

Annual Report **2014**



ANNUAL REPORT 2014





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Message of the **Chairman of Board of Directors**



Ladies and Gentlemen!

In 2014 the country's economy had positive changes in the macro-economic indicators such as GDP growth higher than in 2013, low inflation, stabilized financial and monetary markets.

In 2014, SHB achieved tremendous growth in all aspects, entered into the Top 5 largest commercial banks in Vietnam (excluding State-owned joint stock commercial banks). Total assets reached VND 169.04 trillion (17.7% growth), customer loans reached VND 104.1 trillion (36.1% growth), total deposits reached VND 127.35 trillion (17.8% growth), profit of VND 1.012 trillion. In particular, SHB actively handled non performing loans (NPL). By the end of 2014 NPL ratio decreased to only 2.02%. Closing the year of 2014, SHB had presence in 40 cities and provinces across the country and in Laos and Cambodia (in Cambodia in 2014 SHB opened 2 additional sub-branches). The active opening of more domestic and overseas branches and transaction offices confirmed that SHB is gradually realizing its strategy of becoming a leading modern and versatile retail bank in the country and in the region by 2020. Not only fulfilling business targets set out by the Annual General Shareholder Meeting, (AGM) in 2014 SHB was also actively involved in financing national key projects such as infra-structure construction, road construction, oil and gas, power and electricity, agricultural and rural development programs such as lending for temporary storage of rice, coffee financing, rubber financing, etc. Especially, SHB also offered preferential banking products to small and medium enterprises, and to supporting industries. In addition, charity and volunteer work was focused to create an image of SHB of dynamism and efficiency in business, and responsibility to the society and friendliness to the community.

The year of 2014 also marked several milestones for SHB. After acquiring Hanoi Building Commercial Joint Stock Bank (Habubank) in 2012, in 2014 SHB continued to be approved by the State Bank of Vietnam (SBV) in principle to acquire Viettel - Vinaconex Finance Company. This confirms the robustness of SHB and the trust of the SBV. The acquisition of the finance company is very meaningful to SHB in expanding products and services, raising capital, and enhancing financial capacity. Besides, the State Bank has agreed in principle for SHB to open 100% subsidiary banks in Laos and Cambodia, which are potential markets when Vietnamese enterprises are increasingly investing in those countries. In 2014, SHB also enhanced expand partnerships both inside and outside the country. Inside the country, SHB has signed strategic partnership agreements with large corporations and economic groups; and outside the country, SHB strengthened cooperation with companies and

partners in Africa and in the Americas.

Ladies and Gentlemen!

Entering 2015, the economy appears new difficulties and challenges alongside the old and existing ones. Meanwhile the screening and restructuring of credit institutions by the State Bank is coming to the sprint stage. On the basis of analyzing business environment, sticking to orientations of the Government and the State Bank, in 2015 SHB's orientations are: continued innovation and creativity in management, administration and management, focusing on risk management and prudence and safety in operation, improving the quality of human resources, strengthening the organizational structure, development of new products of quality suitable to each customer segment, raising the proportion of income from services, gradually bringing the bank to reach international standards. Besides fulfilling business objectives outlined in the 2015 AGM, SHB will deploy the following great works: acquisition of the finance company, and official opening of subsidiary banks in Laos and Cambodia.

Continuing to promote solidarity, dynamism, competition by differentiation - core values in SHB culture - the whole system of SHB will continue efforts to overcome all difficulties and challenges, promote every resource, seize and realize every business opportunity to develop the bank strongly and sustainably in 2015 and in subsequent years for your own benefits and for prosperity of our country.

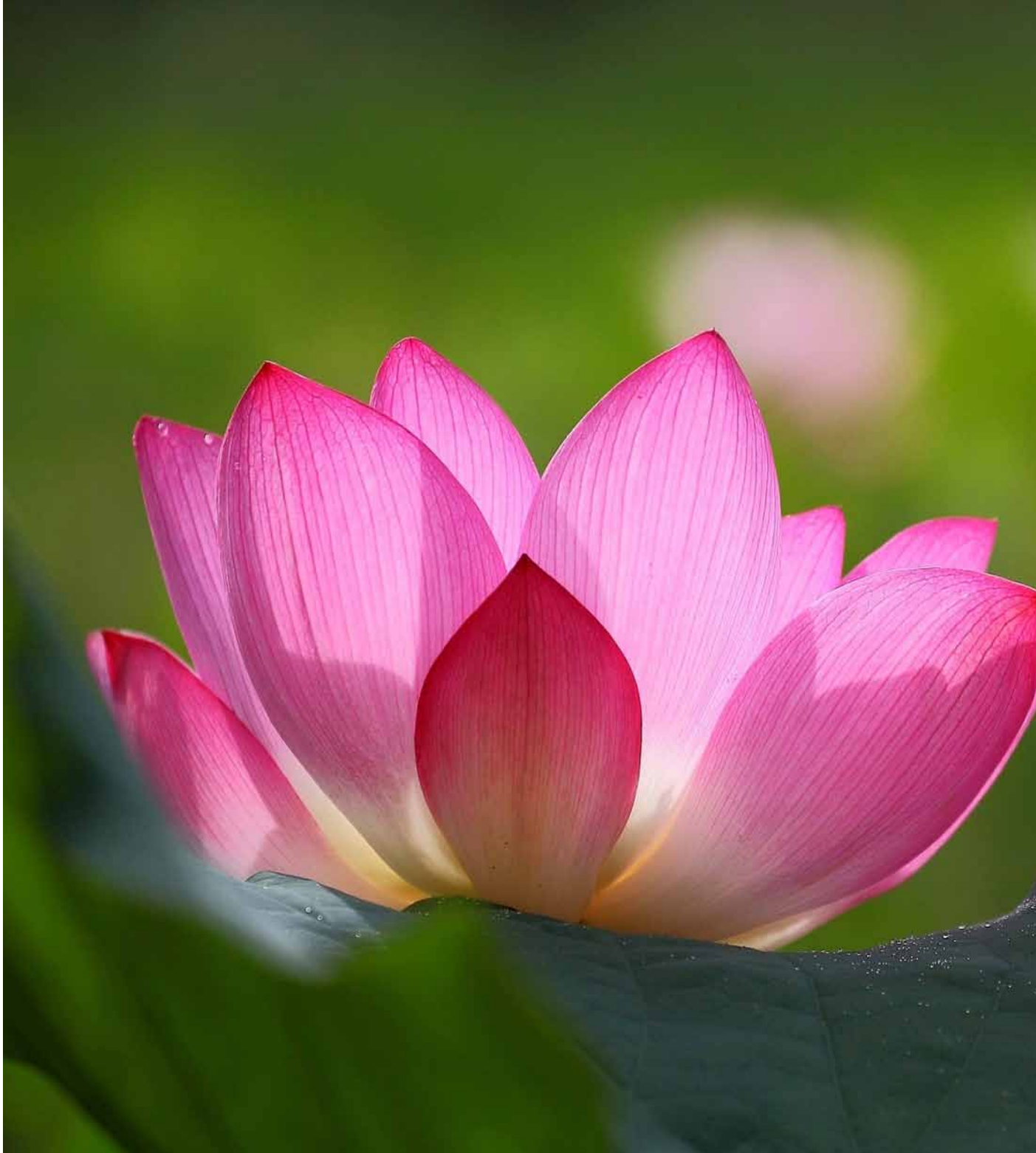
Wishing you Health, Happiness, Success!

Chairman of Board of Directors



Đo Quang Hien

Highlights **in 2014**





“ SHB commits to accompany with the prosperity of the country, returns and benefits of shareholders, partners, customers and all of SHB employees.



SHB honored to welcome the First Deputy Prime Minister of the Republic of Uganda in his visit to the bank to increase the possibilities for investment and trade.

Successfully organized 2014 Annual General Shareholder's Meeting. In 2014, SHB has completed all business targets set by the General Assembly of Shareholders



SHB well implemented credit priority programs of the Government and the central bank such as: The credit program of 4 links in the construction and real estate sector; The program connecting banks - enterprises; The loan program for fisheries development; Loans for temporary storage of rice; Financing agricultural projects of high-tech applications; ...

SHB signed strategic co-branding agreement with the world leading Manchester City football club.



SHB prioritized financing national key projects such as infra-structure and road construction, oil and gas, power and electricity, etc.



Opened 05 domestic branches in the country in Thai Nguyen, Tuyen Quang, Ninh Binh, Tien Giang, Dong Thap provinces and 02 overseas branches in Por Sencheay and Toul Kouk in

SHB was recognized as one of the most transparent listed company on HNX in 2013-2014 by the State Securities Commission and the Hanoi Stock Exchange (HNX).

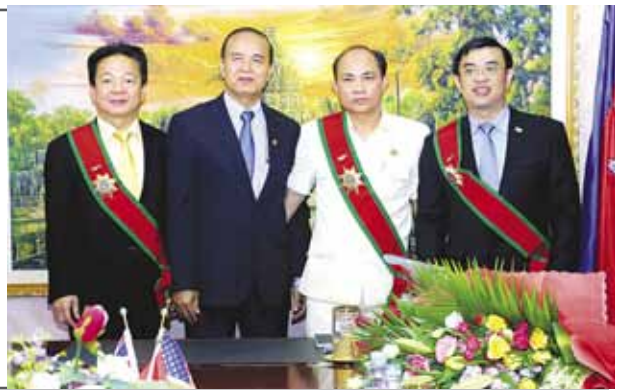


SHB officially launched SHB Visa Debit cards and co-branded SHB-Manchester Visa Debit cards.

Achievements and social recognition

The efforts to make contribution to development of the society and the community of SHB have been acknowledged and recognized through many reputational international and domestic awards





On the road of development, SHB has gained great domestic and international merits and awards, such as:

- 2nd and 3rd Labor Medals by the President;
- Chairman of Board of Directors and Chief Executive Officer of SHB honored to be awarded with Grand Official Medal by King of Cambodia for the contribution in the construction and development of the Kingdom of Cambodia;
- Merits and Emulation Flags of the Government, the State Bank, People's Committees of provinces and cities where SHB is present;
- "Large Corporate Excellence Vietnam 2014" award by ASEAN Business Advisory Council;
- "Fastest Growing Trade Finance Bank" and "Most Innovative Trade Finance Bank" Vietnam 2014 by Global Banking and Finance Review;
- "Most Innovative Bank Vietnam 2014" award by International Finance;
- "Bank of the Years 2010 and 2012" award by The Banker - Financial Times (UK);
- "Best SME Bank" and "Fastest Growing Retail Bank" Vietnam 2013 awards by Global Banking and Finance Review;
- "Excellent International Payment Services" awards by Wells Fargo and Bank of New York Mellon (USA) for many years;
- Excellent Brand awards for 08 consecutive years from 2007 to 2014;
- Well-known Vietnam Brand awards for many years;
- Top 500 largest enterprises in Vietnam (VNR 500) with ranking constantly increasing over the years;
- Top Corporate Income Tax Payers in Vietnam for many years;

General Information





“ In 2014, SHB continued to promote position and strength to continue to maintain the efficient and sustainable growth, contributing to the economic development of the country in general and the banking sector in particular.

1. Overview informationz

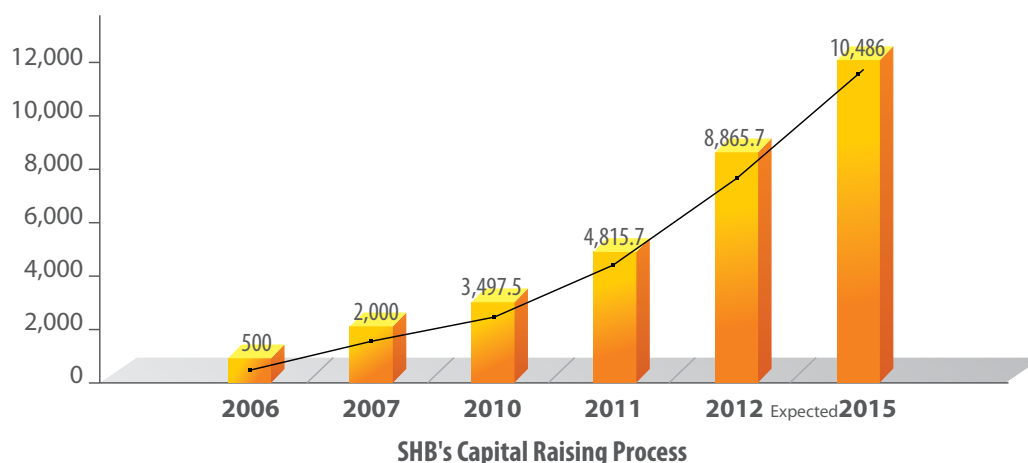
- Transaction name: **Saigon – Hanoi Commercial Joint Stock Bank (SHB)**
Business Registration Certificate No. 1800278630 issued by the Hanoi Department of Planning and Investment, the 22nd amendment was made on June 17, 2013.
- Chartered capital: **8,865,795,470,000 VND**
- Address: **77 Tran Hung Dao, Hoan Kiem, Ha Noi**
- Telephone No.: **04.3 942 3388**
- Fax No.: **04. 3 941 0944**
- Website: **www.shb.com.vn**
- Stock code: **SHB**

2. Establishment and development

Over 20 years of establishment and development, although facing many difficulties and challenges, with strategic insight, correctness, and flexibility of the Board of Directors, leadership of the Board of Management along with traditional solidarity and dedication of the collective staff, SHB has constantly striven to raise and confirm its position as one of the leading commercial joint stock banks in Vietnam

Saigon - Hanoi Commercial Joint Stock Bank (SHB), formally known as Nhon Ai Rural Commercial Joint Stock Bank, was established on 13/11/1993 in Can Tho province.

- In 2006, the Bank had approval from SBV for Nhon Ai Rural Commercial Joint Stock Bank to change its business model to become an Urban Commercial Bank and to change its name into current name Saigon – Hanoi Commercial Joint Stock Bank (in abbreviation as SHB).
- The period of 2008 – 2011 witnessed many big changes of SHB: In 2008, SHB moved its head office from Can Tho to Hanoi capital city; In 2009, SHB was one of the first Vietnamese commercial joint stock banks officially listing its shares on Hanoi Stock Exchange; In 2010, SHB officially launched the new Intellect Core Banking system and the SmartVista card management solution; In 2011, SHB was also honored to receive the Third Class Labor Medal presented by the President of Vietnam and the Merit from the Governor of State Bank of Vietnam.
- In 2012, SHB acquired Hanoi Building Commercial Joint Stock Bank (Habubank). After the acquisition, SHB had strong growth compared with its direct competitors in the market. In the same year, SHB was also one of the first Vietnamese banks pioneering in expanding its network to overseas markets through the opening of overseas branches in Laos and Cambodia.
- In 2013, SHB celebrated 20 years of establishment and honored to receive the Second Class Labor Medal from the State President, recognizing the contribution of SHB to the banking industry in particular and the development of the nation in general.
- In 2014, SHB continued to develop its position and strength to continue to maintain growth momentum which is efficient and sustainable and contributed to the economic development of the country in general and the banking sector in particular.
- Chairman of the Board of Directors and Chief Executive Officer of SHB was honored by the King of Cambodia with Grand Official Medal for the important contribution to the construction and development of the Kingdom of Cambodia



3. Business activities and location

Main business activities:

Mobilizing and taking short, medium and long term deposits from organizations and individuals; Providing short, medium and long term loans to organizations and individuals; Performing foreign exchange businesses, international trade finance, discounting commercial papers, bonds and other valuable papers; Trading gold in accordance with legal regulations; Factoring; Safe box keeping services (including gold keeping and safe box keeping services); Insurance agent; Entrust third party for lending business and taking entrusted loans; Providing credits in the form of discounting of negotiable instruments, and other valuable papers.

Business location:

SHB is present in 34 provinces and cities all over Vietnam: Hanoi city, Ho Chi Minh city, Quang Ninh, Dong Nai, Da Nang, Can Tho, Binh Duong, Nghe An, Hai Phong, Khanh Hoa, Lang Son, Gia Lai, Vung Tau, An Giang, Lam Dong, Quang Nam, Hung Yen, Kien Giang, Lao Cai, Bac Ninh, Thanh Hoa, Hue, Binh Phuoc, Long An, Vinh Phuc, Soc Trang, Thai Binh, Thai Nguyen, Tuyen Quang, Dong Thap, Ninh Binh, Tien Giang, Ca Mau, Quang Ngai.

In overseas markets: Laos PDR (Champasack), The Kingdom of Cambodia (Phnompenh, Kampong Thom).

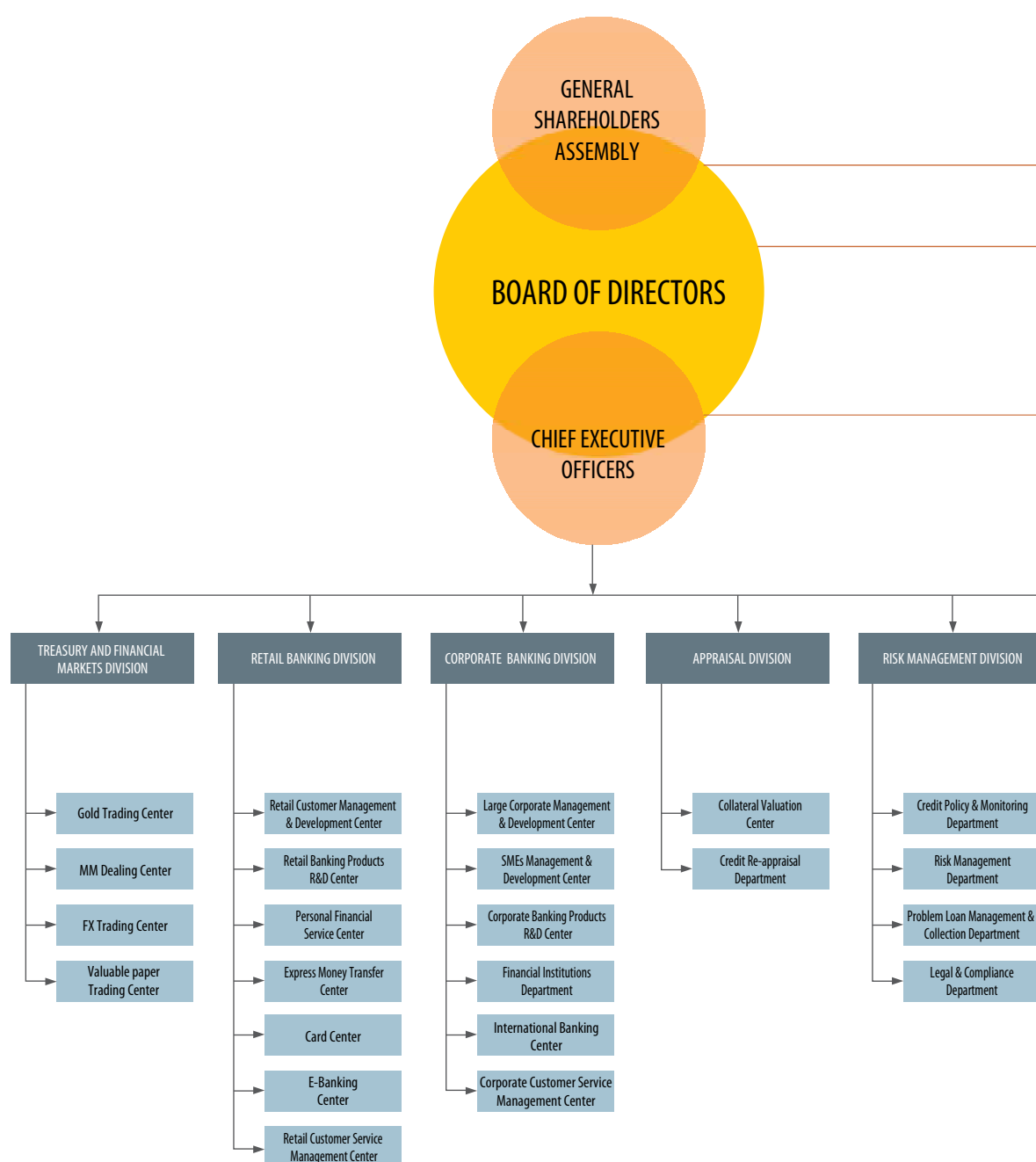
4. Corporate governance model, business organization and management structure

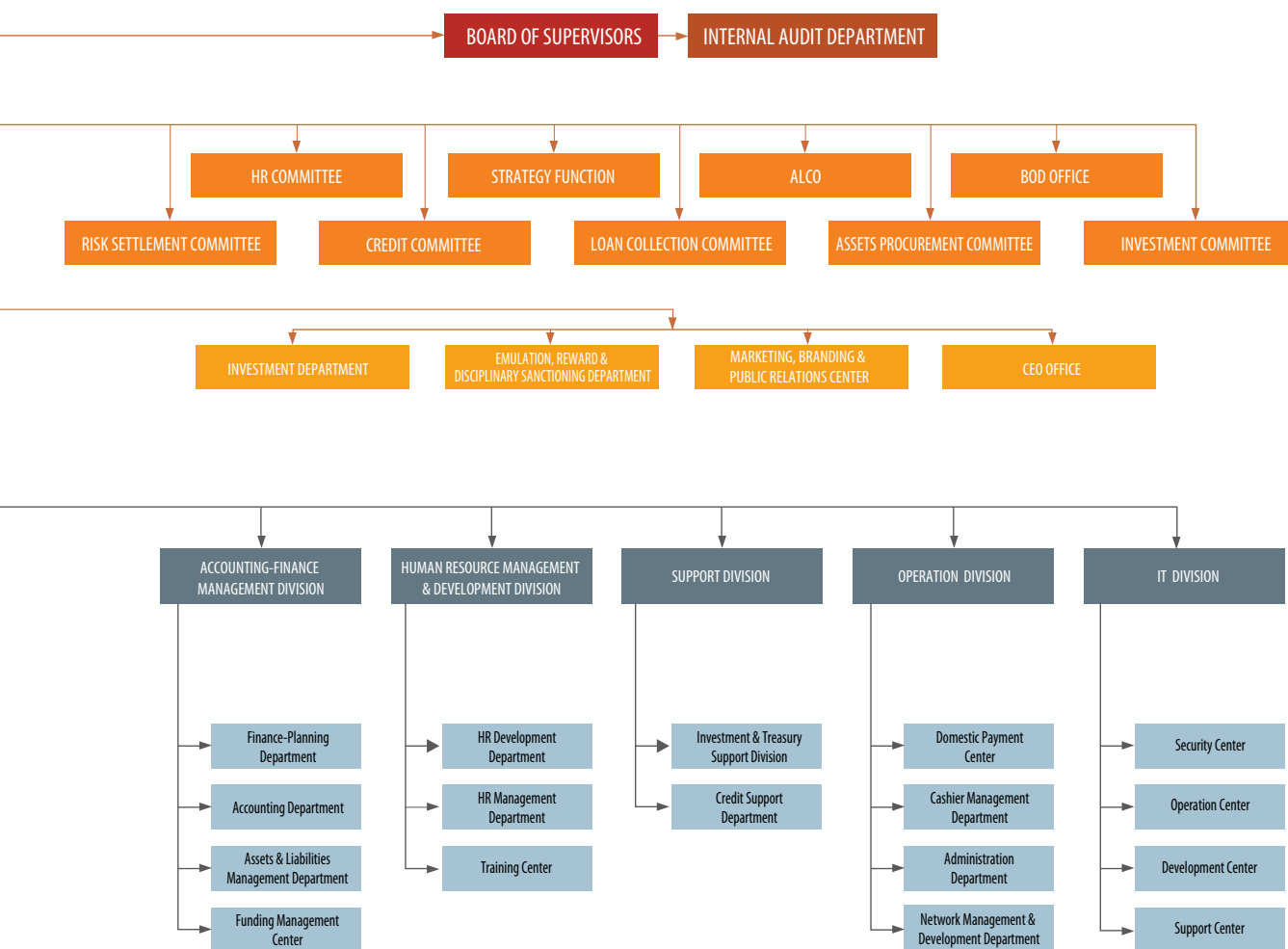
Corporate Governance model:

SHB has completed an organizational structure according to a new modern model which is streamlined, coherent and optimal, consistent with development strategy of the Bank. SHB has focused on maximizing the capacity of each unit and create coordination among units with the most efficiency throughout its system.

Business organization and management structure:

Regarding the organizational structure, SHB has planned to follow a modern model divided into Divisions in order to concentrate on effective resources, ensure convenience, effectiveness and safeness in governance and administration, based on compliance with laws and regulations and business strategies of the bank.





Board of Directors



Đo Quang Hien

Chairman

- Chairman of Board of Directors of Saigon-Hanoi Securities JSC (SHS)
- Chairman of Board of Directors and Chief Executive Officer of T&T Group
- Chairman of Board of Directors of Saigon-Hanoi Insurance Joint Stock Company (BSH)
- Chairman of Board of Directors of Binh An Fishery Company
- -Chairman of Board of Directors of Saigon-Hanoi Fund Management JSC (SHF)



Nguyen Van Le

Member of BOD of Saigon-Hanoi Bank.

- Chairman of Board of Directors SHBS Securities JSC
- Chairman of Board of Directors of SHB Loan Management and Asset Development Company (SHB AMC)

Board of Directors



Tran Ngoc Linh

Member of BOD of Saigon-Hanoi Bank.

- Former Chairman of Saigon-Hanoi Commercial Joint Stock Bank
- Founding member of SHB



Đo Quang Huy

Member of BOD of Saigon-Hanoi Bank.

- Working at T&T Group



Pham Ngoc Tuan

Member of BOD of Saigon-Hanoi Bank.

- Member of BOD of T&T Urban and Industrial Zone Development JSC
- Member of BOD of SHB Urban and Industrial Zone Development JSC
- Member of BOD of Vietnam Handicraft and Art Articles Export-Import JSC



Le Quang Thung

Member of BOD of Saigon-Hanoi Bank.

- Former Chairman of Vietnam Rubber Group

Board of Supervisors



Pham Hoa Binh

Head of BOS

- Date of Birth 31/12/1961
- Former Chief Inspector of State Bank in Can Tho
- Former Deputy Director of SHB (can Tho Branch)
- Former Chief of Internal Audit Division



Nguyen Huu Duc

Deputy Head of BOS

- Date of Birth 13/8/1948
- Ph.D in Economics
- Former Deputy Director of Vietcombank Transaction Office
- Former Director of First Vinabank (Hanoi Branch)
- Former BOM member, Head of Supervisory Board of Vietcombank

**Hoang Thi Minh**

Member of BOS and
Manager of Internal Audit Department

- Date of Birth 11/10/1964
- Master of Banking-Finance
- Former Supervisory Board member of Vietcombank
- Former Manager of Internal Control Department of SHB

**Bui Thanh Tam**

Member of BOS

- Date of Birth 17/11/1975
- Officer of Finance Division, Vietnam Rubber Group.

Board of Management



Nguyen Van Le

Chief Executive Officer

Mr. Nguyen Van Le was born on July 18, 1973 in Can Tho,

- PhD in Economics of Banking and Finance.
- More than 21 years of managing experiences in banking finance industry.
- From 2000 to current: Chief Executive Officer of Saigon – Hanoi Commercial Joint Stock Bank.
- He has received a number of merits of National Presidents, the Prime Minister and the Governor of the State Bank in Vietnam and awards of Excellent and Distinctive Leader and also greatly contributed to the development of SHB in particular and the national economy and society in general.
- He has been recognized for participating in various social and charitable activities.



Đặng Trung Dung

Standing Deputy General Director

- Was born on June 01, 1974,
- Master in Economics of Finance, Money Circulation and Banking, Banking Academy; Bachelor of Law, Hanoi Law University.
- 20 years of experiences in banking finance industry in different positions.
- From September 2006 to current: Standing Deputy General Director of Saigon – Hanoi Commercial Joint Stock Bank.



Lê Đăng Khoa

Deputy General Director

- Was born on August 18, 1974,
- Master in Economics of Business Administration, Hanoi National Economics University.
- 20 years of experiences in banking finance industry.
- From March 2009 to current: Deputy General Director of Saigon – Hanoi Commercial Joint Stock Bank.

Board of Management



Ngo Thu Ha

Deputy General Director

- Was born on October 26, 1973, Doctor in Economics
- 21 years of experiences in banking finance industry.
- From March 15, 2011: Deputy General Director cum Head of Planning and Management Information Department, Saigon – Hanoi Commercial Joint Stock Bank.



Ninh Thi Lan Phuong

Deputy General Director

- Was born on October 12, 1974, Master in Economics
- 20 years of experiences in banking finance industry.
- From July 26, 2008 to June 11, 2012: Chief Accountant of Saigon – Hanoi Commercial Joint Stock Bank;
- From June 11, 2012 to current: Deputy Director General, Saigon – Hanoi Commercial Joint Stock Bank.



