

Vietnam Prosperity Joint Stock Commercial Bank

Separate financial statements

31 December 2015



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Vietnam Prosperity Joint Stock Commercial Bank

Separate financial statements

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Vietnam Prosperity Joint Stock Commercial Bank

TABLE OF CONTENTS

	<i>Pages</i>
General information	1 - 2
Report of the Board of Management	3
Independent auditors' report	4 - 5
Separate balance sheet	6 - 8
Separate income statement	9
Separate cash flow statement	10 - 11
Notes to the separate financial statements	12 - 65

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

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

THE BOARD OF DIRECTORS

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

<u>Name</u>	<u>Position</u>
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 separate financial statements are as follows:

<u>Name</u>	<u>Position</u>
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 separate financial statements are as follows:

<i>Name</i>	<i>Position</i>
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 (02) directly owned subsidiaries as follows:

<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 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 separate financial statements is Mr. Ngo Chi Dzung – the Chairman.

Mr. Nguyen Duc Vinh – General Director was authorized by Mr. Ngo Chi Dzung to sign off the accompanying separate 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 separate financial statements of the Bank as at 31 December 2015 and for the year then ended.

MANAGEMENT'S RESPONSIBILITY FOR THE SEPARATE FINANCIAL STATEMENTS

The Board of Management of the Bank is responsible for the separate financial statements which give a true and fair view of the separate financial position of the Bank and of the separate results of its operation and its separate cash flows for the year. In preparing these separate 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 separate financial statements; and
- ▶ prepare the separate 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 separate financial position of the Bank and to ensure that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Bank 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 separate financial statements.

STATEMENT BY THE BOARD OF MANAGEMENT

The Board of Management does hereby states that, in its opinion, the accompanying separate financial statements give a true and fair view of the separate financial position of the Bank as at 31 December 2015, the separate results of its operations and its separate 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 separate financial statements.

For and on behalf of the Board of Management:



Mr. Nguyen Duc Vinh
Chief Executive

Hanoi, Vietnam

3 February 2016

Reference: 60999256/17853418

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying separate financial statements of Vietnam Prosperity Joint Stock Commercial Bank ("the Bank") as prepared on 3 February 2016 and set out on pages 6 to 65 which comprise the separate balance sheet as at 31 December 2015, the separate income statement and the separate 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 separate 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 separate financial statements, and for such internal control as the Management of the Bank determines is necessary to enable the preparation and presentation of separate 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 separate 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 separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the separate 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 separate 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 separate 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 separate financial statements give a true and fair view, in all material respects, of the separate financial position of the Bank as at 31 December 2015, and of the separate results of its operations and its separate cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and comply with regulations stipulated by the State Bank of Vietnam and other statutory requirements relevant to preparation and presentation of separate financial statements.





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Other matter

The separate 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



Nguyễn Xuân Đại
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

Vietnam Prosperity Joint Stock Commercial Bank

SEPARATE BALANCE SHEET
as at 31 December 2015

B02/TCTD

	Notes	31 December 2015 VND million	31 December 2014 VND million
ASSETS			
Cash, gold and gemstones	5	1,632,425	1,357,719
Balances with the State Bank of Vietnam	6	2,094,220	3,701,129
Placements with and loans to other credit institutions	7	15,152,432	13,186,367
Placements with other credit institutions		9,282,502	1,562,416
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	3,824,461
Securities held for trading		2,046,735	3,839,440
Provision for securities held for trading		(3,088)	(14,979)
Loans to customers		95,429,155	73,779,271
Loans to customers	10	96,596,303	74,903,573
Provision for credit losses of loans to customers	11	(1,167,148)	(1,124,302)
Investment securities	12	47,729,481	47,939,680
Available-for-sale securities	12.1	43,950,621	44,180,929
Held-to-maturity securities	12.2	4,520,639	3,956,097
Provision for investment securities	12.3	(741,779)	(197,346)
Long-term investments	13	2,153,291	2,201,611
Investments in subsidiaries	13.1	1,839,035	2,139,035
Other long-term investments	13.2	314,729	63,049
Provision for long-term investments		(473)	(473)
Fixed assets	14	388,506	540,438
<i>Tangible fixed assets</i>	<i>14.1</i>	<i>213,975</i>	<i>241,054</i>
Cost		572,676	527,375
Accumulated depreciation		(358,701)	(286,321)
<i>Intangible fixed assets</i>	<i>14.2</i>	<i>174,531</i>	<i>299,384</i>
Cost		320,430	406,392
Accumulated amortization		(145,899)	(107,008)
Other assets	15	12,895,116	12,083,578
Receivables	15.1	6,300,658	5,276,092
Accrued interest and fees receivables	15.2	3,684,739	3,968,452
Other assets	15.3	3,140,943	2,945,420
Provision for other assets	15.4	(231,224)	(106,386)
TOTAL ASSETS		179,518,273	158,614,254

Vietnam Prosperity Joint Stock Commercial Bank

SEPARATE BALANCE SHEET (continued)
as at 31 December 2015

B02/TCTD

	<i>Notes</i>	<i>31 December 2015 VND million</i>	<i>31 December 2014 VND million</i>
LIABILITIES			
Amounts due to the Government and the State Bank of Vietnam	16	4,821,063	832,555
Deposits and borrowings from other credit institutions	17	17,580,782	27,101,782
Deposits from other credit institutions	17.1	9,696,130	15,568,510
Borrowings from other credit institutions	17.2	7,884,652	11,533,272
Customer deposits	18	129,237,126	107,752,423
Derivatives and other financial liabilities	9	127,765	215,333
Other borrowed and entrusted funds	19	383,188	125,246
Valuable papers issued	20	11,364,259	10,809,544
Other liabilities	21	3,708,207	3,090,508
Interest and fee payables	21.1	2,556,376	1,917,301
Other liabilities	21.2	1,151,831	1,173,207
TOTAL LIABILITIES		167,222,390	149,927,391
OWNERS' EQUITY			
Charter capital	23	8,056,466	6,347,410
Share premium	23	1,288,863	1,369
Reserves	23	713,560	452,200
Retained earnings	23	2,236,994	1,885,884
TOTAL OWNERS' EQUITY		12,295,883	8,686,863
TOTAL LIABILITIES AND OWNERS' EQUITY		179,518,273	158,614,254


Vietnam Prosperity Joint Stock Commercial Bank


SEPARATE BALANCE SHEET (continued)
as at 31 December 2015

B02/TCTD

OFF-BALANCE SHEET ITEMS

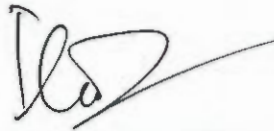
	31 December 2015 VND million	31 December 2014 VND million
Credit guarantees	1,373,115	-
Foreign exchange commitments	36,295,411	37,660,630
- Foreign exchange commitments - buy	-	924,626
- Foreign exchange commitments - sell	-	926,765
- Cross currency swap contract	36,295,411	35,809,239
Letters of credit	6,326,988	2,610,856
Other guarantees	8,550,326	6,459,637
Other commitments	1,171,006	1,680,163
	53,716,846	48,411,286

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

SEPARATE INCOME STATEMENT
for the year ended 31 December 2015

B03/TCTD

	Notes	2015 VND million	2014 VND million
Interest and similar income	24	14,437,146	12,175,359
Interest and similar expenses	25	(7,761,337)	(6,969,575)
Net interest and similar income		6,675,809	5,205,784
Fees and commission income		588,461	698,415
Fees and commission expenses		(412,153)	(338,050)
Net fee and commission income	26	176,308	360,365
Net loss from trading of foreign currencies	27	(290,322)	(89,947)
Net gain from securities held for trading	28	53,005	3,730
Net gain from investment securities	29	38,683	465,573
Other operating income		986,176	127,375
Other operating expense		(57,243)	(36,845)
Net gain from other operating activities	30	928,933	90,530
Income from investments in other entities	31	381,226	67,332
TOTAL OPERATING INCOME		7,963,642	6,103,367
Personnel expenses		(1,886,253)	(1,824,869)
Depreciation and amortization charges		(124,723)	(96,669)
Other operating expenses		(1,838,337)	(1,574,847)
TOTAL OPERATING EXPENSES	32	(3,849,313)	(3,496,385)
Net profit before provision for credit losses		4,114,329	2,606,982
Provision expense for credit losses	33	(2,116,676)	(1,070,128)
PROFIT BEFORE TAX		1,997,653	1,536,854
Current corporate income tax expenses	22.1	(408,323)	(323,540)
Corporate income tax expense		(408,323)	(323,540)
PROFIT AFTER TAX		1,589,330	1,213,314

