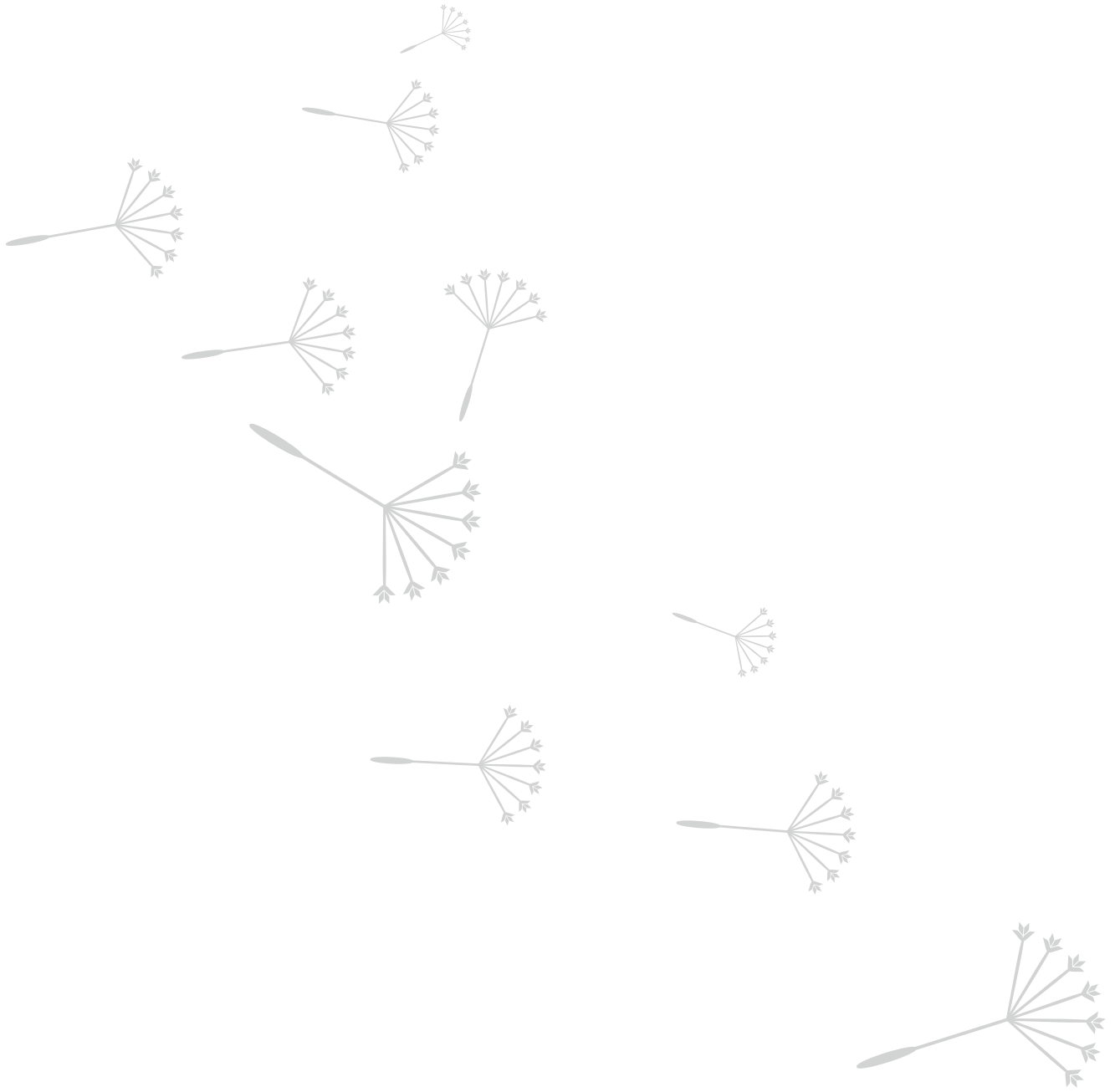




 VPBank

2014

ANNUAL REPORT





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Vision by 2017

VPBank will become **1**

of the five leading joint-stock commercial banks in Vietnam
of the three leading retail joint-stock commercial banks in Vietnam

CORE VALUES

CUSTOMER FOCUS

PRODUCTIVITY

AMBITION

PEOPLE DEVELOPMENT

TRUST

MAKE THE DIFFERENCE



BUSINESS HIGHLIGHTS

BUSINESS PERFORMANCE INDICATORS (VND billion)	2012	2013	2014	% 2014 vs. 2013
Total assets	102,673	121,264	163,241	34.6%
Shareholder's equity	6,709	7,727	8,980	16.2%
Deposits from customers	59,514	83,844	108,354	29.2%
Total outstanding credit	44,965	65,625	91,535	39.5%
<i>Of which: Loans to customers</i>	36,903	52,474	78,379	49.4%
Total operating income (TOI)	3,114	4,969	6,269	26.2%
Profit before tax (PBT)	949	1,355	1,609	18.7%
PROFITABILITY AND EFFICIENCY RATIOS	2012	2013	2014	2014 vs. 2013
ROE	11%	14%	15%	1%
CAR	12.5%	12.5%	11.4%	(0.9%)
Number of employees	4,326	6,795	9,501	2,706
Number of branches	204	207	209	2
Number of active customers (thousands)	251	399	725	326

PROFIT BEFORE TAX Unit: VND billion



TOTAL ASSETS Unit: VND billion



CUSTOMER DEPOSITS Unit: VND billion



CUSTOMER LENDING Unit: VND billion



Source: VPBank's 2014 Audited Consolidated Financial Statements

MESSAGE FROM THE BOD CHAIRMAN AND CEO



Dear Valued Shareholders and Customers,

2014 was the third year of VPBank's five-year strategic roadmap to realize our vision of becoming one of the leading 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 satisfaction with the achievements VPBank attained in 2014 in both foundation building and business results. These achievements confirmed VPBank's sound strategy and firmly strengthened the trust in realization of the Bank's vision.

Our gratitude goes to our valued shareholders and customers who supported VPBank over the year. We would also like to express our special thanks towards the Board of Management, managerial staff and all VPBank's employees for their relentless efforts and contribution for the Bank's development.

As of 31 December 2014, VPBank's loans balance increased by 39%, deposits rose by 29%, profit before tax reached VND1,609 billion and provision was at VND979 billion, equal to that of 2013. The 2014 profit kept VPBank amongst the top profit earning banks in Vietnam's market.

In accordance with VPBank's business strategy, two key segments, namely Retail banking and SME banking, have been further developed. Although the profits of these two segments in 2014 did not fully show their core role, the impressive growth in deposits and loan volume of these two segments in this year was a notable achievement. Besides the sharp growth in volume of these two core segments, 2014 was a successful year in terms of the efficiency of the other business segments such as Corporate Banking Division, Financial Markets Division, Investment and Project Financing Division and Consumer Finance Division. These business divisions have capitalized on specialized products and services, cross-selling programs as well as the sub-strategies fitting to each business segment to stimulate performance, thus making great contributions to the Bank's income and profit in 2014.

VPBank's success this year was not only its business performance. 2014 was also the year VPBank successfully transformed a vast range of foundational systems which had been initially deployed by the Bank

since the end of 2012, including the Centralized Credit Processing Center (CPC); centralized and consistent collection system; specialized sales channels for each customer segment and product group; centralized operations system, risk management system, financial management system and information technology system. The success in formulating and transforming the foundational banking systems towards centralization and specialization has created a solid platform for VPBank to enter the rapid scale-up phase at the start of 2015 as a part of the Bank's 2012-2017 growth strategy.

The macro-economic environment in 2015 is forecasted to undergo numerous complex developments as a result of the impacts from the global political-economic turmoil as well as the internal factors of the Vietnam's macro-economy, especially the continuously higher requirements from regulatory agencies regarding governance standards in the banking sector. Economic growth is predicted to remain at a low while competition in the banking sector is high and will continue to increase in the future. Therefore, VPBank now enters its rapid scale-up phase amidst a challenging business environment. However, with solid and strengthened foundational systems, professionally organized sales channel system for each customer segment, carefully recruited and trained staff in 2014, we are fully confident of VPBank's success in 2015 as well as its journey to become one of the leading joint-stock commercial banks in Vietnam in the near future.

Our warmest thanks!



Ngo Chi Dzung
BOD Chairman



Nguyen Duc Vinh
CEO



OVERVIEW OF VPBANK



A 21-year journey of development and prosperity making

VPBANK – DEVELOPMENT MILEPOSTS

1993

- Established under the name of Vietnam Joint-Stock Commercial Bank for Private Enterprises with chartered capital of VND20 billion.

2006

- Engaged OCBC Singapore as a strategic shareholder;
- Founded two subsidiaries, namely Vietnam Prosperity Bank Asset Management Limited Company (VPBank AMC) and VPBank Securities Company Limited (VPBS).

2007

- Became the first bank in Vietnam to introduce a chip card.

2009

- Launched E-Banking service.

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.

10 HIGHLIGHTS OF 2014



1. Enhancement of customer engagement

In 2014, VPBank continuously launched new products and services tailor-made to customer's particular demands and profile, such as the VP Lady credit card for women, VPBizcard for businesses. VPBank has also provided competitive preferential interest rate programs which were well received by customers. In an effort to bring both happiness and prosperity to customers, VPBank organized training courses, workshops and forums on macroeconomics, financial management skills, and feng shui; private sales of well-known brands dedicated to VPBank's customers; health and beauty care programs for women. The mental values rendered to customers by VPBank were also reflected in splendid music shows which were specifically customer-oriented, diversified in scale and organizational forms with the participation of renowned national and international singers. In particular, VPBank realized the dreams of thousands of fans of the legendary pianist Richard Clayderman by inviting him to perform in Hanoi in August 2014.

2. Fulfillment of the bank-wide transformation Phase 1

VPBank has essentially completed Phase 1 – Foundational Growth and laid the premise for Phase 2 – Rapid scale-up starting at the beginning of 2015. In particular, VPBank successfully transformed its sales and services model throughout all branches and SME centers during the

first half of 2014 and continually improved its sales performance and customer services during the second half of 2014. The sales and services model was transformed to foster stronger specialization onto functionalities and products. The transformation process was divided into different phases. In parallel with the transformation of its sales and services model, VPBank also transformed its operations model through the centralization of back office operations in order to free up the time for business units to sell products. VPBank has piloted the establishment of centralized operation hubs in Hanoi and Ho Chi Minh City so as to enhance operational efficiency and save costs. The Bank has also finalized the development of standard products for Retail Banking and SME Banking divisions and achieved remarkable progress in projects concerning the development of risk management and IT foundations.

3. Establishment of VPB FC

With a vision of becoming a top-three retail joint stock commercial bank in Vietnam in 2017, VPBank successfully acquired and transformed Vietnam National Coal-Mineral Finance Joint Stock Company (CMF) into VPBank Finance Company (VPB FC) and spinned out its Consumer Finance Division (CF) into this subsidiary. This success enables VPBank to comply with the government's regulations on consumer finance business, create the momentum for the Bank to sustain growth and assert its leading position in the consumer finance market in Vietnam.

4. Promotion of corporate culture development

Through diverse and fascinating internal activities, VPBank continues to build its corporate culture by organizing training courses, communication activities, contests, events, emulation campaigns and exchange events amidst bank-wide units. Professional knowledge, intellect and physical beauty, resilience, endurance, youth and talents of VPBankers were showcased in such events as VPBank Trang Nguyen contest, Miss & Mr. VPBank 2014 contest, Conquering Fansipan Peak contest, Fly! Night on celebration of the Bank's anniversary, and Sing and Dance contest. Through these diversified and impressive activities, VPBank has developed its corporate culture towards distinction, uniqueness, modernity and integration with the Bank's core values.

5. Fundamental fulfillment of financial targets

The year 2014 marks the first time that VPBank's total assets have exceeded the milestone of VND160 trillion, bringing VPBank close to the group of the largest joint stock commercial banks in Vietnam. The targets regarding deposits, lending, profits, customer acquisition set out by VPBank have been fulfilled as planned. The Bank has recorded a rise in its charter capital from VND5,770 billion in 2013 to nearly VND6,400 billion early in 2014 whilst total equity reached nearly VND9,000 billion by the end of 2014, thereby contributing to consolidating the Bank's resources for the Rapid Scale up phase at the beginning of 2015.

6. Hand in hand with "Actions for dreams"

In alignment with the operating principles and one of its six core values, VPBank has proactively participated in the activities for community. The social program in 2014 utilized a budget of VND5 billion. A total of 17,000 school bags and scholarships of VND1 billion in cash have been handed over to disadvantaged children in mountainous areas; 10 compassion houses were handed over in Gia Lai and Thanh Hoa provinces; VND300 million worth of gifts and necessities were handed over by VPBank delegation to the soldiers and people in the Spratly islands; hundreds of umbrellas have been donated to the Hanoi Transport Police force in support of carrying out their duty on the streets. In addition, the annual activities such as caring for Vietnamese Heroic Mothers, gift-giving to poor households in mountainous areas on the occasion of Tet holiday, have been constantly maintained by VPBank's leadership and staff.

7. Data Committee establishment

VPBank has taken pioneering steps in 2014 to manage and transform data into valuable information. The Bank set up its Business Intelligence Competency Center (BICC) with the aim of promoting and enabling effective use of

shared business intelligence services in couple with a sound data governance mechanism. VPBank was the first bank in Vietnam which has a Data Committee with full data management function and chaired by the CEO.

8. Renewal and replacement of its brand identity system nationwide

In 2014, VPBank officially issued the unified documentation regarding brand identity across the country. Many branches were renewed with signage and interiors which were modern, friendly and loved by customers. During 2015, it is anticipated that a further 90 branches will be renewed to make it to a total of 170 branches of the whole 209 branches system. The official website's domain www.vpbank.com.vn was certified by Verisign and Globalsign across in October 2014.

9. Highly acknowledged and awarded by domestic and international organizations

These aforementioned achievements gained by VPBank have been well recognized by the domestic and foreign organizations during 2014. In particular, VPBank has been recognized as Vietnam Value for two consecutive times by the Ministry of Industry and Trade and awarded with five significant rewards by the prestigious international organizations, including "Best Commercial Bank Vietnam 2014", "Straight-Through-Process Award", "Best Banking Product Vietnam 2014", "Best Trade Finance Bank Vietnam 2014" and "Bank for Standard International Settlements". VPBank is also listed in VNR500 – the list of the 500 Vietnam's Largest Enterprises in 2014. The achievements gained by VPBank have been recognized not only through the awards but also through its successful establishment of business relationships with financial institutions. In 2014, VPBank is one of the few banks in Vietnam which have been granted a first-time limit of USD30 million by the Asian Development Bank (ADB).

10. Moody's outlook rating upgraded to "Positive"

In September 2014, Moody's Investors Service raised the outlook of VPBank from the rating of "Stable" to "Positive". According to this organization's rating, in addition to the high and stable growth, VPBank has invested in improving the quality of its corporate governance, risk management and healthy credit. Given these results, VPBank ranked on a par with the leading commercial joint stock banks in Vietnam in 2014.

2014 THE YEAR OF ACCOLADES AND GRAND AWARDS



2014 was a fruitful year for VPBank. We were honorably awarded with a vast array of distinguished and reputable awards granted by both local and foreign prestigious organizations as recognition for our unceasing efforts to improve the Bank's products and services.

Among the six prestigious awards granted to VPBank throughout 2014, five were from international organizations based on their detailed assessment of corporate governance system, competitiveness, sustainable development, safety level and loyal customer ratio using a tremendously stringent and strict process to ensure objectiveness.

VPBank was the first bank in Viet Nam to be conferred with the award entitled "Best Commercial Bank Vietnam 2014" by the UK-based International Finance Magazine (IFM) – one of the most reputable magazines worldwide in the field of Banking – Finance.

With the achievement of Straight-Through Processing rate for international payment transactions as high as 98%, the Bank of New York Mellon (BNYM) conferred "Straight-Through-Process" Award on VPBank for the eighth consecutive year.

Based on the same criterion, VPBank was given "Straight-Through-Process Award" by Citibank for the second time.

The UK's Global Banking & Finance Review (GBAF) gave two awards to VPBank in this year, namely "Best Banking Product

Vietnam 2014" for VPLady – a product suite exclusively designed for women and "Best Trade Finance Bank Vietnam 2014".

VPBank was also designated one of the 14 domestic businesses recognized as Vietnam Value by the Ministry of Industry and Trade for two consecutive years. Of the 40 plus banks in Vietnam only six were honored with this title in 2014. This acknowledgement demonstrated VPBank's commitment to business performance, brand identity, community activities and especially sustainable development and proactive improvements to products and service quality.

Further, VPBank has been listed in the VNR500 ratings – the list of the Top 500 Vietnam's Largest Enterprises in 2014 as determined by the Vietnam Report.

The foregoing prestigious awards are ample proof that VPBank's transformation has obtained encouraging results since its first launch in 2010 and the Bank is on a right direction. VPBank's business performance in recent years has consistently met or exceeded its targets while achieving significant annual growth. As of December 31, 2014, VPBank's total assets rose to over VND160 trillion (USD7.5 billion), making the Bank one of the Top 10 largest joint-stock commercial banks in total assets in Vietnam. VPBank's brand has also won the trust of its customers and other reputable organizations, thus laying a solid foundation for future growth in Vietnam's financial and banking market.

2014 BUSINESS
PERFORMANCE



Macroeconomic overview

- GDP in 2014 increased by 5.98% compared to that of 2013. The GDP growth rate of 2014, which was higher than the rates of 5.25% in 2012 and 5.42% in 2013, indicated signs of the continual economic recovery.
- Average CPI in 2014 increased to 4.09% as compared to 2013 and CPI by the end of 2014 was up by 1.84% as compared to 2013. CPI growth rate during 2014 was one of the lowest over the last 10 years. CPI was curbed at a low level and even experienced a negative growth during December due to adequate supply of some essential items of goods. Particularly, that prices of crude oil worldwide constantly fell during the second half of 2014 has driven down fuel prices by almost 30% locally.
- Industrial production continued to rebound, up by 7.6% compared with 2013 (higher than the rate of 5.9% in 2013). Exports rose by 13.6% compared with 2013, while imports increased by 12.1%. Trade surplus was estimated at USD2 billion and helped generate trade balance surplus.

Overall in 2014, there were a wide variety of positive factors for Vietnam's economy, which was reflected in the growth of macroeconomic indicators. Therefore, a number of international credit rating agencies have raised their assessment of the Vietnam's economy to "stable" or equivalent.

Banking sector's performance

The banking sector in 2014 witnessed growth rates of both loans and deposits similar to that of 2013. The liquidity across the whole system was maintained at a stable level. Decreased interest rate caps have helped ease the burden of business and production; foreign exchange reserves rose to a record height; the exchange rates were controlled within the intended limits. Solutions to handle NPLs have been drastically deployed by the banking sector and NPLs continued to be resolved. In particular:

- Sector-wide loans increased by 12.6%. Sector-wide customer deposits grew by roughly 16%.
- Interest rates fell across the board, of which lending interest rates fell by 1.5-2% to end up from 8.5% to 11.5%, while deposit interest rates fell by 1-1.5% to end up from 5 to 7%.
- VND/USD exchange rate was maintained at a stable level (adjusted with an increase of 1% on June 19 and another 1% on January 7, 2015). Gold prices underwent few changes during the last 6 months of the year; foreign exchange reserves rose sharply and foreign exchange rates were controlled within the intended limits.

- In March 2014, the banking sector received the most important regulation relating to the execution of a new NPL management policy which had been delayed since the beginning of 2013, Circular 09 of the SBV, regulating the classification of assets, provision rates and the usage of risk provision. As stipulated in this circular, part of these new policies on NPL management and risk provision has been adopted since June 2014, and a more comprehensive execution will be implemented in 2015. Decision 780/QD-NHNN which permitted debt restructuring without changing debt buckets came to an end, yet this policy then was continued in Circular 09/2014/TT-NHNN until the full stop on April 1, 2015.
- One further major adjustment to the operations of the banking system was also made by Circular 36/2014/TT-NHNN, which was enacted on November 20, 2014 and officially took effect from February 1, 2015, stipulating new limits and CAR as well as broader regulations affecting various operational aspects of credit institutions.

Thanks to the implementation of comprehensive solutions, the credit institution restructuring plan has yielded striking and evident success. Pressing issues of the sector have been dealt with and notable results have been obtained, including handling of weak commercial banks, aggressive resolution of NPLs. The banking sector has surmounted the toughest period, the financial market has stabilized, and investors' trust has been improved.

Amid this context, VPBank has actively developed and implemented a restructuring scheme towards modernization, efficient and safe operations. VPBank has also vigorously deployed business strategies, business model transformation and strengthening of executive teams at all levels. VPBank has been officially selected as one of 10 banks adopting Basel II in alignment with the SBV's roadmap.

Corporate governance and conversion of financial statements in conformity with IFRS

VPBank persistently believes that a good corporate governance model will be one of the key drivers to improve operational efficiency, meet business targets, improve competitiveness, develop and enhance shareholders and partners' trust. The initiative on converting financial statements in conformity with the International Financial Report Standards (IFRS) was launched in 2011 and was a constituent element of building a holistic model of professional corporate governance and contributing to the Bank's information transparency. Besides making financial statements in conformity with IFRS and fully accepted by independent auditor, VPBank has continually made updates

and preparations for new standards, adjustments and to-be-applicable interpretations, thus reducing the gaps between the figures recorded in accordance with Vietnam Accounting Standards (VAS) and those recorded in accordance with International Financial Report Standards (IFRS).

Analysis of 2014 business performance

While understanding that the market conditions in 2014 were still unfavorable, VPBank still set forth ambitious business targets in alignment with its strategic directions and in adherence to the guidelines of both the Government and the State Bank of Vietnam (SBV). VPBank's business performance in 2014 was very encouraging, with business targets being achieved and high growth rates maintained.

1. Assets

Total assets have followed a robust upward trend to reach VND163,241 billion as at December 31, 2014, up by VND41,977 billion (equivalent to an increase of 34.6%) y-o-y and exceeded the target number by 5%. Assets structure witnessed a remarkable shift to customer lending (accounting for 48% of total assets) and securities portfolio (contributing to 32% of total assets). This forms the foundation for the sustainable growth in the subsequent years.

Balances at SBV: owing to the high growth in deposits from individuals and economic entities, balances at SBV as at the end of 2014 were VND3,701 billion, a strong increase of VND2,178 billion y-o-y, to be in compliance with the regulations on compulsory reserves.

Balances with and loans to other credit institutions: as a result of VPBank's continuing effort to optimize the balance sheet and improve business efficiency, this item increased slightly y-o-y to stay at VND13,925 billion, representing 9% of total assets (this ratio was 10% in 2013 and 26% in 2012).

Credit balances (including customer lending, corporate bonds and entrusted investment): Credit balances as at the end of 2014 had reached VND91,535 billion, up by 39% y-o-y

and stayed within the limits approved by SBV. In particular, customer lending continued to record an outstanding growth to reach VND78,379 billion, representing 48% of total assets. Corporate bonds remained at the same level of last year, counting at VND13,156 billion. VPBank has been focusing on restructuring and optimization of this investment portfolio.

Investment and trading securities: VPBank continued its investment strategy of linking profit with the liquidity policy and risk appetite approved by the Board of Directors. Accordingly, total securities portfolio reached VND52,205 billion, up by VND14,529 billion (equivalent to an increase of 39% y-o-y), among which the investments in Government Bonds recorded a strong growth of VND12,926 billion to increase from VND5,944 billion in 2013 to VND18,870 billion in 2014. With this investment strategy, VPBank continued to maintain and accumulate safe and liquid bonds. As such, by the end of 2014, the total portfolio of Government Bonds, SBV's bills, State Treasury bills, and bonds issued by credit institutions and guaranteed by the Government has reached VND31,767 billion, accounting for 61% of the securities portfolio.

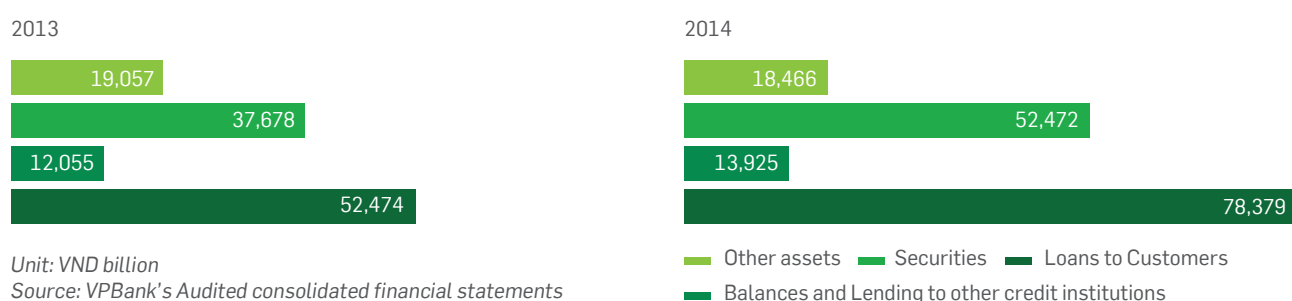
2. Liabilities and Equity

By the end of 2014, total liabilities had grown by VND41,000 billion, equivalent to an increase of 36% y-o-y, mainly contributed by the growth in customers' deposits and issuance of valuable papers (up by VND29,000 billion).

Deposits from customers: this is the biggest chunk in the Bank's total liabilities. Deposits from customers reached VND108,354 billion, a net growth of more than VND24,500 billion (equivalent to an increase of 29% y-o-y), much higher than the average sector-wide growth rate. With this, VPBank is ranked among the joint-stock commercial banks with high deposit growth rates.

Issuance of valuable papers: Total valuable papers issued as at December 31, 2014 amounted to VND12,410 billion, up by 63% y-o-y. During 2014, the Bank issued VND4,800 billion in valuable papers with tenors ranging between 1 and 5 years. This is a stable and long-term capital source to finance the long- and medium-term asset growth, ensuring the safety of the asset structure.

Chart 1: Total assets



Accordingly, total deposits (including the valuable papers issued) reached VND120,763 billion as at the end of 2014, up by 32% y-o-y. The sharp growth in total deposits has reflected the Bank's appropriate direction on deposits mobilization and its capability of raising its prestige and sharpening its brand identity during the last year.

Balances and loans from other credit institutions: based on its prediction of market interest rate movement, VPBank has increased balances and loans from other credit institutions to enjoy interest rate difference and ensure short-term liquidity. As a result, placements and loans from other credit institutions reached VND26,228 billion, up by over VND13,000 billion compared to 2013 and accounting for 17% of total liabilities.

Liabilities to SBV and others: this item observed insignificant fluctuations compared to that of 2013.

Shareholders' equity: On February 17, 2014, VPBank obtained the approval from the SBV regarding its charter capital increase to VND6,347 billion in the form of distributing share dividends and bonus shares from retained earnings and the capital reserve fund in supplement of its charter capital. VPBank completed this capital raise in March 2014.

At the Annual General Shareholders Meeting held in April 2014, VPBank set the target of raising its charter capital to VND7,323 billion. Currently, VPBank is waiting for the SBV's approval for this capital raise.

As at December 31, 2014, the total shareholders' equity of VPBank reached VND8,980 billion, an increase of VND1,254 billion y-o-y (up by 16%).

3. Analysis of major business operations

Robust, stable and sustainable growth in deposits mobilization

As VPBank continued to pursue a deposit mobilization strategy towards the expansion of "core deposits" which cover the relatively stable deposit categories, VPBank's total deposits (customer deposits, placements and loans from other credit institutions and valuable papers issued) amounted to VND146,991 billion as at December 31, 2014, an increase of 41% y-o-y, of which customer deposits exceeded VND100,000 billion for the first time, hitting VND108,354 billion or 2% higher than the target. During the 2010-2014 period, the CAGR of customer deposits reached approximately 46%.

Chart 2: Liabilities structure

2013



Unit: VND billion

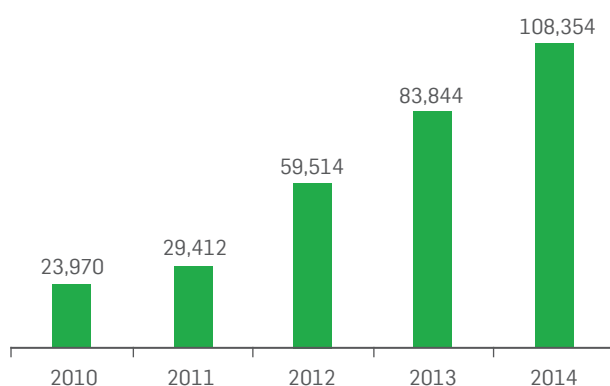
Source: VPBank's Audited consolidated financial statements

2014



Legend:
■ Other liabilities
■ Customer deposits
■ Placements and loans from credit institutions
■ Loans from SBV
■ Issues of valuable papers

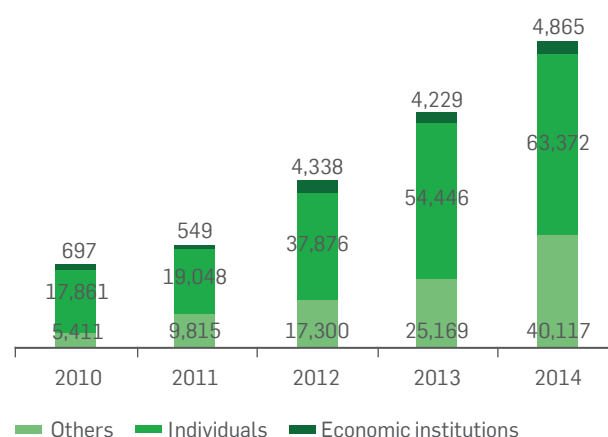
Chart 3: Customer deposits



Unit: VND billion

Source: VPBank's Audited consolidated financial statements

Chart 4: Structure of customer deposits



Legend:
■ Others
■ Individuals
■ Economic institutions

In 2014, VPBank closely monitored deposits changes and deposits utilization to develop deposit mobilization solutions which ensured liquidity at all times. Liquidity contingency plan has been adopted to readily cope with solvency crisis, including actions to supplement cash flows in case of emergency.

Customer deposits: Deposits from individuals increased by VND8.926 billion and deposits from economic entities increased by nearly VND15,000 billion y-o-y. As such, customer deposits have been restructured in a positive direction and in line with the Bank's strategy for the 2012-2017 period: in addition to sharpening its spotlight on traditional retail market, VPBank has taken full advantage of opportunities in the corporate banking segment in an attempt to diversify deposit sources, increase fund stability, and contribute to reducing the cost of funds.

Besides the regular deposit products, VPBank has proactively launched advanced, customized products with additional benefit for the customers, including: "Prosperity-oriented savings", "long-term certificate of deposits", and "VPBank Kids". Moreover, VPBank has actively managed the deposits sources in accordance with market conditions and pursuant to the ALCO's directions to ensure operational safety and business efficiency.

Safe and efficient credit operations with effective credit quality control

Total credit balances (including customer lending and corporate bonds) reached VND91,535 billion, an increase of 39% y-o-y, of which customer lending hit VND78,379 billion, exceeding the target approved by the Annual General Shareholder Meeting by 8%. In 2014, VPBank has provided many successive credit packages to lay the foundations for strong growth in the coming years.