Dang To Loan

Deputy General Director

- Was born on September 10, 1973, Master in Economics with Credit Finance Major.
- 21 years of experiences in banking finance industry.
- From August 2007 to October 2012: Director of Ho Chi Minh City Branch, Saigon – Hanoi Commercial Joint Stock Bank;
- From October 09, 2012 to current: Deputy General Director cum Director of Hochiminh City Branch, Saigon – Hanoi Commercial Joint Stock Bank.



Nguyen Huy Tai

Deputy General Director

- Was born on February 03, 1974, Bachelor in Economics with Credit Major.
- 20 years of experiences in banking finance industry.
- From March 2009 to February 2013: Director of Hanoi City Branch, Saigon – Hanoi Commercial Joint Stock Bank;
- From February 2013: Deputy General Director cum Director of Hanoi Branch, Saigon – Hanoi Commercial Joint Stock Bank.

Subsidiary companies

Subsidiaries	Address	Main business sectors	Chartered Capital (billion VND)	Paid-up capital by SHB (billion VND)	Holding rate
SHB Loan Management and Asset Development One Sole Member Company Limited (SHAMC)	71B Hang Trong, Hoan Kiem, Ha Noi	Loan Management and Asset Development	20	20	100%
SHB Securities Company (SHBS)	2A Pham Su Manh, Quan Hoan Kiem, Ha Noi	Financial and Securities services - Brokerage, trading, investment advisory, underwriting, securities depository	150	147.71	98.47%

Other companies having capital contributed by SHB

Subsidiaries	Address	Main business sectors	Chartered Capital (billion VND)	Paid-up capital by SHB (billion VND)	Holding rate
Saigon - Hanoi Insurance Joint Stock Company (BSH)	AC Building, Slot A1A, Dich Vong Hau, Cau Giay, Hanoi	Non-life insurance, reinsurance and other activities	300	30	10%
Saigon - Hanoi Securities JS Company (SHS)	Union Conference Center Building, No. 01 Yet Kieu, Hoan Kiem	Financial and Securities Services: Brokerage, Trading, Investment advisory, Underwriting, securities depository	1,000	48	4,8%

5. Development Orientations

5.1 Development targets for medium and long term.

SHB's medium and long term strategy is to become a leading modern multifunctional retail bank in Vietnam and vision 2020 to become a leading financial holding group under international standards with modern information technologies, professional human resources, extensive domestic and overseas network, offering partners and customers with packaged and convenient banking products and services at reasonable costs and high service quality.

In implementation of this strategy, SHB sets out business plans suitable with each development stage, with long-term vision under the general strategy of "competing by making a difference" and customer centric business philosophy.

Risk management system is uniformly built in depth throughout the system, of which quality, efficiency and professionalism are to ensure safe and sustainable operations.

Building SHB culture into a spiritual element mounted throughout the entire system. Building professional human resources management and training strategies to ensure the smooth operation, effectiveness and continuity throughout the system.

Development of products and services, growing the ratio of income from services/total profits over the years based on the modern information technology platform.

Always meeting the best interests of shareholders and investors for a Prosperity SHB.

5.2 The environmental, social and community objectives of the Bank.

Nurturing the "SHB culture", creating a professional and efficient working environment and also affirming the reputation and distinctive qualities of SHB.

Besides concentrating on business activities to contribute to the national economy, SHB also sets out core targets for the community and the society. Accordingly, SHB shall make efforts to run business in a safe and sustainable way, bringing the highest benefits to shareholders, customers, and employees.

SHB always focuses on social works to contribute to the

development of the community and considered it as an indispensable factor in sustainable development, as well as shared the responsibility with the community and society.

SHB commits to protect the environment and to ensure the stable development of the nation. SHB focuses on project loan appraisals, in which there is an important request that these projects must follow the international and domestic standards on environment protection.

6. Risks

In 2015 the world economy has potential risks. Geopolitical volatility in many countries greatly affects recovery of the world economy. Slowed growth in some countries/regions with strong economic ties with Vietnam such as Europe, China, Japan could negatively impact exports from and investment flows into Vietnam. The US Federal Reserve (Fed)'s consideration to raise interest rates could contract fund flows into Vietnam, while making a strong dollar appreciation pressure on maintaining exchange rate stability.

The year of 2014 saw the momentum of economic recovery of Vietnam. While the macro economy has been stabilized, it has not really escaped from difficulties with basic challenges still being faced in 2015: The demand of the economy is still weak, Growth is dependent on factors from the outside; The increased public debt pressure; Bad debts are still high. The decline in oil prices will support business activities of enterprises but may affect the State's budget revenue.

For credit institutions in general and for SHB in particular, main risk comes from non-performing loans which still remain high. Operations of banks may become more difficult when adjusted by new rules in the legal framework for banking operation.

The continued growth in operational scale and enhancement in governance and management in the context where the market has potential risks with increasing complexity requires SHB to focus on all resources, initiatives, creativeness, and efforts at the highest level to fulfil the set-out objectives.

Performance in the year





Following achievements in 2014, with the determination, consensus, and joint efforts of the whole bank, SHB has reached many important achievements in 2014.

1. Business performance

1.1 Business results

1.1.1 Business results

In 2014, SHB continued its outstanding growth in terms of scale. The Bank's financial indicators reached high growth rates such as: Total assets were 169,035.5 billion VND increasing by 17.69% against the end of 2013; Total mobilized fund gained 155,496 billion VND of which deposit from market I (customer deposit) was 127,353.1 billion VND up by 17.76% YoY; Lending to individuals and economic organizations reached 104,095.7 billion VND, an increase of 36.06% YoY. Thanks to such scale, SHB is currently among leading commercial banks in Vietnam.

In terms of network development, SHB's number of transaction points in 2014 achieved 408 points, number of staff was 5,500 people, quantity and quality of the Bank's products & services were significantly enhanced.

Business results of SHB as of 31/12/2014 basically fulfilled the business targets.

1.1.2. Major changes in business strategy, revenue, profit, cost, etc.

With 2014 targets of improving governance quality,

bringing SHB to Top 5 largest commercial joint stock banks in Vietnam, the Board of Directors, the Board of Management along with 5,500 staff strived to fulfil such targets and gained lots of significant achievements such as: Growing efficient and safe credits; Reducing non-performing loans ratio (NPLs) to the lowest level; Developing many new modern banking services based on state-of-the-art technology platform; Gradually applying international standards and practices in banking governance, etc.

Total income of SHB in 2014 reached 11,396.49 billion VND, of which income from interest was 10,312.85 billion VND; Income from service gained 440.32 billion VND; Income from forex trading was 282.26 billion VND. Total costs of SHB in 2014 were 10,384.14 billion VND of which interest expense was 7,586.88 billion VND, operating expense was 1,624.35 billion VND, and credit risk provisioning was 620.63 billion VND. In 2014, SHB's profit before tax achieved 1,012.35 billion VND.

Non-performing loan and overdue loan ratios in 2014 decreased sharply. NPLs ratio as of 31/12/2014 of SHB stayed at 2.02% a strong reduction against 4.06% as of 31/12/2013; Overdue loan ratio also made a sharp decrease from 7.13% in 2013 to 3.93% in 2014.

1.2 Performance against plan

Unit: Billion VND, %

Indicator	Result as of 31/12/2014	Growth 2014/2013		% performance vs planned
		(+/-)	%	
TOTAL ASSETS	169,035.5	25,409.7	17.7%	100.6%
CHARTER CAPITAL	8,865.8	0	0%	100%
CUSTOMER DEPOSIT	127,353.1	19,206.1	17.8%	102.5%
CUSTOMER LOAN	104,095.7	27,586	36.1%	Fulfilled
PROFIT BEFORE TAX	1,012.35	12.3	1.23%	Fulfilled
NPLs RATIO	2.02%			Fulfilled
CAR	11.33%			Fulfilled

(Source: audited consolidated financial statements 2014)

2. Organization and human resources

2.1 The Board of Management

	Full name	Position	Percentage of share ownership
1	Nguyen Van Le	Chief Executive Officer	0.248%
2	Dang Trung Dung	Standing Deputy General Director	0.009%
3	Le Dang Khoa	Deputy General Director	-
4	Ngo Thu Ha	Deputy General Director	0.096%
5	Ninh Thi Lan Phuong	Deputy General Director	0.005%
6	Dang To Loan	Deputy General Director	0.076%
7	Nguyen Huy Tai	Deputy General Director	-

2.2 Changes in the Board of Management

In 2014, SHB appointed Mrs. Ngo Thi Van to the position of the Bank's Chief Accountant.

2.3 Policies and changes in policies for employees

In 2014, in order to optimize the organization structure, concentrate resources for business development, SHB strengthened its structure, completed functions and duties of Divisions/Centers/Departments towards professionalism and efficiency in all over the system.

Thanks to public, transparent and objective recruitment policies, SHB attracted a large number of talented and experienced candidates which helped to enhance SHB name in labor market.

2.3.1 Number of employees

As of 31/12/2014, total number of employees of the Bank and its subsidiaries was 5,553 people, an increase of 11% compared with 2013.

Regarding human resource qualifications, the number of employees having university degrees and post graduate degrees accounted for over 90% of the total number of employees.

2.3.2. Recruitment policy

SHB has invested in human resource development to build a dedicated, experienced and qualified labor force meeting requirements of a modern bank.

SHB has carried out recruitment in a transparent, objective manner by establishing a Recruitment Council to accurately evaluate the competence and qualification of candidates. SHB has set up criteria for evaluating competence and qualification of candidates based on professional standards.

Internal promotion is encouraged and is a priority in order to motivate staff. Regarding external candidates, SHB prioritizes experienced ones who graduate from famous local and international universities with good and excellent qualifications. Candidates may negotiate their compensation and benefits on basis of their experience, competence and qualification.

Besides, SHB always welcomes final-year students to join talent internship program so that they have chances to show their abilities and become an official staff of SHB.

2.3.3. Training and HR development policies

SHB has always considered human as the most valuable asset of the bank, human as the center driving the Bank's development. Therefore, SHB creates favourable conditions for its staffs to develop their careers as well as attaches much importance to developing human resource with high service quality and professional manner meeting further work requirements.

SHB has oriented to deploy training following its business development strategy. SHB training plan is built based on analyzing the development trends of the financial markets in the region and in Vietnam and results from surveys of training demand of SHB staffs conducted every year.

SHB's training programs including on internal regulations and processes, etc. have been diversified, improved, and updated in terms of content and format and adapted to various trainees in order to provide employees with further professional skills and knowledge.

With the policy that all SHB employees have opportunities to be trained and developed, the Bank has funded the entire cost of training including both courses internally organized by SHB and outsourced courses.

SHB's training programs have been built for different groups of employees:

- For newly recruited staffs, SHB develops integration/ orientation training program to provide them with general knowledge of SHB and background knowledge for their work; SHB also assigns highly experienced staffs to train and supervise young generation to help newly recruited staffs to quickly adjust and get acquaintance with SHB's culture.
- For experienced staffs, SHB focuses on training activities to enhance professional skills to create succession workforce to meet SHB's business plan as well as to offer promotion opportunities for skilled staffs. SHB also takes full use of its high skilled staffs to become internal core trainers to conduct training courses and share experiences through training courses and professional seminar in the entire Bank.
- For managerial staff, SHB's training programs focus on enhancing management, governance capability, planning, change management skills, etc. SHB annually provides managerial staff with international training courses and seminars so that they can visit and

Besides training activities for staffs, SHB also conducts post-training assessment and makes periodic assessment in the entire Bank to evaluate human resource quality. Based on such assessment, SHB shall organize training or encourage self-training for improvement.

Moreover, SHB also concentrates on applying technology to training activities through the implementation of online training and examination, updating e-library (including training material, slides, Q&A videos, etc.) under the direction that employees can self-study; building software to track and manage training activities of each employee; setting up forum for conversation and discussion of trained matters in order to facilitate training process of all staffs; applying online survey system, etc.

2.3.4. Compensation and benefit policy

Compensation and benefit policy of SHB is competitive with the viewpoint: providing stable income so that employees would be loyal to the Bank. "To live on your salary, to be rich of bonus" is the motto which SHB has set and strived to realize. In general, SHB has the basic policies as follows:

SHB implements compensation and benefit policy to

attract talents, ensure competitiveness and fairness and encourage all staff to contribute to the Bank's development. Salary policies are associated with performance evaluation based on the results of periodic performance assessment to motivate employees in fulfilling plans.

Salary increase is conducted annually under SHB's regulations. Increase in business salary and extraordinary salary increase are based on staff's performance and contribution to the Bank.

Emulation and reward have positive changes. Employees and collectives achieving excellent performance are timely awarded by the Bank, creating motivation for business development in the entire network.

On yearly basis, employees are benefited from bonus for excellent individuals and collectives, from initiatives and bonus on occasions of national holidays and the Bank's anniversary. Especially, apart from performance-based bonus of each unit, SHB also gives annual bonus to individuals and collectives excellently fulfilling assigned tasks, and/or over-fulfilling plans. Furthermore, the Bank also offers overseas trips (to European, Asian countries, etc.) for excellent staff honored with Certificate of Merit.

2.3.5. Allowance and social insurance policies

All SHB official staffs are entitled to social benefits under provisions of the Labor Code. The bank pays on behalf of its staffs all medical insurance, social insurance, unemployment insurance, personal income tax and trade union fees. This is one of outstanding policies which does not only help the Bank's employees ensure their income but is also a policy to attract talents.

In addition, SHB staffs also receive allowances such as allowances for toxic works, responsibility allowances, etc.

2.3.6. Other policies and trade union activities

In addition to social benefit policies applied to staffs under provisions of laws, SHB also applies internal welfare policies for its staffs such as: uniforms for staffs, modern office and working equipment, annual health check-up, summer holiday trip and staff mortgage loans, low-interest rate staff loans, priority for stock purchase (price equal to face value, ratio varied by job title) etc.

SHB also organizes sport and culture activities including: football match, music festival, etc. to connect staffs

together and connect staffs to the bank and motivate their working spirit.

SHB especially pays attention to charity and social activities, community engagement, environment protection, etc. to encourage social responsibility of SHB's staffs.

3. Subsidiaries, affiliates and joint ventures

Subsidiaries

SHB Loan Management and Assets Development One Sole Member Limited Liability Company (SHAMC):

SHB Loan Management and Assets Development One Sole Member Limited was licensed under Decision No. 508/QĐ-NHNN dated March 11th, 2009 of the State Bank of Vietnam and officially operated on December 05, 2009. After five years of operation, the Company has played more and more important role in supporting SHB in loan handling, and safe and effective management of the Bank's and customers' assets.

Not only meeting demands of loans and assets management of SHB, SHBAMC also provides business services for other credit institutions in the areas of collateral disposal and overdue loan handling under the law's provisions.

In 2014, SHB AMC focused on 02 main operations: assets and collateral trading and management; and safe-guarding services to support business activities of SHB.

By the end of 2014, the Company's total staff reached 644 people up by 70 people against 2013.

Profit before tax of SHB AMC was 13.23 billion VND, a sharp increase against 2013, reflecting positive changes in the business of the company.

SHB Securities Joint Stock Company (SHBS):

- Being taken over from Habubank in the former name of Habubank Securities JSC (HBBS), SHB Securities Joint Stock Company (SHBS) has firmly joined the Vietnamese stock market as a subsidiary of SHB in the current name. Since becoming a subsidiary of SHB, SHBS has inherited the value of the SHB brand, attracted many strategic managers and received great financial supports and other resources from the mother bank. As a result, SHBS has achieved remarkable developments in 2014.

- The Company now has 80 employees with the network covering large economic centers all over the country such as: Hanoi, HCM City, Can Tho, Da Nang, Vung Tau, Binh Duong having more than 10,000 accounts.
- Total assets of SHBS by the end of the year obtained 485.2 billion VND. SHBS's performance in 2014 showed positive signs as total revenue reached 80 billion VND, up by 35.9% YoY, profit before tax was 11.94 billion VND - 6.5 times higher than that in 2013. Revenues from brokerage business line reached 25.67 billion VND, an increase of 3.5 times compared with 2013; revenues from investment business line reached 16.2 billion, an increase of 2.4 times compared with 2013. The operation of securities analysis continued developing and was a useful tool for efficient performance of the proprietary trading unit and for maximum risk mitigation. Besides, advisory service achieved breakthrough while reaching revenues of 17.1 billion VND from many privatization, listing as well as bond-underwriting contracts.

4. Financial position

Unit: Billion VND

Indicator	2013	2014	Note
1. Capital			
Charter capital	8,865.8	8,865.8	
Owner's equity	10,355.7	10,480.1	
Total assets	143,625.8	169,035.5	
CAR	12.38%	11.33%	
2. Business result			
Total income	10,189.9	11,367.9	
Profit before tax	1,000.05	1,012.35	
NPLs ratio/Total loan	4.06%	2.02%	
3. Liquidity			
Quick ratio (VND solvency ratio - next day)	18.16%	23.32%	VND solvency ratio - next day as regulated by the SBV $\geq 15\%$
Solvency ratio – next 7 days	103.22%	104.57%	solvency ratio – next 7 days as regulated by the SBV $\geq 100\%$

(Source: audited consolidated financial statements 2014)

5. Shareholder structure, changes in owner's equity

a) Shares:

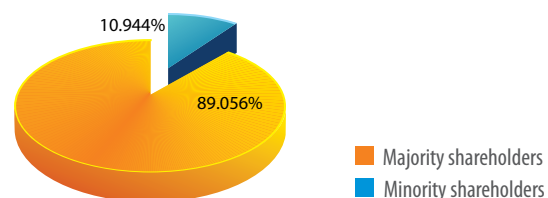
- Total number of shares:	886,579,547
- Total number of shares in circulation:	886,083,361
- Number of shares to be conditionally transferable:	54,603,789
- Number of shares to be freely transferable:	831,975,758

Shareholder structure:

Majority shareholders, minority shareholders

Type of shareholders	Number of shareholders	Percentage of holding ordinary shares (%)
1 Majority shareholders	01	10.944%
2 Minority shareholders	28,125	89.056%
Total:	28,126	100%

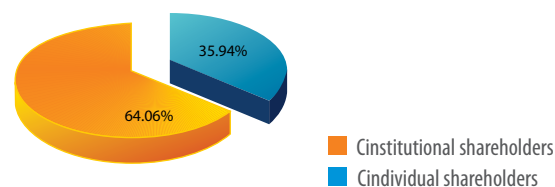
(Majority shareholders are shareholders with over 5% stake of the Bank's shares.
Minority shareholders are shareholders with below 5% stake of the Bank's shares)



Shareholder structure by majority, minority shareholders

Institutional shareholders and Individual shareholders

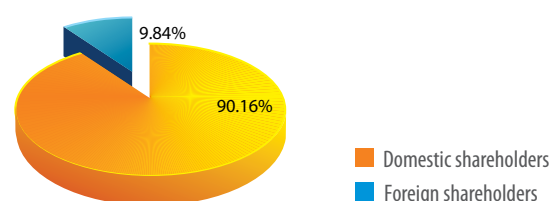
Type of shareholders	Number of shareholders	Percentage of holding shares (%)
1 Institutional shareholders	160	35.94%
2 Individual shareholders	27,966	64.06%
Total:	28,126	100%



Shareholder structure by Institutional, Individual shareholders

Domestic shareholders and foreign shareholders

No.	Type of shareholders	Number of shareholders	Percentage of holding shares (%)
1	Domestic shareholders	27,957	90.16%
2	Foreign shareholders	169	9.84%
Total		28,126	100%



Shareholder structure by domestic, foreign shareholders

b) Changes in owner's equity:

In 2014, there is no change in owner's equity.

c) Transaction of treasury stocks:

In 2014, there was no transaction related to treasury stocks.

d) Other stocks

None

Report and evaluation of the Board of Management





“ Success gained in 2014 would be a firm basis for SHB to overcome challenges, reaching new position and high level in the future.

1. Report on business performance

1.1. Business environment

The world economy in 2014 continued its recovery but recovery pace was slow and potentially risky especially when tense political and security environment in many regions were an obstacle for economic recovery. Among large economies which played important role in the relationship with Vietnam, only US economy made good rehabilitation and was a major driving force for global growth. Europe, Japan and China faced inner difficulties which slowed down economic recovery.

Although Vietnam's economy was still impacted by global economy's difficulties, it achieved many significant results such as improved growth, low-level inflation, moderately increasing export, stable foreign investment. The economy of Vietnam in 2014 continued following the Government's orientations that stabilized macroeconomic situation, controlled inflation (CPI stayed at 1.84% - the lowest level in the past 10 years), achieved reasonable growth (GDP growth at 5.98%) and enhanced quality, efficiency and competitiveness of the economy. As a result, Vietnam's economy was positively evaluated by international organizations. In details, Moody's upgraded Vietnam's rating by one notch with "stable" outlook; World Economic Forum (WEF) lifted Vietnam by 2 rankings to 68 out of 144 countries in the Global Competitiveness Index.

From the beginning of the year, the Government issued Resolution No. 19 stating its determination in business environment improvement and national competitiveness enhancement. Accordingly, in 2014 the Government strengthened institutional reform, business environment improvement, production & manufacturing boost and negotiation for TPP and other important FTAs, etc. in order to create new driving force for growth. Those solutions helped to stabilize macroeconomic environment, support markets and enterprises as well as facilitate operations of the banking system.

Regarding operations of the banking system, in 2014 the State Bank of Vietnam (SBV) run monetary policy in a flexible and synchronous manner; implemented measures to tackle difficulties in business & production; boosted credit growth and bad debt handling; managed forex market and exchange rate flexibly.

Deposit rates in 2014 were reduced by 1.5%-2%, lending

rate lowered by 2%, creating favorable conditions for enterprises in credit access; on the other hand, depositors were still offered with positive real interest rates. Banking system's liquidity was ensured at safe level, targets set from the beginning of the year were realized successfully: total values of means of payment (M2) increased by 17.69% (growth target of 16%-18%), credit growth reached 14.16% (growth target of 12%-14%), exchange rate was stable (a devaluation of only 1%), foreign exchange reserve set a record by reaching 30 billion USD, gold market was stable so that the SBV did not have to hold gold auctions.

In spite of significant achievements, macro economy in general and banking sector in particular in 2014 still faced several challenges. Economic growth momentums were mainly from external factors (foreign investment, export) while the economy's demand was still weak. Although public debt ratio was still at a safe level set by the National Assembly (below 65%), it had potential risks to the national finance. Bad debt handling performed by the banking sector achieved good results but there were difficulties. Bad debt ratio of the banking system stayed at a high level of 3.22%. Though banks have actively recovered bad loans and made provision against bad loans, the application of new regulations on loan classification in order to more accurately evaluate credit quality and bad loan situation has caused an increase in bad loan ratios of several banks.

1.2. Evaluation of performance

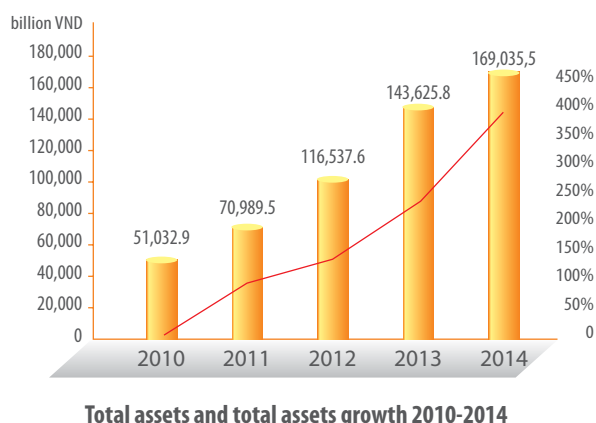
In 2014 in the context of increasingly fierce competition in the banking sector, SHB still achieved significant success. The BOD had sound directions and strategies from time to time, creating solid foundation for future development. Besides, such achievements were attributable to the governance competency, solidarity, culture and determination of all SHB's staff, cooperation of partners, customers, trust of shareholders and support from regulatory authorities.

a) Total assets

Amid challenging business context, thanks to great efforts of the BOD, the Board of Management and all the employees, sound orientations and flexible and timely business solutions, SHB still gained high asset growth rate in a safe and sustainable manner.

The Bank's total assets in 2014 reached 169,035.5 billion

VND up by 25,409.7 billion VND, by 17.7% YoY. Thanks to such total assets, SHB is now among Top commercial joint stock banks in Vietnam.



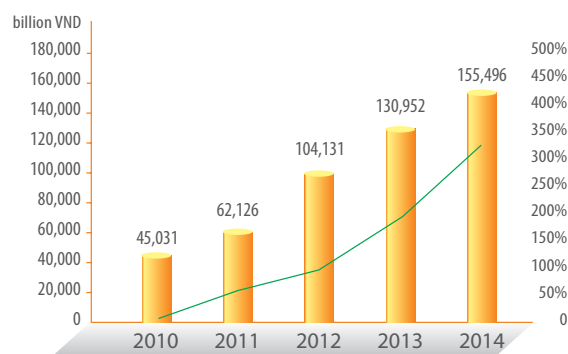
b) Funds management and mobilization

In 2014 deposit interest rate cap for terms below 06 month continued to be adjusted by the SBV from 7.5% to 5.5%, following the downtrend of deposit interest rate cap from 2012. Therefore, interest rates since the beginning to the end of 2014 were reduced by 1.5%-2%.

Fund mobilization was one of core activities of SHB in 2014, especially mobilization from market I (customer deposit). By the end of 2014, total mobilized fund of SHB reached 155,496 billion VND of which market I deposit was 127,353.1 billion VND up by 17.8% against end of 2013. This was a quite high growth rate helping the Bank to fulfil its fund mobilization target and increase its deposit market share in the banking sector.

In 2014, the gap between SHB's placements at other Credit Institutions (CIs) and deposit taking from other CIs was 1,353.6 billion VND. It shows that SHB had good liquidity in its operations.

SHB offered preferential policies, diversified, convenient and competitive deposit products suitable with each locality in order to best develop customers and occupy market. Deposit structure focused on long-term deposit especially resident savings to ensure stable growth of fund.



Total fund mobilization and total fund mobilization growth 2010-2014

c) Credit activities and credit risk management

By the end of 2014, SHB's customer loans gained 104,095.7 billion VND, jumped by 27,586 billion VND YoY.

Amid difficulties in enterprises' operations, with the aim of producing safe credits and gaining stable income, SHB followed a prudent credit policy focusing on several low-risk sectors and the ones recommended by the Government and the SBV.

SHB also financed many national key projects in order to realize the policy of the Party and the State on diversifying investment sources for infrastructure construction, which helped SHB to boost safe credits. In the meantime, SHB signed agreements for financing housing development projects under the policy of the Government and the SBV. As a result, SHB's credit to housing and construction sectors achieved a high growth rate.

SHB continued boosting credit growth in agriculture, rural development, manufacturing, and processing sectors, and promoting credit access to small & medium-sized enterprises. Loans to Government-recommended sectors always accounted for high ratio in SHB's total exposure. In particular, loans to agriculture and rural development sectors under Decree No. 41 of the Government always accounted for 40% of SHB's total exposure.

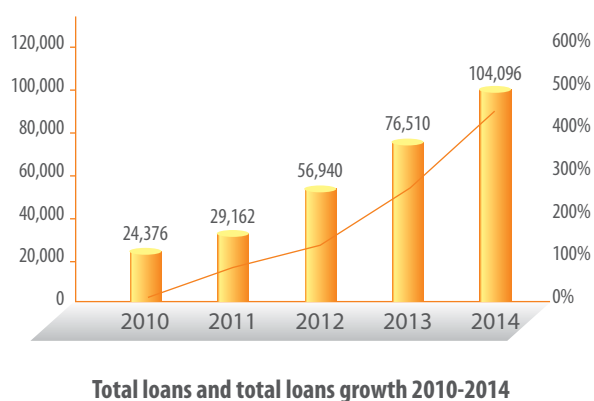
SHB implemented a prudent policy in issuing credits, reviewing loans of enterprises, classifying loans and defining main credit sectors; building credit growth policies by target sectors and customer segments.

Overdue loan and bad loan collection were paid critical attention to in 2014, which helped to achieve good results. Such results sharply lowered SHB's NPLs ratio from 4.06% by the end of 2013 to 2.02% by the end of 2014, and fulfilled the target of reducing NPLs ratio to less than 3% set by the Annual General Shareholders Meeting. Overdue loan ratio also made a strong decrease from 7.13% in 2013 to 3.93% in 2014.

