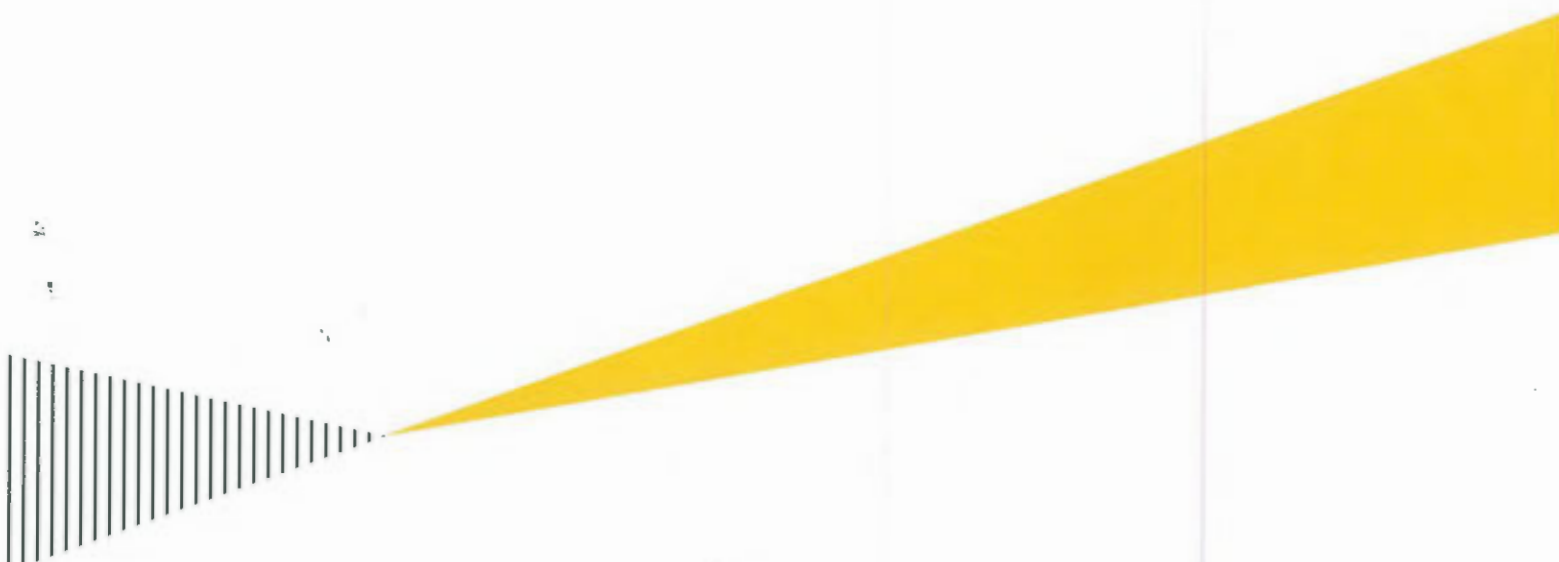


# Vietnam Prosperity Joint Stock Commercial Bank

Consolidated financial statements

31 December 2015



Building a better  
working world

# Vietnam Prosperity Joint Stock Commercial Bank

Consolidated financial statements

31 December 2015



# Vietnam Prosperity Joint Stock Commercial Bank

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# Vietnam Prosperity Joint Stock Commercial Bank

## GENERAL INFORMATION

### THE BANK

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

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

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

#### *Charter capital*

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

#### *Location*

The Bank's Head Office is located at Floor 1-7, Capital Tower, 72 Tran Hung Dao Street, Tran Hung Dao Ward, Hoan Kiem District, Hanoi, Vietnam. As at 31 December 2015, the Bank has one (01) Head Office, forty four (44) branches, one hundred and sixty four (164) transaction offices nationwide and two (2) subsidiaries.

### BOARD OF DIRECTORS

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

<i>Name</i>	<i>Position</i>
Mr. Ngo Chi Dzung	Chairman
Mr. Bui Hai Quan	Vice Chairman
Mr. Lo Bang Giang	Vice Chairman
Mr. Nguyen Van Hao	Independent member Appointed on 20 April 2015
Mr. Ngo Phuong Chi	Independent member Resigned on 20 April 2015
Mr. Luong Phan Son	Member
Mr. Nguyen Duc Vinh	Member

### THE BOARD OF SUPERVISION

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

<i>Name</i>	<i>Position</i>
Ms. Nguyen Quynh Anh	Head of Board of Supervision
Ms. Nguyen Thi Bich Thuy	Member in charge
Ms. Nguyen Thi Mai Trinh	Member

# Vietnam Prosperity Joint Stock Commercial Bank

GENERAL INFORMATION (continued)

## THE BOARD OF MANAGEMENT

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

<u>Name</u>	<u>Position</u>
Mr. Nguyen Duc Vinh	Chief Executive Officer
Mr. Nguyen Thanh Binh	Deputy Chief Executive Officer
Mr. Phan Ngoc Hoa	Deputy Chief Executive Officer
Ms. Duong Thi Thu Thuy	Deputy Chief Executive Officer
Ms. Luu Thi Thao	Deputy Chief Executive Officer
Mr. Nguyen Thanh Long	Deputy Chief Executive Officer
Mr. Fung Kai Jin	Deputy Chief Executive Officer
Mr. Pham Phu Khoi	Deputy Chief Executive Officer Appointed on 6 July 2015
Mr. Vu Minh Truong	Deputy Chief Executive Officer Resigned on 9 May 2015

## Subsidiaries

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

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

## LEGAL REPRESENTATIVE

The legal representative of the Bank during the year ended 31 December 2015 and as at the date of the consolidated financial statements is Mr. Ngo Chi Dzung – Chairman.