In order to grow credit amid the tough economic climate and low capital absorption capability of enterprises, VPBank has persistently deployed a wide range of credit programs

and packages with competitive interest rates that suited with the market situation and various customer segments. Moreover, instead of lending basing on product portfolio structure, VPBank has shifted to lending basing on standard product programs to minimize risks to the Bank. The product programs included credit programs, home loans, auto loans, consumption loan, financing with 100% real estate mortgage, industry-based financing programs.

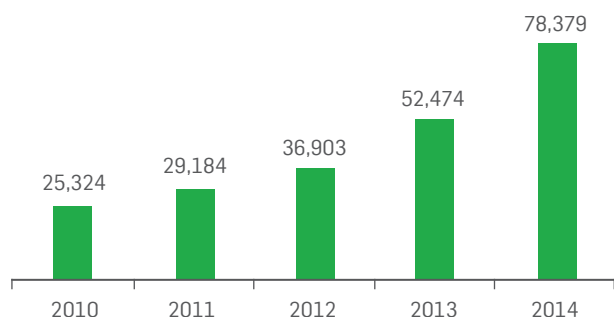
VPBank's lending structure has changed in a positive way and in accordance with the Bank's strategies. The increase in retail customer lending was VND13,689 billion and that in corporate customer lending was VND12,216 billion. Aside from that, VPBank also had a large amount of lending at preferential interest rates for the sectors promoted by the government such as agriculture and rural development, small and medium enterprises, exporters, supporting industries and high-tech industries. In particular, agriculture and forestry loans increased by 48% compared to 2013, commercial production and processing loans increased by 156%, while construction (real estate) loans only increased slightly by 10%.

Along with credit growth, VPBank has always placed strong focus on strict debt quality control and management, subjecting credit growth to credit quality. VPBank has successfully implemented a centralized credit approval system, continuously improved its advanced scorecard systems, developed a consistent risk management system, adopted an early warning system and collection mechanism, including early collection and late collection to successfully carrying out the risk management framework under the Basel II standards. Therefore, the NPL ratio has been maintained at a safe level, accounting for 2.54% of total loans at the end of 2014 (always less than 3% at all times).

Prudent and safe investment operations with remarkable results

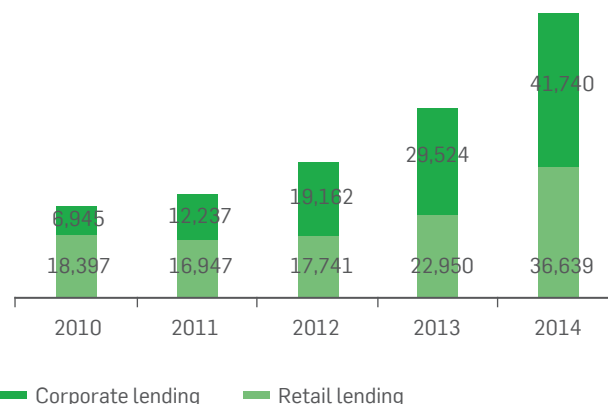
At the end of 2014, VPBank's securities portfolio reached VND52,000 billion, an increase of 39% y-o-y. 2014 was also

Chart 5: Customer lending



Unit: VND billion
Source: VPBank's Audited consolidated financial statements

Chart 6: Lending by customer structure



another year with positive results of VPBank's securities investment business as the net income from securities trading reached VND461 billion, an increase of VND157 billion or 52% y-o-y.

The investment strategy of VPBank always ensured alignment of profitability with liquidity safeguard and the risk appetite as approved by the Board of Directors. To ensure business sustainability, the Bank may sacrifice income to ensure liquidity. On the other hand, the limit for each investment portfolio was clearly defined and investment tools were diversified in order to minimize risks.

Diversified service operations with improved efficiency

Income structure has made a positive shift amidst the expansion of retail banking service and the introduction of state-of-the-art banking products and services. VPBank's total fee income reached VND960 billion by the end of 2014, in which payment service fee accounted for 13%, bancassurance fee accounted for 45% and advisory fee accounted for 11%. The net income from service operations reached VND607 billion, representing an increase of 14% y-o-y.

Subsidiaries' operations showing good results and close cooperation with the Bank in terms of products, services and operations

Subsidiaries' operations showed positive changes with all subsidiaries recording profits. The total profit before tax was VND145 billion in 2014. The close engagement and cooperation between the Bank and its subsidiaries enabled VPBank to achieve comprehensive growth and stronger competitiveness in the market.

4. Liquidity and operational safety ratios

VPBank always maintained a highly liquid assets balance to ensure meeting its liabilities without incurring financial or reputational loss to the Bank in both normal and harsh market conditions.

The other safety ratios were always maintained within limits set by the SBV.

Circular No. 36/2014/TT-NHNN officially came into effect as from February 01, 2015. This regulation included many significant changes in limits, operational safety ratios of credit institutions and the branches of foreign banks in Vietnam. In order to meet the requirements of Circular No. 36, VPBank reviewed its adequacy ratios, lending-related ratios to follow the Circular's directions and ensure stable and sustainable operations for the Bank in 2014. Accordingly, all ratios re-calculated in accordance with Circular No.36 were better than the levels required by the SBV, e.g. CAR at 11.36%, LDR at 55.6%, etc.

Ratios (Consolidated)	Requirement	2011	2012	2013	2014
Capital Adequacy Ratio (CAR)	>=9%*	11.90%	12.50%	12.50%	11.36%
Ratio of short-term funds used for the medium and long-term lending	<=30%*	8.60%	15.20%	22.40%	26.10%

(note: calculated basing on Circular 13 and supplementing documents)

I. Business performance

VPBank's profit before tax of 2014 was VND1,609 billion, an increase of 19% y-o-y and achieving 85% of annual target. Lower interest rates had led to a lower than expected

margin. Besides, VPBank's emphasis on higher provision was also a reason for profit before tax to end up lower than target.

Item	2013 (VND Billion)	2014 (VND Billion)	Difference	
			(VND Billion)	%
I Net Operating Income	4,969	6,269	1,300	26%
1 Net interest income	4,152	5,291	1,139	27%
2 Net fee and commission income	535	607	72	14%
3 Net income from gold and FX trading	(21)	(90)	(69)	(132%)
4 Gain/Loss from securities trading	304	461	157	52%

Item	2013 (VND Billion)	2014 (VND Billion)	Difference	
			(VND Billion)	%
II Net income from other activities	104	(7)	(111)	(107%)
III Income from investment in other entities	12	9	(3)	(25%)
IV Operating expenses	2,704	3,683	979	36%
V Profit before provision expenses	2,381	2,588	207	9%
Provision expenses	1,026	979	(47)	(5%)
VI Profit Before Tax	1,355	1,609	254	19%
VII Corporate Income Tax	337	355	18	5%
VIII Profit After Tax	1,018	1,254	236	23%

Source: VPBank's 2014 Audited Consolidated Financial Statements

Total Operating Income

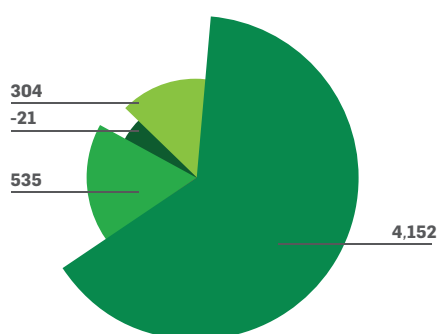
Thanks to the remarkable growth of the Bank's core activities, success in securities trading and maintenance of a rational balance sheet, the Bank's total net operating income in 2014 was high at VND6,269 billion, up by 26% y-o-y. The biggest contributing factor to this growth was net interest income (with an increase of VND1,139 billion, mainly fueled

by significant growth of credits and deposits as well as improvement in deposits sources structure and efficient use of funds). The second biggest contributor to the operating income growth was securities trading with an increase of VND157 billion, equivalent to a growth of 52%.

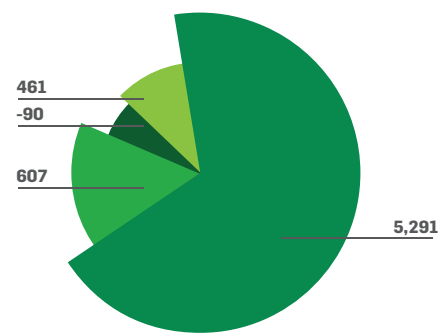
Income structure continued to be improved with higher share of non-interest income.

Chart 7: Income structure

2013



2014



Unit: VND billion

Source: VPBank's Audited Consolidated Financial Statements

■ Net interest income ■ Net income from FX and gold trading
■ Net fee income ■ Net income from securities trading

Operating Expenses

2014 operating expenses increased by 36% y-o-y, mainly fueled by increase in staff cost and management cost for business growth activities, key business programs and completion of foundational systems in the Bank's transformation journey. Expenses were always managed at appropriate level and in alignment with the income growth.

Risk provision expenses

VPBank has applied Circular 02 of SBV on assets classification, provision making and use of provision for risk handling in the operations of financial institutions and foreign bank's branches as well as Circular 09 which supplemented and adjusted Circular 02. The implementation of these Circulars has significantly affected debt classification

and provision for balances with and loans to other credit institution, purchase and entrusted purchase of unlisted corporate bonds, customer lending and entrusted lending, and off-balance-sheet provision.

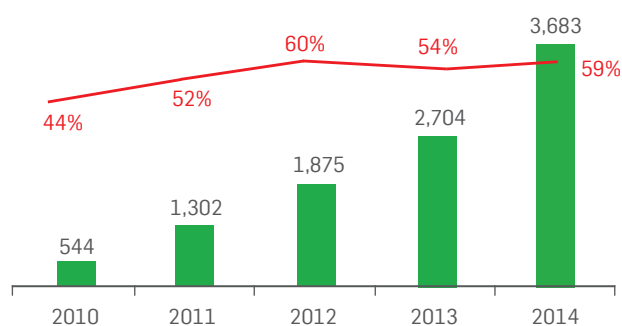
2014 provision expenses were VND979 billion, a small reduction of 5% y-o-y, with the Bank making proper assets classification and provisioning in line with the SBV's regulations.

The decrease in total provisions was mainly due to reversal of provision already made for other risky assets and off-balance sheet liabilities. The provisions made for on-balance-sheet items increased by VND707 billion y-o-y due to impact of economic environment and the prudent approach in the Bank's NPL assessment. The detailed provision is listed in the table below:

Unit: VND Billion	2013	2014	Change from 2013
General provision for customer lending	130	182	52
Specific provision for customer lending	347	1,002	655
Provisions for trading securities and investment securities	-	118	118
Provision for VAMC's bonds	-	127	127
<i>(Reversal of provision)/Provision for lending to other credit institutions</i>	6	(54)	(60)
<i>(Reversal of provision)/Provision for other assets</i>	514	(351)	(865)
<i>(Reversal of general provision)/General provision for off-balancesheet liabilities</i>	29	(44)	(73)
TOTAL PROVISION FOR THE YEAR	1,026	979	(47)

Source: VPBank's 2014 Audited Consolidated Financial Statements

Chart 8: Operating expenses



Unit: VND billion, %

Source: VPBank's Audited Consolidated Financial Statements

- Total operating expenses
- Cost to income ratio

Profit before tax and ratios for efficiency evaluation

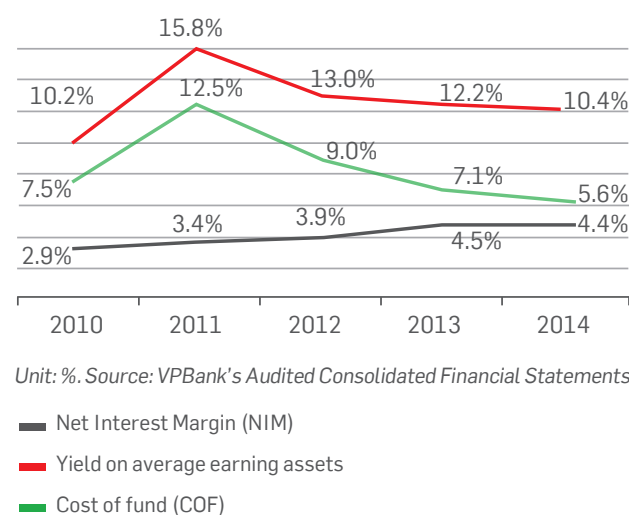
By the close of the 2014 financial year, VPBank's consolidated profit before tax was VND1,609 billion, up by 19% y-o-y. In particular, the Bank's standalone profit before tax reached VND1,537 billion, up by 21% y-o-y. All subsidiaries enjoyed good business performance, efficient operations and close cooperation with the Bank.

The Bank's profit after tax stayed high at VND1,254 billion, an increase of 23% y-o-y.

The return on average equity (ROAE) remained buoyant at 15%, 1% higher than that of 2013. Despite the Bank issuing share to raise its charter capital in 2014, the earnings per share (EPS) still grew up by 12% y-o-y and reached VND1,975 per share.

The return on average assets (ROAA) in 2014 witnessed a slight decrease of 0.88% versus 0.91% in 2013.

The net interest margin (NIM) in 2014 reached 4.42%, a slight decline of 0.05% compared to last year, of which yield on earning asset (YEA) reduced by 1.89% whilst cost of funds decreased by 1.53%.



II. General evaluation of business performance in 2014

In summary, the year of 2014 ended with many positive signals on VPBank's business performance and principal achievement of targets laid down at the Annual General Shareholders' Meeting. Some of the impressive achievements are remarkable growth in credit (with growth rate of 39%) and deposits (with growth rate of 29%), leading to a strong balance sheet

structure and capital sources, notable profit growth (with growth rate of 19%), sound profitability and assets utilization ratios and good control of the operational safety indicators. These results affirmed VPBank's executive and management capability, and demonstrated the advance towards a modern, dynamic and transparent financial institution.

Target (billion VND, %)	Actual 2014	Budget 2014	% versus budget 2014	% growth versus 2013
Total assets	163,241	155,000	105%	35%
Customer deposits	108,354	106,603	102%	29%
Credit balances	91,535	84,545	108%	39%
Of which: Lending to customers	78,379	72,712	108%	49%
NPL ratio	2.54%	<3%	Pass	
Consolidated PBT	1,609	1,890	85%	19%
ROAE	15%	18%	83%	6%

III. Non-Financial targets

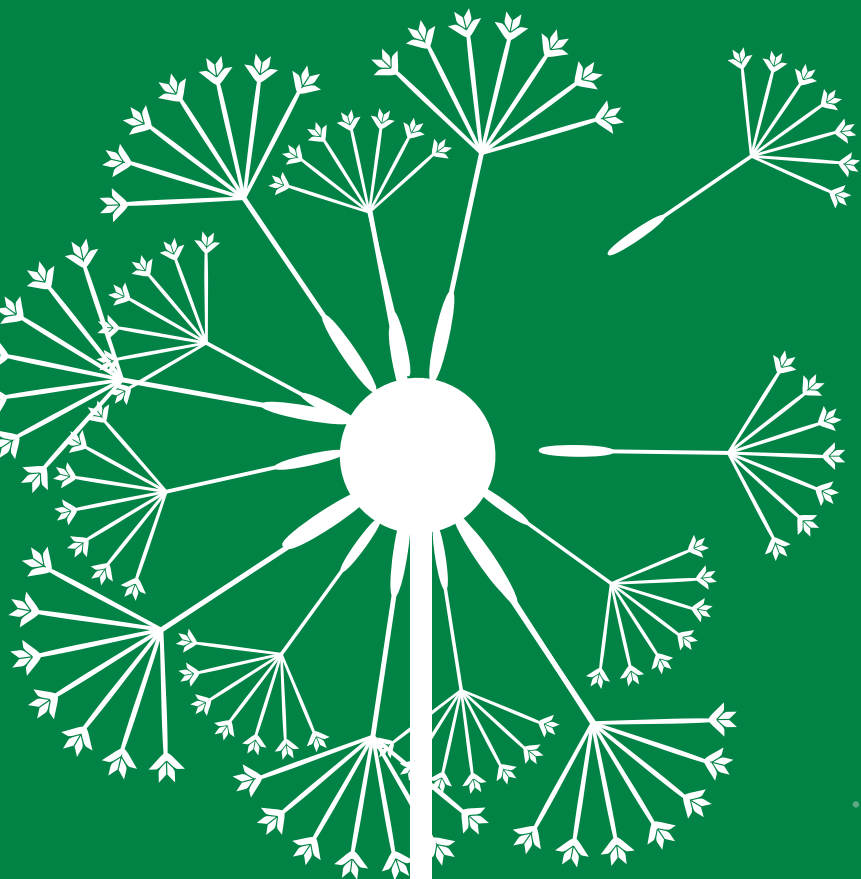
Customers: In 2014, the number of active customer soared to nearly 725,000, an increase of 82% y-o-y and hitting the 2014 target.

Branch network: in 2014 VPBank completed its comprehensive transformation of the branches under the sales and distribution transformation project (S&D Take-off Project). By the end of 2014, VPBank had 209 branches and transaction offices nationwide.

Card issuance: In 2014, VPBank kept up its momentum in card issuance with over 300,000 new cards. Although debit cards still took the major share (88%), the high growth rate of credit cards in recent years has pushed the share of credit cards to a double-digit number.

Number of staffs: there were 9,501 staff working for the Bank at the end of 2014, up by 2,706 staff compared to 2013.

VPBank 2014 development shining with music



HIGHLIGHTS ON BUSINESS PERFORMANCE

Retail banking

In 2014, VPBank continued the implementation of its five-year retail banking strategy to become a top-three retail joint-stock commercial bank in Vietnam by 2017.

While continuing to keep closely aligned with each customer segment to ensure meeting customers' demand, large transformations were introduced in 2014 that support both retailing product proposition and distribution channels of the Bank. The updates facilitated significant growth in the customer database, assets and liabilities portfolios.

The key focus of retail lending in 2014 was on secured products. This has resulted in 40% growth of retail assets during the year. Key achievements were based on customer oriented product initiatives and diversification of distribution channels. The Bank has entered into agreements with the largest real estate developers in Vietnam to provide financing for home buyers. Partnerships with key auto dealers stimulated the increase of the auto loan portfolio. Meanwhile, development of alternative sales channels significantly influenced the increase of unsecured product sales. The unsecured loans portfolio growth has reached the point of 140%. Further, the Bank has actively entered the credit card market and increased the number of credit cards in circulation five fold.

On the liabilities side, Retail Banking focused on maintaining deposit levels, expanding the customer database and increasing fee collection. Although there was strong competition in the market, Retail Banking managed to sustain the deposit balance. Total deposit balance as at December 31, 2014 was VND63,377 billion, a growth rate of 23% compared with 2013.

300,000

NEW RETAIL CUSTOMERS OF VPBANK
IN 2014

Retail Banking also focused on increasing its customer database as a foundation to improve cross-selling and up-selling activities. Accordingly, Retail Banking launched several activities, campaigns and product policies to increase the current account in 2014 in both quality and quantity. The total number of new current accounts in 2014 is nearly 300,000, an increase by 79% compared to that of 2013, bringing the total number of retail customers to approximately 900,000. Notably, 10% of the new current account opened in 2014 was payroll accounts, compared to only 3-5% of the year 2013. In addition, the year 2014 marked the launch of one of most innovative products in the

Vietnam market, the VPBank Visa virtual prepaid card, with 250,000 new cards being issued.

Regarding activities to increase fee collection, VPBank developed and diversified its product class as well as fee collection control. Retail Banking launched 19 new product types of Bancassurance which helped to increase fee revenue by 70 billion in 2014 and open a profitable scenario of 2015. In addition, the Retail Banking team revised and introduced new simple and systematized fee tables, which will help to control fee collection.

Not only offering a competitive product portfolio, VPBank also provided its retail customers with diversified and convenient distribution channels. Our alternative channels, including asset partnership, consumer lending, worksite banking and partnership development, provided engagement to customers wherever they are. The retail customer experience was further enhanced by the availability and improvement of electronic channels, including internet banking, mobile banking and ATM, among others, which in total account for 50% of VPBank's financial transactions in 2014.

In general, 2014's achievements will serve as encouragement for VPBank to aim at higher targets in 2015 as well as objectives set for Retail Banking in the Bank's 5-year plan. 2015 will be marked by the completion of product suites, productivity improvement and profitability enhancement. Product suites will be completed to satisfy specific needs of each segment and region. Along with that, simplified processes and documents are a key focus. Home-grown Customer Relationship Management System is specially designed for VPBank to boost productivity. Analytics will be implemented to support sales performance tracking and management. Profitability will be enhanced by effective cost management & control and low NPL ratio which is supported by standardized retail collection strategy.

VPBank Retail Banking has developed an ambitious 2015 plan which is backed by a secure IT system, analytics capability, strong management team and energetic employees.

FE Credit in 2014

2014 was a successful year for VPBank's consumer finance operations with remarkable financial results and its success in transforming from VPBank's Consumer Finance Division into a subsidiary of the Bank, namely VPBank Finance Company. This movement has allowed VPBank Finance Company (with trademark of FE Credit) to fully dedicate to providing outstanding products and services to the consumer finance mass market in Vietnam, and consequently soar to new heights and achieve its ambitious goals in the years to come.

2014 Business Highlights

The business of FE Credit consists of 3 major product lines – cash loans, point of sale loans and credit cards. Additionally, with a customer database exceeding 4 million entries, cross selling as well as upselling become an important part of FE Credit business that generates thousands of sales per month.

40,000

NEW LOANS ISSUED PER MONTH

Cash loans

2014 saw further strengthening of FE Credit on this product group. Issuing nearly 40 thousand loans per month via a multitude of channels, ranging from sales kiosks, motorcycle dealerships to internal and external agent networks, FE Credit is the undisputed leader in this market. As of December 2014, cash loans made up 63% of FE Credit's loan book, contributing to its leading position in the market.

Point of sale (POS) loans

Since 2012 FE Credit has been leading the segment of POS lending with over 40% market share of lending at POS for motorcycle. During 2014, FE Credit has strengthened its leadership in this market by continuing product and product delivery innovation as well as strengthening its relationship with key motorcycle dealers.

FE Credit has entered the market of consumer durables lending in late 2013 and continued to develop its position throughout 2014. During 2014 FE Credit established itself as a strong player with over 30% market share in this market and an ambitious plan to attack the leading position in 2015.

Credit cards

2014 saw FE Credit's successful test launch of credit cards for the mass market. The launch, done on a relatively small scale, has clearly demonstrated the potential of this product and as a result, FE Credit has embarked on a mission to develop a fully-fledged credit card infrastructure and establish itself as a leader in this segment over a two-year time horizon.

Distribution and servicing channels

Boasting already the largest sales and distribution network, FE Credit has continued to develop and open new sales channels in 2014. Throughout the year, new sales kiosks

were added to the distribution channel mix, servicing pedestrian traffic in busy urban areas. FE Credit also developed cooperation with large employers and institutional partners. New partnerships were also commenced in the area of money transfers and loan repayments as well as debt collection.

Outlook for 2015

FE Credit sees a large untapped potential in the consumer finance market in Vietnam and plans to continue both its extensive expansion as well as intensification of the market. Credit card, after full implementation, should become the major instrument for cross selling in 2015 and later become the core lending product. Focus on technological development, product innovation, operational efficiency and superior risk management shall strengthen its foundation for success in 2015 and the years to come.

SME Banking

The 2014 financial year marked the second year of VPBank's transformation journey with SME Banking. The year was filled with an array of projects and initiatives vigorously undertaken to support VPBank's overall mission to be a top-five commercial joint stock bank and to become the SME bank of choice.

Capitalizing on the foundation established in 2013 based on the three pillars (People, Products & Processes) of our business model, the VPBank's SME Banking continued in 2014 to deliver favorable results; booking 25% and 58% year-on-year growth in loans and deposits, respectively, while our customer base increased by 14%. The results achieved show that the execution of our 5-year SME strategy is on the right track and implementation of our new business model continues to gain good traction.

Beginning with 8 SME centers, our distribution network has expanded to a total of 63 fully-operating SME centers nationwide, equipped with highly skilled staff to better serve our customers. Growth through our SME centers is further strengthened by other non-traditional sales channels complimented by a dedicated 24/7 call center.

Using Products and Services as a value differentiator

2014 was also an extremely busy year in terms of product development for VPBank's SME Banking. In line with our strategy and to support the strong growth momentum, the Division continued to strengthen our core product programs piloted in late 2013 by bringing Business Finance, Autoloan and Credit Programs on board. The improved product

programs raised our market competitiveness through simpler procedures and faster turnaround time while keeping portfolio quality in check. As an effort to deepen VPBank's support to SMEs, structured products were introduced; ranging from distributor financing program in cooperation with our major corporate clients to the specific industry programs that support the major economic sectors of the country. To further strengthen our SME value proposition in 2014, we introduced unsecured lending products with the launch of Business Installment Loan (BIL) and VPBiz Credit Card. The offering of unsecured loan products is part of our strategic initiative to promote lending to a segment of SMEs which may have difficulty accessing bank loans. This effort is also consistent with government initiatives that encourage financial institutions to further improve accessibility to bank loans by more SMEs.

Apart from loan products, SME Division also improved our transactional banking services to SMEs. We continued to make inroads with our cash management products like debit cards, POS and other complimentary services - culminating in an industry award from MasterCard. Similarly, trade finance products, international payment and foreign exchange services were revamped to serve our SMEs better. Consequently in 2014 we registered encouraging growth rates in our transactional and foreign exchange business, albeit from a modest base.

In all, a total of 20 product programs were designed or revised in 2014 to support our SME value proposition to fulfill the overall banking needs of our customers. It's our goal to not just provide loan and deposit products but a range of complimentary banking services to assist our SMEs to grow their business profitably and become a SME bank of choice.

Risk Management – Integral to Quality Growth

As we grew at a fast pace, VPBank continued to invest heavily to strengthen our risk management capabilities and control. The new and improved credit rating system for SME borrowers was rolled out successfully in 2014. Our credit rating system helps us to improve our customer selection and credit underwriting efficiency. Such benefits are increasingly important as loan volume builds up. At the same time our credit underwriting procedures and credit policies are also constantly reviewed and fine-tuned to strike a balance between speed, cost and risk control. Risk awareness is constantly raised through a series of internal trainings and close partnerships forged between Business and Risk Division.

Our People – Building Relationships with SME customers

Our people are always a vital pillar of VPBank's SME business model. In 2014 we continued hiring and developing our

people to ensure the right mindset and knowledge to deliver our value proposition to our customers. Extensive training and coaching were given to improve sales effectiveness. Tools like CRM and sales kits were introduced to further raise productivity.

Building External Linkages and Higher Market Visibility

As another important step to become more visible in the market and strengthen our goal to be a reliable SME partner, VPBank SME in 2014 increased the number of external partnerships with trade associations and auto-dealers. Working with VCCI and PTI, VPBank SME organized more than 30 workshops and conferences for SME leaders to further strengthen our reputation as a strong supporter of the SME community in Vietnam. In addition, we also launched the SME Idea Contest to promote the spirit of entrepreneurship among our youth in colleges and universities.



Outlook 2015

Growing our SME segment in 2015 will be as challenging as ever. The credit environment remains tough as evidenced by the high number of SME business operations being dissolved or suspended in 2014. The credit mobilization rate continues to stay low, albeit small signs of improvement are emerging. Nevertheless, our VPBank looks ahead to 2015 with cautious optimism as our growth momentum gains strength. As in the previous two years, we will continue to stay focused on executing our clearly defined SME strategy and strengthening our business model. We will also continue to invest in our people, products and risk management capabilities. Barring any unforeseen circumstances we are optimistic that 2015 is going to be another fruitful year for the SME Division.

COMMERCIAL BANKING – CMB

In 2014, amidst a difficult economic climate and the harsh business environment for corporate customers in particular, VPBank's Commercial Banking (CMB) still attained impressive results and a variety of remarkable achievements. In comparison to 2013, by the end of financial year 2014:

- Customer base increased by 35%;
- Customer deposits increased by 170%;

- Customer lending increased by 230%;
- Off-balance-sheet liabilities increased by roughly 100%, of which the guarantee balances have exceeded VND3,000 billion;
- FX transaction volume increased by roughly 100%;

To attain these results, VPBank built on its success of 2013 by continuing transforming and executing its business operations in 2014. In particular, VPBank exerted its constant efforts to reach, understand and serve its customers in both the private and public sectors. VPBank continued to promote the delivery of complete financial solutions to meet every customer's demand, especially products and services highly demanded by the customer such as trade financing, supply chain financing, turn-key project financing. Through delivering integrated products and services which are tailor-made to customers' needs and with high added-values, VPBank was able to not only attract new customers but also promote greater use of products and services by its existing corporate customers. Consequently, the deposit and lending balance for this customer segment witnessed considerable increase compared to the previous year.

VND 3,000 billion

2014 YEAR END GUARANTEE BALANCE OF CMB

VPBank's Commercial Banking Division has not only understood and provided fitting products and services to its customers but also strengthened its foundation through perfecting its operational processes to improve service quality and reduce turn-around time whilst ensuring the compliance to its risk management policies. In 2014, VPBank also recruited and developed highly capable employees, increased its risk management headcount and sales headcount for the Commercial Banking Division. The coordination between the Commercial Banking Division and the other divisions has been strengthened in order to offer the maximum services to VPBank's customers.

With long and stable strides forward, VPBank has earned its creditability and reputation as a valued brand name in the mid-corporate customer market in Vietnam.

Corporate Banking

After 3 years of operations, VPBank's Corporate Banking (CIB) have attained a variety of striking achievements and confirmed VPBank's brand name in the corporate customer segment in Vietnam.

In 2014, VPBank's CIB business recorded a large number of impressive figures with the liability growth and asset growth of 45% and 50% respectively compared to 2013, revenue growth of 46% and the phenomenal growth of 56% in the value of international payments. The success was also reflected through leading brand names in Vietnam such as PetroVietnam, EVN, SCIC, Viettel, Vinacomin, Vingroup, inter alia, being VPBank's customers.

To realize its successes in 2014, VPBank focused on increasing deposits and restructuring credit portfolio to improve business performance in the corporate segment. VPBank also adopted specialization of the Division's activity by customers' industries in order to allow delivery of the best-suited products and utilities in line with each industry. With the ambition of catching the foreign investment flows into Vietnam while ensuring fair competition with foreign banks and to recover market share for Vietnam's banks, VPBank has also developed a sales team aiming at corporate customers from amongst the FDI enterprises and subsequently has gained a wide range of customers including Yamaha, Uni President, Nippon Seiki.

VPBank's attraction to corporate customers emanated not only from customer care but also from the delivery of diversified chain of products which serves not only the customers but also their agents and suppliers. Accordingly, VPBank's corporate customers, including Carlsberg, Vietnam Airlines, Jetstar and EVN, enjoy not only lower costs but also fast, simple and most convenient delivery of services. VPBank's divisions have not only focused on rendering services that are typical of a traditional commercial bank but also provided product bundles for customers, such as derivatives, forwards and swaps, coupled with the best policies, thereby bringing advantages for Vietnam's corporate customers in relationship with foreign partners.

