

CONNECTING PROSPERITY

# annual report 2015

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# MESSAGE OF CHAIRMAN OF BOARD OF DIRECTORS

#### Ladies and gentlemen!

In 2015, Vietnam's economy has well recovered thanks to drastic policies of the Government and Ministries. GDP growth exceeded the target set earlier in the year, inflation was controlled at a low level, export growth was good, foreign investment improved, and the financial market was stabilized.

Following successes on the path of development, in 2015 SHB continued to grow dramatically in every aspect, standing in Top 5 largest private commercial joint stock banks of Vietnam. Total assets reached VND 204.7 trillion (asset growth of 21.1%), customer loans reached VND 131.4 trillion, customer deposits reached VND 157.5 trillion (deposit growth of 23.7%), and profit reached over VND 1.017 trillion. In particular, non performing loans were actively resolved, decreasing to only 1.72% at the end of 2015.

Closing the year of 2015, SHB is present in nearly 40 provinces and cities nationwide and in Laos and Cambodia (in 2015 SHB opened 2 more branches in Cambodia). The active opening of more branches and transaction offices both at home and abroad confirmed SHB's gradual realizing of the strategy to become a leading modern multi-functional retail bank in the country and in the region by 2020. Not only fulfilling business targets adopted by the General Shareholder Assembly, SHB also constantly enhances its credibility by being selected by the State Bank of Vietnam, the Ministry of Finance and foreign financial institutions as an on-lending bank for ODA projects. Moreover, SHB is also actively involved in financing key national projects such as transport infrastructure, oil and gas, electric power, agricultural and rural development, lending programs for temporary rice storage, financing tea and rubber plantation, etc. and especially offering distinctive products with many incentives to small and medium enterprises and supporting industries... In addition, charity work has been focused on, creating a feature image of a dynamic, socially responsible and community friendly SHB.

The year 2015 also marked many important events of SHB. SHB was one of the first two Vietnamese joint stock commercial banks allowed to open subsidiary banks in Laos. After successfully acquiring Habubank in 2012, in 2015 SHB was approved by the State Bank of Vietnam to acquire Vinaconex-Viettel Finance Corporation, enabling the bank to expand size and scope, reaching

closer the goal of becoming one of leading retail banks in Vietnam. The signing of strategic partnerships with large corporations and economic groups in the country and partners in Africa and in America is constantly being strengthened and expanded.

#### Ladies and Gentlemen!

Entering 2016, the economy has appeared new difficulties and challenges alongside the old and existing ones. Based on analysis of business operating environment, closely following directions of the Government and the State Bank of Vietnam, in 2016 SHB's orientations are: continued innovation and creativity in management, governance, focus on risk management, operational safety, enhancement of financial capacity and quality of human resources, strengthening the structure, organization, regulations and business processes, development of new quality products appropriate for each customer segment, increasing the proportion of fee income, gradually bringing the bank closer to international standards. Besides the fulfillment of 2016 business objectives set out by the General Shareholder Assembly, SHB will deploy significant missions: establishment of SHB's consumer finance company, officially opening a subsidiary bank in Cambodia...

Continuing to promote core values in corporate culture - unity, dynamism, always competing by difference making, all SHB's officers and employees will continue their efforts to overcome difficulties and challenges and promote available resources, effectively capture and deploy business opportunities to develop the bank strongly and sustainably in 2016 and following years for your prosperity and that of the country.

Wishing you health, happiness, and success!

**BOD** Chairman

Đỗ Quang Hiển











SHB commits to accompany with the posterity of the country & of our shareholders, partners and customers

# HIGHLIGHTS



SHB was honored to welcome Deputy Prime Minister Nguyen Xuan Phuc's visit on the occasion of Lunar New Year to the head office of the Bank.

SHB was honored to welcome Politburo Member Dinh La Thang's visit to SHB Ho Chi Minh Branch.





SHB founded a 100% subsidiary bank in Laos with charter capital of \$ 50 million and was one of the first two Vietnamese joint stock commercial banks obtaining subsidiary bank licenses in Laos. This event marks a turning point in SHB's development path, expanding scale and network with international outreach.

SHB was named in Top 1,000 corporate tax payers in Vietnam (V1000) and Top 500 fastest growing companies in Vietnam at ranking of 84/500 (VNR500).





SHB signed a strategic cooperation contract with world renowned Barcelona Football Club (FCB).

SHB officially launched SHB Visa Platinum international credit cards integrated with EMV chip security technology, offering many advanced value-added services.



- SHB was one of the three banks in Vietnam presented by the State Bank of Vietnam Governor with certificate of merit "Extraordinarily outstanding achievement in disbursement of Small and Medium Enterprise Financing Project (SMEFP).
- Manchester City Football Club paid a visit to Vietnam at the invitation of SHB, contributing to improve brand image of SHB.
- SHB successfully organized extraordinary meeting of shareholders to approve the acquisition of Vinaconex-Viettel Finance JSC (VVF), to help increase SHB's sizes of charter capital, total assets and open up a new potential business line: consumer finance.

And many other highlighted activities...





# ACHIEVEMENTS AND RECOGNITION OF THE SOCIETY

During the journey of more than 22 years of development, SHB has maintained steady growth, sus-tainability, worthy of the trust and expectations of customers, shareholders and investors. The success and reputation of SHB is recognized by many honors of the Party and the State, many prestigious awards from reputational domestic and international organizations

# ACHIEVEMENTS AND RECOGNITION OF THE SOCIETY







### Awards presented by the Party and State:

- Second and third class Labor Medals of the President awarded to SHB;
- Second class Labor Medal of the President awarded to SHB Chairman;
- Third class Labor Medal of the President awarded to SHB CEO;
- Certificate of merit, emulation flag from the Government, the State Bank, People's Committees of provinces and cities where SHB branches are located;

### Domestic awards:

- Excellent Brand Award, Well-known Brand in Vietnam for many consecutive years;
- Outstanding Innovative Banking Product award;
- Top 500 largest enterprises in Vietnam with continuously increased ratings over the years;
- Top 30 most transparent enterprises in HNX for many years;
- Top 10 most trusted enterprise in Vietnam in the same banking sector;
- Top corporate tax payers in Vietnam for many years;



### International awards:

Grand Officer Medal awarded by the King of Cambodia to SHB's Chairman and Chief Executive Officer for their contribution in the construction and development of the Kingdom of Cambodia;



Outstanding Foreign Bank in Cambodia in 2015" awarded by National Bank of Cambodia and IDG.

"Best Trade Finance Bank" and "Best Internet Bank" in Vietnam in 2015 awarded by the International Finance Magazine



"Best SME Bank" and "Best Customer Service Bank" in Vietnam in 2015 awarded by the Global Banking and Finance and the Alpha Southeast Asia;;



"Best Project Finance Bank" and "Best Trade Finance Bank" in Vietnam in 2015 awarded by the Asian Banking and Finance;



A · W · A · R · D · S MOSEINIOVARIVE EANN VERMAN 2014 "Large Corporate Excellence" in Vietnam in 2014 awarded by ASEAN Business Advisory Council;

"Best Project Finance Bank" and "Best Trade Finance Bank" in Vietnam

in 2015 awarded by the Asian Banking and Finance;



"Outstanding Innovative Banking Product in Vietnam in 2015" awarded by IDG Vietnam;.



"Top 1000 World Bank" in 2014 awarded by the Banker;



"Excellence in International Payment Service" awarded by Wells Fargo and Bank of New York Mellon for many consecutive years

And many other reputational awards...

# CORPORATE SOCIAL RESPONSIBILITY AND CHARITY WORK

Responsibility to the community - society has always been an element closely linked and run in parallel with SHB's business activities on the way of 22 years of establishment and development. This is also one of important objectives SHB has always headed for with enthusiasm, and deep community sharing and understanding. As a Top 5 largest private joint stock commercial bank in Vietnam, SHB has continued and will continue its efforts to bring the best values to the community - society, contributing to economic development and social security of the country.

The year 2015 marked a boom in SHB's business operations as well as practical contribution to the community and society with total amount contributed to social security in the past 5 years reaching hundreds of billions Vietnamese dongs.

 Organizing and funding of programs aimed at developing cultural and national identity of Vietnam: The "Wings of Faith" program for people in northern mountainous provinces, supported tickets for cultural programs performed in the Youth Theater ....

- Realizing the dream of Vietnam football lovers to meet and interact with the world's top stars, as well as promoting image of the country and people of Vietnam to the world, SHB invited Manchester City Football Club to Vietnam for a friendly match, organized several exchanges with the community (SOS children's village, exchanges with students of Vietnam National University, exchanges with fans ...). On this special occasion, SHB donated VND 2 billion from ticket revenues to the Gratitude Fund of the Ministry of Labor, War Invalids and Social Affairs.
- 3. To express the gratitude of SHB's staff to youth volunteer generations making contribution and sacrifice in the wars defending the Fatherland, SHB donated from its budget to make savings books for former youth volunteer women on the occasion of the 65th anniversary of Youth Volunteer Force and the 85th anniversary of the establishment of Vietnam Women's Union (20/10/2015).
- 4. SHB supported the construction of a patient treatment facility and ancillary works of Hoai Nhon District's Medical Center in Binh Dinh Province to express SHB's care for health services offered to people in Binh Dinh Province, especially the policy beneficiaries in the province.



- 5. Sharing damages caused by natural disasters in the record heavy rainfall in the last 40 years (from 26/7 to 03/8/2015) in Quang Ninh Province, SHB donated VND 1 billion to the "Disaster Assistance Fund" of the Vietnam Coal and Mineral Group (Vinacomin).
- 6. In the spirit of mutual care, SHB sponsored the People's Public Security Television (ANTV) to implement the program "Share loves and join hands to help difficult children and people in the province of Lang Son".
- 7. SHB donated \$50,000 to Lao PDR on the occasion of opening the 100%-owned subsidiary bank in Laos, contributing to create jobs for local workers and stabilizing Laos' social security.
- 8. To promote the spirit of humanity which has become the traditional culture of SHB, the bank's employees donated to buy blankets, warm clothes to poor people, bought schoolbags and books for poor children in Hung Thinh commune, Bao Lac district, Cao Bang province in the "Warm winter clothes" program launched by SHB's trade union.
- 9. Sharing difficulties in the life of poor people and desiring to bring them a full, happy, warm and loving Lunar New Year festival, SHB supported hundreds of millions dongs to the Fund for the Poor and awarded gifts to hundreds of poor households, people in difficulty, policy beneficiaries and orphans in cities and provinces where SHB branches are located on the occasion of the Lunar New Year.
- 10. Supporting the nation's islands, SHB visited and funded the purchase of a ship for Trung Sa Island; supported the advocacy program "For Beloved Truong Sa"; supported Quang Ngai fishermen in the program "Relaying fishermen to go offshore at sea"

And many other meaningful community activities...













# INFORMATION ABOUT SHB

#### \* Overview

#### Transaction name:

Saigon – Hanoi Commercial Joint Stock Bank (SHB)

Business Registration Certificate No. 1800278630 issued by the Hanoi Department of Planning and Investment, the 23rd amendment was made on June 11, 2014.

Chartered capital: 9,485,944,610,000 VND

#### Address:

77 Tran Hung Dao, Hoan Kiem, Ha Noi

Tel: (04) 3942 3388

Fax: (04) 3941 0944

Website: www.shb.com.vn

Stock code: SHB

SHB continues to confirm its position as one of leading Vietnamese private commercial banks with the presence in 40 cities and provinces country-wide and overseas branches in Laos and Cambodia, with the network of almost 500 transaction points.

### GENERAL INFORMATION ABOUT SHB



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

- in 2006, the Bank had approval from SBV for Nhon Ai Rural Commercial Joint Stock Bank to change its business model to become an Urban Commercial Bank and to change its name into current name Saigon – Hanoi Commercial Joint Stock Bank (in abbreviation as SHB).
- in 2008: SHB moved its head office from Can Tho to Hanoi capital city;
- in 2009: SHB was one of the first Vietnamese commercial joint stock banks officially listing its shares on Hanoi Stock Exchange;
- **In 2010:** SHB officially launched the new Intellect Core Banking system and the SmartVista card management solution;
- In 2011: SHB enhanced operational scale to increase its charter capital to nearly VND 5,000 billion. Approved by the State Bank, SHB opened branches in Cambodia and Laos, beginning SHB's foreign investments overseas.
- **In 2012:** In 2/2012 SHB officially opened branch in Cambodia with total investment of \$ 37 million.
- Acquired Hanoi Building Commercial Joint Stock Bank (Habubank) in 8/2012
- Taking the lead in implementing the Government's policy of restructuring of the banking system, SHB's charter capital was sharply increased and SHB participated in successfully restructure of Binh An Seafood Company.
- In 2013: SHB celebrated 20 years of establishment, with presence in almost all cities and provinces nationwide. SHB was honored to receive the Second Class Labor Medal from the State President;
- In 2014: SHB was present in 40 provinces and cities nationwide and in both Laos and Cambodia. SHB participated in financing large key national projects of the country such as transport infrastructure, oil and gas, electricity and agricultural and rural development.

# 2015

- Increased capital to nearly VND 9,500 billion, network rose to almost 500 transaction points in the country and abroad.
- Acquired Vinaconex-Viettel Finance JSC (VVF) and established SHB consumer finance company.
- Established 100% subsidiary bank in Laos which was officially opened on 15/1/2016 in Vientiane.

With slogan "Solid Partner, Flexible Solutions" and innovative business strategy in order to bring values to customers, shareholders and investors, SHB always satisfies customers and partners with synchronized, useful, good quality and competitive banking products and services with professional service style.

Making unremitting efforts, SHB strives to become a Vietnam's leading multifunction modern retail bank and a strong financial group under international standards by 2020. \* BUSINESS ACTIVITIES AND LOCATION

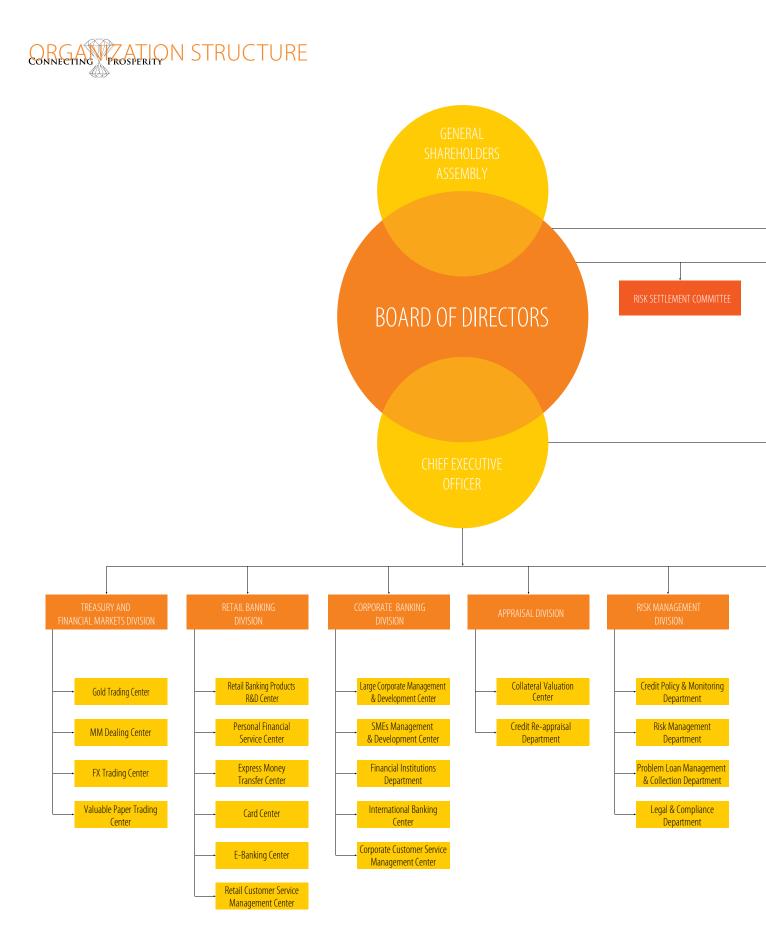
#### Main business activities:

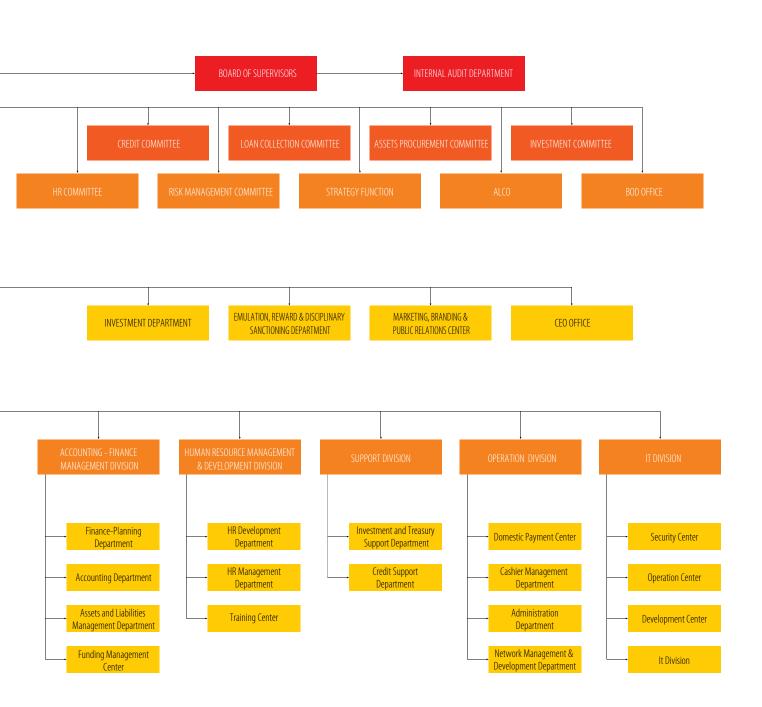
Mobilizing and taking short, medium and long term deposits from organizations and individuals; Providing short, medium and long term loans to organizations and individuals; Performing foreign exchange businesses, international trade finance, discounting commercial papers, bonds and other valuable papers;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

#### **Business location**

- + SHB is present in 40 cities and provinces in Vietnam, most of them are big cities and provinces directly under the Central Government with strong economic development potentials in the country.
- + Overseas: Laos PDR (Champasack), Kingdom of Cambodia (Phnompenh, Kampong Thom, Nehru).