Mr. Nguyen Duc Vinh - Chief Executive Officer was authorized by Mr. Ngo Chi Dzung to sign off the accompanying consolidated financial statements for the year ended 31 December 2015.

## AUDITORS

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

# Vietnam Prosperity Joint Stock Commercial Bank

## REPORT OF THE BOARD OF MANAGEMENT

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

### MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

### STATEMENT BY THE BOARD OF MANAGEMENT

The Board of Management of the Bank does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2015, the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and comply with relevant regulations stipulated by the State Bank of Vietnam and other statutory requirements relevant to preparation and presentation of the consolidated financial statements.

For and on behalf of the Board of Management:



Mr. Nguyen Que Vinh  
Chief Executive Officer

Hanoi, Vietnam

3 February 2016



Ernst & Young Vietnam Limited  
8th Floor, CornerStone Building  
16 Phan Chu Trinh Street  
Hoan Kiem District  
Hanoi, S.R. of Vietnam

Tel : + 84 4 3831 5100  
Fax: + 84 4 3831 5090  
ey.com

Reference: 60999256/17853418-HN

## INDEPENDENT AUDITORS' REPORT

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

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

### *Management's Responsibility*

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

### *Auditors' Responsibility*

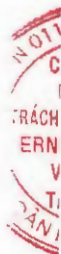
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance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

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

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

### *Opinion*

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





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**Other matter**

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

**Ernst & Young Vietnam Limited**



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

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

Hanoi, Vietnam

3 February 2016

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# Vietnam Prosperity Joint Stock Commercial Bank

CONSOLIDATED BALANCE SHEET  
as at 31 December 2015

B02/TCTD-HN

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

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# Vietnam Prosperity Joint Stock Commercial Bank

CONSOLIDATED BALANCE SHEET (continued)  
as at 31 December 2015

B02/TCTD-HN

	Notes	31 December 2015 VND million	31 December 2014 VND million
<b>LIABILITIES</b>			
<b>Amounts due to the Government and the State Bank of Vietnam</b>	<b>18</b>	<b>4,821,063</b>	<b>832,555</b>
<b>Deposits and borrowings from other credit institutions</b>	<b>19</b>	<b>17,764,430</b>	<b>26,228,249</b>
Deposits from other credit institutions	19.1	9,603,163	14,694,977
Borrowings from other credit institutions	19.2	8,161,267	11,533,272
<b>Customer deposits</b>	<b>20</b>	<b>130,270,670</b>	<b>108,353,665</b>
<b>Derivatives and other financial liabilities</b>	<b>9</b>	<b>131,760</b>	<b>215,333</b>
<b>Other borrowed and entrusted funds</b>	<b>21</b>	<b>383,188</b>	<b>125,246</b>
<b>Valuable papers issued</b>	<b>22</b>	<b>21,859,941</b>	<b>12,409,544</b>
<b>Other liabilities</b>	<b>23</b>	<b>5,256,454</b>	<b>6,096,491</b>
Interest and fee payables	23.1	2,804,740	2,038,490
Deferred tax liabilities	24.2	-	264
Other payables	23.2	2,451,714	4,057,737
<b>TOTAL LIABILITIES</b>		<b>180,487,506</b>	<b>154,261,083</b>
<b>OWNERS' EQUITY</b>			
Charter capital	25	8,056,466	6,347,410
Share premium	25	1,288,863	1,369
Other capital	25	-	-
Reserves	25	1,324,775	541,381
Retained profits	25	2,718,818	2,090,130
Non-controlling interest	25	-	5
<b>TOTAL OWNERS' EQUITY</b>		<b>13,388,922</b>	<b>8,980,295</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>193,876,428</b>	<b>163,241,378</b>


# Vietnam Prosperity Joint Stock Commercial Bank

CONSOLIDATED BALANCE SHEET (continued)  
as at 31 December 2015

B02/TCTD-HN

## OFF-BALANCE SHEET ITEMS

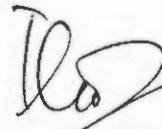
	31 December 2015 VND million	31 December 2014 VND million
Credit guarantees	1,373,115	-
Foreign exchange commitments	36,139,958	37,660,630
- <i>Spot foreign exchange commitments - buy</i>	-	924,626
- <i>Spot foreign exchange commitments - sell</i>	-	926,765
- <i>Cross currency swap contract</i>	36,139,958	35,809,239
Letters of credit	6,326,988	2,610,856
Other guarantees	8,550,490	6,464,718
Other commitments	1,171,006	1,680,163
	<b>53,561,557</b>	<b>48,416,367</b>

Prepared by: 



Ms. Nguyen Thi Thu Hang  
Chief Accountant

Reviewed by:



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

Approved by:



