



**VIETNAM PROSPERITY JOINT STOCK
COMMERCIAL BANK**

Consolidated financial statements
for the year ended 31 December 2014

**Vietnam Prosperity Joint Stock Commercial Bank
Corporate Information**

Banking Licence No.	0012/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 Dung Mr. Bui Hai Quan Mr. Lo Bang Giang Mr. Ngo Phuong Chu Mr. Luong Phan Son Mr. Nguyen Duc Vinh Mr. Phung Khai Ke	Chairman Vice Chairman Vice Chairman Independent member <i>(appointed on 31/10/2014)</i> Member Member Independent member <i>(resigned on 31/10/2014)</i>
Board of Management	Mr. Nguyen Duc Vinh Mr. Nguyen Thanh Binh Mr. Phan Ngoc Hoa Ms. Duong Thi Thu Thuy Ms. Lan Thi Thao Mr. Vu Minh Truong Mr. Nguyen Thanh Long Mr. Jung Kai Jin Ms. Lau Thi Anh Xuan Mr. Peterjan Van Nieuwenhuizen Ms. Nguyen Thi Bich Thuy Mr. Kalidas Grosse	Chief Executive Officer Deputy Chief Executive Officer Deputy Chief Executive Officer Deputy Chief Executive Officer Deputy Chief Executive Officer Deputy Chief Executive Officer Deputy Chief Executive Officer <i>(appointed on 1 July 2014)</i> Deputy Chief Executive Officer <i>(appointed on 6 October 2014)</i> Deputy Chief Executive Officer <i>(resigned on 9 July 2014)</i> Deputy Chief Executive Officer <i>(resigned on 23 October 2014)</i> Deputy Chief Executive Officer <i>(resigned on 22 April 2014)</i> Deputy Chief Executive Officer <i>(resigned on 10 September 2014)</i>
Legal representative	Mr. Ngo Chi Dung	Chairman
Registered office	151 - 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



KPMG Limited

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72-Storey Building, Plot E6, Pham Hung Street
Me Tri, Tu Liem, Hanoi City
The Socialist Republic of Vietnam

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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 respect, 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



Trần Đình Vinh

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

Hanoi,

Nguyễn Tam Anh

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

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 (Reclassified) VND million
A ASSETS			
I Cash and gold on hand	5	1,358,034	1,549,351
II Balances with the State Bank of Vietnam	6	3,701,393	1,523,596
III Balances with and loans to other credit institutions	7	13,924,797	12,055,421
1 Deposits with other credit institutions		2,300,846	3,319,183
2 Loans to other credit institutions		11,630,402	8,796,925
3 Allowance for deposits and loans to other credit institutions		(6,451)	(60,687)
IV Securities held for trading	8	4,243,718	8,508,797
1 Securities held for trading		4,260,016	8,510,340
2 Allowance for securities held for trading		(16,298)	(1,543)
V Loans and advances to customers		77,255,692	51,869,416
1 Loans and advances to customers	9	78,378,832	52,474,123
2 Allowance for loans and advances to customers	10	(1,123,140)	(604,707)
VI Investment securities	11	47,960,783	29,167,489
1 Available-for-sale securities		44,189,329	28,530,794
2 Held-to-maturity securities		4,022,686	636,695
3 Allowance for investment securities		(251,232)	-
VII Long-term investments	12	71,831	71,831
4 Other long-term investments		72,304	72,304
5 Allowance for diminution in value of long-term investments		(473)	(473)
VIII Fixed assets		602,947	418,515
1 Tangible fixed assets	13	291,025	242,984
<i>a Cost</i>		596,927	480,816
<i>b Accumulated depreciation</i>		(305,902)	(237,832)
3 Intangible fixed assets	14	311,922	175,531
<i>a Cost</i>		437,365	270,784
<i>b Accumulated amortisation</i>		(125,443)	(95,253)
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
<i>- In which: Goodwill</i>		62,421	-
5 Allowance for other assets	16(d)	(255,397)	(606,560)
TOTAL ASSETS		163,241,378	121,264,370

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

Vietnam Prosperity Joint Stock Commercial Bank
Consolidated balance sheet as at 31 December 2014
(continued)

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
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
SHAREHOLDERS' EQUITY			
VIII			
Capital and reserves	23	8,980,290	7,726,697
1 Capital		6,348,779	5,771,369
<i>a</i> Share capital		6,347,410	5,770,000
<i>c</i> 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

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

	31/12/2014 VND million	31/12/2013 VND million
OFF-BALANCE SHEET ITEMS		
I CONTINGENT LIABILITIES	9,875,574	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
 and Chief Financial Officer