In the context where bad loans were controlled down to a safe level, SHB proactively made provisions against credit risk. Total provision made as of 31/12/2014 was 2,600 billion VND, of which provision used for bad loan write-offs was 1,100 billion VND. Stable business operation is a basis for SHB to implement credit risk provisioning road map to ensure safe and sustainable operation of the Bank and in compliance with directions of regulatory bodies.

SHB focused on inspection and monitoring over every credit process in order to improve risk early-warning and detection capabilities. Inspection was conducted regularly, continuously, and systematically with close cooperation among relevant units.

SHB frequently improved and issued internal regulations in every operation of the bank, especially in credit activities, to best mitigate risks and match with actual situation of SHB and strictly comply with legal provisions.



d) Services

On basis of the modern technology platform, SHB launched various retail products and services all over the Bank's network. In 2014, SHB concentrated on developing products and services to increase service income over total income and minimize risks in banking operation.

International settlement: an extensive international correspondent banking network (above 400 Correspondent Banks across the world) enabled SHB to provide international settlement and trade finance services in a safe and prompt manner for import and export customers with Straight Through Processing (STP) rate of 98.5%. SHB has been honored with Straight Through Processing (STP) awards by BNY Mellon (USA) for many consecutive years.

Domestic payment: money of the bank and its clients were well, safely and accurately managed. SHB's domestic settlement followed a centrally processing model allowing the Bank to improve the efficiency of money management and usage and settlement speed. In addition, SHB actively enhanced service quality of Western Union service bringing customers with best products and services.

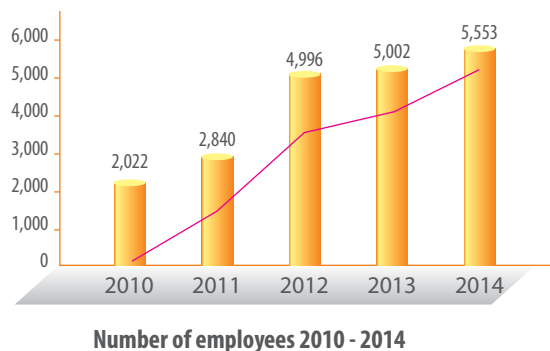
Guarantee: SHB developed guarantee services with numerous forms such as: contract performance guarantee, tender guarantee, payment guarantee, borrowing guarantee, import tax payment guarantee, advance repayment guarantee, valuable paper issue underwrite, international guarantee and other products & services.

e) Human resource and training

Total number of staff throughout the system as of 31/12/2014 was 5,553 people. Regarding staff qualifications, the number of employees with graduate and post-graduate qualifications accounted for 90% of the total workforce of the whole bank. SHB had young and dynamic workforce with average age ranging from 29 – 31 years old.

In 2014, the bank's human resources continued to be restructured towards a streamlined organizational structure to promote strengths and competencies of each staff. Succession planning and internal promotion were attached with attention frequently to prepare

succession workforce and enhance management and governance capability of SHB.



SHB always paid attention to human resource quality with input standards on qualifications, health, and work ethic. Recruitment quality in 2014 saw a breakthrough with the opening of an online recruitment website, an internal recruitment bulletin and “SHB’s Talent Internship” program. Professionalism, transparency and fairness in SHB’s recruitment unceasingly increased which then enhanced the brand name of SHB in the labor market.

Training in 2014 gained positive results. Title-based training courses were designed and focused on deep knowledge, expertise and soft skills.

Apart from hundreds of external and internal training courses, SHB conducted training research and development through the application of high technology in training such as: Online Learning Management System - online testing application; survey system – online post-course quality assessment; training via videoconference, etc. to save training costs as well as improve employee productivity.

Employees’ benefits regarding salary, bonus, social insurance, health insurance and benefits in kind (annual health check-up, annual summer holiday trips, annual leave, community activities, etc.) were ensured.

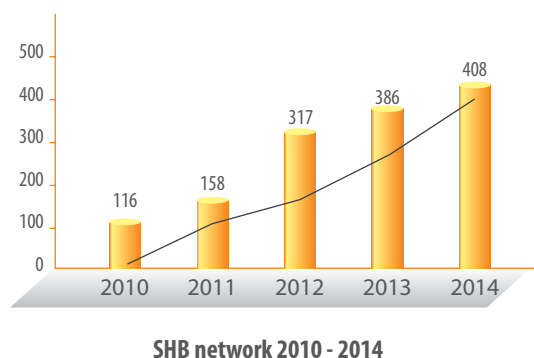
Many projects were implemented in the entire Bank: human resource software project to meet human resource management needs, salary restructuring project, KPIs-based assessment, etc. bringing lots of professional changes in enhancing human resource management competency and meeting business requirements.

f) Network development

In 2014, SHB continued expanding its network by opening 05 new branches in Thai Nguyen, Tuyen Quang, Ninh Binh, Tien Giang, Dong Thap, 02 sub-branches in Cambodia being Toul Kouk and Por Senchey, and 03 new Transaction Offices, increasing total outlets of SHB up to 408 points across key national economic areas of the country and in Laos and Cambodia by the end of the year. In addition, SHB have 2 subsidiaries namely SHB Loan Management and Assets Development Company (SHBAMC) and SHB Securities Company (SHBS).

SHB’s network in the past years has achieved good growth in terms of quality and quantity. Network development always sticks to quality, operational efficiency improvement and suitability with governance capability of SHB.

SHB prioritizes network development in domestic and overseas markets with the orientation on fostering retail banking operations. Thanks to the expansion of network and products & services designed for each customer segment and locality, SHB has timely met diverse needs of customers.



g) Development of diversified and outstanding products & services

On basis of state-of-the-art technology platform, SHB has launched various products & services offering many utilities. New products & services of SHB are always appreciated due to their differentiated and typical competitiveness and tailored-features for each customer segment.

SHB has accompanied with enterprises through many modern products such as: the 4-links credit programs in construction, real estate and construction material production sectors; loans to high-technology application agriculture sectors; packages of financing for national key

projects; preferential credit program of “Accompanying enterprises – Reaching success”; “preferential USD loan program for exporters”, etc.

Products & services for individual customers have been studied and developed focusing on privileges in travelling, shopping, studying abroad, and comprehensive health caring. SHB’s credit products are designed to simplify procedures and meet numerous needs of customers such as home loan, car loan, consumer loan, etc.

In 2014, Sporting Account product of SHB was honorably awarded “Vietnamese Excellent Product – Perfect Service”.

Modern debit and credit cards such as Solid, The Moment, Master Card, SHB-Vinaphone, School Cash Card, SHB - Manchester City Visa affinity debit card equipped with EMV chip technology. In which SHB-VinaPhone Master co-branded credit card in 2014 was awarded “Innovative Card” by MasterCard.

E-banking products: based on modern technology, SHB has implemented a lot of E-banking products such as: account overdraft, auto-payment, online top-up, online payment, inter-bank money transfer, money transfer for charity purpose, online savings, public utility bill payment, payment for tuition fee, air ticket, train ticket, supermarket bill, restaurant bill, etc.

h) The Bank’s modernization

In 2014, SHB continued heavy investments to develop modern IT to effectively support the governance, management and products & service development. IT infrastructure of SHB always meets the highest requirements on the continuity and availability.

Security system has been deployed synchronously to ensure safety for IT infrastructure and operations of the Bank. All IT services are placed in separate network zones and are protected by separate devices firewalls/ IPS operating in Active – Active mode. Equipment is supplied by world leading vendors such as Cisco, Fortinet, CheckPoint, etc.

Development of high quality IT human resource: IT staffs of SHB have high qualifications, expertise and systematic training. In addition, SHB also invites senior experts from big IT companies to join its IT team.

SHB has set up modern distribution channels applied high technology meeting any need of customers. E-banking service of SHB is provided via many channels including ATM, POS, Internet Banking, Mobile Banking, SMS Banking, Phone Banking, etc. Such utilities have been non-stop improved to best serve customers.

SHB has set up a complete management information system to serve governance, management and customer support requirements. All data for reporting which is processed by a server, is under real time synchronization ensuring the accuracy and prompt provision of data. Applications are built to serve large-scale transactions; hence, they always satisfy SHB’s demand of increasing operational scale.

The Bank has developed a number of software to optimize database for business activities, human resource management, risk management, research and forecast such as: human resource management software; a system connecting SHB with SHBS and SHS; Electronic scratch card; lucky draw; Evaluation on customer profitability; Card utilities; Card risk management application; Online savings; Credit card online limit management; Money transfer for charity purpose; etc.

i) Risk management

SHB has established an organization structure and regulations on functions, duties and responsibilities of parties involving in risk management in all areas, processes in compliance with requirements of regulatory authorities and situation of SHB.

The Board of Directors: takes the ultimate responsibility for the Bank’s risk management. The BOD adopts risk management strategy for SHB from time to time; approves the organization structure, authorization in risk management; Issues and periodically reviews risk management strategy, policy, regulations, limits.

Risk Management Committee: advises the BOD in building risk management strategy, policy and supervises the implementation of risk management policies in the entire Bank to advise the BOD in making adjustment according to real situation.

Board of Supervisors: is in charge of supervising and evaluating the implementation of risk management strategy, process and limits by units in the entire Bank, ensuring the compliance with legal provisions and

regulations of SHB, matching with development strategy and business goals of the Bank.

Internal Audit Department: is responsible for inspection, review and independent assessment of the appropriateness and effectiveness of the internal control system; inspection of the implementation of risk management processes and regulation and recommendations for changes if necessary.

The Board of Management: is responsible for building and deploying risk identification, measurement, evaluation, monitoring and control processes and methods suitable with the risk tolerance of the Bank; ensuring processes and procedures for risk management and organization of risk management functions are fully and clearly established.

Risk management units at the Head Office advise the Chief Executive Officer in developing risk management policies, regulations, processes; Monitor, handle risks in credit activities and operational risks at all Business Units of SHB in order to timely identify and prevent potential risks arising in SHB's operations.

SHB organization structure is designed to ensure the vertical and strict management, expressed in the unified management from business divisions at Head Office to business units (at branches/transaction offices), from back office divisions/departments at Head Office to back office units/departments at branches/transactions office in the entire Bank. The unified vertical management ensures smooth operation through top leaders to each business unit, mitigating risks for the Bank.

j) Internal audit and control

In 2014, internal audit was strengthened including comprehensive audit and thematic audit to contribute warning and timely detection of errors in the system's operation and timely propose corrective measures and minimize risks in business.

2014, the SHB's Internal Audit Department concentrated on auditing main operations such as credit, investment, entrustment, fund mobilization, accounting, and several new issues such as network; fund management and trading; overdraft, taxation. At the same time, it maintained regular audits at SHB branches contributing to the safe and efficient operation of SHB.

Based on auditing results, recommendations and

proposals were sent to the audited units to make correction and remedy. In addition, they also contributed to risk management by units at SHB's Head Office, promoted the role of vertical management in SHB's network; contributing to safe, efficient and lawful operation of SHB.

Internal audit organization structure includes: the Internal Audit Departments under Internal Audit Division

at the Head Office directly performing audits at business units and branches in the system to monitor daily activities, timely prevent and handle risks and correct shortcomings, if any. Besides, internal audit organization structure continued to be comprehensively renovated and supporting tools are completed to improve the effectiveness of internal audit and control.

Apart from inspection, post-inspection monitoring and follow-up of implementation of recommendations by Banking Supervision Agency and by internal auditors in business units are attached with high importance.

SHB complies with the SBV's regulations on inspection, control and anti-money laundering.

k) Solvency

SHB's business activities always adhere with safe and sustainable growth. Capital adequacy ratio, solvency ratio of local and foreign currencies and ratio of short-term fund for medium and long-term loans are compliant with regulations of the SBV.

Indicator	2013		2014	
	Regulated by the SBV	SHB's ratio	Regulated by the SBV	SHB's ratio
Capital adequacy ratio (consolidated)	≥ 9%	12.38%	≥ 9%	11.33%
VND solvency ratio - next day	≥ 15%	18.16%	≥ 15%	23.32%
VND solvency ratio - next 7 days	≥ 100%	103.22%	≥ 100%	104.57%
USD solvency ratio - next 7 days	≥ 100%	146.21%	≥ 100%	284.63%
Ratio of short-term fund for medium and long-term loans	≤ 30%	22.23%	≤ 30%	26.73%

l) Awards in 2014

In 2014, SHB continued receiving numerous national and international awards which recognized the safe and sustainable development of SHB.

National awards:

- + Top 30 in “500 largest private enterprises in Vietnam” (VNR 500).
- + Top enterprises in “1000 largest corporate income tax payer in Vietnam” (V1000) and an excellent enterprise with 5 consecutive years in V1000.
- + “Vietnam Strong Brand Name” award for the 8th consecutive year.
- + SHB was granted Certificate of Merit for contributions to the development of the Securities Market in 2009-2014 by the State Securities Commission and honored one of Top 30 transparent companies in the market by Hanoi Stock Exchange (HNX)
- + “Vietnamese Excellent Product – Perfect Service” 2014.
- + Top 30 best Annual Reports 2014.
- + Fastest disbursement Bank under Rural Finance Project III.
- + Other reputable national awards.

International awards:

- + Grand Officer Medal granted to SHB BOD Chairman and CEO by the King of Cambodia.
- + “Vietnam Large Corporate Excellence” awarded by ASEAN-BAC.
- + Top 1.000 World Banks, Top 100 ASEAN Banks, Top 10 banks by total assets growth, Top 10 banks by tier I capital growth in Asia honored by The Banker.
- + “Most Innovative Bank in Vietnam” presented by International Finance Magazine.
- + “Fastest Growing Trade Finance Bank” and “Most Innovative Trade Finance Bank” in Vietnam awarded by Global Banking and Finance Review.
- + “Straight Through Processing” award presented by The Bank of New York Mellon.

- + Other reputable international awards.

m) Corporate Social Responsibility 2014

SHB collaborated with Youth Theater in the debut project “Wings of beliefs”. In this project, SHB funded many billions of VND by 100 free performances serving students of schools, colleges and universities in Hanoi. In 2015, the project shall be expanded to 15 provinces and cities across the country.

Monetary contribution to the naval ship procurement program for Truong Sa (Spratly) Island soldiers, memorial monument and historical relic construction projects.

Donation to “Fund for the poor” in Laos.

Donation to “Fund for the poor” of Tien Giang, Thai Nguyen, Tuyen Quang and Ninh Binh Provinces; Donation to “Study Promotion Fund” of Dong Thap Province.

Sponsoring children with congenital heart disease treated at Hanoi Heart Hospital; Donation to the Association in support of Vietnamese Handicapped and Orphans; Donation to children with measles at Vietnam National Hospital of Pediatrics; Giving presents in the Mid-autumn festival, etc.

SHB Youth Union participated in many charity programs such as giving gifts to students, presenting desks, books, etc. to poor students in difficult regions.

SHB continued its position in Top corporate income tax payer in Vietnam which shows its corporate social responsibility.

1.3. Business Highlights 2014 – Achievements

SHB pushed up credit growth effectively and safely

In the context of where businesses were still facing difficulties, to secure credit disbursement and create a stable source of revenue for the bank, SHB has optimized its credit policy bringing high efficiency to the bank.

SHB has built a solid customer base and developed new customers with good financial capability, good management skills, stable markets, and business efficiency. SHB has implemented an accurate assessment of credit quality and customer classification to provide a competitive customer development policy and minimize risks in credit activities.

SHB has promoted customers loans in such sectors as rural development and agriculture, supporting industries, export, SMEs, businesses of high-tech applications; those are sectors encouraged for credits by the Government and the State Bank; helping to minimize risks and creating a solid customer base for SHB.

SHB has boosted up personal credit growth with diversified and competitive products that are suitable for consumer's income, especially for personal consumption and home-buying.

Also, SHB has implemented the policy of the Government and the State Bank by actively participating in credit-priority program such as: the 4-Links Credit Program to solve difficulties of real estate and construction sectors; Bank-Business connection programs in many cities and provinces; Credit programs for aquaculture development under the Government's Decree No. 67; Loans for temporary storage of rice; Financing high-tech application agricultural projects; Sponsored for many important infrastructure projects of the nation...

Non-performing loans decreased to the low level

The collection of overdue and non-performing loans were particularly focused in 2014 and executed effectively so the recovery achieved good results. SHB has implemented the following solutions:

Drastic recovery of overdue and bad loans: Assigning bad loan recovery targets to each business unit and individual in SHB; Handling collateral to recover bad loans; Urging customers to repay; Selling bad loans to VAMC under the State Bank's policy.

Customer supporting solutions: Consider lowering interest rates; Restructure repayment schedules in accordance with cash flow income of the customer; Also, SHB systematically implements financial advisory solutions; participating in business strategy consultancy; support customer in terms of looking for product sales and business cooperation in order to improve business performance that helps the company to use the funds the most effectively.

As a result, NPL ratio of SHB was significantly reduced from 4.06% at the end of 2013 to only 2.02% at 31/12/2014 completing target of less than 3% of total loans set by the General Shareholders Assembly.

Organization structure improvement

SHB continues to improve organizational structure with the orientations being modern, lean, operational efficient and cost-saving which is appropriate for modern retail banking model. During operation, SHB regularly reviews the organizational structure in order to obtain an optimal operation model in each period. Hereby, SHB can respond flexibly and proactively to any changes in the economic and banking sector environment in accordance with policies of regulators.

The organizational model of SHB emphasizes on roles, responsibilities and powers of each Division, Center, Department, Unit of the Headquarter in terms of managing the vertical system that is associated with responsibilities, rights and business objectives of business units.

SHB focuses resources to build a management system that is centralized, independent and comprehensive following international standards to improve the management quality, operational efficiency, creating bases for sustainable development.

Ensure transparency in operations

In 2014, SHB was awarded by State Securities Commission (SSC) for positive contribution to the development of the stock market in the period of 2009-2014 and is considered as one of the most transparent listed companies by Hanoi Stock Exchange (HNX) confirming the recognition of authorities of management quality and information transparency of SHB.

In addition to complete and prompt information disclosure as prescribed, SHB proactively publishes information about its business activities on the mass media to shareholders, partners, customers and organizations to understand operations of the bank.

As a listed company, SHB always aims to transparent operations and strictly abides by the information disclosure regulations. This is an important component of corporate governance and is one of the key factors determining the success of a company. Information transparency helps SHB to create trust from shareholders, partners and customers, which is the basis helping SHB to overcome challenges and gain new achievements in the future.

Establishment and development of a modern distribution channel network

SHB has re-arranged the network of branches and transaction offices in a lean and effective way, and consistent with its management capability. Accordingly, the traditional distribution channels (branch, transaction office) are continually invested and expanded by SHB in many provinces and cities nationwide.

In Cambodia, SHB continues to expand its overseas network by opening two new branches of Por Sencheay and Toul Pouk. The opening of more new branches in foreign markets helps SHB to develop new potential business, increase profit amid the intense competition from the domestic market.

Besides traditional distribution channels, SHB promotes e-banking distribution channels such as: ATM, POS, Internet/Mobile/SMS/Phone Banking. Utilities are increasingly supplemented and upgraded to offer maximum facilitations to clients.

Also, SHB promotes strategies associated with securities companies, insurance companies, real estate companies,... to diversify products, increase sales, improve competitiveness, increase customer retention and new customer acquisition.

Promoting distribution channel network is implemented in conjunction with operating system transformation towards enhanced productivity and labour quality.

SHB has signed cooperation agreements with other domestic and foreign corporations:

The year of 2014 was a successful year in foreign affairs of SHB, when the bank continuously welcomed high-ranking leaders from foreign countries to visit the bank, including: Governor of the Bank of Laos PDR, Governor of the National Bank of Cambodia, First Deputy Prime Minister of Republic of Uganda.

SHB signed a strategic co-branding agreement with the leading Manchester City football club. The cooperation with a influential and powerful brand name like Manchester City marked a breakthrough of SHB in empowering its position, enhancing the image of services and products of SHB through a large number of fans of Manchester City worldwide.

Additionally in 2014, SHB signed comprehensive

cooperation agreements with many groups, and big corporations in such areas as oil and gas, petroleum, power and electricity, telecommunications, rice, agricultural business...which confirmed its reputation, strong potentials, operational efficiency and sustainability to partners to believe in long term cooperation.

SHB continued to be appointed as a serving bank for many large-scale ODA projects

As one of the commercial banks with historical experience in ODA project implementation (since 2004), SHB always gets trust and recognition from Ministries and National Project Management Units. In 2014, SHB was appointed to be a service bank for many ODA projects such as: "Renewable Energy Development Project", "Nam Thai Binh Duong Solid Waste Processing Complex Construction Project".

For ongoing projects, SHB always gets high comments and feedbacks from regulators. SHB was awarded as the fastest disbursement bank in Rural Finance Project III funded by the World Bank. Funds from the project have contributed to the implementation of national target programs of Vietnam such as: construction of new rural areas, poverty reduction; and support to the implementation of programs aimed at job creation and increased income for the poor, especially in rural areas. Elements of sustainable development are strongly emphasized in the project when environmental protection was included in the review process for loans by SHB. The close cooperation between the evaluation of repayment ability of the borrower and the evaluation of environmental sustainability has created stability in income of SHB and of the borrowers.

Applying international standards and best practices in corporate governance

During operation, SHB regularly studies and applies international standards and best practices in corporate governance of the Bank, in accordance with the specific conditions of SHB and Vietnam markets.

SHB completes the research and constructs procedures in the management of credit risks, operational risks, market risks and liquidity risks to make sure risk management are in line with standards of Basel committee. SHH has made investments in upgrading infrastructure and human resources to meet the

standards of Basel II implementation.

Along with Vietnamese Accounting Standards (VAS) financial statements, SHB makes financial statements in accordance with international standards (IFRS) helping investors, shareholders and customers to understand more about the administration capacity and transparency in the bank's operation.

2. Future Development Plan

2.1./ Main objectives in 2015

1. Enhance business operations to place SHB in Top Joint Stock Commercial Banks which have the largest business scopes in terms of market share and number of customers.
2. Increase charter capital to comply with regulations of the law to increase financial capability and meet capital prudential ratios.
3. Complete the acquisition of VVF Finance Company to create the new SHB Finance Company Ltd.
4. Concentrate to develop Retail banking, enhance the offering of retail banking services to dominate retail market share in 2015 in order to become one of leading modern multifunctional retail banks in Vietnam.
5. Renovate human resource development in order to have a work force of high qualifications. Complete the KPI system to assess contribution of every staff to business performance of SHB.
6. Increase supervision on credit quality, make sufficient provisions for credit risks, enhance non-performing loans collection and perform plans of mitigation of non-performing loans and overdue loans.
7. Enhance supervision on and develop operations of Transaction Offices to perform the objectives that every transaction office would be a retail store in its operating location.
8. Manage expenses tightly, save and cut management expenses and business operating expenses in order to increase effectiveness of SHB's business operation.
9. Increase market shares of key business lines: customer deposit, loan, domestic and international

cards and competitive retail banking services and products.

10. Actively follow and timely respond to market changes, increase tasks of statistics-making, prediction/forecast, peer analysis in order to have timely and appropriate management decisions in line with market changes and SHB's development requirements.
11. Concentrate to complete regulations, procedures and processes to assure unified and consistent operation throughout SHB system in accordance with the laws and gradually reaching to international practices which are appropriate with Vietnamese business environment and SHB's operations in each period.
12. Concentrate to restructure the credit portfolio with prioritized segments that are oriented by the Government and the SBV and potential segments that are developing based on domestic and international macroeconomic conditions in each period in the financial year.
13. Expand markets, customers, and branch network based on solidity, safety and transparency in domestic and international markets.
14. Increase labour productivity, increase average income/employee.
15. Enhance practices of risk management, investigation, supervision and internal audit of each operation in order to enhance the capability to early detect emerging risks in SHB's activities.
16. Enhance training practice by organizing internal training courses, advanced training courses, internal specialized seminars in order to increase SHB's human resources quality.
17. Enhance information technology application in order to increase management capability, risk mitigation as well as synchronous, efficient and competitive development of banking services and products.
18. Concentrate to enhance the role of SHB as a participating bank in ODA projects and projects funded by international financial institutions.

Enhance mobilizing funds from domestic and international financial institutions especially senior loans at reasonable costs of funds.

19. Enhance public communication and international relations in order to propagate SHB's brand name in local and international markets.
20. Enhance activities of Communist Party, Youth Union, Labour Union in order to educate ethical mentality for SHB employees as well as increase labour productivity, contributing to SHB's business performance.

2.2./ Financial Objectives in 2015

Unit: billion dongs, %

Indicator	2015 Plan	2015/2014 Growth rate	
		(+/-)	%
Total Assets	200,000	30,964	18.3%
Charter Capital	10,486	1,620	18%
Customer Deposit	152,000	24,647	19.4%
Customer Loan	119,710	15,614	15%
Profit before tax	1,120	107.65	10.6%
Dividend Yield (Dividend over average Chartered Capital)	7,5% AVERAGE CHARTER CAPITAL		
NPL ratio	<3%		
CAR	>9%		
ROA	1%-1.2%		
ROE	10%-12%		

2.3./ Other business indicators

International Settlement: international settlement volume reaching VND2.9bn in 2015

BOD, Supervision Board's remuneration: 19.5 billion VND.

Salary fund: 950 billion VND.

Operating network:

- Open 08 new domestic branches: Quảng Ngãi, Tây Ninh, Quy Nhơn, Đắk Lak, Cà Mau, Hà Nam, Hà Tĩnh, and Hải Dương.
- Open 35 new Transaction Offices (TO) (14 TO's applied for opening in 2014 and 21 TO's planned to be applied for opening in 2015)
- Transform 10 Saving Counters to TO's as prescribed in Circular 21/2013 of SBV.
- Transform operating model and inaugurate two 100% subsidiary banks in Lao and Cambodia.
- Complete the acquisition of Vinaconex - Viettel Finance Company to create the new SHB Consumer Finance Company Ltd.

ATM, international credit cards

Issue 150,100 domestic debit cards and 25,000 international cards (Visa and Master Cards) in 2015.



Evaluation of the Board of Directors on performance of the bank





“ With solidly
invested
foundations, we
can be confident
that SHB is
possessing
all necessary
elements to
realize its
strategic targets.

1. BOD Evaluation on SHB operations

In 2014, the world's and Vietnam's economy were gradually stabilized, Vietnam's economic growth rate was 5.98%, which showed positive signs of the domestic economy, in which monetary policies were firm bases for macro economic stability. In recent time, policies of the State Bank of Vietnam have helped to control inflation at low rate and keep exchange rates at a stable level. Liquidity of the banking sector was enriched, interest rates decreased both on the interbank markets and in transactions between banks and customers. Outcomes of the banking sector restructuring and the monetary policies were shown in the following aspects: fast decreased interest rates, stable exchange rates and FX market, lowered non-performing loans realized by efforts by banks, funds financing the economy were expanded; corporate governance and financial capacities of some banks were enhanced; information on the operation of the banking sectors has become more and more transparent.

In 2014, promoting the gained achievements and the learned lessons, the Board of Directors has built appropriate policies and orientations with drastic implementing measures. Entrusted by the General Shareholders Assembly, the Board of Directors members are assigned with appropriate tasks in consistency with capabilities and strengths of each member. In the course of performing their duties, members of the Board of Directors were doing their best, acting for the returns and benefits of the bank and shareholders. Thus, the business of SHB has seen rapid growth, sustainability and safety.

Several substantial achievements of SHB in 2014 are as follows:

- The BOD has directed the BOM and the whole SHB staffs to complete basic objectives of the 2014 business plan assigned by the General Shareholders Assembly.
- The bank has concentrated to handle and collect NPL, helping the bank to reduce NPL ratio down to only 2.02% at the end of 2014.
- Mobilized funds, especially customer deposits, rose substantially to ensure the bank's liquidity.
- The bank has financed many national key projects.
- More branches and transaction offices were opened in key economic areas of the country and overseas markets.
- Management costs and operating costs were reduced, which contributed to improving business

performance of the bank.

- The bank has completed description of tasks and functions, regulations, processes and procedures of Departments/Divisions/Centers, Branches, Transaction Offices under a modern operating model.
- The bank has continued business restructuring of some borrowing companies after the acquisition of Habubank. So far, those companies have stabilized their business, made profit, ensuring jobs for thousands of employees and made repayment to SHB.

2. BOD evaluation on BOM operation

2014 was a year not easy for SHB when competition between banks was increasingly fierce. Board of Directors of SHB has always closely followed developments of all SHB business activities, supervised the Board of Management to perform policies approved by the General Meeting of Shareholders and the Board of Directors.