56% 

GROWTH IN INTERNATIONAL PAYMENTS VERSUS 2013

In 2015, VPBank will continue fostering its business with corporate customers through proactive delivery of solutions pertaining to cash management for enterprises and cooperate with other divisions to provide more supply chain financing programs meeting customers' demand. In addition, VPBank will also put a premium on financing efficient infrastructure projects including electricity, water and environmental protection projects.

Financial market operations

VPBank's Financial Market operations in 2014 were unified with the establishment of the Financial Market Division by integrating the Treasury Division and a part of the Wholesale Banking Division, with a view to focusing on major business operations in the interbank market and selling financial market products.

On account of these adjustments, VPBank's financial market business segment have made great advances, asserting VPBank's brand in this segment.

Firstly, VPBank earned revenue of more than VND700 billion from its financial market business. Notably, VPBank was ranked by the Ministry of Finance within the top five largest purchasers of Government bonds in 2014 amongst joint-stock commercial banks. In addition, the sales of financial market products to corporate customers experienced enormous growth with an increase of more than 240% compared to 2013.

Secondly, VPBank effectively managed the Bank's balance sheet through reasonable fund transfer pricing policies together with support for the Bank's product programs, which significantly contributed to the sound asset growth of the bank-wide balance sheet concerning both credits and deposits.

VND **700** billion

REVENUE FROM FINANCIAL
MARKET BUSINESS

Thirdly, the Bank has gradually consolidated and strengthened its professional sale teams for the financial market products and reinforced close coordination among various units with the aim of proactively delivering financial market products to the customers. With a powerful pool of experts, VPBank has not only provided commonplace products but also rendered useful market advice concerning exchange rates and interest rates to customers, thereby optimizing their benefits and highlighting VPBank's distinctions.

From an operational perspective, throughout 2014, VPBank successfully launched the FXFO system in an effort to automate transaction entry and foreign currency offers to customers at Head Office and branches which helped to mitigate operational risks, improve operational efficiency, save time and costs. In 2015, VPBank plans to run state-of-the-art software in an attempt to facilitate the specialized operations of the interbank business, bond trading and to enable interbank placements to be more efficiently performed and controlled.

Financial Institution and Transaction Banking

In order to develop and implement transaction banking strategies as well as to strengthen and develop relationship with domestic and foreign financial institutions, VPBank has established the Financial Institution and Transaction Banking Center on June 1st, 2014.

With vision to become one of the three leading joint stock commercial banks with respect to transaction banking by 2017, VPBank expects this Center to help triple its share in international payments by 2017 in comparison with 2014, to increase the fee income ratio gained from corporate customers by 50%, and to raise the proportion of trade finance to the total loans for corporate customers up to 70%.

To realize this target, VPBank has researched and developed strategies and detailed plans of the Financial Institution and Transaction Banking Center for the next three years, with the focus on:

- Enhancing service quality and work processes, diversifying products and providing products customized to customer's demands;
- Accelerating the sales of trade finance and cash management products via the development of unique strategies for each corporate customer segment;
- Strengthening credit risk and operational risk management.

After half a year of the operations of the Financial Institution and Transaction Banking Center, VPBank developed new products for transaction banking activities, including products on cash management, structured trade finance, supply chain financing, warehouse financing. Its significant achievement was an 82% increase in international payment balance from export-import transactions compared to 2013. VPBank has set out the target of 100% growth in international payment balance from export-import transactions for the year of 2015.

With adjustments in the sales team of the Financial Institution and Transaction Banking Center in 2014, VPBank raised its long-tenor deposit balance from this customer segment by 600% and the average deposit growth by 90% compared to 2013. 2014 is the first time VPBank has launched cash flow management products to this customer segment.

VPBank has been selected as one of the banks to receive investment trust funds from international organizations such as World Bank, JICA to support SMEs' production and business activities.

Notably, VPBank has seen a sharp growth in capital and

credit limits from domestic and foreign financial institutions. Total credit limits granted by foreign financial institutions in 2014 grew by 90% and total credit limits granted by domestic banks rose by 40% in comparison with 2013. By the end of 2014, VPBank was accepted to participate in the Asian Development Bank's trade finance program, marking a positive sign of the Bank's reputation and financial strength.

600%

GROWTH OF LONG-TENOR DEPOSIT BALANCE

VPBank's recent salient achievements have enabled the Bank to make big advances in the realization of its three-year strategy for this range of business, thereby further confirming VPBank's position and reputation in Vietnam's market as well as the international market.

In 2015, VPBank will continue to develop cash management and trade finance products suitable to the customers' characteristics and expand the Bank's correspondent relationship with domestic and international financial institutions in an attempt to facilitate VPBank's business strategy.

Investment and Project Financing

With the vision of becoming a top-five joint-stock commercial bank in Vietnam by 2017, VPBank has undergone ceaseless specialization in an attempt to enhance its operational efficiency and customer service capability. Accordingly, in May 2014, VPBank established the Investment and Project Financing Division by merging the Investment and Development Department and Project Financing Department into one dedicated unit specializing in trading corporate bonds and shares, project financing, serving complex customers with comprehensive financial products and solutions. With the efforts of both the management and staff, within a period of short time, VPBank has developed and fine tuned the Investment and Project Financing Division with the orientation towards centralization, secured and sustainable development. Besides building procedures and regulations on investment, this Division's personnel was staffed with youthful, dynamic and dedicated employees who will play a pivotal role in the Division's long-term performance and development.

With the high-level specialization and centralization as a dedicated Division, VPBank has boosted its investment and project financing performance, hence bringing benefits to both customers and the Bank. Although the Division has only been in operation for nearly a year, its 2014 business has made remarkable achievements, exceeding its key financial targets by between 110-150 %.

In 2015, VPBank will further enhance its success in

investment and project financing via greater specialization with the aim of further reinforcing the safety, effectiveness and quality of activities. VPBank will also boost consulting services (securities issuance consulting, project financing arrangement consulting) to meet growing demands from Vietnam's enterprises, as well as to raise the Bank's fee income ratio.

Investment banking

VPBank's Investment Banking is realized by VPBank Securities Company (VPBS), one of the largest securities firms in Vietnam following its capital increase to VND800 billion in 2012. Its key businesses include: Securities Brokerage, Securities Trading, Financial Services, Investment Banking and Research.

2014 was a successful year in which VPBS has achieved its business targets. This success has been acknowledged through prestigious awards from domestic and international institutions. In 2014, VPBS was honored to receive two highly-regarded domestic awards and five international awards, including:

- **General activities:** In November 2014, VPBS was awarded the National Winner from Vietnam Award for the "Most ASEAN Admired Enterprises" and The 2nd Runner-up for the "Most Admired ASEAN Enterprise" for the ASEAN Business Awards 2014 by ASEAN Business Advisory Council. These are regional recognitions awarded following strict processes and international standards to honor enterprises who have tremendously contributed to local and regional economic growth.

2nd

Runner-up

FOR THE "MOST ADMIRABLE ASEAN ENTERPRISE"
- ASEAN BUSINESS AWARDS 2014

- **Security Brokerage activities:** On November 29, 2014, VPBS was awarded Outstanding Securities Firm for 2009 through 2014 by The Hanoi Stock Exchange (HNX). Securities companies were assessed on the basis of comprehensive criteria designated by the HNX including: brokerage market share, the level of cooperation and coordination with the HNX. This reflected the HNX's appreciation of VPBS's contribution to the growth of the Vietnam stock market for the period of 2009 – 2014.
- **Investment Banking activities:** in 2014 the company has continued to promote government bonds trading and fund raising for large domestic enterprises. On June 20, 2014, VPBank Securities won the "Best Debt Capital Market House" award in 2014 by Finance Asia Magazine.

This was the second consecutive year that VPBS has received this prestigious award. The “Best Debt Capital Market House” is annually held to honor securities firms that have succeeded a large number of debt capital market deals with significant transaction values. The assessment is based on criteria such as the institution’s background, its positive influence on the development of the local debt capital market, the most significant transactions and their relevance to the market and its development.

In 2014, VPBS also received the “Best Bond House in Vietnam” award by Alpha Southeast Asia Magazine and The Asset Magazine in the field of Finance and Banking. These achievements continued to affirm VPBS as a leading securities company and one of the most prominent investment banks in Vietnam for bonds.

- **M&A activities:** On August 6, 2014, VPBank Securities was awarded the Advisory Firm of the Year for 2014 by

the M&A Forum Vietnam. This is an annual event held for assessing mergers & acquisitions and strategic business alliances in Vietnam and it is co-organized by the Vietnam Investment Review & AVM Vietnam with the patronage of the Ministry of Planning and Investment. VPBS’s exceptional M&A sector growth was marked by a turning point when it officially became the sole exclusive member of International M&A Partners (IMAP) from Vietnam in 2014. IMAP is a Global M&A advisory association with a network of 40 countries throughout the world.

With support and cooperation from VPBank, VPBS strives to be recognized by 2017 as a solid partner, both domestically and internationally, which provides professional services and diversified products with outstanding features to clients. We are headquartered in Hanoi and have branches in Ho Chi Minh City and Da Nang City with a transaction network and clients data base that has been expanding.



ACHIEVEMENTS
IN FOUNDATION BUILDING

Risk management

In 2014, the State Bank of Vietnam (SBV) officially designated VPBank as one of 10 banks chosen to comply with the Basel II's standard approach by the end of 2015 and internal rating based approach by the end of 2018. Basel II implementation has not only enhanced the Bank's risk management system but also brought about better business values, more effective credit limit management system and more rational capital allocation.

The official enactment of Circular 02/2013/TT-NHNN dated 21 April 2013, which was partly amended by Circular 09/2014/TT-NHNN dated 18 March, 2014 has had and will have direct impacts on VPBank's asset classification, provisioning ratio and provisioning use. VPBank considered Circular 02 both a challenge and an opportunity to re-assess the credit quality towards the target of maintaining a healthy system and sustainable growth.

In order to meet the SBV's requirements as well as strengthen the Bank's risk management, VPBank was one of the quickest banks completing Basel II's gap analysis and mapping out the Basel II Implementation Roadmap with support from an international consulting agency. VPBank has taken preparatory steps regarding its IT system, internal credit rating system and set up internal regulations on credit grant, loan management, risk provisioning policy for credit activities. In 2014, VPBank achieved a variety of encouraging results in terms of risk management, including:

Risk management structure

In 2014, VPBank established two additional units under the Risk Management Division, namely the Project on Management of Strategic Risk Initiatives (for example, Basel II, Business Continuity Planning, Information Risk Management, Anti-fraud, etc.) and Fraud Investigation and Prevention Department. The Risk Management Committee and Operation Risk Committee (ORC) have been gradually put into operations in conformity with international standards. In addition, Risk Management Division's organizational structure has undergone a number of changes in order to better meet business and risk management requirements and is moving towards completion of Risk Management Framework in accordance with the advanced risk management practices. Additionally, VPBank is developing and completing its database system to set up advanced risk measurement methods in line with international standards.

Credit Risk Management

The system-wide implementation of centralized credit approval structure has shortened the approval time whilst maintaining risk control and mitigation. With the help of international consultants, VPBank has developed and applied

advanced risk management methods such as scorecards for each customer segment, estimated loss ratio by product portfolio (LGD), and risk-based valuation, accompanied by the launch of the Early Warning System of credit risk. All of these activities are the foundation for VPBank to ensure full compliance with the SBV's requirements on compliance with the standard approach by the end of 2015 and internal rating based approach by the end of 2018.

Operational Risk Management

Awareness of operational risk management has been promoted amongst the Bank's management team. The Operational Risk Committee has been put under regular operations for the whole year of 2014. Accordingly, the Risk Management Division has setup closer and more efficient operational risk management projects and initiatives. Key Operational Risk Indicators (KRIs) have been developed, implemented and improved throughout the Bank. The development of KRIs system has provided better insight into the Bank's risk, and the system was utilized to monitor the main factors affecting risk as well as establish appropriate mitigation plans. There have been improvements in loss data collection process, which improved collection and analysis of the loss data and provided useful information to the Bank's risk assessment towards operational risk and internal control efficiency level. VPBank has also started projects on anti-fraud management, business continuity planning and information risk management in 2014.

Market Risk Management

Market risk monitoring processes and a market risk limit system have been primarily set up, covering from observation and identification of market price movements to measurement and quantification of risk, with the aim of establishing suitable limits and monitoring the Financial Markets Division's compliance in respect of its business activities. In 2014, market risk has been under close supervision and conformed to the limits authorized by competent bodies of the Bank.

Debt collection

Under the roadmap of debt collection centralization and specialization set up in 2013, the debt collection center structure was optimized in 2014. At the same time, an overall debt collection strategy was set up, covering debt collection phases, including early collection and recovery. At early collection, the application of automatic call system via Voice Blaster and SMS has saved both time and costs of contacting customers. The recovery phase has been centralized at AMC. In order to automate the operational steps in terms of understanding and analyzing customers' credit-worthiness, VPBank has used international standard debt collection software.

Operations activities

2014 was a landmark year for the transformation of VPBank's Operations. A wide variety of strategic as well as tactical initiatives were undertaken while those which had started in 2013 were brought to fruition.

The main thrust of the Bank's operations model continued to be centralized. Many operational and administrative tasks and activities were removed from the frontline and centralized so that our branch staff could devote more time to sales and customer service. Simultaneously, new units were set up in the back offices to augment service delivery to our clients. By the end of 2014, a strong foundation was created within the Operations Division of the Bank; this foundation will provide the necessary infrastructure and scalability for business growth in the years ahead.

Some of the major tenets of VPBank's mission are to improve productivity, standardize processes, and professionalize the myriad processing activities. During 2014, the Bank developed internal capabilities to build its own process governance framework. This in turn allowed the organization to standardize and streamline processes in order to be flexible and responsive to any changes in the business environment.

While centralization creates efficiencies and standardization across the various processes, VPBank has used a 'hub-and-spoke' model so as to stay close to the customer instead of removing all time-sensitive activities to the Head Office. As a result, "hubs" have been created at strategic locations where they can support a number of branches ('spokes') within a defined radius with the quickest turnaround time (TAT) and without inconveniencing customers. These included customer support activities like cash fulfillment and loan collateral notarization.

During 2014 a number of actions were introduced in the centralized processing centers so as to reduce the time taken for disbursing loans and other forms of credit. Detailed operational handbooks and work instructions were issued to staff, loan processing software capabilities were enhanced, and procedures were re-engineered to make them more efficient.

VPBank's Operations departments have 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 TAT, employee productivity & capacity planning models, service level agreements (SLA), and internal customer surveys.

To further augment service quality for the Bank's clients, a new Customer Service Excellence Center was set up at the Head Office in order to measure, monitor and enhance the service levels provided by VPBank's branches to its

customers. As a result, various methodologies like 'mystery shopping', customer satisfaction surveys, and other 'Voice of Customer' tools have been deployed so that an objective assessment of branch service levels can be made. Similarly, service quality checks were also conducted at the Bank's 24/7 Contact Center.

To support the Bank's corporate and commercial clientele, a separate Corporate Services Center was established as a 'middle-office' to act as a conduit between customers and the various back-offices which deliver trade finance, payments and foreign exchange services. Numerous other projects were also undertaken with the aim of enhancing the overall customer experience. These included projects for trade finance capability improvement, contact center improvement, and overall TAT reduction.

From a control perspective, a process was begun to centralize credit documentation and collateral storage so as to fully secure these essential elements of lending. The management of cash in branch vaults and ATMs was also centralized, thus improving the overall control mechanism as well as freeing up branch staff from this activity so that they could devote more attention to customer requirements.

As operational transaction processing volumes have grown in branches as well as in the back-offices, the Bank understood the need to strengthen its control mechanisms as well. Accordingly, a robust operations control environment has been created with the formation of a specialized unit for operations control and risk management.

As the Operations Division of VPBank has grown, a substantial amount of focus has also been devoted to the development of personnel in the back offices. The Bank initiated the development of a 'Competency-based Framework' for senior positions in the Credit Processing, International Payments, and Trade Finance units of Operations. Additionally, 'Personal Development Plans' (PDP) were developed for staff. Training-hours for Operations staff were dramatically increased and have taken many forms such as on-the-job coaching, classroom training, e-learning, off-site seminars & workshops, and peer-to-peer guidance.

With strengthened capability in all aspects, the Operations Division of VPBank has achieved remarkable results and significantly contributed to the success of the Bank. In 2014 VPBank's quickly growing customer base was attentively served with improving service quality standards. At the same time, operational costs were reduced to make VPBank more efficient and competitive in the market. Last but not least, a divisional culture focusing on customer, productivity and instilling trust was built and strengthened to ensure a strong and stable Operations Division in the future.

In 2015, the Operations Division intends to focus on three key areas: improving service levels across the entire service

delivery chain of our products and services, increasing productivity in all the processing and service units of the organization and optimizing costs by rationalizing expenses within the Bank in order to improve our efficiency ratio.

Customers will remain the focal point of everything we do in the Operations Division. We believe that our clients require service, speed and accuracy, delivered consistently in a convenient manner. The goals will therefore be to improve the quality of all products and services that are processed in the division, while attempting to reduce the unit costs of all items.

Human Resource Management

Human resources is one of the pivotal factors contributing to VPBank's strategy and success. In 2014, VPBank continued to develop policies and execute key projects to improve the Bank's human resource management processes and system as well as to implement programs that enable VPBank to attract and retain the talent required for its development.

In 2014, the core system for human resource management was strengthened by updates of policies, documents, regulations pertaining to Collective Labour Agreement, labour discipline, handling of violations in line with the newly revised Labour Code. VPBank also implemented the Enterprise Resource Planning (ERP) system in an endeavor to systemize the procedures, improve and enhance the efficiency of the Bank's human resource management.

VPBank fortified and professionalized the recruitment procedure with concrete criteria to improve the quality of candidates, to enable consistent recruitment strategy and quality standards, and to search for candidates with the necessary experience and capacity for management positions. Due to the banks' focus on recruitment quality and candidates with qualified experience and capacity for managerial and staffing positions, personnel movement between banks in 2014 increased and opportunities were opened for employees, middle and senior managers at other banks... To adapt with this situation, VPBank has introduced policies regarding responsibility-based allowances and secondment-based allowances to encourage internal transfers as well as to create opportunities for employees with experience and capabilities to challenge themselves in more senior positions or other professional environments. This strategy has enabled VPBank to fully capitalize on its diversity of culture and working styles to create advantages for the Bank.

The year of 2014 marked VPBank's significant shift in the approach in the training and development towards encouraging a self-learning culture, allowing employees to take control of their own self-development plans for their career. VPBank has introduced a general Learning Map in

nine sales management modules to the staff in several divisions to help them develop and master VPBank's twelve core competencies. In addition, self-learning materials have been designed to help VPBank's employees further improve their professional knowledge and skills to better meet the requirements of their assigned jobs and to contribute in realizing the vision and strategies of VPBank.

Due to fierce competition in attracting personnel, especially for those with experience and qualifications, together with the retention of qualified staff, VPBank has developed remuneration and incentive policies that matched an employee's true capability, qualifications and contributions to the Bank's business performance. The development of job families and core competency frameworks associated with the job families and various units' professional characteristics and a market-based salary system are about to be finalized. The market-based salary system will enable a modern salary structure which is closely linked to the capacity of the staff and support managers in making decisions related to the assessment of staff's performance and capacity. This system will also provide the foundation for further action in the talent management and succession planning of VPBank in 2015.

In order to constantly improve the Bank's human resource management, VPBank has developed a model and transformation plan for its Human Resource Management Division in alignment with the Division's strategy and VPBank's development. In 2015, VPBank will continue with the deployment of this action plan to build and develop high-quality human resources, an efficient human resource management system and a renowned employer identity for VPBank in the market.

Information technology

Information technology (IT) has always played a pivotal role in the Bank's operations, especially in VPBank's quest to become a top-three retail joint-stock commercial bank in Vietnam. In 2014, VPBank continued its IT roadmap, in which the IT operations have enormously contributed to VPBank's success through development of our technological infrastructure and system stabilization.

In 2014 VPBank has proactively transformed and built a solid IT platform, fulfilling VPBank's development demands through a vast range of core activities as follows:

- Implementing a variety of integrated, customer-centric IT solutions, strengthening operational capacity through acceleration of rapid product development processes, process automation, IT platform flexibility to cater to professional demands, multi-channel environment and customer-enabling interactions.

- Enhancing the capacity of connecting the IT Division to business divisions, transforming the IT Division's organization and operations from a supporting unit to a service provider in order to improve service quality, make contributions to developing a modern, dynamic, professional and customer-friendly image for VPBank;
- Transforming the solution development process towards a service delivery approach tailored to users' needs, thus helping business divisions in prompt decision-making to grasp new business opportunities, early detection of changes in the business environment, reducing time to market through a stable business architecture paired with application integration capacity as well as service delivery capacity.

As a result, by the end of 2014, VPBank gained various remarkable achievements in IT, namely:

- Maintained a stable and effective operational system, providing services 24/7 and everywhere for customers such as, inter alia, E-banking services, card services in addition to the traditional banking services; Made use of state-of-the-art technological initiatives for continual quality enhancement and unceasing delivery of new customer-oriented services; Developed a high-capacity IT platform which contributed to differentiating VPBank's service quality and customer experience, especially via electronic channels. VPBank has also targeted and selected trustworthy partners for the Bank's multichannel integration to render customers' experience to be seamless with optimal benefits.
- Provided foundations and effective support for VPBank's business units and operational units through constant innovations and creation of solid and flexible foundations and successful development of a service-oriented architecture; Transformed the demand management model as well as standardized the solution development process and organization; Further completed the IT service delivery and management processes.
- Kicked off the DWH/BI Project (Data warehouse and business intelligence), one of the core IT projects with a view to elevating VPBank's intra-bank usage of data and information towards more vigorous transformation. Also, the IT Division's other strategic projects such as ERP (automation of supporting divisions), CRM (Customer Relation Management), Electronic banking (e-Banking), inter alia, have received a stronger push.
- Entered an agreement with Microsoft and implemented the Office365 service, turning VPBank into the first bank and also the first large enterprise in Vietnam to apply the cloud computation model. With a view to capitalizing on outsourcing towards better service delivery (also considered as the indispensable trend of the global modern business), VPBank has been able to build closer tie-ups with leading IT companies through strategic contracts.

In 2015, IT activities will be further transformed, IT management processes and framework will be largely improved as a drive towards an operation model with focus sharpened on effectiveness and quality to enhance cooperation, safety, stability for customers in general and VPBank in particular.

Business Intelligence Competency

It is widely known we live in the Information Age today. However, most organizations around the globe continue to wrestle with huge challenges in managing and transforming data into actionable information. VPBank has not been an exception.

Realizing that data is a strategic asset of VPBank, a Data Committee was set up in late 2013 in order to outline a data management agenda for the Bank and oversee all data-related initiatives. It was decided by the Committee that in order to become a truly data-driven organization and thereby differentiate itself from other local banks, VPBank would need to establish an independent specialized unit to promote and enable efficient use of a shared Business Intelligence (BI) service along with developing and managing a sound data governance approach. Subsequently, the Business Intelligence Competency Center (BICC) was set up in early 2014. Working with a three-year development roadmap, BICC has been entrusted with the following tasks:

Data Governance: creating and managing a framework to ensure that at VPBank:

- Everyone trusts our data and views it as a strategic asset
- Information is consistently defined and understood across the Bank
- People are no longer unsure about whom to reach out to for data-related issues
- Policies and workflows are in place to govern data during its entire lifecycle
- Measures are in place to enhance data quality and security

Business Intelligence: providing services to VPBank's leaders and divisions so that:

- Right information reaches the right people at the right time
- Bank-wide decision making is faster and more accurate
- All BI initiatives across the Bank are standardized
- Increased productivity of end users of information by enabling self service
- Better coordination between business & IT divisions

While 2014 was the first year of operation for BICC, it has already taken remarkable strides forward. It quickly

developed a vision and a three-year roadmap as a foundation for long-term operation. Within less than four months, BICC was fully up and running with 5 departments and 32 people fully trained in reporting skills on board. In order to keep costs in check, 60% of the total staff at that time were recruited internally from within the Bank.

With capable personnel, BICC has successfully developed a data governance framework, which made VPBank the first bank in Vietnam to have a comprehensive and in-implementation data governance mechanism. The framework received international acclaim and was covered in two of the most widely read financial industry publications – IBS Intelligence & The Asian Banker, along with other local media.

The technical aspects of the framework have then manifested into a bank-wide Data Management architecture (EDW/BI platform) and implementation plan. While not completely relying on the future information architecture, BICC has developed in-house reporting capability for the Retail, SME and Operations Divisions along with systematic report delivery and client management processes. As a result of BICC's efforts, for the first time in VPBank, senior & middle management started to receive detailed information on critical areas such as sales productivity, application funnel, operational effectiveness (e.g. loan turnaround time), loan attrition, campaign effectiveness, product quality, risk indicators, customer cross-selling and transaction volumes, among others. In addition BICC is now independently calculating incentives for sales people in the Retail and SME Divisions.

Though as a young units of VPBank, BICC has significantly contributed to the bank's success in 2014. Riding on this momentum, BICC will strive to go further along its three-year roadmap and make a push towards advanced analytics in order to be a truly world class decision support system in the Bank.

Ebanking

With the rapid evolution of technology, the electronic domain is playing an increasingly important role in customers' consumption habits. A recent research by Ernst & Young indicates that Vietnamese customers are shifting to using ATMs, the internet and smart phones as a preferred means of performing banking transactions rather than going to traditional branches. In an effort to best serve and benefit our customers, VPBank has identified E-banking, including VPBank Online, VPBank SMS and VPBank Mobile, as a crucial part of our development strategy. In particular, 2014 was determined as a year marked with significant progress in both quantity and quality for VPBank's Ebanking platform.

With dedicated efforts, VPBank has recorded nearly 200,000 newly registered E-banking users in 2014, bringing the total number of customers using VPBank's e-banking services to more than 350,000 people, an increase of 133% compared to the end of 2013. The most impressive of these services has been VPBank mobile with a growth of 380% compared to 2013 regarding the number of users.

In 2014, the number of financial transactions via E-banking hit 1.3 million, an increase of 242% compared to 2013. The value of transactions increased by 300% and reached almost VND30,000 billion. In particular, online payments experienced a surge in growth, fulfilling the target of VND100 billion of the annual transaction value, up by 390% as compared to 2013. If transactions through the ATM channel are included, Ebanking transactions would account for more than 50% of total transactions across the VPBank network.

Moreover, the stability and security of VPBank's Ebanking have always been our priority in order to meet the growing needs of customers. This is reflected through a vast range of projects to upgrade the system processing power and online transaction security enabled by the most state-of-the-art technology in the world.

Constant exploration and development towards the introduction of new utilities and generation of enjoyable and useful customer experience via electronic channels is a core motto in VPBank's product development. Accordingly, VPBank has gained the first-mover advantage in presenting the VPalo functionality in VPBank's mobile application based on the OTT platform, which enables mobile banking users to meet, chat and interact with one another as is typical in the growing realm of the social network community. VPBank's "Through the night with World Cup" featured by the world's 2014 biggest football event has generated a vibrant effect in the market when VPBank became the pioneer bank in linking community-based games with financial transactions. The VPBank loyalty system was developed in 2014 with a view to introducing an intimate channel of ties between the Bank and its online customers. Within merely 6 months, up to more than 1 million point-based transactions were performed for redemption. With a few simple clicks utilizing one of our channels such as VPBank online, VPBank mobile or Call Center, customers can easily exchange points for gifts. Social networks have been utilized by VPBank as an important channel to interact with customers and for communications in E-banking in 2014. With unique communication programs, VPBank's Facebook page has quickly hit the target of 150,000 fans and become the top fan-page in the banking sector in terms of pace of growth and fan community.

The development of the E-banking system is not exclusively dedicated to retail customers but also with adequate

attention and investment to corporate customers. In May 2014, the E-banking system for corporate customers was upgraded to increase efficiency and expand cutting edge utilities in an attempt to cater more fully to market demands. While the large corporate customers highly appreciate the Cash Flow Management Utility (Sweeping & Pooling) function due to its benefit to their complicated subsidiary and branches system, SME customers are satisfied with payment and fund transfer products, including payroll, bill payment, payment to State budget, overseas/domestic fund transfer, corporate credit card management and payment, which are diversified, real time 24/7 and with low costs. As a result, the number of users and transaction value increased by 51.3% and 67.0% respectively in 2014 y-o-y.

The success on E-banking in 2014 will be the foundation for VPBank to further fulfill its ambitious targets up through 2017. VPBank will exert its continual efforts to deliver quality online products and services in a friendly manner to offer customers the highest level of satisfaction and convenience.

Communication activities

In accordance with VPBank's six core values and practical operations, the Bank's communication activities in 2014 were focused on developing VPBank's image as an organization that always strives to bring a prosperous life both financially and spiritually to its employees, customers and the community at large.

Communications to Employees

The internal communication channels in VPBank have been synchronized and diversified, closely following system-wide activities to convey bank-wide messages and foster internal interactions. The internal communication channels include:

- (i) Regular newsletters (printed "Prosperity Magazine"; e-newsletter "VPBank Today" sent to all employees' email and other units' e-newsletters);
- (ii) Internal posters at business units and office areas;
- (iii) The screens of employees' computers.

In 2014, a youthful and dynamic theme was created throughout a series of internal events held by the Marketing and Communications Center (Marcom), namely the professional contest "VPBank's Trang Nguyen"; the physical strength, willpower and team spirit contest "Conquering Fansipan Peak"; the photo contest for children on the occasion of Children's Day; the talent contest "Sing & Dance"; "Fly! Night" - a celebration event for the Bank's birthday anniversary, and the contest to seek for VPBank's representative figures "Miss & Mr. VPBank".

In addition, other divisions of the Bank also proactively organized various internal activities, attracting great interest from employees such as the "SME Run" running contest, "Breakthrough Leadership" exchange program, "Operations Division Festival Day" teamwork activities; the Finance Division's "Daring Spirit" festival day and a series of workshops held by the Sales and Distribution transformation project "S&D Take-off".

2014 was a blossoming year of internal communication activities for VPBank with innovative but systematic organizational method, enthusiastic participation of employees and close attention of leadership of all levels, hence fostering employees' attachment to their workplaces as well as encouraging employees' working spirit during the Bank's critical transformation period accompanied with numerous challenges.

Communications to Customers

The new look-and-feel was simultaneously launched at 80 branches in Hanoi and Ho Chi Minh City with impressive colours and light throughout day and night, contributing to the enhancement of VPBank's brand identity in the mind of customers.

In 2014, VPBank held a vast array of events to meet the need for both economic - financial information and art enjoyment for a variety of customer segments.

In particular, corporate customers had a chance to participate in the golf tournament "VPBank Swing" organized by VPBank, as well as the international economic conference with the theme "World Economy and Vietnam - 2014 Situation and 2015 Outlook" held by VPBank in coordination with VPBS, Bloomberg and the International Monetary Fund (IMF).

SME customers joined various training courses on both business management skills and cash flow management skills, specialized workshops for agriculture & marine products, policy workshops.

Retail customers were invited to thematic workshops, private sales for well-known brands, and beauty and health care programs dedicated to women.