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

SEPARATE CASH FLOW STATEMENT
for the year ended 31 December 2015

B04/TCTD


	<i>Notes</i>	<i>2015</i> <i>VND million</i>	<i>2014</i> <i>VND million</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and similar receipts		14,543,551	11,319,678
Interest and similar payments		(7,077,162)	(6,978,037)
Net fees and commission receipts		189,092	360,421
Net (payments)/receipts from dealing in foreign currencies, gold and securities trading activities		(26,241)	289,075
Other income		721,987	20,302
Recoveries from bad debts previously written-off		204,733	69,994
Payments for operating and salary expenses		(3,457,205)	(3,239,769)
Corporate income tax paid during the year	22	(244,444)	(474,787)
Net cash flows from operating activities before changes in operating assets and liabilities		4,854,311	1,366,877
Changes in operating assets			
(Increase)/Decrease in placements with and loans to other credit institutions		5,759,742	(1,433,477)
(Increase)/Decrease in investment securities		109,354	(9,476,769)
Increase in loans to customers		(25,360,734)	(25,748,852)
Utilization of provision to write off loans to customers, securities and long-term investments		(1,146,074)	(707,090)
(Increase)/Decrease in other assets		941,209	(1,065,104)
Changes in operating liabilities			
Increase/(Decrease) in amounts due to the Government and the State Bank of Vietnam		3,988,508	(1,052,902)
Increase/(Decrease) in deposits and borrowings from other credit institutions		(9,521,000)	13,967,730
Increase in deposits from customers (Including Vietnam State Treasury)		21,484,703	23,091,697
Increase in valuable papers issued (except for valuable papers issued for financing activities)		554,715	6,308,789
Increase in other borrowed and entrusted funds		257,942	61,509
Increase/(Decrease) in derivatives and other financial liabilities		(87,568)	164,482
Decrease in other liabilities		(452,639)	(13,500)
Net cash flows from operating activities		1,382,469	5,463,390
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(129,010)	(93,753)
Proceeds from disposal of fixed assets		155,249	653
Payments for investments in other entities		(837,733)	(1,224,035)
Proceeds from disposals of investments in other entities		1,110,500	-
Dividends received from long-term investments		156,779	67,332
Net cash flows from/(used in) investing activities		455,785	(1,249,803)

Vietnam Prosperity Joint Stock Commercial Bank

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

B04/TCTD

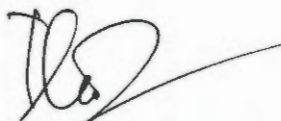
	Notes	2015 VND million	2014 VND million
CASH FLOWS FROM FINANCING ACTIVITY			
Increase in charter capital from capital contribution and/or share issuance	23.1	2,019,690	-
Cash flows from financing activity		2,019,690	-
Net cash flows during the year		3,857,944	4,213,587
Cash and cash equivalents at the beginning of the year		9,151,203	4,937,616
Cash and cash equivalents at the end of the year	34	13,009,147	9,151,203
SIGNIFICANT NON-CASH TRANSACTIONS DURING THE YEAR			
Bonus shares issued from capital supplementary reserve		44,350	27,526
Increase in charter capital from retained earnings		932,510	549,884

Prepared by: 



Ms. Nguyen Thi Thu Hang
Chief Accountant

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

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

B05/TCTD

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.

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<u>Subsidiaries</u>	<u>Operating License</u>	<u>Nature of Business</u>	<u>Share capital</u>	<u>Ownership</u>
VPBank Asset Management Company Limited (VPBank AMC)	Business Registration Certificate No.010583748 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 6,561 persons (31 December 2014: 9,035 persons). In Quarter 1 of 2015, VPBank transferred the operation of its Consumer Credit Division to VPB FC, and accordingly, 3,713 employees of that division were transferred to VPB FC.

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 the separate financial statements as at 31 December 2015, all amounts are rounded to the nearest million and presented in million Vietnam Dong. Presentation does not have an impact on the users' view of the separate financial position, separate result of operation and separate cash flows.

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM

3.1 Statement of compliance

The Board of Management of the Bank confirms that the accompanying single 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 relevant statutory requirements.

3.2 Accounting standards and system

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

- ▶ Decision No. 149/2001/QD-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese 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 separate financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Vietnam. Accordingly, the accompanying separate balance sheet, the separate income statement, the separate cash flow statement and the notes to the separate financial statements and their utilization 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 separate financial position and results of separate operations and separate cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM (continued)

3.2 Accounting standards and system (continued)

The Bank has prepared the separate financial statements to reflect operations of the Bank only. It has also prepared the consolidated financial statements to reflect operations of the Bank and its subsidiaries in accordance with Vietnamese Accounting Standard No. 25 - *Consolidated financial statements and accounting for investments in subsidiaries*. The users of separate financial statements should read these separate financial statements together with the consolidated financial statements for the year ended 31 December 2015 in order to have adequate information about the consolidated financial positions, consolidated results of operations and consolidated cash flows of the Bank and its subsidiaries.

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 regarding to the financial statement reporting mechanism for credit institutions that are not shown in these separate financial statements indicate nil balance.

3.3 Basis of assumptions and uses of estimates

The preparation of the separate 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.

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

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

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

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

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

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**4.1 Changes in accounting policies and disclosures** (continued)

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/QĐ-NHNN dated 18 April 2007 and the chart of account system applicable to credit institutions issued in connection with Decision No. 479/2004/QĐ-NHNN dated 29 April 2004 of the State Bank of Vietnam.

Key changes to the financial statement templates are as follows:

- ▶ Amending the templates of balance sheet, income statement and cash flows statement in accordance with amendments and supplements by 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. 200/2014/TT-BTC – replacing the enterprise accounting system under Decision No. 15/2006/QĐ-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).
- ▶ 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.
- ▶ 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.

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 separate 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 bonds, loans to customers and entrustments for credit granting (collectively referred to "debts") is made in compliance with the quantitative method prescribed in Article 10 of Circular 02.

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

Group		Description	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%

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Provision for credit losses (continued)

Group		Description	Provision rate
3	Sub standard	<p>(a) Debts are overdue for a period of between 91 days and 180 days; or</p> <p>(b) Debts which the repayment terms are extended for the first time; or</p> <p>(c) Debts which interests are exempted or reduced because customers do not have sufficient capability to repay all interests under credit contracts; or</p> <p>(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:</p> <ul style="list-style-type: none"> ▪ Debts made in compliance with Clause 1, 3, 4, 5, 6 under Article 126 of Law on Credit Institutions; or ▪ Debts made in compliance with Clause 1, 2, 3, 4 under Article 127 of Law on Credit Institutions; or ▪ Debts made in compliance with Clauses 1, 2 and 5 under Article 128 of Law on Credit Institutions. <p>(e) Debts are required to be recovered according to regulatory inspection conclusions.</p>	20%
4	Doubtful	<p>(a) Debts are overdue for a period of between 181 days and 360 days; or</p> <p>(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</p> <p>(c) Debts which the repayment terms are restructured for the second time; or</p> <p>(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</p> <p>(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.</p>	50%
5	Loss	<p>(a) Debts are overdue for a period of more than 360 days; or</p> <p>(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</p> <p>(c) Debts which the repayment terms are restructured for the second time but still overdue under that second restructured repayment term; or</p> <p>(d) Debts which the repayment terms are restructured for the third time or more, regardless of being overdue or not; or</p> <p>(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</p> <p>(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</p> <p>(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.</p>	100%

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 *Provision for credit losses* (continued)

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

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

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

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

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

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

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

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 separate income statement.