Board of Directors regularly attended meetings with the Board of Management and business units in SHB to understand situation of business units, promptly remove difficulties to create motivations for business development. On the other hand, committees under the BOD also regularly report to the BOD issues within scope of their responsibilities to ensure that information provided to the BOD was sufficient and comprehensive on SHB operations, ensuring to comply with the laws and resolutions of the General Meeting of Shareholders.

Board of Directors has concentrated to direct the development of market shares of core businesses of the Bank, focusing on inspection and strict control of risks across all business lines of SHB. In addition, the Board of Directors also requested the Board of Management to direct business units to urgently collect non-performing loans and overdue loans, strengthen inspection before, during and after giving loans to minimize arising NPLs, improve credit quality across the system to ensure the stable and sustainable development and completion of business plans assigned by the General Shareholders' Meeting.

In 2014 Board of Directors of SHB performed their tasks and authority with a high sense of responsibility, managing operations of units of SHB safely and effectively and in compliance with prescriptions of the laws on banking; ensuring that every activity in each SHB unit was fully and timely checked and controlled.

The BOM raised prompt solutions and proposals to the

Board of Directors and managed flexibly and closely the whole SHB system to be able to complete all business planned targets.

3. Plan and Directions of the Board of Directors

Based on medium and long term development orientations of SHB to become a multifunctional financial holding group that adopts modern international standards, SHB's Board of Directors shall regularly improve internal documents and regulations in accordance with provisions of the laws and actual operation of SHB. To improve the organizational structure in a streamlined way, ensuring that all operations are performed smoothly, synchronously and stably. At the same time, the Board of Directors shall also particularly focus on risk management practices across the system down to each business unit; to apply international risk management principles in SHB within the scope and operating areas of the bank.

In 2015, the world economy is predicted to have improvements compared to 2014 but it still has potential risks that impacts on the economy of Vietnam. Therefore, economic management policies of the Government shall continue to aim at macroeconomic stability, economic restructuring associated with transformation of growth model, improvement of productivity, efficiency and competitiveness of the economy.

Vietnam's economy in 2015 is expected to maintain its growth momentum based on strong solutions of the Government and regulators, particularly solutions to improve competitiveness of the economy, completion of participation to big trade agreements to create new growth motivation.

Recovery in macro-economy is favorable to the banking sector to enjoy continued recovery in 2015. The macroeconomic environment has created favorable conditions for the operation of the banking sector when companies' health is getting better by enjoying more tax incentives and supports to develop their business. In addition, drastic measures of the SBV to restructure the banking system, handle NPL, supervise on gold and foreign exchange markets, etc. shall assist Vietnamese banks to operate safely and effectively.

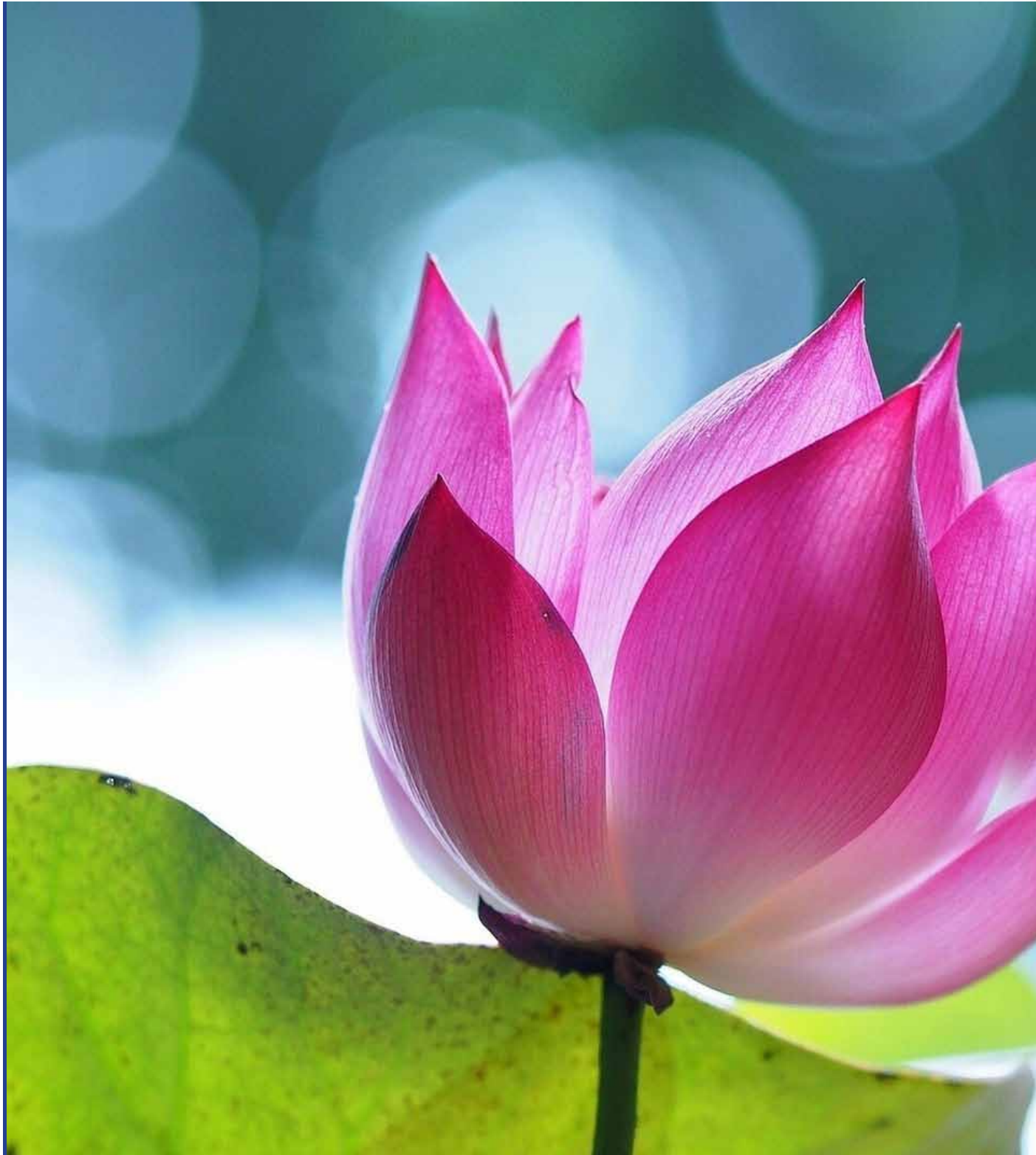
Macro-economic context of Vietnam in general and banking sector in particular have been quite favorable compared to the previous period. The Board of Directors assesses that these are beneficial conditions which are opening up opportunities for business operations of the bank.

With the bank's objectives to assure transparent - safe -

effective - sustainable operations, the Board of Directors is committed to improve its available strengths to develop SHB sustainably, increase efficiency and market position:

- Constantly innovate, improve governance and administration in all areas of business activity; increase financial capacity and develop safely and sustainably under international standards;
- Focusing on risk management: building and improving the system of criteria for risk identification and risk assessment as the basis to detect and mitigate risks. To strengthen the organization for risk management and urgently implement risk management and anti-money laundering solutions under the guidance of the State Bank in accordance with the provisions of laws and international best practices.
- Focusing on promoting initiatives, solutions, improvements that have a positive contribution to business development, safety and efficiency.
- To accelerate the development of products and services: to strengthen research, evaluation of market impacts to the existing products of SHB, survey and assess the needs of customers to develop featured products or services.
- To promote NPL settlement: accelerating the process to definitively settle non performing loans; set aside adequate risk provision amounts as prescribed. Maintain the NPL ratio in 2015 to below 3%.
- Always follow the evolution of domestic and overseas markets to adjust business strategies in each phase and for long-term vision; to propose business orientations and solutions with flexibility ensuring stable and sustainable growth.
- Focus on training, especially training on governance capacity and management capacity for managers from Head/Deputy Heads of Departments upwards. Regularly update, and provide professional training for all employees under the following policy: "Each employee is a part-time lecturer to guide and train other colleagues and staff in his/her scope of work".
- Maintain and develop SHB's corporate culture with traditional and distinctive identity of SHB. Enhance solidarity and loyalty of employees to create collective strength to contribute to the sustainable development of the bank.

Corporate Governance





Investing in technologies and human resources is the most profitable and appropriate investment strategy that SHB is proud to be on the right track.

1. 1. Board of Directors

a) Members and organization of Board of Directors

No.	Full name	Holding Percentage (%)
1	Do Quang Hien	3,010%
2	Nguyen Van Le	0,248%
3	Tran Ngoc Linh	0,218%
4	Do Quang Huy	-
5	Pham Ngoc Tuan	-
6	Le Quang Thung	-

In 2014, annual General Shareholder Meeting approved the removal of 2 members of Board of Directors: Ms. Dam Ngoc Bich and Mr. Pham Hong Thai. Besides, annual General Shareholder Meeting also passed the supplementary election of Mr. Do Quang Huy as a member of Board of Directors of SHB.

b) Committees under the BOD

To implement Decree No. 59/2009/NĐ-CP of the Government and Circular No.

06/2010/TT-NHNN of the SBV and Circular No. 121/2012/TT-BTC of the Ministry of Finance, SHB BOD has set up the following Committees under the BOD

- + HR Committee
- + Risk Management Committee
- + Assets and Liabilities Management Committee (ALCO)
- + Credit Committee
- + Investment Committee
- + Problem Loan Management and Collection Committee

c) Activities of the Board of Directors

With the operational target of 2014 aiming to improve the management quality in SHB system, SHB strives to be one of the 5 biggest commercial joint stock banks in Vietnam, SHB's Board of Directors strictly follows all the business happenings as well as supervises the

Board of Management in implementing the guidelines and policies passed by annual General Shareholder Meeting and Board of Directors. Accordingly, SHB focuses on developing the market share in terms of main business sectors and pays attention to inspecting; strictly controlling risks in all SHB's business areas. In addition, the Board of Directors also require the Board of Management to lead business units in managing bad loans, strengthening inspection before, during and after lending in order to reduce arisen bad loans and improve credit quality all over the system for sustainable development and completion of business plans assigned by the General Shareholder Assembly.

Board of Directors regularly attends meetings with Board of Management and business units in the system in order to understand situation of units, remove difficulties to motivate business development. On the other hand, committees under the Board of Directors often report to the board all issues within their responsibilities to ensure the most comprehensive information provision to the Board of Directors and compliance with laws and resolutions of annual General Shareholder Meetings.

d) Activities of the BOD's committees

• HR Committee

HR Committee is organized and operates under the Regulations on Organization and Activities of the HR Committee developed and issued by the BOD. Key tasks of the HR Committee include:

- Advise the BOD in issuance of regulations and policies in HR management in accordance with provisions of the laws and Charter of SHB.
- Advise the BOD in handling HR issues relating to or arising in such procedures as election, appointment, removal of members of the BOD, the Supervisory Board and Administrator of the bank in accordance with provisions of the laws and Charter of SHB.
- Make research and advise the BOD in issuance of internal regulations of the bank under the approval authority of the BOD relating to salary, compensation, bonuses, recruitment of staffs, training, and other compensation policies to the Administrator, managers and staffs of the bank.
- Conduct examination, inspection and assessment of the implementation of HR regulations and policies. Based

on that, advise the BOD to revise existing regulations and/or to issue new regulations in accordance with the practical situation and development strategy of SHB.

• *Risk Management Committee*

Risk Management Committee is organized and operates under the Regulations on Organization and Activities of the Risk Management Committee developed and issued by the BOD. Key tasks of the Risk Management Committee include

- Advise the BOD in issuance of regulations and policies relating to risk management in banking in accordance with provisions of the laws and SHB Charter.
- Make analysis and warnings on safety level of the bank relating to contingent risks and propose measures to prevent and manage such risks in short term and long term.
- Review, assess the appropriation and efficiency of existing risk management regulations and policies of the bank to make recommendations to the BOD on necessary changes to existing regulations and policies or business strategy.
- Advise the BOD in making decisions on risk management policies and plans within the scope of work assigned by the BOD.

• *Assets and Liabilities Management Committee*

Assets and Liabilities Management Committee advises the BOD in making risk management strategies and policies of all risks relating to all items on the Assets and Liabilities on the Balance Sheet of the bank in order to maximize profits of the bank and shareholder returns in long term; steer business units to do business under common strategy, plan and policy to create reasonable items in the assets and liabilities of the balance sheet of the bank.

• *Credit Committee*

Advising the BOD in targeted structure of the loan portfolio of the bank by sectors, products, or geographic locations; approve credit policies including interest rates, fees, credit conditions, credit risk prevention measures applied to each type of customers and related parties. Approve loans exceeding the approval limit of the CEO. Propose to the BOD to approve loans exceeding 10%

equity of SHB and other loans exceeding credit limits.

• *Investment Committee*

Advising the BOD in investments; appraising investment plans and allocating investment in allowed sectors to increase income and profits for SHB.

• *Problem Loan Management and Collection Committee*

Advising and supporting the BOD to propose risk preventing measures and reducing risks, overdue and non-performing loans in order to achieve safe operation goals, improving the quality and enhance the stable development of SHB; directing and governing write-offs in the whole system; approving loan collection measures; making strategy of problem loan prevention and management in the whole SHB system.

2. Board of Supervisors

a) Members and organization of Board of Supervisors (BOS)

No	Full name	Position	Holding Percentage(%)
1	Pham Hoa Binh	Head of BOS	0,007%
2	Nguyen Huu Duc	Deputy Head of BOS	-
3	Hoang Thi Minh	Member of BOS and Manager of Internal Audit Department	-
4	Bui Thanh Tam	Member of BOS	-

b) Activities of the Board of Supervisors

Board of Supervisors is the agency elected by annual General Shareholder Meeting. The board is in charge of supervising and assessing the compliance with internal and external regulations and with the bank's Charter as well as the implementation of resolutions of annual General Shareholder Meetings and performing internal audit of SHB's business activities and financial statements.

- Board of Supervisors has carried out its functions and duties under the provisions of Charter of SHB, regulations of the State Bank and other internal regulations of SHB; has prepared reports and activity plans in each specific area prescribed by the central bank and by SHB; has monitored compliance with provisions of the laws and

Charter of SHB in the management and administration of the Board of Directors and of the Chief Executive Officer (CEO) in 2014; has attended in regular meetings on business implementing and planning; has given comments on SHB's documents; has performed internal audit function (IA) of the Board of Supervisors; has verified the consolidated financial statements of 2013, and as of 30/06/2014; and has performed other works .

Supervisors have conducted 05 meetings with the contents and outcomes of the meetings as follows:

• **Supervisors' Meeting Dated 27/01/2014**

a) Pursuant to the work plan outlined in quarter IV/2013 raised in quarter III/2013 Meeting Minutes dated 24/10/2013, the Board of Supervisors has reviewed and evaluated the works (18 work items) performed during quarter IV/2013.

b) Review the unperformed works under the quarter IV/2013 work plan of Supervisors and propose solutions to overcome.

c) Work out the work plan of the Board of Supervisors in quarter I/2014, assigning specific work plans for each Supervisory Board member.

• **Supervisors' Meeting Dated 19/04/2014**

a) Review of the work done during quarter I/2014 (under 19 work items)

b) Work out the work plan of the Board of Supervisors in quarter II/2014 (24 work items)

• **Supervisors' Meeting Dated 14/07/2014**

a) Review of the work done during quarter II/2014: under 6 groups of work performed by the Board of Supervisors in the quarter.

b) Work out the work plan of the Board of Supervisors in III/2014 quarter (14 work items)

• **Supervisors Meeting Date 27/10/2014**

a) Review of the work done during the quarter Supervisor III/2014 quarter under 23 work items done in the quarter.

b) Work out the work plan of the Board of Supervisors in quarter IV/2014 (20 work items)

• **Supervisors' Meeting Dated 20/01/2015**

a) Review of the work done during the quarter IV/2014 under 23 work items done in the quarter

b) Work out the work plan of the Board of Supervisors in quarter I/2015 (27 work items)

Board of Supervisors periodically holds meetings to evaluate business situation in the quarter, discusses the obstacles and points out guidelines and tasks for the next quarter in order to meet the set targets of quarterly business plans as well as of the whole year 2014.

All the activities of Board of Supervisors in 2014 strictly follow functions and tasks assigned for Board of Supervisors and Internal Audit Department, comply with legal regulations, Charter of SHB, internal regulations of SHB, under plans and orientations periodically set by Board of Supervisors and Internal Audit Department, as well as upon requests of the BOD and proposals of the CEO.

3. Transactions, compensations, and benefits of members of the BOD and BOS

a) Salary, bonuses, compensations and benefits

Total salary, bonuses, compensations and benefits for the BOD and BOS was VND 9.77 billion, equivalent to 63.03% of plan. To implement Resolution No.01/NQ-ĐHĐCĐ dated 19/04/2014, SHB has ensured that compensations of mem

b) Share transactions of internal shareholders

No	Name of people conducting transactions	Relationship with internal shareholders	Number of holding shares at the period beginning		Number of holding shares at the period ending		Reason for increasing/decreasing
			Number of shares	Percentage	Number of shares	Percentage	
1	Do Thi Thu Ha	Older sister of Chairman of BOD	14.838.100	1,67%	19.959.100	2,251%	Investment
2	Do Thi Minh Nguyet	Older sister of Chairman of BOD	0	0%	5.000.000	0,564%	Investment
3	Tran Thi Hoang Kim	Daughter of member of BOD	47.698	0,01%	20.600	0,002%	Solve personal financial situation

c) The implementation of regulations on corporate governance

- Established in 1993, passing over 20 years of operations, SHB has implemented its corporate governance in accordance with requirements of the Law on Enterprises, Law on Credit Institutions, Circular No. 121/2012/TT-BTC issued on 26/07/2012 and other prudential banking regulations. Specifically:

- The Bank has ensured shareholders' rights and benefits

- Charter of the bank was revised in accordance with the new Law on Credit Institutions and Circular No. 121/2012/TT-BTC.

- The BOD has convened annual General Shareholder Meeting in accordance with regulations. The bank provides full disclosure of meeting documents on the website as a basis for shareholder's discussion and voting at the meeting, holds the meeting caringly and actively reflecting the bank's reputation.

- The BOD and the Supervisory Board have made sufficient reports at the General Shareholder Meeting.

- The nomination, election, appointment, and qualifications of members of the BOD and the

Supervisory Board have complied with regulations of the Credit Institution Law, Circular No. 121/2012/TT-BTC. The BOD and the Supervisory Board have performed rightly their duties and tasks.

- Board of Directors, Supervisory Board fully comply with responsibilities and obligations under provisions of the Enterprises Law, the Law on Credit Institutions and other relevant legal documents.

- Member of the Board of Directors, Supervisory Board, the Board of Management, and other managers publish all related benefits and interests according to the Enterprise Law and other relevant legal documents.

- The bank complies fully with reporting and information disclosure regulations, and has been considered as one of the most transparent companies on the stock market.

Financial reports





Every journey passed and every success achieved carries important implications for the formation and development of SHB. All are admirable staircases that were created by the common enthusiasm and passion of a group acting for a solid and lasting SHB.

Saigon – Hanoi Commercial Joint Stock Bank

Consolidated financial statements

31 December 2014

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THE BANK

Saigon – Hanoi Joint Stock Commercial Bank (herein referred to as “the Bank”), initially Nhon Ai Rural Joint Stock Commercial Bank, is a joint stock commercial bank registered in the Socialist Republic of Vietnam on 13 November 1993 under Decision No. 214/QD-NH5 and Business License No. 0041-NH/GP issued by the State Bank of Vietnam (herein referred to as “the SBV”). The Bank was renamed as Saigon – Hanoi Joint Stock Commercial Bank under Decision No. 1764/QD-NHNN dated 11 September 2006 granted by the Governor of the SBV and in accordance with the adjusted business registration as follows:

<i>Business registration No.</i>	<i>Issuance date</i>
1800278630	17/6/2013
1800278630	11/6/2014

The Bank’s principal activities are to provide banking services, including mobilizing and receiving short-term, medium-term and long-term deposits from organizations and individuals; making short-term, medium-term and long-term loans and advances to organizations and individuals based on the nature and capability of the Bank’s sources of capital; foreign exchange transactions; international trade finance services; discount of commercial papers, bonds and other valuable papers; providing settlement services and other banking services as approved by the State Bank.

The Bank’s Head Office is located at 77 Tran Hung Dao Street, Hoan Kiem District, Hanoi. As at 31 December 2014, the Bank had one (1) business centre, fifty-two (52) branches, ten (10) saving funds, two hundred and thirty-six (236) transaction offices nationwide, four (4) branches in Cambodia, and one (1) branch in Laos.

BOARD OF DIRECTORS

Members of the Board of Directors during the year and as at the date of this report are as follows:

Mr. Do Quang Hien	Chairman	Reappointed on 5 May 2012
Mr. Nguyen Van Le	Member	Reappointed on 5 May 2012
Mr. Tran Ngoc Linh	Member	Reappointed on 5 May 2012
Mr. Pham Ngoc Tuan	Member	Appointed on 5 May 2012
Mr. Le QuangThung	Independent Member	Appointed on 5 May 2012
Mr. Do Quang Huy	Member	Appointed on 19 April 2014
Mr. Pham Hong Thai	Member	Resigned on 19 April 2014
Ms. Dam Ngoc Bich	Member	Resigned on 19 April 2014

BOARD OF SUPERVISORS

Members of the Board of Supervisors during the year and as at the date of this report are as follows:

Mr. Pham Hoa Binh	Head of the Board of Supervisors	Appointed on 5 May 2012
Mr. Nguyen Huu Duc	Deputy Head of the Board	Reappointed on 5 May 2012
Mr. Bui Thanh Tam	Member	Reappointed on 5 May 2012
Ms. Hoang Thi Minh	Member	Appointed on 5 May 2012

BOARD OF MANAGEMENT AND CHIEF ACCOUNTANT

Members of the Board of Management and Chief Accountant during the year and as at the date of this report are as follows:

Mr. Nguyen Van Le	General Director	Reappointed on 21 May 2010
Mr. Dang Trung Dung	Deputy General Director	Appointed on 1 September 2006
Mr. Le Dang Khoa	Deputy General Director	Appointed on 10 April 2009
Ms. Ngo Thu Ha	Deputy General Director	Appointed on 15 March 2011
Ms. Dang To Loan	Deputy General Director	Appointed on 9 October 2012
Mr. Nguyen Huy Tai	Deputy General Director	Appointed on 18 February 2013
Ms. Ninh Thị Lan Phương	Deputy General Director, cum Chief Accountant	Appointed on 8 June 2012 Resigned on 11 November 2014
Ms. Ngo Thi Van	Chief Accountant	Appointed on 11 November 2014

LEGAL REPRESENTATIVE

The legal representative of the Bank during the year ended 31 December 2014 and as at the date of this report is Mr. Nguyen Van Le – General Director.

AUDITORS

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

SIGNIFICANT EVENTS DURING THE YEAR

The 2014 Annual General Shareholders' Meeting of the Bank was held on 19 April 2014. At the meeting, the Bank's shareholders have approved the dividend payment rate of 7.5% for the year 2013, the resignation of Ms. Dam Ngoc Bich and Mr. Pham Hong Thai and the appointment of Mr. Do Quang Huy to the Board of Directors which now consists of six members instead of seven as previously.

Moreover, the plan to restructure a financial company by the Bank was also approved by the shareholders.

The Board of Management of Saigon - Hanoi Commercial Joint Stock Bank (herein referred to as “the Bank”) is pleased to present this report and the consolidated financial statements of the Bank and its subsidiaries for the year ended 31 December 2014.

MANAGEMENT’S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management of the Bank is responsible for the consolidated financial statements of each financial year which gives a true and fair view of the consolidated state of affairs of the Bank and its subsidiaries, and of their consolidated results and consolidated cash flows for the year. In preparing the consolidated financial statements, Management of the Bank is required to:

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

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

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

STATEMENT BY MANAGEMENT

Management of the Bank does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2014 and of the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Accounting System for Credit Institutions and with statutory requirements of the State Bank of Vietnam relevant to the preparation and presentation of consolidated financial statements.



Mr. Nguyễn Văn Lê
General Director

Hanoi, Vietnam

31 March 2015

Reference: 60829147/17124183-HN

INDEPENDENT AUDITORS' REPORT

**To: The Shareholders of
 Saigon – Hanoi Commercial Joint Stock Bank**

We have audited the accompanying consolidated financial statements of Saigon – Hanoi Commercial Joint Stock Bank (herein referred to as “the Bank”) and its subsidiaries as prepared on 31 March 2015 and set out on pages 6 to 73, which comprise the consolidated balance sheet as at 31 December 2014, the consolidated income statement and the consolidated cash flow statement for the year then ended and the notes thereto.

Management of the Bank's responsibility

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

Auditors' responsibility

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

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

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

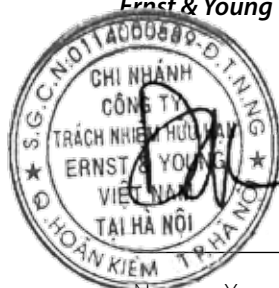
Opinion

In our opinion, the consolidated financial statements present truly and fairly, in all material aspects, the consolidated financial position of the Bank and its subsidiaries as at 31 December 2014, and the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards and Accounting System for Credit Institutions and with requirements of the State Bank of Vietnam relevant to the preparation and presentation of consolidated financial statements.

Emphasis of matter

In 2012, the Bank successfully merged Hanoi Building Commercial Joint Stock Bank ("Habubank") under Decision No. 1559/QĐ-NHNN dated 7 August 2012 by the Governor of the State Bank of Vietnam. Accordingly, the Bank has implemented and reported to the State Bank of Vietnam the merger plan, restructuring of its operations and financial resolutions of assets and debts transferred from Habubank since the merger date.

