

Saigon – Hanoi Commercial Joint Stock Bank

Consolidated financial statements

Saigon – Hanoi Commercial Joint Stock Bank

CONTENTS

	<i>Pages</i>
General information	1 - 2
Report of the Board of Management	3
Independent auditors' report	4 - 5
Consolidated balance sheet	6 - 8
Consolidated income statement	9
Consolidated cash flow statement	10 - 11
Notes to the consolidated financial statements	12 - 73

Saigon – Hanoi Commercial Joint Stock Bank

GENERAL INFORMATION (continued)

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	17/06/2013
1800278630	11/06/2014

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 Quang Thung	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

Saigon – Hanoi Commercial Joint Stock Bank

GENERAL INFORMATION (continued)

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 the financial company by the Bank was also approved by the shareholders.

Saigon – Hanoi Commercial Joint Stock Bank

REPORT OF THE BOARD OF MANAGEMENT

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 statement 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 preparation and presentation of consolidated financial statements.

Mr. Nguyen Van Le
General Director

Hanoi, Vietnam

31 March 2015

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 matter

In 2012, the Bank successfully merged Hanoi Building Commercial Joint Stock Bank ("Habubank") into its operations under Decision No. 1559/QĐ-NHNN dated 7 August 2012 granted 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

Nguyen Xuan 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

Saigon – Hanoi Commercial Joint Stock Bank

CONSOLIDATED BALANCE SHEET
as at 31 December 2014

B02/TCTD-HN

	<i>Notes</i>	<i>31/12/2014</i> <i>VNDm</i>	<i>31/12/2013</i> <i>VNDm</i>
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 and 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 impairment of 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		5,939,000	(254,981)
TOTAL ASSETS		<u>169,035,546</u>	<u>143,625,803</u>

Saigon – Hanoi Commercial Joint Stock Bank

CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2014

B02/TCTD-HN

	<i>Notes</i>	<i>31/12/2014</i> <i>VNDm</i>	<i>31/12/2013</i> <i>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>734,463</u>	<u>642,480</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>

Saigon – Hanoi Commercial Joint Stock Bank

CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2014

B02/TCTD-HN

OFF-BALANCE SHEET ITEMS

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

Prepared by

Approved by

Approved by

Ms. Nguyen Thi Hanh Hoa
Accountant

Ms. Ngo Thi Van
Chief Accountant

Mr. Nguyen Van Le
General Director

Hanoi, Vietnam

31 March 2015

Saigon – Hanoi Commercial Joint Stock Bank

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2014

B03/TCTD-HN

	<i>Notes</i>	<i>2014 VNDm</i>	<i>2013 VNDm</i>
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 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

Approved by

Approved by

Ms. Nguyen Thi Hanh Hoa
Accountant

Ms. Ngo Thi Van
Chief Accountant

Mr. Nguyen Van Le
General Director

Hanoi, Vietnam

31 March 2015

Saigon – Hanoi Commercial Joint Stock Bank

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2014

B04/TCTD-HN

	<i>Notes</i>	<i>2014 VNDm</i>	<i>2013 VNDm</i>
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 trading and trading 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 securities & long-term investments		(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 due to banks		7,095,296	(1,091,870)
Increase in due 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 long-term investments during the year		7,820	6,325
Net cash flows used in investing activities		(66,141)	(442,820)

Saigon – Hanoi Commercial Joint Stock Bank

CONSOLIDATED CASH FLOW STATEMENT (continued)
for the year ended 31 December 2013

B04/TCTD-HN

	<i>Notes</i>	<i>2014 VNDm</i>	<i>2013 VNDm</i>
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
Cash and cash equivalents at the beginning of the year		<u>28,625,146</u>	<u>11,666,558</u>
Cash and cash equivalents at the end of the year	36	<u>12,447,798</u>	<u>16,177,347</u>

Prepared by

Approved by

Approved by

Ms. Nguyen Thi Hanh Hoa
Accountant

Ms. Ngo Thi Van
Chief Accountant

Mr. Nguyen Van Le
General Director

Hanoi, Vietnam

31 March 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2014 and for the year then ended**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	17/06/2013
1800278630	11/06/2014

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).