Interest and dividends derived from holding securities held for trading are recognized on a cash basis in the separate 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 on 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.

In subsequent periods, these securities are continuously recorded at par value, and the discount/premium (if any) is amortized to the separate 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 separate 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*

Held-to-maturity investment securities only include 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**4.7 Held-to-maturity investments securities** (continued)

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 a specific provision for each special bond using the below formula:

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

In which:

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

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

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

4.8 Investments in subsidiaries

Investments in subsidiaries controlled by the Bank are recognized by the cost method in the separate financial statement. Distributions of profit received from accumulated profit of subsidiaries subsequent to the control date are recorded in the separate income statement of the Bank.

Provisions for impairment of investments in subsidiaries are made for each impaired investment and are subject to revision at the end of accounting period. Provision for investments in subsidiaries is made when the investments are impaired due to the losses incurred by subsidiaries. Increase or decrease of provision balance is recognized in "Income/(Expense) from investments in other entities".

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 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.

4.10 Receivables

4.10.1 Receivables classified as credit assets

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

4.10.2 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 separate 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%

4.11 Prepaid expenses

Prepaid expenses are reported as short-term or long-term prepaid expenses on the separate 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.

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 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 separate income statement.

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

4.13 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
Transportations	8 years
Machines and equipment	3 – 10 years
Computer software	3 – 7 years

4.14 Operating lease

Rentals under operating lease are charged in the "Operating expenses" of the separate 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 separate 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 separate 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 price of debts purchased or sold and their book value are recorded as follows:

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 *Recognition of income and expense* (continued)

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

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

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

4.16 *Foreign currency transactions*

All transactions are recorded in original currencies. Monetary assets and liabilities denominated in foreign currencies are translated into VND using exchange rates ruling at the separate balance sheet date (*Note 42*). 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 equity section in the separate balance sheet and will be transferred to the separate income statement at the end of the financial year.

4.17 *Payables and accruals*

Payables and accruals are recognized 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 separate financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Corporate income tax

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 separate balance sheet date.

Current income tax is charged or credited to the separate 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 is susceptible to various interpretations, amounts reported in the separate financial statements could be changed at a later date upon final determination by the tax authorities.

Deferred tax

Deferred tax is provided on temporary differences at the separate 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 recognized 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 asset and Deferred tax payable are determined on the basis of expected tax rate applied for the year when assets are recovered or liabilities are settled and on basis of effective and applicable tax rates and tax laws at the end of accounting period.

4.20 Classification for off-balance-sheet commitments

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

4.21 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the separate 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.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 recognized 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 separate balance sheet and will be transferred to the separate 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 separate balance sheet and will be transferred to the separate income statement at the end of the financial year.

4.23 Employee benefits

4.23.1 Post-employment benefits

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

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.

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.24 Statutory reserves

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>Basis 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.

5. CASH, GOLD AND GEMSTONE

	<i>31 December 2015</i>	<i>31 December 2014</i>
	<i>VND million</i>	<i>VND million</i>
Cash on hand in VND	850,227	709,148
Cash on hand in foreign currencies	756,702	555,826
Gold on hand	25,496	92,745
	1,632,425	1,357,719

6. BALANCE WITH THE STATE BANK OF VIETNAM

	<i>31 December 2015</i>	<i>31 December 2014</i>
	<i>VND million</i>	<i>VND million</i>
Demand deposits at SBV	2,094,220	3,701,129

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. In December 2015, the required cash reserve of customer deposits in VND and foreign currencies having maturity less than 12 months is computed at 3% and 8% respectively (2014: 3% and 8% respectively) and having maturity over 12 months is computed at 1% and 6% (2014: 1% and 6% respectively).

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

7. PLACEMENTS WITH AND LOANS TO OTHER CREDIT INSTITUTIONS

7.1 Placements with other credit institutions

	31 December 2015 VND million	31 December 2014 VND million
Demand deposits	816,336	917,653
- In VND	101,735	83,963
- In foreign currencies	714,601	833,690
Term deposits	8,466,166	644,763
- In VND	5,395,000	209,220
- In foreign currencies	3,071,166	435,543
	9,282,502	1,562,416
Provisions for placements with other credit institutions	-	(5,720)
	9,282,502	1,556,696

7.2 Loans to other credit institutions

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

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

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

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

	31 December 2015 VND million	31 December 2014 VND million
Current	15,152,432	13,186,367
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	731	6,451
	15,153,163	13,192,818

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

8. SECURITIES HELD FOR TRADING

8.1 Debt securities

	31 December 2015 VND million	31 December 2014 VND million
Government securities	1,324,317	1,590,990
Securities issued by others credit institutions <i>In which: Bonds guaranteed by the Government</i>	722,418 529,214	361,346 175,766
Securities issued by local economic entities and guaranteed by the Government	-	1,887,104
	2,046,735	3,839,440
Provision for securities held for trading	(3,088)	(14,979)
	2,043,647	3,824,461

8.2 Securities held for trading by listing status

	31 December 2015 VND million	31 December 2014 VND million
Listed	2,046,735	3,839,440

9. DERIVATIVES AND OTHER FINANCIAL LIABILITIES

	Total contract nominal value (at contractual exchange rate)	Total carrying value (at exchange rate as at reporting date)		Net value VND million
		Assets	Liabilities	
	VND million	VND million	VND million	
As at 31 December 2015				
Derivative financial instruments	30,585,044	29,953,106	(30,083,271)	(130,165)
Foreign exchange forward contracts	12,191,830	11,919,271	(12,040,579)	(121,308)
Foreign exchange swap contracts	18,393,214	18,033,835	(18,042,692)	(8,857)
Other derivatives financial instruments	107,050	109,450	(107,050)	2,400
	30,692,094	30,062,556	(30,190,321)	(127,765)
As at 31 December 2014				
Derivative financial instruments	43,226,798	11,191,967	(11,407,300)	(215,333)
Foreign exchange forward contracts	25,178,021	7,549,617	(7,748,089)	(198,472)
Foreign exchange swap contracts	18,048,777	3,642,350	(3,659,211)	(16,861)

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

10. LOANS TO CUSTOMERS

	31 December 2015		31 December 2014	
	VND million	%	VND million	%
Loans to local economic entities and individuals	95,958,975	99.35	74,653,511	99.66
Discounted bills and valuable papers	22,893	0.02	20,925	0.03
Payments on behalf of customers	3,522	0.00	4,679	0.01
Loans financed by entrusted funds	564,143	0.58	216,506	0.29
Loans to foreign economic entities and individuals	46,770	0.05	7,952	0.01
	96,596,303	100	74,903,573	100

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

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

10.1 Analysis of loan portfolio by quality

	31 December 2015	31 December 2014
	VND million	VND million
Current	90,806,251	70,792,032
Special mention	3,444,597	2,122,599
Substandard	560,560	766,633
Doubtful	444,032	706,443
Loss	1,340,863	515,866
	96,596,303	74,903,573

10.2 Analysis of loan portfolio by original maturity

	31 December 2015	31 December 2014
	VND million	VND million
Short term loans	29,130,352	23,487,960
Medium term loans	39,705,470	35,301,089
Long term loans	27,760,481	16,114,524
	96,596,303	74,903,573

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

10. LOANS TO CUSTOMERS (continued)

10.3 Analysis of loan portfolio by ownership and types of customers

	31 December 2015		31 December 2014	
	VND million	%	VND million	%
State-owned companies	1,547,766	1.60	1,836,557	2.45
One-member limited liability companies with the State owning 100% of capital	630,928	0.65	1,413,413	1.89
Two or more members limited liability companies with the State owning over 50% of capital or being controlled by the State	414,632	0.43	65,747	0.09
Other limited liability companies	28,712,712	29.73	18,724,562	25.00
Joint stock companies with the State owning over 50% of capital or ordinary shares; or being controlled by the State	860,868	0.89	697,745	0.93
Other joint-stock companies	20,976,352	21.72	18,022,059	24.06
Partnership companies	-	0.00	752	0.00
Private enterprises	624,926	0.65	466,298	0.62
Foreign invested enterprises	573,459	0.59	593,212	0.79
Co-operatives and unions of co- operative	100,609	0.10	79,897	0.11
Household business and individuals	42,026,878	43.51	32,672,761	43.61
Operation administration entity, the Party, unions and associations	125,469	0.13	326,284	0.44
Others	1,704	0.00	4,286	0.01
	96,596,303	100	74,903,573	100