Ernst & Young Vietnam Limited



Nguyễn Xuân Dai
Deputy General Director
Audit Practicing Registration
Certificate No. 0452-2013-004-1

Dang Phuong Ha
Auditor
Audit Practicing Registration
Certificate No. 2400-2013-004-1

Hanoi, Vietnam

31 March 2015

CONSOLIDATED BALANCE SHEET
as at 31 December 2014

	<u>Notes</u>	<u>31/12/2014</u> <u>VNDm</u>	<u>31/12/2013</u> <u>VNDm</u>
ASSETS			
Cash and cash equivalents	6	801,433	541,115
Balances with the State Banks	7	3,346,049	1,981,052
Placements with and loans to other banks	8	29,491,363	30,262,605
Placements with other banks		24,496,548	17,626,577
Loans to other banks		4,999,952	12,636,028
Provision for placements with & loans to other banks		(5,137)	-
Trading securities	9	31,828	29,015
Trading securities		50,877	51,887
Provision for impairment of trading securities		(19,049)	(22,872)
Derivatives and other financial assets	10	18,611	-
Loans and advances to customers		103,048,466	75,322,050
Loans and advances to customers	11	104,095,714	76,509,671
Provision for credit losses		(1,047,248)	(1,187,621)
Investment securities	13	13,471,098	18,655,008
Available-for-sale securities		5,794,806	8,101,622
Held-to-maturity securities		8,043,327	10,562,229
Provision for investment securities		(367,035)	(8,843)
Long-term investments		321,032	361,504
Other long-term investments		341,590	400,428
Provision for impairment of long-term investments		(20,558)	(38,924)
Fixed assets	14	4,105,750	4,151,534
<i>Tangible fixed assets</i>	14.1	383,906	405,949
Cost		778,362	723,576
Accumulated depreciation		(394,456)	(317,627)
<i>Intangible assets</i>	14.2	3,721,844	3,745,585
Cost		3,844,109	3,865,696
Accumulated amortisation		(122,265)	(120,111)
Investment properties	15	17,095	17,248
Cost		17,401	17,401
Accumulated depreciation		(306)	(153)
Other assets	16	14,382,821	12,304,672
Receivables		1,574,121	2,110,623
Interest and fee receivables		6,921,697	5,659,818
Other assets		5,939,000	4,789,212
Provision for other assets		(51,997)	(254,981)
TOTAL ASSETS		169,035,546	143,625,803

	<i>Notes</i>	<i>31/12/2014 VNDm</i>	<i>31/12/2013 VNDm</i>
LIABILITIES			
Borrowings from the Government and the SBV	17	761,158	2,119,145
Deposits and borrowings from other banks	18	28,142,891	20,685,381
Deposits from other banks		21,506,420	12,155,603
Borrowings from other banks		6,636,471	8,529,778
Customer deposits	19	123,227,619	90,761,017
Derivatives and other financial liabilities	10	-	6,272
Other borrowed funds	20	214,487	476,390
Valuable papers issued	21	3,911,000	16,909,575
Other liabilities		2,295,419	2,309,549
Interest and fee payables		1,730,158	1,351,084
Deferred tax liabilities		461	324
Other payables	22	564,800	900,263
Other provision	12.2	-	57,878
TOTAL LIABILITIES		<u>158,552,574</u>	<u>133,267,329</u>
OWNERS' EQUITY			
Capital		8,962,251	8,962,251
Charter capital		8,865,795	8,865,795
Share premium		101,716	101,716
Treasury shares		(5,260)	(5,260)
Reserves		734,463	642,480
Retained earnings		<u>783,350</u>	<u>750,966</u>
TOTAL OWNERS' EQUITY	24	<u>10,480,064</u>	<u>10,355,697</u>
NON-CONTROLLING INTEREST	24	<u>2,908</u>	<u>2,777</u>
TOTAL LIABILITIES, OWNERS' EQUITY AND NON-CONTROLLING INTEREST		<u>169,035,546</u>	<u>143,625,803</u>

CONSOLIDATED BALANCE SHEET
as at 31 December 2014

OFF-BALANCE SHEET ITEMS

	<u>Notes</u>	31/12/2014 VNDm	31/12/2013 VNDm
Contingencies			
Credit guarantees		187,506	486,276
Letters of credit		4,761,609	1,774,825
Other guarantees		<u>8,964,570</u>	<u>6,077,569</u>
	39	<u>13,913,685</u>	<u>8,338,670</u>

Prepared by



Ms. Nguyen Thi Hanh Hoa
Accountant

Approved by



Ms. Ngo Thi Van
Chief Accountant

Approved by




Mr. Nguyen Van Le
General Director

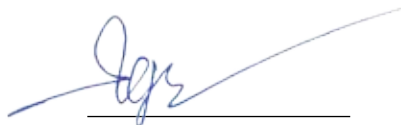
Hanoi, Vietnam

31 March 2015

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2014

	Notes	2014 VNDm	2013 VNDm
Interest and similar income	27	10,312,849	9,174,718
Interest and similar expenses	28	(7,586,884)	(7,070,660)
Net interest and similar income		2,725,965	2,104,058
Fee and commission income		440,321	219,433
Fee and commission expenses		(86,722)	(86,302)
Net fee and commission income	29	353,599	133,131
Net gain from foreign currency trading	30	65,559	63,400
Net gain from trading securities	31	3,555	696
Net gain/ (loss) from investment securities	32	(6,931)	(16,199)
Other operating income		296,940	105,296
Other operating expenses		(189,174)	(28,670)
Net other operating income	33	107,766	76,626
Dividend income	34	7,820	6,325
TOTAL OPERATING INCOME		3,257,333	2,368,037
TOTAL OPERATING EXPENSES	35	(1,624,353)	(1,860,870)
Profit from operating activities before provision for credit losses		1,632,980	507,167
Provision charge for VAMC bonds		(333,039)	-
(Charge)/Reversal of provision for credit losses		(287,593)	492,881
PROFIT BEFORE TAX		1,012,348	1,000,048
Current enterprise income tax	23.1	(221,464)	(150,599)
Deferred enterprise income tax		(137)	321
Enterprise income tax		(221,601)	(150,278)
PROFIT AFTER TAX		790,747	849,770
Non-controlling interest		159	28
Profit after tax of the Bank		790,611	849,742
Basic earnings per share (VND)	25	892	959

Prepared by



Ms. Nguyen Thi Hanh Hoa
Accountant

Hanoi, Vietnam
31 March 2015

Approved by



Ms. Ngo Thi Van
Chief Accountant

Approved by



Mr. Nguyen Van Le
General Director

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2013

	<i>Notes</i>	2014 VNDm	2013 VNDm
OPERATING ACTIVITIES			
Interest and similar income receipts		8,983,767	7,816,181
Interest and similar expense payments		(7,214,905)	(7,669,084)
Net fees and commission receipts		361,839	133,131
Net gain/(loss) from foreign currency, securities trading		88,792	47,672
Net other operating income receipts		(142,608)	73,292
Recovery from bad debts written-off previously		4,754	8,131
Employee and other administrative expense payments		(1,489,629)	(1,538,331)
Enterprise income tax paid in the year	23.1	(128,864)	(159,115)
Net cash flows from/(used in) operating activities before changes in operating assets and liabilities		463,146	(1,288,123)
Changes in operating assets			
Decrease in due from banks		11,588,587	5,254,394
(Increase)/decrease in securities		4,896,237	(5,928,398)
(Increase)/decrease in derivatives and other financial assets		(18,611)	5,847
Increase in loans and advances to customers		(28,814,627)	(19,574,688)
Use of provision for loan losses and provision for impairment of investment		(481,707)	(163,268)
Increase in other assets		648,944	(429,664)
Changes in operating liabilities			
Increase/(decrease) in borrowings from the Government and the SBV		(1,357,986)	2,119,145
Increase/(decrease) in dues to banks		7,095,296	(1,091,870)
Increase in dues to customers (including State Treasury)		32,466,602	13,162,497
Increase/(decrease) in valuable papers issued (except for long-term valuable papers issued disclosed in financing activities)		(12,998,575)	12,539,186
Increase in other borrowed funds		100,311	91,145
Increase/(decrease) in derivatives and other financial liabilities		(6,272)	6,272
Increase/(decrease) in other liabilities		(463,674)	252,200
Net cash flows from operating activities		13,117,671	4,954,675
INVESTING ACTIVITIES			
Purchase of fixed assets		(136,459)	(458,229)
Proceeds from sale of fixed assets		667	2,263
Investments in joint ventures, associates and others		61,831	6,821
Dividend receipts from investments during the year		7,820	6,325
Net cash flows used in investing activities		(66,141)	(442,820)

	<u>Notes</u>	<u>2014</u> <u>VNDm</u>	<u>2013</u> <u>VNDm</u>
FINANCING ACTIVITIES			
Dividend payment to shareholders	26	<u>(603,732)</u>	<u>(1,066)</u>
Net cash flows used in financing activities		<u>(603,732)</u>	<u>(1,066)</u>
Net increase in cash and cash equivalents during the year		12,447,798	4,510,789
16,177,348 Cash and cash equivalents at the beginning of the year		<u>16,177,348</u>	<u>11,666,558</u>
Cash and cash equivalents at the end of the year	36	<u>28,625,146</u>	<u>16,177,347</u>

Prepared by



Ms. Nguyen Thi Hanh Hoa
Accountant

Approved by



Ms. Ngo Thi Van
Chief Accountant

Approved by



Mr. Nguyen Van Le
General Director

Hanoi, Vietnam

31 March 2015

1. THE BANK

Saigon – Hanoi Commercial Joint Stock Bank (herein referred to as “the Bank”) is a joint stock commercial bank registered in the Socialist Republic of Vietnam.

Establishment and activities

The Bank was initially established on 13 November 1993 as Nhon Ai Rural Commercial Joint Stock Bank under Decision No. 214/QD-NH5 and Business License No. 0041-NH/GP issued by the State Bank of Vietnam (“the SBV”). The Bank was renamed as Saigon – Hanoi Joint Stock Commercial Bank under Decision No. 1764/QD-NHNN dated 11 September 2006 granted by the Governor of the State Bank of Vietnam and in accordance with adjusted business registration as follows:

<i>Business registration No.</i>	<i>Issuance date</i>
1800278630	17 June 2013
1800278630	11 June 2014

The Bank’s principal activities are to provide banking services including mobilizing and receiving short-term, medium-term and long-term deposits from organizations and individuals; making short-term, medium-term and long-term loans and advances to organizations and individuals based on the nature and capability of the Bank’s sources of capital; foreign exchange transactions; international trade finance services; discount of commercial papers, bonds and other valuable papers; providing settlement service and other banking services as approved by the State Bank of Vietnam.

Charter capital

The charter capital of the Bank as at 31 December 2014 which is VND 8,865 billion (31 December 2013: VND 8,865 billion) has been fully contributed.

Operation network

The Bank’s Head Office is located at 77 Tran Hung Dao Street, Hoan Kiem District, Hanoi. As at 31 December 2014, the Bank had one (1) business center, fifty-two (52) branches, ten (10) saving funds, two hundred and thirty-six (236) transaction offices nationwide, four (4) branches in Cambodia, and one (1) branch in Laos.

Subsidiaries

As at 31 December 2014, the Bank had two (2) subsidiaries as follows:

<i>No</i>	<i>Subsidiary</i>	<i>Business Registration No.</i>	<i>Line of business</i>	<i>Ownership of the Bank</i>
1	SHB Debt and Asset Management One Sole Member Company Limited (SHB AMC)	0104006217 dated 10 December 2009 granted by the Hanoi Planning and Investment Department	Banking/ Finance	100%
2	SHB Securities Joint Stock Company (SHBS)	112/GPDC-UBCK dated 12 September 2012 granted by the State Securities Commission	Securities	98.47%

The Bank and its subsidiaries herein are referred to as “SHB”.

Employees

Total number of employees as at 31 December 2014 is 5,553 (31 December 2013: 5,002).

2. FISCAL YEAR AND ACCOUNTING CURRENCY

2.1 Fiscal year

SHB’s fiscal year starts on 1 January and ends on 31 December.

2.2 Accounting currency

SHB maintain its accounting records in Vietnam Dong (VND). However, due to the Bank’s large scale of operations, for the purpose of preparing these consolidated financial statements, the amounts are rounded to and presented in millions of Vietnam Dong (VNDm). This presentation does not impact the view of the readers on SHB’s consolidated financial position, consolidated results of its operations and its cash flows. With regards to the number of shares, the Bank presented the item in unit as shown in the Note 24.1.

3. ACCOUNTING STANDARDS AND SYSTEM

3.1 *Statement of compliance with Vietnamese Accounting Standards and Accounting System for Credit Institutions and with statutory requirements of the State Bank of Vietnam relevant to the preparation and presentation of financial statements*

Management of the Bank confirms that the accompanying consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards and Accounting System for Credit Institutions, and with statutory requirements of the State Bank of Vietnam relevant to the preparation and presentation of consolidated financial statements.

3.2 *Accounting standards and system*

The consolidated financial statements of SHB expressed in millions of Vietnam Dong (“VNDm”), are prepared in accordance with the Accounting System for Credit Institutions required under Decision No. 479/2004/QĐ-NHNN issued on 29 April 2004 by the Governor of the SBV which was enacted from 1 January 2005 and regulatory documents on amendment and supplementation of Decision No. 479/2004/QĐ-NHNN, Decision No. 16/2007/QĐ-NHNN issued on 18 April 2007 by the Governor of the SBV, and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

- ▶ Decision 149/2001/QĐ-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (Series 1);
- ▶ Decision 165/2002/QĐ-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 2);
- ▶ Decision 234/2003/QĐ-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 3);
- ▶ Decision 12/2005/QĐ-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 4); and

- Decision 100/2005/QĐ-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (Series 5).

Accordingly, the accompanying consolidated balance sheet, consolidated income statement, consolidated cash flow statement and notes to the consolidated financial statements, including 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 consolidated financial position, consolidated results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

3.3 Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Bank and its subsidiaries as at 31 December. The financial statements of the subsidiaries are prepared using consistent accounting policies for the same reporting year of the Bank.

All intra-group balances, transactions, income, expenses and unrealized profits and losses resulting from intra-group transactions are eliminated in full.

Financial statements of the subsidiaries (shown in the Note 1) are fully consolidated from the date when the control is transferred to the Bank. The control exists when the Bank has the power to govern either directly or indirectly the financial and operating policies of the entity to obtain benefits from its activities. The results of the subsidiaries acquired or disposed during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate.

Non-controlling interest represents the portion of net results of operations and net assets not owned, either directly or indirectly through the subsidiaries, by the Bank and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from the Bank's equity and liabilities.

3.4 Use of estimates

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

Going concern

The Board of Management of the Bank has assessed the ability to continue as a going concern of SHB and noted that SHB have sufficient resources to continue their business in a definite future. In addition, the Board of Management of the Bank is not aware of any material uncertainties that may affect the ability to continue operations of SHB as a going concern. Therefore, the consolidated financial statements are prepared on the going concern assumption.

3.5 Changes in accounting policies and disclosures

The accounting policies adopted by SHB in the preparation of these consolidated financial statements are

consistent with those used in preparation of SHB's consolidated financial statements for the year ended 31 December 2013, except for the changes in the accounting policies and notes related to the following operations:

3.5.1 Regulations issued and officially effective

Since 1 June 2014, Circular No. 02/2013/TT-NHNN ("Circular 02") dated 21 January 2013 by the Governor of the SBV on classification of assets, provision rates, provision making method and the use of provision against operational risks of credit institutions and foreign banks' branches; and Circular No. 09/2014/TT-NHNN ("Circular 09") dated 18 March 2014 on amending and supplementing Circular 02 have been effective and replaced Decision No. 493/2005/QĐ-NHNN and Decision No. 18/2007/QĐ-NHNN. Accordingly, key changes are as follows:

- ▶ Besides loans and advances to customers, the following assets should be classified and provisioned for:
 - ▶ Investments and entrustments for buying corporate bonds which are not listed on securities markets or Unlisted Public Company Market (Upcom), except for investment in unlisted securities using trusted funds whose risks are borne by trustors;
 - ▶ Trusted loans;
 - ▶ Balances with (except for demand deposit) domestic credit institutions, foreign banks' branches in accordance with regulations, and deposits at foreign credit institutions.
 - ▶ Credit grants by issuing Credit cards.
- ▶ Off-balance sheet commitments shall be classified for management purpose and no need to be provisioned for.
- ▶ Balances with, loans to, and buying valuable papers under forward contracts with other credit institutions and foreign banks' branches shall be classified similarly to loans to customers but only specific provision is required.
- ▶ Loans which have been sold but not yet paid for, and loans sold with recourse shall be classified and made provision for similarly to those prior to being sold.
- ▶ Based on its inspection and supervision results, as well as other relevant credit information, the SBV has the right to require credit institutions to conduct risk assessments to re-classify and to make respective provision for certain loans.

On 20 March 2014, the SBV issued Circular No. 10/2014/TT-NHNN ("Circular No.10") on amending and supplementing Chart of accounts for credit institutions issued under Decision No. 479/2004/QĐ-NHNN dated 29 April 2004 by the Governor of the SBV in order to adapt to changes under Circular 02 and Circular 09 mentioned above. Circular No. 10 has come into effective since 1 June 2014.

3.5.2 Regulations issued but not yet effective

On 31 December 2014, the Governor of the SBV issued Circular No. 49/2014/TT-NHNN, which come into effective from 15 February 2015, on amending and supplementing certain articles of Financial Reporting Regime for credit institutions issued under Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 and Chart of accounts for

credit institutions, issued under Decision No. 479/2004/QĐ-NHNN dated 29 April 2004 by the Governor of the SBV. Accordingly, key changes are as following:

- ▶ Change in reporting currency from VND to VNDm;
- ▶ Amending the templates of balance sheet, income statement and cash flow statement in accordance with amendments and supplements by Circular 02, Circular 09, and Circular 10;
- ▶ Supplementing notes in accordance with changes in the new templates of financial statements including balance sheet, income statement and cash flows.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Cash and cash equivalents

Cash and cash equivalents comprise cash, gold, current accounts with the State Banks, treasury bills and other short-term valuable papers that are eligible for discount at the SBV, current accounts and placements with, loans to other banks and securities with an original maturity of less than three months from the acquisition or deposit dates which have high liquidity and are readily convertible into known amounts of cash and subject to insignificant risk of changes in fair value.

4.2 Loans and advances to customers

Loans and advances to customers are stated at the principal amounts outstanding at the end of the year.

4.3 Provision for credit losses

4.3.1 Provision for credit losses in Vietnam

Loan classification

SHB is required to classify loans and make provisions for credit losses according to the Law on Credit Institutions, which was effective from 1 January 2011; Decision No. 1627/2001/QĐ-NHNN dated 31 December 2001 on Lending Regulations of Credit Institutions; regulations on amending and supplementing Decision No. 1627/2001/QĐ-NHNN; Circular No. 02/2013/TT-NHNN dated 22 January 2013 of the Governor of the SBV on loan classification, provision rates, provision making, and use of provisions against operational risks in credit activities of credit institutions and foreign banks' branches; and regulations on amending and supplementing Circular 02. Accordingly, loans and advances to customers are classified into Current, Special Mention, Substandard, Doubtful and Loss on the basis of payment arrears status and other qualitative factors. Substandard, Doubtful and Loss loans are considered as Non-Performing Loans ("NPL").

Specific provision

Net loan and advance exposure for each borrower is calculated by subtracting from the loan balance as at 30 November the discounted value of collateral, which is subject to certain accepted discount rates as stipulated by Circular 02.

Specific provision is made on the net loan and advance exposure of each borrower using prescribed provision rates as follows:

Group	Name	Specific provision rate
1	Current	0%
2	Special Mention	5%
3	Substandard	20%
4	Doubtful	50%
5	Loss	100%

Since the merger with Hanoi Building Commercial Joint Stock Bank on 1 September 2012 was implemented in line with the restructuring of the banking system of Vietnam, the SBV approved the Bank's allocation plan of provision for loans to Vietnam Shipbuilding Industry Group ("Vinashin", renamed as Shipbuilding Industry Corporation – "SBIC"), some of its members and the members which have been merged with Petrovietnam Oil and Gas Group ("PVN") or Vietnam National Shipping Lines ("Vinalines"), including loans converted and unconverted to special bonds, in maximum 10 years.

In addition, the merger with Hanoi Building Commercial Joint Stock Bank on 1 September 2012 was implemented in line with the restructuring of the banking system of Vietnam. Accordingly, the Bank has also submitted to the SBV a plan to allocate provision for credit losses of debts received from Hanoi Building Commercial Joint Stock Bank over a period of 5 years since 2013.

General provision

According to Circular 02, general provision is made for credit losses, which have not yet been determined during loan classification and provision process and for SHB's potential financial difficulties due to the deterioration in loan quality. Accordingly, SHB has made and maintained a general provision at 0.75% of total outstanding balance of loans which are classified in group 1 to 4.

Loans to customers using borrowed funds or trusted funds from individuals or organizations that SHB bear no risk are not be provisioned for.

Bad debts written-off

Provisions are recognized in the consolidated income statement as an expense and will be used to write off any credit losses incurred. At the discretion of SHB's Bad Debt Resolution Committee, SHB can write off the loans that are classified in group 5 or when borrowers have declared bankruptcy, liquidation (for legal entities) or borrowers are deceased or missing (for individuals).

Loans sold to Vietnam Asset Management Company (VAMC)

Bad debts are sold to VAMC and recognized at the carrying amounts in compliance with Decree No. 53/2013/ND-CP on "Establishment, organization and operation of Vietnam Asset Management Company", which is effective from 9 July 2013, Circular No. 19/2013/TT-NHNN on "Purchase, sale and handling of bad debts of Vietnam Asset Management Company" and Official Letter No. 8499/NHNN-TCKT providing "Guidance on recognition of bad debts settlement of VAMC and credit institutions". The selling price is equal to the outstanding loan balance after deduction of the corresponding unused specific provision of such loans on the selling dates.

Upon sale of loans, SHB shall derecognize both the outstanding principals and respective specific provisions and recognize the par value of VAMC's special bonds, which is the difference between the principals and unused specific provisions for debts sold. Upon receipt of bad debts back from VAMC, SHB will use the annual provision for special bonds to write-off the debts and recognize the difference between the provision for VAMC bonds and the outstanding balance of loans/bonds into "Other operating income" in the consolidated income statement.

4.3.2 *Provision for credit losses in Cambodia*

Provision for credit losses is made for specific risks related to loans and advances to customers, which are classified into: Current, Special Mention, Substandard, Doubtful and Loss. Provision is made on the percentage of the total outstanding balance of the loans and advances at the end of the financial year.

The Bank classifies loans and makes provision in accordance with Prakas No. B7-09-074 dated 25 February 2009 by the National Bank of Cambodia. Accordingly, the Bank classifies loans into 5 groups and maintains specific provision for the outstanding principal of loans on the following basis:

Name	Overdue period	Provision rate
Current	less than 30 days	0%
Special Mention	from 30 to less than 90 days	3%
Substandard	from 90 to less than 180 days	20%
Doubtful	from 180 to less than 360 days	50%
Loss	from 360 days and above	100%

The Bank maintains a general provision equals to 1.00% of total balance of loans classified as Current.

The whole or part of loans, which are determined by the Board of Management as uncollectible will be written off after deducting the reselling value of collaterals (if any).

4.3.3 *Provision for credit losses in Laos*

In accordance with Decision No. 324/BOL dated 19 April 2011 issued by the Bank of Lao P.D.R, the Bank is required to classify loans and make provision for loans to customers. Accordingly, loans are classified as Performing loans or Non-performing loans based on the payment arrears status and other qualitative factors. Loans classified as either Current, or Special Mention are defined as Performing loans. Loans classified as either Substandard or Doubtful or Loss are defined as Non-performing loans.

Specific provision is made by multiplying the outstanding balance of individual loans at the end of the year with the provision rates applicable to each group as follows:

Group	Name	Specific provision rate
1	Current	0%
2	Special Mention	0%
3	Substandard	20%
4	Doubtful	50%
5	Loss	100%

According to Decision No. 324/BOL, in addition to the loan classification and specific provision, a general provision is required for loans classified as "Current" and "Special Mention". For Current loans, The Bank of Lao P.D.R will provide the general provision rate for each financial year. For the year ended 31 December 2014, the general provision rate for Current loans was 0.50% pursuant to Official Letter No. 242/BOL dated 2 April 2011 issued by the Bank of the Lao P.D.R, as this letter is still effective for the year 2014. For the Special Mention loans, general provision rate is 3.00% in accordance with Decision No. 324/BOL.

4.3.4 *Receivables from customers related to securities transactions of SHB Securities Joint Stock Company, a subsidiary of the Bank.*

Provision for these receivables are calculated based on the overdue status of receivables or expected loss that is possibly incurred for undue receivables but customers have declared bankruptcy or in the process of liquidation (for legal entities) or borrowers are missing, under legal prosecution, trial or serving sentences or dead (for individuals). Provision rates for overdue receivables in accordance with Circular No. 228/2009/TT-BTC dated 7 December 2009 issued by the Ministry of Finance are as follows:

<u>Overdue status</u>	<u>Provision rate</u>
From over six (6) months to less than one (1) year	30%
From one (1) year to less than two (2) years	50%
From two (2) years to less than three (3) years	70%
From three (3) years and above	100%

4.4 *Trading securities*

Trading securities are debt securities, equity securities and other securities acquired by SHB with the intention to sell them in the near future in order to benefit from price variance.

Trading securities are recognized at cost as at transaction date and continuously stated at cost in the following accounting periods.

Income from trading securities is recognized into the consolidated income statement on a cash basis.

At the consolidated financial statement date, trading securities are subject to review for impairment. Provision for impairment is made when their book value is greater than their market value which is determined in accordance with Circular No. 228/2009/TT-BTC dated 7 December 2009. In case market prices of securities cannot be determined, no provision is made. Provision for impairment losses is recognized into the consolidated income statement as "Net gain/(loss) from trading securities".

Besides, SHB classify and makes provision for trading securities, which are unlisted corporate bonds, in accordance with Circular 02 and Circular 09, similarly to the loan classification and provision making presented in Note 4.3.1

4.5 *Investment securities*

4.5.1 *Available-for-sale securities*

Available-for-sale securities include debt and equity securities, which are not classified as trading and held-to-maturity, and which are held for investment and available-for-sale purpose until an opportunity for profit is given. Moreover, regarding equity securities, SHB is not the founding shareholder, strategic partner, or does not have certain influence to participate in making the financial and operating policies of the investees through a written agreement on delegating its representatives in the board of directors/board of management.

Available-for-sale equity securities are recognized at cost as at transaction date and continuously stated at cost in the following accounting periods.

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

In subsequent periods, available-for-sale debt securities are continuously recognized at face value. Discount/ premium (if any) is amortized on a straight-line basis until the maturity date to the consolidated income statement. Interest payment in arrears is recognized as follows: accumulative interest income before the purchasing date is recognized as a decrease in value of such securities and the same amount is credited into the accrued interest receivable using the accumulative method. Interest received in advance is amortized as interest income from investment securities over the investment period using the straight-line method.

Available-for-sale securities are subject to periodic review for impairment. Provision for impairment of securities is recorded when their market value is lower than their book value in conformity with Circular No. 228/2009/

TT-BTC. In case the market value of the securities cannot be determined, no provision is calculated. Provision for impairment loss is recognized into the consolidated income statement for the year ended 31 December 2014 as "Net gain/(loss) from investment securities".

Besides, SHB classify and makes provision for investment securities, which are unlisted corporate bonds, in accordance with Circular 02 and Circular 09, similarly to the loan classification and provision making presented in Note 4.3.1.

4.5.2 *Held-to-maturity securities*

Held-to-maturity investment securities include debt securities acquired for investment purpose in order to earn interest and SHB has intention and ability to hold the securities until maturity. Held-to-maturity securities have determinable value and fixed maturities. In case securities are sold before maturity, these securities will be reclassified to trading or available-for-sale securities.

Held-to-maturity securities are recognized and measured similarly as available-for-sale debt securities presented in Note 4.5.1

4.5.3 *Special bonds issued by Vietnam Asset Management Company ("VAMC")*

Special bonds issued by VAMC are fixed term valuable papers used to purchase bad debts. The special bonds are recognized at par value at transaction date and continuously stated at face value in subsequent periods. Par value of the special bonds is equal to the outstanding balance of debts sold less their unused specific provisions.

During the holding time of special bonds, SHB calculate and make provision for impairment of special bonds. Provision for impairment is recognized into the consolidated income statement as "Net gain/(loss) from investment securities". Provision for the special bonds in the year is calculated at rate of 20% of the par value of these bonds.

Special bonds will be settled in one of the following cases:

- ▶ The provision made for special bonds is not less than the book value of relevant bad debt recorded in the accounting books of VAMC, including the following cases:
 - ▶ VAMC sells the bad debts to organizations and individuals, including the Bank, at market price or negotiated price;
 - ▶ VAMC converts the debts into equity investment in the borrowers.
- ▶ Terms of special bonds are expired.

4.6 Repurchase and reverse repurchase agreements

Assets sold under agreements to repurchase at a specific date in the future are not derecognized from the consolidated balance sheet. The corresponding cash receipt under these agreements is recognized as a liability item in the consolidated balance sheet, reflecting its economic substance as a loan to SHB. The difference between selling price and repurchasing price is amortized over the life of the agreement on a straight-line basis to the consolidated income statement.

Conversely, assets purchased under agreements to resell at a specific date in the future are not recognized in the consolidated balance sheet. The corresponding cash paid under these agreements is recognized as an asset in the consolidated balance sheet. The difference between the purchasing price and reselling price is amortized over the life of the agreement to the consolidated income statement on a straight-line basis using the contractual interest rate.

4.7 Other long-term investments

Equity securities are classified as other long-term investments only when SHB holds less than 20% of voting rights and SHB is the founding shareholder or strategic partner, or have certain influence on making the financial and operating policies of the investees through a written agreement on delegating its representatives in the board of directors/board of management.

Long-term investments are recognized at cost as at transaction date and continuously measured at cost minus provision for impairment (if any) in the following accounting periods.

Provision for impairment of other long-term investments is made in case the investees make losses (except that losses were estimated and determined in the business plan before the investment is made) in conformity with Circular No. 228/2009/TT-BTC and Circular No. 89/2013/TT-BTC dated 28 June 2013. Provision is calculated based on the investee's latest financial statements. Accordingly, provision for other long term investment is calculated as the difference between the actual contributed capital of all parties in the investee and the equity of the investee, multiplied by (x) the proportion of capital contributed by SHB to total capital contribution.

Other long-term investments that SHB can obtain suitable financial statements for evaluating impairments are carried at cost.

4.8 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation in accordance with Circular No. 45/2013/TT-BTC dated 25 April 2013 issued by the Ministry of Finance.

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

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

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

4.9 Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortization in accordance with Circular No. 45/2013/TT-BTC dated 25 April 2013 issued by the Ministry of Finance.

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

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

When assets are sold or liquidated, their cost and accumulated amortization are removed from the consolidated balance sheet and any gains or losses resulting from their disposal are recognized to the consolidated income statement.

4.10 Investment properties

Investment properties represent the properties of the Bank's subsidiaries for the purpose of earning rentals or gaining benefit from the appreciation of value. Investment properties are initially recognized at purchase price, including transaction costs and subsequently stated at cost less accumulated depreciation. Depreciation expenses are recognized in "Other operating expenses".

4.11 Leases

Payments made periodically for the operating leases are not recognized in the consolidated balance sheet. Rentals under the operating leases are recognized as "Other operating expenses" on a straight-line basis over the lease term.