Mr. Nguyen Duc Vinh  
Chief Executive Officer

Hanoi, Vietnam

3 February 2016

# Vietnam Prosperity Joint Stock Commercial Bank

CONSOLIDATED INCOME STATEMENT  
for the year ended 31 December 2015


B03/TCTD-HN

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

Prepared by: 

Reviewed by: 



Approved by: 

Ms. Nguyen Thi Thu Hang  
Chief Accountant

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

Mr. Nguyen Duc Vinh  
Chief Executive Officer

Hanoi, Vietnam

3 February 2016

# Vietnam Prosperity Joint Stock Commercial Bank

CONSOLIDATED CASH FLOW STATEMENT  
for the year ended 31 December 2015

B04/TCTD-HN

Notes	2015 VND million	2014 VND million
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest and similar receipts	18,535,899	11,436,872
Interest and similar payments	(7,536,405)	(7,182,728)
Net fees and commission receipts	891,088	606,685
Net (payments)/receipts from dealing in foreign currencies, gold and securities trading activities	(34,896)	280,556
Other income	620,946	(77,183)
Recoveries from bad debts previously written-off	251,519	69,994
Payments for operating and salary expenses	(5,065,782)	(3,427,249)
Corporate income tax paid during the year	24.1 (505,521)	(502,603)
<b>Net cash flows from operating profit before changes in operating assets and liabilities</b>	<b>7,156,848</b>	<b>1,204,344</b>
<b>Changes in operating assets</b>		
Decrease/(Increase) in deposits at and loans to other credit institutions	5,792,760	(1,747,926)
Increase in investment securities	(22,989)	(9,354,176)
Increase in loans to customers	(39,866,419)	(28,530,673)
Utilization of provision to write off loans to customers, securities and long-term investments	(2,024,786)	(707,090)
Decrease in other assets	2,616,599	3,641,010
<b>Changes in operating liabilities:</b>		
Increase/(Decrease) in amounts due to the Government and the SBV	3,988,508	(1,052,902)
(Decrease) /Increase in deposits and borrowings from other credit institutions	(8,463,820)	13,094,197
Increase in deposits from customers (including deposits from State Treasury)	21,837,894	24,481,553
Increase in valuable papers issued (except for valuable paper issued for financing activities)	11,530,397	4,808,789
Increase in other borrowed and entrusted funds	257,942	61,509
(Decrease) /Increase in derivatives and other financial liabilities	(83,573)	164,482
Decrease in other liabilities	(1,540,974)	(929,975)
<b>Net cash flows from operating activities</b>	<b>1,178,387</b>	<b>5,133,142</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(222,114)	(96,945)
Proceeds from disposal of fixed assets	155,911	1,895
Payments for investments in other entities	(185,276)	(1,222,817)
Proceeds from disposals of investments in other entities	382,702	-
Dividends received from long-term investments	2,344	8,716
<b>Net cash flows generated from/(used in) investing activities</b>	<b>133,567</b>	<b>(1,309,151)</b>

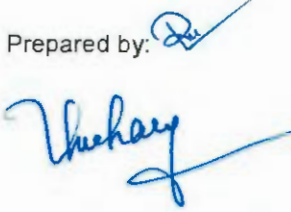
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# Vietnam Prosperity Joint Stock Commercial Bank

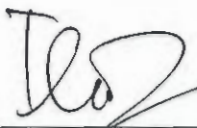
CONSOLIDATED CASH FLOW STATEMENT (continued)  
for the year ended 31 December 2015

B04/TCTD-HN

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

Prepared by: 

Ms. Nguyen Thi Thu Hang  
Chief Accountant

Reviewed by: 

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



Mr. Nguyen Duc Vinh  
Chief Executive Officer

Hanoi, Vietnam

3 February 2016

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
as at 31 December 2015 and for the year then ended

B05/TCTD-HN

## 1. GENERAL INFORMATION

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

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

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

### **Charter capital**

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

### **Location**

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

### **Subsidiaries**

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

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

### **Employees**

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

B05/TCTD-HN

## 2. ACCOUNTING PERIOD AND ACCOUNTING CURRENCY

### 2.1 *Fiscal year*

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

### 2.2 *Accounting currency*

Currency used in accounting of the Bank is Vietnam dong ("VND"). However, due to the large operating scale, for the purpose of preparing consolidated financial statements as at 31 December 2015, all amounts are rounded to the nearest million and presented in million Vietnam dong. This presentation does not have an impact on the users' view of the consolidated financial position, consolidated result of operation and consolidated cash flows.

## 3. APPLIED ACCOUNTING STANDARDS AND SYSTEM

### 3.1 *Statement of compliance*

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

### 3.2 *Accounting standards and system*

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

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

The accompanying consolidated financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Vietnam. Accordingly, the accompanying consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement and the notes to the consolidated financial statements and their utilisation are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the consolidated financial position and results of consolidated operations and consolidated cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.



# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 3. APPLIED ACCOUNTING STANDARDS AND SYSTEM (continued)

### 3.2 *Accounting standards and system* (continued)

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

### 3.3 *Assumptions and uses of estimates*

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

### 3.4 *Basis of consolidation*

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

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

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

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

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 *Changes in accounting policies and disclosures*

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

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

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.1 *Changes in accounting policies and disclosures* (continued)

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

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

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

Key changes to the financial statement templates are as follows:

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

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

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

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

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

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

- ▶ Provision for diminution in value of long-term investments:
  - For an investment in listed shares or shares whose fair value can be determined reliably, provision shall be made based on the shares' market value (similarly to provision for diminution in value of trading securities);
  - For an investment in shares whose fair value cannot be reliably determined on the reporting date, provision shall be made based on the loss incurred by the investee (provision for loss of investment in other entities).



# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.1 *Changes in accounting policies and disclosures* (continued)

- ▶ Presentation of the income statement:
  - Other incomes and expenses: gain or loss on liquidation or sales of fixed assets and real estates is presented on net basis.
  - Basic earnings per share: In case the bonus and welfare fund is appropriated from profit after tax, basic earnings per share is determined after deducting the bonus and welfare fund in the year.
- ▶ Some highlights on profit appropriation:
  - The Bank is entitled to distribute its earnings to the shareholders which shall not exceed the undistributed after-tax profits on the consolidated financial statements after eliminating the impact of profits recognized from a bargain purchase (negative goodwill). If the undistributed after-tax profit on the Bank's consolidated financial statements is higher than that on its separate financial statements and if the earnings approved to be distributed exceed the undistributed after-tax profits on the separate financial statement, the Bank is only allowed to make the appropriation of profits after its subsidiaries' profits are transferred to the Bank.
  - The Bank, when distributing profits, should consider the impact of non-monetary items included in the undistributed earnings on its cash flows and ability to pay dividends and distribute profits.

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

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

### 4.2 *Cash and cash equivalents*

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

### 4.3 *Loans to customers*

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

### 4.4 *Provision for credit losses*

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

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# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.4 Provision for credit losses (continued)

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

Group		Overdue Status	Provision rate
1	Current	(a) Current debts are assessed as fully and timely recoverable for both principals and interests; or (b) Debts are overdue for a period of less than 10 days and assessed as fully recoverable for both overdue principals and interests, and fully and timely recoverable for both remaining principals and interests;	0%
2	Special mention	(a) Debts are overdue for a period of between 10 days and 90 days; or (b) Debts which the repayment terms are restructured for the first time	5%
3	Sub Standard	(a) Debts are overdue for a period of between 91 days and 180 days; or (b) Debts which the repayment terms are extended for the first time; or (c) Debts which interests are exempted or reduced because customers do not have sufficient capability to pay all interests under credit contracts; or (d) Debts under one of the following cases which have not been recovered in less than 30 days from the date of the recovery decision: <ul style="list-style-type: none"> <li>▪ Debts made in compliance with Clauses 1, 3, 4, 5, 6, Article 126 of the Law on Credit Institutions ; or</li> <li>▪ Debts made in compliance with Clauses 1, 2, 3, 4, Article 127 of the Law on Credit Institutions; or</li> <li>▪ Debts made in compliance with Clauses 1, 2 and 5 of Article 128 of the Law on Credit Institutions.</li> </ul> (e) Debts are required to be recovered according to regulatory inspection conclusions.	20%
4	Doubtful	(a) Debts are overdue for a period of between 181 days and 360 days; or (b) Debts which the repayment terms are restructured for the first time but still overdue for a period of less than 90 days under that restructured repayment term; or (c) Debts which the repayment terms are restructured for the second time; or (d) Debts are specified in point (d) of Loan group 3 and overdue for a period of between 30 days and 60 days after decisions of recovery have been issued; or (e) Debts are required to be recovered according to regulatory inspection conclusions but still outstanding with an overdue period up to 60 days since the recovery date as required by regulatory inspection conclusions.	50%

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# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.4 Provision for credit losses (continued)

Group		Overdue Status	Provision rate
5	Loss	(a) Debts are overdue for a period of more than 360 days; or (b) Debts which the repayment terms are restructured for the first time but still overdue for a period of 90 days or more under that first restructured repayment term; or (c) Debts which the repayment terms are restructured for the second time but still overdue under that second restructured repayment term; or (d) Debts which the repayment terms are restructured for the third time or more, regardless of being overdue or not; or (e) Debts are specified in point (d) of Loan group 3 and overdue for a period of more than 60 days after decisions on recovery have been issued; or (f) Debts are required to be recovered under regulatory inspection conclusions but still outstanding with an overdue period of more than 60 days since the recovery date as required by regulatory inspection conclusions; or (g) Debts of credit institutions under special control as announced by the SBV, or debts of foreign bank branches which capital and assets are blocked.	100%

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

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

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

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

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

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# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.4 *Provision for credit losses* (continued)

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

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

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

### 4.5 *Securities held for trading*

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

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

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

Provision for credit losses of corporate bonds, which are not listed on the stock market or not registered on the unlisted public companies market, is made in accordance with Circular 02 and Circular 09 as described in Note 4.4.

### 4.6 *Available-for-sale securities*

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

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

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.6 Available-for-sale securities (continued)

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

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

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

Provision for credit losses of corporate bonds which are not listed on the stock market or not registered on the unlisted public companies market is made in accordance with Circular 02 and Circular 09 as described in Note 4.4.