Especially, two emotional "VPBank Private Concerts" with themes of "Sunlight Calling" and "Night of Dreams" dedicated to customers took place at the end of the year. Held in a professional and sophisticated manner, the concerts with performances of leading local and overseas singers such as Tung Duong, Trong Tan, Thu Phuong, perfectly brought down the curtain on a year full of exciting events, and bringing a sense of VPBank as a dedicated companion to customers in all aspects of their life.

Communications to Community

Using music to connect with the community, VPBank attained astonishing successes in 2014 when choosing a rather new path to the financial - banking sector via excellent shows performed by leading domestic and world-class artists.

Opening a series of 2014 music events were two spectacular solo nights of Andrea Bonatta - a renowned Italian classic pianist in Hanoi and Ho Chi Minh City, followed by a soft music night entitled "June for Only You" with music from songwriter Phu Quang dedicated to the press leaders on the occasion of Vietnam Press Day.

Vietnam's hottest music event in 2014, VPBank's music show of the piano legend Richard Clayderman, held on August 22 in Hanoi fulfilled the dream of nearly 4,000 fans of this French pianist and became the center of attention from the press and public.

A series of activation events named "VPBank Prosperity Tree" with the theme of "Shining Lighthouse" took place in Hanoi and Ho Chi Minh City's during the New Year of 2014. These attracted the interest of hundreds of thousands of people with eye-catching settings and decorations, high-tech applications and the performance of celebrities.

Communications to Online community

Positioning itself as a retail bank, VPBank is giving great focus to youthful and dynamic customers through many exciting activities on the Internet and social networks.

All the big events such as "Richard Clayderman in Concert by VPBank" or "VPBank Prosperity Tree" were accompanied by creative online campaigns in an attempt to draw attention, comments and shares from the excited fans.

VPBank's Facebook fanpage last year experienced a rapid growth in terms of number of interactions and became the number one amongst the Vietnamese banks in 2014.

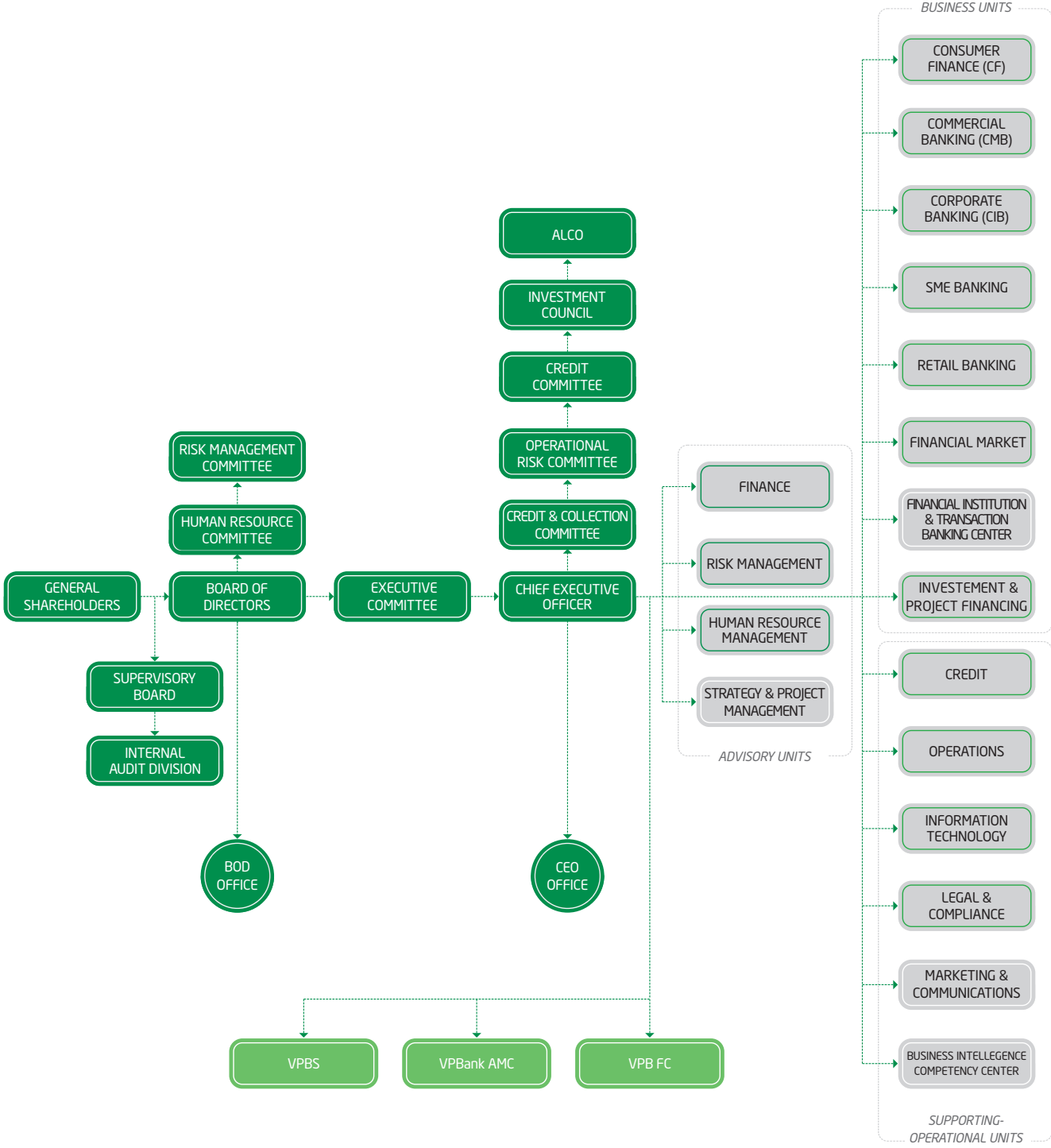
VPBank is one of the joint stock banks which devote considerable investment and attention to online communication channels and closely follow current customer behavioral trends, thus laying the foundation for effective access of these target customers.



CORPORATE GOVERNANCE



VPBANK ORGANIZATION CHART



Division
 Center

MEMBER 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 successfully 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 founding shareholder and an 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 Chairman of the Board of Directors. In addition, he is the Chairman of Human Resources Committee, Investment Council, high-level Credit Council, Vice Chairman of Risk Management Committee and a voting member of the 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 of Ukraine, Mr. Quan was an intern and researcher at this 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. In addition, he is a member of the Human Resources Committee, Investment Council, ALCO, Vice Chairman of the high-level Credit Council, Chairman of Risk Management Committee, and Chairman of the Members' Council of VPBank Securities Company.



3. Mr. Lo Bang Giang

Vice Chairman of the Board of Directors

Mr. Lo Bang Giang obtained a Master degree in Economics from Kiev National Aviation University, Ukraine in 2002. After that, he received his Bachelor degree in Finance and Banking from Moscow Economics, Statistics and Information University (MESI), the Russian Federation 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 Aqua-products Joint Stock Company since 2008. He has been a Vice Chairman of the Board of Directors of VPBank since March 2010. Additionally, he is a member of the Human Resources Committee, Investment Council, ALCO, Risk Management Committee, the Members' Council of VPBank Securities Company and Vice Chairman of the high-level Credit Council of VPBank.



4. Mr. Ngo Phuong Chi

Independent member of the Board of Directors

Mr. Ngo Phuong Chi held the position of Deputy General Director of Bao Viet Securities Joint-Stock Company from August 2006 to August 2010. He was the General Director of Viet Thanh Financial Investment Joint Stock Company from November 2010 to December 2011.

He also held various managerial positions, including General Director of Vinafins Technology and Investment Joint-Stock Company from December 2011 to February 2012; Director of SCIC Investment Company Limited (under the State Capital and Investment Corporation) from January 2013 to March 2014. Currently, he is the Chairman of IB Securities Joint-Stock Company and independent member of the Board of Directors of VPBank.



5. Mr. Luong Phan Son

Member of the Board of Directors

Mr. Luong Phan Son graduated from Lvov Polytechnic National University, USSR 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. As from 1998, he has been Deputy Director cum Chief Representative of INVESTLINK Company in Russian Federation. Mr. Son has been a member of VPBank's Board of Directors from April 2012 to October 2012 and from April 2013 to date.



6. Mr. Nguyen Duc Vinh

Member of the Board of Directors, Chief Executive Officer (CEO)

Mr. Nguyen Duc Vinh earned two MBAs from France and the United States. He worked as Deputy General Director for Vietnam Airlines Corporation (Vietnam Airlines) before taking his role on the Board of Directors and the Board of Management of Vietnam Technological and Commercial Joint Stock Bank (Techcombank) with important positions including: CEO, member of the Board of Directors cum CEO, and Vice Chairman of the Board of Directors. From July 2012 Mr. Nguyen Duc Vinh has been the CEO of VPBank and from April 2013, Mr. Nguyen Duc Vinh has been elected a member of the Board of Directors of VPBank.

MEMBER OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD



7. Ms. Nguyen Quynh Anh
Head of the 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 degrees in Educational Sciences and Business Administration from the State University of Management, the Russian Federation. She was Deputy Editor-in-chief of the "Nhan Hoa" Newspaper – a newspaper under the Russian Press Committee from 1995 to 2003. She then undertook positions of Accountant, Material Supplies Manager, Financial Director of BeePack Group, the Russian Federation from 2003 to 2008. From 2009 to February 2010, she was General Director of Lien Minh Investment Joint Stock Company. She 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. Additionally, she was appointed the Chief Supervisor of VPBank Securities Company since September 2011.

8. Ms. Trinh Thi Thanh Hang
Full-time member of the Supervisory Board

Having graduated from the University of Natural Sciences – Hanoi National University with a Bachelor degree in Information Technology and the National Economics University with a Bachelor Degree in Finance and Banking, Ms. Hang worked as a teacher at Hong Bang High School, Hanoi from 1998 to 1999. She then worked for Military Commercial Joint Stock Bank where she held the position of Information Technology Officer from 1999 to 2008 and Financial Officer from 2008 to March 2010. She was appointed full-time member of the Supervisory Board in March 2010. Also, she has been appointed the Supervisor of VPBank Asset Management Company Limited since November 2010.



9. Ms. Nguyen Thi Bich Thuy
Full-time member of the Supervisory Board

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

10. 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 degree in Intellectual Property Law from the University of Intellectual Property Law, the Russian Federation and a Doctoral degree in Economics Science from Moscow Geological Prospecting Institute, Russian Federation. She has 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 held the position of Chief Finance Officer (CFO) for Beepack Company from August 2004 to October 2008 and Accounting Officer for Interlogo Business Corp Company in Moscow, a company specialized 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

Chief Executive Officer (CEO), Member of the Board of Directors

Mr. Nguyen Duc Vinh holds two MBAs from France and the United States. He worked as Deputy General Director for Vietnam Airlines Corporation (Vietnam Airlines) before taking his roles on the Board of Directors and the Board of Management of Vietnam Technological and Commercial Joint Stock Bank (Techcombank) with important positions including: CEO, member of the Board of Directors cum CEO and Vice Chairman of the Board of Directors. From July 2012 to date, Mr. Nguyen Duc Vinh has been the CEO of VPBank. From April 2013, Mr. Nguyen Duc Vinh has been elected as a member of the Board of Directors of VPBank.

2. Ms. Luu Thi Thao

Deputy CEO, Head of Finance Division

Ms. Luu Thi Thao graduated from the Banking Academy with a Bachelor Degree in accounting. She has been a member of the Association of Chartered Certified Accountants of the United Kingdom (the ACCA UK) since 2002. Formerly, she worked for PricewaterhouseCoopers (Vietnam) Company Limited and KPMG Vietnam Company Limited before ascending to various management positions such as Head of Internal Audit, Compliance Department, ABN AMRO Vietnam Branch and Chief Financial Officer of ANZ Bank Vietnam. Ms. Luu Thi Thao has been VPBank's Deputy CEO cum Head of Finance Division since August 2011.

3. Mr. Nguyen Thanh Binh

Deputy CEO, Head of Credit Division

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

4. Mr. Vu Minh Truong

Deputy CEO, Head of Financial Markets Division

Obtaining his Bachelor of Business Administration from the West Berlin University in Germany, Mr. Vu Minh Truong worked as Manager of the Corporate Banking Department of HSBC, Director of Currency Trading, Foreign Exchange and Global Markets for Vietnam at Standard Chartered Bank Vietnam, Director of Global Markets for Vietnam and Director of Financial Institution in the Greater Mekong Region of ANZ Vietnam. From July 2011 to the end of 2013, Mr. Vu Minh Truong assumed the position of VPBank's Deputy CEO cum Head of Wholesale Banking Division. Since January 2014, he has been the Deputy CEO cum Head of Financial Markets Division of VPBank.

MEMBERS OF THE BOARD OF MANAGEMENT



5. Mr. Phan Ngoc Hoa

Deputy CEO, Head of Southern Representative Office and Head of Commercial Banking Division

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



6. Mr. Nguyen Thanh Long

Deputy CEO, Head of Legal and Compliance Division

Obtaining a Master 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. Since 2007, Mr. Nguyen Thanh Long has moved into the legal and compliance field, holding the position of Deputy CEO of Vietnam Technological and Commercial Joint Stock Bank (Techcombank) and Tien Phong Joint Stock Commercial Bank. Mr. Nguyen Thanh Long has been VPBank's Deputy CEO cum Head of the Legal and Compliance Division since July 2014.



7. Mr. Fung Kai Jin

Deputy CEO, Head of SME Banking Division

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



8. Ms. Duong Thi Thu Thuy

Deputy CEO, Head of Investment and Project Financing Division

Ms. Duong Thi Thu Thuy obtained her Bachelor Degree from the Hanoi Banking College, Bachelor Degree in Finance and Banking from the University of National Economics and a Bachelor Degree in English language from the Hanoi Foreign Languages University under the Hanoi National University and her Master Degree in Senior Management from the National Economics University. Since 2002, she has worked at VPBank and held various managerial positions including Head of Corporate Customer Relationship Department – Branch Manager of VPBank Hanoi, Deputy CEO cum Director of Transaction Center, Deputy CEO cum Head of Retail Division and SME Division, and Deputy CEO cum Head of Sales and Distribution (S&D) Division. She has been Deputy CEO cum Head of Investment and Project Financing Division of VPBank since May 2014.



9. Ms. Phung Thi Thu Huong

Head of Corporate Banking (CIB) Division

Ms. Phung Thi Thu Huong graduated from Hanoi Foreign Trade University and held a Master's degree in Banking and Finance Economics from the University of Paris Dauphine & ESCP (France). She has had more than 20 years of experience in the banking and financial sectors in senior leadership positions including Director of Operations at Chinfon Bank (Taiwan), Customer Relationship Manager at Standard Chartered Bank Hanoi Branch, Director of Financial Advisory in Vietnam International Securities company and Head of Financial Markets at ANZ Bank Vietnam. She joined VPBank in July 2011 and has served as VPBank's Head of Corporate Banking Division from January 2014.



10. Mr. Kalidas Ghose

Head of Retail Banking Division, Head of Consumer Finance Division, Member of the Board of Directors cum Acting CEO of VPBank Finance Company

Mr. Kalidas Ghose graduated from Jadavpur University (India) and then obtained a post-graduate certificate in Business Administration, XLRI School of Management and Human Resources, Jamshedpur (India). He has held various vital positions including: General Director of CitiFinancial India, President cum CEO of CitiFinancial Corp (Philippines), CEO of Prudential Vietnam Finance Company Limited, General Director of Retail Banking and Individual Investment Management, Mekong Region of ANZ Vietnam. He joined VPBank in March 2011 and now serves as Head of two Divisions including the Consumer Finance Division and the Retail Banking Division of VPBank, as well as Member of the Board of Directors cum Acting CEO of VPBank Finance Company.



11. Mr. Rajeev De Roy

Head of Operations Division

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



12. . Mr. Dmytro Kolechko

Head of Risk Management Division

Mr. Dmytro Kolechko holds a Master degree in International Business Administration from Kiev National University of Economics, Ukraine. He has over 15 years of working experience in the banking industry, of which over 10 years he has been holding senior leading positions in risk management including CRO at Raiffeisenbank Ukraine, CRO at Alfabank Ukraine, Deputy CRO at Raiffesen bank Aval. Prior to joining VPBank, he was country CRO for Hypo-Alpe-Adria Bank in Bosnia and Herzegovina. Since January 2015, he has held the role of Head of Risk Management Division (CRO) in VPBank.

MEMBERS OF THE BOARD OF MANAGEMENT



13. Ms. Huynh Thi Ngoc Truc

Head of Human Resources Management Division

Ms. Huynh Thi Ngoc Truc graduated from the Asian Institute of Technology and holds a Master degree in Human Resource Management. She has held the position of Chief Human Resources Officer (CHRO) at various large multinational companies. Before joining VPBank, she worked for HSBC Bank (Vietnam) Ltd. as CHRO cum Head of Strategic Project Management. She has been Head of Human Resources Division of VPBank since September 2014.



14. Mr. Vo Tan Long

Head of Information Technology Division

Graduating from the Saint-Petersburg State Electrical Engineering University as an engineer of electronic techniques in 1992, Mr. Vo Tan Long successfully completed his doctoral thesis in Physics and Mathematics at the same university in 1995. With sixteen years of experience working in various positions such as technical advisor, project manager, IT solution creator, Business Manager and General Director of IBM Vietnam, Mr. Vo Tan Long has joined VPBank since April 2013 as Head of Information Technology Division.



15. Mr. Le Hoang Lan

Head of Strategy and Project Management Center

Mr. Le Hoang Lan graduated from the Banking Academy in 1994. He had nearly 10 years of experience working for the State Bank of Vietnam, with extensive experience in ODA projects and program management and international cooperation. While working for the State Bank of Vietnam, he obtained a Master 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 Strategy and Project Management Center.



16. Mr. Tran Tuan Viet

Head of Marketing and Communications Center

A graduate from the University of Hanoi, Hanoi Foreign Trade University and University of Languages and International Studies – Vietnam National University, Mr. Tran Tuan Viet has gained 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 in multisectoral conglomerates including FPT, Ocean Group; Managing Director and Chief Operations Officer in media companies such as FPT Media, Santa Vietnam and Ancom Communication. Mr. Tran Tuan Viet joined VPBank in July 2013 and he is now serving as Head of Marketing and Communications Center.



17. Mr. Vivek Bhanot

Head of Business Intelligence Competency Center

Mr. Vivek Bhanot obtained his Bachelor of Civil Engineering degree from Thapar Institute of Engineering & Technology (now Thapar University) in India and his MBA from Hong Kong University. He worked as a structural design engineer in Punj Lloyd Limited in India for three years. Since 2009, he has been working in the Vietnamese banking industry in various roles providing extensive decision support to senior management and business units. After working in 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.



18. 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 degree in Economics from the State University of New York (US) as a Fulbright scholar. She has more than 20 years of experience in the banking industry and has held various senior managerial positions in Financial Institutions, Foreign Exchange Trading, Corporate Credit, Credit Approval and Risk Management Divisions at domestic and foreign banks including Vietcombank, Standard Chartered Bank, HSBC Bank and ANZ, among others. She has been with VPBank since June 2014 and is now the Head of the Financial Institutions and Transaction Banking Center.

CORPORATE GOVERNANCE REPORT

I. Information of 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 raises opinions and makes decisions in its annual and extraordinary General Meetings of the Shareholders by written votes. 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 and make important decisions on operational guidelines for the Bank in the upcoming financial year.

As of December 31, 2014, the Bank had 3,572 shareholders, 98% of whom are individual shareholders holding a total of 46% 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, complete and up-to-date information about the Bank's business results as well as ad-hoc information as regulated by applicable laws and regulations.

Activities related to shareholders' relation and the provision of information to shareholders are managed by the Board of Directors' Office. The contributing idea and feedback from shareholders are received and processed by the Board of Directors' Office or transferred to authorized persons for processing as regulated by applicable laws and regulations. Over the past years, VPBank Securities Company Limited (VPBS) has been hired by the Bank to perform the Bank's shareholders management services. Accordingly, VPBS provides, among others, the services of information provision, confirmation of shareholders' share ownership, processing of share transfer, etc.

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

According to general meeting practices and applicable laws and regulations on the agenda required for report and approval at an Annual General Shareholders' Meeting, the reports on performance of the Board of Management, performance of the Board of Directors and the Committees under the Board of Directors, CEO's reports on the performance of the Bank, the proposals for profits distribution, capital raising plan, annual operations plan of the Bank are all presented to and discussed by the shareholders prior to the vote for their approval.

The Bank applies state-of-the-art information technology for shareholders to best supervise the results of delegate eligibility, the results of voting for issues discussed in the meeting, as well as to shorten the time to fulfill these tasks.

The 2014 Annual General Shareholders' Meeting was organized on April 21st, 2014 after the Financial Statements had been audited by the independent auditor and the Bank had completed its procedures for electing additional Board of Directors members in compliance with applicable laws and regulations.

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

Shareholders who do not receive the invitation/request for written opinions can still access and print out the documents from the Bank's website. The deadline for getting shareholders' opinions in writing is usually set from ten to 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 done in witness of the members of the Supervisory Board and the vote-counting Minutes are published on the Bank's website within 24 hours upon completion.

In 2014, VPBank held 01 extraordinary General Shareholders' Meeting for dismissing an independent member of the Board of Directors and voting on the replacement thereof. Before the extraordinary General Meeting, VPBank sought its shareholders' written opinions regarding the election of the replacement of a member of the Board of Directors and procedures of nomination and self-nomination prior to official removal and nomination of the member at the General Meeting.

II. Board of Directors

1. Organizational Structure of the Board of Directors

The organizational structure of VPBank's Board of Directors in 2014 remained the same with in 2013, with six members including one Chairman, two Vice Chairmen, one independent member, one executive member and one regular member. In 2014, however, the General Shareholders' Meeting elected to replace the independent BOD member.

Members of VPBank's Board of Directors include:

- Mr. Ngo Chi Dzung: Chairman of the BOD.
- Mr. Bui Hai Quan: Vice Chairman of the BOD.
- Mr. Lo Bang Giang: Vice Chairman of the BOD.
- Mr. Luong Phan Son: Member of the BOD.
- Mr. Nguyen Duc Vinh: Member of the BOD (cum VPBank's CEO).
- Mr. Ngo Phuong Chi: Independent Member of the BOD (member from October 31, 2014 - elected as the replacement for Mr. Phung Khac Ke who resigned from his position of an independent member of the BOD due to personal reason).

The term of VPBank's Board of Directors is five years and the members of the Board of Directors can be re-elected for an unlimited number of times. The current term of office of VPBank's Board of Directors started in 2010 and will end in 2015.

The members of VPBank's Board of Directors fully satisfy the criteria and conditions on competency and experience as prescribed by the State Bank of Vietnam and VPBank. The current members of VPBank's Board of Directors have strengths in managerial experience in business and banking, with in-depth knowledge and understanding of their functions, missions, rights and obligations.

The current number of members and the organizational structure of the BOD are satisfactory to applicable laws and regulations and are suitable to the Bank's current scale. The BOD's number of members and organizational structure are expected to remain unchanged in the upcoming tenure. The nomination and self-nomination of candidates for the new BOD in the upcoming tenure will be conducted by the Bank's shareholders at the 2015 Annual General Shareholders' Meeting.

2. Activities of the Board of Directors in 2014

In 2014, the Board of Directors held 04 periodical meetings throughout four quarters. The BOD also provided written comments and directions to timely meet the Bank's requirements in operation and development. As a result, these following resolutions were discussed and approved by the Board of Directors:

- Passing resolutions on appointment and re-arrangement of members for Councils and Committees under BOD;
- Approving agenda presented to the Annual General Shareholders' Meeting in April 2014; approving the 2013 Annual Report;
- Orienting for the quarterly business plans; reviewing and adjusting functional strategy on business and operations;
- Approving network restructuring and expansion plan in 2014; Approving the Bank's strategy for launching new business models;
- Approving proposals beyond the authorized power of the CEO and Councils, Committees including Credit Committee, Executive Committee, Investment Council;
- Enacting (adjusting) regulations and policies on accounting, credit, non-performing debt resolution, credit risk handling, card use and management, overhead management regulations, decision-making principles and regulations on procurement, crisis management, business continuity management, entrusted lending and borrowing;
- Enacting (adjusting) organizational and operating regulations of such divisions as Information Technology, Financial Markets, Credit Division, etc.) and of the Risk Management Committee;

- Finalizing independent auditor subject to thematic topics;
- Reviewing the Bank's 5-year strategy, discussing implementation status and adjusting short-term plan accordingly;
- Discussing and approving the Bank's orientations toward capital growth in conformity with business requirements and the Bank's long-term bond issuance plan;
- Discussing and approving credit growth plan in conformity with business condition and strategic directions, submitting specific growth rates on each period to the State Bank of Vietnam for endorsement;
- Discussing and approving the strategy and implementation of selling the Bank's NPLs to the VAMC and the strategy for NPL recovery;
- Discussing and approving new documents, amending and supplementing regulations and policies in terms of centralized procurement, network management, personnel judgment mechanism, organizational structure and operations of the Bank's divisions and centers.

III. Activities of Councils and Committees under the Board of Directors

1. Human Resources Committee

The Human Resources Committee is tasked to advise the Board of Directors on the scope and structure of VPBank's Boards of Directors and Supervisory Board, as well as to counsel the Board of Directors in tackling personnel issues arising in the course of voting, the appointment, dismissal and removal of members of the Board of Directors, Supervisory Board, executive managers of VPBank; advise and propose the remuneration, bonus and other benefits for members of the Board of Directors, Supervisory Board, Chief Executive Officer; review and submit the annual budget for employees to the Board of Directors for approval; advise the Board of Directors and make decisions within its authority on senior executives of the Bank; make decisions on policies, compensation and benefits for employees, training projects and human resources strategies, regulations on personnel recruitment and assessment; make decision on issues related to stock distribution plan to the Bank's employees. The Human Resources Committee meets on a monthly basis.

Members of VPBank's Human Resources Committee include:

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

The Human Resources Committee in 2014 held 08 meetings and approved the following important resolutions:

- Approving 2014 action plan of the Human Resources Division;
- Approving 2014 training plan of various divisions on the basis of their core competency framework and functional competency framework;
- Reviewing and approving in principle bank-wide headcounts and employee expenses in 2014, so that the Human Resources Division and CEO can present to the Board of Directors for official approval;
- Reviewing and approving principles on personnel judgment rights so that the divisions can develop in detail and submit to the BOD;
- Approving the adjustment of the current income structure and salary range for the business support team;
- Reviewing and consulting the Board of Directors regarding the establishment of/ adjustment to the organizational model of the Human Resources Division, Legal and Compliance Division; Debt Collection Center under Risk Management Division, Operations Division and Credit Division;
- Consulting, reviewing and amending the contents of Regulations on organizations and operations of the Credit Division and Legal and Compliance Division;
- Approving, recruiting, and appointing more than 700 managers from the level of Director/Deputy Director of Departments upwards;
- Discussing and adopting principles for allocation of headcounts and employee expenses in 2015 for the divisions and the Bank;
- Performing the 360-degree evaluation for the Bank's senior leaders.

2. Risk Management Committee

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

Members of VPBank's Risk Management Committee include:

No.	Names	Positions	Members
1	Mr. Bui Hai Quan	Vice Chairman of the BOD	Chairman of the Committee
2	Mr. Ngo Chi Dzung	Chairman of the BOD	Member
3	Mr. Lo Bang Giang	Vice Chairman of the BOD	Member
4	Mr. Ngo Phuong Chi	Independent member of the BOD	Member
5	Mr. Nguyen Duc Vinh	CEO	Member
6	Ms. Nguyen Quynh Anh	Head of Supervisory Board	Member
7	Ms. Duong Thi Thu Thuy	Deputy CEO	Member
8	Mr. Dao Gia Hung	Deputy Head of Risk Management Division	Member

During the year, the Risk Management Committee held 05 meetings and approved the following important resolutions:

- Reviewing and assessing the status of VPBank's risk management system, the implementation of risk management policies and risk appetite of the Bank;
- Reaching an agreement on the risk management structure and human resources of the Risk Management Division, defining clearly the functions and duties of the Risk Management Division and establishing dedicated risk management committees such as the Operational Risk Management Committee, the Credit and Collection Committee;
- Approving the Bank's Risk Management Strategies in accordance with Basel II's standards and approving the overall development plan and the Bank's Basel II implementation roadmap based on the recommendations of the consulting firm;
- Supervising and approving the regulations and methods of risk management with regard to the Bank's products and services;
- Approving the critical initiatives to enhance risk management effectiveness, including the early warning system for credit risk, credit rating system, measures to control operational risks in line with international standards, fraud prevention and control systems in banking operations;
- Discussing and approving issues related to credit policies, corporate customer policies; risk management solutions for some specific risk categories of the Bank.

• Councils & Committees under the Board of Management with participation of members of BOD

1. Credit Council

The Council performs the function of rating and approving credit applications or credit limits exceeding the decision-making power of the Credit Committees under the branches; considers restructuring loans as proposed by functional departments; considers the exemption of fees and interest rates related to credit in accordance with the regulations on fees and interest rates exemption of VPBank; recommends the Board of Directors to adjust credit policies in accordance with actual conditions, etc., and handles the tasks relating to the credit activities of the Bank. Nowadays, Credit Councils at all levels of VPBank have increased the frequency of their meetings and have set up daily meetings to promptly settle the needs of credit approval under their respective authority. The Credit Council may consist of BOD's members, CEO, Head of Credit Division, Head of Risk Management Division and possibly the Bank's high-level credit approvers.

In 2014, the Credit Council organized 136 meeting sessions, approved 1,052 resolutions for credit application approval, revised credit granting conditions for loans of more than VND50 billion or for loans with special conditions as compared to VPBank's regulations, which were considered to pose higher risk to the Bank.

2. Investment Council

The Investment Council performs the function of reviewing and approving VPBank's and its subsidiaries' investment projects whose value exceeds the approval limits of the Chief Executive Officer, the Member Councils of the two affiliated companies, namely VPBank Securities Company (VPBS) and VPBank Asset Management Company Ltd. (VP AMC), and other specific limits as specified in the Bank's Financial Regulations. The Investment Council of VPBank also makes decisions on business limits with regard to credit institutions and proposals of investment in promissory notes, bonds and other valuable papers. The Investment Committee meets on a quarterly basis and endorses the Bank's proposals by obtaining written opinions.

In 2014, the Council approved 60 decisions: approving the proposals regarding financial investments (plans of trading government bonds, corporate bonds, promissory notes, and financial transaction limits with financial institutions, etc.) and some projects with budget beyond the approval level of the Bank's senior management (investments in purchasing ATM system, data centers, internal human resource management system, construction of office buildings, etc.)

3. Assets/Liabilities Management Council (ALCO)

The ALCO's functions are to research and propose strategies for balance sheet structure, manage the balance sheet structure of the Bank to maximize profits and minimize risk; develop and monitor financial and credit indicators in compliance with the Bank's business strategy; control liquidity and liquidity risks, interest rate risk due to mismatches between interest-sensitive assets and liabilities; manage market risk against fluctuations in exchange rates and interest rates; guide the development, approval and execution of policies, processes, and systems for internal funds transfer pricing to ensure profitability for business units; manage owners' equity to ensure the sustainable growth of the Bank. ALCO has organized monthly meetings to regularly assess the macro-economic environment, the activities of the banking sector and those of VPBank, make suitable decisions to ensure the Bank's liquidity, interest rates and corresponding volumes for funds mobilization or utilization programs; and ensure prudential ratios in accordance with the laws. Members of ALCO consist of the BOM's members and possibly BOD's members.