4.12 Depreciation and amortization

Depreciation and amortization of tangible, intangible fixed assets and investment properties are calculated on a straight-line basis over the estimated useful life of the assets as follows:

Buildings and building improvements	25 years
Machines and equipment	3 - 5 years
Motor vehicles	6 - 10 years
Office equipment	3 - 7 years
Other tangible assets	3 - 7 years
Computer software	3 - 8 years
Other intangible assets	3 - 20 years

Long-term land use rights with land use fee or receiving the legal long-term land use right are not amortized. Land use rights with definite term or leased land use rights are amortized over their term.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 *Trusted investments*

Commercial banks reserve rights to be the trust, trustee, or trusting agent in relation to banking activities, insurance, and assets management as prescribed by the SBV. According to Circular 02, SHB classifies and makes provision for trusted investments related to banking activities in compliance with Circular 228/TT-BTC dated 7 December 2009 issued by the Ministry of Finance.

Provision for impairment of other trusted investments is based on their overdue status or estimated possible losses that is possibly incurred for undue trusted investment, whose trustees have declared bankruptcy or in the process of liquidation (for legal entities) or trustees are deceased, missing or under legal prosecution, trial or serving sentences (for individuals). For overdue trusted investments, provision is made based on the net exposure which is calculated by subtracting the collateral value from the net book value of the trusted investment, multiplied by provision rates regulated in Circular No. 228/2009/TT-BTC dated 7 December 2009 as follows:

Overdue status	Allowance rate
From over six (6) months up to one (1) year	30%
From one (1) to two (2) years	50%
From two (2) to three (3) years	70%
From three (3) years and above	100%

In term of trusted investments transferred from Hanoi Building Commercial Joint Stock Bank during the merged between the two banks, the SBV approved the Bank's allocation plan to allocate the required provision for these trusted investments to its separate income statement in maximum 10 years.

4.14 *Subsidiary's purchased debts*

In accordance with Circular No. 27/2002/TT-BTC dated 22 March 2002 issued by the Ministry of Finance that provides guidance on Regime of Finance for Asset Management Companies belonged to Commercial Banks, asset management companies shall make provisions for the purchased debts. Time, basis and rate formaking provision for purchased debts shall be determined by the chairman of the Board of Directors of commercial banks, and should be stipulated in the Company's financial regime. Provision should be at least 5% of the total value of the purchased debt, which is the purchase price less proceeds for repayment from these purchased debts. Provision expenses are recognized in "Other operating expenses" in the consolidated income statement.

4.15 *Other receivables*

Receivables other than receivables from credit activities are initially recognized at cost and continuously stated at cost in the following fiscal periods.

Provision for impairment loss is based on the overdue status of receivables or expected losses that is possibly incurred for undue receivables, but the debtors have declared bankruptcy or in the process of liquidation (for legal entities) or debtors are deceased, missing or under legal prosecution, trial or serving sentences (for individuals). Provision expense is recognized in "Other operating expenses".

Provision for overdue receivables is made in compliance with Circular No. 228/2009/TT-BTC dated 7 December 2009 issued by the Ministry of Finance as follows:

Overdue status	Allowance rate
From over six (6) months up to under one (1) year	30%
From one (1) to under two (2) years	50%
From two (2) to under three (3) years	70%
From three (3) years and above	100%

4.16 Provision for off-balance sheet commitments

SHB issue financial guarantees and letters of guarantee duties of a customer to a third party. Such the commitments will expire if there are no loans and advances to customer arisen. Therefore, off-balance sheet commitments do not reflect expected future cash flows.

According to Circular 02 and Circular 09, SHB are required to classify the off-balance sheet commitments and contingent liabilities similar to loans and advances to customer for management purpose.

4.17 Foreign currency forward and swap contracts

For foreign currency forward and swap contracts, the difference between equivalent VND amounts of foreign currency committed to buy/sell using forward exchange rate and spot exchange rate as at the effective date of the contract is recognized immediately as an asset - "Derivatives and other financial assets" when it is positive, and as "Derivatives and other financial liabilities" when it is negative. The difference is subsequently amortized into the consolidated income statement as "Net gain/ (loss) from foreign currency trading" using the straight-line method over the term of the contract. As at the consolidated balance sheet date, commitments of foreign currency forward and swap contracts are revaluated using the official inter-bank exchange rate announced by the SBV (Note 49).

Gain or loss from revaluation is recorded periodically in "Foreign currency translation reserve" on the consolidated balance sheet. At the end of the fiscal year, the cumulative gain or loss is transferred into the consolidated income statement.

4.18 Foreign currency transactions

SHB maintain their accounting system and records all transactions in original currencies. Monetary assets and liabilities denominated in foreign currencies at the end of the period are translated into VND using exchange rates of interbank foreign exchange market as at the consolidated balance sheet date (see list of exchange rates of applicable foreign currencies against VND as at 31 December in Note 44). Income and expenses arising from foreign currencies during the period are translated into VND at rates ruling at the transaction dates.

Unrealized foreign exchange differences arising from the translation of monetary assets and liabilities during the period is recognized periodically in "Foreign currency translation reserve" on the consolidated balance sheet. At the end of the fiscal year, these amounts are transferred into the consolidated income statement.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Recognition of income and expenses

4.19.1 Recognition of income and expenses from banking activities

Interest income and interest expenses

Interest income and interest expenses are recognized in the separate income statement on an accrual basis. The accrued interest of loans classified in group 2 to 5 under Circular 02 and Circular 09 will be derecognized in the consolidated income statement. Accrued interest on such loans is recorded to off balance sheet and only recognized in the consolidated income statement upon actual receipt.

Fees and commissions

Fees and commissions are recognized when the services is provided.

4.19.2 Recognition of other income and expenses

Income from brokerage activities

Once contract result is identified certainly, income should be recognized based on level of completion. Otherwise, income should be recognized as recorded expense on recoverable basis.

Revenue from trading securities

Income from trading securities is recognized as difference between the original cost and the selling cost of the securities.

Repo contracts of securities

Income from Repo contracts of securities is recognized in consolidated income statement over the investment period using the straight line method.

Portfolio management fee

Portfolio management fees are recognized in the consolidated income statement on an accrual basis depending on terms and conditions of portfolio management contract.

Revenue from other services

When the contract outcome can be reliably measured, revenue is recognized by reference to the stage of completion. When the contract outcome cannot be reliably measured, revenue is recognized only to the extent of the recovery of the recognized expenses.

Dividends

Dividend received in cash is recognized when the right to receive dividend of SHB is established. Dividend received in shares and bonus shares is not recognized as income but only the number of shares is updated.

4.19.3 *Uncollectible income*

According to Circular No. 05/2013/TT-BTC dated 9 January 2013, income receivables that are recognized as income but uncollectible at the due date are reserved as a reduction of income if the due date is within the same accounting period, or reversed as an expense if the due date is not within the accounting period, and must be monitored on the off-balance-sheet for following upon collection. When the income is collected, SHB will record it in consolidated income statement for the year ended 31 December 2014 as an "Operating income".

4.20 **Enterprise income taxes**

Current enterprise income tax

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

Current enterprise income tax is recorded directly to the consolidated income statement except for items related to the tax that are recorded directly to equity, then current enterprise income tax is also recorded directly to equity.

Current enterprise income tax assets and liabilities are offset only if SHB have the legal right to set off current enterprise income tax assets against current enterprise income tax liabilities and SHB intend to settle their current enterprise income tax assets and liabilities on a net basis.

SHB's tax returns are subject to examination by the tax authorities. Due to the ambiguity associated with the applicability of tax laws and regulations, amounts reported in the consolidated financial statements could be changed at a later date upon final determination by the tax authorities.

Deferred enterprise income tax

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

Deferred enterprise income tax liabilities are recognized for all taxable temporary differences, except:

- ▶ The deferred enterprise income tax liabilities arise from the initial recognition of an asset or liability in a transaction that affects neither the accounting nor taxable profit or loss at the time of transaction; and
- ▶ Taxable temporary differences are associated with investments in subsidiaries, associates and joint ventures. SHB have the ability to control the time of reversing these temporary differences but not be in the foreseeable future.

Deferred enterprise income tax assets are recognized for all deductible temporary differences, tax losses carried forward and unused tax credits when it is probable that SHB will generate sufficient taxable profit in the foreseeable future to use deductible temporary differences, taxable losses and tax advantages, except:

- ▶ The deferred enterprise income tax asset arises from the initial recognition of an asset or liability in a transaction that affects neither the accounting nor taxable profit or loss at the time of transaction; and
- ▶ Taxable temporary differences are associated with investments in associates and joint ventures. SHB would make taxable profit to use these temporary differences, which would be reversed in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Enterprise income taxes (continued)

The carrying amount of deferred enterprise income tax assets shall be reviewed at the end of each fiscal year and reduced to the extent that sufficient taxable profits will be available for all or part of the asset to be recovered. Unrecognized deferred income tax assets are reassessed at the end of each fiscal year and would be recognized if taxable profits are sufficient for the deferred tax assets to be recovered.

Deferred enterprise income tax assets and liabilities are measured at the expected tax rates to apply in the year when the asset is realized or the liability is collected based on tax rates and enacted tax laws at the end of fiscal year.

Deferred enterprise income tax is charged directly to the consolidated income statement except for items related to the tax that are charged directly to equity, then deferred enterprise income tax is also charged directly to equity.

Deferred enterprise income tax assets and liabilities are offset only if SHB have the legal right to set off current enterprise income tax assets against current enterprise income tax liabilities and deferred enterprise income tax assets against deferred enterprise income tax liabilities, which are managed by the same tax authority and for the same taxable entity. In addition, SHB intend to settle their current enterprise income tax assets and liabilities on a net basis.

4.21 Statutory reserves

In accordance with Decree No. 57/2012/ND-CP enacted on 15 September 2012, the Bank is required to make supplemental capital reserve and financial reserves from net profit in the fiscal year.

4.22 Fiduciary assets

Assets held in trust or in a fiduciary capability are not reported in the consolidated financial statements since they are not assets of SHB.

4.23 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet, only if there is a currently 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 settle the asset and the liability simultaneously.

4.24 Segment reporting

A segment is a separately determinable component of SHB engaging in providing some related products or services (business segment), or providing products or services within a particular economic environment (geographical segment). Each of segments is subject to risks and benefits, which differ from the others. Primary segment report of SHB is a segment reporting in terms of geographical area. Secondary segment report of SHB is a segment reporting in terms of business activities.

4.25 Employee benefits

4.25.1 Post-employment benefits

Post-employment benefits are paid to the retired employees of SHB in Vietnam by the Social Insurance Agency, which belongs to the Ministry of Labor, Invalids and Social Affairs. SHB based in Vietnam are required to contribute to the post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 17.00% of an employee's basic salary on a monthly basis. SHB in Vietnam has no further obligation.

SHB's employees who are subject to early retirement due to restructuring are entitled to one month of basic salary for every 12 months of employment and half month of basic salary for each month of early retirement (maximum 30 months). Early retirement allowance is debited to operating expenses. Additionally, SHB also pays three (3) months of salary to these employees.

4.25.2 Voluntary resignation

SHB has the obligation, under Article 48 of the Vietnam Labor Code No. 10/2012/QH13 dated 18 June 2012, to pay allowance arising from voluntary resignation of employees. The allowance is equivalent to one-half month's salary for each year of employment plus salary allowances (if any) until 31 December 2008.

4.25.3 Unemployment Insurance

In accordance with Circular No. 04/2009/TT-BLDTBXH providing guidance on the implementation of Decree No. 127/2008/ND-CP, which was effective from 1 January 2009, SHB has the obligation to contribute to the Unemployment Insurance Fund at rate of 1.00% of their insured employees' salaries and remunerations and withhold the same amount from the insured employees' salaries and remunerations to contribute to the Unemployment Insurance Fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2014 and for the year then ended

5. SEGMENT REPORTING

5.1 Segment reporting in terms of business activities

Unit: VNDm

	<u>Credit</u>	<u>Investment</u>	<u>Services</u>	<u>Treasury</u>	<u>Total</u>
2014					
Direct revenue	9,574,337	1,501,755	455,437	915,392	12,446,921
As at 31 December 2014					
1. Segment assets	113,202,075	16,555,219	99,179	29,773,230	159,629,703
2. Asset allocation	<u>3,462,190</u>	<u>20,326</u>	<u>2,849,023</u>	<u>3,074,304</u>	<u>9,405,843</u>
Total assets	<u>116,664,265</u>	<u>16,575,545</u>	<u>2,948,202</u>	<u>32,847,534</u>	<u>169,035,546</u>
1. Segment liabilities	791,887	-	248,862	156,948,385	157,989,134
2. Liability allocation	<u>207,396</u>	<u>1,218</u>	<u>170,666</u>	<u>184,160</u>	<u>563,440</u>
Total liabilities	<u>999,283</u>	<u>1,218</u>	<u>419,528</u>	<u>157,132,545</u>	<u>158,552,574</u>

5.2 Segment reporting in terms of geographic areas

Unit: VNDm

	<i>Overseas</i>	<i>Domestic</i>			<i>Total</i>
		<i>North</i>	<i>Centre</i>	<i>South</i>	
Net interest and similar income	131,712	1,286,353	469,679	838,221	2,725,965
Net fees and commission income	(1,519)	317,436	(1,030)	38,712	353,599
Net gain from foreign currencies trading	2,962	46,213	499	15,885	65,559
Net gain from securities trading	-	3,555	-	-	3,555
Net loss from investment securities	-	(6,931)	-	-	(6,931)
Net gain/(loss) from other operating income	11,051	151,688	(49,093)	(5,880)	107,766
Dividend income	-	7,820	-	-	7,820
Operating expenses	(54,125)	(1,147,434)	(124,177)	(298,617)	(1,624,353)
Profit from operating activities before provision for credit losses	90,081	658,700	295,878	588,321	1,632,980
Provision for VAMC bonds	-	(333,039)	-	-	(333,039)
(Charge)/reversal of provision for credit loss	(15,307)	(224,975)	(93,437)	46,126	(287,593)
Profit before tax	74,774	100,686	202,441	634,447	1,012,348

6. CASH AND GOLD

	31/12/2014 VNDm	31/12/2013 VNDm
Cash on hand in VND	471,175	310,980
Cash on hand in foreign currencies	273,119	224,492
Gold	57,139	5,643
	801,433	541,115

7. BALANCES WITH THE STATE BANKS

	31/12/2014 VNDm	31/12/2013 VNDm
Balances with the State Bank of Vietnam ("the SBV")	3,103,451	1,818,057
Balances with National Bank of Cambodia ("the NBC")	191,138	136,541
Balances with the Bank of Laos ("the BOL")	51,460	26,454
	3,346,049	1,981,052

Balances with the SBV

Balances with the SBV include current account and compulsory reserves. As at 31 December 2014, compulsory reserve in VND and current account in foreign currencies earned interest at rate of 1.20% p.a. and 0.05% p.a., respectively (31 December 2013: 1.20% p.a. and 0.05% p.a., respectively).

In accordance with the SBV's regulations, the Bank is required to maintain certain cash reserves with the SBV in the form of compulsory reserve. During December 2014, compulsory deposits are computed at 0.60% and 8.00% (2013: 3.00% and 8.00%) of demand deposits and deposits with term of less than 12 months in VND and in foreign currencies, respectively, and at 0.20% and 6.00% (2013: 1.00% and 6.00%) of deposits with term of over 12 months in VND and in foreign currencies, respectively.

During the year, the Bank has maintained its compulsory reserve in compliance with the compulsory reserve requirement notifications from the SBV.

Balances with the NBC

Balances with the NBC include margin deposits for the establishment of the Bank's Branch in Cambodia and the compulsory reserve required by the NBC. The compulsory reserve is calculated based on the daily average balance of deposits at the rates of 8.00% of deposits in Riels and 12.50% of deposits in foreign currencies. The 8.00% reserve in Riels and the reserve in foreign currencies within 8.00% out of 12.50% have interest free. The remaining reserve of 4.50% is entitled to interest at the rate determined by Prakas on term deposit interest rates (as at 30 December 2013, the rate is 0.10% p.a.).

Balances with the BOL

Balances with the BOL include margin deposits for the establishment of the Bank's branch in Laos P.D.R and the compulsory reserve required by the BOL. The Bank's Branch is required to maintain compulsory reserve at 0% of term deposit over 12 months, 5.00% and 10.00% of deposits with terms of less than 12 months in LAK and in foreign currencies, respectively. The margin deposits at the BOL are not entitled to interest.

8. PLACEMENTS WITH AND LOANS TO OTHER BANKS

	31/12/2014 VNDm	31/12/2013 VNDm
Placements with other banks	24,496,548	17,626,577
<i>Demand deposits</i>	5,677,663	1,474,380
In VND	3,670,396	841,991
In foreign currencies	2,007,267	632,389
<i>Term deposits</i>	18,818,885	16,152,197
In VND	18,805,137	14,401,512
In foreign currencies	13,748	1,750,685
Placements with and loans to other banks	4,999,952	12,636,028
In VND	4,745,000	7,945,000
In foreign currencies	254,952	4,691,028
Provision for placements with and loans to other banks	(5,137)	-
	29,491,363	30,262,605

9. TRADING SECURITIES

Investments in trading securities as at 31 December include:

	31/12/2014 VNDm	31/12/2013 VNDm
Equity securities		
Securities issued by local business entities	50,877	51,887
Provision for impairment of trading securities	(19,049)	(22,872)
	31,828	29,015

The listing status of trading securities is as follows:

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	31/12/2014 VNDm	31/12/2013 VNDm
Equity securities		
Listed	41,129	34,651
Unlisted	9,748	17,236
	50,877	51,887

10. DERIVATIVES AND OTHER FINANCIAL ASSETS

	Total net carrying value (at exchange rates at the consolidated balance sheet date)		
	Assets VNDm	Liabilities VNDm	Net carrying value VNDm
As at 31 December 2014			
Currency derivatives	18,611	-	18,611
Forward contracts	5,160	-	5,160
Swap contracts	13,451	-	13,451
As at 31 December 2013			
Currency derivatives	-	6,272	(6,272)
Forward contracts	-	472	(472)
Swap contracts	-	5,800	(5,800)

11. LOANS AND ADVANCES TO CUSTOMERS

	31/12/2014 VNDm	31/12/2013 VNDm
Loans to local business entities and individuals	103,206,080	75,066,656
Discounted commercial and valuable papers	8,347	7,213
Amounts paid for commitments to other parties on behalf of customers	87,942	19,582
Trusted loans	649,085	19,333
Other loans to local business entities and individuals	-	22,007
Freezing loans – Vinashin (*)	-	1,228,584
	103,951,454	76,363,375

REPO with customers of SHB AMC	1,700	2,200
Receivables from securities trading of SHBS	<u>142,560</u>	<u>144,096</u>
	<u>104,095,714</u>	<u>76,509,671</u>

Commercial loans comprise short, medium and long-term loans, and syndicated loans in which the Bank is the lead manager,denominated in VND, USD and EUR.

(*) Freezing debts – Vinashin loans have been resolved using its provision then reclassified to “Other assets” account in accordance with guidance of the SBV.

11.1 *Analysis of loans by quality*

	<u>31/12/2014</u> <u>VNDm</u>	<u>31/12/2013</u> <u>VNDm</u>
Current	99,864,421	69,678,554
Special Mention (*)	1,979,359	2,352,446
Substandard	262,754	144,391
Doubtful	356,024	434,850
Loss	1,488,896	2,524,550
Freezing loans – Vinashin	<u>-</u>	<u>1,228,584</u>
	<u>103,951,454</u>	<u>76,363,375</u>
REPO with customers of SHB AMC	1,700	2,200
Receivables from securities trading of SHBS	<u>142,560</u>	<u>144,096</u>
	<u>104,095,714</u>	<u>76,509,671</u>

(*) The SBV approved the Bank’s allocation plan to allocate provision for loans to Vietnam Shipbuilding Industry Group (“Vinashin”, renamed as Shipbuilding Industry Corporation – “SBIC”), some of its members and the members which have been merged with Petrovietnam Oil and Gas Group (“PVN”) or Vietnam National Shipping Lines (“Vinalines”), including loans converted and unconverted to special bonds in maximum 10 years.

In addition, the merger with Hanoi Building Commercial Joint Stock Bank on 1 September 2012 was implemented in line with the restructuring of the banking system of Vietnam. Accordingly, the Bank has submitted to the SBV a plan to allocate provision for credit losses of debts transferred from Hanoi Building Commercial Joint Stock Bank over a period of five years since 2013.

11. LOANS AND ADVANCES TO CUSTOMERS (continued)

11.2 Analysis of loans by original terms

	31/12/2014 VNDm	31/12/2013 VNDm
Short-term loans	45,297,841	39,577,428
Medium-term loans	33,830,159	19,069,977
Long-term loans	24,823,454	16,487,386
Freezing loans – Vinashin	-	1,228,584
	103,951,454	76,363,375
REPO with customers of SHB AMC	1,700	2,200
Receivables from securities trading of SHBS	142,560	144,096
	104,095,714	76,509,671

11.3 Analysis of loans by ownership

	31/12/2014 VNDm	%	31/12/2013 VNDm	%
State owned enterprises	3,804,855	3.66	3,092,034	4.04
State limited companies	6,312,735	6.06	6,880,580	8.99
Other limited companies	20,958,057	19.13	15,413,247	20.15
Above-50% State joint stock companies	6,653,681	6.39	4,708,526	6.15
Other joint stock companies	46,907,729	46.06	25,395,503	33.19
Partnerships	5,113	0.00	641	0.00
Private enterprises	1,374,026	1.32	1,044,199	1.36
Foreign invested enterprises	52,077	0.05	102,672	0.13
Co-operatives	61,581	0.06	129,239	0.17
Household business, individuals	16,732,409	16.07	17,745,499	23.19
Others	1,089,191	1.05	622,651	0.82
Freezing loans - Vinashin	-	-	1,228,584	1.61
	103,951,454	99.85	76,363,375	99.80
REPO with customers of SHB AMC	1,700	0.00	2,200	0.01

Receivables from securities trading of SHBS

142,560	0.15	144,096	0.19
104,095,714	100	76,509,671	100

11.4 Analysis of loans by sectors

	31/12/2014 VNDm	%	31/12/2014 VNDm	%
Agricultural, forestry and aquaculture	23,389,935	22.47	16,523,844	21.60
Mining	5,080,038	4.88	5,061,999	6.62
Processing, manufacturing	14,600,473	14.03	12,568,304	16.43
Electricity, petroleum & steam	2,607,515	2.50	2,630,550	3.44
Water supply and waste treatment	27,609	0.03	19,045	0.02
Construction	15,289,800	14.69	7,134,663	9.33
Wholesale and retail trade, repair of motor vehicles, motor cycles and personal goods	16,212,350	15.55	11,586,162	15.14
Transportation and storage	3,280,482	3.15	3,864,980	5.05
Hospitality	1,838,153	1.77	2,101,590	2.75
Information and communication	93,836	0.09	80,742	0.11
Financial services	1,095,445	1.05	647,902	0.85
Real estate development & property investment	7,952,334	7.64	3,500,575	4.58
Information and communication	40,624	0.04	52,355	0.07
Financial services	1,031,934	0.99	42,081	0.06
3,9800.00Education and training	31,086	0.03	51,269	0.06
Healthcare and community development	91,504	0.09	93,587	0.11
Recreational, cultural, sporting activities	45,372	0.04	30,490	0.03
Other service activities	11,218,922	10.78	9,121,126	11.91
Households services, production of material products and services used by households	20,062	0.02	23,527	0.02
Freezing loans - Vinashin	-	-	1,228,584	1.62
	103,951,454	99.85	76,363,375	99.80
REPO with customers of SHB AMC	1,700	0.00	2,200	0.01
Receivables from securities trading of SHBS	142,560	0.15	144,096	0.19
	104,095,714	100	76,509,671	100
	104.095.714	100	76.509.671	100

12. PROVISION FOR CREDIT LOSSES

Details of provision for credit losses as at 31 December 2014 as follows:

	31/12/2014 VNDm	31/12/2014 VNDm
Provision for credit losses in Vietnam	1,000,963	1,156,909
Provision for credit losses in Cambodia	33,550	26,858
Provision for credit losses in Laos	12,735	3,854
Provision for loans and advances to customers	1,047,248	1,187,621
Provision for contingent liabilities and off-balance sheet commitments	-	57,878
	1,047,248	1,245,499

12.1 Provision for credit losses in Vietnam

The Bank makes the loans classification in compliance with Decision No. 02/2013/TT-NHNN and Decision No. 09/2014/TT-NHNN. Accordingly, the provision as at 31 December is made based on the classification of loans as at 30 November.

Changes in the provision for credit losses in the current year are summarized as following:

	Specific provision VNDm	General provision VNDm	Total VNDm
Opening balance	710,397	446,512	1,156,909
Expense/(reversal) of provision during the year	(127,613)	452,640	325,027
Use of provision during the year	(480,973)	-	(480,973)
Closing balance	101,811	899,152	1,000,963

Changes in the provision for credit losses in the previous year are summarized as following:

	Specific provision VNDm	General provision VNDm	Total VNDm
Opening balance	907,420	334,483	1,241,903
Charge/(reversal) of provision during the year	(33,755)	112,029	78,274
Use of provision from January to November	(37,166)	-	(37,166)

Balance as at 30 November	836,499	446,512	1,283,011
Use of provision in December	<u>(126,102)</u>	<u>-</u>	<u>(126,102)</u>
Closing balance	<u>710,397</u>	<u>446,512</u>	<u>1,156,909</u>

12.2 *Provision for credit losses in Cambodia*

For loans incurred at the Cambodian branch, the Bank classifies loans and makes provision in compliance with Prakas No. B7-09-074 dated 25 February 2009 of the National Bank of Cambodia.

Changes in the provision for loans for loans and advances to customers in Cambodia in the current year are summarized as follows:

	<i>Specific provision VNDm</i>	<i>General provision VNDm</i>	<i>Total VNDm</i>
Opening balance	396	26,461	26,857
Provision charge in the year	2,510	3,917	6,427
Foreign currency difference	<u>-</u>	<u>266</u>	<u>266</u>
Closing balance	<u>2,906</u>	<u>30,644</u>	<u>33,550</u>

Changes in the provision for loans and advances to customers in Cambodia in the previous periods are summarized as follows:

	<i>Specific provision VNDm</i>	<i>General provision VNDm</i>	<i>Total VNDm</i>
Opening balance	-	8,074	8,074
Provision charge in the period	<u>396</u>	<u>18,387</u>	<u>18,784</u>
Closing balance	<u>396</u>	<u>26,461</u>	<u>26,858</u>

12.3 *Provision for credit losses in Laos*

For loans incurred at the Laos branch, the Bank classifies loans and makes provision in compliance with Decision No. 324/BOL of the BOL.