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

10. LOANS TO CUSTOMERS (continued)

10.4 Analysis of loan portfolio by sectors

	31 December 2015		31 December 2014	
	VND million	%	VND million	%
Agricultural, forestry and aquaculture	4,584,262	4.75	2,386,837	3.17
Mining	214,216	0.22	171,886	0.23
Processing, manufacturing	9,643,927	9.98	7,923,647	10.58
Electricity, petroleum and steam	2,569,617	2.66	2,616,678	3.49
Water supply and waste treatment	620,461	0.64	297,484	0.40
Construction	6,368,949	6.60	4,186,335	5.59
Wholesale and retail trade, repair of motor vehicles, motor cycles and personal goods	7,755,952	8.03	6,336,297	8.46
Transportation and logistics	2,687,377	2.78	1,972,396	2.63
Hospitality and restaurants	1,170,540	1.21	417,437	0.56
Information and media	1,558,204	1.61	1,525,186	2.04
Finance, banking and insurance services	2,851,196	2.95	1,756,853	2.35
Real estates	19,078,633	19.76	13,711,398	18.31
Scientific research and technology	1,115,272	1.15	470,304	0.63
Administrative activities and support services	1,738,015	1.80	1,631,780	2.18
Activities of the Communist Party, political - social organizations, state management, security and defense	141,667	0.15	87,812	0.12
Education and vocational training	532,416	0.55	287,057	0.38
Healthcare and community development	211,920	0.22	171,049	0.23
Recreational, cultural, sporting activities	989,411	1.02	878,040	1.17
Other services	7,888,924	8.17	9,940,445	13.27
Households services, production of material products and services used by households	24,862,277	25.74	18,128,540	24.20
Activities of other foreign organizations and offices	13,067	0.01	6,112	0.01
	96,596,303	100	74,903,573	100

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

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.

Provision for credit losses on the separate balance sheet as 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	672,274	574,697
Specific provision	494,874	549,605
	1,167,148	1,124,302

Under Clause 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 separate financial statements, provision 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 provision VND million</i>
Current	84,677,262	635,080	-	635,080
Special mention	3,939,694	29,548	83,636	113,184
Substandard	572,018	4,290	54,068	58,358
Doubtful	447,518	3,356	78,943	82,299
Loss	1,461,376	-	278,227	278,227
	91,097,868	672,274	494,874	1,167,148

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

Changes in provision for loans to customers during the year are as follows:

	<i>General provision VND million</i>	<i>Specific provision VND million</i>	<i>Total VND million</i>
Opening balance as at 1 January 2015	574,697	549,605	1,124,302
Provision charged	97,577	1,460,374	1,557,951
Provision increase relating to the repurchase of debts from VAMC	-	9,522	9,522
Provision decrease relating to the sale of debts to VAMC	-	(263,984)	(263,984)
Provision decrease due to the sale of debts to other credit institutions	-	(114,569)	(114,569)
Provision used to write off bad debts	-	(1,146,074)	(1,146,074)
Closing balance as at 31 December 2015	672,274	494,874	1,167,148

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

12. INVESTMENT SECURITIES

12.1 Available-for-sale securities

	31 December 2015 VND million	31 December 2014 VND million
Debt securities	43,950,621	44,180,929
State Bank of Vietnam bills	-	2,385,203
Treasury bills	-	1,892,890
Government bonds	21,024,986	17,279,638
Bonds issued by other domestic credit institutions	12,787,075	11,541,583
<i>In which: Bonds guaranteed by the Government</i>	<i>9,736,500</i>	<i>8,618,211</i>
Bonds issued by local economic entities	10,138,560	11,081,615
Provision for available-for-sale securities	(174,833)	(70,007)
General provision	(107,133)	(70,007)
Specific provision	(67,700)	-
	43,775,788	44,110,922

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 other 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% to 15% per annum (31 December 2014: terms from 1 year to 5 years, interest rates ranging from 6% to 13.5% per annum).

Book 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

Held-to-maturity securities include special bonds issued by VAMC.

	31 December 2015 VND million	31 December 2014 VND million
Special bonds	4,520,639	3,956,097
Specific allowance for special bonds	(566,946)	(127,339)
	3,953,693	3,828,758

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

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>
Opening balance	70,007	127,339	197,346
Provision charged during the year	71,951	439,607	511,558
Provision arising from repurchase of bonds from VAMC	32,875	-	32,875
Closing balance	174,833	566,946	741,779

Analysis by quality for securities classified as credit risk bearing assets at the end of the year is as below:

	<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	-	-
	13,061,973	11,081,615

13. LONG-TERM INVESTMENTS

13.1 Investments in subsidiaries

	<i>% owned</i>	<i>31 December 2015 VND million</i>	<i>31 December 2014 VND million</i>
Subsidiaries			
VPBank Securities Company Limited	-	-	800,000
VPBank Asset Management Company Limited	100	115,000	115,000
VPBank Finance Company Limited	100	1,724,035	1,224,035
		1,839,035	2,139,035

On 7 December 2015, the Bank sold 89% shares of VPBank Securities Company Limited ("VPBS"). Accordingly, VPBS has been no longer a subsidiary of the Bank since 8 December 2015.

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

13. LONG-TERM INVESTMENTS (continued)

13.2 Other long-term investments

Breakdown of other long-term investments is as follows:

	31 December 2015		31 December 2014	
	Cost VND million	Ownership	Cost VND million	Ownership
Investments in credit institutions				
Joint Stock Commercial Bank for Investment and Development of Vietnam	-	-	38,366	0.08%
Investments in economic entities				
ITRACO Transportation Joint Stock Company (ITRACO JSC)	21	0.64%	21	0.64%
Dong Xuan Joint Stock Company (Dong Xuan JSC)	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%	-	-
	314,729		63,049	
Provision for other long-term investments	(473)		(473)	
	314,256		62,576	

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

14. FIXED ASSETS

14.1 Tangible fixed assets

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

	<i>Building 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>
Cost						
Opening balance	82,604	268,936	84,525	52,563	38,747	527,375
Purchases in the year	-	63,291	2,222	8,946	17,633	92,092
Reclassification	-	(1,339)	(1,460)	61	(80)	(2,818)
Disposal	(33,553)	(790)	(97)	(1,507)	(8,026)	(43,973)
Closing balance	49,051	330,098	85,190	60,063	48,274	572,676
Accumulated depreciation						
Opening balance	15,063	175,024	42,111	32,840	21,283	286,321
Charge for the year	4,945	47,086	12,735	11,263	9,803	85,832
Disposal	(5,122)	(834)	(87)	(1,445)	(5,964)	(13,452)
Reclassification	-	39	-	56	(95)	-
Closing balance	14,886	221,315	54,759	42,714	25,027	358,701
Net book value						
As at beginning date	67,541	93,912	42,414	19,723	17,464	241,054
As at closing date	34,165	108,783	30,431	17,349	23,247	213,975

Cost of fully-depreciated tangible fixed assets which are still in use as at 31 December 2015 is VND173,228 million.

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

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>
Cost			
Opening balance	213,012	193,380	406,392
Purchases in the year	-	36,918	36,918
Disposal	(122,880)	-	(122,880)
Closing balance	<u>90,132</u>	<u>230,298</u>	<u>320,430</u>
Accumulated amortization			
Opening balance	868	106,140	107,008
Charge for the year	-	38,891	38,891
Closing balance	<u>868</u>	<u>145,031</u>	<u>145,899</u>
Net book value			
At the beginning date	<u>212,144</u>	<u>87,240</u>	<u>299,384</u>
At the closing date	<u><u>89,264</u></u>	<u><u>85,267</u></u>	<u><u>174,531</u></u>

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 VND77,909 million.