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

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 statement*

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/QD-NHNN issued on 29 April 2004 by the Governor of the SBV which was enacted from 1 January 2005 and decisions on amendment and supplementation of Decision No. 479/2004/QD-NHNN, Decision No. 16/2007/QD-NHNN issued on 18 April 2007 by the Governor of the SBV and decisions on amendment and supplementation of Decision No. 16/2007/QD-NHNN, and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

- ▶ Decision 149/2001/QD-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (Series 1);
- ▶ Decision 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 2);
- ▶ Decision 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 3);
- ▶ Decision 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 4); and
- ▶ Decision 100/2005/QD-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 statement, 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.

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

3. ACCOUNTING STANDARDS AND SYSTEM (continued)

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

3.5.1 Regulations issued and officially effective

The accounting policies adopted by SHB in 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:

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 replace Decision No. 493/2005/QĐ-NHNN and Decision No. 18/2007/QĐ-NHNN. Accordingly, key changes were as follows:

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

3. ACCOUNTING STANDARDS AND SYSTEM (continued)

3.5 Changes in accounting policies and disclosures (continued)

3.5.1 Regulations issued and officially effective (continued)

- ▶ Besides loans and advances to customers, these 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 beared by trustor;
 - ▶ Trusted loans;
 - ▶ Balances with (except for demand deposit) domestic credit institutions, foreign banks' branches in accordance with regulations on 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 Apr 2004 by the Governor of the SBV in order to be suitable for new financial records method 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 2014, 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 were as following:

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

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

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 made 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:

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Provision for credit losses (continued)

4.3.1 Provision for credit losses in Vietnam (continued)

Specific provision (continued)

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 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 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 for the year ended 31 December 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 principal and respective specific provisions and recognize the par value of VAMC's special bonds, which is the difference between the principal 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 impairment of VAMC bonds and the outstanding balance of loans/bonds into "Other operating income" in the consolidated income statement.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Provision for credit losses (continued)

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% in accordance with Decision No. 324/BOL.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 *Provision for credit losses* (continued)

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 statements 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 calculated. 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, 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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 *Investment securities* (continued)

4.5.1 *Available-for-sale securities* (continued)

In subsequent years, 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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 *Investment securities* (continued)

4.5.3 *Special bonds issued by Vietnam Asset Management Company (“VAMC”) (continued)*

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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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:

<u>Overdue status</u>	<u>Allowance rate</u>
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 for making 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".

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 *Other receivables* (continued)

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:

<u>Overdue status</u>	<u>Allowance rate</u>
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 to 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 theirs 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.

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

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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Recognition of income and expenses (continued)

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:

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Enterprise income taxes (continued)

Deferred enterprise income tax (continued)

- ▶ 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.

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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 STATEMENT (continued)
as at 31 December 2014 and for the year then ended

5. SEGMENT REPORTING

5.1 Segment reporting in terms of business activities

	<i>Credit</i>	<i>Investment</i>	<i>Services</i>	<i>Treasury</i>	<i>VNDm Total</i>
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	3,462,190	20,326	2,849,023	3,074,304	9,405,843
Total assets	116,664,265	16,575,545	2,948,202	32,847,534	169,035,546
1. Segment liabilities	791,887	-	248,862	156,948,385	157,989,134
2. Liability allocation	207,396	1,218	170,666	184,160	563,440
Total liabilities	999,283	1,218	419,528	157,132,545	158,552,574

5.2 Segment reporting in terms of geographic areas

	<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

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

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

8. PLACEMENTS WITH AND LOANS TO OTHER BANKS

Breakdown of placements with and loans to other banks at the end of the accounting periods is as follows:

	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:

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

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

10. DERIVATIVES AND OTHER FINANCIAL ASSETS

	<i>Total net carrying value (at exchange rates at the consolidated balance sheet date)</i>		
	<i>Assets VNDm</i>	<i>Liabilities VNDm</i>	<i>Net carrying value VNDm</i>
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

	<i>31/12/2014 VNDm</i>	<i>31/12/2013 VNDm</i>
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	142,560	144,096
	104,095,714	76,509,671

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

	<i>31/12/2014 VNDm</i>	<i>31/12/2013 VNDm</i>
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	-	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

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

11. LOANS AND ADVANCES TO CUSTOMERS (continued)

11.1 Analysis of loans by quality (continued)

(*) 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.