### 4.7 Held-to-maturity investment securities

#### Special bonds issued by VAMC

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

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

In accordance with Circular No. 14/2015/TT-NHNN, each year within 5 consecutive working days prior to the maturity date of special bonds, the Bank is obliged to fully make specific provision for each special bond using the below formula:

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

In which:

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.7 *Held-to-maturity investment securities* (continued)

*Special bonds issued by VAMC* (continued)

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

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

*Other held-to-maturity securities*

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

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

### 4.8 *Other long-term investments*

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

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

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

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

### 4.9 *Receivables*

#### 4.9.1 *Receivables classified as credit assets*

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



# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.9 Receivables (continued)

#### 4.9.2 Other receivables

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

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

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

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

#### 4.10 Prepaid expenses

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

#### 4.11 Fixed assets

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

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

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

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

#### 4.12 Depreciation and amortization

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

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.13 *Investment properties*

Investment properties are stated at cost less accumulated amortization.

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

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

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

### 4.14 *Operating lease*

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

### 4.15 *Recognition of income and expense*

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

Fees and commissions are recognized on an accrual basis.

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

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

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.15 *Recognition of income and expense* (continued)

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

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

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

### 4.16 *Foreign currency transactions*

All transactions are recorded in original currencies. Monetary assets and liabilities denominated in foreign currencies are translated into VND using exchange rates ruling at the consolidated balance sheet date (*Note 47*). Income and expenses arising in foreign currencies during the year are converted into VND at rates ruling at the transaction dates. Foreign exchange differences arising from the translation of monetary assets and liabilities are recognized and followed in the "*Foreign exchange differences*" under the equity section in the consolidated balance sheet and will be transferred to the consolidated income statement at the end of the financial year.

### 4.17 *Payables and accruals*

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

### 4.18 *Deposits from banks, customer deposits and valuable paper issued*

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

### 4.19 *Corporate income taxes*

#### *Current income tax*

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

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

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

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.19 Corporate income taxes (continued)

#### *Deferred tax*

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

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

### 4.20 Classification for off-balance-sheet commitments

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

### 4.21 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset financial assets against financial liabilities or vice-versa, and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### 4.22 Foreign exchange contracts

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

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

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.23 Employee benefits

#### 4.23.1 Post - employment benefits

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

#### 4.23.2 Voluntary resignation benefits

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

#### 4.23.3 Unemployment insurance

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

### 4.24 Statutory reserves

#### Reserves of the Bank

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

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

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

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

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# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.24 Statutory reserves (continued)

#### *Reserves of subsidiaries*

##### *Reserves of VPBank Asset Management Company Limited*

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

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

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

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

### 4.25 Business combinations and goodwill

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

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost the business combination over the Corporation's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of a business combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement. After initial recognition, goodwill is measured at cost less any accumulated amortization. Goodwill is amortized three (3) years on a straight-line basis.

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

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## 5. CASH, GOLD AND GEMSTONES

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

## 6. BALANCE WITH THE STATE BANK OF VIETNAM

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

Balances with the SBV include current account and compulsory reserves. As at 31 December 2015, compulsory reserve in VND and current account in foreign currencies bear interest at rate of 1.20% p.a. and 0.05% p.a., respectively (31 December 2014: 1.20% p.a. and 0.05% p.a., respectively).

Under the regulations of the SBV, the Bank is required to maintain certain cash reserve with the SBV in the form of compulsory reserve computed at 3.00% and 8.00% (2014: 3.00% and 8.00%) of customer deposits denominated in VND and foreign currencies which are demand deposits or have maturity less than 12 months; 1.00% and 6.00% (2014: 1.00% and 6.00%) of customer deposits denominated in VND and foreign currencies which have maturity over 12 months.

## 7. PLACEMENTS WITH AND LOANS TO OTHER CREDIT INSTITUTIONS

### 7.1 Placements with other credit institutions

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

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## 7. DEPOSITS AT AND LOANS TO OTHER CREDIT INSTITUTIONS (continued)

### 7.2 Loans to other credit institutions

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

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

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

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

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



# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

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## 8. SECURITIES HELD FOR TRADING

### 8.1 Securities held for trading

	31 December 2015 VND million	31 December 2014 VND million
<b>Debt securities</b>	<b>2,046,735</b>	<b>4,026,941</b>
Government securities	1,324,317	1,590,590
Securities issued by other credit institutions in which: Bonds guaranteed by the Government	722,418	351,346
Securities issued by local economic entities	529,214	175,766
Equity securities	-	233,075
Equity securities issued by other credit institutions	-	115,497
Equity securities issued by local economic entities	-	117,578
	<u>2,046,735</u>	<u>4,260,015</u>
<b>Provision for securities held for trading</b>	<b>(3,088)</b>	<b>(16,298)</b>
	<u>2,043,647</u>	<u>4,243,718</u>

### 8.2 Securities held for trading by listing status

	31 December 2015 VND million	31 December 2014 VND million
<b>Debt securities</b>	<b>2,046,735</b>	<b>4,026,941</b>
Listed	2,046,735	3,839,440
Unlisted	-	187,501
<b>Equity securities</b>	<b>-</b>	<b>233,075</b>
Listed	-	6,927
Unlisted	-	227,153
	<u>2,046,735</u>	<u>4,260,015</u>