4. Executive Committee

The Committee performs the function of reviewing and proposing the Bank's business strategies to the Board of Directors for approval; keeping regular updates of the business performance; executing short-term action plans and solving challenges faced by the Bank's units during implementation; making recommendations on changes of the organization structure, budget plan, business plan in line with current events and submitting them to the Board of Directors for approval; reviewing and discussing important project implementation proposals of the Bank. The Executive Committee holds monthly meetings, with discretionary participation of members of the Board of Directors and the Supervisory Board.

Members of the Executive Committee consist of the Chairman of the Board of Directors and possibly other members of the Board of Directors as decided by the Chairman of the Board of Directors, Chief Executive Officer, members of the Board of Management, Heads of Divisions, Directors of Centers under the Chief Executive Officer. The Chief Executive Officer is the Chairman of the Executive Committee.

In 2014, the Executive Committee held twelve meeting sessions to discuss and decide numerous arising issues during the Bank's course of operations:

- Evaluating the business results of 2013 and of the months in 2014 as compared with the budget plan; setting forth action plans to realize business targets;
- Discussing the policies and budget plans, action plans, working agendas for 2014;
- Approving operational guidelines and business plans for the year, including development of new sales models and sales supporting models, necessary adjustments during model transformation, programs to boost productivity, focal development points for each segment, credit growth plans, plans on deposits, debt collection and NPL management strategies, mechanisms to facilitate timely response to movements in the market, remuneration policies and human resources development, brand promotion programs... in conformity with the requirements and operations of the Bank in each period;

- Updating and guiding key projects: branch model transformation, projects on assessing and strengthening foundational systems such as the core banking system, card management system, credit approval system and projects on centralizing and enhancing operational effectiveness.

5. Operational Risk Committee

Operational Risk Committee (ORC) performs the function of managing the Bank's operational risks, ensuring the effectiveness of the promulgation and implementation of the policies on operational risk management and directing the diffusion of knowledge and culture regarding operational risk management across the Bank.

The Operational Risk Committee is tasked to review and approve the overall strategies of operational risk management; operational risk management framework; operational risk related policies and regulations; capital strategies for operational risk management; monitoring the implementation and management of operational risks; and submitting regular and ad-hoc reports to the Board of Directors and the Risk Management Committee on arising issues.

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

In 2014, the Committee held 04 meetings, approving issues related to the guidelines on the Bank's operational risk management:

- Monitoring, assessing, discussing and reaching consensus on solutions to issues, events/losses related to operational risks.
- Tracking Key Risk Indicators (KRIs) and issuing timely guidance for indicators at high risk level.
- Approving and monitoring the Business Continuity Management project and Information Risk Management project.
- Approving short-term anti-fraud solutions and reaching an agreement on the establishment of Anti-fraud Investigation and Prevention Department.
- Tracking and supervising solutions for risks that occurred from the Retail segment's outsourcing activities.
- Further tracking and reaching consensus on the solutions to the findings of the Internal Audit related to system-wide risk issues.

6. Credit and Collection Committee

Credit and Collection Committee has the function and responsibility of making credit-related decisions, including portfolio management, debt recovery, credit risk measurement tools; reviewing and approving the policies, tools, and processes pertaining to the Bank's credit granting activities, debt handling and the recovery performance of various units based on their respective KPIs; scrutinizing the updated reports on credit portfolio quality by segments of the business divisions.

Periodically or when necessary, the Credit and Collection Committee will report to the Risk Management Committee and the Chief Executive Officer on matters within their scope of responsibility and make recommendations and proposals to the Risk Management Committee and the Chief Executive Officer on credit risk management strategies, report the results of stress tests on credit risks and NPL recovery strategies, among other activities.

The members of Credit and Collection Committee include CEO, Head of Risk Management Division, Head of Credit Division, General Director of VPBank Asset Management Company (VPBank AMC, the firm performing the Bank's collection activities).

Established at the end of 2013, the Credit and Collection Committee held four meetings in 2014 with a focus on the issues related to debt collection and handling. Accordingly, the Committee has been monitoring debt collection performance ranging from early collection, debt restructuring to late collection and making recommendations as well as timely adjustments to improve the bank-wide situation of debt recovery. The Committee has finalized the collection targets as well as the proposed debt recovery and settlement strategy for the VPBank AMC in 2014 under the new model. In addition, the Committee has proposed to change the process of debt restructuring towards centralizing the management and collection of the SME segment into one focal point; discussed and laid down clear criteria for allocating debt cases to appropriate collection units.

IV. Supervisory Board

1. General Introduction

The Supervisory Board of VPBank has 04 members, three of which are full-time members, including the Head of the Supervisory Board. The Supervisory Board on behalf of VPBank's General Shareholders' Meeting monitors the activities of the Board of

Directors, and concurrently plays the role of the Audit Committee in accordance with the international practices, in order to control the Bank's financial and business activities; check annual financial reports and other financial activities; supervise the compliance with applicable laws and internal regulations of the Bank, and supervise the internal auditing function by directly managing the Bank's Internal Audit Division. VPBank's Supervisory Board takes responsibility for reporting and accountability to the General Shareholders' Meeting in accordance with applicable laws and regulations. Nevertheless, the Supervisory Board works regularly with the Board of Directors and Board of Management to exchange views or advise on risks or key findings in the course of its operation.

List of members of VPBank's Supervisory Board:

1	Ms. Nguyen Quynh Anh	Head of Supervisory Board (full-time)
2	Ms. Nguyen Thi Bich Thuy	Full-time Member (additional member appointed at the Bank's GSM in April 2014)
3	Ms. Trinh Thi Thanh Hang	Full-time Member
4	Ms. Nguyen Thi Mai Trinh	Member

In 2014, the Supervisory Board made additional appointment of 01 full-time member, raising the number of Supervisory Board's members to 04 people. The additional appointment of one experienced member for the Supervisory Board from the Board of Management has improved the efficiency of the operations and accomplishment of the action plan of the Supervisory Board.

2. Activities of VPBank's Supervisory Board in 2014

In 2014, with the adjustment and completion of a centralized management model, VPBank attained remarkable achievements and robust growth amidst the general difficulties of Vietnam economy. In addition to business development, the Bank also placed a special focus on risk management; the Bank's supervisory system was gradually strengthened by specialization into each core functional areas such as credit, accounting in order to timely detect and prevent of risks in the Bank's operations.

Therefore, the Supervisory Board regularly held meetings and discussions to direct, adjust auditing activities at the Bank towards enhancing the best controlling of the inherent risks in the Bank's operations. Additionally, the Supervisory Board also held monthly meetings to sum up issues, findings and overall assessments of the monthly auditing works, discuss the implementation plan in the coming month and make adjustment if necessary.

In 2014, the Supervisory Board steered and conducted 70 planned audit works in coordination with the Internal Audit Division. The audit works that were conducted covered almost all core operations of the Bank.

In addition to doing the planned audit works and preparing resources for ad-hoc or extraordinary audit works to meet the Bank's needs as they arise, the Supervisory Board also focused on tracking and fixing audit recommendations in 2014. Accordingly, the Supervisory Board also hosted monthly meetings between the Supervisory Board, Internal Audit Division and the Board of Management to discuss specific risks detected in monthly audit works and agree on the owner and work plan to fix these issues. The Supervisory Board, Internal Audit Division collaborated with the related divisions, including the Legal and Compliance Division and Operational Risk Management Department, to radically resolve audit results and recommendations, clearly track and make full reports in these monthly meetings.

Whilst performing its functions and duties, the Supervisory Board has fully been engaged in meetings of the BOD, Risk Management Committee, Asset and Liabilities Committee, BOM, inter alia to gain information on directions and strategies, business plans, financial positions, credit positions of the Bank to better guide audit and supervision activities of the Internal Audit Division.

In 2014, the Supervisory Board also continued its policy on completing the organizational structure of the Internal Audit Division, improving the auditors' capability and support from the information technology modernization to meet the Bank's increasing demands and expectations. In 2014:

- The Supervisory Board recruited senior experts with experience from big foreign auditing firms, who made contribution towards formulating action plans, training to improve audit quality, controlling and limiting systematic risks and operational risks of units and functional areas of the Bank.
- The Supervisory Board also assigned senior staffs of the Internal Audit Division to get involved in the advisory project of overall risk management plan in accordance with the Basel II's standards to improve knowledge and understanding of new control and governance trends of the Bank in the years ahead, as the Bank implements Basel II adoption plans requested by the State Bank of Vietnam.

- The Supervisory Board placed special focus on quantity and quality of regular training for members of the Supervisory Board and Internal Audit Division, hired reputable training companies and experts to train on topics as well as got involved in general training courses held by the Bank to keep being updated with information and knowledge necessary for work. The training included topics of Internal Control System, Bank's financial statement analysis, Techniques for verifying document authenticity; Operational Risk Management; Market Risk Management; Financial Statement Preparation in accordance with international standards; training courses on risks and risk-oriented audits; training courses on business areas including trade finance, financial investment, bond trading); internal training courses on procedures and new products, inter alia. In 2014, there were 164 training attendees in 13 training courses.
- The Bank continued to complete the second phase of the implementation of the Internal Audit Software Project with a view to managing planning and auditing for the year, managing audit works at units, archiving auditing results, making and maintaining risk profiles for each business line and each audited units. This software will improve productivity and the working quality of auditors as well as closely manage auditing documentation.
- 2014 was also a year for reviewing, adjusting and putting work management software into use to monitor and have objective evaluation for the auditors' compliance with auditing procedure.

V. Remuneration for the Board of Directors and the Supervisory Board

Total remuneration budget for the Board of Directors and the Supervisory Board in 2014, as approved by the General Shareholders' Meeting in 2014, was equal to 1% of the consolidated profit before tax (this policy remains unchanged since 2012). Given the business results in 2014 with profit before tax of over VND1,600 billion, the total remuneration budget for the Board of Directors and the Supervisory Board in 2014 was over VND16 billion.

The principle of determining remuneration for members of the Board of Directors and the Supervisory Board has been reviewed, approved and remains unchanged since 2012. Accordingly, on a monthly basis, each member receives a fixed rate of remuneration for his or her title, as well as task-based remuneration as members of the Councils or Committees under the Board of Directors and the Supervisory Board.

In 2014, the total actual remuneration paid to members of the Board of Directors and the Supervisory Board was around VND7.6 billion.

VI. Prevention of conflicts of interest

The disclosure of related interests of members of the Board of Directors, members of the Supervisory Board, members of the Board of Management (CEO and Deputy CEOs) and the declaration of related persons shall be made at the beginning of each year and during the year upon changes in the disclosed information. The Corporate Secretary under the Board of Directors' Office shall gather information from members and send them the synthesized report as the basis for defining related persons of the Bank and following procedures in case the Bank has transactions with these persons.

The Bank's internal regulations, permissible contracts and transactions between the Bank and members of the Board of Directors, members of the Supervisory Board, members of the Board of Management and related persons of these members, shall all be subject to endorsement by the Board of Directors or Councils/Committees under the Board of Directors based on majority rule, with related members not having voting rights. All such transactions shall be reflected in signed contracts or clear documentation as stipulated by the Bank on the principle of equality and volunteerism.

Also, under the provisions of the Law on Credit Institutions, the Bank shall not grant credit to any member of the Board of Directors, the Supervisory Board, CEO, Deputy CEO and/or equivalent titles as well as the mother, father, wife, husband or children of those members.

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 regulations applicable to large-scale public companies by the Ministry of Finance.

The Bank submits information for reporting and disclosure to the SBV and posts the information on its website and information disclosure software in compliance with the regulations of the State Securities Commission of Vietnam (SSC) and other mass media. The reports that are already prepared by the Bank include:

- Annual financial reports, consisting of consolidated and bank-only financial statements, which are audited by an authorized 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
 - 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 is made available every six months and annually within thirty days from the end of the reporting period.
 - Related information of major shareholders is released as per regulations.
 - Other information of 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 laws, the Bank also proactively makes available the information on its strategies, new products, promotion programs and major events which exert large impact on the Bank's operation as well as social welfare activities on the mass media and on its own website.

VPBank undertakes to report in writing to the SBV in a timely manner changes in the Bank's organization, governance, and financial performance of big shareholders during the year, and other reports (periodic and ad-hoc) for the purposes of monitoring and evaluation as required by regulatory agencies.

The information disclosure is undertaken in accordance with the Bank's internal regulation on speech and information disclosure, with the focal point being the Communications and Marketing Center and the Board of Directors' Office, after the disclosure of such information has been endorsed by relevant competent bodies of the Bank.

VIII. Shareholder Structure & Owners' Investment Capital Changes

1. Shares

The total number of shares of the Bank as of December 31, 2014 is 634,741,000 shares (expressed in words: Six hundred and thirty four million seventy hundred and forty one thousand shares). All of these shares are common and outstanding shares. The shareholders' book for all of these shares is kept 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: "shareholders being individuals, organizations whose representatives are members of the Board of Directors, members of the Supervisory Board, CEO (Director) of credit institutions shall not be allowed to transfer their shares during their respective term of office."

As of December 31, 2014, the shares owned by members of the Board of Directors, the Supervisory Board and CEO of VPBank were as follows:

No.	Full Name	Positions currently held at VPBank	Number of shares	Percentage of common shares owned
1	Mr. Ngo Chi Dzung	Chairman of the Board of Directors (BOD)	28,461,482	4.48%
2	Mr. Bui Hai Quan	Vice Chairman of the BOD	9,830,358	1.55%
3	Mr. Lo Bang Giang	Vice Chairman of the BOD	899,297	0.14%
4	Mr. Ngo Phuong Chi	Independent Member of the BOD	0	None
5	Mr. Luong Phan Son	Member of the BOD	2,622,128	0.413%
6	Ms. Nguyen Quynh Anh	Head of the Supervisory Board	24,994,531	3.94%

No.	Full Name	Positions currently held at VPBank	Number of shares	Percentage of common shares owned
7	Ms. Nguyen Thi Mai Trinh	Member of the Supervisory Board	31,186,127	4.91%
8	Ms. Trinh Thi Thanh Hang	Full-time member of the Supervisory Board	0	None
9	Ms. Nguyen Thi Bich Thuy	Full-time member of the Supervisory Board	0	None
10	Mr. Nguyen Duc Vinh	Member of the BOD cum CEO	0	None
Total			97,993,923	15.43%

All the shares of the members named in the above list are classified as transfer-restricted shares per applicable law. In addition, Mr. Luong Phan Son is the representative of the capital contribution of two companies. As a result, the shares held by these two companies are also transfer-restricted shares as per the aforementioned regulation. Therefore, the total transfer-restricted shares as per applicable law are 127,525,764 shares.

2. Shareholder structure of VPBank as of December 31, 2014

No.	Type of shareholders	Number of shareholders	Number of shares	Percentage
1	Individual shareholders	3,528	291,964,755	46%
2	Institutional shareholders	44	342,776,245	54%
3	Foreign shareholders	0	0	0%
Total		3,572	634,741,000	100%

3. Changes in owners' investment capital

The Annual General Shareholders' Meeting of VPBank adopted a resolution on raising the chartered capital from VND6,347 billion to VND7,324 billion (an increase of VND977 billion) by distributing dividends in the form of shares from 2013 retained earnings of VND932 billion and distributing bonus shares from the reserve fund for charter capital supplementation worth VND44 billion. VPBank has submitted proposals to the State Bank of Vietnam for approval of the rise in its chartered capital in conformity with the resolution adopted by the General Shareholders.

4. Transaction of treasury stocks

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

5. Other securities

VPBank did not issue any other shares during the year.

6. Share transactions of internal shareholders

As stipulated by laws, shareholders who are members of the Board of Directors, the Supervisory Board, or CEO are not allowed to transfer shares during their respective term of office. As such, there has been no share transfer transactions by internal shareholders who are members of the Board of Directors, the Supervisory Board, or CEO in 2014.

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

7. Transactions of foreign strategic shareholders

After Oversea-Chinese Banking Corporation Limited (OCBC) had divested its entire holding in 2013, VPBank has had no foreign strategic shareholders.

2014 AUDITED FINANCIAL STATEMENTS



CORPORATE INFORMATION

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 the most recent was issued on 6 March 2015.	
Board of Directors	Mr. Ngo Chi Dzung	Chairman
	Mr. Bui Hai Quan	Vice Chairman
	Mr. Lo Bang Giang	Vice Chairman
	Mr. Ngo Phuong Chi	Independent member <i>(appointed on 31/10/2014)</i>
	Mr. Luong Phan Son	Member
	Mr. Nguyen Duc Vinh	Member
	Mr. Phung Khac Ke	Independent member <i>(resigned on 31/10/2014)</i>
Board of Management	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. Vu Minh Truong	Deputy Chief Executive Officer
	Mr. Nguyen Thanh Long	Deputy Chief Executive Officer <i>(appointed on 1 July 2014)</i>
	Mr. Fung Kai Jin	Deputy Chief Executive Officer <i>(appointed on 6 October 2014)</i>
	Ms. Luu Thi Anh Xuan	Deputy Chief Executive Officer <i>(resigned on 9 July 2014)</i>
	Mr. Peterjan Van Nieuwenhuizen	Deputy Chief Executive Officer <i>(resigned on 23 October 2014)</i>
	Ms. Nguyen Thi Bich Thuy	Deputy Chief Executive Officer <i>(resigned on 22 April 2014)</i>
Mr. Kalidas Ghose	Deputy Chief Executive Officer <i>(resigned on 10 September 2014)</i>	
Legal representative	Mr. Ngo Chi Dzung	Chairman
Registered office	1st - 7th Floor, Capital Tower No. 72 Tran Hung Dao Street, Tran Hung Dao Ward, Hoan Kiem District Hanoi, Vietnam	
Auditors	KPMG Limited	

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK **STATEMENT OF THE MANAGEMENT**

The management of Vietnam Prosperity Joint Stock Commercial Bank ("the Bank") is responsible for the preparation and presentation of the consolidated financial statements of the Bank and its subsidiaries (collectively referred to as "VPBank") in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System applicable to credit institutions issued by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting. In the opinion of the management:

(a) The consolidated financial statements set out on pages 5 to 75 give a true and fair view of the consolidated financial position of VPBank as at 31 December 2014, and of the consolidated results of operations and the consolidated cash flows of VPBank for the year then ended in accordance with the Vietnamese Accounting Standards, the Vietnamese Accounting System applicable to credit institutions issued by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting; and

(b) At the date of this statement, there are no reasons for the management to believe that VPBank will not be able to pay its debts as and when they fall due.

The management has, on the date of this statement, authorized these consolidated financial statements for issue.

On behalf of the management,



Mr. Nguyen Duc Vinh

Chief Executive Officer

Hanoi, 6 March 2015

INDEPENDENT AUDITORS' REPORT

To the Shareholders

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

We have audited the accompanying consolidated financial statements of Vietnam Prosperity Joint Stock Commercial Bank ("the Bank") and its subsidiaries (collectively referred to as "VPBank"), which comprise the consolidated balance sheet as at 31 December 2014, the consolidated statements of income and cash flows for the year then ended and the explanatory notes thereto ("the consolidated financial statements") which were authorised for issue by the Bank's management on 6 March 2015, as set out on pages 5 to 75.

Management's Responsibility

The Bank's management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System applicable to credit institutions issued by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting, and for such internal control as the management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 financial statements.

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

Auditor's Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of VPBank as at 31 December 2014 and of its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System applicable to credit institutions issued by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting.

KPMG Limited

Vietnam

Investment Certificate No. 011043000345

Audit Report No. 14-02-202/4



Tran Dinh Vinh

Practicing Auditor Registration
Certificate No. 0339-2013-007-1
Deputy General Director

A handwritten signature in black ink, appearing to read 'Nguyen Tam Anh', written over a horizontal line.

Nguyen Tam Anh

Practicing Auditor Registration
Certificate No. 0651-2013-007-1

Hanoi, 6 March 2015

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

Consolidated balance sheet

as at 31 December 2014

Form B02/TCTD-HN

(Issued in accordance with Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 of the Governor of the State Bank of Vietnam)

	Note	31/12/2014 VND million	31/12/2013 VND million (Reclassified)
A	ASSETS		
I	Cash and gold on hand	5	1,358,034
II	Balances with the State Bank of Vietnam	6	3,701,393
III	Balances with and loans to other credit institutions	7	13,924,797
1	Deposits with other credit institutions		2,300,846
2	Loans to other credit institutions		11,630,402
3	Allowance for deposits and loans to other credit institutions		(6,451)
IV	Securities held for trading	8	4,243,718
1	Securities held for trading		4,260,016
2	Allowance for securities held for trading		(16,298)
V	Loans and advances to customers		77,255,692
1	Loans and advances to customers	9	78,378,832
2	Allowance for loans and advances to customers	10	(1,123,140)
VI	Investment securities	11	47,960,783
1	Available-for-sale securities		44,189,329
2	Held-to-maturity securities		4,022,686
3	Allowance for investment securities		(251,232)
VII	Long-term investments	12	71,831
4	Other long-term investments		72,304
5	Allowance for diminution in value of long-term investments		(473)
VIII	Fixed assets		602,947
1	Tangible fixed assets	13	291,025
a	Cost		596,927
b	Accumulated depreciation		(305,902)
3	Intangible fixed assets	14	311,922
a	Cost		437,365
b	Accumulated amortisation		(125,443)

The accompanying notes are an integral part of the consolidated financial statements

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

Consolidated balance sheet (continued)

as at 31 December 2014

	Note	31/12/2014 VND million	31/12/2013 VND million (Reclassified)
IX Investment property	15	28,175	28,891
1 Cost		29,965	29,965
2 Accumulated depreciation		(1,790)	(1,074)
X Other assets		14,094,008	16,071,063
1 Receivables	16(a)	7,060,716	10,865,571
2 Accrued interest and fee receivables	16(b)	4,114,405	2,954,722
4 Other assets	16(c)	3,174,284	2,857,330
- In which: Goodwill		62,421	-
5 Allowance for other assets	16(d)	(255,397)	(606,560)
TOTAL ASSETS		163,241,378	121,264,370

	Note	31/12/2014 VND million	31/12/2013 VND million
B LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
I Amounts due to the Government and the State Bank of Vietnam	17	832,555	1,885,457
II Deposits and borrowings from other credit institutions	18	26,228,249	13,134,052
1 Deposits from other credit institutions		14,694,977	8,081,635
2 Borrowings from other credit institutions		11,533,272	5,052,417
III Deposits from customers	19	108,353,665	83,843,780
IV Derivatives and other financial liabilities	20	215,333	50,851
V Other borrowed and entrusted funds		125,246	63,737
VI Valuable papers issued	21	12,409,544	7,600,755
VII Other liabilities		6,096,491	6,959,041
1 Accrued interest and fee payables	22(a)	2,038,490	2,006,498
2 Deferred tax liabilities	22(b)	264	-
3 Other liabilities	22(c)	4,057,737	4,908,974
4 Provision for off-balance sheet commitments	22(d)	-	43,569
TOTAL LIABILITIES		154,261,083	113,537,673

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

Consolidated balance sheet (continued)

as at 31 December 2014

	Note	31/12/2014 VND million	31/12/2013 VND million	
SHAREHOLDERS' EQUITY				
VIII	Capital and reserves	23	8,980,290	7,726,697
1	Capital		6,348,779	5,771,369
a	Share capital		6,347,410	5,770,000
c	Share premium		1,369	1,369
2	Reserves		541,381	328,295
5	Retained earnings		2,090,130	1,627,033
TOTAL SHAREHOLDERS' EQUITY			8,980,290	7,726,697
IX	NON-CONTROLLING INTEREST	23	5	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			163,241,378	121,264,370

		31/12/2014 VND million	31/12/2013 VND million	
OFF-BALANCE SHEET ITEMS				
I	CONTINGENT LIABILITIES		9,075,574	5,644,148
2	Letters of credit		2,610,856	1,339,815
3	Other guarantees		6,464,718	4,304,333
II	OTHER COMMITMENTS			
1	Other commitments		1,680,163	-

Prepared by:



Nguyen Thi Thu Hang
Chief Accountant

Approved by:



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



Nguyen Duc Vinh
Chief Executive Officer

6 March 2015

The accompanying notes are an integral part of the consolidated financial statements

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

Consolidated statement of income

for the year ended as at 31 December 2014

Form B03/TCTD-HN

Issued in accordance with Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 of the Governor of the State Bank of Vietnam

	Note	2014 VND million	2013 VND million (Reclassified)	
1	Interest and similar income	24	12,404,218	11,194,255
2	Interest and similar expenses	24	(7,113,131)	(7,042,590)
I	Net interest income	24	5,291,087	4,151,665
3	Fee and commission income	25	959,852	811,131
4	Fee and commission expenses	25	(352,700)	(276,385)
II	Net fee and commission income	25	607,152	534,746
III	Net loss from trading of foreign currencies and gold		(89,905)	(20,813)
IV	Net gain from securities held for trading	26	(4,607)	117,999
V	Net gain from investment securities	27	465,573	185,902
5	Other income	28	246,408	124,771
6	Other expenses	28	(253,363)	(20,744)
VI	Net other income	28	(6,955)	104,027
VII	Income from investments in other entities		8,716	11,628
VIII	Operating expenses	29	(3,682,984)	(2,704,326)
IX	Operating profit before allowance and provision expenses		2,588,077	2,380,828
X	Allowance and provision expenses	30	(979,474)	(1,025,982)
XI	Profit before tax		1,608,603	1,354,846
7	Income tax expense – current	31	(355,102)	(331,592)
8	Income tax benefit/(expense) – deferred	31	92	(5,634)
XII	Total income tax expense	31	(355,010)	(337,226)
XIII	Net profit after tax		1,253,593	1,017,620
XIV	Basic earnings per share (VND/share)	32	1,975	1,603

Prepared by:



Nguyen Thi Thu Hang
Chief Accountant

Approved by:



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



Nguyen Duc Vinh
Chief Executive Officer

6 March 2015

The accompanying notes are an integral part of the consolidated financial statements

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

Consolidated statement of cash flows

for the year ended 31 December 2014

Form B04/TCTD-HN

(Issued in accordance with Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 of the Governor of the State Bank of Vietnam)

	2014 VND million	2013 VND million (Reclassified)
CASH FLOWS FROM OPERATING ACTIVITIES		
01 Interest and similar income received	11,436,872	10,823,575
02 Interest and similar expenses paid	(7,182,728)	(6,277,347)
03 Fee and commission income received	606,685	534,682
04 Net payments for foreign currencies and gold trading activities	(180,186)	(95,254)
05 Net receipts from securities trading activities	460,742	275,669
06 (Other expense paid)/other income received	(7,189)	99,946
07 Payments for operating and salary expenses	(3,427,249)	(2,570,241)
08 Corporate income tax paid	(502,603)	(188,744)
Net cash flows from operating activities before changes in operating assets and liabilities	1,204,344	2,602,286
Changes in operating assets		
09 Balances with and loans to other credit institutions	(1,747,926)	797,025
10 Securities held for trading and investment securities	(9,354,176)	(12,929,880)
11 Derivatives and other financial liabilities	-	57,471
12 Loans and advances to customers	(28,530,673)	(16,207,513)
13 Utilisation of allowance for loans and advances, securities, long-term investments	(707,090)	(251,824)
14 Other assets	3,641,010	(3,179,093)
Changes in operating liabilities		
15 Amounts due to the Government and the State Bank of Vietnam	(1,052,902)	513,885
16 Deposits and borrowings from other credit institutions	13,094,197	(12,521,665)
17 Deposits from customers	24,481,553	24,329,639
18 Valuable papers issued	4,808,789	334,655
19 Other borrowed and entrusted funds	61,509	(803)
20 Derivatives and other financial liabilities	164,482	50,851
21 Other liabilities	(929,975)	1,472,623
22 Utilisations of reserves	-	(27)
I NET CASH FLOWS FROM OPERATING ACTIVITIES	5,133,142	(14,932,370)

The accompanying notes are an integral part of the consolidated financial statements

Consolidated statement of cash flows (continued)

for the year ended 31 December 2014

	2014 VND million	2013 VND million
CASH FLOWS FROM INVESTING ACTIVITIES		
01	(96,945)	(113,444)
02	1,895	18,728
07	(1,222,817)	(4,493)
09	8,716	11,628
II	(1,309,151)	(87,581)
CASH FLOWS FROM FINANCING ACTIVITIES		
01	-	2,500,000
III	-	2,500,000
IV	3,823,991	(12,519,951)
V	5,468,034	17,987,985
VI	9,292,025	5,468,034

NON-CASH INVESTING AND FINANCING ACTIVITIES

	2014 VND million	2013 VND million
Bonus shares	27,526	-
Dividend shares	549,884	-

Prepared by:



Nguyen Thi Thu Hang
Chief Accountant

Approved by:



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



Nguyen Duc Vinh
Chief Executive Officer

6 March 2015

The accompanying notes are an integral part of the consolidated financial statements

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK
Notes to the consolidated financial statements
for the year ended 31 December 2014

Form B05/TCTD-HN

(Issued in accordance with Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 of the Governor of the State Bank of Vietnam)

These notes form an integral part of, and should be read in conjunction with, the accompanying consolidated financial statements.

1. Reporting entity

Vietnam Prosperity Joint Stock Commercial Bank (herein referred to as "the Bank") is a joint stock bank incorporated and registered in the Socialist Republic of Vietnam.

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

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

As at 31 December 2014, the Bank's share capital is VND6,347 billion (31 December 2013: VND5,770 billion). Face value per share is VND10,000.

As at 31 December 2014, the Bank has one (1) Head Office, forty-four (44) branches, one hundred and sixty-four (164) transaction offices and savings funds nationwide.

As at 31 December 2014, the Bank had three (3) subsidiaries with direct ownership as follows:

Subsidiaries	Established in	Operating licence	Nature of Business	% owned by the Bank
VPBank Securities Company Limited (VPBS)	Vietnam	0104000621 dated 28 November 2006 issued by Hanoi Department of Planning and Investment.	Securities activities	100%
VPBank Asset Management Company Limited (VPBank AMC)	Vietnam	0105837483 dated 15 April 2013 granted by Hanoi Department of Planning and Investment.	Asset and Liability management	100%
VPBank Finance Company Limited (VPB FC)	Vietnam	0102180545 dated 4 December 2014 issued by Hanoi Department of Planning and Investment.	Providing other financial services not yet classified	100%

and one (1) subsidiary with indirect ownership made through VPBS as follows:

Subsidiaries	Established in	Operating licence	Nature of Business	% owned by the Company
VPBS Company Limited (Myanmar)	Myanmar	580 FC dated 21 October 2013 issued by Ministry of National Planning and Economic Development - Republic of the Union of Myanmar	Research and investment in Myanmar	99%

The Bank and its subsidiaries are hereinafter collectively referred to as "VPBank". As at 31 December 2014, VPBank had 9,501 employees (31 December 2013: 6,795 employees).