11.2 Analysis of loans by original terms

	31/12/2014	31/12/2013
	VNDm	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		31/12/2013	
	VNDm	%	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

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

11. LOANS AND ADVANCES TO CUSTOMERS (continued)

11.4 Analysis of loans by sectors

	31/12/2014 VNDm	%	31/12/2013 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
Education 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

12. PROVISION FOR CREDIT LOSSES

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

	31/12/2014 VNDm	31/12/2013 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

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

12. PROVISION FOR CREDIT LOSSES (continued)

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:

	<i>Specific provision VNDm</i>	<i>General provision VNDm</i>	<i>Total VNDm</i>
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:

	<i>Specific provision VNDm</i>	<i>General provision VNDm</i>	<i>Total VNDm</i>
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	(126,102)	-	(126,102)
Closing balance	710,397	446,512	1,156,909

12.1 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	-	266	266
Closing balance	2,906	30,644	33,550

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

12. PROVISION FOR CREDIT LOSSES (continued)

12.1 Provision for credit losses in Cambodia

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	396	18,387	18,784
Closing balance	396	26,461	26,858

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:

	<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

Changes in the provision for loans in the previous period are summarized as follows:

	<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

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

13. INVESTMENT SECURITIES

	31/12/2014 VNDm	31/12/2013 VNDm
Available-for-sale securities	5,794,806	8,101,622
<i>Debt securities</i>	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
<i>Equity securities</i>	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 STATEMENT (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 year ended 31 December 2014 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	202,342	296,991	169,702	84,808	24,519	778,362
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	49,477	177,643	85,821	63,940	17,575	394,456
Net book value						
As at 1 January 2014	153,755	137,726	78,251	28,948	7,269	405,949
As at 31 December 2014	152,865	119,348	83,881	20,868	6,944	383,906

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

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</i>	<i>Machines & equipment</i>	<i>Motor vehicles</i>	<i>Office equipment</i>	<i>Other tangible assets</i>	<i>Total</i>
	VNDm	VNDm	VNDm	VNDm	VNDm	VNDm
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	192,365	279,964	147,263	81,933	22,051	723,576
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	38,610	142,238	69,012	52,985	14,782	317,627
Net book value						
As at 1 January 2013	160,264	89,356	91,817	47,663	9,783	398,883
As at 31 December 2013	153,755	137,726	78,251	28,948	7,269	405,949

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

14. FIXED ASSETS (continued)

14.2 Intangible assets

Movements of intangible assets during the year ended 31 December 2014 were as follows:

	<i>Land use rights VNDm</i>	<i>Computer software VNDm</i>	<i>Other intangible assets VNDm</i>	<i>Total VNDm</i>
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>

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

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 VNDm</i>	<i>Computer software VNDm</i>	<i>Other intangible assets VNDm</i>	<i>Total 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>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (continued)
as at 31 December 2014 and for the year then ended**15. INVESTMENT PROPERTIES**

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

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

16. OTHER ASSETS

	<i>Notes</i>	<i>31/12/2014 VNDm</i>	<i>31/12/2013 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		(51,997)	(254,981)
		14,382,821	12,304,672

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

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	31/12/2013 VNDm
Land use rights in Vietnam	33,086	479,259
Construction in progress	96,743	44,925
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:

	31/12/2014 VNDm	31/12/2013 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

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

16. OTHER ASSETS (continued)

16.4 Other assets

	31/12/2014 VNDm	31/12/2013 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 years 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).

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

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
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
	<u>123,227,619</u>	<u>90,761,017</u>

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
	<u>123,227,619</u>	<u>90,761,017</u>

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

19. DEPOSITS AND OTHER AMOUNTS DUE TO CUSTOMERS (continued)

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
	<u>123,227,619</u>	<u>90,761,017</u>

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 Up to 30 months	-	-	Over 30 months Up to 30 months	18,363 50,383	7.32 7.32
Medium-term, long-term borrowings in VND from Rural Finance Project III (RDF III)	Over 18 months Up to 18 months	-	-	Over 18 months Up to 18 months	132,702 153,444	7.32 7.32
Medium-term, long-term borrowings in VND from Small and Medium Enterprise Development Fund - Phase III	Over 30 months Up to 30 months	175,431 39,056	5.16 5.16	Over 30 months Up to 30 months	78,422 35,755	5.88 5.88
International Development Association (World Bank)	-	-	-	20 years	7,321	0.75
		<u>214,487</u>			<u>476,390</u>	

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).