# BOARD OF DIRECTORS (BOD)



#### DO QUANG HIEN

#### Chairman of Board of Directors of SHB

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



#### NGUYEN VAN LE (01)

#### Member of Board of Directors of SHB

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

#### TRAN NGOC LINH (02)

#### Member of Board of Directors of SHB

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

#### **DO QUANG HUY** (03) Member of Board of Directors of SHB

#### PHAM NGOC TUAN (04)

#### Member of Board of Directors of SHB

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

# BOARD OF SUPERVISORS (BOS)



#### PHAM HOA BINH (01)

#### Head of BOS

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

#### NGUYEN THI HOAT (03)

#### Member of BOS

- Date of Birth 02/11/1986
- Master of Economics

#### NGUYEN HUU DUC (02)

#### Deputy Head of BOS

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

#### BUI THANH TAM (04)

#### Member of BOS

- Date of Birth 17/11/1975
- Bachelor of Economics

# BOARD OF MANAGEMENT (BOM)



#### NGUYEN VAN LE

#### Chief Executive Officer

- Mr. Nguyen Van Le was born on July 18, 1973 in Can Tho, PhD of Banking and Finance.
- More than 21 years of managing experiences in banking finance industry.
- He holds the CEO position of the bank since 2000 until now.
- He has received a number of merits of National Presidents, the Prime Minister and the Governor of the State Bank in Vietnam and awards of Excellent and Distinctive Leader and also greatly contributed to the development of SHB in particular and the national economy and society in general.
- He has been recognized for participating in various social and charitable activities.



DANG TRUNG DUNG (01) Standing Deputy General Director

LE DANG KHOA (02) Deputy General Director

**NGO THU HA** (03) Deputy General Director NINH THI LAN PHUONG (04)

Deputy General Director

DANG TO LOAN (05) Deputy General Director

**NGUYEN HUY TAI** (06) Deputy General Director

# BOARD OF MANAGEMENT (BOM)

#### DANG TRUNG DUNG

#### Standing Deputy General Director

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

#### LE DANG KHOA

#### Deputy General Director

- Mr. Le Dang Khoa was born on August 18, 1974, Master in Economics of Business Administration, Hanoi National Economics University.
- 20 years of experiences in banking finance industry.
- Former Director of Treasury Division of VIB.
- From March 2009 to current: Deputy General Director of Saigon – Hanoi Commercial Joint Stock Bank.

#### **NGO THU HA**

#### Deputy General Director

- Mrs. Ngo Thu Ha was born on October 26, 1973, PhD of Economics
- 21 years of experiences in banking finance industry.
- From March 15, 2011: Deputy General Director of Saigon Hanoi Commercial Joint Stock Bank.

#### NINH THỊ LAN PHƯƠNG

#### Deputy General Director

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

#### DANG TO LOAN

#### Deputy General Director

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

#### NGUYEN HUY TAI

#### Deputy General Director

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

#### 9. Subsidiaries and affiliates

- Subsidiaries

Subsidiaries	Address	Main business sectors	Chartered Capital (billion VND)	Paid-up capital by SHB (billion VND)	Holding rate
SHB Loan Management and Asset Development One Sole Member Limited Liability Company (SHAMC)	71B Hang Trong, Hoan Kiem, Ha Noi	Loan Manage- ment and Asset Development	20	20	100%
SHB Securities Company (SHBS)	2A Pham Su Manh, Quan Hoan Kiem, Ha Noi	Financial and Securities services - Brokerage, trad- ing, investment advisory, under- writing, securities depository	150	147.71	98.47%
SHB Laos Bank Limited	Group 1 Lanexang street, Hatsadytai village, Chanthabu- ly district, Vientian, Laos PDR	Banking, Financial	50 million USD	50 million USD	100%

#### - Other companies having capital contributed by SHB

Affiliates	Address	Main business sectors	Chartered Capital (billion VND)	Paid-up capital by SHB (billion VND)	Holding rate
Saigon - Hanoi Insurance Joint Stock Company (BSH)	AC Building, Slot A1A, Dich Vong Hau, Cau Giay, Hanoi	Non-life insurance, reinsurance and other activities	700	30	4,29%
Saigon - Hanoi Securities JS Company (SHS)	Union Conference Center Building, No. 01 Yet Kieu, Hoan Kiem	Financial and Se- curities Services: Brokerage, Trad- ing, Investment advisory, Under- writing, securities depository	1,000	48	4,8%

## **DEVELOPMENT** ORIENTATIONS

# Leading modern multi-functional retail bank in Vietnam

SHB continued its customer centricity motto to better meet customer's needs through building specific strategies for each targeted customer segment, carefully considering the needs and expectations for products of each customer segment to always create differences, heading for markets and customers with modern IT infrastructure, professional staff, extensive network across the country and overseas.

# Strong financial holding group under international standards

Continuing to increase charter capital, improving prudential banking ratio, gradually approaching international standards are efforts that SHB has set on the road to affirm its position of as one of Top largest private commercial banks in Vietnam and becoming a strong financial group at regional level. Along with risk management system synchronously built with in-depth to improve early warning risk detection, SHB also improves corporate governance and reforms human resource development and training of high quality human resources seamlessly throughout the entire system.

### OBJECTIVES FOR PEOPLE, COMMUNITY AND SOCIETY

#### Human resource development

Creating the best working environment in order to attract and retain talents because human is an important factor for the success of SHB. Everything is for a "SHB Culture" which is professional, united, dynamic, innovative, making efforts to bring the highest value to shareholders, customers and employees.

#### Always targeting the community

Not only focusing on business operations, SHB's community support programs such as sports development, charity, gratitude, social security also show SHB's corporate social responsibility, and hearts of the SHB's staffs. SHB considers it as a core value for sustainable development of the bank.

#### **Environment protection**

SHB is committed to protecting the ecological environment with green credit policy, ensuring sustainable development of the country by setting an important criteria for projects financed by SHB to conform with international and domestic standards on environmental protection, energy and resource saving.

### RISKS

Vietnam's economy in 2015 performed in the context where the global economy still faced big risks with unpredictable factors. Global trade slumped due to weak aggregate demand. Crude oil prices fell sharply resulting in commodity prices falling rapidly, affecting exporters. Fluctuations of the Renminbi and depreciation of a number of Asian currencies, potential risks of recession or prolonged deflation in economies having close ties with Vietnam such as Europe, America, Japan and China will decrease Vietnam's both direct and indirect foreign investment flows as well as affect Vietnam's exports.

Domestically, the economy continued to prosper on the growth momentum of 2014, but could not avoid difficulties and challenges when prices on the world market experienced volatility, especially lower oil prices were favorable factors for the decrease in input costs, development of production and stimulus of consumption, but also created pressure on state budget balance.

The signing of Trans Pacific Partnership (TPP) Agreement opened opportunities but also imposed greater pressure on the government and businesses in restructuring and improving competitiveness.

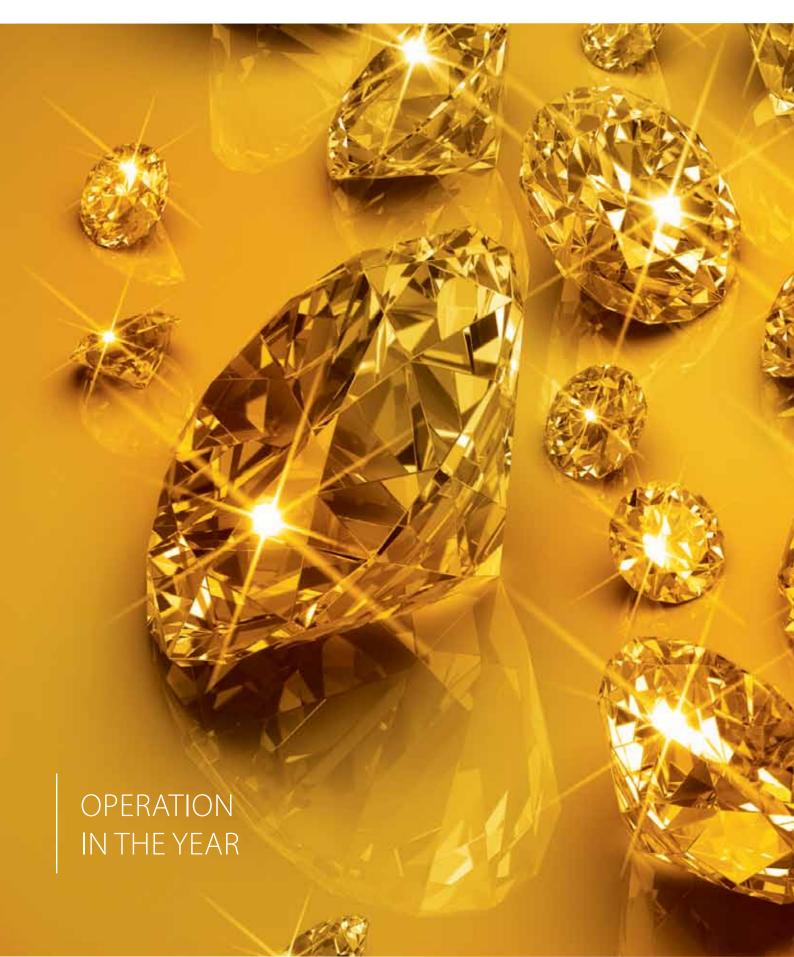
The requirements to meet international standards of risk management under Basel II, III and SBV's regulations on prudential ratios, liquidity and credit policies in Circular 36 and Circular 36 Amendment will impact the entire governance of the banking sector in general and of SHB in particular, which requires banks to prepare thoroughly and comprehensively and to align their internal management systems accordingly.

In this context, SHB has continuous and strong improvements in its risk management models focused towards building a foundation for modern risk management closer to international best practices to proactively provide early warnings, monitor and mitigate risks arising from domestic and international economic situations, as well as strictly control over liquidity risks, interest rate risks, credit risks, market risks, and operational risks.... Risk management strategy is structured by and strictly follows business lines of the bank, ensuring risk management to be updated and better meet the needs of business development. At the same time, SHB also focuses on training and development of human resources according to international standards and improvement of risk culture, ensuring safe and sustainable development of its banking business.















1,72%

Outstanding growth in scale but constantly improving asset quality continues to be highlights of SHB in 2015.

## **BUSINESS PERFORMANCE**

Total assets of the bank reached almost VND 205,000 billion, an increase of 21.1% compared to 2014, reaching 102.4% of the plan.

With the aim of focusing on customer deposit in funding, total mobilized funds increased by 19.39% to VND 185,649 billion, in which customer deposits reached VND 157,503 billion, up 24% over the previous year. With drastic effective risk management solutions in order to control current bad debts and prevent new bad debts, at the end of 2015 SHB's non performing loans ratio fell to 1.72%, a significant improvement compared to 2.02% in 2014.

Abundant and long term mobilized funds is an important condition for SHB's disbursement of the loans to many key economic areas of the country encouraged by the government and the central bank. Customer loans increased from VND 127,331 billion to VND 131,427 billion, exceeding 13.7% of the plan.

Profit before tax reached VND 1,017 billion, an increase of 0.46% over the previous year.

Total income of the bank reached VND 12,857 billion, up 12.8% over the previous year, including a major contribution from interest income at VND 11,992 billion, increased by 16.28%. Income from foreign exchange business and income from securities trading, capital contribution or share purchase investment continued strong growth, at 2.97% and 9.51% respectively. Despite efforts to control costs, the bank continued to invest in human resources with network of more than 6,000 employees and nearly 500 branches and transaction offices spanning in 40 provinces and cities nationwide bank and 01 subsidiary bank in Laos and 05 overseas branches in Cambodia. Capital adequacy ratio and liquidity ratio always comply with and exceed SBV's requirements.

Indicator	Unit	2014	2015	Note
1.Size				
Total assets	Bn dongs	169,035.5	204,704.1	
Charter capital	Bn dongs	8,865.8	9,485.9	
Equity	Bn dongs	10,480.1	11,255	
2.Business performance	Bn dongs			
Customer deposits	Bn dongs	127,353.1	157,503	
Customer loans	Bn dongs	104,095.7	131,427.2	
Total income	Bn dongs	11,396	12,857	
Pretax profit	Bn dongs	1,012.35	1,017.7	
3. Prudential ratios				
Capital Adequacy Ratio	%	11.33	11.40	
Non Performing Loans Ratio	%	2.02	1.72	
Ratio of using short term funds to finance mid and long term loans	%	26.73	32.4	
Liquidty ratios				
Quick ratio	%		11.33	Compliant with SBV's requirements (≥ 10%)
Solvency ratio – next 30 days - VND	%		51.5	Compliant with SBV's requirements (≥30%)
Solvency ratio – next 30 days - USD	%		59.83	Compliant with SBV's requirements ( $\geq$ 10%)

Actual versus Plan

	Actual	Growth 201	% Plan 2015	
Indicator	31/12/2015	(+/-)	%	%
Total Assets	204,704.1	35,668.6	21.1%	102.4%
Charter Capital	9,485.9	620.1	6.99 %	90.5%
Customer Deposits	157,503	30,149.8	23.7%	103.6%
Customer Loans	131,427.2	27,331.5	26.26%	exceeding the plan 13.7%
Pretax Profit	1,017.1	4.75	0.42%	90.9%
CAR	11.40%			Completed
NPL	1.72%			Completed

(Source: Audited Consolidated Financial Reports for 2015

# ORGANIZATIONAL STRUCTURE AND HUMAN RESOURCE

### **Board of Management**

No.	Name	Position	Share ownership
1	Nguyen Van Le	CEO	0.248%
2	Dang Trung Dung	Standing Deputy General Director	0.009%
3	Le Dang Khoa	Deputy General Director	-
4	Ngo Thu Ha	Deputy General Director	0.096%
5	Ninh Thi Lan Phuong	Deputy General Director	0.005%
6	Dang To Loan	Deputy General Director	0.076%
7	Nguyen Huy Tai	Deputy General Director	-

Total staff of the Bank and its subsidiaries is 6,083 as of 31.12.2015, increasing by 11% compared to 2014, with over 91.2% of bachelor and master degrees.

#### **Recruitment policy**

### Publicity and transparency along with criteria to assess skills of candidates based on occupational standards as bases for recruitment

Internal rotation and recruitment is focused by the bank's management, internal human resources in recruitment is encouraged and prioritized in order to create cohesion and employee development. For candidates from outside sources, SHB prioritizes experienced candidates, candidates with good and excellent distinctions graduating from universities at home and abroad and they are offered with negotiated and expected salary depending on their experience, ability and qualifications.

Candidates who are final year students are always welcome to join SHB programs of "Talent Internship" to have the opportunity to assert themselves and become official employees of SHB.

### **Employee training and development policy**

### >> Always consider human as the most valuable asset of the bank, to maximize human resources, people-centricity is the impetus for development of the bank

SHB creates conditions for professional development for each individual worker, focusing on training of human resources with high quality training plans built on basis of business strategy of the bank, following analyzed development trends of the financial market, based on an annual survey of training needs of the staff.

With the policy that all workers have the opportunity to be trained and developed, all costs for training courses organized by SHB as well as outside training courses attended by SHB staff are sponsored by the bank.

# Training programs are built for each employee group

- For newly recruited staff, SHB offers orientation training programs with coaching from experienced staff to provide employees with overview of SHB and background knowledge, to quickly integrate and become familiar with SHB corporate culture.
- For experienced and capable staff, SHB focuses on advanced and in-depth professional training, for the purpose of creating a succession pool, and creating career advancement opportunities.
- For staffs at management level, SHB implements training programs to enhance management and administration capabilities, strategic planning and building skills, change management ... Annually SHB sends managers to overseas training courses and seminars.

Post training effectiveness assessment is periodically conducted by examinations and professional evaluation throughout the bank to encourage employee's self-training and self-improvement of lacked and weak professional knowledge and skills.

The application of technology in training has always been focused through the implementation of e-learning and e-examining systems, e-libraries (including learning materials, slides, tutorial and Q&A videos, ...), individual learning and training software, discussion forums, online surveys ... Modern training system has made employee's learning easier and more efficient.