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

15. OTHER ASSETS

15.1 Receivables

	31 December 2015 VND million	31 December 2014 VND million
Internal receivables	40,464	36,785
External receivables (*)	6,239,049	5,239,056
Construction in progress	21,145	251
	6,300,658	5,276,092

(*) External receivables include receivables from sale of debts to its subsidiary according to the Debt Trading Proposal approved by the SBV under Official No. 9641/NHNN-TTGSNN on 25 December 2014 (VND4,622,958 million); deposits of economic contracts (VND1,041,802 million); overdue deposits classified into credit risk assets; and other external receivables.

15.2 Accrued interest and fee receivables

	31 December 2015 VND million	31 December 2014 VND million
Interest receivable from deposits	22,886	8,957
Interest receivable from investment securities	1,675,724	2,097,834
Interest receivable from credit activities	1,824,673	1,529,985
Interest receivable from derivative instruments	161,456	331,602
Other fee receivables	-	74
	3,684,739	3,968,452

15.3 Other assets

	31 December 2015 VND million	31 December 2014 VND million
Materials	10,123	10,362
Prepaid expenses	490,685	597,859
Foreclosed assets (i)	1,888,260	1,582,091
<i>Including: Real estates</i>	1,888,260	1,582,091
Receivable from entrusted investment contracts (ii)	750,150	750,150
Other assets	1,725	4,958
	3,140,943	2,945,420

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

(ii) These are receivables relating to entrusted investment contracts with a fund management company for purchase of bonds. These contracts are unsecured, have term of 62 months and earn a return subject to actual investment results.

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

15. OTHER ASSETS (continued)

15.4 Provision for other assets

Provision for other assets include provision for debt trading activities, provision for bad debts and general provision for entrusted investment. Movements of provision for other assets are as follows:

	2015 VND million	2014 VND million
Opening balance	106,386	377,463
Charge/(Reversal) of provision during the year	124,838	(271,077)
<i>In which:</i>		
Charge/(Reversal) of provision for other credit risk bearing assets (Note 33)	124,838	(271,077)
Closing balance	231,224	106,386

Details of provision for other assets are as follows:

	31 December 2015 VND million	31 December 2014 VND million
Provision for credit risks	230,411	105,573
- General provision (i)	5,626	15,405
- Specific provision (ii)	224,785	90,168
Provision for other risks	813	813
	231,224	106,386

- (i) General provision is made for entrusted investment contracts to purchase unlisted securities (Note 15.3).
- (ii) Specific provision is made in 2015 for the overdue deposits reclassified into credit risk bearing assets.

16. AMOUNTS DUE TO THE GOVERNMENT AND THE STATE BANK OF VIETNAM

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

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

17. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

17.1 Deposits from other credit institutions

	31 December 2015 VND million	31 December 2014 VND million
Demand deposits	1,337,468	925,476
In VND	1,335,205	920,991
In foreign currencies	2,263	4,485
Term deposits	8,358,662	14,643,034
In VND	7,575,000	8,568,000
In foreign currencies	783,662	6,075,034
	9,696,130	15,568,510

17.2 Borrowings from other credit institutions

	31 December 2015 VND million	31 December 2014 VND million
In VND	7,576,807	6,817,732
<i>In which: Discounted valuable papers in VND</i>	3,375,026	5,513,585
In foreign currencies	307,845	4,715,540
	7,884,652	11,533,272

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

	31 December 2015 % per annum	31 December 2014 % per annum
Deposit from other credit institutions in VND	3.70% - 5.50%	3.30% - 5.90%
Deposit from other credit institutions in foreign currencies	0.10% - 1.00%	0.70% - 0.78%
Borrowing from other credit institutions in VND	4.30% - 5.95%	6.60%
Borrowing from other credit institutions in foreign currencies	0.75% - 2.09%	3.30%

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

18. CUSTOMER DEPOSITS

	31 December 2015 VND million	31 December 2014 VND million
Demand deposits	12,574,069	7,958,452
- Demand deposits in VND	11,830,301	7,145,430
- Demand deposits in foreign currencies	743,768	813,022
Term deposits	116,122,907	99,101,185
- Term deposits in VND	105,474,859	90,244,036
- Term deposits in foreign currencies	10,648,048	8,857,149
Deposits for specific purpose	122,541	337,286
- Deposits for specific purpose in VND	110,247	328,774
- 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
	129,237,126	107,752,423

Analysis of customer deposits by type of customers and by type of entities is as follows:

	31 December 2015		31 December 2014	
	VND million	%	VND million	%
State-owned companies	6,087,819	4.71	6,646,023	6.17
One-member limited liability companies with the State owning 100% of capital	2,569,185	1.99	5,191,812	4.82
Two or more member limited liability companies with the State owning over 50% of capital or controlled by the State	245,475	0.19	222,673	0.21
Other limited liability companies	13,447,826	10.41	11,859,115	11.01
Joint stock companies with the State owning over 50% of capital or ordinary shares; or controlled by the State	1,519,106	1.18	940,621	0.87
Other joint-stock companies	20,153,051	15.59	13,733,133	12.74
Partnership companies	804	0.00	3,763	0.00
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	0.00	8,908	0.01
Household business and individuals	77,290,266	59.81	63,371,776	58.81
Operation administration entity, the Party, unions and associations	1,741,099	1.35	1,977,937	1.84
Others	5,867,643	4.54	2,895,452	2.69
	129,237,126	100	107,752,423	100

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

18. CUSTOMER DEPOSITS (continued)

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

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

19. OTHER BORROWED AND ENTRUSTED FUNDS

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

20. VALUABLE PAPERS ISSUED

	<i>31 December 2015</i> <i>VND million</i>	<i>31 December 2014</i> <i>VND million</i>
From 12 months up to 5 years	7,384,259	8,309,544
From 5 years and above	<u>3,980,000</u>	<u>2,500,000</u>
	<u>11,364,259</u>	<u>10,809,544</u>

Valuable papers of the Bank consist of certificates of deposits and bonds, which bear annual interest rates ranging from 6.60% to 10.60% per annum (31 December 2014: from 7.08% to 10.60% per annum).

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

21. OTHER LIABILITIES

21.1 Interest and fee payables

	31 December 2015 VND million	31 December 2014 VND million
Interest payables for term deposits from customers	726,139	548,372
Interest payables for savings from customers	1,217,873	992,441
Interest payables for valuable papers issued	409,463	176,246
Interest payables for borrowings from other credit institutions	71,010	23,270
Interest payables for other borrowed and entrusted funds	76	57
Interest payables for derivative instruments	118,815	176,626
Fee payables	13,000	289
	2,556,376	1,917,301

21.2 Other liabilities

	31 December 2015 VND million	31 December 2014 VND million
Internal payables	569,881	302,496
Payables to employees	569,881	302,496
External payables	581,950	870,711
Deferred income	16,435	31,246
Transfer payments awaiting for settlement	36,567	43,798
Tax payable to the State Budget (Note 22)	239,124	92,018
Other payables	289,824	703,649
	1,151,831	1,173,207

22. TAX AND OTHER OBLIGATIONS TO THE STATE BUDGET

	Beginning balance VND million	Movements during the year		Ending balance VND million
		Payables VND million	Paid VND million	
Value added tax	7,414	32,422	(32,489)	7,347
Corporate income tax	59,540	408,323	(244,444)	223,419
Other tax	25,064	108,005	(124,711)	8,358
	92,018	548,750	(401,644)	239,124

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

22. TAX AND OTHER OBLIGATIONS TO THE STATE BUDGET (continued)

22.1 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 separate 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 separate 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
Profit before tax	1,997,653	1,536,854
<i>Add/(Minus)</i>		
- Tax-exempt income	(156,779)	(67,332)
- Other deductions	(372)	-
- Non-deductible expenses	15,106	1,116
Estimated taxable income	1,855,608	1,470,638
Estimated income tax expense	408,234	323,540
Income tax payable at the beginning of the year	59,540	210,787
Under provision in previous years	89	-
Income tax paid during the year	(244,444)	(474,787)
Current income tax payable at the end of the year	223,419	59,540

22.2 Deferred income tax

No deferred tax was recognized during the year since there was no temporary material difference between the carrying value and the tax base of assets and liabilities in the separate financial statements.