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

2. Basis of financial statement preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System applicable to credit institutions issued by the SBV, and the relevant statutory requirements applicable to financial reporting. These accounting policies may differ in some material respects from International Financial Reporting Standards and the generally accepted accounting principles and standards in other countries. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position and consolidated results of operations and consolidated cash flows in accordance with generally accepted accounting principles and practices in countries or jurisdictions other than Vietnam. Furthermore, their utilisation is not designed for those who are not informed about Vietnam's accounting principles, procedures and practices.

(b) Basis of measurement

The consolidated financial statements, except for the consolidated statement of cash flows, are prepared on the accruals basis using the historical cost concept. The consolidated statement of cash flows is prepared using the direct method.

(c) Annual accounting period

The fiscal year of VPBank is from 1 January to 31 December.

(d) Accounting currency

VPBank's accounting currency is Vietnam Dong ("VND"), rounded to the nearest million ("VND million").

3. Changes in accounting policies

Except for the changes in accounting policies listed below, VPBank has consistently applied the accounting policies described in Note 4 to all the accounting periods presented in these consolidated financial statements.

(i) VPBank has applied prospectively the Circular No. 02/2013/TT-NHNN dated 21 January 2013 of the SBV on classification of assets, level and method of allowance making, and use of allowance against credit risks in banking activity of credit institutions and foreign banks' branches ("Circular 02") and Circular No. 09/2014/TT-NHNN dated 18 March 2014 of the SBV on amending and supplementing a number of articles of Circular 02 ("Circular 09") which takes effects from 1 June 2014. The application of Circular 02 and Circular 09 would have effects on the following accounting policies:

- Deposits and loans to other credit institutions (Note 4(d));
- Securities held for trading (Note 4(e));
- Investments (Note 4(f));
- Loans and advances to customers (Note 4(g));
- Classification and level and method of allowance making for deposits with and loans to other credit institutions, purchases and entrustment to purchase of unlisted corporate bonds, loans and advances to customers, and entrusted extension of credit (Note 4(h)); and
- Provision for off-balance sheet items (Note 4(i)).

(ii) VPBank has applied Circular No. 146/2014/TT-BTC dated 6 October 2014, issued by Ministry of Finance about financial regime for securities companies, fund management companies ("Circular 146") effective from 21 November 2014 on a prospective basis. Implementing Circular 146 affects the accounting policies on equity (Note 4(s)).

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

4. Summary of significant accounting policies

The following significant accounting policies have been adopted by VPBank in the preparation of these consolidated financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the effective date of control until the date the control ceases.

Minorities' interest is a part of the profits and the net asset value of subsidiaries is determined corresponding to the benefit which is not owned by the Bank directly or indirectly through the subsidiaries.

(ii) Transactions eliminated on consolidation

Inter-group balances, transactions and unrealised gains on transactions between those subsidiaries and the Bank are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless transactions provide evidence of an impairment of the asset transferred. The accounting policies of subsidiaries have been changed when necessary to ensure the consistency with the policies adopted by the Bank.

(iii) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to VPBank. Control exists when the Bank has the power to govern the financial policies and operating of an entity so as to obtain benefits from its activities. The assessing control, potential voting rights, that presently are exercisable, are taken into account.

(b) Foreign currency transactions

VPBank maintains an accounting system that records all transactions in their original currencies. Monetary assets and liabilities denominated in currencies other than VND are translated into VND at the Bank's exchange rates prevailing on the balance sheet date. Non-monetary foreign currency assets and liabilities are translated into VND using the exchange rate effective at the dates of the transactions. Income and expenses in foreign currencies are translated into VND using exchange rates on the dates of the transactions in the consolidated statement of income.

Translation adjustments arising from dealing activities as at the balance sheet date are recorded in the consolidated statement of income.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, gold on hand, balances with the SBV and other short-term valuable papers which are eligible for rediscount with the SBV balances with other credit institutions with original terms to maturity not exceeding three months and investment securities with maturity not exceeding three months from the acquisition date.

(d) Deposits and loans to other credit institutions

(i) Deposits with other credit institutions

Prior to 1 June 2014

Deposits with other credit institutions were stated at the amount of the outstanding principal and no allowance was required.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

From 1 June 2014

Demand deposits with other credit institutions are stated at the amount of the outstanding principal and no allowance is required.

Other deposits with other credit institutions except for demand deposits are stated at the amount of the outstanding principal less any specific allowance.

The classification and specific allowance for deposits with other credit institutions (except for demand deposits) are performed in accordance with Circular 02 and Circular 09 as described in Note 4(h).

(ii) Loans to other credit institutions

Loans to other credit institutions are stated at the amount of the outstanding principal less any allowance for credit risk.

Prior to 1 June 2014

Allowance for credit risk (including general allowance and specific allowance) was provided in accordance with Decision No. 493/2005/QĐ-NHNN ("Decision 493") dated 22 April 2005 and Decision No. 18/2007/QĐ-NHNN ("Decision 18") dated 25 July 2007 of the SBV.

From 1 June 2014

The classification of credit risks of loans to other credit institutions and corresponding specific allowance are performed in accordance with Circular 02 and Circular 09 as described in Note 4(h). According to Circular 02, the Bank is not required to make general allowance for loans to other credit institutions.

(e) Securities held for trading

(i) Classification

Securities held for trading include securities that the Bank purchases and intends to sell in the period of not exceeding 1 year for short-term earnings.

(ii) Recognition

VPBank recognises securities held for trading at the date VPBank becomes a party under contractual terms with respect to these securities (trade date accounting).

(iii) Measurement

Securities held for trading are recognised at cost less allowance for securities held for trading.

For listed securities held for trading and securities held for trading being unlisted shares: Allowance is made when market price is lower than book value.

For listed securities held for trading, market price is the quoted closing bid price of Ho Chi Minh City Stock Exchange or the average price at the Hanoi Stock Exchange at the reporting date.

For unlisted shares which are freely traded on OTC market, market price is the average price of transaction prices at the reporting date provided by three securities companies with charter capital of VND300 billion or more. No allowance is made for securities which are not freely traded in the market and whose market price cannot be determined; they are recorded at cost.

For securities held for trading being unlisted bonds: Allowance is made in accordance with Circular 02 and Circular 09 as described in Note 4(h).

The allowance for securities held for trading mentioned above will be reversed if the subsequent increases in recoverable amount of securities held for trading can be related objectively to an event occurring after the allowance was recognized. An allowance is reversed only to the maximum level being equal to the securities' carrying amount if no allowance had been recognized.

Cost of securities held for trading is determined on a weighted average basis.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

(iv) De-recognition

VPBank derecognizes securities held for trading when the contractual rights to the cash flows from these securities expire or when the significant risks and rewards of ownership of these securities have been transferred.

(f) Financial Investments

(i) Investment securities

Classification

Investment securities are classified into two categories: available-for-sale investment securities and held-to-maturity investment securities. VPBank classifies investment securities at the purchase date. In accordance with Official Letter No. 2601/NHNN-TCKT dated 14 April 2009 issued by the SBV, VPBank is allowed to reclassify its investment securities once after their purchase dates.

Available-for-sale investment securities are debt securities, equity securities or other securities, which are held for an indefinite period and may be sold at any time.

Held-to-maturity investment securities include special bonds issued by Vietnam Asset Management Company ("VAMC"). These are debt securities with fixed maturity periods issued by VAMC for the purpose of purchasing VPBank's non-performing loans.

Measurement

Available-for-sale debt securities: are stated at cost including transaction costs and other directly attributable costs. They are subsequently recognised at amortised cost (affected by premium/discount amortisation) less allowance. Premium and discounts arising from purchases of debt securities are amortised to the consolidated statement of income on a straight-line basis over the period from acquisition date to maturity date. For unlisted corporate bonds, allowance is made in accordance with Circular 02 and Circular 09 as described in Note 4(h).

Special bonds issued by Vietnam Asset Management Company ("VAMC"): are initially recorded at par value at transaction date. They are subsequently recognised at cost less allowance. Allowance for special bonds is made in accordance with the regulations of Circular No. 19/2013/TT-NHNN dated 6 September 2013, on the purchase, sale and settlement of bad debts of Vietnam Asset Management Company ("Circular 19"). According to Circular 19, on an annual basis, within 05 working days prior to the maturity date of special bonds, VPBank shall make minimum specific allowance for each special bond by dividing the face value of the special bond by its term (currently, 5 years). Allowance is recorded in the consolidated statement of income.

(ii) Capital contribution and long-term investments

Other long term investments include equity securities, other long term capital contributions whose holding, withdrawing or paying term is for more than 1 year (in addition to investment securities).

These investments are initially stated at cost of acquisition, then less allowance for diminution in value of long term investments. Cost is determined on a weighted average basis.

Allowance for diminution in value of long term investments is made in accordance with Circular 228/2009/TT-BTC dated 7 December 2009 issued by Ministry of Finance ("Circular 228") and Circular 89/2013/TT-BTC dated 28 June 2013 on amending and supplementing of Circular 228. Allowances for diminution in value of long term investments in economic organizations (limited liability companies, joint stock companies, partnership, joint venture and other long-term investments) are made in cases these economic organizations suffer from losses (except for losses which have been estimated in their business plans before the investments are made). The rate of allowance for each investment is determined as follow:

$$\text{Rate of allowance} = \frac{\text{Parties' actual investment capital at economic organization} - \text{Actual equity capital of economic organization}}{\text{Parties' actual investment capital at economic organization (at par)}} \times \frac{\text{Investment capital of the Bank (at par)}}{\text{Parties' actual investment capital at economic organization (at par)}}$$

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

(g) Loans and advances to customers

Loans and advances to customers are stated at the amount of the outstanding principal less any allowance for credit risk.

Short-term loans are those with a repayment date within one year of the loan disbursement date. Medium-term loans are those with a repayment date between one to five years of the loan disbursement date. Long-term loans are those with a repayment date of more than five years from the loan disbursement date.

Prior to 1 June 2014

The loans classification and allowance for credit risk were performed in accordance with Decision No. 493 and Decision No. 18.

VPBank had also adopted Decision No. 780/QĐ-NHNN dated 23 April 2012 issued by the SBV ("Decision 780") regarding the classification of loans being rescheduled or having the repayment terms extended under which such loans were classified in the same loan groups as before rescheduling or having the repayment terms extended if the borrowers were assessed as having positive business potential and ability to repay well these loans.

In case where a customer had more than one loans with VPBank, if a loan was reclassified to a higher risk group, VPBank was required to reclassify the other loans of that customers to that higher risk group.

When VPBank participated in providing a syndicated loan to a customer and did not take the role of a lead bank, VPBank classified loans (including the syndicated loan) of the customer to a higher risk group of the risk assessment made by the lead bank and assessment by VPBank itself.

From 1 June 2014

The loans classification and making allowance for credit risk are performed in accordance with Circular 02 and Circular 09 as described in Note 4(h).

(h) Classification and level and method of allowances for deposits with and loans to other credit institutions, purchases and entrustment to purchase of unlisted corporate bonds, loans and advances to customers, and entrusted extension of credit

Classification of deposits with and loans to other credit institutions, purchases and entrustment to purchase of unlisted corporate bonds, loans and advances to customers, and entrusted extension of credit (collectively referred to as "loans") is implemented using the quantitative method as regulated in Article 10 of Circular 02, with the rates of specific allowance for specific loan groups as follows:

Loan group	Overdue status	Rate of allowance
1 Current	(a) Current loans that being assessed as fully and timely recoverable, both principals and interests; or (b) Loans which are overdue for a period of less than 10 days and being assessed as fully recoverable, both overdue principals and interests, and fully and timely recoverable, both remaining principals and interests.	0%
2 Special mentioned	(a) Loans which are overdue for a period of between 10 days and 90 days; or (b) Loans which are restructured repayment term for the first time.	5%
3 Substandard	(a) Loans which are overdue for a period of between 91 days and 180 days; or (b) Loans which are extended repayment term for the first time; or (c) Loans which are exempted or reduced interests because customers are not sufficient capability to pay all interests under credit contracts; or	20%

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

Loan group	Overdue status	Rate of allowance
	(d) Loans in one of the following circumstances which remain unrecovered during a period of 30 days after the date of the recovery decision: <ul style="list-style-type: none"> ■ Loans in breach of clauses 1, 3, 4, 5 or 6 of Article 126 of the Law on Credit Institutions; ■ Loans in breach of clauses 1, 2, 3 or 4 of Article 127 of the Law on Credit Institutions; ■ Loans in breach of clauses 1, 2 or 5 of Article 128 of the Law on Credit Institutions; or (e) Loans which are recovered under inspection conclusions.	
4	Doubtful	50%
	(a) Loans which are overdue for a period of between 181 days and 360 days; or (b) Loans which are restructured repayment term for the first time but still overdue for a period of less than 90 days under that restructured repayment term; or (c) Loans which are restructured repayment term for the second time; or (d) Loans which are specified in point (d) of loan Group 3 have not been recoverable for a period of between 30 days and 60 days after decisions on recovery have been issued; or (e) Loans which must be recovered under inspection conclusions but fail to be repaid although recovery term was overdue from 60 days ago	
5	Loss	100%
	(a) Loans which are overdue for a period of more than 360 days; or (b) Loans which are restructured repayment term for the first time but still overdue for a period of 90 days or more than under that first restructured repayment term; or (c) Loans which are restructured repayment term for the second time but still overdue under that second restructured repayment term; or (d) Loans which are restructured repayment term for the third time or later, whether loans are overdue or not; or (e) Loans which are specified in point (d) of loan Group 3 have not been recoverable for a period of more than 60 days after decisions on recovery have been issued; or (f) Loans which must be recovered under inspection conclusions but fail to be repaid although recovery term was overdue for more than 60 days; or (g) Loans of customers being credit institutions which are announced by the SBV to place in special control status, or foreign banks' branches of which capital and assets are blockaded.	

In case where a customer has more than one loan with VPBank and if any of these loans is transferred to a higher risk loan group, other loans of such customer shall be classified to higher risk loan groups corresponding to their risk levels.

When VPBank participates in providing a syndicated loan but does not act as the lead bank, the Bank shall classify all the loans (including the syndicated loan) of such customer in the higher risk loan group of the risk that assessed by the lead bank and by VPBank.

According to Circular 02 and Circular 09, loans are restructured and maintained in the same loan group as before rescheduling when they meet the following criteria:

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

- Loans and credit extension are not in breach of the law;
- Loan rescheduling is in conformity with the purpose of borrowings in credit contracts;
- Customers utilise the loans for the right purpose;
- Customers have the new feasible loan repayment options, in alignment with business plans; and
- Bank meets the regulations of the SBV on limits, safety ratios in operations, including a maximum ratio of short-term fund used for medium- or long-term loans in cases of rescheduling short-term loans to medium- or long- term loans.

Only when the above conditions are met, may VPBank reschedule the repayment period of the loans to customers and maintain such loans to customers in the same loan group as being currently classified.

Specific allowance is calculated on the basis of outstanding principal less discounted value of collateral assets multiplied by the allowance rate specified for each loan group at the end of the preceding month. General allowance is calculated at 0.75% of outstanding loans that are classified into Group 1 to Group 4 (excluding deposits with and loans to other credit institutions) at the end of the preceding month.

Specific allowance and general allowance as at 31 December 2014 is calculated on the basis of outstanding loans and loan groups as at 30 November 2014.

(i) Allowance for off-balance sheet items

Off-balance sheet items comprise guarantees, acceptances, loan commitments which are irrevocable and unconditional and have a specific performance date.

Prior to 1 June 2014

In accordance with Decision 18, if VPBank assessed its customers as unable to perform their obligations as committed to a covered third party, VPBank was required to classify guarantees, acceptances, loan commitments which were irrevocable and unconditional and had a specific performance date ("off-balance sheet commitments") and made specific provision accordingly using the method similarly to that applied to loans to customers.

Besides, VPBank was required to make a general provision being calculated at 0.75% of total outstanding balance of guarantee letters, letter credit and undisbursed loan commitments which are irrevocable and unconditional as at the closing date of the previous month.

From 1 June 2014

The classification of off-balance sheet items are made for purpose of managing and supervising quality of credit provision according to the policies applied to liabilities as described in Note 4(h).

According to Circular 02, VPBank is not required to make general provision for off-balance sheet items.

(j) Derivative financial instruments

Derivatives are recorded in a balance sheet account at contract value on the date which a derivative contract is entered into and revalued subsequently at year end. Gains or losses arising from derivatives are recognised in the consolidated statement of income.

Derivative financial instruments classified as derivative financial assets if the value recorded is positive and classified as derivative financial liabilities if the value recorded is negative.

(k) Tangible fixed assets

(i) Cost

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, and the cost of dismantling and removing the asset and restoring the site on which they are located. Expenditure incurred after the tangible fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the consolidated statement of income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of tangible fixed assets beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

(ii) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of items of tangible fixed assets. The estimated useful lives are as follows:

- buildings and structures 5 - 40 years
- machinery and equipment 3 - 10 years
- motor vehicles 8 years
- office equipment 3 - 5 years
- others 4 - 7 years

(l) Intangible fixed assets**(i) Land use rights**

Intangible fixed assets being land use rights comprise:

- The land use right allocated by the State with land use fee or receiving the transfer of legal land use right (including definite and indefinite land use right).
- The right to use the leased land before the effective date of the 2003 Land Law but the rent has been paid for the leasing time or paid in advance for many years but the remaining land lease term paid is at least five years and granted with certificate of land use right by the competent authority.

Definite land use rights are stated at cost less accumulated amortization. Indefinite land use rights are stated at cost and are not amortized.

The cost of fixed assets being land use rights determined is the total amount paid to have the legal land use right plus (+) costs of site clearance, ground leveling, registration fee (excluding costs for building works on land) or the value of land use right received as contributed capital.

(ii) Software

Cost of acquiring new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software costs are amortised on a straight-line basis over 3 to 7 years.

(m) Investment property**(i) Cost**

Investment property is stated at cost less accumulated depreciation. The initial cost of an investment property comprises its purchase price, cost of land use rights and any directly attributable expenditures of bringing the property to the condition necessary for it to be capable of operating in the manner intended by management. Expenditure incurred after investment property has been put into operation, such as repairs and maintenance, is charged to the consolidated statement of income

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

in the year in which the expenditure is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in future economic benefits in excess of the originally assessed standard of performance of the existing investment property, the expenditure is capitalised as an additional cost of investment property.

(ii) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of investment property. The estimated useful lives are as follows:

- buildings and structures 3- 21 years
- land use right indefinite

(n) Other receivables

Other receivables, other than loans to customers, are initially recorded at cost and less allowance for doubtful receivables.

Other receivables are subject to assessment of allowance based on overdue date of receivables or estimated loss arising from undue debts of which the indebted economic organisations are bankrupt or undergoing dissolution procedures; debtors are missing, have fled, are prosecuted, detained or tried by law enforcement bodies, are serving sentences or have died. Increases or decreases to the allowance balance are recorded in operating expenses.

VPBank makes allowance for doubtful receivables in accordance with Circular 228 at the following allowance rates over overdue receivables:

Overdue period	Rate of allowance
From six (06) months to less than one (01) year	30%
From one (01) year to less than two (02) years	50%
From two (02) years to less than three (03) years	70%
Over three (03) years	100%

(o) Provision

A provision other than allowances described in Notes 4(d), 4(e), 4(f), 4(g), 4(h), 4(i) and 4(n) is recognised if, as a result of a past event, VPBank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(p) Goodwill

Goodwill arises on acquisition of subsidiaries, associates and joint ventures. Goodwill is measured at cost less accumulated amortisation. Cost of goodwill is the excess of the acquisition over VPBank's interest in net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Negative difference (negative goodwill) is recognised immediately in consolidated statement of income. Goodwill is amortised on a straight-line basis over 3 years. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

(q) Discounted borrowings of valuable papers

VPBank makes discounted borrowing of valuable papers in the form of selling valuable papers with terms. The valuable papers sold under an agreement are to repurchase at a specified time in the future and recorded in consolidated financial statements. Payments received under this agreement are recorded as a loan on the consolidated balance sheet.

(r) Other payables

Other payables are stated at their cost.

(s) Share capital**(i) Ordinary shares**

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

(ii) Share premium

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

(iii) Reserves and funds**The Bank**

The Bank is required to make the following allocations from profit after tax:

	Annual allocation	Maximum balance
Reserve to supplement share capital	5% of profit after tax	Share capital
Financial reserve	10% of profit after tax	25% of share capital

Bonus and welfare funds are allocated from profit after tax in accordance with the resolution of the General Meeting of Shareholders and are used primarily to make payments to the Bank's employees. These funds are not required by law and are fully distributable.

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

The subsidiaries*VPBank Asset Management Company Limited ("VPBank AMC")*

According to Circular No. 27/2002/TT-BTC dated 22 March 2002 issued by the Ministry of Finance, VPBank AMC is required to make reserves and other funds from profit after tax based on the rates that the Bank currently applies.

VPBank Securities Company Limited ("VPBank Securities Company")

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

From 21 November 2014

According to Circular No. 146/2014/TT/BTC dated 6 October 2014 issued by Ministry of Finance, securities companies is required to make reserves for the following funds from profit after tax.

	Annual allocation	Maximum balance
Reserve to supplement chartered capital	5% of profit after tax	10% of chartered capital
Financial reserve	5% of profit after tax	10% of chartered capital

Prior to 21 November 2014

Securities companies is required to make reserves for the following funds from profit after tax:

	Annual allocation	Maximum balance
Reserve to supplement chartered capital	5% of profit after tax	100% of chartered capital
Financial reserve	5% of profit after tax	10% of chartered capital

VPBank Finance Limited Company

The company is required to make the following compulsory reserves from profit after tax:

	Annual allocation	Maximum balance
Reserve to supplement share capital	5% profit after tax	Share capital
Financial reserve	10% profit after tax	25% of Charter capital

Reserves of subsidiaries are made and recorded after getting the approval of VPBank.

(t) Revenue recognition**(i) Interest income**

Interest income is recognised in the consolidated statement of income on an accruals basis, except for uncollected interest on loans classified in Group 2 to Group 5 as defined in Note 4(h) which is recognised upon receipt.

(ii) Fee and commission income

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

(iii) Income from investments

Differences between selling price and weighted average cost of securities are recognised as income from securities trading.

Dividends are recognised in the consolidated statement of income when VPBank's right to receive payment is established.

In accordance with Circular No. 244/2009/TT-BTC dated 31 December 2009, effective from 1 January 2010, issued by the Ministry of Finance, dividend received in the form of shares and shares distributed from retained earnings are recognised as an increase in the number of shares, not recognised in the consolidated financial statements.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

(u) Interest expenses

Interest expenses are recognised in the consolidated statement of income on an accrual basis.

(v) Operating lease payments

Payments made under operating leases are recognised in the consolidated statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the consolidated statement of income as an integral part of the total lease expense.

(w) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated statement of income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous year.

Deferred tax is provided using the balance sheet method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(x) Basic earnings per share

VPBank presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of VPBank by the weighted average number of ordinary shares outstanding during the year.

(y) Segment reporting

A segment is a distinguishable component of VPBank that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. VPBank's primary format for segment reporting is based on geographical segments. VPBank's secondary format for segment reporting is based on business segments.

(z) Off-balance sheet items

(i) Foreign exchange contracts

VPBank enters into foreign exchange forwards and swaps which enable customers to transfer, modify or reduce their foreign exchange or other market risks and also trades these products for its own account.

Forward contracts are commitments to settle in cash at a future date based on differentials between specified exchange rates, as applied to a notional principal amount. Forward contracts are recorded at nominal value on the balance sheet at the transaction date and are subsequently revaluated at exchange rate at the year end. Realised or unrealised gain or loss is recognised in the consolidated statement of income.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

Currency swap contracts are commitments to settle in cash at a future date based on differentials between specified exchange rates, as applied to a notional principal amount. Currency swap contracts are subsequently revaluated on a daily basis; the difference on revaluation is recognised in the consolidated statement of income.

(ii) Commitments and contingent liabilities

VPBank has outstanding credit commitments. These commitments are approved and unutilised loans and overdraft facilities. VPBank also provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Many of the contingent liabilities and commitments will expire without any advanced payment, in whole or in part. Therefore these commitments and contingent liabilities do not represent expected future cash flows.

(aa) Classification of financial instruments for disclosure purposes

(i) Classification of financial instruments

Solely for the purpose of providing disclosures about the significance of financial instruments to the VPBank's consolidated financial position and consolidated results of operations and the nature and extent of risk arising from financial instruments, the VPBank classifies its financial instruments as follows:

Financial assets

Financial assets at fair value through profit or loss

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

- It is considered by management as held for trading. A financial asset is considered as held for trading if:
 - it is acquired principally for the purpose of selling it in the near term;
 - there is evidence of a recent pattern of short-term profit-taking; or
 - a derivative (except for a derivative that is financial guarantee contract or a designated and effective hedging instrument).
- Upon initial recognition, it is designated by the VPBank as at fair value through profit or loss.

Held-to-maturity financial assets

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

- those that the VPBank upon initial recognition designates as at fair value through profit or loss;
- those that the VPBank designates as available for sale; and
- those that meet the definition of loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those:

- that the VPBank intends to sell immediately or in the near term, which are classified as held for trading, and those that the entity on initial recognition designates as at fair value through profit or loss;
- that the VPBank upon initial recognition designates as available for sale; or
- for which the VPBank may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available for sale.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

Available-for-sale financial assets

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

- financial assets at fair value through profit or loss;
- held-to-maturity investments; or
- loans and receivables.

Financial liabilities

Financial liabilities at fair value through profit or loss

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

- It is considered by Board of management as held for trading. A financial liability is considered as held for trading if:
 - it is incurred principally for the purpose of repurchasing it in the near term;
 - there is evidence of a recent pattern of short-term profit-taking; or
 - a derivative (except for a derivative that is financial guarantee contract or a designated and effective hedging instrument).
- Upon initial recognition, it is designated by the VPBank as at fair value through profit or loss.

Financial liabilities carried at amortised cost

Financial liabilities which are not classified as financial liabilities at fair value through profit or loss are classified as financial liabilities carried at amortised cost.

The above described classification of financial instruments is solely for presentation and disclosure purpose and is not intended to be a description of how the instruments are measured. Accounting policies for measurement of financial instruments are disclosed in other relevant notes.

(ii) Measurement and disclosures of fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When there is an active market, the Bank has determined fair value of a financial instrument at quoted prices in the active market. The market is considered as an active market if quote prices are available and represent real and regular transactions in the market.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

5. Cash and gold on hand

	31/12/2014 VND million	31/12/2013 VND million
Cash on hand in VND	709,463	435,544
Cash on hand in foreign currencies	555,826	1,076,216
Gold on hand	92,745	37,591
	1,358,034	1,549,351

6. Balances with the State Bank of Vietnam

These consist of a compulsory reserve requirement ("CRR") for liquidity and a current account.

	31/12/2014 VND million	31/12/2013 VND million
Current account and compulsory reserve	3,701,393	1,523,596

Under the SBV's regulations on the compulsory reserve, banks are permitted to maintain a floating balance for CRR.

The monthly average balance of the current account must not be less than the monthly balance of compulsory reserves. The amount of monthly compulsory reserve is calculated by the preceding month average balances of deposits multiplied with respective CRR rates.

The CRR rates applied at the year-end were as follows:

Deposits in scope	CRR rates	
	31/12/2014	31/12/2013
Preceding month's average balances of:		
Deposits in foreign currencies with term of less than 12 months	8%	8%
Deposits in foreign currencies with term of and more than 12 months	6%	6%
Deposits in VND with term of less than 12 months	3%	3%
Deposits in VND with term of and more than 12 months	1%	1%

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

Year-end annual interest rates were as follows:

	31/12/2014	31/12/2013
Deposits in VND		
Within the compulsory reserve requirement	1.2%	1.2%
Exceeding the compulsory reserve requirement	0%	0%
Deposits in USD		
Within the compulsory reserve requirement	0%	0%
Exceeding the compulsory reserve requirement	0.05%	0.05%

7. Balances with and loans to other credit institutions

	31/12/2014 VND million	31/12/2013 VND million
Current accounts	1,057,896	1,168,103
Current accounts in VND	223,591	108,033
Current accounts in foreign currencies	834,305	1,060,070
Term deposits	1,242,950	2,151,080
Term deposits in VND	807,407	1,940,720
Term deposits in foreign currencies	435,543	210,360
Loans	11,623,951	8,736,238
Loans in VND	8,086,357	8,165,004
Loans in foreign currencies	3,544,045	631,921
Allowance for balances with and loans to other credit institutions	(6,451)	(60,687)
	13,924,797	12,055,421

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

Allowance for balances with and loans to other credit institutions were as follows:

	31/12/2014 VND million	31/12/2013 VND million
General allowance (i)	-	54,967
Specific allowance (ii)	6,451	5,720
	6,451	60,687

(i) Movements in general allowance for loans to other credit institutions were as follows:

	2014 VND million	2013 VND million
Opening balance	54,967	54,659
Allowance (reversed)/made during the year (Note 30)	(54,967)	308
Closing balance	-	54,967

(ii) Movements in specific allowance for loans to other credit institutions were as follows

	2014 VND million	2013 VND million
Opening balance	5,720	-
Allowance made during the year (Note 30)	731	5,720
Closing balance	6,451	5,720

Year-end annual interest rates were as follows:

	31/12/2014	31/12/2013
Current accounts in VND	0.50%	1.20%
Current accounts in foreign currencies	0.25%	0.25%
Term deposits in VND	4%	4% - 10%
Term deposits in foreign currencies	0.1% - 1.7%	0.25% - 0.7%
Loans in VND	3% - 8.2%	4.2% - 10.8%
Loans in foreign currencies	1.19% - 4.5%	0.3% - 4.5%

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

8. Securities held for trading

	31/12/2014 VND million	31/12/2013 VND million
Debt securities	4,026,941	8,241,473
Government bonds	1,590,990	1,155,608
Bonds issued by other local credit institutions	361,346	344,734
Bonds issued by local economic entities	2,074,605	6,741,131
Equity securities	233,075	268,867
Shares issued by other local credit institutions	115,497	115,497
Shares issued by local economic entities	117,578	153,370
	4,260,016	8,510,340
Allowance for securities held for trading	(16,298)	(1,543)
	4,243,718	8,508,797

The contractual year-end terms and annual interest rate of the debt securities were as follows:

	31/12/2014		31/12/2013	
	Term	Interest Rate	Term	Interest Rate
Government bonds	5 months - 4 years	4.8% - 11.3%	2 years - 4 years	9.4% - 13.2%
Bonds issued by local credit institutions (VND)	1 year - 7 years	10.2% - 11.5%	4 years - 8 years	10.2% - 11.5%
Bonds issued by local economic entities (VND)	3 years - 5 years	7.7% - 10%	1 year - 4 years	11% - 15%

Listing status of securities held for trading:

	31/12/2014 VND million	31/12/2013 VND million
Debt securities	4,026,941	8,241,473
Listed	1,952,336	1,155,608
Unlisted	2,074,605	7,085,865
Equity securities	233,075	268,867
Listed	5,922	49,519
Unlisted	227,153	219,348
	4,260,016	8,510,340

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

Allowance for securities held for trading:

	31/12/2014 VND million	31/12/2013 VND million
General allowance (i)	14,979	-
Specific allowance (ii)	1,319	1,543
	16,298	1,543

(i) Movements in general allowance for securities held for trading were as follows:

	2014 VND million	2013 VND million
Opening balance	-	-
Allowance made during the year (Note 30)	14,979	-
Closing balance	14,979	-

(ii) Movements in specific allowance for securities held for trading:

	2014 VND million	2013 VND million
Opening balance	1,543	20,775
Allowance reversed during the year (Note 26)	(224)	(19,232)
Closing balance	1,319	1,543

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

9. Loans and advances to customers

	31/12/2014 VND million	31/12/2013 VND million
Loans to local economic entities and individuals	78,128,770	52,375,482
Treasury bills discounts	20,925	31,260
Payment on behalf of customers	4,679	-
Loans financed by sponsored and trusted funds (*)	216,506	59,831
Loans to foreign economic entities and individuals	7,952	7,550
	78,378,832	52,474,123

(*) Loans financed by sponsored and trusted funds include those from national development assistance programs of the Ministry of Finance and the SBV. VPBank directly received the loans from the leading bank which is Joint Stock Commercial Bank for Investment and Development of Vietnam ("BIDV") and the National Management Unit for ODA Projects. VPBank receives the funds, manages and makes use of these loans and bears all risks relating to the loans. In case the loan become insolvent, VPBank is responsible to repay BIDV and the National Management Unit for ODA Projects as committed in the signed contract.