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

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## 9. DERIVATIVES AND OTHER FINANCIAL LIABILITIES

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

## 10. LOANS TO CUSTOMERS

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

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

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 10. LOANS TO CUSTOMERS (continued)

### 10.1 Analysis of loan portfolio by quality

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

### 10.2 Analysis of loan portfolio by original maturity

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

### 10.3 Analysis of loan portfolio by sectors

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

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## 10. LOANS TO CUSTOMERS (continued)

### 10.4 Analysis of loan portfolio by industries

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 11. PROVISION FOR CREDIT LOSSES OF LOANS TO CUSTOMERS

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

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

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

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

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

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

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

(\*) *Outstanding balance as at 30 November 2015*

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

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

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## 12. INVESTMENT SECURITIES

### 12.1 Available-for-sale securities

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

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

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

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

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

### 12.2 Held-to-maturity securities

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

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## 12. INVESTMENT SECURITIES (continued)

### 12.3 Provision for investment securities

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

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

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

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

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## 13. LONG-TERM INVESTMENTS

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

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



# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

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## 14. FIXED ASSETS

### 14.1 Tangible fixed assets

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

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

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

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## 14. FIXED ASSETS (continued)

### 14.2 Intangible fixed assets

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

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

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

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

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## 15. INVESTMENT PROPERTIES

Movements of investment properties during the year are as follows:

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

## 16. OTHER ASSETS

### 16.1 Receivables

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

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

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## 16. OTHER ASSETS (continued)

### 16.2 Accrued interest and fee receivables

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

### 16.3 Other assets

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

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

(ii) Including VND750,150 million entrusted investment contract with a fund management company for purchase of bonds. This contract is unsecured, having term of 62 months and earning the return subject to actual investment results.

### 16.4 Provision for other assets

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

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

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## 16. OTHER ASSETS (continued)

### 16.4 Provision for other assets (continued)

Details of provision for other assets are as follows:

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

(i) General provision is made for entrusted investment contracts to purchase unlisted securities.

(ii) Specific provision is made in 2015 for the overdue deposits reclassified into credit risk bearing assets.

## 17. GOODWILL

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

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

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

## 19. DEPOSITS AND BORROWING FROM OTHER CREDIT INSTITUTIONS

### 19.1 Deposits from other credit institutions

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

### 19.2 Borrowings from other credit institutions

	31 December 2015 VND million	31 December 2014 VND million
In VND	7,776,807	6,817,732
<i>In which: Discounted valuable papers in VND</i>	3,375,026	5,513,585
In foreign currencies	384,460	4,715,540
	<b>8,161,267</b>	<b>11,533,272</b>

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

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

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## 20. CUSTOMER DEPOSITS

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

Analysis of customer deposits by sectors is as follows:

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 20. DEPOSITS FROM CUSTOMERS (continued)

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

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

## 21. OTHER BORROWED AND ENTRUSTED FUNDS

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

## 22. VALUABLE PAPERS ISSUED

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

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

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# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 23. OTHER LIABILITIES

### 23.1 Interest and fee payables

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

### 23.2 Other liabilities

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

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

## 24. TAX AND OTHER OBLIGATIONS TO THE STATE BUDGET

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 24. TAX AND OTHER OBLIGATIONS TO THE STATE BUDGET (continued)

### 24.1 Current corporate income tax

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

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

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

Provision for current income tax expense is computed as follows:

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 24. TAX AND OTHER OBLIGATIONS TO THE STATE BUDGET (continued)

### 24.2 *Deferred income tax*

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

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 25. OWNERS' EQUITY AND RESERVES

### 25.1 Statement of changes in equity

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

- (i) The Bank increased its charter capital from VND6,347,410,000,000 to VND7,324,270,000,000 by way of stock dividends and bonus shares using the outstanding capital supplementary reserve pursuant to SBV Decision No. 1112/QĐ-NHNN dated 3 June 2015, Official Letter No. 2125/UBCK-QLPH dated 6 May 2015 issued by the State Securities Commission ("SSC") and Business Registration Certificate with business code No. 0100233583 modified for the 33<sup>rd</sup> time on 11 June 2015 by Hanoi Department of Planning and Investment ("DPI-HN").
- (ii) The Bank increased its charter capital from VND7,324,270,000,000 to VND8,056,466,000,000 by cash pursuant to SBV Decision No. 1261/QĐ-NHNN dated 30 June 2015, SSC Official Letter No. 3598/UBCK-QLPH dated 23 June 2015 and Business Registration Certificate with business code No. 0100233583 modified for the 34<sup>th</sup> time on 8 July 2015 by DPI-HN.
- (iii) In accordance to Circular No. 200/2014/TT-BTC, from the financial year start on or after 1 January 2015, VPB AMC does not continue to charge financial provision. VPB AMC decided to transfer the outstanding amount of financial reserve to the Investment and Development fund.

