require further adjustment and disclosure in the consolidated financial statements

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

	31 December 2015 VND	31 December 2014 VND
AUD	16,290	17,319
CAD	16,041	18,242
CHF	22,471	21,420
CNY	3,389	3,408
DKK	3,160	3,160
EUR	24,340	25,807
GBP	33,193	33,066
JPY	186	178
NZD	17,122	17,122
SEK	3,078	3,078
SGD	15,758	16,027
TWD	30	30
USD	21,890	21,246
XAU	324,500	349,000

Prepared by:



Ms. Nguyen Thi Thu Hang
Chief Accountant

Hanoi, Vietnam
3 February 2016

Reviewed by:



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

Approved by:



Mr. Nguyen Duc Vinh
Chief Executive Officer

2016 BUSINESS PLAN

The world economy is expected to undergo an unstable recovery in 2016 because of a slowdown in global trade and falling oil prices that put pressure on the financial balances of oil-exporting countries, an extended economic downturn and deflation that remain a threat to European economies and Japan, and multiple challenges faced by emerging markets for political, economic, financial and monetary reasons.

In the domestic economy, 2016 marks the first year of the 2016-2020 social-economic development plan. Given the economic growth momentum, improved domestic investment efficiency, growth-driven policies and participation in a number of free trade agreements, Vietnamese economy expects to see substantial recovery and growth in the mid-term. Trade agreements which take effect in 2016 are likely to help expand export markets, especially in the garment & textile, footwear, agricultural, forestry and fishery industries. Some macroeconomic indicators are projected to be positive – GDP growth rate at around 6.7%, CPI under 5%, the country's investment around 31% of GDP, total export turnover growth rate in 2016 is forecast to be about 10%, and the trade deficit to import turnover ratio is expected to be under 5%.

The banking industry in 2016 is forecast to have a more stable and positive outlook, with 18-20% credit growth and 16-18% growth in total means of payment compared to 2015. The banking industry continues to present opportunities for robust development with increasing numbers of individuals and enterprises being able to access banking products and services.

2016 marks the fourth year of VPBank's 2012-2017 five-year strategy. After three years (2013-2015) focusing on building and strengthening the foundations to prepare for expansion, 2016 will be the second year of the comprehensive transformation program centered around rapid growth and realizing the ambition of becoming a top Vietnamese joint stock commercial bank in 2017. Against the backdrop of growing competitiveness in the banking industry and in line with its long-term strategy, VPBank will keep focusing on two primary goals in 2016:

- **Fostering rapid expansion of core customer segments and selected market segments as defined in the Bank's strategy.** In particular, lending, deposits and customer base growth will be promoted in the two core business segments – Retail Banking and SME – by enhancing sales productivity and quality of the sales force, which have seen a significant investment in the past few years. The CMB and CIB Divisions will be focused on restructuring their customer lending portfolios, promoting cross-selling and offering specialized products. The remaining business divisions will be encouraged to develop their products and optimize their balance sheets.
- **Continuing to strengthen the business platforms towards high performance quality and efficiency in every key aspect.** VPBank will continue to sharpen its focus on risk management systems, credit approval, strengthening of management systems, NPL handling & collection, deployment & fulfillment of organizational models for sales & service systems, human resource development, and enhancement of its advanced technology system to ensure smooth support for rapid business growth and service quality improvement.

Consolidated financial targets in 2016

No	Targets (VND billion)	2016 plan
1	Total assets	246,223
2	Deposits from customers & valuable papers	188,326
3	Total outstanding credit	177,017
	Of which: Loans to customers	156,358
4	NPL ratio	<3%
5	Profit before tax	3,200

*Note: This credit growth target is made based on VPBank's projection and will be submitted to SBV for approval.

Given its firm foundations of human resources, systems and technologies, combined with relentless innovation, a culture of constant improvement and a desire to build a sustainable business, VPBank has great confidence in its ability to meet these challenging business and financial targets in 2016

VPBANK'S NETWORK



208

TRANSACTION POINTS OF
VPBANK NATION-WIDE

AN GIANG	02	DONG THAP	01	KIEN GIANG	01	QUANG TRI	02
BAC GIANG	04	GIA LAI	01	LONG AN	02	THANH HOA	07
BAC NINH	02	HA NOI	62	NAM DINH	05	THAI BINH	04
BINH DINH	02	HA TINH	05	NHA TRANG	02	THAI NGUYEN	02
BINH THUAN	02	HAI DUONG	03	NGHE AN	06	VINH LONG	01
BINH DUONG	01	HAI PHONG	09	PHU THO	02	VINH PHUC	03
CAN THO	04	HOA BINH	02	QUANG BINH	04	VUNG TAU	01
DONG NAI	03	HO CHI MINH	42	QUANG NAM	01		
DA NANG	10	HUE	06	QUANG NINH	04		

VIETNAM PROSPERITY JOINT-STOCK COMMERCIAL BANK (VPBANK)

Head Office: 72 Tran Hung Dao str., Hoan Kiem dist, Ha Noi

Tel: 043.9288869 / Fax: 043.9288867 / Website: www.vpbank.com.vn

Customer service: 043.9288880 or 1900545415