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

23. OWNERS' EQUITY AND RESERVES

23.1 Statement of changes in equity

	Charter capital VND million	Share premium VND million	Capital supplementary reserve VND million	Financial reserve VND million	Investment & Development fund VND million	Foreign exchange difference VND million	Retained earnings VND million	Total VND million
Balance at 1 January 2014	5,770,000	1,369	27,527	236,955	35	-	1,437,664	7,473,550
Net profit for the year	-	-	-	-	-	-	1,213,314	1,213,314
Issuance of bonus shares	27,526	-	(27,526)	-	-	-	-	-
Capital increased from retained earning	549,884	-	-	-	-	-	(549,884)	-
Appropriations to other reserves	-	-	71,736	143,473	-	-	(215,209)	-
Others	-	-	-	-	-	-	(1)	(1)
Balance at 31 December 2014	6,347,410	1,369	71,737	380,428	35	-	1,885,884	8,686,863
Net profit for the year	-	-	-	-	-	-	1,589,330	1,589,330
Issuance of bonus shares (i)	44,350	-	(44,350)	-	-	-	-	-
Capital increased from retained earnings (i)	932,510	-	-	-	-	-	(932,510)	-
Issuance of preference shares (ii)	732,196	1,287,494	-	-	-	-	-	2,019,690
Appropriations to reserves	-	-	101,903	203,807	-	-	(305,710)	-
Balance at 31 December 2015	8,056,466	1,288,863	129,290	584,235	35	-	2,236,994	12,295,883

- (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 33rd time on 11 June 2015 by Hanoi Planning and Development Department ("DPI-HN").
- (ii) The Bank increased its charter capital from VND7,324,270,000,000 to VND8,056,466,000,000 by cash pursuant to SBV Decision No. 1261/QĐ-NHNN dated 30 June 2015, SSC Official Letter No. 3598/UBCK-QLPH dated 23 June 2015 and Business Registration Certificate with business code No. 0100233583 modified for the 34th time on 8 July 2015 by DPI-HN.

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

23. OWNERS' EQUITY AND RESERVES (continued)

23.2 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.

24. INTEREST AND SIMILAR INCOME

	2015 VND million	2014 VND million
Interest income from deposits	201,187	137,060
Interest income from loans to customers	10,218,969	8,313,013
Interest income from trading and investment securities	3,283,313	3,321,628
Interest income from guarantee activities	104,032	88,990
Other income from credit activities	629,645	314,668
	14,437,146	12,175,359

25. INTEREST AND SIMILAR EXPENSES

	2015 VND million	2014 VND million
Interest expenses for deposits	6,353,886	5,662,021
Interest expenses for borrowings	405,637	570,695
Interest expenses for valuable papers issued	950,031	514,661
Expenses for other credit activities	51,783	222,198
	7,761,337	6,969,575

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

26. NET FEE AND COMMISSION INCOME

	2015 <i>VND million</i>	2014 <i>VND million</i>
Fees and commission income from	588,461	698,415
Settlement services and treasury activities	213,754	120,027
Advisory activities	27,187	1,062
Trusted and agency activities	75,604	83,464
Insurance agency activities	191,061	453,165
Other income	80,855	40,697
Fees and commission expenses for	(412,153)	(338,050)
Settlement services	(111,815)	(68,505)
Post and telecommunication	(663)	(3,742)
Trusted and agency activities	(695)	(392)
Advisory activities	(20,124)	(33,045)
Brokerage fee	(110,130)	(144,736)
Other expenses	(168,726)	(87,630)
Net fee and commission income	176,308	360,365

27. NET LOSS FROM TRADING OF FOREIGN CURRENCIES

	2015 <i>VND million</i>	2014 <i>VND million</i>
Income from trading of foreign currencies	6,241,000	5,601,070
Income from spot trading of foreign currencies	327,457	700,264
Income from trading of derivatives	5,913,543	4,900,806
Expenses for trading of foreign currencies	(6,531,322)	(5,691,017)
Expenses for spot trading of foreign currencies	(5,840,689)	(4,801,577)
Expenses for trading of derivatives	(690,633)	(889,440)
	(290,322)	(89,947)

28. NET GAIN FROM SECURITIES HELD FOR TRADING

	2015 <i>VND million</i>	2014 <i>VND million</i>
Income from trading of securities held for trading	56,664	63,274
Expenses for trading of securities held for trading	(15,550)	(59,544)
Provision reversal for securities held for trading	11,891	-
Net gain from securities held for trading	53,005	3,730

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

29. NET GAIN FROM INVESTMENT SECURITIES

	2015 VND million	2014 VND million
Income from trading of investment securities	251,560	537,282
Expenses for trading of investment securities	(140,926)	(71,709)
Provision expenses for available-for-sale investment securities (Note 12.3)	(71,951)	-
Net gain from investment securities	38,683	465,573

30. NET GAIN FROM OTHER OPERATING ACTIVITIES

	2015 VND million	2014 VND million
Income from other operations	986,176	127,375
Income from other derivatives	6,833	23,944
Bad debt recoveries	204,733	69,994
Income from fixed assets disposal	2,212	1,476
Income from purchasing debt operations	737,521	3,218
Other incomes	34,877	28,743
Expenses for other operations	(57,243)	(36,845)
Expenses for other derivatives	(21,737)	(21,906)
Expenses for purchasing debt operation	(23,156)	-
Expenses for fixed assets disposal	-	(1,242)
Other expenses	(12,350)	(13,697)
Net gain from other operations	928,933	90,530

31. INCOME FROM INVESTMENT IN OTHER ENTITIES

	2015 VND million	2014 VND million
Income from disposal of or divestment in other entities (*)	224,447	-
Dividend income	1,871	4,917
Profit transferred from subsidiaries	154,908	62,415
	381,226	67,332

(*) This mainly includes a gain from divestment in VPBS amounting to VND220,313 million.

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

32. OPERATING EXPENSES

	2015 VND million	2014 VND million
Expenses on taxes	3,042	2,304
Personnel expenses	1,886,253	1,824,869
<i>In which:</i>		
Salary and allowances	1,656,385	1,614,667
Expenses related to salary	107,678	116,220
Subsidy	74,270	61,288
Other allowances	47,920	32,694
Fixed asset expenses	639,341	588,656
<i>In which:</i>		
Depreciation and amortization of fixed assets	124,723	96,669
Office rental expenses	337,790	314,303
Administrative expenses	498,956	506,490
<i>In which: Expenses on per diem</i>	26,895	26,704
Insurance for customers' deposits	95,507	75,234
Other operating expenses	726,214	498,832
	3,849,313	3,496,385

33. PROVISION EXPENSE FOR CREDIT LOSSES

	2015 VND million	2014 VND million
Provision expense for loans to customers (Note 11)	1,557,951	1,193,810
Decrease or reversal of provision for placements with and loans to other banks (Note 7.1)	(5,720)	(54,236)
Increase/(Reversal) of provision for other assets (Note 15.4)	124,838	(271,077)
Provision reversal for off-balance sheet commitments	-	(43,569)
Provision expense for VAMC bonds (Note 12.3)	439,607	127,339
Provision expenses for securities held for trading	-	14,979
Provision expenses for investment securities available for sale	-	102,882
	2,116,676	1,070,128

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

34. CASH AND CASH EQUIVALENTS

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

	<i>31 December 2015</i> <i>VND million</i>	<i>31 December 2014</i> <i>VND million</i>
Cash and cash equivalents	1,632,425	1,357,719
Balances with the SBV	2,094,220	3,701,129
Current account at other credit institutions	816,336	917,653
Placements with other credit institutions with original terms of three months or less	8,466,166	639,043
Investment securities due within three months from the acquisition date	-	2,535,659
	13,009,147	9,151,203

35. EMPLOYEES' REMUNERATIONS

	<i>2015</i> <i>VND million</i>	<i>2014</i> <i>VND million</i>
I. Total average number of employees (person) (only official employees)	7,798	7,745
II. Employees' remuneration (VND million)		
1. Total salary fund	1,656,385	1,515,512
2. Bonus	-	-
3. Other remuneration	74,271	58,046
4. Total remuneration (1+2+3)	1,730,656	1,573,558
5. Average monthly salary	17.70	16.31
6. Average monthly remuneration	18.49	16.93

36. COLLATERALS AND MORTGAGES

Details of customers' collaterals and mortgages at the Bank as at the end of the year are as follows:

	<i>Book value</i>	
	<i>31 December 2015</i> <i>VND million</i>	<i>31 December 2014</i> <i>VND million</i>
Real estates	136,753,079	121,659,808
Estates	21,017,505	14,394,157
Valuable papers	77,312,889	47,453,887
Others	89,346,542	51,033,278
	324,430,015	234,541,130

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

37. 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).