### Salary and bonuses

### "Living on salary, becoming rich on bonuses" is the motto in which SHB always attempts to retain employees.

Employee rights are guaranteed with salaries as stipulated in SHB's Regulation on Salaries and Wages, on the basis of ensuring interests of the bank's employees and complying with current laws. Annual salary increase is publicly, fairly and transparently guaranteed, reflecting SHB's development policy.

SHB's reward policy is timely recognition of performance of staff with quarterly/annual Certificates of Merit

awarded by Chairman of the Board of Directors or the CEO and overseas trips (to Europe, Asia, ...) to motivate and encourage employees to achieve excellence. Besides, on the occasions of festivals, holidays or important events, employees also enjoy bonuses depending business results of SHB.

### **Allowances and social insurance**

The difference between SHB and other banks is that currently SHB pays for social insurance, health insurance, unemployment insurance, personal income tax and trade union fees on behalf of employees. This policy is one of SHB' highlights which not only helps SHB to ensure and improve incomes of employees but also acts as one of policies to attract personnel to work for the bank.

### Other policies and trade union

In addition to implementation of employee policies in compliance with requirements of the laws, SHB also applies many other employee benefit programs every year, such as free work uniforms, modern wellequipped working tools and instruments, periodic free health examinations, annual free vacations for the entire staff, preferential policy for employee mortgage loans, auto loans at low interest rates, stock option at par value of the bank's share, distribution of which depends on job titles ...

Team building, football and art events are regularly held throughout the system in order to create unity, cohesion between the bank and employees, creating a fun and warm atmosphere to motivate staff.

The programs of social activities, charity, and environmental protection... are always focused by SHB, through which it aims to build a sense of responsibility for the community for employees.

### INVESTMENT AND IMPLEMENTATION OF PROJECTS



### SHB Loan Management and Asset Development One Sole Member Limited Liability Company (SHAMC)

SHB Loan Management and Asset Development One Sole Member Limited Liability Company (SHAMC) located at 71B Hang Trong, Hoan Kiem District, Hanoi was established under Decision No. 508 / QD-NHNN dated 11/03/2009 of the Governor of the State Bank of Vietnam. SHAMC has charter capital of VND 20 billion and is a 100% subsidiary of SHB.

SHAMC's business activities are to provide loan management and asset development services for SHB. The company is a debt trading company in nature with the following functions: receiving, managing outstanding bad loans and collateral assets secured for the loans to quickly recover bad loans; actively sell collateral assets under disposal of the bank at market prices; restructure outstanding bad loans; handling of collateral assets; trading in bad debts ...

Besides meeting the demand for loan management and asset development of SHB, SHAMC will use their specialized skills to serve the needs for bad loan and asset management of other banks and other debt trading companies in the market as allowed by the laws.

In 2015, SHAMC focused on 02 major activities: debt trading and asset management activities and safe-guarding/security activities to support SHB's business.

As of end 2015 total number of employees of the company increased by 03 people compared to 2014 to 647 people. Total assets reached VND 277.6 billion as of 31/12/2015. Total revenue in 2015 was VND 67 billion, an increase of 39.5% compared to 2014.



### SHB Securities Joint Stock Company (SHBS)

- SHB Securities JSC (SHBS) is formerly Habubank Securities JSC (HBBS). After HBB-SHB merger deal, HBBS has become a subsidiary of SHB and renamed to SHB Securities JSC (SHBS).

- The company currently has 81 staff with extensive network covering major economic centers of the country such as Hanoi, Ho Chi Minh City, Can Tho, Da Nang, Vung Tau, and Binh Duong.

- Total revenue of the company reached VND 61.1 billion in 2015.



### SHB Laos One Sole Member Limited Liability Company

SHB Laos Bank Limited was founded with charter capital of \$ 50 million, on the basis of converting SHB Laos branch. SHB Laos operates independently and has independent organizational structure, with one branch in Champasak, provides banking services, contributes to diversify business portfolio of the parent bank, mitigates risks, proactively improves and implements more business operations as prescribed by the laws as well as under authorization from the parent bank in Vietnam. SHB Laos' inauguration will bring SHB more opportunities to exploit and take advantage of the vast, potential and promising market of Laos, to attract investment, to enhance the reputation and position of SHB in financial markets of Vietnam, Laos and international markets in parallel with mission and vision to develop SHB's international brand, and contribute to the friendly neighborly relations between Vietnam and Laos.

# DEVELOPMENT PLAN IN 2016



Strongly develop modern retail banking services with application of high technology, meeting every demand of customers

# 

Strongly develop different business lines to take market shares, increase market shares in key business lines of the bank



Maintaining the position of a Top 5 largest private commercial banks in Vietnam

# SHAREHOLDER STRUCTURE

Shareholder structure, changes in owner's equity

### Shares:

- Total number of shares: 948.594.461
- Total number of shares in circulation: 948.098.275
- Number of shares to be conditionally transferable: 56.862.989
- Number of shares to be freely transferable: 891.731.472

### Shareholder structure:

- Majority shareholders, minority shareholders

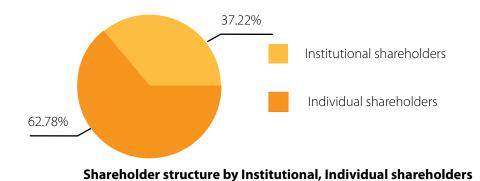
No.	Type of shareholders	Number of shareholders	Percentage of holding ordi- nary shares (%)
1	Majority shareholders	01	10.944%
2	Minority shareholders	28.343	89.056%
	Total:	28.344	100%
	89.056%	0.944% Majority shareholder Minority shareholder	

### Shareholder structure by majority, minority shareholders

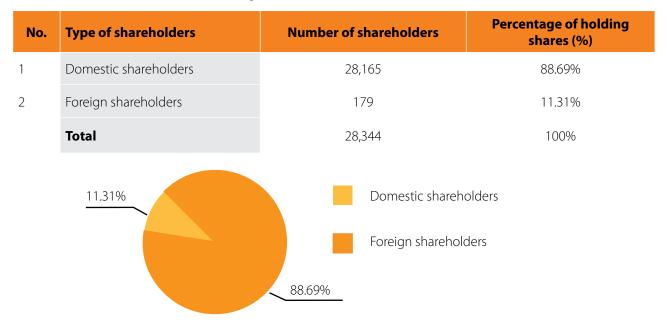
(Majority shareholders are shareholders with over 5% stake of the Bank's shares. Minority shareholders are shareholders with below 5% stake of the Bank's shares)

- Institutional shareholders and Individual shareholders

No.	Type of shareholders	Number of shareholders	Percentage of holding shares (%)
1	Institutional shareholders	153	37.22%
2	Individual shareholders	28,191	62.78%
	Total:	28,344	100%



- Domestic shareholders and foreign shareholders



### Shareholder structure by domestic, foreign shareholders

### Changes in owner's equity:

In 2015, there is no change in owner's equity.

### Transaction of treasury stocks: None

### Share transactions of members of Board of Directors, Board of Management, and Board of Supervisors

Transaction of internal shareholders and related persons

- Transaction of internal shareholders: None
- Transaction of persons related to internal shareholders: None
- Contracts or transactions with internal shareholders: None
- Other transactions: Saigon-Hanoi Investment Fund Management JSC (a related person under point c, paragraph 34, article 6 of the Law on Securities) sold 776,759 SHB shares.





# REPORT OF THE BOARD OF MANAGEMENT

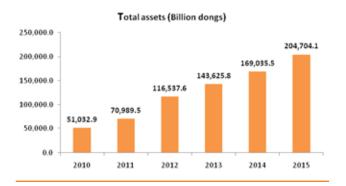
Over more than 22 years of establishment and development, SHB is proud to be one of the Top 5 largest private joint stock commercial banks in Vietnam, performing well two major tasks at the same time: doing prudential and effective business towards international standards while actively leading the implementation of guidelines and policies of the Party, the Government and the State

### EVALUATION OF THE BUSINESS RESULTS

In 2015, in the context of economic recovery and increasingly fierce competition in the banking industry, SHB continued gaining significant achievements thanks to its inner strengths, determination of the domestic and international network; support from partners, customers and trust of shareholders.

### **Total assets**

Total assets in 2015 increased by 21.1% to VND 204,704 billion continuing to provide SHB a position in top private commercial banks in Vietnam.



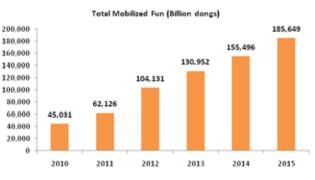
### Fund mobilization and management

### Mobilized funds saw strong growth thanks to the entire Bank's efforts when 100% branches fulfilled or even surpassed deposit targets.

- In 2015, deposit interest rate cap applicable to less than 06 month deposit was lowered to 5.4% by the State Bank in the trend of deposit interest rate cap decline since 2012. As a result, during the year 2015, common market deposit interest rates decreased by 0.2%-0.5% and are currently at relatively low level. However, fund mobilization of SHB was not impacted but achieved positive results.
- As of 31/12/2015, total mobilized fund of the Bank reached VND 185,649 billion, increasing by 19.39% against 2014.

Not only achieving high growth rate and growth amount but SHB's deposit structure also saw effective and sustainable growth. Market I deposits (corporates and individuals) accounted for 84.83% of total deposits, an increase of 23.67% against 2014 reaching VND 157,503 billion. Savings of individuals always covered more than 50% of the market I deposits. Valuable papers accounted for 5.2% of the market I deposits. Besides, SHB unstoppingly sought for Iow-cost sources of fund from local and international financial institutions such as ODA funds financed by the World Bank, JICA and ADB. In the past year, market II (interbank) deposits reached VND 28,146 billion and were always less than market II placements and loans. Those were prerequisite and favorable conditions for the Bank to effectively utilize funds as well as mitigate liquidity risks and improve business efficiency.

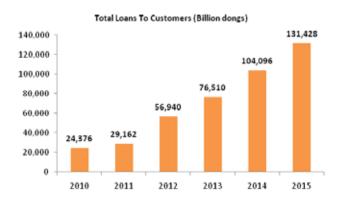
To gain such results, SHB branches always attached high importance to customer retaining and new customer development in which marketing and customer care through good communication and consulting was a top priority.



# Credit activities and credit risk management

### Abundant and stable deposit sources are an important condition for SHB to provide loans in various key sectors of the economy in line with orientations of the Government and the SBV.

As of 31/12/2015, SHB's total loans to customers increased by VND 27,331 billion to VND 131,427 billion. Disbursement volume in 2015 was nearly VND 150,000 billion. Not only boosting loan volume, SHB also continued restructuring credit portfolio by sectors and clients and focused on low-risk sectors such as: increasing loans to average and higher income retail clients, importer and exporter enterprises and enterprises in agriculture sector; big economic groups and corporations using various banking services locally and internationally. Loans to rural areas and agriculture sector were always more than 40% of the total loans; loans to exporters accounted for 10% - 15% of the total loans, loans to small and medium enterprises accounted for over 55% of total corporate loans.

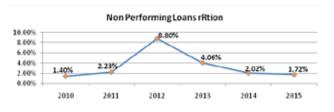


- Implementing policy of the Government and the SBV in financing prioritized sectors, in 2015 SHB fully and actively participated in many preferential credit programs such as: Program offering subsidized loans for businesses in purchase of rice for temporary storage during Summer-Autumn and Winter-Spring season crops; Preferential programs for housing loans under Resolution 02 and for fisheries development under Decree 67; financing for businesses of high technology applications; 4 parties linked loans to support real estate sector; etc. By the end 2015, total amount provided by SHB in these programs reached more than VND 15,000 billion. Particularly in Hanoi, SHB has actively participated in the "Banks & Enterprises Linked Credit Program" under guidelines of Hanoi City People's Committee and SBV Hanoi City Branch. In 2015, SHB made disbursements to more than 200 enterprises in Hanoi City with total amount of VND 6,000 billion.

In order to achieve such impressive results, loans were prioritized to finance key industries under the country's 2011-2020 socio-economic development strategy, namely: manufacturing, rural & agriculture, export, supporting industries, processing, small and medium-sized enterprises. In addition, SHB's credit growth was contributed by diverse and competitive products suitable with different customer segments; especially high priority was given to development of retail loans.

### SHB's loan growth is not just in quantity but is attached with credit quality, in which non performing loans ratio is kept at safe level.

SHB's non performing loans ratio was sharply reduced from over 8.8% after the merger with Habubank to nearly 1.72% by the end of 2015. In the past year, the entire Bank collected VND 3,600 billion of bad loans, including principal of VND 3,300 billion. Especially, SHB successfully wrote of some big bad loans which had lasted for several years. Many loan recovery measures were drastically applied such as: collateral asset disposal through the Court procedures, and quickening the litigation procedures. Additionally, SHB also succeeded in selling VND 2,700 billion of bad loans to VAMC, reaching more than 300% of the 2015 plan. Such measures helped to reduce SHB's NPLs ratio from 2.02% in 2014 to 1.72% in 2015.



In efforts to maintain a safe level of NPLs, SHB proactively made provisions against credit risks. Total provision made as of 31/12/2015 was VND 1,524 billion. Stable business operation is a basis for SHB to implement credit risk provisioning road map to ensure safe and sustainable operation of the Bank and compliance with directions of regulatory bodies.

### **Service activities**

On basis of state-of-the-art technology platform, many products & services were launched to boost income from services and minimize risks in banking operations.

International settlement

An extensive international correspondent banking network (above 400 Correspondent Banks across the world) enabled SHB to provide international settlement and trade finance services in a safe and prompt manner for import and export customers with Straight Through Processing (STP) rate of 98.5%; overseas remittance reached USD 39.45 million, international settlement volume gained more than USD 3 billion. SHB has been honored with Straight Through Processing (STP) awards by BNY Mellon (USA) for many consecutive years.

Domestic payment

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

Guarantee

SHB developed guarantee services with numerous forms such as: contract performance guarantee, tender guarantee, payment guarantee, borrowing guarantee, import tax payment guarantee, advance repayment guarantee, valuable paper issue underwriting, international guarantee and other guarantee products & services with total guarantee volume of more than VND 13 trillion in 2015. On basis of state-of-the-art technology platform, SHB has launched various products & services offering many utilities. New products & services of SHB are always appreciated due to their differentiated and typical competitiveness and tailored-features for each customer segment.

- SHB has offered enterprises many new products such as: the 4-links credit programs in construction, real estate development and construction material production sectors; loans to high-technology application agriculture sectors; packages of financing for national key projects; preferential credit program of "Accompanying enterprises – Reaching success"; "Preferential USD loan program for exporters", etc.

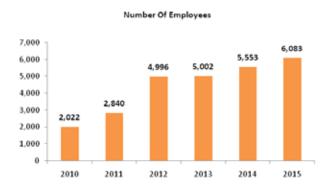
- Products & services for individual customers have been studied and developed focusing on privileges in travelling, shopping, studying abroad, and comprehensive health caring. SHB's credit products are designed to simplify procedures and meet numerous needs of customers such as home loan, car loan, consumer loan, etc. Besides, SHB has also successfully segmentized VIP clients and deployed specialized products and policies for this client segment. Retail sales in business units are smoothly performed under a common single process.

- In 2015, SHB Visa Platinum international credit card - a high class card for VIP clients such as businessmen and company managers - was launched. At the same time, SHB maintained and developed modern debit and credit cards such as Solid cards, The Moment cards, Master Cards, SHB-Vinaphone cards, School Cash Cards, SHB - Manchester City Visa affinity debit cards built with EMV chip technology.

In addition, SHB has boosted E-banking channels such as SHB Online, SHB Phone, SHB SMS, SHB Mobile. These are modern web-based applications available on computers, smart phones and tablets enabling customers to transfer money, open and close savings accounts, top up, pay for bills (electricity, water, cable TV, air ticket) at any time from any location. In 2015, SHB's e-banking fee income fulfilled 128% of the year's plan.

# Training and Human resource development

SHB had young and dynamic workforce with average age ranging from 29 – 31 years old with graduate and post-graduate qualifications accounting for 91% of the total workforce.



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

- Training in 2015 gained positive results. Title-based training courses were designed and focused on deep knowledge, expertise and soft skills.

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

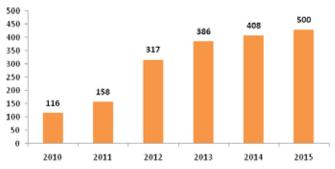
Many projects were implemented in the entire Bank: human resource software project to meet human resource management needs, salary restructuring project, KPIs-based assessment, etc. bringing lots of professional changes in enhancing human resource management competency and meeting business requirements

### **Network development**

### Network development is prioritized at domestic and overseas potential areas and always sticks to quality, operational efficiency improvement and suitableness with governance capability of SHB.