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.

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

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
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

	<i>Opening balance</i>	<i>Movement during the year</i>		<i>Closing balance</i>
		<i>Increase</i>	<i>Decrease</i>	
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%).

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

23. OBLIGATIONS TO THE STATE BUDGET (continued)

23.1 Current Enterprise Income Tax (continued)

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.

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	31/12/2013
	<u>VNDm</u>	<u>VNDm</u>
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	(25,176)	(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
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	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (continued)
as at 31 December 2013 and for the year then ended

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:

	VNDm								
	<i>Charter capital</i>	<i>Share premium</i>	<i>Treasury shares</i>	<i>Investment and development fund</i>	<i>Financial reserve</i>	<i>Supplemental capital reserve</i>	<i>Non- controlling interest</i>	<i>Retained earnings</i>	<i>Total</i>
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 STATEMENT (continued)
as at 31 December 2014 and for the year then ended

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		
	Total	Ordinary share capital	Preference share capital	Total	Ordinary share capital	Preference share capital
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.

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

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:

	<i>2014</i> <i>VNDm</i>	<i>2013</i> <i>VNDm</i>
Net profit after tax for the year attributable to ordinary shareholders of the Bank	790,747	849,742
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

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

27. INTEREST AND SIMILAR INCOME

	<i>2014</i> <i>VNDm</i>	<i>2013</i> <i>VNDm</i>
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

28. INTEREST AND SIMILAR EXPENSES

	<i>2014</i> <i>VNDm</i>	<i>2013</i> <i>VNDm</i>
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

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

29. NET FEE AND COMMISSION INCOME

	<i>2014</i> <i>VNDm</i>	<i>2013</i> <i>VNDm</i>
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

	<i>2014</i> <i>VNDm</i>	<i>2013</i> <i>VNDm</i>
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	(62,923)	(19,462)
Net gain from foreign currency trading	65,559	63,400

31. NET GAIN FROM TRADING SECURITIES

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

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

32. NET LOSS FROM INVESTMENT SECURITIES

	<i>2014</i> <i>VNDm</i>	<i>2013</i> <i>VNDm</i>
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	(24,763)	1,021
Net loss from available-for-sale securities	(35,535)	(12,243)
Net gain/(loss) from held-to-maturity securities	28,604	(3,956)
Net loss from investment securities	(6,931)	(16,199)

33. NET GAIN FROM OTHER OPERATING ACTIVITIES

	<i>2014</i> <i>VNDm</i>	<i>2013</i> <i>VNDm</i>
Net gain from debt trading activities	(30,990)	-
Income from debt trading activities	-	-
Expenses for debt trading activities	(30,990)	-
Net gain from other operating activities	138,756	76,626
Income from other operating activities	296,940	105,296
Expenses for other operating activities	(158,184)	(28,670)
	107,766	76,626

34. DIVIDEND INCOME

	<i>2014</i> <i>VNDm</i>	<i>2013</i> <i>VNDm</i>
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

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

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. CASH AND CASH EQUIVALENTS

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

	31/12/2014 VNDm	31/12/2013 VNDm
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
Deposits with and loans to other banks due within 3 months	18,800,000	12,180,800
	28,625,146	16,177,347

37. EMPLOYEES' REMUNERATION

	Actual amount 2014	Actual amount 2013
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)	773,002	660,959
5. Salary per capita per month	11.60	10.65
6. Income per capita per month	11.60	10.65

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

38. COLLATERALS

	<i>Carrying value (VNDm)</i>	
	<i>31/12/2014</i>	<i>31/12/2013</i>
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	89,914,572	36,528,806
	245,376,176	144,471,517

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 credits 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:

	<i>31/12/2014</i>	<i>31/12/2013</i>
	<i>VNDm</i>	<i>VNDm</i>
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

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

40. RISK-FREE TRUSTFUNDS 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

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

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

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

	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.

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

44. 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 credit worthiness 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.

44.1 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.

44.2 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.

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

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.