Nguyen Duc Vinh
 Chief Executive Officer

6 March 2015

Vietnam Prosperity Joint Stock Commercial Bank
Consolidated statement of income for the year ended
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 (Reclassified) VND million
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
 6 March 2015



Nguyen Duc Vinh
 Chief Executive Officer

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	2013
	VND million	(Reclassified) VND million
CASH FLOWS FROM OPERATING ACTIVITIES		
01	11,436,872	10,823,575
02	(7,182,728)	(6,277,347)
03	606,685	534,682
04	(180,186)	(95,254)
05	460,742	275,669
06	(7,189)	99,946
07	(3,427,249)	(2,570,241)
08	(502,603)	(188,744)
	1,204,344	2,602,286
Changes in operating assets		
09	(1,747,926)	797,025
10	(9,354,176)	(12,929,880)
11	-	57,471
12	(28,530,673)	(16,207,513)
13	(707,090)	(251,824)
14	3,641,010	(3,179,093)
Changes in operating liabilities		
15	(1,052,902)	513,885
16	13,094,197	(12,521,665)
17	24,481,553	24,329,639
18	4,808,789	334,655
19	61,509	(803)
20	164,482	50,851
21	(929,975)	1,472,623
22	-	(27)
I	5,133,142	(14,932,370)

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 (continued)

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	2013	
	VND million	VND million	
CASH FLOWS FROM INVESTING ACTIVITIES			
01	Payments for purchases of fixed assets	(96,945)	(113,444)
02	Proceeds from disposals of fixed assets	1,895	18,728
07	Payments for investments in other entities	(1,222,817)	(4,493)
09	Dividends received from long-term investments	8,716	11,628
II	NET CASH FLOWS FROM INVESTING ACTIVITIES	(1,309,151)	(87,581)
CASH FLOWS FROM FINANCING ACTIVITIES			
01	Proceeds from issuance of long-term valuable papers eligible for recognition as owners' equity and other long-term loans	-	2,500,000
III	NET CASH FLOWS FROM FINANCING ACTIVITIES	-	2,500,000
IV	NET CASH FLOWS FOR THE YEAR	3,823,991	(12,519,951)
V	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	5,468,034	17,987,985
VI	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Note 33)	9,292,025	5,468,034

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

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
and Chief Financial Officer



Nguyen Duc Vinh
Chief Executive Officer

6 March 2015

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).

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)).

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.

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 28 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.

(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:

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

(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 (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.	20%
4	Doubtful	(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.	50%

Loan group		Overdue status	Rate of allowance
5	Loss	(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.	100%

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:

- 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 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 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:

<u>Overdue period</u>	<u>Rate of allowance</u>
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.

(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")

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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.

(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.

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.

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.

5. Cash and gold on hand

	31/12/2014	31/12/2013
	VND million	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
	<u>1,358,034</u>	<u>1,549,351</u>

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

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%

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	31/12/2013
	VND million	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

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

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

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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%

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%

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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

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

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%

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Loan portfolio by type of borrowers was as follows:

	31/12/2014		31/12/2013	
	VND million	%	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		31/12/2013	
	VND million	%	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%

10. Allowance for loans and advances to customers

	31/12/2014 VND million	31/12/2013 VND million
General allowance	573,535	386,254
Specific allowance	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

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).

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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				
▪ Bonds issued in VND	7 months - 10 years	6.1% - 12.6%	2 years - 10 years	9.55% - 10.5%
▪ Bonds issued in USD	Not applicable	Not applicable	3 months - 1 year	1.7% - 4.5%
Bonds issued by local economic entities				
▪ Bonds issued in VND	1 year - 5 years	6% - 13.5%	2 years - 5 years	8.6% - 15%

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

	2014 Triệu VND	2013 Triệu VND
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	-	-

(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)
	<u>71,831</u>	<u>71,831</u>

(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
	<u>72,304</u>	<u>72,304</u>

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%
	<u>72,304</u>		<u>72,304</u>	

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

	2014 VND million	2013 VND million
Opening and closing balances	<u>473</u>	<u>473</u>

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

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2013	Buildings and structures	Machinery and equipment	Motor vehicles	Office equipment	Others	Total
	VND million	VND million	VND million	VND million	VND million	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

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

15. Investment property

2014	Land use rights	Buildings, structures	Total
	VND million	VND million	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
2013			
	Land use rights	Buildings, structures	Total
	VND million	VND million	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

16. Other assets

(a) Receivables

	31/12/2014 VND million	31/12/2013 VND million
<i>Internal receivables</i>		
▪ Advances for operations	49,794	120,409
▪ Advances for salaries, per diem	75	11,243
▪ Others	853	10,836
<i>External receivables</i>		
▪ 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
<i>Construction in progress</i>	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

(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).