In 2015, SHB continued expanding its network by opening new branches in Ca Mau, Quang Ngai, Dak Lak, Tay Ninh, Hai Duong, Ha Tinh, Quy Nhon and Ha Nam, 38 new Transaction Offices, upgrading 10 Savings Offices to Transaction Offices; established 100% foreign-owned bank in Laos; inaugurated Nehru Transaction Office in Cambodia. By the end of 2015, total outlets of SHB were up to approximately 500 points in 40 cities/provinces countrywide along with one subsidiary bank in Laos and 05 branches in Cambodia. In addition, procedures for license of 100% foreign-owned bank in Cambodia continue to be performed which creates a firm position for SHB in entering the regional financial market.

Network (Branch/T.O)



# The Bank's modernization

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

Security system has been deployed synchronously to ensure safety for IT infrastructure and operations of the Bank. All IT services are placed in separate network zones and are protected by separate firewall/IPS devices operating in Active - Active mode. Equipment is supplied by world leading vendors such as Cisco, Fortinet, CheckPoint, etc. In 2015, SHB was honorably granted with ISO/IEC-27001:2013 information security management system (ISMS) Certificate from an independent auditor - TÜV NORD - a prestigious international organization granting ISO certificates for domestic and foreign organizations.

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

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

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

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

### **Risk management**

### SHB always strictly complies with all requirements on prudential ratios specified by the SBV.

Credit exposure was controlled within the Bank's risk appetite and risk tolerance. Capital adequacy ratio (CAR) of SHB in 2015 was 11.4%, much higher than requirement of 9% by the State Bank. SHB also closely manages liquidity risk, market risk, and operational risk. Thanks to regular and continuous monitoring, there was not any material risk during the year.

Internal audit was strengthened including comprehensive audit and thematic audit with concentration on auditing main operations such as credit, investment, entrustment, fund mobilization, accounting, and several new issues such as network, fund management and trading, overdraft, and taxation to make timely detection and warning of errors in operations and timely proposal of corrective measures and minimization of risks in business.

Anti-money laundering inspection, monitoring and prevention, implementation of post-inspection corrective actions and recommendations by SBV Inspectors are areas that SHB internal auditors much focused on.

Apart from impressive business results, Capital adequacy ratio, solvency ratio of local and foreign currencies and ratio of short-term funds for medium and long-term loans are compliant with regulations of the SBV..

# The Bank's organization structure

SHB continues to improve organizational structure with orientations to be modern, lean, operational efficient and cost--saving which is appropriate for a modern retail banking model.

SHB has built a management sys-

tem that is centralized, independent and comprehensive. Such system emphasizes on roles, responsibilities and powers of each Division, Center, and Department at the Head Office in managing branches and business units

### REPORT ON IMPACTS ON ENVIRONMENT AND SOCIETY

### **Employee policy**

Identifying manpower as the biggest asset, SHB has been implementing policies to attract young, enthusiastic, highly qualified people with total number of employees reaching more than 6,000 people, while ensuring average income of employees to be improved.

Internal recruitment and rotation is focused by the management with insurance policies, health care, vacations ... for employees in order to encourage staff's commitment and development.

# Social responsibility to the community

Besides focusing resources to improve business performance, SHB is always aware of the importance and necessity of contributing to the sustainable and long-term development of the community.

Total amount SHB has contributed to social security in the last 5 years is more than VND 100 billion, excluding

contribution ployee's

programs from emsalaries and wages. The amount has been used to sponsor different funds, flood victims, natural disaster victims, poor households, and policy beneficiaries across the country.

In addition to cash support, SHB also improves the sense of responsibility to the community through donation to charitable programs in kind such as food, blankets, clothing, computers, projectors, refinery water ... and many other essential goods.

In the future, SHB will continue sticking to the work of social security, to contribute to the development of the community as a large enterprise.

### **Green financing**

Implementing the National Strategy for Green Growth in the 2014 – 2020 period, SHB has made the first step to create momentum by information disclosure and transparency of green financing and green credit activities; financial reporting and annual reporting mention sustainable development and green growth; focusing on promoting green credit growth and environmental and social risk management; training, communication to raise popular awareness of employees about green credit activities, and to raise awareness of effective use and saving of energy and natural resources.

### THE BANK'S ACHIEVEMENTS IN 2015

# Operational capacity and scale improvement

By increasing charter capital to more than VND 9,400 billion in 2015, SHB created a good step in increasing its prudential ratios and gradually following international standards.

The establishment of 100% foreign owned bank in Lao PDR along with the successful adoption of a merger plan with Vinaconex - Viettel Finance Company (VVF) not only helped the Bank to raise its charter capital, expand operational scope and scale, and specialize in consumer lending activities but also brought a larger customer base and a more diversified product portfolio and especially led SHB closer to the goal of becoming one of leading retail banks in Vietnam.

### Safe and efficient credit growth

In the context where businesses were still facing difficulties, to secure credit disbursement and create a stable source of income for the bank, SHB has built a solid customer base and developed new customers with good financial capability, good management skills, stable markets, and business efficiency.

Loans in key sectors such as rural development and agriculture, supporting industries, export, SMEs and businesses of high-tech applications accounted for a large proportion in SHB's loan portfolio.

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

### Non-performing loans continued to be maintained at low level

The collection of overdue and nonperforming loans was particularly focused in 2015 and SHB has implemented the following solutions:

Assigning bad loan recovery targets to each business unit and individual in SHB; Selling collateral to recover bad loans; Urging customers to repay; Conducting litigation in case clients commit violations in loan application or collateral procedures; Selling bad loans to VAMC under the State Bank's policy; etc.

Customer supporting solutions: Consider lowering interest rates; Restructure repayment schedules in accordance with cash flow income of customers; Also, SHB offers financial advices to poor corporate borrowers, provides them with business strategy consultancy, supports them in product sales and business cooperation in order to improve business performance that helps them to use borrowed funds the most effectively.

As a result, NPL ratio of SHB was 1.72% at the end of 2015 completing the target set by the General Shareholders Assembly.

### Ensure transparency in operations

In 2015, SHB was ranked No. 4 out of 30 most transparent companies listed in Hanoi Stock Exchange (HNX). Such achievement further marked the Bank's positive contribution to the development of the stock market in the 2009-2015 period, evidencing regulator's recognition of its corporate governance quality and information transparency.

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

### Establishment and development of a modern distribution channel network

SHB has re-arranged the network of branches and transaction offices in a lean and effective way which is consistent with its management capability. Accordingly, modern distribution channels have been unceasingly developed besides the continual investment and expansion of the traditional ones (branch, transaction office) in many provinces and cities nationwide.

The opening of more new branches in Laos and Cambodia (Champasak, Phnompenh, etc.) helps SHB develop new potential business and increase profit amid the intense competition in the domestic market.

E-banking channels such as ATM, POS, Internet/Mobile/SMS/Phone Banking are increasingly supplemented and upgraded to offer maximum facilitations to clients.

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

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

### SHB has signed cooperation agreements with many domestic and foreign corporations

The year of 2015 was a successful year in foreign affairs of SHB, when the bank continuously welcomed high-ranking leaders from foreign countries to visit the bank, including: Governor of the Bank of Laos PDR, Governor of the National Bank of Cambodia, First Deputy Prime Minister of Republic of Uganda.

The co-branding cooperation with Manchester City and Barcelona football clubs - the world leading influential and powerful brand names with a huge number of fans -has further positioned SHB's brand, image and products & services.

SHB's reputation, inner strength, operational efficiency and sustain-

ability have convinced many groups and big corporations in such areas as oil and gas, petroleum, power and electricity, telecommunications, rice, agricultural business, etc. to sign comprehensive long-term cooperation agreements with SHB.

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

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

In 2015, SHB continued to be appointed as a serving bank for the second phase of "Small & Medium Enterprise Finance Program (SMEFP)" - a large-scale ODA project - since 4/2015. On the 20th Anniversary of the Project Management Unit, SHB was granted with a certificate of merit for "Excellent achievements in SMEFP in 2015". This project provides funds for enterprises to make new investment and business expansion at preferential interest rates. It also helps to create new jobs, improve living and working conditions of the labor market.

### Applying international standards and best practices in corporate governance

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

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

### **Future Development Plan**

### Main objectives in 2016

- 1. Continue the position in Top 5 largest Joint Stock Commercial Banks.
- 2. Boost business activities to increase market shares of key business lines: customer deposit, loan; develop domestic and international cards; diversify competitive retail banking services and products.
- 3. Increase charter capital, improve prudential ratios and gradually approach international standards.
- 4. Complete the merger of Vinaconex-Viettel Finance Company into SHB and establish SHB Consumer Finance Company Limited.
- 5. Strengthen the development of modern, high--tech retail banking services meeting all customers' needs in order to occupy a considerable retail market share in 2016.
- 6. Increase supervision on credit quality, make sufficient provisions for credit risks, enhance non--performing loans collection and perform plans of mitigation of new non-performing loans and overdue loans.
- 7. Continue the expansion of network along with strict network monitoring and control.
- 8. Manage expenses tightly, save and cut management expenses and business operating expenses in order to increase effectiveness of SHB's business operation.
- 9. Continue to restructure loan portfolio with prioritized segments that are oriented by the Government and the SBV and potential segments that are developing based on domestic and international macroeconomic conditions in each period in the financial year.
- Concentrate on enhancing the role of SHB as a participating bank in ODA projects and projects funded by international financial institutions.
  Enhance mobilizing funds from domestic and international financial institutions especially senior loans at reasonable costs of funds.

- 11. Improve governance capability; renovate human resource development in order to have a work force of high qualifications.
- 12. Increase labour productivity, increase average income per employee. Complete the KPI system to assess contribution of every staff to business performance of SHB.
- 13. Enhance training practice by organizing internal training courses, advanced training courses, internal specialized seminars in order to increase SHB's human resource quality.
- 14. Actively follow and timely respond to market changes, increase tasks of statistics-making, prediction/ forecast, peer analysis in order to have timely and appropriate management decisions in line with market changes and SHB's development requirements.
- 15. Strengthen practices of risk management, investigation, supervision and internal audit of each operation in order to enhance the capability to early detect and warn emerging risks in SHB's activities.
- 16. Enhance information technology application in order to increase management capability, risk mitigation as well as synchronous, efficient and competitive development of banking services and products.
- 17. Promote public communication and international relations in order to propagate SHB's brand name in local and international markets.
- 18. Concentrate to complete regulations, procedures and processes to assure unified and consistent operation throughout SHB system in accordance with the laws and gradually reaching to international practices which are appropriate with Vietnamese business environment and SHB's operations in each period.
- 19. Enhance activities of Communist Party, Youth Union, Labour Union in order to educate ethical mentality for SHB employees as well as increase labour productivity, contributing to SHB's business performance.

### **Financial Objectives in 2016**

Indicator	2016 plan	2016/2015 growth rate	
		%	
TOTAL ASSETS (BN VND)	232,036	13.4%	
CHARTER CAPITAL (BN VND)	11,197	18%	
CUSTOMER DEPOSIT (BN VND)	188,800	19.9%	
CUSTOMER LOAN (BN VND)	157,740	20%	
PROFIT BEFORE TAX (BN VND)	1,350	32.7%	
DIVIDEND YIELD	8,5% of ch	arter capital	
NPLs RATIO	<3%		
CAR	>9%		
ROA	0.6%-0.8%		
ROE	10%-11%		

Other business indicators

International Settlement: international settlement volume in 2016 to reach 3 billion USD.

Salary budget: 1,160 billion VND

### **Operating network:**

- Network expansion with 06 new branches, 30 transaction offices.
- Complete the acquisition of Vinaconex Viettel Finance Company and establish SHB Consumer Finance Company Ltd.
- It is expected that SHB's capital to be fully divested from SHBS or SHBS to be sold or merged with another securities company.

#### ATM, international credit cards:

- Issue 132,800 domestic debit cards and 23,000 international cards (Visa and Master Cards) in 2016.



CONNECTING

# EVALUATION OF THE BOARD OF DIRECTORS ON PERFORMANCE OF THE BANK

66

Promoting available strengths, being keen on realizing the objectives to make SHB of sustainable development, effectiveness improvement and position enhancement

### EVALUATION OF THE BOARD OF DIRECTORS ON PERFORMANCE OF THE BANK

Promoting the gained achievements and the learned lessons, the Board of Directors has built appropriate policies and orientations with drastic implementing measures. Thus, the business of SHB saw rapid growth, sustainability and safety with the following results in 2015.

- Well fulfilled 2015 business plan assigned by the General Shareholders Assembly.
- Applying drastic measures helped the Bank reduce its non-performing loans ratio to only 1.72% by the end of 2015.
- Mobilized funds, especially customer deposits, rose substantially to ensure the bank's liquidity.
- The bank has financed many national key projects.
- More branches and transaction offices were opened in many provinces and cities of the country and overseas markets.
- Management costs and operating costs were reduced, which contributed to improving business performance of the bank.
- The bank has successfully restructured and completed description of tasks and functions, regulations, processes and procedures of Departments/ Divisions/Centers, Branches, and Transaction Offices under business development orientations set by the BOD. The bank has continued business restructuring of some borrowing companies after the acquisition of Habubank. So far, those companies have stabilized their business, made profit, ensuring jobs for thousands of employees and made repayment to SHB.
- The BOD has played critical role in the merger plan with Vinaconex - Viettel Finance Company (VVF) which not only helped the Bank continue to expand its operational scope and scale but also brought a larger customer base and a more diversified product portfolio and especially led SHB closer to the goal of becoming one of leading retail banks in Vietnam

### **BOD evaluation on BOM operation**

The year 2015 continued seeing bright color in SHB's business following solid achievements in the past years. Gaining such achievements when competition among banks was increasingly fierce, Board of Directors of SHB always closely followed developments of all SHB business activities, supervised the Board of Management to perform policies approved by the General Meeting of Shareholders and the Board of Directors.

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

### **Plan and Directions of the Board of Directors**

Although global economic growth may remain low, 2016 will be an excellent year for Vietnam's economic outlook, especially the wave of investment into Vietnam will emerge to take advantage of FTAs. The Government's economic policies continue to promote restructuring of the economy towards efficiency and competitiveness focusing on three areas: public investment, State-owned economic groups and corporations, commercial banks and credit institutions. Improved macroeconomic environment facilitates operation of the banking sector. At the same time, drastic measures taken by the SBV will help restructure the banking system, handle bad debts, and strictly control gold and foreign exchange markets. Demand of the economy and financial condition of companies see positive improvement, demand for banking products and services increases, especially demand for borrowing continues to grow. Board of Directors sees that those favorable conditions will open up opportunities for banking business in 2016. Hence, main objectives of SHB's BOD in 2016 would be:

### **Improve policies and regulations**

Based on medium & long-term goals of becoming a regional multi functional, modern financial holding, SHB BOD will improve the Bank's regulations and policies in line with provisions of laws and its own operations.

### **Enhance governance capability**

Unceasingly innovate and improve governance and administration capability in all business activities; increase financial capacity and develop safely and sustainably under international standards.

### Strengthen risk management

To build and improve the system of criteria for risk identification and risk assessment as the basis to detect and mitigate risks. To strengthen the organization for risk management and urgently implement risk management and anti-money laundering solutions under guidance of the State Bank in accordance with provisions of laws and international best practices.

### Diversify and enhance product & service quality

To accelerate development of products and services: to strengthen research, evaluation of market impacts to existing products of SHB, survey and assess the needs of customers to develop featured products or services.

### **Actively handle NPLs**

To accelerate the settlement of non-performing loans; set aside adequate risk provision amounts as prescribed. To maintain NPL ratio in 2016 at below 3%.

### **Update market changes**

Always follow evolution of domestic and overseas markets to adjust business strategies in each phase and for long-term vision; to propose business orientations and solutions with flexibility ensuring stable and sustainable growth.

### Provide high quality training

To focus on training, especially training on governance capacity and management capacity for managers from Head/Deputy Head of Departments upwards. Regularly update, and provide professional training for all employees under the following policy: "Each employee is a part-time lecturer to guide and train other colleagues and staff in his/her scope of work".

### Corporate culture is core value

Maintain and develop SHB's corporate culture with traditional and distinctive identity of SHB. Enhance solidarity and loyalty of employees to create collective strength to contribute to the sustainable development of the Bank.





# CORPORATE GOVERNANCE

# "

With the slogan of "Solid partner, flexible solutions" and innovative business strategy, SHB commits to providing high benefits to customers and shareholders – investors

# BOARD OF DIRECTORS

### BOD which is the ultimate body with its members elected by the General Shareholders Meeting has full power to make decisions, exercise rights and perform responsibilities of SHB.

Members and structure

No.	Full name	Title	Holding Percentage (%)
1	Do Quang Hien	BOD Chairman	3.010%
2	Nguyen Van Le	BOD Member	0.248%
3	Tran Ngoc Linh	BOD Member	0.218%
4	Do Quang Huy	BOD Member	-
5	Pham Ngoc Tuan	BOD Member	-

#### **Committees under the BOD**

# There are Committees and Councils established by the BOD to perform duties, power authorized by the BOD including:

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

### **Activities of the Board of Directors**

The Board of Directors always strictly follows all bussiness of the Bank; supervises the Board of Management in implementing guidelines and policies passed by annual General Shareholder Meeting and Board of Directors.

Committees under the Board of Directors frequently report to the Board all issues within their responsibilities to ensure the most comprehensive information provision to the Board of Directors and compliance with laws and resolutions of annual General Shareholder Meetings.