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 25. OWNERS' EQUITY AND RESERVES (continued)

### 25.2 Equity

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

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

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

## 26. BASIC EARNINGS PER SHARE

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

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

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

## 27. INTEREST AND SIMILAR INCOME

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

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## 28. INTEREST AND SIMILAR EXPENSES

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

## 29. NET FEES AND COMMISSION INCOME

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

## 30. NET LOSS FROM TRADING OF FOREIGN CURRENCIES

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

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# Vietnam Prosperity Joint Stock Commercial Bank

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

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

## 32. NET GAIN FROM INVESTMENT SECURITIES

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

## 33. INCOME FROM INVESTMENT IN OTHER ENTITIES

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

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

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

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

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# Vietnam Prosperity Joint Stock Commercial Bank

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## 35. OPERATING EXPENSES

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

## 36. PROVISION EXPENSE FOR CREDIT LOSSES

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



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## 37. CASH AND CASH EQUIVALENTS

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

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

## 38. SUBSIDIARY ACQUISITIONS AND DIVESTMENT

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 38. SUBSIDIARY ACQUISITIONS AND DIVESTMENT (continued)

- (i) After the divestment, VPBS is no longer a subsidiary of the Bank, and accordingly, the assets and liabilities of VPBS are not presented in the consolidated financial statements of the Bank as at 31 December 2015.
- (ii) The assets and liabilities related to the divestment of subsidiaries in 2015 are multiplied by the divestment ratio (89%).

## 39. EMPLOYEES' REMUNERATIONS

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

## 40. COLLATERALS AND MORTGAGES

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

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 41. RELATED PARTY TRANSACTIONS

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

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

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 42. CONCENTRATION OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS BY GEOGRAPHICAL REGIONS

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

## 43. FINANCIAL RISK MANAGEMENT POLICIES

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

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

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

### Risk management framework

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

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

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

### 43.1 Credit risk

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

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# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 43. FINANCIAL RISK MANAGEMENT POLICIES (continued)

### 43.1 Credit risk (continued)

#### *Credit risk management*

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

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

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

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

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 43. FINANCIAL RISK MANAGEMENT POLICIES (continued)

### 43.1 Credit risk (continued)

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

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

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

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

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

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

# Vietnam Prosperity Joint Stock Commercial Bank

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## 43. FINANCIAL RISK MANAGEMENT POLICIES (continued)

### 43.2 *Market risk*

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

#### *Market risk management*

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

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

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

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

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

#### (a) *Interest rate risk*

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

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# Vietnam Prosperity Joint Stock Commercial Bank

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## 43 FINANCIAL RISK MANAGEMENT POLICIES (continued)

### 43.2 Market risks (continued)

#### (a) Interest rate risk (continued)

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

	Overdue VND million	Non-interest bearing VND million	Interest re-pricing period					Over 5 years VND million	Total VND million
			Up to 1 month VND million	From 1 to 3 months VND million	From 3 to 6 months VND million	From 6 to 12 months VND million	From 1 to 5 years VND million		
<b>Assets</b>									
Cash, gold, gemstones	-	1,632,425	-	-	-	-	-	1,632,425	
Balances with the State Bank of Vietnam	-	-	2,261,499	-	-	-	-	2,261,499	
Balances with and loans to other credit institutions – gross	731	-	9,768,368	521,857	809,450	3,500,000	-	14,600,406	
Securities held for trading – gross	-	-	159,120	421,473	735,176	110,770	298,621	2,046,735	
Loans to customers - gross	8,867,759	-	50,042,122	18,593,190	8,783,495	11,506,072	18,396,487	116,804,247	
Investment securities - gross	561,577	4,520,639	4,554,224	8,581,999	4,009,246	1,178,460	18,641,115	48,471,260	
Long-term investment – gross	-	322,984	-	-	-	-	-	322,984	
Fixed assets and investment property	-	537,174	-	-	-	-	-	537,174	
Other assets	226,435	8,806,020	137,000	-	-	-	750,150	9,919,605	
<b>Total assets</b>	<b>9,656,502</b>	<b>15,819,242</b>	<b>66,922,333</b>	<b>28,118,519</b>	<b>14,337,367</b>	<b>16,295,302</b>	<b>38,086,373</b>	<b>196,596,335</b>	
<b>Liabilities</b>									
Deposits and borrowings from the Government and the SBV	-	-	4,821,063	-	-	-	-	4,821,063	
Deposits and borrowings from other credit institutions	-	-	8,658,183	6,869,916	1,862,005	204,750	165,991	17,764,430	
Customer deposits	-	-	45,068,471	30,722,888	33,391,667	17,784,100	3,301,799	130,270,670	
Derivatives and other financial liabilities	-	134,160	-	-	-	-	(2,400)	131,760	
Other borrowed and entrusted funds	-	-	383,188	-	-	-	-	383,188	
Valuable paper issued	-	-	256,825	1,845,557	6,199,128	8,984,204	4,574,227	21,859,941	
Other liabilities	-	5,256,454	-	-	-	-	-	5,256,454	
<b>Total liabilities</b>	<b>-</b>	<b>5,390,614</b>	<b>59,187,730</b>	<b>39,438,361</b>	<b>41,452,800</b>	<b>26,973,054</b>	<b>8,039,617</b>	<b>180,487,506</b>	
<b>Interest sensitivity gap (balance sheet items)</b>	<b>9,656,502</b>	<b>10,428,628</b>	<b>7,734,603</b>	<b>(11,319,842)</b>	<b>(27,115,433)</b>	<b>(10,677,752)</b>	<b>30,046,756</b>	<b>16,108,829</b>	
<b>Off-balance sheet commitments which have impact on interest sensitivity of assets and liabilities (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Interest sensitivity gap (on, off- balance sheet items)</b>	<b>9,656,502</b>	<b>10,428,628</b>	<b>7,734,603</b>	<b>(11,319,842)</b>	<b>(27,115,433)</b>	<b>(10,677,752)</b>	<b>30,046,756</b>	<b>16,108,829</b>	



# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

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## 43. FINANCIAL RISK MANAGEMENT POLICIES (continued)

### 43.2 Market risk (continued)

#### (a) Interest rate risk (continued)

##### Interest sensitivity

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

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

#### (b) Currency risk

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

##### Currency risk management

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

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

##### Exchange rate sensitivity

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

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

B05/TCTD-HN

## 43. FINANCIAL RISK MANAGEMENT POLICIES (continued)

### 43.2 Market risks (continued)

#### (b) Currency risk (continued)

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

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

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## 43. FINANCIAL RISK MANAGEMENT POLICIES (continued)

### 43.2 *Market risks* (continued)

#### (c) *Liquidity risk*

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

#### *Liquidity risk management*

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

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

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

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

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

B05/TCTD-HN

## 43. FINANCIAL RISK MANAGEMENT POLICIES (continued)

### 43.2 Market risks (continued)

#### (c) Liquidity risk (continued)

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

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

#### (d) Other market price risk

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

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## 44. ADDITIONAL INFORMATION ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

### Financial assets

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

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

#### ► *Financial asset at fair value through profit or loss*

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

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

#### ► *Held to maturity investments*

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

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

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# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

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## 44. ADDITIONAL INFORMATION ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

### Financial assets (continued)

#### ▶ *Loans and receivables:*

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

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

#### ▶ *Available-for-sale financial assets*

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

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

### Financial liabilities

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

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

#### ▶ *Financial liability at fair value through profit or loss:*

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

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

#### ▶ *Financial liabilities at amortized cost:*

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

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# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

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## 44. ADDITIONAL INFORMATION ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

### Offsetting of financial assets and financial liabilities

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

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

	Carrying value						Fair value VND million
	Financial assets at fair value				Other assets and liabilities		
	through profit and loss VND million	Held-to- maturity VND million	Loans and receivables VND million	Available-for- sale VND million	recorded at amortized cost VND million	Total VND million	
Cash, gold, silver and gemstones	-	-	1,632,425	-	-	1,632,425	1,632,425
Balances with the State Bank of Vietnam	-	-	2,261,499	-	-	2,261,499	(*)
Balances with and loans to other credit institutions - gross	-	-	14,600,406	-	-	14,600,406	(*)
Securities held for trading - gross	2,046,735	-	-	-	-	2,046,735	(*)
Loans to customers- gross	-	-	116,804,247	-	-	116,804,247	(*)
Available-for-sale securities - gross	-	-	-	43,950,621	-	43,950,621	(*)
Held-to-maturity securities - gross	-	4,520,639	-	-	-	4,520,639	(*)
Other financial assets	-	-	8,765,936	322,984	-	9,088,920	(*)
	<b>2,046,735</b>	<b>4,520,639</b>	<b>144,064,513</b>	<b>44,273,605</b>	<b>-</b>	<b>194,905,492</b>	<b>(*)</b>
Deposits and loans from other credit institutions	-	-	22,585,493	-	-	22,585,493	(*)
Customer deposits	-	-	130,270,670	-	-	130,270,670	(*)
Derivatives and other financial liabilities	131,760	-	-	-	-	131,760	(*)
Other borrowed and entrusted funds	-	-	383,188	-	-	383,188	(*)
Valuable papers issued	-	-	21,859,941	-	-	21,859,941	(*)
Other financial liabilities	-	-	4,954,878	-	-	4,954,878	(*)
	<b>131,760</b>	<b>-</b>	<b>180,054,170</b>	<b>-</b>	<b>-</b>	<b>180,185,930</b>	<b>(*)</b>

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

# Vietnam Prosperity Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2015 and for the year then ended

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## 45. COMMITMENTS FOR OPERATING LEASE

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


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

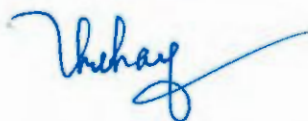
## 46. EVENTS AFTER THE CONSOLIDATED BALANCE SHEET DATE

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

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

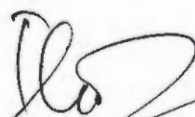
	31 December 2015 VND	31 December 2014 VND
AUD	16,290	17,319
CAD	16,041	18,242
CHF	22,471	21,420
CNY	3,389	3,408
DKK	3,160	3,160
EUR	24,340	25,807
GBP	33,193	33,066
JPY	186	178
NZD	17,122	17,122
SEK	3,078	3,078
SGD	15,758	16,027
TWD	30	30
USD	21,890	21,246
XAU	324,500	349,000

Prepared by: 



Ms. Nguyen Thi Thu Hang  
Chief Accountant

Reviewed by:



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

Approved by:



Mr. Nguyen Duc Vinh  
Chief Executive Officer

Hanoi, Vietnam

3 February 2016