Loan portfolio by loan group was as follows:

	31/12/2014 VND million	%	31/12/2013 VND million	%
Group 1 - Current	74,230,191	94.70%	48,531,102	92.49%
Group 2 - Special mentioned	2,159,699	2.76%	2,468,725	4.70%
Group 3 - Substandard	766,633	0.98%	594,869	1.14%
Group 4 - Doubtful	706,443	0.90%	474,208	0.90%
Group 5 - Loss	515,866	0.66%	405,219	0.77%
	78,378,832	100%	52,474,123	100%

Loan portfolio by term was as follows:

	31/12/2014 VND million	%	31/12/2013 VND million	%
Short term	24,914,040	31.79%	24,575,232	46.83%
Medium term	37,350,268	47.65%	18,734,481	35.70%
Long term	16,114,524	20.56%	9,164,410	17.47%
	78,378,832	100%	52,474,123	100%

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

Loan portfolio by type of borrowers was as follows:

	31/12/2014 VND million	%	31/12/2013 VND million	%
State-owned enterprises	4,013,460	5.11%	1,453,967	2.77%
Limited liability companies	18,564,862	23.69%	14,591,969	27.81%
Joint stock companies	18,022,059	22.99%	12,757,141	24.31%
Foreign invested companies	593,212	0.76%	226,724	0.43%
Private businesses	546,195	0.70%	494,031	0.94%
Individuals and others	36,639,044	46.75%	22,950,291	43.74%
	78,378,832	100%	52,474,123	100%

Loan portfolio by industry sectors was as follows:

	31/12/2014 VND million	%	31/12/2013 VND million	%
Agriculture and forestry	2,386,836	3.05%	1,615,109	3.08%
Trading, manufacturing and processing	39,798,746	50.78%	16,160,966	30.80%
Construction	4,190,374	5.35%	3,794,409	7.23%
Warehousing, transportation, and communications	3,497,582	4.46%	1,725,027	3.29%
Personal service activities and others	28,505,294	36.36%	29,178,612	55.60%
	78,378,832	100%	52,474,123	100%

Year-end annual interest rates were as follows:

	31/12/2014	31/12/2013
Loans and advances in VND	3% - 14%	7% - 15%
Loans and advances in foreign currencies	1.7% - 5.5%	2.3% - 6%

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

10. Allowance for loans and advances to customers

	31/12/2014 VND million	31/12/2013 VND million
General allowance (i)	573,535	386,254
Specific allowance (ii)	549,605	218,453
	1,123,140	604,707

(i) Movements in general allowance for loans and advances to customers were as follows:

	2014 VND million	2013 VND million
Opening balance	386,254	256,536
Allowance made during the year (Note 30)	181,541	129,718
Increases from business combination	5,740	-
Closing balance	573,535	386,254

(ii) Movements in specific allowance for loans and advances to customers were as follows:

	2014 VND million	2013 VND million
Opening balance	218,453	123,646
Allowance made during the year (Note 30)	1,001,858	346,631
Increases from business combination	3,509	-
Allowance utilised during the year	(674,215)	(251,824)
Closing balance	549,605	218,453

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

11. Investment securities

	31/12/2014 VND million	31/12/2013 VND million
Available-for-sale securities		
Government bonds (*)	17,279,638	4,788,735
SBV bills	2,385,203	200,000
Treasury bills	1,892,890	3,926,630
Bonds issued by local credit institutions	11,541,583	13,106,359
<i>In which: Bonds guaranteed by Government (**)</i>	<i>8,618,211</i>	<i>8,718,316</i>
Bonds issued by local economic entities	11,081,615	6,410,670
Shares issued by local economic entities	8,400	98,400
	44,189,329	28,530,794
Allowance for available-for-sale securities (i)	(70,007)	-
	44,119,322	28,530,794
Held-to-maturity investment securities		
Special bonds issued by VAMC	3,956,097	636,695
Bonds issued by local economic entities	66,589	-
	4,022,686	636,695
Allowance for held-to-maturity investment securities (ii)	(181,225)	-
	3,841,461	636,695
	47,960,783	29,167,489

(*) Included in the balance as at 31 December 2014 is VND800,000 million of Government bonds which were pledged for the Bank's borrowings from the SBV (31/12/2013: VND1,820,649 million) (Note 17) and VND4,592,000 million sold under repurchase agreements with local credit institutions (31/12/2013: VND200,000 million) (Note 18).

(**) Included in the balance as at 31 December 2014 is VND1,767,000 million of bonds guaranteed by Government sold under repurchase agreements with local credit institutions (31/12/2013: nil) (Note 18).

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

The contractual year-end terms and annual interest rates of debt securities were as follows:

	31/12/2014		31/12/2013	
	Term	Interest rate	Term	Interest rate
Government bonds	1 month - 15 years	5.4% - 13.2%	5 years	13.2%
SBV bills	3 months	3.5%	6 months	5.5%
Treasury bills	6 months - 1 year	4.8% - 6%	1 year	6.03% - 6.5%
Bonds issued by local credit institutions				
<i>Bonds issued in VND</i>	<i>7 months - 10 years</i>	<i>6.1% - 12.6%</i>	<i>2 years - 10 years</i>	<i>9.55% - 10.5%</i>
<i>Bonds issued in USD</i>	<i>Not applicable</i>	<i>Not applicable</i>	<i>3 months - 1 year</i>	<i>1.7% - 4.5%</i>
Bonds issued by local economic entities				
<i>Bonds issued in VND</i>	<i>1 year - 5 years</i>	<i>6% - 13.5%</i>	<i>2 years - 5 years</i>	<i>8.6% - 15%</i>

(i) Movements in general allowance for available-for-sale securities:

	2014 VND million	2013 VND million
Opening balance	-	-
Allowance made during the year (Note 30)	70,007	-
Closing balance	70,007	-

Movements in specific allowance for available-for-sale securities:

	2014 VND million	2013 VND million
Opening balance	-	9,000
Allowances reversed during the year (Note 27)	-	(9,000)
Allowance made during the year (Note 30)	32,875	-
Allowances utilised during the year	(32,875)	-
Closing balance	-	-

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

(ii) Movements in allowance for held-to-maturity investment securities:

	2014 VND million	2013 VND million
Opening balance	-	-
Increases from business combinations	53,886	-
Allowance made during the year (Note 30)	127,339	-
Closing balance	181,225	-

12. Long-term investments

	31/12/2014 VND million	31/12/2013 VND million
Other long-term investments – cost (i)	72,304	72,304
Allowance for diminution in the value of long-term investment (ii)	(473)	(473)
	71,831	71,831

(i) Details of other long-term investments were as follows:

	31/12/2014 VND million	31/12/2013 VND million
Investments in listed financial institutions	38,366	38,366
Investments in unlisted economic entities	33,938	33,938
	72,304	72,304

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

List of other long-term investments:

	31/12/2014		31/12/2013	
	At cost VND million	Ownership (%)	At cost VND million	Ownership (%)
Investments in unlisted financial institutions				
Bank for Investment and Development of Vietnam JSC	38,366	0.08%	38,366	0.08%
Investments in unlisted economic entities				
ITRACO JSC	21	0.64%	21	0.64%
Dong Xuan JSC	5,000	10.00%	5,000	10.00%
Banking Investment and Consultancy JSC (BTC)	371	4.78%	371	4.78%
Foreign Trade Development & Investment Corporation of Ho Chi Minh City (FIDECO)	15,357	1.67%	15,357	1.67%
Vietnam Credit Information JSC (PCB)	3,934	3.93%	3,934	3.93%
Petro Vietnam Oil Corporation – Central Vietnam Branch	7,705	5.50%	7,705	5.50%
Thin An Security JSC	550	11.00%	550	11.00%
PROSLAND CO., LTD	1,000	10.00%	1,000	10.00%
	72,304		72,304	

(ii) Allowance for diminution in value of long term investments:

	2014 VND million	2013 VND million
Opening and closing balances	473	473

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

13. Tangible fixed assets

2014	Buildings and structures VND million	Machinery and equipment VND million	Motor vehicles VND million	Office equipment VND million	Others VND million	Total VND million
Cost						
Opening balance	60,411	44,987	92,813	171,537	111,068	480,816
Purchases	3,277	22,823	11,182	13,086	12,095	62,463
Increase from business combination (Note 38)	40,710	3,649	90	-	-	44,449
Other additions	19,442	-	-	44	-	19,486
Disposals	-	(2,331)	(3,638)	(1,536)	(2,782)	(10,287)
Reclassifications	(526)	204,148	(13,957)	(108,279)	(81,386)	-
Closing balance	123,314	273,276	86,490	74,852	38,995	596,927
Accumulated depreciation						
Opening balance	11,233	20,027	42,287	95,692	68,593	237,832
Charge for the year	5,656	25,187	13,621	19,465	12,758	76,687
Disposals	-	(1,097)	(3,468)	(1,435)	(2,617)	(8,617)
Reclassifications	(410)	132,043	(9,704)	(64,668)	(57,261)	-
Closing balance	16,479	176,160	42,736	49,054	21,473	305,902
Net book value						
Opening balance	49,178	24,960	50,526	75,845	42,475	242,984
Closing balance	106,835	97,116	43,754	25,798	17,522	291,025

2013	Buildings and structures VND million	Machinery and equipment VND million	Motor vehicles VND million	Office equipment VND million	Others VND million	Total VND million
Cost						
Opening balance	66,804	64,146	107,448	175,507	115,447	529,352
Purchases	2,078	6,492	10,819	57,849	15,886	93,124
Disposals	(8,301)	(7,049)	(20,195)	(7,658)	(3,497)	(46,700)
Other increases/ (decreases)	-	22	-	(21)	-	1
Reclassifications	(170)	(18,624)	(5,259)	(54,140)	(16,768)	(94,961)
Closing balance	60,411	44,987	92,813	171,537	111,068	480,816
Accumulated depreciation						
Opening balance	17,267	26,036	54,720	115,808	63,721	277,552
Charge for the year	2,287	7,211	12,374	17,601	18,577	58,050
Disposals	(7,107)	(1,415)	(14,772)	(6,445)	(2,339)	(32,078)
Other increases/ (decreases)	(1,044)	(17)	(7,439)	9,705	(988)	217
Reclassifications	(170)	(11,788)	(2,596)	(40,977)	(10,378)	(65,909)
Closing balance	11,233	20,027	42,287	95,692	68,593	237,832
Net book value						
Opening balance	49,537	38,110	52,728	59,699	51,726	251,800
Closing balance	49,178	24,960	50,526	75,845	42,475	242,984

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

14. Intangible fixed assets

2014	Land use rights VND million	Software VND million	Total VND million
Cost			
Opening balance	90,710	180,074	270,784
Additions	1,744	32,738	34,482
Increases from business combinations (Note 38)	-	13,205	13,205
Other increases	120,558	-	120,558
Other decreases	-	(1,664)	(1,664)
Closing balance	213,012	224,353	437,365
Accumulated amortisation			
Opening balance	868	94,385	95,253
Charge for the year	-	30,429	30,429
Other decreases	-	(239)	(239)
Closing balance	868	124,575	125,443
Net book value			
Opening balance	89,842	85,689	175,531
Closing balance	212,144	99,778	311,922

2013	Land use rights VND million	Software VND million	Total VND million
Cost			
Opening balance	90,711	158,511	249,222
Additions	-	20,257	20,257
Disposals	(1)	(41)	(42)
Other increases	-	3,207	3,207
Reclassifications	-	(1,860)	(1,860)
Closing balance	90,710	180,074	270,784
Accumulated amortisation			
Opening balance	877	71,505	72,382
Charge for the year	-	23,964	23,964
Disposals	-	(31)	(31)
Other decreases	(9)	(1,042)	(1,051)
Reclassifications	-	(11)	(11)
Closing balance	868	94,385	95,253
Net book value			
Opening balance	89,834	87,006	176,840
Closing balance	89,842	85,689	175,531

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

15. Investment property

2014	Land use rights VND million	Buildings, structures VND million	Total VND million
Cost			
Opening and closing balances	20,075	9,890	29,965
Accumulated depreciation			
Opening balance	-	1,074	1,074
Charge for the year	-	716	716
Closing balance	-	1,790	1,790
Net book value			
Opening balance	20,075	8,816	28,891
Closing balance	20,075	8,100	28,175
<hr/>			
2013	Land use rights VND million	Buildings, structures VND million	Total VND million
Cost			
Opening balance	20,075	9,841	29,916
New acquisitions	-	63	63
Disposals	-	(14)	(14)
Closing balance	20,075	9,890	29,965
Accumulated depreciation			
Opening balance	-	359	359
Charge for the year	-	717	717
Disposals	-	(2)	(2)
Closing balance	-	1,074	1,074
Net book value			
Opening balance	20,075	9,482	29,557
Closing balance	20,075	8,816	28,891

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

16. Other assets**(a) Receivables**

	31/12/2014 VND million	31/12/2013 VND million
Internal receivables		
Advances for operations	49,794	120,409
Advances for salaries, per diem	75	11,243
Others	853	10,836
External receivables		
Receivables from investors for securities trading	1,374,558	1,659,713
Advances to the State Budget (Note 35)	5,852	5,426
Other receivables (deposits to purchase offices, debts sold and purchased, etc.)	5,629,333	8,928,101
Construction in progress	251	129,843
	7,060,716	10,865,571

(b) Interest and fee receivable

	31/12/2014 VND million	31/12/2013 VND million
Interest receivable from the deposits	32,527	508,252
Interest receivable from the investment securities	2,098,055	1,227,316
Interest receivable from credit activities	1,650,332	1,078,001
Interest receivable from the derivative instruments	331,602	141,079
Fee receivables	1,889	74
	4,114,405	2,954,722

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

(c) Other assets

	31/12/2014 VND million	31/12/2013 VND million
Materials	10,782	10,735
Prepaid expenses	602,781	502,851
Foreclosed assets transferred to VPBank awaiting for resolution	1,606,192	1,579,368
Receivables from entrusted contracts (i)	887,150	750,150
Goodwill (ii)	62,421	-
Others	4,958	14,226
	3,174,284	2,857,330

(i) This represents unsecured entrusted contracts to purchase securities with term of 62 months to 10 years; returns from which are determined by actual business results or based on floating interest rates (31/12/2013: term of 62 months and returns determined by actual business results).

(ii) Goodwill

	2014 VND million	2013 VND million
Total value of goodwill	74,905	-
Amortisation period (year)	3 years	-
Accumulated amortisation of goodwill at the beginning of the year	-	-
Accumulated unamortisation of goodwill at the beginning of the year	-	-
Addition of goodwill in the year	74,905	-
- Increase of goodwill during the year (Note 38)	74,905	-
Amortisation of goodwill in the year	(12,484)	-
- Goodwill amortised in the year	(12,484)	-
Total value of unamortised goodwill at the end of the year	62,421	-

(d) Allowance for other assets

	2014 VND million	2013 VND million
Opening balance	606,560	92,398
Allowance (reversed)/made during the year (Note 30)	(351,163)	514,274
Utilisation of allowance	-	(112)
Closing balance	255,397	606,560

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

17. Amounts due to the Government and the State Bank of Vietnam

This represents borrowings on discounted and rediscounted valuable papers at the SBV which were secured by Government bonds amounting to VND800,000 million (31/12/2013: VND1,820,649 million) (Note 11). These borrowings have the original term of 7 days and bear an interest rate of 5% per annum (31/12/2013: original term of 7 days and bear an interest rate of 5.5% per annum).

18. Deposits and borrowings from other credit institutions

	31/12/2014 VND million	31/12/2013 VND million
Demand deposits	51,943	94,966
Demand deposits in VND	47,458	65,035
Demand deposits in foreign currencies	4,485	29,931
Term deposits	14,643,034	7,986,669
Term deposits in VND	8,568,000	5,734,429
Term deposits in foreign currencies	6,075,034	2,252,240
Borrowings	11,533,272	5,052,417
Borrowings in VND	1,304,147	2,675,999
Borrowings in foreign currencies	4,715,540	2,169,864
Discounted borrowings of valuable papers in VND (*)	5,513,585	206,554
	26,228,249	13,134,052

(*) These borrowings are secured by VND4,592,000 million and VND1,767,000 million Government bonds and Government guaranteed bonds respectively (31/12/2013: VND200,000 million Government bonds, Government guaranteed bonds: nil) (Note 11).

Year-end annual interest rates were as follows:

	31/12/2014	31/12/2013
Demand deposits in VND	0.50%	1.20%
Demand deposits in foreign currencies	0.25%	0.25%
Term deposits in VND	3% - 5.4%	2.5% - 6.4%
Term deposits in foreign currencies	0.5% - 1.2%	0.5% - 1.4%
Borrowings in VND	3.2% - 7.1%	3.5% - 10%
Borrowings in foreign currencies	0.7% - 2.8%	0.5% - 3.5%
Discounted borrowings of valuable papers in VND	3.5% - 4.7%	4.9%

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

19. Deposits from customers

	31/12/2014 VND million	31/12/2013 VND million
Current accounts	7,869,933	5,662,433
Current accounts in VND	7,056,913	5,314,409
Current accounts in foreign currencies	813,020	348,024
Term deposits	98,689,035	77,847,950
Term deposits in VND	89,831,886	71,106,552
Term deposits in foreign currencies	8,857,149	6,741,398
Deposits for special purposes	1,439,197	44,626
Deposits for special purposes in VND	1,430,685	44,544
Deposits for special purposes in foreign currencies	8,512	82
Marginal deposits	355,500	288,771
Marginal deposits in VND	257,428	223,969
Marginal deposits in foreign currencies	98,072	64,802
	108,353,665	83,843,780

Deposits from customers by type of customers were as follows:

	31/12/2014 VND million	31/12/2013 VND million
Economic entities	40,116,628	25,168,793
Individuals	63,371,776	54,446,288
Others	4,865,261	4,228,699
	108,353,665	83,843,780

Year-end annual interest rates were as follows:

	31/12/2014	31/12/2013
Current accounts in VND	0.50%	1.20%
Current accounts in foreign currencies	0.25%	0.25%
Term deposits in VND	1% - 9%	1.2% - 9%
Term deposits in foreign currencies	0.2% - 2%	0.05% - 2%

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

20. Derivatives and other financial liabilities

	Total contract nominal value (at contractual foreign exchange rate) VND million	Total carrying value (at foreign exchange rate at reporting date)		
		Assets VND million	Liabilities VND million	Net value VND million
<i>As at 31 December 2014</i>				
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)
<i>As at 31 December 2013</i>				
Derivative financial instruments	27,504,838	4,574,951	(4,625,802)	(50,851)
Foreign exchange forward contracts	12,340,612	2,657,629	(2,760,747)	(103,118)
Foreign exchange swap contracts	15,164,226	1,917,322	(1,865,055)	52,267

21. Valuable papers issued

	31/12/2014 VND million	31/12/2013 VND million
From 12 months up to 5 years	9,909,544	5,100,755
Over 5 years	2,500,000	2,500,000
	12,409,544	7,600,755

Valuable papers of VPBank consisted of certificates of deposits in VND which bore annual interest rate from 7.08% to 8.5% per annum, interest is paid quarterly or at maturity (31/12/2013: nil) and bonds in VND which bore annual interest rates ranging from 8% to 11.2%, interest is paid annually (31/12/2013: from 10% to 10.6% per annum).

22. Other liabilities**(a) Accrued interest and fee payables**

	31/12/2014 VND million	31/12/2013 VND million
Interest payable for deposits	1,541,447	1,562,912
Interest payable for valuable papers issued	295,510	314,002
Interest payable for derivative instruments	176,626	76,384
Interest payable for borrowings	23,270	52,919
Interest payable for other borrowed and entrusted funds	57	47
Fee payables	1,580	234
	2,038,490	2,006,498

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

(b) Deferred tax liability

	31/12/2014 VND million	31/12/2013 VND million
Allowance for loans to other economic organisations	264	-

(c) Other payables and liabilities

	31/12/2014 VND million	31/12/2013 VND million
Internal payables		
Payable to employees	306,867	158,681
Bonus and welfare funds	-	284
External payables		
Provision for taxation (Note 35)	118,035	266,922
Deferred interest income on bonds	31,246	161,046
Other payables (i)	3,601,589	4,322,041
	4,057,737	4,908,974

(i) Other payables included payables to securities investors, transfer payments and debts purchase contracts.

(d) Provision for off-balance sheet commitments

Movements in general provision for off-balance sheet commitments were as follows:

	2014 VND million	2013 VND million
Opening balance	43,569	14,238
Increase from business combination (Note 38)	157	-
Provision (reversed)/made during the year (Note 30)	(43,726)	29,331
Closing balance	-	43,569

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

23. Capital and reserves**(a) Consolidated statements of changes in equity**

	Chartered capital	Share premium	Reserve to supplement chartered capital	Financial reserve	Investment and development reserve	Non-controlling	Retained earnings	Total
	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million
Balance at 1 January 2013	5,770,000	1,369	20,036	212,960	35	-	704,704	6,709,104
Net profit for the year	-	-	-	-	-	-	1,017,620	1,017,620
Appropriations to reserves	-	-	33,908	61,383	-	-	(95,291)	-
Utilizations of reserves	-	-	-	(27)	-	-	-	(27)
Balance at 1 January 2014	5,770,000	1,369	53,944	274,316	35	-	1,627,033	7,726,697
Issuance of bonus shares	27,526	-	(27,526)	-	-	-	-	-
Dividend shares	549,884	-	-	-	-	-	(549,884)	-
Net profit for the year	-	-	-	-	-	-	1,253,593	1,253,593
Allocation to reserves	-	-	81,046	159,552	-	-	(240,598)	-
Other movements	-	-	7	7	-	-	(14)	-
Increase from business combination	-	-	-	-	-	5	-	5
Balance at 31 December 2014	6,347,410	1,369	107,471	433,875	35	5	2,090,130	8,980,295

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

(b) Share capital

	31/12/2014		31/12/2013	
	Number of shares	VND million	Number of shares	VND million
Authorised share capital	634,741,000	6,347,410	577,000,000	5,770,000
Issued share capital				
Ordinary shares	634,741,000	6,347,410	577,000,000	5,770,000
Shares in circulation				
Ordinary shares	634,741,000	6,347,410	577,000,000	5,770,000

Nominal value of VPBank's ordinary share is VND10,000. Each share is entitled to one vote at the Annual General Meeting of VPBank. Shareholders are entitled to receive dividend as declared from time to time. All ordinary shares are ranked equally with regard to VPBank's residual assets.

24. Net interest income

	2014 VND million	2013 VND million (Reclassified)
Interest and similar income		
Interest income from deposits	199,763	790,353
Interest income from loans to customers	8,399,420	7,331,922
Interest income from trading and investment debt securities	3,338,733	2,888,357
Interest income from guarantees	89,004	69,078
Other interest income	377,298	114,545
	12,404,218	11,194,255
Interest and similar expenses		
Interest expenses for deposits	(5,637,244)	(5,877,783)
Interest expenses for borrowings	(561,334)	(782,687)
Interest expenses for valuable papers issued	(750,923)	(364,459)
Other interest and similar expenses	(163,630)	(17,661)
	(7,113,131)	(7,042,590)
	5,291,087	4,151,665

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

25. Net fee and commission income

	2014 VND million	2013 VND million (Reclassified)
Fee and commission income		
Settlement and cash services	120,027	110,793
Trustee and agency services	83,464	197,191
Consulting services	80,772	100,479
Insurance agency services	454,910	198,073
Other services	220,679	204,595
	959,852	811,131
Fee and commission expenses		
Brokerage commissions	(144,857)	(128,977)
Settlement and cash services	(68,529)	(56,918)
Post and telecommunication charges	(3,742)	(9,068)
Trustee and agency services	(14,869)	(12,672)
Consulting services	(33,045)	(1,282)
Other services	(87,658)	(67,468)
	(352,700)	(276,385)
	607,152	534,746

26. Net (loss)/gain from securities held for trading

	2014 VND million	2013 VND million
Gain from securities held for trading	85,177	151,134
Loss from securities held for trading	(90,008)	(52,367)
Reversal of specific allowance for securities held for trading (Note 8)	224	19,232
	(4,607)	117,999

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

27. Net gain from investment securities

	2014 VND million	2013 VND million
Gain from investment securities	526,684	482,012
Loss from investment securities	(61,111)	(305,110)
Reversal of allowance for investment securities (Note 11)	-	9,000
	465,573	185,902

28. Net income from other activities

	2014 VND million	2013 VND million (Reclassified)
Income from other activities		
Income from penalty for breaking contracts	171,171	55,705
Recovery of written-off debts	69,993	25,116
Other income	5,244	43,950
	246,408	124,771
Expenses for other activities		
Expenses for disposal of fixed assets	(10,435)	(6,394)
Expenses for penalty of breaking contracts	-	(6,892)
Loss from liquidation of asset purchasing contracts	(189,494)	-
Other expenses	(53,434)	(7,458)
	(253,363)	(20,744)
	(6,955)	104,027

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

29. Operating expenses

	2014 VND million	2013 VND million (Reclassified)
Taxes and fees	5,125	5,378
Salary and related expenses	1,925,033	1,152,994
In which:		
<i>a) Salary, wages and allowances (employees and collaborators)</i>	1,713,532	998,475
<i>b) Salary based expenses</i>	116,658	76,120
<i>(c) Allowances</i>	2,852	4,054
<i>(d) Meal allowances</i>	58,612	51,956
<i>(e) Other expenses</i>	33,379	22,389
Expenses on assets	291,891	204,569
<i>In which: Depreciation and amortisation</i>	107,832	82,731
Management expenses	530,730	642,490
Deposit insurance expenses	75,234	61,734
Rental expenses	326,714	251,628
Other expenses	528,257	385,533
	3,682,984	2,704,326

30. Allowance and provision expenses

	Note	2014 VND million	2013 VND million
General allowance (reversed)/made for loans to other credit institutions	7	(54.967)	308
Specific allowance made for loans to other credit institutions	7	731	5.720
General allowance made for securities held for trading	8	14.979	-
General allowance made for loans and advances to customers	10	181.541	129.718
Specific allowance made for loans and advances to customers	10	1.001.858	346.631
General allowance made for investment securities	11	70.007	-
Specific allowance made for investment securities	11	32.875	-
Allowance made for VAMC bonds	11	127.339	-
Allowance (reversed)/made for other balance-sheet assets	16(d)	(351.163)	514.274
General provision (reversed)/made for off-balance-sheet commitments	22(d)	(43.726)	29.331
		979.474	1.025.982

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

31. Income tax**(a) Recognised in the statement of income**

	2014 VND million	2013 VND million
Current tax expense		
Current year	355,102	331,592
Deferred tax (benefit)/income		
Origination of temporary differences	(92)	5,634
Income tax expense	355,010	337,226

(b) Reconciliation of income tax

	2014 VND million	2013 VND million
Profit before tax	1,608,603	1,354,846
<i>Adjustments for</i>		
Tax exempt income	(8,716)	(11,628)
Non-deductible expenses	13,669	5,283
Adjustment of current year taxable income as per tax finalisation of prior years	15	(588)
Taxable income	1,613,571	1,347,913
Tax at VPBank's tax rate (22%)	354,986	336,978
Under provision of previous year's tax payables	24	248
Total income tax expense	355,010	337,226

(c) Applicable tax rate

VPBank has obligations to pay the government income tax at the rate of 22% of taxable profits. The CIT computation is subject of the review and approval of the tax authorities.

On 19 June 2013, the National Assembly approved the Law on amendments and supplements to a number of articles of the Corporate Income Tax Law. Accordingly, the highest income tax rate shall be reduced from 25% to 22% for 2014 and 2015, and to 20% from 2016.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

32. Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2014 was based on the profit after tax of VND1,253,593 million (31/12/2013: VND1,017,620 million) and a weighted average number of ordinary shares outstanding of 634,741,000 shares (2013: 577,000,000 shares), as follows:

(i) Net profit after tax

	2014 VND million	2013 VND million
Net profit after tax	1,253,593	1,017,620

(ii) Weighted average number of ordinary shares

	2014	2013 (Restated)	2013 (As previously reported)
Issued ordinary shares at the beginning of the year	577.000.000	577.000.000	577.000.000
Effect of bonus shares and dividend shares issued during the year	57.741.000	57.741.000	-
Weighted average number of ordinary shares for the year	634.741.000	634.741.000	577.000.000

(iii) Basic earnings per share

	2014 VND	2013 (Restated) VND	2013 (As previously reported) VND
Basic earnings per share	1,975	1,603	1,764

Basic earnings per share in 2013 was adjusted to reflect the impact of the issuance of 57,741,000 shares, which is equivalent to VND577,410 million par value, from retained earnings (dividend payment in shares) of VND549,884 million and reserve to supplement chartered capital of VND27,526 million.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

33. Cash and cash equivalents

	31/12/2014 VND million	31/12/2013 VND million
Cash and gold on hand	1,358,034	1,549,351
Balances with the SBV	3,701,393	1,523,596
Current deposits with other credit institutions	1,057,896	1,168,103
Balances with other credit institutions with original terms of not exceeding three months	639,043	745,360
Securities with original terms of not exceeding three months from the acquisition date	2,535,659	481,624
	9,292,025	5,468,034

34. Employee benefits

	2014	2013
Average number of employees during the year (employees)	8,148	5,561
Employees' income		
1. Salaries (VND million)	1,614,377	958,011
2. Allowances (VND million)	58,222	55,085
	1,672,599	1,013,096
Average annual salary (VND million)	198	172
Average annual income (VND million)	205	182

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

35. Obligations to the State Budget

<i>For the year ended 31 December 2014</i>	31/12/2013	Incurred	Increases from business combinations	Paid	31/12/2014
	VND million	VND million	VND million	VND million	VND million
Value added tax	23,921	61,256	3	73,828	11,352
Corporate income tax	219,926	355,102	1,054	502,603	73,479
Other taxes	17,649	126,971	-	117,268	27,352
	261,496	543,329	1,057	693,699	112,183

<i>For the year ended 31 December 2013</i>	31/12/2012	Incurred	Paid	31/12/2013
	VND million	VND million	VND million	VND million
Value added tax	6,782	54,565	37,426	23,921
Corporate income tax	77,078	331,592	188,744	219,926
Other taxes	19,745	97,467	99,563	17,649
	103,605	483,624	325,733	261,496

Tax payables for the current year included VND118,035 million due to the State Budget (Note 22(c)) and VND5,852 million due from the State Budget for overpayment (Note 16(a)) (31/12/2013: VND266,922 million due to the State Budget and VND5,426 million due from the State Budget for overpayment).