### **Activities of the BOD's committees**

### **HR** Committee

HR Committee is organized and performs several functions on human resource management and remuneration as authorized the BOD. Key tasks of the HR Committee include:

- Advise the BOD in issuance of regulations and policies in HR management, election, appointment, removal of BOD members, BOS members and BOM members in accordance with provisions of the laws and Charter of SHB.
- Make research and advise the BOD in issuance of internal regulations of the bank under the approval authority of the BOD relating to salary, compensation, bonuses and recruitment of staffs, training, and other compensation policies to the Administrator, managers and staffs of the Bank.
- Conduct examination, inspection and assessment of the implementation of HR regulations and policies. Based on that, the Committee advises the BOD to revise existing regulations and/or to issue new regulations in accordance with the practical situation and development strategy of SHB.

### **Risk Management Committee**

Risk Management Committee is organized and performs several functions and duties on risk management as authorized by the BOD. Key tasks of the Risk Management Committee include.

- Advise the BOD in issuance of internal regulations and policies relating to risk management.
- Make analysis and warnings on safety level of the bank relating to contingent risks and propose measures to prevent and manage such risks in short term and long term.
- Review and assess the appropriation and efficiency of existing internal risk management regulations and policies of the Bank to make recommendations to the BOD on necessary changes to existing regulations and policies or business strategy.

### **Assets and Liabilities Management Committee**

This Committee performs several functions and duties relating to risk management strategies and policies of all risks relating to all items on the Assets and Liabilities on the Balance Sheet of the bank as authorized by the BOD.

Direct business units to do their business under preset strategy and policy to create reasonable items in the assets and liabilities of the balance sheet of the Bank in order to maximize profits of the bank and shareholder returns in long term.

### **Credit Committee**

Credit Committee performs several functions and duties on credit policy as authorized by the BOD.

- Advise the BOD in targeted structure of the loan portfolio of the bank by sectors, products or geographic locations.
- Approve credit polices including interest rates, fees, credit conditions, credit risk prevention measures applied to each type of customers and related parties.
- Approve loans exceeding the approval limit of the CEO such as loans exceeding 10% of SHB's equity and other loans exceeding credit limits

### **Investment Committee**

Investment Committee performs several functions and duties on investment activities as authorized by the BOD.

Appraise investment plans and allocate investment in allowed sectors to increase income and profits for SHB.

### Problem Loan Management and Collection Committee

This Committee is set up by the BOD to handle problem loans

Develop strategy, measures to prevent and mitigate overdue and non-performing loans in order to achieve goals of safe and effective operation of SHB.

Direct and approve measures to prevent and handle problem loans in the entire Bank.

#### **Corporate governance**

#### **Board of Supervisors**

### Members and organization of Board of Supervisors (BOS

No	Full name	Position	Holding Percentage (%)
1	Pham Hoa Binh	Head of BOS	0.006%
2	Nguyen Huu Duc	Deputy Head of BOS	-
3	Nguyen Thi Hoat	Dedicated member of BOS	-
4	Bui Thanh Tam	Member of BOS	-

### **Corporate governance**

### **Activities of the Board of Supervisors**

### Board of Supervisors is the Bank's supervisory body elected by annual General Shareholder Meeting.

The board is in charge of supervising and assessing the compliance with internal and external regulations and with the bank's Charter as well as the implementation of resolutions of annual General Shareholder Meetings and the Board of Directors

The Board performs internal audit of SHB's business activities and financial statements.

Supervisors conducted 05 meetings in 2015 with contents and outcomes of the meetings as follows:

### Supervisors' Meeting Dated 29/01/2015

Reviewed the work performed by the BOS during quarter IV/2014:

Pursuant to the work plan for Quarter IV/2014 outlined in the BOS Quarter III/2014 Minutes Meeting No. 60A/BB-BKS dated 27/10/2014, the BOS reviewed and evaluated the works (23 work items) performed during quarter IV/2014).

Worked out the work plan of the BOS in Quarter I/2015 (27 work items).

### Supervisors' Meeting Dated 10/4/2015

- a) Reviewed the work performed by the BOS during quarter I/2015: 18 work items.
- b) Worked out the work plan of the BOS in Quarter II/2015 (25 detailed work items).

### Supervisors' Meeting Dated 24/4/2015.

Assigned duties to the BOS members and reached agreement on the operating principles of the BOS for the term 2012 - 2017

### Supervisors' Meeting Dated 29/7/2015

a) Reviewed the work performed by the BOS during quarter II/2015: 22 work items mentioned in Part A of the Minutes-Meeting.

b) Worked out the work plan of the BOS in Quarter III/2015 (15 detailed work items).

### Supervisors' Meeting Dated 21/10/2015

- a) Reviewed the work performed by the BOS during quarter III/2015: 19 work items.
- b) Worked out the work plan of the BOS in Quarter IV/2015 (17 work items).

All the activities of Board of Supervisors in 2015 strictly followed the functions and tasks assigned to the Board of Supervisors in compliance with legal regulations, Charter of SHB, Regulations on the organization of SHB Board of Supervisors, internal regulations of SHB, under plans and orientations periodically set by the Board of Supervisors as well as upon requests of the BOD and proposals of the CEO.

### Transactions, compensations, and benefits of members of the BOD and BOS

Salary, bonuses, compensations and benefits

Total salary, bonuses, compensations and benefits for the BOD and BOS was VND 10.2 billion, equivalent to 52.14% of the plan adopted by the Annual General Shareholder Meeting. As a result, in 2015, compensations and benefits plan for members of the BOD and the Supervisory Board adopted by the Annual General Shareholder Meeting 2015 was not used up.

### Share transactions of internal shareholders

No	Name of people conducting tran-	Relationship with internal	Number of shares at th riod beginn	ne pe-	Number of H shares at the ending		Reason for increase/ decr-ease
	sactions	shareholders	Number of shares	Perce- -ntage	Number of shares	Percen- -tage	
1	Do Thi Thu Ha	Older sister of Chairman of BOD	14,838,100	1.67%	19,959,100	2.251%	Investment
2	Do Thi Minh Nguyet	Older sister of Chairman of BOD	0	0%	5,000,000	0.564%	Investment
3	Tran Thi Hoang Kim	Daughter of member of BOD	47,698	0.01%	20,600	0.002%	Personal finan- cial need

The implementation of regulations on corporate governance

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

- The Bank has ensured shareholders' rights and benefits.
- Charter of the bank was revised in accordance with the new Law on Credit Institutions and Circular No. 121/2012/TT-BTC.
- The BOD has convened annual General Shareholder Meeting in accordance with regulations. The bank provides full disclosure of meeting documents on the website as a basis for shareholder's discussion and voting at the meeting, holds the meeting caringly and actively reflecting the bank's reputation.
- The BOD and the Supervisory Board have made sufficient reports at the General Shareholder Meeting.
- The nomination, election, appointment, and qualifications of members of the BOD and the Supervisory Board have complied with regulations of the Credit Institution Law, Circular No. 121/2012/TT-BTC. The BOD and the Supervisory Board have performed rightly their duties and tasks.
- Board of Directors, Supervisory Board fully comply with responsibilities and obligations under provisions of the Enterprises Law, the Law on Credit Institutions and other relevant legal documents.
- Members of the Board of Directors, Supervisory Board, the Board of Management, and other managers publish all related benefits and interests according to the Enterprise Law and other relevant legal documents.
- The bank complies fully with reporting and information disclosure regulations, and has been considered as one of the most transparent companies on the stock market.





FINANCIAL REPORT



### Saigon – Hanoi Commercial Joint Stock Bank

Consolidated financial statements

31 December 2015

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## GENERAL INFORMATION

### THE BANK

Saigon – Hanoi Commercial Joint Stock Bank (herein referred to as "the Bank"), initially Nhon Ai Rural Commercial Joint Stock 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 Commercial Joint Stock Bank under Decision No. 1764/QD-NHNN dated 11 September 2006 by the Governor of the SBV. In 2012, the Bank successfully merged Hanoi Building Commercial Joint Stock Bank ("HBB") into its operation, which is in line with the restructuring of the banking system of Vietnam. The Bank is operating under the amended certificate of registration as follows:

Business registration No.	Issuance date
1800278630	17 June 2013
1800278630	11 June 2014

The Bank's principal activities are to provide banking services, including mobilizing and receiving short-term, mediumterm 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 2015, the Bank had one (1) business centre, fifty-third (53) branches, five (5) saving funds, one hundred and seventy-four (174) 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. Do Quang Huy	Member	Appointed on 19 April 2014
Mr. Le Quang Thung	Independent Member	Appointed on 5 May 2012

### **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	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. Nguyen Thi Hoat	Member	Appointed on 24 April 2015
Ms. Hoang Thi Minh	Member	Appointed on 5 May 2012
		Resigned on 24 April 2015

### 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. Ninh Thi Lan Phuong	Deputy General Director	Appointed on 8 June 2012
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. Ngo Thi Van	Chief Accountant	Appointed on 11 November 2014

### LEGAL REPRESENTATIVE

The legal representative of the Bank during the year ended 31 December 2015 and as at the date of this report is Mr. Nguyen Van Le – General Director.

### REPORT OF THE BOARD OF MANAGEMENT

### AUDITORS

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

### SIGNIFICANT EVENTS DURING THE YEAR

The 2015 Annual General Shareholders' Meeting of the Bank was held on 24 April 2015. At the meeting, the Bank's shareholders approved for stock dividend at the rate of 7% for the year 2014, the resignation of Ms. Hoang Thi Minh and the appointment of Ms. Nguyen Thi Hoat as a Member of the Board of Supervisors.

Moreover, the issuance of new shares for merging Vinaconex-Viettel Finance Joint Stock Company was into the Bank also approved by the shareholders.

The Board of Management of Saigon - Hanoi Commercial Joint Stock Bank (herein referred to as "the Bank") is pleased to present this report and the consolidated financial statements of the Bank and its subsidiaries for the year ended 31 December 2015.

E&Y Vietnam Limited Company is the auditing firm of the Bank

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

Management of the Bank is responsible for the consolidated financial statements of eachfinancial 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 31December2015 and of the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and comply with relevant regulations stipulated by the State Bank of Vietnam and other statutory requirements relevant to preparation and presentation of the consolidated financial statements.

On behalf of the Board of Management:



Hanoi, Vietnam

14April 2016 Reference: 60829147/17840248-HN



Ernst & Young Vietnam Limited Rth Floor, Corner Stone Building 16 Phan Chu Trinh Street Hom Kiene Destrict Hanck, S.R. of Vietnam Tef : + 84 4 3831 5100 Fax: + 84 4 3831 5090 ry.com

#### **INDEPENDENT AUDITORS' REPORT**

To:

#### The Shareholdersof

#### 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 subsidiariesas prepared on 14April 2016andset out on pages 6 to 78, which comprise the consolidated balance sheet as at 31 December 2015, the consolidated income statement and the consolidated cash flow statement for the year then ended and the notes thereto.

#### Management of the Bank's responsibility for the financial statments

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, Vietnamese Accounting System for Credit Institutions and comply with relevant regulations stipulated by the State Bank of Vietnam and other statutory requirements relevant to preparation and presentation of the consolidated financial statements, 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 2015, and the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and comply with relevant regulations stipulated by the State Bank of Vietnam and other statutory requirements relevant to preparation and presentation of the consolidated financial statements.

#### **Emphasisof matter**

We draw attention to Note 4.1.6 – The specific accounting policies on making provision for financial debts mainly transferred from Hanoi Building Commercial Joint Stock Bank ("HBB"). The Bank has applied these policies under financial resolution plan that has been reported on the revised SHB-HBB merging plan for the period from 2016 to 2018 ("the Proposal"). The Proposal has been submitted to the State Bank of Vietnam ("the SBV") in the year 2015. Up to the date of this report, the SBV has received the responses from the relevant stated authorities and has prepared to submitto Prime Minister aproposal for approval.

# Our opinion is not qualified in respect of this matter.



# Mon

# Nguyen Thuy Duong

Deputy General Director Audit Practising Registration Certificate No.0893-2013-004-1

Hanoi, Vietnam

14April 2016

# Dang Phuong Ha

Auditor Audit Practising Registration Certificate No. 2400-2013-004-1

# CONSOLIDATED BALANCE SHEET

as at 31 December 2015

	Notes	31/12/2015 VNDm	31/12/2014 VNDm
ASSETS	NOLES	VNDM	VNDM
Cash and cash equivalents	6	1,917,860	801,433
Balances with the State Banks	7	4,362,518	3,346,049
Placements with and loans to other banks	8	29,793,709	29,491,363
Placements with other banks	Ū	25,935,846	24,496,548
Loans to other banks		3,863,000	4,999,952
Provision for placements with and loans to other banks		(5,137)	(5,137)
Trading securities	9	54,378	31,828
Trading securities	-	70,927	50,877
Provision for impairment of trading securities		(16,549)	(19,049)
Derivatives and other financial assets	10	-	18,611
Loans and advances to customers		130,005,807	103,048,466
Loans and advances to customers	11	131,427,193	104,095,714
Provision for credit losses	12	(1,421,386)	(1,047,248)
Investment securities	13	17,316,651	13,471,098
Available-for-sale securities		7,479,883	5,794,806
Held-to-maturity securities		10,399,493	8,043,327
Provision for investment securities		(562,725)	(367,035)
Long-term investments	14	303,409	321,032
Other long-term investments		313,397	341,590
Provision for impairment of long-term investments		(9,988)	(20,558)
Fixed assets	15	4,056,266	4,105,750
Tangible fixed assets	15,1	361,018	383,906
Cost		813,363	778,362
Accumulated depreciation		(452,345)	(394,456)
Intangible assets	15,2	3,695,248	3,721,844
Cost		3,848,511	3,844,109
Accumulated amortization		(153,263)	(122,265)
Investment properties	16	16,955	17,095
Cost		17,401	17,401
Accumulated depreciation		(446)	(306)
Other assets	17	16,876,587	14,382,821
Receivables		1,950,668	1,574,121
Interest and fee receivables		8,872,126	6,921,697
Other assets		6,124,385	5,939,000
Provision for other assets	-	(70,592)	(51,997)
TOTAL ASSETS	_	204,704,140	169,035,546

	Notes	31/12/2015 VNDm	31/12/2014 VNDm
LIABILITIES			
Borrowings from the Government and the SBV	18	4,224,915	761,158
Deposits and borrowings from other banks	19	28,145,783	28,142,891
Deposits from other banks		24,319,748	21,506,420
Borrowings from other banks		3,826,035	6,636,471
Customer deposits	20	148,828,876	123,227,619
Derivatives and other financial liabilities	10	100,011	-
Other borrowed funds	21	414,632	214,487
Valuable papers issued	22	8,259,448	3,911,000
Other liabilities		3,472,713	2,295,419
Interest and fee payables		3,053,554	1,730,158
Deferred tax liabilities		-	461
Other payables	23	419,159	564,800
TOTAL LIABILITIES		193,446,378	158,552,574
OWNERS' EQUITY			
Capital		9,582,401	8,962,251
Charter capital		9,485,945	8,865,795
Share premium		101,716	101,716
Treasury shares		(5,260)	(5,260)
Reserves		863,808	734,463
Retained earnings		808,832	783,350
TOTAL OWNERS' EQUITY	25	11,255,041	10,480,064
NON-CONTROLLING INTEREST	25	2,721	2,908
TOTAL LIABILITIES, OWNERS' EQUITY AND NON- CONTROLLING INTEREST		204,704,140	169,035,546

#### OFF-BALANCE SHEET ITEMS

	Notes	31/12/2015 VNDm	31/12/2014 (restated) VNDm
Credit guarantees		193,394	187,506
Foreign exchange commitments		10,735,194	4,131,126
Buyingforwards		560,318	15,815
Selling forwards		1,238,878	164,527
Swaps		8,935,998	3,950,784
Letters of credit		7,841,919	4,761,609
Other guarantees		9,336,269	8,964,570
Other commitments		1,000,000	2,000,000
	40 _	29,106,776	20,044,811

Prepared by

Ms. Nguyen Thi Hanh Hoa Accountant

Approved by

Ms. Ngo Thi Van Chief Accountant

Approved by THƯƠNG MẠI CỔ PHẦN SÀI GÒN-HÀ NO Mr. Nguyen Van Le General Director

Hanoi, Vietnam 14April2016

# CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2015

		2015	2014
	Notes	VNDm	VNDm
Interest and similar income	28	11,991,798	10,312,849
Interest and similar expenses	29 _	(8,295,644)	(7,586,884)
Net interest and similar income		3,696,154	2,725,965
Fee and commission income		189,988	440,321
Fee and commission expenses	-	(92,550)	(86,722)
Net fee and commission income	30	97,438	353,599
Net gain from foreign currency trading	31	26,565	65,559
Net gainfrom trading securities	32	4,160	3,555
Net loss from investment securities	33	(69,645)	(6,931)
Other operating income		304,992	296,940
Other operating expenses	-	(130,408)	(189,174)
Net other operating income	34	174,584	107,766
Dividend income	35	8,564	7,820
TOTAL OPERATING INCOME		3,937,820	3,257,333
TOTAL OPERATING EXPENSES	36	(2,078,640)	<u>(1,624,353)</u>
Profit from operating activities before provision for credit losses		1,859,180	1,632,980
Provision charge for VAMC bonds		(131,294)	(333,039)
Provision charge for credit losses	-	(710,832)	(287,593)
PROFIT BEFORE TAX		1,017,054	1,012,348
Current enterprise income tax	24,1	(221,437)	(221,464)
Deferred enterprise income tax	-	(461)	(137)
Enterprise income tax	-	(221,898)	(221,601)
PROFIT AFTER TAX		795,156	790,747
Non-controlling interest	-	(26)	159
Profit after tax of the Bank	_	795,130	790,611
Basic earnings per share (VND)	26	839	818