Changes in the provision for credit losses from loans and advances to customers in Laos in the current period are summarized as follows:

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as at 31 December 2014 and for the year then ended

	<i>Specific provision VNDm</i>	<i>General provision VNDm</i>	<i>Total VNDm</i>
Opening balance	527	3,328	3,855
Provision charge in the year	5,887	2,993	8,880
Closing balance	6,414	6,321	12,735

Thay đổi dự phòng rủi ro cho vay khách hàng trong năm trước như sau:

	<i>Specific provision VNDm</i>	<i>General provision VNDm</i>	<i>Total VNDm</i>
Opening balance	-	454	454
Provision charge in the year	527	2,874	3,400
Closing balance	527	3,328	3,854

13. INVESTMENT SECURITIES

	31/12/2014 VNDm	31/12/2013 VNDm
Available-for-sale securities	5,794,806	8,101,622
Debt securities	5,746,693	8,053,509
Securities issued by the Government of Vietnam	2,135,034	4,092,467
Securities issued by other local credit institutions	54,909	58,754
Securities issued by local business entities	3,556,750	3,902,288
Equity securities	48,113	48,113
Securities issued by other local credit institutions	11,689	11,689
Securities issued by local business entities	36,424	36,424
Provision for impairment of available-for-sale securities	(33,606)	(8,843)
Held-to-maturity securities	8,043,327	10,562,229
Securities issued by the Government of Vietnam	2,806,642	4,213,522
Securities issued by other local credit institutions	-	3,656,980
Securities issued by local business entities	5,236,685	2,691,727
Provision for impairment of held-to-maturity securities	(390)	-
Provision for VAMC bonds	(333,039)	-
	13,471,098	18,655,008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2014 and for the year then ended

14. FIXED ASSETS

14.1 Tangible fixed assets

Movements of tangible fixed assets during the yearended 31December2014 were as follows:

	<i>Buildings & building improvements VNDm</i>	<i>Machines & equipment VNDm</i>	<i>Motor vehicles VNDm</i>	<i>Office equipment VNDm</i>	<i>Other tangible assets VNDm</i>	<i>Total VNDm</i>
Cost						
Opening balance	192,365	279,964	147,263	81,933	22,051	723,576
Exchange rate differences	122	34	24	31	-	211
Additional in the year	10,213	21,162	17,301	4,825	4,108	57,609
Reclassification	-	(23)	-	23	-	-
Increases from completion of purchase of fixed assets	-	-	6,149	-	-	6,149
Other increases	-	3	133	84	89	309
Disposals	(358)	(4,149)	(1,168)	(2,088)	(1,729)	(9,492)
Closing balance	<u>202,342</u>	<u>296,991</u>	<u>169,702</u>	<u>84,808</u>	<u>24,519</u>	<u>778,362</u>
Accumulated depreciation						
Opening balance	38,610	142,238	69,012	52,985	14,782	317,627
Charged for the year	11,195	38,790	17,875	12,898	4,090	84,848
Other increases	-	(6)	-	6	141	141
Disposals	(328)	(3,379)	(1,066)	(1,949)	(1,438)	(8,160)
Closing balance	<u>49,477</u>	<u>177,643</u>	<u>85,821</u>	<u>63,940</u>	<u>17,575</u>	<u>394,456</u>
Net book value						
As at 1 January 2014	<u>153,755</u>	<u>137,726</u>	<u>78,251</u>	<u>28,948</u>	<u>7,269</u>	<u>405,949</u>
As at 31 December 2014	<u>152,865</u>	<u>119,348</u>	<u>83,881</u>	<u>20,868</u>	<u>6,944</u>	<u>383,906</u>

14. FIXED ASSETS (continued)

14.1 Tangible fixed assets (continued)

Movements of tangible fixed assets during the year ended 31 December 2013 were as follows:

	<i>Buildings & building improvements VNDm</i>	<i>Machines & equipment VNDm</i>	<i>Motor vehicles VNDm</i>	<i>Office equipment VNDm</i>	<i>Other tangible assets VNDm</i>	<i>Total VNDm</i>
Cost						
Opening balance	194,729	211,138	148,046	123,134	23,196	700,243
Foreign exchange translation differences	59	88	52	33	-	232
Additions in the year	8,468	88,851	3,908	9,512	4,304	115,043
Other increases	136	-	-	399	-	535
Disposals	-	(5,833)	(3,999)	(6,791)	(622)	(17,245)
Reclassification under Circular 45/2013/ TT-BTC	(820)	(13,794)	(744)	(44,319)	(4,523)	(64,200)
Other decreases	(10,207)	(486)	-	(35)	(304)	(11,032)
Closing balance	<u>192,365</u>	<u>279,964</u>	<u>147,263</u>	<u>81,933</u>	<u>22,051</u>	<u>723,576</u>
Accumulated depreciation						
Opening balance	34,465	121,782	56,229	75,471	13,413	301,360
Charged for the year	8,485	35,892	14,387	17,770	6,004	82,538
Other increases	442	-	-	-	-	442
Disposals	-	(4,923)	(943)	(6,636)	(492)	(12,994)
Reclassification under Circular 45/2013/ TT-BTC	(555)	(10,178)	(661)	(33,620)	(3,097)	(48,111)
Other decreases	(4,227)	(335)	-	-	(1,046)	(5,608)
Closing balance	<u>38,610</u>	<u>142,238</u>	<u>69,012</u>	<u>52,985</u>	<u>14,782</u>	<u>317,627</u>
Net book value						
As at 1 January 2013	<u>160,264</u>	<u>89,356</u>	<u>91,817</u>	<u>47,663</u>	<u>9,783</u>	<u>398,883</u>
As at 31 December 2013	<u>153,755</u>	<u>137,726</u>	<u>78,251</u>	<u>28,948</u>	<u>7,269</u>	<u>405,949</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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14. FIXED ASSETS (continued)

14.2 Intangible assets

Movements of intangible assets during the yearended 31 December2014 were as follows:

	<i>Land use rights</i>	<i>Computer software</i>	<i>Other intangible assets</i>	<i>Total</i>
	<u>VNDm</u>	<u>VNDm</u>	<u>VNDm</u>	<u>VNDm</u>
Cost				
Opening balance	3,629,594	198,494	37,608	3,865,696
Additions in the year	-	15,455	-	15,455
Disposals	-	(34,927)	(2,115)	(37,042)
Closing balance	<u>3,629,594</u>	<u>179,022</u>	<u>35,493</u>	<u>3,844,109</u>
Accumulated amortization				
Opening balance	5,174	103,539	11,398	120,111
Additions in the year	158	28,933	4,306	33,397
Disposals	-	(29,129)	(2,114)	(31,243)
Closing balance	<u>5,332</u>	<u>103,343</u>	<u>13,590</u>	<u>122,265</u>
Net book value				
As at 1 January 2014	<u>3,624,420</u>	<u>94,955</u>	<u>26,210</u>	<u>3,745,585</u>
As at 31 December 2014	<u>3,624,262</u>	<u>75,679</u>	<u>21,903</u>	<u>3,721,844</u>

14. FIXED ASSETS (continued)**14.2 Intangible assets** (continued)

Movements of intangible assets for the year ended 31 December 2013 were as follows:

	<i>Land use rights</i>	<i>Computer software</i>	<i>Other intangible assets</i>	<i>Total</i>
	<i>VNDm</i>	<i>VNDm</i>	<i>VNDm</i>	<i>VNDm</i>
Cost				
Opening balance	3,611,783	182,874	22,422	3,817,079
Foreign exchange translation differences	-	171	-	171
Additions in the year	7,604	18,908	12,999	39,511
Other additions	10,207	-	2,187	12,394
Disposals	-	(1,124)	-	(1,124)
Reclassification under Circular 45/2013/ TT-BTC	-	(148)	-	(148)
Other decreases	-	(2,187)	-	(2,187)
Closing balance	<u>3,629,594</u>	<u>198,494</u>	<u>37,608</u>	<u>3,865,696</u>
Accumulated amortisation				
Opening balance	789	81,858	6,188	88,835
Charged for the year	158	22,566	5,200	27,924
Other increases	4,227	355	10	4,592
Disposals	-	(1,083)	-	(1,083)
Reclassification under Circular 45/2013/ TT-BTC	-	(148)	-	(148)
Other decreases	-	(10)	-	(10)
Closing balance	<u>5,174</u>	<u>103,539</u>	<u>11,398</u>	<u>120,111</u>
Net book value				
As at 1 January 2013	<u>3,610,994</u>	<u>101,016</u>	<u>16,234</u>	<u>3,728,244</u>
As at 31 December 2013	<u>3,624,420</u>	<u>94,955</u>	<u>26,210</u>	<u>3,745,585</u>

15. INVESTMENT PROPERTIES

Movements of investment properties for the year ended 31 December 2014 were as follows:

	<i>Buildings, building improvements</i> VNDm	<i>Land use rights</i> VNDm	<i>Total</i> VNDm
Cost			
Opening balance	3,822	13,579	17,401
Closing balance	<u>3,822</u>	<u>13,579</u>	<u>17,401</u>
Accumulated depreciation			
Opening balance	153	-	153
Charged for the year	153	-	153
Closing balance	<u>306</u>	<u>-</u>	<u>306</u>
Net book value			
As at 1 January 2014	<u>3,669</u>	<u>13,579</u>	<u>17,248</u>
As at 31 December 2014	<u>3,516</u>	<u>13,579</u>	<u>17,095</u>

16. OTHER ASSETS

	<i>Notes</i>	<i>31/12/2014 VNDm</i>	<i>31/12/2014 VNDm</i>
Receivables		1,574,121	2,110,623
- <i>Receivables</i>	16.1	1,428,952	1,580,478
- <i>Purchase of fixed assets</i>	16.2	145,169	530,145
Interest and fee receivables		6,921,697	5,659,818
Deferred income tax assets		-	-
Other assets		5,939,000	4,789,212
- <i>Trusted investments</i>	16.3	2,008,308	2,790,576
- <i>Other assets</i>	16.4	3,930,692	1,998,636
Provision for impairment of other assets		<u>(51,997)</u>	<u>(254,981)</u>
		<u>14,382,821</u>	<u>12,304,672</u>

16. OTHER ASSETS (continued)

16.1 Receivables

	31/12/2014 VNDm	31/12/2013 VNDm
Internal receivables	195,096	117,280
Receivables from employees	48,427	52,555
Other internal receivables	146,669	64,725
External receivables	1,233,856	1,463,198
Margin deposits	15,353	13,971
Receivables from State Budget	33,354	27,027
Receivables from customers	-	606,596
Receivables of SHBS	74,340	194,150
Prepaid expenses	299,141	229,679
Advance for Enterprise Income Tax	130	25,962
Deposit for securities brokerage	280,000	153,000
Other receivables	531,538	212,813
	1,428,952	1,580,478
Provision for receivables (*)	(51,997)	(66,901)
	1,376,955	1,513,577

(*) Provision for receivables is made in accordance with Circular No.228/2009/TT-BTC

16.2 Purchase of fixed assets

	31/12/2014 VNDm	31/12/2014 VNDm
Land use rights in Vietnam	33,086	479,259
Construction in progress	96,743	44,925
15,340 5,961 Others	15,340	5,961
	145,169	530,145

16.3 Trusted investments

Details of trusted investments of SHB at the end of the accounting periods are as follows:

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	31/12/2014 VNDm	31/12/2014 VNDm
Trusted investments for portfolio management	50,000	725,331
Trusted investments for REPO	1,406,048	1,439,665
Trusted investments for loans	-	43,319
Other trusted investments	552,260	582,261
	2,008,308	2,790,576
Provision for trusted investments	-	(188,080)
	2,008,308	2,602,496

16.4 Other assets

	31/12/2014 VNDm	31/12/2014 VNDm
Materials and equipment	6,018	5,068
Prepaid expenses	700,089	705,390
Foreclosed assets	231,156	1,135
Deferred settlements - others	281,862	434,118
Deferred settlements – interbank	826,465	-
Freezing loans - Vinashin	1,138,584	-
Others	507,074	616,135
Receivables from purchased debts of AMC	-	103,425
Real estates for sale of AMC	239,444	133,365
	3,930,692	1,998,636

Freezing debts - Vinashin are reclassified and recorded to "Other assets" account in accordance with guidance of the SBV.

17. BORROWINGS FROM THE GOVERNMENT AND THE SBV

These are borrowing under the term of rediscounting the Bank's valuable papers at the SBV with term of six (6) months and bear interest rate of 4.50% p.a. (2013: 5.50% p.a.)

18. DEPOSITS AND BORROWINGS FROM OTHER BANKS

Breakdown of deposits and borrowings from other credit institutions at the end of the year is as follows:

	31/12/2014 VNDm	31/12/2013 VNDm
Deposits from other banks	21,506,420	12,155,603
<i>Demand deposits</i>	4,039,008	771,115
In VND	3,987,469	758,358
In gold and foreign currencies	51,539	12,757
<i>Term deposits</i>	17,467,412	11,384,488
In VND	17,000,000	10,060,000
In gold and foreign currencies	467,412	1,324,488
Borrowings from other banks	6,636,471	8,529,778
In VND	4,392,887	5,387,000
In gold and foreign currencies	1,808,986	3,142,778
Borrowings from Rural Finance Project II, Rural Finance Project III and borrowings from International Development Association (World Bank) (*)	434,598	-
	28,142,891	20,685,381

(*) These are borrowings from Rural Finance Project II, Rural Finance Project III and borrowings from International Development Association (World Bank) which are reclassified from "Other borrowed funds" in accordance with Official letter No. 5391/NHNN-TCKT dated 25 July 2014 of the SBV (See Note 20).

19. DEPOSITS AND OTHER AMOUNTS DUE TO CUSTOMERS

19.1 Analysis by products

	31/12/2014 VNDm	31/12/2013 VNDm
Demand deposits	12,380,210	8,554,718
Demand deposits in VND	10,700,805	7,054,749
Demand saving deposits in VND	11,872	19,304
Demand deposits in foreign currencies	1,666,349	1,479,235
Demand saving deposits in foreign currencies	1,184	1,430
Term deposits	109,779,874	81,891,087
Term deposits in VND	40,698,698	31,048,414
Term saving deposits in VND	58,960,424	41,995,176

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	31/12/2014 VNDm	31/12/2013 VNDm
Term deposits in foreign currencies	1,746,736	914,553
Term saving deposits in foreign currencies	8,374,016	7,932,944
Deposits for specific purposes	53	9
Margin deposits	1,054,713	268,505
Margin deposits in VND	818,878	113,872
Margin deposits in foreign currencies	235,835	154,633
Transfer payables	12,769	46,698
Transfer payables in VND	12,769	46,698
	123,227,619	90,761,017

19.2 Analysis by customers

	31/12/2014 VNDm	31/12/2013 VNDm
State enterprises	1,191,201	638,915
100% State-owned one-member limited liability enterprise	11,242,840	7,239,212
Other limited enterprises	5,917,229	2,893,435
Above-50% State joint stock companies	11,567,218	8,887,391
Other joint stock companies	16,554,403	14,499,663
Partnerships	1,519,023	2
Private enterprises	2,197,255	11,551
Foreign invested enterprises	682,877	931,099
Co-operatives	2,318	1,776
Household business, individuals	68,904,584	53,828,236
Administrative and service units, parties, unions and associations	969,581	883,842
Others	2,479,090	945,895
	123,227,619	90,761,017

19.3 Analysis by ownership

	31/12/2014 VNDm	31/12/2013 VNDm
Deposits from business entities	51,580,904	35,147,808
State-owned enterprises	24,001,258	16,765,518
Private enterprises and others	26,896,769	17,451,191
Foreign invested enterprises	682,877	931,099
Deposits from individuals	68,904,584	53,781,537
Deposits from others	2,742,131	1,831,672
	123,227,619	90,761,017

20. OTHER BORROWED FUNDS

<i>Lending organizations</i>	31/12/2014			31/12/2013		
	<i>Terms</i>	<i>VNDm</i>	<i>Interest rate % p.a</i>	<i>Terms</i>	<i>VNDm</i>	<i>Interest rate % p.a</i>
Medium-term, long-term borrowings in VND from Rural Finance Project II (RDF II)	Over 30 months	-	-	Over 30 months	18,363	7.32
	Up to 30 months	-	-	Up to 30 months	50,383	7.32
Medium-term, long-term borrowings in VND from Rural Finance Project III (RDF III)	Over 18 months	-	-	Over 18 months	132,702	7.32
	Up to 18 months	-	-	Up to 18 months	153,444	7.32
Medium-term, long-term borrowings in VND from Small and Medium Enterprise Development Fund - Phase III	Over 30 months	175,431	5.16	Over 30 months	78,422	5.88
	Up to 30 months	39,056	5.16	Up to 30 months	35,755	5.88
International Development Association (World Bank)	-	-	-	20 năm	7,321	0.75
		214,487			476,390	

Borrowings from Rural Finance Project II and III are borrowings from International Development Association (World Bank) through the Ministry of Finance to provide loans to households for the rural development and poverty reduction in Vietnam. For loans to households, applied interest rates are declared by the Bank in different periods. In accordance with Official Letter No. 5391/NHNN-TCKT dated 25 July 2014 of the SBV, the Bank has reclassified such these amount to "Borrowings from other banks" account (See Note 17).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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According to guidance from the SBV in Official letter No.5391/NHNN-TCKT dated 25 July 2014, SHB reclassified and monitored borrowings from Rural Finance Project II and III as "Borrowing from other banks", for details, refer to Note 18.

Borrowings from Small and Medium Enterprises Development Fund - Phase III are borrowings from Japan International Cooperation Agency (JICA) through Project Management Unit of ODA International Credit to provide loans to eligible small and medium enterprises. For loans to small and medium enterprises, applied interest rates are declared by the Bank in different periods. Principal and interest on these loans are paid every three months.

21. VALUABLE PAPERS ISSUED

	31/12/2014 VNDm	31/12/2013 VNDm
Promissory notes	3,860,000	16,909,575
Bond issued by SHBS	51,000	-
	3,911,000	16,909,575

Promissory notes with terms less than 12 months bear interest at rates ranging from 6.00% p.a. to 14.00% p.a. for those in VND and 3.00% p.a. to 3.20 % p.a. for those in foreign currencies.

Bonds issued by SHB Securities Joint Stock Company (a subsidiary of the Bank) are separately bonds with term of two (2) years and bear interest rate at 10% p.a.

22. OTHER PAYABLES

	31/12/2014 VNDm	31/12/2013 VNDm
Internal payables	7,828	35,605
Payables to employees	1,186	2,311
Bonus and welfare funds	413	413
Other internal payables	6,229	32,881
External payables	556,972	864,658
Payables for construction and fixed asset acquisition	45	6,038
Value Added Tax payables	2,544	1,768
Enterprise Income Tax payables	66,820	-
Payables to the SBV	36,280	10,802

	31/12/2014 VNDm	31/12/2013 VNDm
Payables pending for payment	450,162	845,977
Other payables	-	73
Deferred revenue	65	-
Payable in debt trading activities	1,056	-
	564,800	900,263

23. OBLIGATIONS TO THE STATE BUDGET

Unit: VNDm

	Opening balance	Movement during the year		Closing balance
		Increase	Decrease	
Value Added Tax	1,768	37,517	(36,741)	2,544
Enterprise Income Tax for 2014	-	221,516	(154,696)	66,820
Advance for Enterprise Income Tax	(25,962)	-	25,832	(130)
Deferred tax liabilities of Cambodian branch	324	137	-	461
Other taxes	3,406	63,103	(30,690)	35,819
	(20,464)	322,273	(196,295)	105,514

23.1 Current Enterprise Income Tax

SHB has the obligation to pay Enterprise Income Tax ("EIT") at the rate of 22% of taxable profits made in Vietnam (2013: 25%).

For the Cambodia branch, the Bank shall calculate and determine its EIT in compliance with Cambodian regulations on enterprise income tax. According to the Tax Act on 08 January 1997, the enterprise income tax of the Bank's branch in Cambodia is determined to be the greater of the minimum tax payable determined by 1% of total revenue (including value added tax) and 20% profits earned. In 2014, the Cambodian branch's EIT was at 20% of its profit.

For the Laos branch, the Bank shall calculate and determine its EIT based on the income tax provisions in Laos. According to the Tax Ordinance No. 001/PRD dated 1 March 2011 issued by the Lao Prime Minister and effective from 1 January 2012, EIT of the branch is defined as 24% of the profit of the branch.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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Current EIT payables are determined based on taxable income of the current year. Taxable income may be different from the one reported in the consolidated income statement. That is because the taxable profit do not include eligible taxable or deductible expenses which are subtracted in prior years due to the differences between SHB's accounting policies and tax requirements moreover the current year taxable income also do not include the previous year's exempted income or non-deductible expenses. The current EIT payables of SHB are calculated based on the statutory tax rates applicable until the end of the fiscal year.

	31/12/2014 VNDm	31/12/2013 VNDm
Operating profit before tax	1,012,348	1,000,048
<i>Adjustments for:</i>		
- Dividend income exempted from EIT	(7,820)	(6,325)
- Net loss of the Cambodian branch	(42,539)	(15,325)
- Net loss of the Laos branch	(26,503)	(2,372)
- Net loss (gain) of subsidiaries which is separately taxed	(25,176)	2,162
- Consolidation adjustments	23,531	8,991
- Tax credit of the Bank	-	(403,457)
- Other adjustments for Cambodia branch	(4,176)	-
- Tax credit of Cambodian branch	331	-
Taxable income/(tax loss) of the Bank	929,996	583,722
EIT expense of the Bank (i)	204,599	145,930
6,361 9,083 EIT expense of the Laos branch (ii)	6,361	702
EIT expense of the Cambodian branch (iii)	9,083	3,967
Deferred EIT expense of Cambodian branches (iv)	(137)	-
Income tax of subsidiaries (v)	1,558	-
Total EIT in the year (i+ii+iii+iv+v)	221,464	150,599
Additional EIT expense paid for the year 2013	52	-
EIT payable at the beginning of the year	(25,962)	(17,336)
EIT paid during the year	(128,864)	(159,115)
Adjustments of EIT receivable of subsidiaries	-	(110)
EIT payable/ (receivable) at the end of the period	66,690	(25,852)
<i>In which</i>		
- Advances for EIT	(130)	(25,962)
- EIT payable at the end of the year	66,820	-

24. OWNERS' EQUITY AND RESERVES

24.1 Statement of changes in owners' equity

Changes in owners' equity of the Bank for the current year are described in the following table:

Unit: VNDm

	Charter capital	Share premium	Treasury shares	Investment and development fund	Financial reserve	Supplemental capital reserve	Non-controlling interest	Retained earnings	Total
Opening balance	8,865,795	101,716	(5,260)	13	458,864	183,603	2,777	750,966	10,358,474
Net profit for the year	-	-	-	-	-	-	159	790,589	790,748
Tax finalization of 2013	-	-	-	-	-	-	-	(52)	(52)
Dividend paid	-	-	-	-	-	-	-	(664,563)	(664,563)
Adjustment of reserves									
appropriation according to									
Resolution of the Annual									
General Meeting dated 19									
April 2014	-	-	-	-	(10,850)	(5,544)	-	16,394	-
Tax on profit transferred of									
Cambodian branch	-	-	-	-	-	-	-	(1,590)	(1,590)
Last year profit payable to									
NCI	-	-	-	-	-	-	(28)	-	(28)
Temporary appropriation to									
reserves for the current year	-	-	-	-	69,685	38,692	-	(108,377)	-
Other increases	-	-	-	-	-	-	-	(21)	(21)
Foreign currency difference	-	-	-	-	-	-	-	4	4
Closing balance	8,865,795	101,716	(5,260)	13	517,699	216,751	2,908	783,350	10,482,972

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

24.1 Statement of changes in owners' equity (continued)

Details of investment equity are as follows:

	31/12/2014			31/12/2013		
	<i>Total</i>	<i>Ordinary share capital</i>	<i>Preference share capital</i>	<i>Total</i>	<i>Ordinary share capital</i>	<i>Preference share capital</i>
Contribution capital (shareholder, member, etc)	8,865,795	8,865,795	-	8,865,795	8,865,795	-
Share premium	101,716	101,716	-	101,716	101,716	-
Treasury shares	(5,260)	(5,260)	-	(5,260)	(5,260)	-
	8,962,251	8,962,251	-	8,962,251	8,962,251	-

Details of shares issued by the Bank as at 31 December are as follows:

	31/12/2014	31/12/2013
Shares authorized for issuance	886,827,640	886,827,640
Shares issued and fully paid	886,579,547	886,579,547
Ordinary shares	886,579,547	886,579,547
Preference shares	-	-
Treasury shares	496,186	496,186
Ordinary shares	496,186	496,186
Preference shares	-	-
Outstanding shares	886,083,361	886,083,361
Ordinary shares	886,083,361	886,083,361
Preference shares	-	-
Face value of outstanding shares (VND/share)	10,000	10,000

24.2 Reserves of the Bank

According to regulations, the Bank is required to appropriate Supplemental Capital Reserve and Financial Reserve. The appropriation of reserves will be annually implemented in accordance with Resolution of the Annual General Meeting of Shareholders in accordance with legal regulations.

For the year 2014, the Bank has temporarily appropriated reserves with percentage of profit after tax as follows:

	Percentage of profit after tax	Maximum
Supplemental Capital Reserve	5% Profit after tax	100% charter capital
Financial Reserve	10% Profit after tax	Not regulated

The appropriation of reserves in 2014 will be implemented in accordance with Resolution of the Annual General Meeting of Shareholders.

25. BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit after tax for the year attributable to ordinary shareholders of the Bank by the weighted average number of outstanding ordinary shares during the year. The Bank's basic earnings per share are calculated as follows:

	2014 VNDm	2013 VNDm
Net profit after tax for the year attributable to ordinary shareholders of the Bank	790,747	849,742
790,747 886 892 Net profit distributable to shareholders	790,747	849,742
Weighted average number of outstanding ordinary shares (million shares)	886	886
Basic earnings per share (VND/share)	892	959

26. DIVIDENDS

	2014 VNDm	2013 VNDm
Dividends declared and paid for previous year	603,732	1,066
Dividends on ordinary shares	603,732	1,066

27. INTEREST AND SIMILAR INCOME

	2014 VNDm	2013 VNDm
Interest income from deposits with other banks	622,072	783,958
Interest income from loans to customers	8,063,938	6,601,025
Interest income from investment securities	895,125	1,043,225
Other interest income from credit activities	731,714	746,510
	10,312,849	9,174,718

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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28. INTEREST AND SIMILAR EXPENSES

	2014 VNDm	2013 VNDm
Interest and similar expenses for customer deposits	6,792,110	6,519,821
Interest and similar expenses for borrowings	176,818	281,315
Interest expenses for issued valuable papers	606,575	266,236
Other expenses for credit activities	11,381	3,288
	7,586,884	7,070,660

29. NET FEE AND COMMISSION INCOME

	2014 VNDm	2013 VNDm
Fee and commission income from	440,321	219,433
Settlement services	100,784	64,024
Guarantee and treasury services	10,521	106,781
Agency services	2,777	1,496
Other services	326,239	47,132
Fees and commission expenses for	(86,722)	(86,302)
Settlement services	(21,753)	(16,867)
Guarantee and treasury services	(12,178)	(10,969)
Other services	(52,791)	(58,466)
Net fee and commission income	353,599	133,131

30. NET GAIN FROM FOREIGN CURRENCY TRADING

	2014 VNDm	2013 VNDm
Income from foreign currency trading	282,260	176,487
Income from foreign exchange spot contracts	180,895	98,300
Income from gold trading	423	641
Income from currency derivatives	100,942	77,546
Expenses for foreign currency trading	(216,701)	(113,087)

Expenses for foreign exchange spot contracts	(153,201)	(80,127)
Expenses for gold trading	(577)	(13,498)
Expenses for currency derivatives	<u>(62,923)</u>	<u>(19,462)</u>
Net gain from foreign currency trading	<u>65,559</u>	<u>63,400</u>

31. NET GAINFROM TRADING SECURITIES

	<u>2014</u> <u>VNDm</u>	<u>2013</u> <u>VNDm</u>
Income from trading securities	12,477	9,472
Expenses for trading securities	(12,012)	(13,080)
Provision expense/(reversal) for impairment of trading securities	<u>3,090</u>	<u>4,304</u>
Net gainfrom trading securities	<u>3,555</u>	<u>696</u>

32. NET LOSS FROM INVESTMENT SECURITIES

	<u>2014</u> <u>VNDm</u>	<u>2013</u> <u>VNDm</u>
Income from trading of available-for-sale securities	15,217	33
Expenses for trading of available-for-sale securities	(25,989)	(13,297)
Provision for impairment of available-for-sale securities	<u>(24,763)</u>	<u>1,021</u>
Net loss from available-for-sale securities	<u>(35,535)</u>	<u>(12,243)</u>
Net gain/(loss) from held-to-maturity securities	<u>28,604</u>	<u>(3,956)</u>
Net loss from investment securities	<u>(6,931)</u>	<u>(16,199)</u>

33. NET GAIN FROM OTHER OPERATING ACTIVITIES

	<u>2014</u> <u>VNDm</u>	<u>2013</u> <u>VNDm</u>
Net gainfrom debt trading activities	(30,990)	-
Income from debt trading activities	-	-
Expenses for debt trading activities	(30,990)	-
Net gainfrom other operatingactivities	138,756	76,626
Income from other operating activities	296,940	105,296

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Expenses for other operating activities	(158,184)	(28,670)
	107,766	76,626

34. DIVIDEND INCOME

	2014 VNDm	2013 VNDm
Dividends received during the year		
- from investment equity securities	4,187	3,590
- from capital contribution and other long-term investments	3,633	2,735
	7,820	6,325

35. OPERATING EXPENSES

	2014 VNDm	2013 VNDm
Tax expenses and fees	25,548	33,740
Employee expenses	882,755	758,215
Salary expenses	773,002	660,959
Expenses on shift meals for employees	41,246	35,999
Salary related remuneration	50,389	45,150
Other allowances	18,118	16,107
Expenses on fixed assets	344,054	327,698
<i>In which:</i>		
- Depreciation expenses	118,397	110,462
General and administration expenses	283,569	450,303
<i>In which:</i>		
- Business trip expenses	18,098	16,854
- Expenses for trade union activities	380	388
Insurance for customer deposits	70,974	67,847
Provision for impairment of other long-term investments	578	16,843
Other provision	16,875	206,224
	1,624,353	1,860,870

36. TIỀN VÀ CÁC KHOẢN TƯƠNG ĐƯƠNG TIỀN

Cash and cash equivalents included in the consolidated cash flow statement comprise of the following balances of the consolidated balance sheet:

	<u>31/12/2014</u> <u>VNDm</u>	<u>31/12/2013</u> <u>VNDm</u>
Cash and cash equivalents on hand	801,433	541,115
Balance with the State Banks	3,346,049	1,981,052
Current accounts at other banks	5,677,664	1,474,380
18,800,000 Deposits with and loans to other banks due within 3 months	18,800,000	12,180,800
	<u>28,625,146</u>	<u>16,177,347</u>

37. EMPLOYEES' REMUNERATION

	<u>Actual amount</u> <u>2014</u>	<u>Actual amount</u> <u>2013</u>
I. Average number of employees (persons)	5,553	5,174
II. Employees' income (VNDm)		
1. Total salary	773,002	660,959
2. Bonus	-	-
3. Other income	-	-
4. Total income (1+2+3)	<u>773,002</u>	<u>660,959</u>
5. Salary per capita per month	<u>11.60</u>	<u>10.65</u>
6. Income per capita per month	<u>11.60</u>	<u>10.65</u>

38. COLLATERALS

	<u>Carrying value (VNDm)</u>	
	<u>31/12/2014</u>	<u>31/12/2013</u>
Real estate properties	102,594,113	59,453,048
Movable assets	37,531,355	27,882,384
Valuable papers	15,336,136	20,607,279
Other assets	<u>89,914,572</u>	<u>36,528,806</u>
	<u>245,376,176</u>	<u>144,471,517</u>

39. CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of business, the Bank is a party to financial instruments, which are recorded as off-balance sheet items. These financial instruments mainly comprise of financial guarantees and commercial letters of credit. These instruments involve elements of credit risk besides the amounts recognized in the consolidated balance sheet.