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

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:

	Overdue	Non-interest bearing	Interest re-pricing within					Over 5 years	Total
			Up to 1 month	1-3 months	3-6 months	6-12 months	1-5 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	530,390	15,677	104,095,714
Investment securities (*)	-	48,114	-	-	721,948	1,578,730	10,493,815	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	11,024,205	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	1,736	5,094	28,904,049
Customer deposits	-	-	46,629,650	31,436,589	19,456,005	19,432,464	6,271,041	1,870	123,227,619
Other 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	6,323,777	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)	4,700,428	1,004,239	11,993,996

(*) The amounts exclude provisions

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

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:

	<i>Increase/(Decrease) in basis points</i>	<i>Effect on</i>	
		<i>Profit before tax VNDm</i>	<i>Owners' equity VNDm</i>
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.

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

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:

	<i>EUR as translated</i>	<i>USD as translated</i>	<i>Other foreign currencies as translated</i>	<i>VNDm 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
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
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*

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

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.

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

45. MARKET RISK (continued)

45.3 Liquidity risk (continued)

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

	VNDm							Total
	Overdue			Current				
	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	22,162,183	104,095,714
Investment securities (*)	-	-	48,114	-	2,300,678	10,493,815	995,526	13,838,133
Long-term investments (*)	-	-	-	-	-	-	341,590	341,590
Fixed assets and investment properties	-	-	3,618,526	323	8,113	265,820	230,063	4,122,845
Other assets (*)	-	-	11,783,613	8,396	2,007,607	628,920	6,282	14,434,818
Total assets	2,208,427	1,883,743	48,257,584	20,089,740	27,500,706	46,870,726	23,735,644	170,546,570
LIABILITIES								
Deposits of and loans from the SBV and other banks	-	-	17,154,255	10,591,380	855,569	294,194	8,651	28,904,049
Customer deposits	-	-	46,629,650	31,436,589	38,888,469	6,271,041	1,870	123,227,619
Other borrowed funds	-	-	4,372	4,438	31,851	161,639	12,187	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	22,708	158,552,574
Net liquidity difference	2,208,427	1,883,743	(17,826,112)	(21,942,667)	(16,135,183)	40,092,852	23,712,936	11,993,996

(*): The amounts exclude provisions

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

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.

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

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

Financial assets (continued)

▪ ***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.

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

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

Financial liabilities

▪ ***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.

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

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

46.1 Carrying value and fair value of financial assets and liabilities

Carrying value and fair value of financial assets of SHB as at 31 December 2014 are presented in the following table:

	Carrying value					Total	Fair value (*)
	Trading	Held-to-maturity	Loans and receivables	Available-for-sale	Other assets and liabilities recorded at amortized cost		
Cash, gold and gemstones	-	-	-	-	801,433	801,433	801,433
Balances with the SBV	-	-	-	-	3,346,049	3,346,049	3,346,049
Placements with and loans to other banks	-	23,818,837	-	-	5,677,663	29,496,500	25,017,521
Trading securities	50,877	-	-	-	-	50,877	31,828
Derivatives and other financial liabilities	18,611	-	-	-	-	18,611	18,611
Loans and advances to customers	-	-	104,095,714	-	-	104,095,714	107,956,627
Available-for-sale securities	-	-	-	5,794,806	-	5,794,806	6,370,693
Held-to-maturity securities	-	8,043,327	-	-	-	8,043,327	7,904,151
Other financial assets	-	2,008,308	6,915,749	321,032	5,948	9,251,037	10,410,983
	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	761,158	774,098
Deposits and borrowings from other banks	-	-	-	-	28,142,891	28,142,891	28,236,161
Deposits and other amounts due to customers	-	-	-	-	123,227,619	123,227,619	124,831,518
Other borrowed funds	-	-	-	-	214,487	214,487	214,896
Valuable papers issued	-	-	-	-	3,911,000	3,911,000	3,917,987
Other financial liabilities	-	-	-	-	9,730	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.

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

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	
	<i>Book value</i> VNDm	<i>Related obligations</i> VNDm	<i>Book value</i> VNDm	<i>Related obligations</i> 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 VNDm	31/12/2013 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.

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

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

	<i>31/12/2014</i>	<i>31/12/2013</i>
	<i>VND</i>	<i>VND</i>
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

Approved by

Approved by

Ms. Nguyen Thi Hanh Hoa
Accountant

Ms. Ngo Thi Van
Chief Accountant

Mr. Nguyen Van Le
General Director

Hanoi, Vietnam

31 March 2015