Prepared by

Approved by

Ms. Nguyen Thi Hanh Hoa Accountant

Hanoi, Vietnam 14April2016

Ner

Ms. Ngo Thi Van Chief Accountant



# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2015

		2015	2014
	Notes	VNDm	VNDm
OPERATING ACTIVITIES			0 000 777
Interest and similar receipts		10,044,545	8,983,767
Interest and similar payments		(6,972,978)	(7,214,905)
Net fees and commission receipts		97,438	361,839
Net receipts from foreign currency, securities trading		2,832	88,792
Net other operating receipts		(33,707)	(142,608)
Recovery from bad debts written-off previously		198,121	4,754
Employee and other administrative expense payments		(1,937,545)	(1,489,629)
Enterprise income tax paid in the year	24,1 _	(224,993)	(128,864)
Net cash flows fromoperating activities before changes in operating assets and liabilities		1,173,713	463,146
Changes in operating assets			
Decrease in dues from other banks		2,700,849	11,588,587
Decrease/(increase) in securities		(1,451,426)	4,896,237
(Increase)/decrease in derivatives and other financial assets		18,611	(18,611)
(Increase)/decrease in loans and advances to customers		(29,957,833)	(28,814,627)
Use of provision for loan losses and provision for impairment of investment		(317,712)	(481,707)
Decrease/(increase)in other assets		(512,566)	648,944
Changes in operating liabilities			
Decrease/(increase)in borrowings from the Government and the SBV		3,463,757	(1,357,986)
Increase in dues to banks		2,892	7,095,296
Increase in dues to builds		25,601,257	32,466,602
Decrease/(increase)in valuable papers issued (except for long-term		23,001,237	52,100,002
valuable papers issued disclosed in financing activities)		4,348,448	(12,998,575)
Increasein other borrowed funds		200,145	100,311
Increase/(decrease) in derivatives and other financial liabilities		100,011	(6,272)
Decrease in other liabilities	_	(163,877)	(463,674)
Net cash flows from operating activities		5,206,269	13,117,671
INVESTING ACTIVITIES			
Purchase of fixed assets		(103,775)	(136,459)
Proceeds from sale of fixed assets		919	667
Payment for sale of fixed assets		(774)	-
Investments in joint ventures, associates and others		27,649	61,831
Dividend receipts from investments during the year	_	8,565	7,820
Net cash flows used in investing activities		(67,416)	(66,141)

	Notes	2015 VNDm	2014 VNDm
FINANCING ACTIVITY			
Dividend payment to shareholders	27	(2,761)	(603,732)
Net cash flowsused in financing activity		<u>(2,761)</u>	(603,732)
Net increase in cash and cash equivalents during the year		5,136,092	12,447,798
Cash and cash equivalents at the beginning of the year		28,625,146	16,177,348
Cash and cash equivalents at the end of the year	37	33,761,238	28,625,146
Capital increase from dividend payment by shares		620,150	-

Prepared by

Ms. Nguyen Thi Hanh Hoa Accountant

Approved by

Ma

Ms. Ngo Thi Van Chief Accountant

800Approved by NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN SÀI GÒN-HÀ NỘI KIÊM -78 Mr. Nguyen Van Le

General Director

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2015 and for the year then ended

# 1. NTHE 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. 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. In 2012, the Bank successfully merged Hanoi Building Commercial Joint Stock Bank ("Habubank") into its operation, which is in line with the restructuring process of the banking system of Vietnam. The Bank is operating under the amended certificate of registration as follows

Business registration No.	Issuance date
1800278630	17 June 2013
1800278630	11 June 2014

The Bank's principal activities are to provide banking services including mobilising and receiving short-term, medium-term and long-term deposits from organisations and individuals; making short-term, medium-term and long-term loans to organisations 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.

# **Charter capital**

The charter capital of the Bank as at 31 December 2015 which is VND9,485 billion (31 December 2014: VND8,865 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 2015, the Bank had one (1) business centre, fifty-third (53) branches, five (5) saving funds, one hundred and seventy-four (174) transaction offices nationwide, four (4) branches in Cambodia, and one (1) branch in Laos.

#### **Subsidiaries**

As at 31 December 2015, the Bank hastwo (2) subsidiaries as follows:

No	Subsidiary	Business Registration No.	Line of business	Ownership of the Bank
1	SHB Debt and Asset Management One Sole Member Company Limited (SHB AMC)	0104006217 dated 10 December 2009 granted bythe 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 2015 is 6,083 (31 December 2014: 5,553).

### 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 itsaccounting 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 amountsare 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 itsoperations and itscash flows.

#### 3. APPLIED ACCOUNTING STANDARDS AND SYSTEM

#### 3.1 Statement of compliance

Management of the Bank confirms that the accompanying consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and comply with relevant regulations stipulated by the State Bank of Vietnam and other statutory requirements relevant to 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"), areprepared in accordance with the Accounting System for Credit Institutions required under Decision No. 479/2004/QD-NHNN issued on 29 April 2004 and regulatory documentson amendment and supplementation of Decision No. 479/2004/QD-NHNN, Decision No. 16/2007/QD-NHNN issued on 18 April 2007, 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 statements, including their utilization, are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the consolidated financial position, consolidated results of operations and cash flowsin accordance with accounting principles and practices generally accepted in countries other than Vietnam.

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

#### 3. APPLIED ACCOUNTING STANDARDS AND SYSTEM

#### 3.3 Assumptions and uses 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.

#### 3.4 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 polices 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.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 Changes in accounting policies and disclosures

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

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

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

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

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

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

4.1.3 Circular No. 200/2014/TT-BTC – replacing the enterprise accounting system under Decision No. 15/2006/QD– BTC and Circular No. 244/2009/TT-BTC ("Circular 200")

On 22 December 2014, the Ministry of Finance promulgated Circular No. 200/2014/TT-BTC providing guidance on the accounting system of enterprises ("Circular 200") which replaces Decision No. 15/2006/QD–BTC dated 20 March 2006 ("Decision 15") and Circular No. 244/2009/TT-BTC dated 31 December 2009 issued by the Ministry of Finance ("Circular No. 244"). The Circular is applied to financial years beginning on or after 1 January 2015.

The effects of the change in accounting treatment in accordance with Circular 200 are applied on a prospective basis as this Circular does not require for a retrospective application.

4.1.4 Circular No. 49/2014/TT-NHNN – Modifying, supplementing certain articles of the financial statement regime for credit institutions issued under Decision No. 16/2007/QD-NHNN dated 18 April 2007 and chart of accounts for credit institutions, issued under Decision No. 479/2004/QD-NHNN dated 29 April 2004 by the Governor of the SBV ("Circular 49")

On 31 December 2014, the SBV issued Circular 49, which comesinto effect from 15 February 2015.

Compared to previous regulations, Circular 49 has modified, supplemented several articles regarding the Financial Reporting Regime for credit institutions, issued under Decision No. 16/2007/QD-NHNN dated 18 April 2007 by the SBV Governor:

- Subsidiaries/associates: subsidiaries and associates of credit institutions are defined by Laws on Credit Institutions;
- Replacement of financial statement templates issued under Decision No. 16/2007/QD-NHNN by new respective templates under Circular 49.
- 4.1.5 Circular No. 202/2014/TT-BTC providing guidance for the preparation and presentation of consolidated financial statements ("Circular 202")

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

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

#### 4.1.6 The special accounting policies on making provision for financial debts

The problem financial debts includes freezing debts from Vinashin, bad debts, trusted investments, irrecoverable receivables, and special bonds issued by VAMC. In accordance with the revised SHB- HBB merging proposal for the period from 2016 to 2018 ("the Proposal"), the Bank has applied its proposal for the problem financial debts as follows:

- Allocate the provision for bad debts transferred from HBB in a period of 10 years.
- Allocate the provision for special bonds issued by VAMC in a period of 10 years.

# 4.2 Cash and cash equivalents

Cash and cash equivalents comprisecash, 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 placementswith, loans to other banks and securities with an original maturity of less than three months from the acquisition or deposit dates which can be converted into a known amount of cash and do not bear the liquidity risk as at the date of these consolidated financial statements.

#### 4.3 Loans and advances to customers

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

#### 4.4 Provision for credit losses

#### 4.4.1 Provision for credit losses in Vietnam

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

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

	Group		Description	Provision
		(a)	Current debts that being assessed as fully and timely recoverable, both principals and interests; or	
1	Current	(b)	Debts which are overdue for a period of less than 10 days and being assessed as fully recoverable, both overdue principals and interests, and fully and timely recoverable, both remaining principals and interests.	0%
2		(a)	Debts which are overdue for a period of between 10 days and 90 days; or	
	Special Mention	(b)	Debts which are restructured repayment term for the first time.	5%
		(a)	Debts which are overdue for a period of between 91 days and 180 days; or	
		(b)	Debts which are extended repayment term for the first time; or	
	Sub-Standard	(C)	Debts which are exempted or reduced interests because customers are not sufficient capability to pay all interests under credit contracts; or	
		(d)	Debts in one of the following cases have not been recovered in less than 30 days from the date of the decision to collect:	
3			Debts violating Clause 1, 3, 4, 5, 6 under Article 126 of Law on Credit Institutions ; or	20%
			Debts violating Clause 1, 2, 3, 4 under Article 127 of Law on Credit Institutions ; or	
			Debts violating Clauses 1, 2 and 5 under Article 128 of Law on Credit Institutions.	
		(e)	Debts which are recovered under inspection conclusions	
		(a)	Debts which are overdue for a period of between 181 days and 360 days; or	
		(b)	Debts which are restructured repayment term for the first time but still overdue for a period of less than 90 days under that restructured repayment term; or	
		(C)	Debts which are restructured repayment term for the second time; or	
4	Doubtful	(d)	Debts which are specified in point (d) of Group 3 that have not been recovered for a period of between 30 days and 60 days after decisions on recovery have been issued; or	50%
		(e)	Debts which must be recovered under inspection conclusions but fail to be repaid although recovery term was overdue from 60 days ago.	

#### 4. 4. APPLIED ACCOUNTING STANDARDS AND SYSTEM

#### 4.4 4.4.Provision for credit losses (cont.)

#### 4.4.1 4.4.1. Provision for credit losses in Vietnam (cont.)

	Group	Description	Provision
5	Loss	(a) Debts which are overdue for a period of more than 360 days; or	100%
		(b) Debts which are restructured repayment term for the first time but still overdue for a period of 90 days or more than under that first restructured repayment term; or	
		(c) Debts which are restructured repayment term for the second time but still overdue under that second restructured repayment term; or	
		(d) Debts which are restructured repayment term for the third time or later, whether debts are overdue or not; or	
		(e) Debts which are specified in point (d) Group 3 that have not been recovered for a period of more than 60 days after decisions on recovery have been issued; or	
		(f) Debts which must be recovered under inspection conclusions but fail to be repaid although recovery term was overdue for more than 60 days; or	
		(g) Debts of customers being credit institutions which are announced by the State bank to place in special control status, or foreign banks' branches of which capital and assets are blockaded.	

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

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

- According to Article 10, Clause 3a of Circular 09, loans are rescheduled and classified in the same loan groups as before the restructuring when they meet the following conditions:
- Loans and disbursements do not violate the provisions of law;
- The loan restructure is consistent with the purpose of the loan in the credit contract;
- Customer follows the loan purposes;
- Customer has the new feasible repayment plans, consistent with business conditions; and
- The Bank meets the provisions of the SBV on the limitation, safety ratios in the operation of the Bank, including the maximum ratio of short-term funds are used for medium and long term loans in cases of restructuring short-term loan to the long-term one.

When these conditions are met, the Bank can restructure the loan and keep the previous loan group as current classification. The loan can be restructured and kept the previous loan group only one time. Article 10, Clause 3a of Circular 09 was effective from 20 March 2014 and ineffective from 1 April 2015.

Since 1 January 2015, the Bank should adjust quarterly their classification for customer debts and off-balance sheet commitments in accordance with the results provided by the CIC and make a supplemental provision as required.

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

Besides, the SBV approved the Bank's allocation plan of provision for loans to Vietnam Shipbuilding Industry Group ("Vinashin", renamed as Shipbuilding Industry Corporation – "SBIC"), some of its members and the members which have been merged with Petrovietnam Oil and Gas Group ("PVN") or Vietnam National Shipping Lines ("Vinalines"), including loans which have been converted and not yet been converted to special bonds, in a maximum period of 10 years since 2014.

In addition, under the special accounting policies as presented in Note 4.1.6, the Bank has allocated the provision for the bad debts transferred from HBB in a period of 10 years since 2015.

In accordance with the requirements of Circular 02, as at 31 December the Bank is also required to make a general provision of 0.75% of total outstanding loans excluding balance with and loans to other credit institutions and excluding any loans classified into loss loan group as at 30 November.

#### 4.4.2 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 Directorsas uncollectible will be written off after deducting the reselling value of collaterals (if any).

#### 4.4.3 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:

Grou	ıp	Specific provision rate
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 2015, the general provision rates for Current loans and Special Mention loans were 0.50% and 3.00% of total outstanding loans, respectively 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 2015.

#### 4.5 Trading securities

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

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

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

In addition, SHB classifies and makes provision for trading securities, which are not listed on the stock market or not registered on the unlisted public companies market (UPCOM), in accordance with Circular 02 and Circular 09, similarly to the loan classification and provision as presented in Note 4.4.1.

#### 4.6 Investment securities

#### 4.6.1 Available-for-sale securities

Available-for-sale securities include debt and equity securities, which are not classified as trading and heldto-maturity, and which are held for investment and available-for-sale purposeuntil an opportunity for profit is given. Moreover, regarding equity securities, SHBisnotthe 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 presentatives in the board of directors/board of management.

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

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

In subsequent periods, available-for-sale debt securities are continuously recognized at face value. Discount/ premium (if any) is amortized n 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 receivableusing 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 conformity with Circular No. 228/2009/TT-BTC dated 7 December 2009. In case the market value of the securities cannot be determined, no provision is calculated.

In addition, SHB classifiesand makes provision for investment securities, , which are not listed on the stock market or not registered on the unlisted public companies market (UPCOM), in accordance with Circular 02 and Circular 09, similarly to the loan classification and provision as presented in Note 4.4.1.

Provision for impairment loss is recognized into the consolidated income statement as "Net gain/(loss) from investment securities".

#### 4.6.2 *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 4.6.1

#### 4.6.3 Special bonds issued by VAMC

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

During the holding period, the Bank periodically calculates and makes allowance in accordance with Circular No. 14/2015/TT-NHNN. Accordingly, each year within 5 consecutive working days prior to the maturity date of special bonds, the Bank is obliged to fully make specific provision for each special bond using the below formula:

 $X(m) = Y \qquad x m - (Zm + Xm - 1)$ 

In which:

- X(m) : minimum provision for special bonds in the mth year;
- Xm-1: accumulated specific provision for special bonds in the m-1th year;
- Y: face value of special bonds;
- n: term of special bonds (years);
- m: number of years from the bond issuance date to the provision date;
- Zm: accumulated bad debt recoveries at the provision date (mth year). Credit institutions should cooperate with VAMC to determine the recovery of the bad debts.

If  $(Zm + Xm - 1) \ge (Y/n \times m)$ , the specific provision (X(m)) will be zero (0).

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

In addition, applying the special accounting policies presented in Note 4.1.6, the Bank has allocated the provision for special bonds issued by VAMC in a period of 10 years since 2015.

#### 4.7 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 sellingprice 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.

#### 4.8 Other long-term investments

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

For an investment in listed shares or shares which fair value can be determined reliably, provision is made based on the shares' market value (similarly to provision for diminution in value of trading securities). Provision for diminution in value is made when the investee suffers loss, except that such loss had been forecasted in the investee's business plan before the investment was made. Accordingly, the provision is made based on the total invested amount of all parties in the entity (at face value) minus (-) owners' equity multiplied by (x) the ownership ratio of the Bank (at face value) in the entity.

#### 4.9 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

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.

#### 4.10 Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortization.

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.

#### 4.11 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

#### 4.12 Investment properties

Investment properties are stated at cost, which includes any related expenditures less accumulated amortization. For investment properties that SHB hold for economic benefit in future, SHB does not make amortization for these properties but determining its impairment.

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

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

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

#### 4.13 Leases

Assets used for operating leasing 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.