Significant transactions with related parties during the year ended 31 December 2015 include:

<i>Related parties</i>	<i>Transactions</i>	<i>Amount VND million</i>
VPBank FC – A subsidiary	Deferred revenue from debt trading	457,051
	Revenue from deposits	34,328
	Revenue from advisory services	22,695
	Expense for deposits received	17,411
	Revenue from sale of debts	122,142
	Revenue from collection and payment agency services	24,033
	Additional capital contributions to VPBank FC	500,000
VPBank AMC – A subsidiary	Profit transferred to VPBank	1,871
	Expense for entrusted investment contracts	19,819
	Revenue from lending activities	6,155
	Expense for deposits received	1,659
VPBS – A subsidiary	Additional capital contributions to VPBS prior to divestment	152,457
	Profit transferred to VPBank	153,037
	Expense for advisory services	13,247
	Proceed from divestment of 89% of charter capital in VPBS	1,068,000
Members of the Board of Management, Board of Supervision and Board of Directors	Remunerations	30,369

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

37. RELATED PARTY TRANSACTIONS (continued)

Significant receivables and payables with related parties as at 31 December 2015 are as follows:

<i>Related parties</i>	<i>Transactions</i>	<i>Receivables/ (Payables) VND million</i>
VPBank FC – A subsidiary	Demand deposits at VPBank	(1,293,444)
	Term deposits of VPBank at VPBank FC	1,000,000
	Receivables from debt trading	4,622,958
	Receivables from advisory activities	24,964
	Interest receivables from debt trading	60,252
	Accrued interest receivables from deposits	11,095
VPBank AMC – A subsidiary	Demand deposits at VPBank	(5,136)
	Term deposits at VPBank	(120,000)
	Accrued interest payables from deposits	(1,153)

38. 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 institutions	102,420,194	46,770	102,466,964
Deposits	158,043,059	522,296	163,386,418
Credit commitments	53,716,846	-	53,716,846
Derivatives instruments	127,765	-	127,765
Trading and investment in securities	50,517,995	-	50,517,995

39. FINANCIAL RISK MANAGEMENT POLICIES

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

- ▶ Credit risk
- ▶ Liquidity risk
- ▶ Market risks

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

Risk management framework

The Board of Directors ("BOD") has overall responsibility for the 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 authorized 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 analyzing and determining appropriate risk limits, controlling 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.

39. FINANCIAL RISK MANAGEMENT POLICIES (continued)

39.1 Credit risks

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 separate balance sheet. In addition, the Bank is exposed to off balance sheet credit risk through commitments to extend credit and guarantees issued.

Credit risk management

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

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

The Bank measures credit risks, makes allowances and complies 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 behavioral 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 SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year then ended

B05/TCTD

39. FINANCIAL RISK MANAGEMENT POLICIES (continued)

39.1 Credit risks (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 separate balance sheet, are listed below:

	<i>Undue and unimpaired VND million</i>	<i>Overdue but unimpaired VND million</i>	<i>Overdue and impaired VND million</i>	<i>Total VND million</i>
Placements with and loans to other credit institutions	15,152,432	-	731	15,153,163
- <i>Placements with other credit institutions</i>	9,282,502	-	-	9,282,502
- <i>Loans to other credit institutions</i>	5,869,930	-	731	5,870,661
Securities held for trading	2,046,735	-	-	2,046,735
Loans to customers	89,880,153	3,183,775	3,532,375	96,596,303
Investment securities	47,909,683	-	561,577	48,471,260
- <i>Available-for-sale securities</i>	43,389,044	-	561,577	43,950,621
- <i>Held-to-maturity securities</i>	4,520,639	-	-	4,520,639
Other assets	12,900,743	-	225,597	13,126,340
Total	167,889,746	3,183,775	4,320,280	175,393,801

This table presents the worst scenario in which the Bank will incur the maximum credit exposures as at 31 December 2015, without taking into account of any collateral held or their credit enhancement.

The Bank's financial assets which are neither past due nor impaired include loans to customers classified as Group 1, except loans overdue less than 10 days, in accordance with Circular 02 and Circular 09; securities, receivables and other financial assets which are not past due and no provision is required in accordance with Circular No.228/2009/TT-BTC and Circular No.89/2013/TT-BTC. The Bank believes that it can recover fully and timely these financial assets in the near future.

The financial assets are past due but not impaired due to the Bank is currently holding the collateral to cover for credit losses in accordance with the current regulations of the State Bank.

The Bank is currently holding the collaterals which include real estate, movable properties, valuable papers and other types of collaterals for these financial assets. The Bank has not determined the fair value due to insufficient information and there is no detail guidance of SBV and other authorities.

39. FINANCIAL RISK MANAGEMENT POLICIES (continued)

39.2 *Market risks*

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 processes, 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 conditions 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 18.

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

39. FINANCIAL RISK MANAGEMENT POLICIES (continued)

39.2 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	Non-interest bearing	Interest re-pricing period					Over 5 years	Total
			Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years		
	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	
Assets									
Cash, gold and gemstones	-	1,632,425	-	-	-	-	-	1,632,425	
Balances with the State Bank of Vietnam - gross	-	-	2,094,220	-	-	-	-	2,094,220	
Placement with and loans to other credit institutions - gross	731	-	9,341,125	1,501,857	809,450	3,500,000	-	15,153,163	
Securities held for trading - gross	-	-	159,120	421,473	735,176	110,770	298,621	2,046,735	
Loans to customers - gross	6,716,150	-	49,079,325	16,623,561	5,021,720	8,012,517	10,527,908	96,596,303	
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 investments - gross	-	2,153,764	-	-	-	-	-	2,153,764	
Fixed assets	-	388,506	-	-	-	-	-	388,506	
Other assets - gross	225,597	7,527,635	-	4,622,958	-	-	750,150	13,126,340	
Total assets	7,504,055	16,222,969	65,228,014	31,751,848	10,575,592	12,801,747	30,217,794	181,662,716	
Liabilities									
Deposits and loans from the Government and the SBV	-	-	4,821,063	-	-	-	-	4,821,063	
Deposits and loans from other credit institutions	-	-	8,301,150	7,319,916	1,785,390	4,750	165,991	17,580,782	
Customer deposits	-	-	44,981,656	30,668,423	32,765,987	17,556,893	3,262,422	129,237,126	
Derivatives and other financial liabilities	-	130,165	-	-	-	-	(2,400)	127,765	
Other borrowed and entrusted funds	-	-	383,188	-	-	-	-	383,188	
Valuable papers issued	-	-	-	100,382	2,653,463	5,279,080	3,331,334	11,364,259	
Other liabilities	-	3,708,207	-	-	-	-	-	3,708,207	
Total liabilities	-	3,838,372	58,487,057	38,088,721	37,204,840	22,840,723	6,757,347	167,222,390	
Interest sensitivity gap (balance sheet items)	7,504,055	12,384,597	6,740,957	(6,336,873)	(26,629,248)	(10,038,976)	23,460,447	14,440,326	
Interest sensitivity gap of off-balance sheet items	-	-	-	-	-	-	-	-	
Interest sensitivity gap (on, off- balance sheet items)	7,504,055	12,384,597	6,740,957	(6,336,873)	(26,629,248)	(10,038,976)	23,460,447	14,440,326	

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

39. FINANCIAL RISK MANAGEMENT POLICIES (continued)

39.2 Market risks (continued)

(a) Interest rate risk (continued)

Interest rate sensitivity

Assuming that all other variables remain constant, the effects of fluctuation in interest rates of the loans with floating interest rates on profit before tax and shareholders' equity of the Bank are as follows:

	Assumed increase in interest rate	Impact on	
		Profit before tax VND million	Equity VND million
As at 31 December 2015			
USD	1.50%	(63,987)	(49,910)
VND	3.00%	(31,106)	(24,263)
As at 31 December 2014			
USD	1.50%	(109,426)	(85,352)
VND	3.00%	(66,472)	(51,848)

(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.) and thus the Bank has currency risks.