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

36. Segment reporting*Geographical segments*

VPBank has monitored segment information by main regions in Vietnam as follows:

31/12/2014	The North VND million	The Central VND million	The South VND million	Elimination VND million	Total VND million
Assets	123,044,000	3,508,512	43,677,320	(6,988,454)	163,241,378
Liabilities	115,057,394	3,528,950	40,587,519	(4,912,780)	154,261,083
Fixed assets	398,350	37,167	167,430	-	602,947

2014	The North VND million	The Central VND million	The South VND million	Elimination VND million	Total VND million
Revenue	21,308,559	909,753	8,413,071	(10,799,214)	19,832,169
Expenses	21,239,598	942,577	6,766,904	(10,725,513)	18,223,566
Profit before tax	68,961	(32,824)	1,646,167	(73,701)	1,608,603

31/12/2013	The North VND million (Restated)	The Central VND million	The South VND million	Elimination VND million	Total VND million (Restated)
Assets	94,040,148	1,073,507	28,100,319	(1,949,604)	121,264,370
Liabilities	83,097,691	3,347,691	28,126,895	(1,034,604)	113,537,673
Fixed assets	274,890	41,257	131,259	-	447,406

2013	The North VND million (Restated)	The Central VND million	The South VND million	Elimination VND million	Total VND million (Restated)
Revenue	17,628,017	1,488,502	6,019,376	(11,048,265)	14,087,630
Expenses	16,879,112	1,582,767	5,237,237	(10,966,332)	12,732,784
Profit before tax	748,905	(94,265)	782,139	(81,933)	1,354,846

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

Business segments

VPBank operates in the retail banking, asset management, and securities trading segments.

31/12/2014	Retail Banking VND million	Asset management VND million	Securities trading VND million	Elimination VND million	Total VND million
Assets	164,481,820	2,657,794	3,090,218	(6,988,454)	163,241,378
Liabilities	154,574,283	2,497,484	2,102,096	(4,912,780)	154,261,083
Fixed assets	594,440	900	7,607	-	602,947

2014	Retail Banking VND million	Asset management VND million	Securities trading VND million	Elimination VND million	Total VND million
Revenue	29,963,468	260,823	407,092	(10,799,214)	19,832,169
Expenses	28,334,888	259,077	355,114	(10,725,513)	18,223,566
Profit before tax	1,628,580	1,746	51,978	(73,701)	1,608,603

31/12/2013	Retail Banking VND million	Asset management VND million (Restated)	Securities trading VND million	Elimination VND million	Total VND million (Restated)
Assets	114,816,169	5,541,716	2,856,089	(1,949,604)	121,264,370
Liabilities	107,342,619	5,320,454	1,909,204	(1,034,604)	113,537,673
Fixed assets	405,198	30,677	11,531	-	447,406

2013	Retail Banking VND million	Asset management VND million (Restated)	Securities trading VND million	Elimination VND million	Total VND million (Restated)
Revenue	24,193,791	414,762	527,342	(11,048,265)	14,087,630
Expenses	22,928,752	411,488	358,876	(10,966,332)	12,732,784
Profit before tax	1,265,039	3,274	168,466	(81,933)	1,354,846

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

37. Financial instruments disclosure

(a) Financial risk management

VPBank has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risks

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

Risk management framework

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

VPBank's risk management framework is established to form key principles in managing and controlling significant risks arising from VPBank's activities. Based on this, specific policies and regulations for each type of risk are established to assist VPBank 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. VPBank, 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.

(b) Credit risk

VPBank 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. VPBank'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 balance sheet. In addition, VPBank is exposed to off balance sheet credit risk through commitments to guarantees, payment acceptance and irrevocable loan commitments.

Credit risk management

Credit risk is the one that exerts the largest impact on VPBank's income and capital. VPBank has established a credit risk appetite on the basis of managing credit activities in a prudent manner and in compliance with pre-determined limits and adhering to VPBank's risk tolerance. In principle, VPBank 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, VPBank's policy is to engage in transactions with reliable partners, and request its partners to take guarantee measures as and when required.

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

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

VPBank 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.

VPBank'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 VPBank 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, finalizing and implementing an early credit risk warning system;
- Developing, finalizing and implementing a debt recovery and restructuring system; and
- RCO organized periodic meetings to monitor the credit quality of the Bank, supervise the implementation of important strategies and make timely decisions.

Set out below is the credit exposure of VPBank's balance sheet, excluding collateral or credit support

<i>At 31 December 2014</i>	Neither past due nor impaired	Past due but not impaired	Past due and with allowance made	Total
	VND million	VND million	VND million	VND million
Balances with and loans to other credit institutions – gross	13,924,632	165	6,451	13,931,248
Securities held for trading (<i>debt securities</i>) – gross	4,026,941	-	-	4,026,941
Loans and advances to customers – gross	73,759,419	1,213,940	3,405,473	78,378,832
Investment securities (<i>debt securities</i>) – gross	44,189,329	-	4,022,686	48,212,015
Other financial assets – gross	10,634,617	-	1,305,217	11,939,834
	146,534,938	1,214,105	8,739,827	156,488,870

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

<i>At 31 December 2013</i>	Neither past due nor impaired VND million	Past due but not impaired VND million	Past due and with allowance made VND million	Total VND million
Balances with and loans to other credit institutions – gross	12,110,388	-	5,720	12,116,108
Securities held for trading (<i>debt securities</i>) – gross	8,241,473	-	-	8,241,473
Loans and advances to customers – gross	48,531,102	1,573,705	2,369,316	52,474,123
Investment securities (<i>debt securities</i>) – gross	29,069,089	-	-	29,069,089
Other financial assets – gross	13,696,269	-	581,813	14,278,082
	111,648,321	1,573,705	2,956,849	116,178,875

Carrying value of collaterals held by VPBank was as follows:

	31/12/2014 VND million	31/12/2013 VND million
Real estates	121,670,767	85,080,187
Movable assets	14,422,896	14,034,117
Valuable papers	47,453,887	11,944,826
Other secured assets	51,033,278	49,586,638
	234,580,828	160,645,768

VPBank does not hold collateral that can be sold or pledged to third parties when the owners still be able to repay debt.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

(c) Liquidity risk

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

Liquidity risk management

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

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

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

Liquidity risk limits are established based on results of VPBank'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, VPBank also issues specific regulations on a Liquidity Contingency Plan ("LCP") which clearly specify 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.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

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

<i>As at 31 December 2014 (VND million)</i>	Overdue more than 3 months	Overdue less than 3 months	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years	Total
Assets								
Cash and gold on hand	-	-	1,358,034	-	-	-	-	1,358,034
Balances with the SBV	-	-	3,701,393	-	-	-	-	3,701,393
Balances with and loans to other credit institutions – gross	6,451	-	3,754,401	3,219,831	6,839,378	111,187	-	13,931,248
Securities held for trading – gross	-	-	4,260,016	-	-	-	-	4,260,016
Loans and advances to customers – gross	1,988,942	2,593,371	10,750,578	7,319,415	15,150,912	26,543,824	14,031,790	78,378,832
Investment securities – gross	66,589	-	3,487,141	1,846,994	13,808,171	23,294,276	5,708,844	48,212,015
Long term investments – gross	-	-	-	-	-	-	72,304	72,304
Other financial assets – gross	44,087	-	5,647,568	180,589	5,195,583	859,107	12,900	11,939,834
	2,106,069	2,593,371	32,959,131	12,566,829	40,994,044	50,808,394	19,825,838	161,853,676
Liabilities								
Amounts due to the Government and the SBV	-	-	832,555	-	-	-	-	832,555
Deposits and borrowings from other credit institutions	-	-	17,946,170	4,484,841	3,544,838	250,943	1,457	26,228,249
Deposits from customers	-	-	35,849,496	26,181,974	35,740,772	10,580,014	1,409	108,353,665
Derivatives and other financial liabilities	-	-	215,333	-	-	-	-	215,333
Other borrowed and entrusted funds	-	-	-	-	-	621	124,625	125,246
Valuable papers issued	-	-	-	-	-	9,909,544	2,500,000	12,409,544
Other financial liabilities	-	-	2,981,714	146,135	2,329,876	114,274	-	5,571,999
	-	-	57,825,268	30,812,950	41,615,486	20,855,396	2,627,491	153,736,591
Net liquidity gap	2,106,069	2,593,371	(24,866,137)	(18,246,121)	(621,442)	29,952,998	17,198,347	8,117,085

VIETNAM PROSPERITY JOINT STOCK COMMERCIAL BANK

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

<i>As at 31 December 2013 (VND million)</i>	Overdue more than 3 months	Overdue less than 3 months	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 year to 5 years	Over 5 years	Total
Assets								
Cash and gold on hand	-	-	1,549,351	-	-	-	-	1,549,351
Balances with the SBV	-	-	1,523,596	-	-	-	-	1,523,596
Balances with and loans to other credit institutions – gross	5,720	-	4,154,375	5,460,826	2,495,187	-	-	12,116,108
Securities held for trading – gross	-	-	6,738,733	426,963	53,562	1,054,114	236,968	8,510,340
Loans and advances to customers – gross	1,474,296	2,468,725	9,482,535	5,854,499	10,894,527	14,014,632	8,284,909	52,474,123
Investment securities – gross	-	-	303,345	678,769	10,299,764	15,051,646	2,833,965	29,167,489
Long term investments – gross	-	-	-	-	-	-	72,304	72,304
Other financial assets – gross	581,813	-	12,946,119	-	-	750,150	-	14,278,082
	2,061,829	2,468,725	36,698,054	12,421,057	23,743,040	30,870,542	11,428,146	119,691,393
Liabilities								
Amounts due to the Government and the SBV	-	-	1,885,457	-	-	-	-	1,885,457
Deposits and borrowings from other credit institutions	-	-	8,708,726	1,800,052	2,625,274	-	-	13,134,052
Deposits from customers	-	-	29,867,944	20,651,497	33,125,124	198,730	485	83,843,780
Derivatives and other financial liabilities	-	-	50,851	-	-	-	-	50,851
Other borrowed and entrusted funds	-	-	-	-	-	63,737	-	63,737
Valuable papers issued	-	-	-	-	-	5,100,755	2,500,000	7,600,755
Other financial liabilities	-	-	2,648,192	-	3,680,347	-	-	6,328,539
	-	-	43,161,170	22,451,549	39,430,745	5,363,222	2,500,485	112,907,171
Net liquidity gap	2,061,829	2,468,725	(6,463,116)	(10,030,492)	(15,687,705)	25,507,320	8,927,661	6,784,222

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

(d) Market risks

Market risk is the risk that negative changes in prices and market-related values will adversely affect VPBank'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, 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 VPBank's regulations.

Since the year 2012, the issued market risk management policy provides 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 in the Trading Book such as the Net FX Exposure, PV01, Cash Flow Exposure, Duration gap, etc. and in the Banking Book such as maturity gap measurement (using the Repricing Model – Revaluation Gap).

In the future, when required condition of infrastructure and data are available, VPBank will adopt more advanced methods such as 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, VPBank is provided with a sufficient basis for making decisions on effective risk prevention measures.

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

(i) Currency risk

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

Currency risk management

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

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

As at 31 December 2014 (VND million)	VND	USD	EUR	Gold	Other currencies	Total
Assets						
Cash and gold on hand	709,463	250,305	199,858	92,745	105,663	1,358,034
Balances with the SBV	1,628,244	2,073,149	-	-	-	3,701,393
Balances with and loans to other credit institutions – gross	9,117,355	4,716,141	55,306	-	42,446	13,931,248
Securities held for trading – gross	2,372,912	1,887,104	-	-	-	4,260,016
Loans and advances to customers – gross	74,930,599	3,448,233	-	-	-	78,378,832
Investment securities – gross	48,212,015	-	-	-	-	48,212,015
Long term investment – gross	72,304	-	-	-	-	72,304
Other financial assets – gross	11,835,384	104,405	3	-	42	11,939,834
	148,878,276	12,479,337	255,167	92,745	148,151	161,853,676
Liabilities						
Amounts due to the Government and the SBV	832,555	-	-	-	-	832,555
Deposits and borrowings from other credit institutions	15,433,190	10,795,059	-	-	-	26,228,249
Deposits from customers	98,576,912	8,547,495	889,945	-	339,313	108,353,665
Derivatives and other financial liabilities	8,295,768	(7,201,423)	(685,121)	-	(193,891)	215,333
Other borrowed and entrusted funds	125,246	-	-	-	-	125,246
Valuable papers issued	12,409,544	-	-	-	-	12,409,544
Other financial liabilities	5,510,845	55,362	4,478	-	1,314	5,571,999
	141,184,060	12,196,493	209,302	-	146,736	153,736,591
FX position	7,694,216	282,844	45,865	92,745	1,415	8,117,085

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

<i>As at 31 December 2013</i> <i>(VND million)</i>	VND	USD	EUR	Gold	Other currencies	Total
Assets						
Cash and gold on hand	435,543	207,046	665,769	37,591	203,402	1,549,351
Balances with the SBV	1,511,340	12,256	-	-	-	1,523,596
Balances with and loans to other credit institutions – gross	10,213,756	1,847,285	22,220	-	32,847	12,116,108
Securities held for trading – gross	6,641,889	1,868,451	-	-	-	8,510,340
Loans and advances to customers – gross	48,846,641	3,627,482	-	-	-	52,474,123
Investment securities – gross	27,875,521	1,291,968	-	-	-	29,167,489
Long term investment - gross	72,304	-	-	-	-	72,304
Other financial assets – gross	14,087,068	133,776	6,368	50,550	320	14,278,082
	109,684,062	8,988,264	694,357	88,141	236,569	119,691,393
Liabilities						
Amounts due to the Government and the SBV	1,885,457	-	-	-	-	1,885,457
Deposits and borrowings from other credit institutions	8,696,187	4,437,865	-	-	-	13,134,052
Deposits from customers	76,689,474	6,558,410	399,043	-	196,853	83,843,780
Derivatives and other financial liabilities	827,901	(1,090,576)	267,725	-	45,801	50,851
Other borrowed and entrusted funds	62,184	1,553	-	-	-	63,737
Valuable papers issued	7,600,755	-	-	-	-	7,600,755
Other financial liabilities	6,280,661	41,742	4,569	-	1,567	6,328,539
	102,042,619	9,948,994	671,337	-	244,221	112,907,171
FX position	7,641,443	(960,730)	23,020	88,141	(7,652)	6,784,222

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

Below is an analysis of the possible impact on the net profit of VPBank. This analysis assumes that all other variables, in particular interest rates, remain constant:

	Sensitivity of profit/(loss) after tax	
	2014 VND million	2013 VND million
USD (2% strengthening)	4,412	(14,411)

The opposite movement of interest rate would have the equal but opposite effect to the net profit of VPBank for the year ended 31 December 2014.

(ii) Securities price risk

Securities price risk arises from the securities held by VPBank. VPBank monitors the securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis.

VPBank's securities held for trading and investment securities are exposed to market price risks arising out of the uncertainty of future market price fluctuations of these securities. VPBank manages its equity securities price risk by diversifying its investment portfolio and maintaining prudence in selecting securities for investment in stipulated limits.

As at 31 December 2014, market value of listed shares of VPBank is VND5,922 million. If that market value increases or decreases by 17% as at 31 December 2014 provided that all other factors remain constant, profit after tax of VPBank in the year will increase by VND 319 million or decrease by VND 741 million.

(iii) Interest rate risk

Interest rate risks are the risks that cause negative effects on VPBank's income and capital due to adverse fluctuations of the interest rate. Interest rate risks arise when there is a difference in term or in amount between interest-earning assets and interest-bearing liabilities that are mobilised to finance such assets. The main activities of VPBank to create interest rate risk, including: lending, deposit, investment.

Management of interest rate risks

Interest rate risks are measured based on the Repricing Model to analyse and review through the following two main methods:

- Analysis of changes in net interest income: on the basis of calculating accrued interest due to changes in interest rate under various scenarios. The method of analysing the changes in net interest income is reviewed as to short-term effects.
- Economic value effect analysis (EVE): this value represents the effects of interest rate fluctuations on the economic value of assets and liabilities in the balance sheet and off-balance sheet assets. The method of analysing the effects of economic value of equity is reviewed as to long-term effects on VPBank in respect of interest rate fluctuations.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

The following tables show VPBank's assets and liabilities categorised by the contractual re-pricing or maturity date from the balance sheet date.

<i>As at 31 December 2014 (VND million)</i>	Overdue	Free of interest	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	Total
Assets								
Cash and gold on hand	-	1,358,034	-	-	-	-	-	1,358,034
Balances with the SBV	-	-	3,701,393	-	-	-	-	3,701,393
Balances with and loans to other credit institutions - gross	6,451	-	3,754,401	3,219,831	3,027,462	3,811,916	111,187	13,931,248
Securities held for trading – gross	-	-	4,260,016	-	-	-	-	4,260,016
Loans and advances to customers - gross	4,582,313	-	30,998,334	16,355,905	4,333,690	8,139,342	13,969,248	78,378,832
Investment securities – gross	-	4,022,686	3,487,141	1,846,994	2,745,555	11,062,616	25,047,023	48,212,015
Long term investments – gross	-	72,304	-	-	-	-	-	72,304
Other financial assets - gross	44,087	9,483,189	1,400,024	153,427	-	-	859,107	11,939,834
	4,632,851	14,936,213	47,601,309	21,576,157	10,106,707	23,013,874	39,986,565	161,853,676
Liabilities								
Amounts due to the Government and the SBV	-	-	832,555	-	-	-	-	832,555
Deposits and borrowings from other credit institutions	-	-	17,946,170	4,484,841	3,536,135	8,704	252,399	26,228,249
Deposits from customers	-	-	35,849,496	25,730,555	20,424,014	15,753,773	10,595,827	108,353,665
Derivatives and other financial liabilities	-	215,333	-	-	-	-	-	215,333
Other borrowed and entrusted funds	-	-	125,246	-	-	-	-	125,246
Valuable papers issued	-	-	-	-	-	-	12,409,544	12,409,544
Other financial liabilities	-	4,913,652	396,736	146,135	-	1,290	114,186	5,571,999
	-	5,128,985	55,150,203	30,361,531	23,960,149	15,763,767	23,371,956	153,736,591
Total interest sensitivity gap	4,632,851	9,807,228	(7,548,894)	(8,785,374)	(13,853,442)	7,250,107	16,614,609	8,117,085

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

<i>As at 31 December 2013 (VND million)</i>	Overdue	Free of interest	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	Total
Assets								
Cash and gold on hand	-	1,549,351	-	-	-	-	-	1,549,351
Balances with the SBV	-	-	1,523,596	-	-	-	-	1,523,596
Balances with and loans to other credit institutions - gross	5,720	-	4,154,375	5,460,826	2,495,187	-	-	12,116,108
Securities held for trading – gross	33,407	8,476,933	-	175,300	-	-	-	8,510,340
Loans and advances to customers - gross	3,943,021	-	23,230,161	15,072,642	5,505,889	1,670,413	3,051,997	52,474,123
Investment securities – gross	-	735,095	303,345	678,769	1,451,670	8,848,094	17,150,516	29,167,489
Long term investments – gross	-	72,304	-	-	-	-	-	72,304
Other financial assets - gross	581,813	12,946,119	-	-	-	-	750,150	14,278,082
	4,563,961	23,779,802	29,211,477	21,212,237	9,452,746	10,518,507	20,952,663	119,691,393
Liabilities								
Amounts due to the Government and the SBV	-	-	1,885,457	-	-	-	-	1,885,457
Deposits and borrowings from other credit institutions	-	-	8,708,726	1,800,052	1,536,914	1,088,360	-	13,134,052
Deposits from customers	-	-	29,867,943	20,651,497	19,289,491	13,835,633	199,216	83,843,780
Derivatives and other financial liabilities	-	50,851	-	-	-	-	-	50,851
Other borrowed and entrusted funds	-	-	-	-	63,737	-	-	63,737
Valuable papers issued	-	-	-	-	-	2,000,755	5,600,000	7,600,755
Other financial liabilities	-	6,328,539	-	-	-	-	-	6,328,539
	-	6,379,390	40,462,126	22,451,549	20,890,142	16,924,748	5,799,216	112,907,171
Total interest sensitivity gap	4,563,961	17,400,412	(11,250,649)	(1,239,312)	(11,437,396)	(6,406,241)	15,153,447	6,784,222

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

The table below represents the sensitivity of profit or loss and equity within one year from the assumed increases in lending and funding interest rates in customer market as at 31 December. The opposite result is for the assumed decreases in lending and funding interest rates:

<i>For the year ended 31/12/2014</i>	Assumed increase in interest rate	Impact on profit and loss after tax VND million	Impact on equity VND million
VND	3.0%	48,195	48,195
USD	1.5%	(84,771)	(84,771)

<i>For the year ended 31/12/2013</i>	Assumed increase in interest rate	Impact on profit and loss after tax VND million	Impact on equity VND million
VND	3.0%	(230,565)	(230,565)
USD	1.5%	(49,410)	(49,410)

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

(e) Fair value disclosure

Circular No. 210/2009/TT-BTC dated 06 November 2009 by the Ministry of Finance ("Circular 210") requires disclosure of the fair value measurement method and related information of fair value of financial assets and financial liabilities for the purpose of comparing their carrying value and fair value.

The following table sets out the carrying value and fair value of VPBank's financial assets and financial liabilities as at 31 December 2014:

As at 31 December 2014	Carrying value						Fair value VND million
	Fair value through profit and loss VND million	Held-to-maturity VND million	Loan and receivables VND million	Available-for-sale VND million	Amortised cost VND million	Total carrying value VND million	
Financial assets							
Cash and gold on hand	-	-	1,358,034	-	-	1,358,034	1.358.034
Balances with the SBV	-	-	3,701,393	-	-	3,701,393	*
Balances with and loans to other credit institutions	-	-	13,924,797	-	-	13,924,797	*
Securities held for trading	4,243,718	-	-	-	-	4,243,718	*
Loans and advances to customers	-	-	77,255,692	-	-	77,255,692	*
Investment securities	-	3,771,454	-	44,189,329	-	47,960,783	*
Long term investments	-	-	-	71,831	-	71,831	*
Other financial assets	-	-	11,684,437	-	-	11,684,437	*
	4,243,718	3,771,454	107,924,353	44,261,160	-	160,200,685	
Financial liabilities							
Amounts due to the Government and the SBV	-	-	-	-	832,555	832,555	*
Deposits and borrowings from other credit institutions	-	-	-	-	26,228,249	26,228,249	*
Deposits from customers	-	-	-	-	108,353,665	108,353,665	*
Derivatives and other financial liabilities	215,333	-	-	-	-	215,333	*
Other borrowed and entrusted funds	-	-	-	-	125,246	125,246	*
Valuable papers issued	-	-	-	-	12,409,544	12,409,544	*
Other financial liabilities	-	-	-	-	5,571,999	5,571,999	*
	215,333	-	-	-	153,521,258	153,736,591	

* VPBank has not determined fair values of these financial instruments for disclosure in the financial statements because there is no listed price in their market and there is currently no guidance on determination of fair value using valuation techniques under the Vietnamese Accounting Standards or the Vietnamese Accounting System. Their fair values of these financial instruments may differ from their carrying amounts

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

As at 31 December 2013 (VND million)	Carrying value						Fair value VND million
	Fair value through profit and loss VND million	Held-to- maturity VND million	Loan and receivables VND million	Available- for-sale VND million	Amortised cost VND million	Total carrying value VND million	
Financial assets							
Cash and gold on hand	-	-	1,549,351	-	-	1,549,351	1,549,351
Balances with the SBV	-	-	1,523,596	-	-	1,523,596	*
Balances with and loans to other credit institutions	-	-	12,055,421	-	-	12,055,421	*
Securities held for trading	8,508,797	-	-	-	-	8,508,797	*
Loans and advances to customers	-	-	51,869,416	-	-	51,869,416	*
Investment securities	-	636,695	-	28,530,794	-	29,167,489	*
Long term investments	-	-	-	71,831	-	71,831	*
Other financial assets	-	-	13,671,522	-	-	13,671,522	*
	8,508,797	636,695	80,669,306	28,602,625	-	118,417,423	
Financial liabilities							
Amounts due to the Government and the SBV	-	-	-	-	1,885,457	1,885,457	*
Deposits and borrowings from other credit institutions	-	-	-	-	13,134,052	13,134,052	*
Deposits from customers	-	-	-	-	83,843,780	83,843,780	*
Derivatives and other financial liabilities	50,851	-	-	-	-	50,851	*
Other borrowed and entrusted funds	-	-	-	-	63,737	63,737	*
Valuable papers issued	-	-	-	-	7,600,755	7,600,755	*
Other financial liabilities	-	-	-	-	6,328,539	6,328,539	*
	50,851	-	-	-	112,856,320	112,907,171	

* VPBank has not determined fair values of these financial instruments for disclosure in the financial statements because there is no listed price in their market and there is currently no guidance on determination of fair value using valuation techniques under the Vietnamese Accounting Standards or the Vietnamese Accounting System. Their fair values of these financial instruments may differ from their carrying amounts.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

38. Business combination

On 1 July 2014, VPBank acquired 100% equity of VPBank Finance Limited Company ("VPB FC") whose previous name was Vietnam National Coal, Mineral Finance Company Limited and paid VND1,224,035 million by cash. Main activities of VPB FC includes:

- Provide short term, medium term and long term loans to corporations and individuals in accordance with the Law on Credit Institutions;
- Discount, rediscount debentures, bonds and valuable papers of CIs.
- Receive deposits from economic corporations;
- Issue debentures, bonds, certificate of deposit and other valuable papers; borrow capitals from domestic and international financial institutions; and

Operate investing activities, capital contribution, share acquiring activities with other corporation, participating in money market and other activities in accordance with SBV's regulations.

From 1 July 2014 to 31 December 2014, VPB FC's business contributed a revenue of VND116,320 million and profit after tax of VND71,545 million to VPBank's results.

From 1 January 2014 to the date of acquisition, VPB FC revenue is VND 75,947 million and profit after tax of 28,910 million.

The acquisition had the following effect on VPBank's assets and liabilities on acquisition date:

	Pre-acquisition carrying amount VND million	Fair value adjustments VND million	Recognised value on acquisition VND million
Cash and cash equivalents	1,218	-	1,218
Deposits and loans to other credit institutions	283,738	-	283,738
Loans to customers	760,027	-	760,027
Tangible fixed assets (Note 13)	44,449	-	44,449
Intangible fixed assets (Note 14)	13,205	-	13,205
Other assets	152,546	-	152,546
Deposits from customers	(28,332)	-	(28,332)
Other liabilities	(77,721)	-	(77,721)
<i>In which: Provision for off-balance sheet commitments (Note 22(d))</i>	<i>(157)</i>	<i>-</i>	<i>(157)</i>
Net identifiable assets and liabilities	1,149,130	-	1,149,130
Goodwill on acquisition (Note 16(c))			74,905
Payment for acquisition			1,224,035

Goodwill recognised from acquisition primarily arises from the synergies expected to be achieved by consolidating VPB FC's consumer finance business with current activities of the Bank. Goodwill is not deductible when calculating tax.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2014

39. Comparative figures

A number of comparative figures have been reclassified to conform with current period presentation. The comparing table presented the data in the previous period, before and after being reclassified as follows:

	31/12/2013 VND million (Reclassified)	31/12/2013 VND million (As previously stated)
OFF-BALANCE SHEET COMMITMENTS		
Other commitments	-	23,363,837
BALANCE SHEET		
Receivables	10,865,571	11,615,721
Other assets	2,857,330	2,107,180
STATEMENT OF INCOME		
Interest and similar income	11,194,255	11,125,177
Fee and commission income	811,131	880,209
Other expenses	(20,744)	(17,227)
Operating expenses	(2,704,326)	(2,837,862)
Expense of provision for credit risk	(1,025,982)	(895,963)
STATEMENT OF CASH FLOWS		
Interest and similar income received	10,823,575	10,754,497
Fee and commission income received	534,682	603,760
Other income received	99,946	103,463
Operating and salary expenses payments	(2,570,241)	(2,573,758)

Prepared by:



Nguyen Thi Thu Hang
Chief Accountant

Approved by:




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

Nguyen Duc Vinh
Chief Executive Officer

6 March 2015

The accompanying notes are an integral part of the consolidated financial statements

2015 BUSINESS PLAN

The world economy is forecasted to continue to recover in 2015 with the US's economy at the leading position. The EU zone might suffer from sluggish growth but the public debt issue in this region will be settled. The Japanese and Chinese markets may be stagnant but it should not bring about any significant impact. For the domestic economy, the Government has announced this year's GDP growth target of 6.2%. Some other macroeconomic indicators are forecast to remain positive, i.e., CPI is estimated to rise by 5% and total export turnovers increase by 10%.

Regarding the banking industry, some credit rating agencies have upgraded outlook for the Vietnamese banking system to "stable" from "negative" at the end of December 2014. Banking mergers and acquisitions are expected to boom in 2015. Moreover, that Circular 36 (concerning regulations on limits and adequacy ratios in operations of the credit institutions and foreign banks' branches) will come into effect in February 2015 will exert positive impacts on the banking market with regard to transparency and risk management. In general, the banking outlook in 2015 is expected to remain stable and positive.

For VPBank, 2015 is the third year on its path of implementing the five-year strategy for 2012 – 2017. After two years of focusing on building and improving the foundational systems to prepare for large-scale growth, 2015 will be the first year of the second phase of this comprehensive transformation program, with the main objective of rapidly promoting growth in scale and realizing the ambition of becoming one of the top joint-stock banks in Vietnam by 2017. Building on what have been done in 2014, VPBank will keep focusing on the two primary goals in 2015:

- Foster rapid scale up of core customer segments and selective market segments.** In particular, lending, deposits and customer base growth will be promoted at two key business segments, namely Retail and SME, by enhancing sales productivity and quality of the salesforce. Commercial and Corporate Banking (CMB & CIB) will be focused on restructuring the customer lending portfolio, promoting cross-selling and providing specialized products. The remaining business divisions will be encouraged to develop their products and optimize their balance sheet.
- Continue to strengthen the business platform towards centralization, enhancing performance quality and efficiency at every key aspects.** In

particular, VPBank will continue to focus on risk management system, credit approval, NPL management and collection system. The Bank will also complete its organizational model, sales and services system, develop personnel and modernize advanced technology system to well serve its rapid business expansion and the improvement of service quality.

Consolidated financial targets for 2015

	Targets	(VND billion / %)
1	Total assets	204,000
2	Customers deposits	140,000
3	Credit balances	118,996
	Of which: Customer lending	101,892
4	NPL ratio	<3%
5	Profit before tax	2,500

VPBANK'S NETWORK



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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	63	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		



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