#### 4.14 Other receivables

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

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

Provision for overdue receivablesis made in compliance with Circular No. 228/2009/TT-BTC dated 7 December 2009 issued by the Ministry of Finance, after deducting for its related collateral as follows:

Overdue status	Allowance rate
From over six (6) months up to under one (1) year	30%
From one (1) to under two (2) years	50%
From two (2) to under three3) years	70%
From three (3) years and above	100%

Regarding to trusted investments transferred from HBB in the merger between the two banks, the SBV approved the Bank's plan to allocate the required provision for these trusted investments to its consolidated income statement in a maximum period of 10 years since 2014.

#### 4.15 Provision for off-balance sheet commitments

SHB issues 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, SHBisrequired to classify the off-balance sheet commitments and contingent liabilities similar to loans and advances to customer for management purposes only.

#### 4.16 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 interbank exchange rate announced by the SBV (see Note 51 for details).

Gain or loss from revaluation is recorded periodically in "Net gain/ (loss) from foreign currency trading" on the consolidated balance sheet.

#### 4.17 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 51). Income and expenses arising from foreign currencies during the period are translated into VND at rates ruling at the transaction dates.

Foreign exchange differences arising from the translation is recognized in "Net gain/(loss)from foreign currency trading" on the consolidated income statement.

#### 4.18 Recognition of income and expenses

4.18.1 Recognition of income and expenses from banking activities

Interest income and interest expenses

Interest income and interest expenses are recognized in the consolidated 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 reversed and monitored in the off balance sheet and only recognized in the consolidated income statement upon actual receipt.

Fees and commissions

Fees and commissions are recognized when services are provided.

#### 4.18.2 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 selling price and the cost of the securities sold.

#### 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 selling price and the cost of the securities sold.

#### 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 held is updated.

#### 4.18.3 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 up collection. When the income is collected, it will be recognized in the consolidated income statement as an "Operating income".

#### 4.19 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 lossat the time of transaction. Deferred enterprise income tax assets are recognized for all deductible temporary differences, tax losses carried forward and unused tax credits when it is probable that SHB will generate sufficient taxable profit in the foreseeable future to use deductible temporary differences, taxable losses and tax advantages, except:
- The deferred enterprise income tax asset arises from the initial recognition of an asset or liability in a transaction that affects neither the accounting nor taxable profit or lossat the time of transaction.

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 ischarged 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 ifSHB 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.

#### 4.20 Statutory reserves

In accordance withLaws on Credit Institutions No.47/2010/QH12 and Decree No. 57/2012/ND-CP, the Bank is required to make supplemental capital reserve and financial reserves from net profit of the fiscal year.

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

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

In accordance with Circular No. 27/2002/TT-BTC dated 22 March 2002 issued by the Ministry of Finance that provides guidance on the regime of finance for asset management companies of commercial banks, asset management companies shall appropriate compulsory reserves similarly to their parent commercial banks.

In accordance with Circular 146/2014/TT-BTC dated 6 October 2014 issued by the Ministry of Finance, SHB Securities Company is required to make supplemental capital reserve and financial reserves from net profit in the fiscal year.

#### 4.21 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.

#### 4.22 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.

#### 4.23 Segment reporting

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

# 4.24 Employee benefits

#### 4.24.1 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 26.00% of an employee's basic salary on a monthly basis.SHBin Vietnam has no further obligation.

#### 4.24.2 Voluntary resignation

Under Article 48 of the Vietnam Labor Code No. 10/2012/QH13 dated 18 June 2012,SHB has the obligation 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.

#### 4.24.3 Unemployment insurance

According to Circular No. 04/2009/TT-BLĐTBXH providing guidance for Decree No. 127/2008/ND-CP on unemployment insurance, from 1 January 2009, the Bank is required to contribute to the unemployment insurance at the rate of 2% of salary and wage fund of unemployment insurance joiners.



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Segment reporting in terms of business activities 5.1

						NNDm
	Credit	Investment	Services	Treasury	Total	
2015						
Direct revenue	11,392,541	957,915	210,159	824,402	13,385,017	
As at 31 December 2015						
1.Segment assets	141,467,937	20,393,828	115,791	33,577,428	195,554,984	195,554,984
2.Asset allocation	3,856,393	22,561	2,093,642	3,176,560	9,149,156	9,149,156
Total assets	145,324,330	20,416,389	2,209,433	36,753,988	204,704,140	
1.Segment liabilities	249,633	ı	379,410	192,400,579	193,029,622	193,029,622
2.Liability allocation	175,663	1,028	95,368	144,697	416,756	416,756
Total liabilities	425,296	1,028	474,778	192,545,276	193,446,378	

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			Domestic		
	Overseas	l. Income statemenzt	Miền Trung	Miền Nam	Total
Net interest and similar income	164,737	2,072,809	469,298	989,310	3,696,154
Net fees and commission income	(4,347)	88,553	(214)	13,446	97,438
Net gainfrom trading securities	I	4,160	I	I	4,160
Net gain from foreign currencies trading	1,156	12,830	1,185	11,394	26,565
Net loss from investment securities	I	(69,645)	I	I	(69,645)
Net gain from other operating income	36	171,306	(736)	3,978	174,584
Dividend income	I	8,564	I	I	8,564
Operating expenses	(75,086)	(1,497,310)	(147,885)	(358,359)	(2,078,640)
Profit from operating activities before provision for credit losses	86,496	791,267	321,648	659,769	1,859,180
(Charge)/reversal of provision for credit loss	(28,500)	(710,773)	(61,110)	(41,743)	(842,126)
Profit before tax	57,996	80,494	260,538	618,026	1,017,054
ll. Assets					
1. Cash and gold	28,866	1,652,681	68,392	167,921	1,917,860
2. Balances with the State Banks	1,994,240	2,330,481	28,134	9,663	4,362,518
3. Placements with and loans to other banks	2,444,191	27,346,841	2,055	622	29,793,709
4. Loans and advances to customers	5,417,373	80,023,530	15,181,352	29,383,552	130,005,807
5. Financial investments	I	17,674,438	I	I	17,674,438
6. Fixed assets	24,064	4,013,602	10,304	25,251	4,073,221
7. Other assets	668,944	13,702,194	815,007	1,690,442	16,876,587
Total assets	10,577,678	146,743,767	16,105,244	31,277,451	204,704,140
III. Liabilities					
1. Deposits and borrowings from other banks	207,615	27,936,720	Ω	1,445	28,145,783
2. Customer deposits	757,339	111,771,225	8,703,388	27,596,924	148,828,876
3. Other borrowed funds	I	12,876,370	3,554	19,071	12,898,995
4. Other liabilities	1,911,751	1,047,363	191,846	421,764	3,572,724
Total liabilities	2,876,705	153,631,678	8,898,791	28,039,204	193,446,378

#### 6. CASH AND GOLD

	31/12/2015 VNDm	31/12/2015 VNDm
Cash on hand in VND	1,588,869	471,175
Cash on hand in foreign currencies	308,074	273,119
Gold	20,917	57,139
	1,917,860	801,433

#### 7. BALANCES WITH THE STATE BANKS

	31/12/2015 VNDm	31/12/2015 VNDm
Balances with the State Bank of Vietnam ("the SBV")	2,368,278	3,103,451
Balances with National Bank of Cambodia ("the NBC")	637,167	191,138
Balances with the Bank of Laos ("the BOL")	1,357,073	51,460
	4,362,518	3,346,049

#### Balances with the SBV

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

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 2015, compulsory deposits are computed at 3.00% and 8.00% (2014: 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 1.00% and 6.00% (2014: 1.00% and 6.00%) of deposits with term of over 12 months in VND and in foreign currencies, respectively.

#### 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 31 December 2015, the rate is 0.10% p.a.).

Balances with the BOL

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

# 8. PLACEMENTS WITH AND LOANS TO OTHER CREDIT INSTITUTIONS

	31/12/2015	31/12/2015
	VNDm	VNDm
Placements with other credit institutions	25,935,846	24,496,548
Demand deposits	6,568,619	5,677,663
In VND	4,904,093	3,670,396
In foreign currencies	1,664,526	2,007,267
Term deposits	19,367,227	18,818,885
In VND	15,405,137	18,805,137
In foreign currencies	3,962,090	13,748
Loans to other credit institutions	3,863,000	4,999,952
In VND	3,863,000	4,745,000
In foreign currencies		254,952
Provision for placements with and loans to other		
credit institutions	(5,137)	(5,137)
	29,793,709	29,491,363

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

	31/12/2015 VNDm	31/12/2015 VNDm
Term deposits in VND	3.90% - 5.40%	3.20% - 5.97%
Term deposits in foreign currencies	0.15% - 1.20%	N/A
Loans in VND	3.80% - 6.50%	3.40% - 4.70%
Loans in foreign currencies	N/A	0.40%

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

Loss	<u> </u>	<u> </u>
Current	23,225,090	23,813,700
	31/12/2015 VNDm	31/12/2015 VNDm

#### 9. TRADING SECURITIES

#### Investments in trading securities as at 31 December include:

	31/12/2015 VNDm	31/12/2014 VNDm
Securities issued by local business entities	70,927	50,877
Provision for impairment of trading securities	(16,549)	(19,049)
	54,378	31,828

The listing status of trading securities is as follows:

	31/12/2015 VNDm	31/12/2014 VNDm
Equity securities		
Listed	26,570	41,129
Unlisted	44,357	9,748
	70,927	50,877

# 10. DERIVATIVES AND OTHER FINANCIAL ASSETS

	Total net carrying value (at exchange ratesat the consolidated balance sheet date)			
	Assets VNDm	Liabilities VNDm	Net carrying value VNDm	
As at 31 December 2015				
Currency derivatives	-	(100,011)	(100,011)	
Forward contracts	-	(8,028)	(8,028)	
Swap contracts	-	(91,983)	(91,983)	
As at 31 December 2014				
Currency derivatives	18,611	-	18,611	
Forward contracts	5,160	-	5,160	
Swap contracts	13,451	-	13,451	

# 11. LOANS AND ADVANCES TO CUSTOMERS

	31/12/2015 VNDm	31/12/2014 VNDm
Loans to local business entities and individuals	130,402,393	103,206,080
Discounted commercial and valuable papers	6,823	8,347
Amounts paid for commitments to other parties on behalf of customers	35,933	87,942
Trusted loans	784,280	649,085
	131,229,429	103,951,454
REPO with customers of SHB AMC	-	1,700
Receivables from securities trading of SHBS	197,764	142,560
	<u>131,427,193</u>	104,095,714

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

	31/12/2015 VNDm	31/12/2014 VNDm
Loans in VND	5.00% - 11.23%	5.00% - 11.78%
Loans in foreign currencies	1.00% - 5.04%	1.00% - 4.90%

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 other currencies.

# 11.1 Analysis of loans by quality

	31/12/2015 VNDm	31/12/2014 VNDm
Current	127,042,671	99,864,421
Special Mention	1,924,083	1,979,359
Substandard	181,863	262,754
Doubtful	798,176	356,024
Loss	1,282,636	1,488,896
	131,229,429	103,951,454
REPO with customers of SHB AMC	-	1,700
Receivables from securities trading of SHBS	197,764	142,560
	131,427,193	104,095,714

# 11.2 Analysis of loans by original terms

	31/12/2015 VNDm	31/12/2014 VNDm
Short-term loans	56,097,040	45,297,841
Medium-term loans	35,346,301	33,830,159
Long-term loans	39,786,088	24,823,454
	131,229,429	103,951,454
REPO with customers of SHB AMC	-	1,700
Receivables from securities trading of SHBS	197,764	142,560
	131,427,193	104,095,714

# 11.3 Analysis of loans by ownership

	31/12/2015 VNDm	%	31/12/2014 VNDm	%
State owned enterprises	5,855,667	4.46	3,804,855	3.66
State limited companies Other limited companies	10,171,688	7.74 20.13	6,312,735 20,958,057	6.06 19.13
Above-50% State joint stock companies	26,459,450			
Other joint stock companies	10,991,218 51,319,976	8.36 39.05	6,653,681 46,907,729	6.39 46.06
Partnerships	3,122	0.00	5,113	0.00
Private enterprises	1,263,687	0.96	1,374,026	1.32
Foreign invested enterprises	78,411	0.06	52,077	0.05
Co-operatives	42,875	0.03	61,581	0.06
Household business, individuals	23,230,822	17.68	16,732,409	16.07
Others	1,812,513	1.39	1,089,191	1.05
	131,229,429	99.85	103,951,454	99.85
REPO with customers of SHB AMC	-	-	1,700	0.00
Receivables from securities trading of SHBS	197,764	0.15	142,560	0.15
	131,427,193	<u>    100</u>	104,095,714	<u>    100  </u>

# 11.4 Analysis of loans by sectors

	31/12/2015 VNDm	%	31/12/2014 VNDm	%
Agricultural, forestry and aquaculture	26,984,705	20.53	23,389,935	22.47
Mining	6,534,738	4.97	5,080,038	4.88
Processing, manufacturing	20,032,465	15.24	14,600,473	14.03
Electricity, petroleum & steam	6,233,780	4.74	2,607,515	2.50
Water supply and waste treatment	109,289	0.08	27,609	0.03
Construction	19,309,760	14.69	15,289,800	14.69
Wholesale and retail trade, repair of motor vehicles, motor cycles and personal goods	20,587,147	15.66	16,212,350	15.55
Transportation and storage	3,406,075	2.59	3,280,482	3.15
Hospitality	931,310	0.71	1,838,153	1.77
Information and communication	112,641	0.09	93,836	0.09
Financial services	641,715	0.49	1,095,445	1.05
Real estate development & property investment	9,315,326	7.09	7,952,334	7.64
Information and communication	351,226	0.27	40,624	0.04
Administration activities and supportive services	1,473,191	1.12	1,031,934	0.99
Activities of the Communist Party, political - social organisations, state management, security and defense	19,266	0.01	3,980	0.00
Education and training	44,792	0.03	31,086	0.03
Healthcare and community development	82,149	0.06	91,504	0.09
Recreational, cultural, sporting activities	201,605	0.15	45,372	0.04
Other service activities	14,830,420	11.28	11,218,922	10.78
Households services, production of material products and services used by households	27,829	0.02	20,062	0.02
	131,229,429	99.85	103,951,454	99.85
REPO with customers of SHB AMC	-	-	1,700	0.00
Receivables from securities trading of SHBS	197,764	0.15	142,560	0.15
	<u>131,427,193</u>	100	104,095,714	100

#### 12. PROVISION FOR CREDIT LOSSES

Breakdownof provision for credit losses as at 31 December 2015is as follows:

	31/12/2015 VNDm	31/12/2014 VNDm
Provision for credit losses in Vietnam	1,367,149	1,000,963
Provision for credit losses in Cambodia	46,743	33,550
Provision for credit losses in Laos	7,494	12,735
	1,421,386	1,047,248

#### 12.1. Provision for credit losses in Vietnam

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

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

The SBV approved the Bank's allocation plan of provision for loans to Vietnam Shipbuilding Industry Group ("Vinashin", renamed as Shipbuilding Industry Corporation – "SBIC"), some of its members and the members which have been merged with Petrovietnam Oil and Gas Group ("PVN") or Vietnam National Shipping Lines ("Vinalines"), including loans which have been converted and not yet been converted to special bonds, in a maximum period of 10 years.

Under the special accounting policiesas presented in Note 4.1.6, the Bank has allocated the provision for the bad debts transferred from HBB in a period of 10 year since 2015.

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

	Specific provision VNDm	General provisio VNDm	Total VNDm
Opening balance	101,811	899,152	1,000,963
Charge/(reversal) of provision during the year	664,287	(1,955)	662,332
Use of provision from January to November	(67,759)		(67,759)
Balance as at 30 November	698,339	897,197	1,595,536
Use of provision in December	(228,387)		(228,387)
Closing balance	469,952	897,197	1,367,149

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

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

# 12.2 Provision for credit losses in Cambodia

For loans incurred at the Cambodian branch, the Bank classifies loans and makes provision in compliance with Prakas No. B7-09-074 dated 25 February 2009of the National Bank of Cambodia. Changes in the provision for loans for loans and advances to customers in Cambodia in the current year are

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

au:

	Specific provision VNDm	General provisio VNDm	Total VNDm
Opening balance	2,906	30,644	33,550
Charge/(reversal) of provision during the year	(2,455)	14,630	12,175
Foreign currency difference		1,018	1,018
Closing balance	451	46,292	46,743

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

	Specific provision VNDm	General provisio VNDm	Total VNDm
Opening balance	396	26,462	26,858
Provision charge in the year	2,510	3,917	6,427
Foreign currency difference		266	266
Closing balance	2,906	30,644	33,550

#### 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:

	Specific provision VNDm	General provisio VNDm	Total VNDm
Opening balance	6,414	6,321	12,735
Provision charge in the year	17,780	(1,455)	16,325
Use of provision during the year	(21,566)		(21,566)
Closing balance	2,628	4,866	7,494

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

	Specific provision VNDm	General provisio VNDm	Total VNDm
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

#### 13. INVESTMENT SECURITIES

# 13.1 Available-for-sale securities

	31/12/2015	31/12/2014
	VNDm	VNDm
Available-for-sale securities	7,479,883	5,794,806
Debt securities	7,431,770	5,746,693
Securities issued by the Government of Vietnam	3,972,390	2,135,034
Securities issued by other local credit institutions	131,064	54,909
Securities issued by local business entities	3,328,316	3,556,750
Equity securities	48,113	48,113
Securities issued by other local credit institutions	11,689	11,689
Securities issued by local business entities	36,424	36,424
Provision for impairment of available-for-sale securities	(37,629)	(6,921)
General provision for unlisted available-for-sale corporate		
bonds	(59,713)	(26,685)
	7,382,541	5,761,200

#### 13.2 Held-to-maturity securities

	31/12/2015 VNDm	31/12/2014 VNDm
Other debt securities	3,398,570	3,499,971
VAMC bonds	6,535,540	4,209,927
	9,934,110	7,709,898

#### 13.2.1 Held-to-maturity securities (excluding special bonds issued by VAMC)

	31/12/2015 VNDm	31/12/2014 VNDm
Held-to-maturity securities	3,399,620	3,500,361
Securities issued by the Government of Vietnam	1,726,735	2,806,642
Securities issued by other local credit institutions	999,866	-
Securities issued by local business entities	673,019	693,719
General provision forunlisted held-to-maturity corporate bonds	(1,050)	(390)
	3,398,570	3,499,971

#### 13.2.2 Special bonds issued by VAMC

	31/12/2015 VNDm	31/12/2014 VNDm
Par value	6,999,873	4,542,966
Provision for special bonds issued by VAMC (*)	(464,333)	(333,039)
	6,535,540	4,209,927

(\*) Under the special accounting policies as presented in Note 4.1.6, the Bank has allocated the provision for special bond issued by VAMC in a period of 10 years since 2015.