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 42. The exchange rate of USD/VND 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 variables remain constant, the following table shows the effects on profit before tax and equity of the Bank due to changes in exchange rates. Risk due to change of exchange rate to other currencies of the Bank is not significant.

	Assumed level of increase	Effects on Profit after tax VND million
As at 31 December 2015		
USD	2.00%	(684)
As at 31 December 2014		
USD	2.00%	4,392

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

39. FINANCIAL RISK MANAGEMENT POLICIES (continued)

39.2 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>
Assets					
Cash, gold 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 - gross	415,412	4,139,303	-	40,982	4,595,697
Securities held for trading - gross	-	-	-	-	-
Loans to customers - gross	-	3,123,868	-	-	3,123,868
Other assets - gross	-	255,861	-	-	255,861
Total assets	661,821	8,077,424	25,496	242,228	9,006,969
Liabilities					
Deposits and borrowings from other credit institutions	123	1,093,647	-	-	1,093,770
Customer deposits	818,190	10,060,876	-	564,200	11,443,266
Derivatives and other financial liabilities	(149,000)	(3,104,875)	-	(329,028)	(3,582,903)
Other liabilities	6,732	70,762	-	2,581	80,075
Owners' equity	-	-	-	-	-
Total liabilities and equity	676,045	8,120,410	-	237,753	9,034,208
FX position on-balance sheet	(14,224)	(42,986)	25,496	4,475	(27,239)
FX position off-balance sheet	-	-	-	-	-
Net on, off-balance sheet FX position	(14,224)	(42,986)	25,496	4,475	(27,239)

39. FINANCIAL RISK MANAGEMENT POLICIES (continued)

39.2 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 separate 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 separate balance sheet date to repayment date.

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

39. FINANCIAL RISK MANAGEMENT POLICIES (continued)

39.2 Market risks (continued)

(c) Liquidity risk (continued)

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

	Overdue		Current					Total VND million
	Above 3 months VND million	Within 3 months VND million	Up to 1 months VND million	From 1 to 3 months VND million	From 3 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million	
Assets								
Cash, gold and gemstones	-	-	1,632,425	-	-	-	-	1,632,425
Balances with the State Bank of Vietnam	-	-	2,094,220	-	-	-	-	2,094,220
Placement with and loans to other credit institutions - gross	731	-	9,341,125	1,501,857	4,309,450	-	-	15,153,163
Securities held for trading - gross	-	-	2,046,735	-	-	-	-	2,046,735
Loans to customers - gross	2,345,455	4,370,695	8,129,233	8,324,278	16,776,519	33,884,675	22,765,448	96,596,303
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	-	-	-	-	-	-	2,153,764	2,153,764
Fixed assets	-	-	-	-	-	-	388,506	388,506
Other assets - gross	225,597	-	7,467,383	4,683,210	-	750,150	-	13,126,340
Total assets	2,571,783	4,932,272	31,712,284	17,803,875	27,258,196	65,436,671	31,947,635	181,662,716
Liabilities								
Deposits and borrowings from the Government and the SBV	-	-	-	4,819,153	1,910	-	-	4,821,063
Deposits and borrowings from other credit institutions	-	-	8,301,149	7,319,917	1,790,140	165,991	3,585	17,580,782
Customer deposits	-	-	44,981,656	30,668,423	50,322,880	3,262,422	1,745	129,237,126
Derivatives and other financial liabilities	-	-	127,765	-	-	-	-	127,765
Other borrowed and entrusted funds	-	-	-	-	2,656	337,536	42,996	383,188
Valuable papers issued	-	-	-	100,382	5,432,543	3,331,334	2,500,000	11,364,259
Other liabilities	-	-	3,708,207	-	-	-	-	3,708,207
Total liabilities	-	-	57,118,777	42,907,875	57,550,129	7,097,283	2,548,326	167,222,390
Net liquidity gap	2,571,783	4,932,272	(25,406,493)	(25,104,000)	(30,291,933)	58,339,388	29,399,309	14,440,326

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

39. FINANCIAL RISK MANAGEMENT POLICIES (continued)

39.2 *Market risks* (continued)

(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.

40. 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 separate 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 securities, other receivables and currency derivative contracts.

Financial assets within the scope of Circular 210, for disclosures in the notes to the separate 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) It is classified as held for trading. 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.

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

40. ADDITIONAL INFORMATION ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial assets (continued)

▶ *Loans and receivables:*

Loans and receivables are non-derivatives financial assets with fixed or measurable liquidity and are not listed in the market, except:

- a) Financial assets which the Bank intends to sell immediately or in the near future are assets held for trading purpose, and are recognized at fair value through profit or loss at the beginning;
- b) Financial assets which are classified as available-for-sale by the Bank at the beginning; or
- c) Financial assets which holders may not recover most of original investments, not due to impairment of 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 separate financial statements, are classified into either of the followings:

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

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

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

▶ *Financial liabilities at amortized cost*

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

Offsetting of financial assets and financial liabilities

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

Vietnam Prosperity Joint Stock Commercial Bank

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

B05/TCTD

40. ADDITIONAL INFORMATION ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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

	Carrying value					Total VND million	Fair value VND million
	Financial assets at fair value through profit and loss VND million	Held-to- maturity VND million	Loans and receivables VND million	Available- for-sale VND million	Other assets and liabilities recorded at amortized cost VND million		
Cash, gold and gemstones	-	-	1,632,425	-	-	1,632,425	1,632,425
Balances with the State Bank of Vietnam	-	-	2,094,220	-	-	2,094,220	(*)
Placement with and loans to other credit institutions -gross	-	-	15,153,163	-	-	15,153,163	(*)
Securities held for trading - gross	2,046,735	-	-	-	-	2,046,735	(*)
Loans to customers - gross	-	-	96,596,303	-	-	96,596,303	(*)
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 - gross	-	-	12,410,871	314,729	-	12,725,600	(*)
	2,046,735	4,520,639	127,886,982	44,265,350	-	178,719,706	(*)
Deposits and loans from other credit institutions	-	-	22,401,845	-	-	22,401,845	(*)
Customer deposits	-	-	129,237,126	-	-	129,237,126	(*)
Derivatives and other financial liabilities	127,765	-	-	-	-	127,765	(*)
Other borrowed and entrusted funds	-	-	383,188	-	-	383,188	(*)
Valuable papers issued	-	-	11,364,259	-	-	11,364,259	(*)
Other financial liabilities	-	-	3,469,083	-	-	3,469,083	(*)
	127,765	-	166,855,501	-	-	166,983,266	(*)

(*) 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 FINANCIAL STATEMENTS (continued)
as at 31 December 2015 and for the year then ended


B05/TCTD

41. EVENTS AFTER THE SEPARATE BALANCE SHEET DATE

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

42. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST VIETNAM 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

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Deputy Chief Executive Officer
cum Chief Financial Officer

Approved by:



Mr. Nguyen Duc Vinh
General Director

Hanoi, Vietnam

3 February 2016