Credit risk of off-balance sheet financial instruments is defined as the possibility of sustaining a loss in case any other party to a financial instrument fails to perform in accordance with the terms of the contract.

Financial guarantees are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party including guarantee for borrowings, settlement, performing contracts and bidding. The credit risk involved in issuing guarantees is essentially the same as that involved in extending facilities to other customers.

Commercial at sight letters of credit represent a financing transaction by the Bank to its customer where the customer is usually the buyer/importer of goods and the beneficiary is typically the seller/exporter. Credit risk is limited as the imported merchandise serves as collateral for the transaction.

Deferred payment letters of credit represent amounts at risk should the contract be fully drawn upon and the client defaults in repayment to the beneficiaries. Deferred payment letters of credit that defaulted by clients are recognized by the Bank as granting of a compulsory loan with a corresponding liability representing the financial obligation of the Bank to pay the beneficiaries and to fulfill the guarantor obligation.

The Bank usually requires customers to place margin deposits for credit-related financial instruments when it is deemed necessary. The value of deposits may vary from 0% to 100% of the value of commitments granted depending on the customers' trustworthiness.

The outstanding commitments and contingent liabilities as at the year ended are as follows:

	31/12/2014 VNDm	31/12/2013 VNDm
Financial guarantees	3,940,659	3,504,232
At sight letters of credit	1,170,812	398,544
Deferred payment letters of credit	3,590,797	1,376,281
Other commitments	5,211,417	3,059,613
	13,913,685	8,338,670

40. RISK-FREE TRUST FUNDS RECEIVED AND AGENCY ACTIVITIES

	31/12/2014 VNDm	31/12/2013 VNDm
Trusted funds received from other organizations	166,000	166,000
	166,000	166,000

VTrusted funds received from other organizations include the trusted fund of PetroVietnam Insurance Joint Stock Corporation (VND100,000 million) with term of fifty four (54) months and the syndicated loan with Dai Tin Commercial Joint Stock Bank (VND66,000 million) with term of one hundred and twenty six (126) months for lending to Vietnam Shipbuilding Industry Group (Vinashin). The Bank does not bear risk from these trust funds.

41. RELATED PARTY TRANSACTIONS

Related party transactions include all transactions undertaken with other entities to which SHB are related. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in financial and operating decisions making. A party is deemed a related party to SHB if:

- (a) directly, or indirectly through one or more intermediaries, the party:
 - ▶ controls, is controlled by, or is under common control with SHB (this includes parents and subsidiaries);
 - ▶ has interest in SHB that gives it significant influence over SHB;
 - ▶ has joint control over SHB;
- (b) the party is a joint-venture, associate in which SHB is a venturer, investor;
- (c) the party is a member of the key management personnel of SHB or its parent;
- (d) the party is a close member of the family of any individual referred to in (a) or (c); or
- (e) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such SHB resides with, directly or indirectly, any individual referred to in (c) or (d).

Summary of significant transactions with related parties during the year ended 31 December 2014 is as follows:

<i>Transactions</i>	<i>VNDm</i>
Dividend income from related parties	1,050
Interest income from loans	156,093
Income from trusted contracts	35,135

Summary of receivables from and payables to related parties as at 31 December 2013 is as follows:

<i>Transactions</i>	<i>Receivables VNDm</i>	<i>Payables VNDm</i>
Loans	2,202,523	-
Trusted investments	50,000	-
Investment in related parties	206,745	-
Accrued interest from loans, bonds and trusted funds	751,468	2,443
Demand deposits	-	970,556

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2014 and for the year then ended

Term deposits	-	897,750
Accrued interest expense for deposits	-	14,494
Management fee payables	-	119

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

Unit: VNDm

	<i>Total loan balance</i>	<i>Total deposits</i>	<i>Credit commitments</i>	<i>Derivatives (Total contract value)</i>	<i>Trading and investment securities</i>
Domestic	99,728,407	122,750,644	13,912,871	18,611	13,838,133
Overseas	4,367,307	476,975	814	-	-
	104,095,714	123,227,619	13,913,685	18,611	13,838,133

43. RISK MANAGEMENT POLICIES FOR FINANCIAL INSTRUMENTS

SHB's objective is to optimize the shareholders' wealth and maintain a sustainable profit growth and healthy financial position. Hence, the use of financial instruments, including receiving customer deposits and investing in high quality financial assets, is the core method for SHB to gain required interest margin. From the risk management perspective, SHB is required to maintain a balance between off-balance sheet instruments (such as guarantees and letters of credit) and loans (in VND and foreign currencies) to individuals and organizations of different creditworthiness levels. In addition, SHB also invested part of its mobilized funds in securities or loans to other banks. The currency risk and interest rate risk have been managed simultaneously by applying position limits in order to reduce risk concentration and participating in activities having opposite impacts to minimize risks. By holding high quality financial instruments, SHB is able to manage significant risks in its operating activities and to maintain an adequate liquidity position.

In managing credit risk, SHB has effectively used their credit management manual providing regulations and requirements on lending and guidance to standardize the lending activities of SHB. Liquidity risk is limited by keeping a large amount of cash and cash equivalents in form of Nostro account, term deposits at the SBV and other credit institutions and valuable papers. Risk-adjusted adequacy ratios are also used in liquidity risk management. SHB revalue the interest rate gap and compares to benchmarks of domestic and foreign markets on a regular basis in order to timely adapt with unforeseen movements. Moreover, internal risk management procedures have become more effective due to the application of the Centralized Fund Management and Settlement System. Accordingly, all fund transfers and settlement transactions are centralized at Head office. These systems allow SHB to effectively supervise any changes in capital and reduce possible errors and unnecessary procedures.

43. CREDIT RISK

Credit risk is the risk that the Bank will suffer a loss due to its customers or counterparties fail to discharge their contractual obligations.

SHB manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

SHB has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision.

43.1 Financial assets are not overdue

SHB's financial assets, which are not overdue, include loans in Group 1 as required by Circular 02/2013/TT-NHNN and Circular No.09/2014/TT-NHNN; securities, receivables and other financial assets which are not overdue and are not required for provision in accordance with Decision No. 228/2009/TT-BTC and Circular No.89/2013/TT-NHNN.

SHB believes that those financial assets can be recovered fully and timely in the future.

43.2 Financial assets are overdue but not impaired

Overdue but not impaired financial assets mainly include loans classified in groups 2 to 5 as required by Circular 02/2013/TT-NHNN and Circular No.09/2014/TT-NHNN, which are adequately secured by collateral assets, including real estate properties, movable assets, valuable papers and other assets.

In addition, these financial assets include deposits of Vietnam Shipbuilding Industry Group (Vinashin - renamed as Vietnam Shipbuilding Industry Group – "SBIC") and the related interest receivables. These financial assets will be resolved in accordance with the Government's directions.

45. MARKET RISK

45.1 Interest rate risk

Analysis of assets and liabilities based on effective re-pricing term of interest rate

The effective re-pricing term of interest rate is the remaining period from the date of consolidated financial statements to the nearest re-pricing term.

The following assumptions and conditions are applied in the analysis of real interest rate re-pricing term of SHB's assets and liabilities:

- ▶ Cash and cash equivalents on hand, long-term investments, derivatives instruments and other financial assets, and other assets (including fixed assets and other assets) are classified as non-interest bearing items.
- ▶ Deposits at the SBV are considered as demand deposits and accordingly, the effective interest re-pricing term is assumed to be one month.
- ▶ The effective interest re-pricing term of investment and trading securities is determined as follows:
 - ▶ Items which bear fixed interest rate during the contractual term: The effective interest re-pricing term is determined based on the time to maturity from the consolidated balance sheet date.
 - ▶ Items which bear floating interest rate: The effective interest re-pricing term is determined based on the time to the nearest interest rate adjustment date from the consolidated balance sheet date.
 - ▶ Investment and trading securities, which are equity securities are classified as non-interest bearing items.
- ▶ The effective interest re-pricing term of deposits due from and loans to other banks, loans to customers, borrowings from the Government and the SBV, deposits and borrowing from other credit institutions, customer deposits, valuable papers issued, other borrowed funds and other liabilities are determined as follows:
 - ▶ Items with fixed interest rate during the contractual term: The effective interest re-pricing term is determined based on the time to maturity from the consolidated balance sheet date.
 - ▶ Items with floating interest rate: The effective interest re-pricing term is determined based on the time to the nearest interest rate re-pricing date from the consolidated balance sheet date.
- ▶ The effective interest re-pricing term for other liabilities is categorized as non-interest bearing items.

45. MARKET RISK(continued)

45.1 Interest risk(continued)

Classification of assets and liabilities of SHB according to their re-pricing terms as at 31 December 2013 is as follows:

Unit: VNDm

	Overdue	Non-interest bearing	Interest re-pricing within					Total
			Up to 1 month	1-3 months	3-6 months	6-12 months	Over 5 years	
ASSETS								
Cash and cash equivalents	-	801,433	-	-	-	-	-	801,433
Balances with the SBV	-	3,346,049	-	-	-	-	-	3,346,049
Placements with and loans to other banks(*)	5,137	-	18,377,614	11,113,749	-	-	-	29,496,500
Trading securities	-	50,877	-	-	-	-	-	50,877
Derivative financial instruments and other financial assets	-	18,611	-	-	-	-	-	18,611
Loans and advances to customers (*)	4,087,033	-	36,554,861	50,146,925	7,946,138	4,814,690	15,677	104,095,714
Investment securities (*)	-	48,114	-	-	721,948	1,578,730	995,526	13,838,133
Long-term investments (*)	-	341,590	-	-	-	-	-	341,590
Fixed assets and investment properties	-	4,122,845	-	-	-	-	-	4,122,845
Other assets (*)	-	12,426,509	50,000	-	-	1,958,309	-	14,434,818
Total assets	4,092,170	21,156,028	54,982,475	61,260,674	8,668,086	8,351,729	1,011,203	170,546,570
LIABILITIES								
Deposits of and loans from the SBV and other banks	-	-	17,154,255	11,004,383	424,920	313,661	5,094	28,904,049
Customer deposits	-	-	46,629,650	31,436,589	19,456,005	19,432,464	1,870	123,227,619
-4,372,210,115 ---214,487Other borrowed funds	-	-	4,372	210,115	-	-	-	214,487
Valuable papers issued	-	-	-	-	-	3,860,000	51,000	3,911,000
Other liabilities	-	2,295,419	-	-	-	-	-	2,295,419
Total liabilities	-	2,295,419	63,788,277	42,651,087	19,880,925	23,606,125	6,964	158,552,574
Sensitive difference	4,092,170	18,860,609	(8,805,802)	18,609,587	(11,212,839)	(15,254,396)	1,004,239	11,993,996

(*): The amounts exclude provisions

45. MARKET RISK (continued)

45.1 Interest risk (continued)

Interest rate sensitivity

With all other variables held constant, SHB's profit before tax and their owners' equity for the year ended 31 December 2014 are affected by the impact on floating rate borrowings as follows:

	Increase/(Decrease) in basis points	Effect on	
		Profit before tax VNDm	Owners' equity VNDm
VND equivalent	+10	(3,752)	(2,926)
VND equivalent	-10	3,752	2,926

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

45.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

As SHB is incorporated and operates in Vietnam, VND is the reporting currency. The major currency of transactions is also VND. SHB's assets are mainly denominated in VND with the remainders mainly in USD and EUR. However, some of SHB's other assets are in currencies other than VND, USD and EUR. Positions are monitored on a daily basis and hedging strategies are used to ensure that the positions are maintained within established limits.

45. MARKET RISK (continued)

45.2 Currency risk (continued)

Classification of assets and liabilities denominated in foreign currencies translated into VND as at 31 December 2014 is as follows:

Unit: VNDm

	<i>EUR as translated</i>	<i>USD as translated</i>	<i>Other foreign currencies as translated</i>	<i>Total</i>
ASSETS				
Cash and cash equivalents	52,637	202,381	75,240	330,258
Balances with the State Bank	-	2,031,524	25,515	2,057,039
Placements with and loans to other banks (*)	359,392	1,809,533	107,042	2,275,967
Loans and advances to customers (*)	21,200	10,959,872	196,567	11,177,639
- 21,885 6,051 27,936 Fixed assets and investment properties	-	21,885	6,051	27,936
Other assets (*)	2,311	842,049	3,369	847,729
Total assets	435,540	15,867,244	413,784	16,716,568
LIABILITIES				
Deposits of and loans from the SBV and other banks	-	2,327,937	-	2,327,937
Customer deposits	393,741	11,518,198	109,849	12,021,788
Derivative financial instruments and other financial assets	34,757	1,386,091	10,024	1,430,872
1,033 108,194 (11,720) 97,507 Other liabilities	1,033	108,194	(11,720)	97,507
Capital and reserves	-	70,517	25,823	96,340
Total liabilities and owners' equity	429,531	15,410,937	133,976	15,974,444
FX position on-balance sheet	6,009	456,307	279,808	742,124
FX position off-balance sheet	(260)	(148,451)	-	(148,711)
FX position on and off-balance sheet	5,749	307,856	279,808	593,413

(*): The amounts exclude provisions

45. MARKET RISK(continued)

45.2 Currency risk (continued)

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the USD, EUR, etc, exchange rate, all other variables remain constant, of SHB's profit before tax and owners' equity.

	Increase/(decrease) in exchange rate (%)	Effect on	
		Profit before tax VNDm	Owners' equity VNDm
USD	5	15,393	12,006
EUR	5	287	224
Other currencies	5	13,990	10,912
USD	-5	(15,393)	(12,006)
EUR	-5	(287)	(224)
Other currencies	-5	(13,990)	(10,912)

45.3 Liquidity risk

Liquidity risk is defined as the risk that SHB will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises in case SHB fails to fulfill its due payment obligations under both normal and stressed circumstances. To limit this risk, SHB have arranged diversified funding sources in addition to their core deposit base, and adopted a policy of managing assets with liquidity, monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of collateral, which could be used to secure additional funding if required.

The maturity term of assets and liabilities represents the remaining period of assets and liabilities from the consolidated balance sheet date to the maturity date according to the underlying contractual agreements or term of issuance.

The following assumptions and conditions have been applied in the maturity analysis of SHB's assets and liabilities:

- ▶ Deposits at the SBV are classified as demand deposits including compulsory deposits. The balance of compulsory deposits depends on the proportion and terms of SHB's customer deposits.
- ▶ The maturity term of investment securities which are equity securities is calculated based on the maturity date of each kind of securities.
- ▶ Trading securities is considered as up to one (1) month.
- ▶ The maturity term of placements with and loans to other banks; and loans to customers are based on the contractual maturity date. The actual maturity term may be altered when the contract is extended. Besides, loans to customers are reported at the principal amounts, which do not include provisions for credit losses.

-
- ▶ The maturity term of equity investments is considered as more than five (5) years because these investments do not have specific maturity date.
 - ▶ Deposits and borrowings from other banks and customer deposits are determined based on the nature of these items or the contractual maturity date. Vostro accounts and current accounts transacted upon customers' demand are considered as current accounts. The maturity term of borrowings and term deposits is determined based on the contractual maturity date. In practice, these amounts may be rotated and maintained for longer period.
 - ▶ The maturity term of fixed assets is determined on the remaining useful life of assets.

45. MARKET RISK (continued)

45.3 Liquidity risk (continued)

The maturity of assets and liabilities as at 31 December 2014 is as follows:

Unit: VNDm

	Overdue		Current				Total
	Over 3 months	Up to 3 months	Up to 1 months	From 1 – 3 months	From 3 – 12 months	From 1 – 5 years	Over 5 years
ASSETS							
Cash and cash equivalents	-	-	801,433	-	-	-	801,433
Balances with the SBV	-	-	3,346,049	-	-	-	3,346,049
Placements with and loans to other banks (*)	-	5,137	18,377,614	11,113,749	-	-	29,496,500
Trading securities (*)	-	-	50,877	-	-	-	50,877
Derivative financial instruments and other financial assets	-	-	18,611	-	-	-	18,611
Loans and advances to customers (*)	2,208,427	1,878,606	10,212,747	8,967,272	23,184,308	35,482,171	104,095,714
Investment securities (*)	-	-	48,114	-	2,300,678	10,493,815	13,838,133
Long-term investments (*)	-	-	-	-	-	-	341,590
Fixed assets and investment properties	-	-	3,618,526	323	8,113	265,820	4,122,845
Other assets (*)	-	-	11,783,613	8,396	2,007,607	628,920	14,434,818
Total assets	2,208,427	1,883,743	48,257,584	20,089,740	27,500,706	46,870,726	170,546,570
LIABILITIES							
Deposits of and loans from the SBV and other banks	-	-	17,154,255	10,591,380	855,569	294,194	28,904,049
Customer deposits	-	-	46,629,650	31,436,589	38,888,469	6,271,041	123,227,619
Other borrowed funds	-	-	4,372	4,438	31,851	161,639	214,487
Valuable papers issued	-	-	-	-	3,860,000	51,000	3,911,000
Other liabilities	-	-	2,295,419	-	-	-	2,295,419
Total liabilities	-	-	66,083,696	42,032,407	43,635,889	6,777,874	158,552,574
Net liquidity difference	2,208,427	1,883,743	(17,826,112)	(21,942,667)	(16,135,183)	40,092,852	11,993,996

(*): The amounts exclude provisions

46. **ADDITIONAL INFORMATION ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES UNDER CIRCULAR No. 210/2009/TT-BTC**

On 6 November 2009, the Ministry of Finance issued Circular No. 210/2009/TT-BTC providing guidance on the adoption of the International Financial Reporting Standards on presentation and disclosures of financial instruments ("Circular 210") which will be effective from financial years beginning on or after 1 January 2011. Circular 210 provides definitions of financial instruments, including financial assets and financial liabilities, derivative financial instruments and equity instruments as well as the classification, presentation and disclosures of these instruments.

Circular 210 only regulates the presentation of financial statements and disclosures of financial instruments, therefore, the below 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 and System for Vietnamese Credit Institutions and other relevant regulations of the SBV.

Financial assets

Financial assets of SHB under the scope of Circular 210 are including cash, gold, balances with the SBV and other credit institutions, loans to customer and other credit institutions, trading securities, investment securities, receivables and other assets arising from currency derivative contracts.

According to Circular 210, financial assets are appropriately classified, for the purpose of disclosure in the notes to the consolidated financial statements, into one of the following categories:

► ***Financial assets at fair value in income statement:***

A financial asset at fair value in income statement is the 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 selling or repurchasing in the near term;
 - There is evidence of a recent actual pattern of short-term profit-taking; or
 - It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).
- b) Upon initial recognition, SHB designated it as at fair value in income statement.

► ***Held-to-maturity investments:***

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity SHB have intention and ability to hold to maturity other than:

- a) Financial assets, upon initial recognition, are designated as at fair value in income statement;
- b) Financial assets are designated as available-for-sale; and
- c) Financial assets meet the definition of loans and receivables.

► ***Loans and receivables:***

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

- a) Those that SHB intend to sell immediately or in the near term, which shall be classified as held for trading, and those that SHB upon initial recognition designate as at fair value in income statement;
- b) Those that SHB upon initial recognition designate as available-for-sale; or
- c) Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available-for-sale.

► **Available-for-sale financial assets**

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

- a) Loans and receivables;
- b) Held-to-maturity investments;
- c) Financial assets at fair value in income statement.

Financial liabilities

Financial liabilities of SHB under the scope of Circular 210 include borrowings from the Government and the SBV, deposits and borrowings from other banks, customer deposits, other borrowed funds, valuable papers issued, other liabilities and liabilities arising from currency derivative contracts.

According to Circular 210, financial liabilities, for the purpose of disclosure in the notes to the consolidated financial statements, are appropriately classified into:

► **Financial liability at fair value in income statement**

Financial liability at fair value in income statement 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 selling or repurchasing in the near term;
 - There is evidence of a recent actual pattern of short-term profit-taking; or
 - It is a derivative (except for a derivative that is a financial guarantee contract or an effective hedging instrument).
- b) Upon initial recognition, SHB designated it as at fair value in income statement.

► **Financial liabilities by amortized cost**

Financial liabilities that are not classified as at fair value in income statement are classified as at amortized cost.

► **Offsetting financial assets and liabilities**

The financial assets and financial liabilities are offset and the net amount will be presented on the consolidated balance sheet if, and only if, there is a currently legal right to offset those recognized amounts and there is an intention to offset on a net basis, or to realize the assets and settle the liabilities simultaneously.

Unit: VNDm

	Carrying value					Fair value (*)
	Trading	Held-to-maturity	Loans and receivables	Available-for-sale	Other assets and liabilities recorded at amortized cost	Total
Cash, gold and gemstones	-	-	-	-	801,433	801,433
Balances with the SBV	-	-	-	-	3,346,049	3,346,049
Placements with and loans to other banks	-	23,818,837	-	-	5,677,663	29,496,500
Trading securities	50,877	-	-	-	-	50,877
Derivatives and other financial liabilities	18,611	-	-	-	-	18,611
Loans and advances to customers	-	-	104,095,714	-	-	104,095,714
Available-for-sale securities	-	-	-	5,794,806	-	5,794,806
Held-to-maturity securities	-	8,043,327	-	-	-	8,043,327
Other financial assets	-	2,008,308	6,915,749	321,032	5,948	9,251,037
	69,488	33,870,472	111,011,463	6,115,838	9,831,093	160,898,354
						161,857,896
Borrowings from the Government and the SBV	-	-	-	-	761,158	774,098
Deposits and borrowings from other banks	-	-	-	-	28,142,891	28,236,161
Deposits and other amounts due to customers	-	-	-	-	123,227,619	124,831,518
Other borrowed funds	-	-	-	-	214,487	214,896
Valuable papers issued	-	-	-	-	3,911,000	3,917,987
Other financial liabilities	-	-	-	-	9,730	9,730
	-	-	-	-	156,266,885	156,266,885
						157,984,390

(*): Due to the lack of information on fair value, the amounts presented in the above table are determined based on the carrying value of the Bank's financial assets and liabilities. The carrying value is determined and recognised in accordance with relevant accounting guidance of the Ministry of Finance and the State Bank of Vietnam.

46. ADDITIONAL INFORMATION ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES UNDER CIRCULAR No. 210/2009/TT-BTC (continued)

46.2 Financial assets, which have been pledged, mortgaged or transferred but not qualified for de-recognition

Details of the financial assets of SHB, which have been pledged or mortgaged to secure for loans or transferred under the sale and repurchase contracts with the SBV and other credit institutions, are as follows:

	31 December 2014		31 December 2013	
	Book value	Related obligations	Book value	Related obligations
	VNDm	VNDm	VNDm	VNDm
Treasury Bills	-	-	2,890,462	2,890,462
Government bonds	712,857	517,502	397,000	397,000
Municipal bonds	-	-	50,000	50,000
	712,857	517,502	3,337,462	3,337,462

47. OPERATING LEASE COMMITMENTS

	31/12/2014	31/12/2013
	VNDm	VNDm
Irrevocable operating lease commitments	289,291	904,473
<i>In which:</i>		
- due within 1 year	85,755	665,648
- due from 2 to 5 years	172,727	207,970
- due after 5 years	30,809	30,855

48. EVENTS AFTER THE CONSOLIDATED BALANCE SHEET DATE

There have been no significant events occurring since the consolidated balance sheet date, which require adjustments or disclosures to be made in the consolidated financial statements.

49. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST VIETNAM DONG AT THE YEAR-END

	31/12/2014 VND	31/12/2013 VND
USD	21,246	21,036
EUR	26,026	29,036
GBP	33,367	34,902
CHF	21,647	23,704
JPY	179	201
SGD	16,212	16,685
AUD	17,547	18,797
HKD	2,761	2,694
CAD	18,471	19,806
LAK	2,712	2,712
THB	651	660

Prepared by



Ms. Nguyen Thi Hanh Hoa
Accountant

Approved by



Ms. Ngo Thi Van
Chief Accountant

Approved by



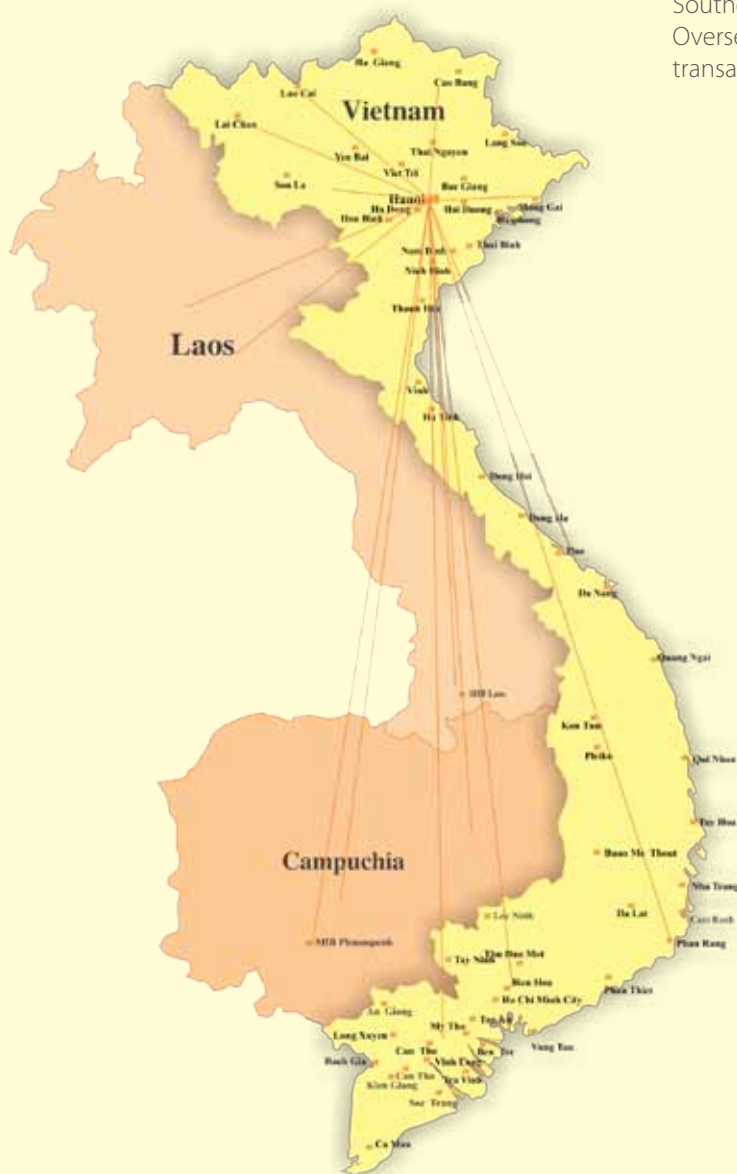
Mr. Nguyen Van Le
General Director

Hanoi, Vietnam

31 March 2015

SHB Network





Northern Area: 217 transaction points.
 Central Area: 53 transaction points.
 Southern Area: 133 transaction points.
 Overseas markets (Lao, Cambodia): 5 transaction points.