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(ii) Goodwill

	2014	2013
	VND million	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)	-
	<hr/>	<hr/>
Total value of unamortised goodwill at the end of the year	62,421	-
	<hr/>	<hr/>

(d) Allowance for other assets

	31/12/2014	31/12/2013
	VND million	VND million
Opening balance	606,560	92,398
Allowance (reversed)/made during the year (Note 30)	(351,163)	514,274
Utilisation of allowance	-	(112)
	<hr/>	<hr/>
Closing balance	255,397	606,560
	<hr/>	<hr/>

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	31/12/2013
	VND million	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%

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%

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	Liabilities	Net value
		VND million	VND million	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

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(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
<i>Internal payables</i>		
▪ Payable to employees	306,867	158,681
▪ Bonus and welfare funds	-	284
<i>External payables</i>		
▪ 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

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

(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	2013
	VND million	(Reclassified) VND million
<i>Interest and similar income</i>		
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
<i>Interest and similar expenses</i>		
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

25. Net fee and commission income

	2014 VND million	2013 (Reclassified) VND million
<i>Fee and commission income</i>		
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
<i>Fee and commission expenses</i>		
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

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	2013
	VND million	(Reclassified) VND million
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

29. Operating expenses

	2014	2013
	VND million	(Reclassified) VND million
Taxes and fees	5,125	5,378
Salary and related expenses	1,925,033	1,152,994
<i>In which:</i>		
<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 institution	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

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	1,254,846
<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	296,978
Under provision of previous year's tax payables	24	218
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.

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 634,711,000 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	<u>634,741,000</u>	<u>634,741,000</u>	<u>577,000,000</u>

(iii) Basic earnings per share

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

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.

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
	<u>9,292,025</u>	<u>5,468,034</u>

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
	<u>1,672,599</u>	<u>1,013,096</u>
Average annual salary (VND million)	198	172
Average annual income (VND million)	205	182

35. Obligations to the State Budget

<i>For the year ended</i> <i>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
	<u>261,496</u>	<u>543,329</u>	<u>1,057</u>	<u>693,699</u>	<u>112,183</u>

<i>For the year ended</i> <i>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
	<u>103,605</u>	<u>483,624</u>	<u>325,733</u>	<u>261,496</u>

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).

36. Segment reporting

Geographical segments

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

<i>31/12/2014</i>	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

<i>2014</i>	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

<i>31/12/2013</i>	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

<i>2013</i>	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

Business segments

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

	Retail Banking	Asset management	Securities trading	Elimination	Total
<i>31/12/2014</i>	VND million	VND million	VND million	VND million	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

	Retail Banking	Asset management	Securities trading	Elimination	Total
<i>2014</i>	VND million	VND million	VND million	VND million	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

	Retail Banking	Asset management	Securities trading	Elimination	Total
<i>31/12/2013</i>	VND million	VND million (Restated)	VND million	VND million	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

	Retail Banking	Asset management	Securities trading	Elimination	Total
<i>2013</i>	VND million	VND million (Restated)	VND million	VND million	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

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.

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

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At 31 December 2013

	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	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.

(e) 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.

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.

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<i>As at 31 December 2014</i> <i>(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

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As at 31 December 2013
(VND million)

	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

(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.

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2007 of the Governor of the State Bank of Vietnam)

<i>As at 31 December 2014</i> <i>(VND million)</i>	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

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2007 of the Governor of the State Bank of Vietnam)

<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

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	
	31/12/2014	31/12/2013
	VND million	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.

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

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<i>As at 31 December 2014</i> <i>(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

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of the Governor of the State Bank of Vietnam)

<i>As at 31 December 2013</i> <i>(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

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	Impact on equity
		VND million	VND million
VND	3.0%	48,195	48,195
USD	1.5%	(84,771)	(84,771)
<hr/>			
<i>For the year ended 31/12/2013</i>			
	Assumed increase in interest rate	Impact on profit and loss after tax	Impact on equity
		VND million	VND million
VND	3.0%	(230,565)	(230,565)
USD	1.5%	(49,410)	(49,410)
<hr/>			

(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:

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	Carrying value					Total carrying value VND million	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		
<i>As at 31 December 2014</i>							
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. There fair values of these financial instruments may differ from their carrying amounts.

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2007 of the Governor of the State Bank of Vietnam)

<i>As at 31 December 2013</i> <i>(VND million)</i>	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. There fair values of these financial instruments may differ from their carrying amounts.



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>(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.

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 (Reclassified) VND million	31/12/2013 (As previously stated) VND million
OFF-BALANCE SHEET COMMITMENTS		
Other commitments	-	23,363,837
BALANCE SHEET		
Receivables	10,865,571	11,615,721
Other assets	2,857,310	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	10,754,197
Fee and commission income received	534,682	603,760
Other income received	99,916	103,163
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