# 13.3 Classification of unlisted securities considered as assets having credit risks

	31/12/2015 VNDm	31/12/2014 VNDm
Current	4,490,888	9,295,167
Substandard	728,850	
	<u>5,219,738</u>	9,295,167

### 14. LONG-TERM INVESTMENTS

	31/12/2015 VNDm	31/12/2014 VNDm
Other long-term investments	313,397	341,590
Provision for impairment of long-term investments	(9,988)	(20,558)
	303,409	321,032

# 15. TFIXED ASSETS

# 15.1 Tangible fixed assets

Movements of tangible fixed assets during the yearended 31December2015 were as follows:

	Buildings & building improvements VNDm	Machines & equipment VNDm	Motor	Office equipment	Other tangible assets VNDm	Total
Cost			vehicles VNDm	VNDm		VNDm
Opening balance	202,342	296,991	169,702	84,808	24,519	778,362
Exchange rate differences	639	116	85	132	-	972
Additions in the year	31,594	17,847	5,621	2,718	2,931	60,711
Increases from completion of purchase of fixed assets	146	5,978	-	63	-	6,187
Disposals	(166)	<u>(27,107)</u>	(2,215)	(1,271)	(2,110)	(32,869)
Closing balance	234,555	293,825	173,193	86,450	25,340	813,363
Accumulated depreciation						
Opening balance	49,477	177,643	85,821	63,940	17,575	394,456
Exchange rate differences	141	58	37	72	-	308
Charged for the year	17,037	40,282	19,201	10,702	2,367	89,589
Disposals	(95)	<u>(26,525)</u>	(2,098)	(1,272)	(2,018)	(32,008)
Closing balance	66,560	191,458	102,961	73,442	17,924	452,345
Net book value						
As at 1 January 2015	152,865	<u> 119,348</u>	83,881	20,868	6,944	
As at 31 December 2015	167,995		70,232	13,008	7,416	361,018

Movements of tangible fixed assets during the year ended 31 December 2014wereas follows:

	Buildings & building improvements VNDm	Machines & equipment VNDm	Motor	Office equipment	Other tangible assets VNDm	Total
Cost						
Opening balance	192,365	279,964	147,263	81,933	22,051	723,576
Exchange rate differences	122	34	24	31	-	211
Additions 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)	<u>(3,379)</u>	(1,066)	(1,949)	(1,438)	(8,160)
Closing balance	49,477		85,821	63,940	17,575	394,456
Net book value						
As at 1 January 2014	153,755	<u>137,726</u>	78,251	28,948	7,269	405,949
As at 31 December 2014	152,865		83,881	20,868	6,944	383,906

# 15.2 Intangible assets

Movements of intangible assets during the yearended 31 December2015 were as follows:

	Land use rights VNDm	Computer soft- ware VNDm	Other intangible assets VNDm	Total VNDm
Cost				
Opening balance	3,629,594	179,022	35,493	3,844,109
Additions in the year		4,402		4,402
Closing balance	3,629,594	183,424	35,493	3,848,511
Accumulated amortization				
Opening balance	5,332	103,343	13,590	122,265
Charged for the year	157	27,386	3,455	
Closing balance	5,489	130,729	17,045	153,263
Net book value				
As at 1 January 2015	3,624,262	75,679	21,903	3,721,844
As at 31 December 2015	3,624,105	52,695	18,448	3,695,248

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

	Land use rights VNDm	Computer soft- ware VNDm	Other intangible assets VNDm	Total VNDm
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	3,629,594	179,022	35,493	3,844,109
Accumulated amortization				
Opening balance	5,174	103,539	11,398	120,111
Charged for the year	158	28,933	4,306	33,397
Disposals		(29,129)	(2,114)	(31,243)
Closing balance	5,332	103,343	13,590	122,265
Net book value				
As at 1 January 2014	3,624,420	94,955	26,210	3,745,585
As at 31 December 2014	3,624,262	75,679	21,903	3,721,844

#### 16. INVESTMENT PROPERTIES

Movements of investment properties for the year ended 31 December 2015 wereas follows:

	Buildings, build- ing improve- ments VNDm	Land use rights VNDm	Total VNDm
Cost			
Opening balance	3,822	13,579	17,401
Closing balance	3,822	13,579	17,401
Accumulated depreciation			
Opening balance	306	-	306
Charged for the year	140	-	140
Closing balance	446		446
Net book value			
As at 1 January 2015	3,516	13,579	17,095
As at 31 December 2015	3,376	13,579	16,955

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

	Buildings, build- ing improve- ments VNDm	Land use rights VNDm	Total VNDm
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

# 17. OTHER ASSETS

	Notes	31/12/2015 VNDm	31/12/2014 VNDm
Receivables		1,950,668	1,574,121
- Receivables	17.1	1,773,024	1,428,952
- Purchase of fixed assets	17.2	177,644	145,169
Interest and fee receivables		8,872,126	6,921,697
Other assets		6,124,385	5,939,000
- Trusted investments	17.3	1,926,959	2,008,308
- Other assets	17.4	4,197,426	3,930,692
Provision for impairment of other assets	17.1	(70,592)	(51,997)
		16,876,587	14,382,821

# 17.1 Receivables

	31/12/2015	31/12/2014
	VNDm	VNDm
Internal receivables	144,779	195,096
Receivables from employees	114,039	48,427
Other internal receivables	30,740	146,669
External receivables	1,628,245	1,233,856
Margin deposits	17,006	15,353
Receivables from State Budget	51,143	33,354
Receivables of SHBS	78,801	74,340
Prepaid expenses	267,743	299,141
Advance for Enterprise Income Tax (Note 24)	-	130
Deposit for securities brokerage	-	280,000
Bad debts sold to VAMC, not received special bonds	590,716	531,538
Other receivables	622,836	
	1,773,024	1,428,952
Provision for receivables	(70,592)	(51,997)
	1,702,432	1,376,955

#### 17.2 Purchase of fixed assets

	31/12/2015 VNDm	31/12/2014 VNDm
Land use rights in Vietnam	38,991	33,086
Construction in progress	109,947	96,743
Others	28,706	15,340
	177,644	145,169

#### 17.3 Trusted investments

Details of trusted investments of SHB at the end of the financial years are as follows:

	31/12/2015 VNDm	31/12/2014 VNDm
Trusted investments for portfolio management	651	50,000
Trusted investments for REPO	1,406,048	1,406,048
Other trusted investments	520,260	552,260
	1,926,959	2,008,308

#### 17.4 Other assets

	31/12/2015 VNDm	31/12/2014 VNDm
Materials and equipment	8,133	6,018
Prepaid expenses	1,230,936	700,089
Foreclosed assets	1,063,259	231,156
Deferred settlements - others	-	281,862
Deferred settlements – interbank	409,066	826,465
Freezing loans - Vinashin	1,048,584	1,138,584
Others	436,298	507,074
Real estates for sale of AMC	1,150	239,444
	4,197,426	3,930,692

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

#### 18. BORROWINGS FROM THE GOVERNMENT AND THE SBV

These are borrowingsunder the term of rediscounting the Bank's valuable papers at the SBV with termsfrom fifteen (15) days to one (1) year and bear interest at rates ranging from 3.00% to 5.00% p.a. (2014: 5.50% p.a.).

# 19. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

	21/12/2015	21/12/2014
	31/12/2015	31/12/2014
	VNDm	VNDm
Deposits from other credit institutions	24,319,748	21,506,420
Demand deposits	4,888,171	4,039,008
In VND	4,832,380	3,987,469
In foreign currencies	55,791	51,539
Term deposits	19,431,577	17,467,412
In VND	14,850,000	17,000,000
In foreign currencies	4,581,577	467,412
Borrowings from other credit institutions	3,826,035	6,636,471
In VND	3,038,422	4,392,887
In foreign currencies	14,995	1,808,986
Borrowings from Rural Finance Project II, Rural Finance Project III and borrowings from International Development Association		
(World Bank) (*)	772,618	434,598
	28,145,783	28,142,891

(\*) 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.Loans to households bear interest rates as declared by the Bank in different periods.

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

	31/12/2015 VNDm	31/12/2014 VNDm
Term deposit from other credit institutions in VND	3.80%- 5.40%	3.20%-4.60%
Term deposit from other credit institutions in foreign currencies	0.60%-5.00%	2.00%
Borrowings from other credit institutions in VND	3.75%-6.50%	3.40%-4.70%
Borrowings from other credit institutions in foreign currencies	1.88%	2.20% - 4.50%

# 20. DEPOSITS AND OTHER AMOUNTS DUE TO CUSTOMERS

# 20.1 Analysis by products

	31/12/2015 VNDm	31/12/2014 VNDm
Demand deposits	20,302,228	12,380,210
Demand deposits in VND	17,276,235	10,700,805
Demand saving deposits in VND	6,093	11,872
Demand deposits in foreign currencies	3,016,949	1,666,349
Demand saving deposits in foreign currencies	2,951	1,184
Term deposits	127,843,579	109,779,874
Term deposits in VND	37,377,121	40,698,698
Term saving deposits in VND	76,042,769	58,960,424
Term deposits in foreign currencies	1,288,575	1,746,736
Term saving deposits in foreign currencies	13,135,114	8,374,016
Deposits for specific purposes	2,057	53
Margin deposits	663,688	1,054,713
Margin deposits in VND	385,712	818,878
Margin deposits in foreign currencies	277,976	235,835
Transfer payables	17,324	12,769
Transfer payables in foreign currencies	17,324	12,769
	<u>148,828,876</u>	123,227,619

# 20.2 Analysis by customers

	31/12/2015 VNDm	31/12/2014 VNDm
State enterprises	5,103,029	1,191,201
100% State-owned one-member limited liability enterprise	12,170,752	11,242,840
Other limited enterprises	4,694,217	5,917,229
Above-50% State joint stock companies	11,952,400	11,567,218
Other joint stock companies	14,167,414	16,554,403
Partnerships	243,639	1,519,023
Private enterprises	70,760	2,197,255
Foreign invested enterprises	1,034,625	682,877
Co-operatives	40,950	2,318
Household business, individuals	90,954,479	68,904,584
Administrative and service units, parties, unions and associations	1,083,214	969,581
Others	7,313,397	2,479,090
	148,828,876	123,227,619

# 20.3 Analysis by ownership

	31/12/2015 VNDm	31/12/2014 VNDm
Deposits from business entities	49,452,789	51,580,904
State-owned enterprises	29,226,182	24,001,258
Private enterprises and others	19,191,982	26,896,769
Foreign invested enterprises	1,034,625	682,877
Deposits from individuals	90,954,479	68,904,584
Deposits from others	8,421,608	2,742,131
	148,828,876	123,227,619

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

	31/12/2015 % per annum	31/12/2014 % per annum
Demand deposits in VND	0.50%	0.50%
Demand deposits in foreign currencies	0.10%	0.10%
Term deposits in VND	1.00% - 7.10%	1.00% - 7.00%
Term deposits in foreign currencies	0.00% - 1.00%	0.00% - 1.00%

#### 21. OTHER BORROWED FUNDS

		31/12/2015			31/12/2014	
Lending organizations	Terms	VNDm	Interest rate %p.a	Terms	VNDm	Interest rate %p.a
Medium-term, long-term borrowings from Small and Medium Enterprise	Over 30 months	167,796	5.64%	Over 30 months	120,151	5.16%
Development Fund - Phase II and Phase III	Up to	234.495	5,64%	dưới 30 tháng	94.336	5,16%
30 months	234,495	5.64%	Up to			
30 months	94,336	<u> </u>			214.487	
Long – term borrowings from Renewable Energy Develop- ment Project	20 years	<u>    12,341</u>	4.76%		<u> </u>	
		414,632			214,487	

Borrowings from Small and Medium Enterprises Development Fund - Phase II and 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.

Long – term borrowings from Renewable Energy Development Project are borrowings from International Development Association through the Ministry of Finance, the Ministry of Industry and Trade to provide loans to renewable energy projects through participated credit institutions. Interest rate of these loans is a weighted average of interest rates of customer deposits in VND with terms of 0, 3, 6, and 12 months published quarterly by the SBV, adjusted by interest margin and the deduction rate as regulatedbythe Ministry of Finance. Principal and interest on these loans are paid every six months.

#### 22. VALUABLE PAPERS ISSUED

	31/12/2015 VNDm	31/12/2014 VNDm
Promissory notes	8,217,648	3,860,000
Bond issued by SHBS	41,800	51,000
	<u> </u>	3,911,000

Promissory notes issued by SHB with terms less than 12 months bear interest at rates ranging from 7.00% p.a. to 8.00% p.a.

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.

# 23. OTHER PAYABLES

	31/12/2015 VNDm	31/12/2014 VNDm
Internal payables	23,722	7,828
Payables to employees	2,956	1,186
Bonus and welfare funds	13,680	413
Other internal payables	7,086	6,229
External payables	395,437	556,972
Payables for construction and fixed asset acquisition	280	45
Value Added Tax payables	1,414	2,544
Enterprise Income Tax payables	63,597	66,820
Payables to the SBV	14,531	36,280
Payables pending for payment	313,448	450,162
Deferred revenue	13	65
Payable in debt trading activities	2,154	1,056
	419,159	564,800

				VNDm		
		Movement d	uring the year			
	Opening balance	Increase	Decrease	Closing balance		
Value Added Tax	2,544	22,867	(23,997)	1,414		
Enterprise Income Tax for 2015	66,820	221,768	(224,991)	63,597		
Advance for Enterprise Income Tax	(130)	(229)	130	(229)		
Deferred tax liabilities of Cambodian branch	461	-	(461)	-		
Other taxes	35,819	86,102	(107,390)	14,531		
	105,514	330,508	(356,709)	79,313		

#### 24. OBLIGATIONS TO THE STATE BUDGET

#### 24.1 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 (2014: 22%).

For the Cambodia branch, SHB shall calculate and determine its EIT in compliance with Cambodian regulations on enterprise income tax. According to the Tax Act dated 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% of 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, 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 includeeligible taxableor deductible expenses which are subtracted in prior years due to the differences between SHB's accounting policies and tax requirements moreover the urrent 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.

	31/12/2015 VNDm	31/12/2014 VNDm
Operating profit before tax	1,017,054	1,012,348
Adjustments for:		
- Dividend income exempted from EIT	(8,565)	(7,820)
- Net gain of the Cambodian branch	(48,822)	(42,539)
- Net (gain)/loss of the Laos branch	(8,920)	(26,503)
- Net loss of subsidiaries which is separately taxed	-	(25,176)
- Non-deductible fines and penalties	231	-
- Other adjustments of Cambodia branch	-	(4,176)
- Tax credit of SHBS	-	331
- Consolidation adjustments		23,531
Taxable income/(tax loss) of the Bank	950,978	929,996
EIT expense of the Bank (i)	209,237	204,599
EIT expense of the Laos branch (ii)	2,142	6,361
EIT expense of the Cambodian branch (iii)	9,931	9,083
Deferred EIT expense of Cambodian branches (iv)	461	(137)
Income tax of subsidiaries (v)	127	1,558
Total EIT in the year (i+ii+iii+iv+v)	221,898	221,464
Additional EIT expense paid for the year 2013	-	52
EIT (receivable)/payable at the beginning of the year	66,690	(25,962)
EIT paid during the year	(224,991)	(128,864)
EIT payableat the end of the year	63,597	66,690
In which		
- Advances for EIT	-	(130)
- EIT payable at the end of the year	63,597	66,820

#### 24.2 Deferred income tax liabilities

	31/12/2015
Deferred income tax liabilities at the beginning of the year	461
Deferred income tax liabilities for the year	(461)

25. OWNERS' EQUITY AND RESERVES

# 25.1 Statement of changes in owners' equity

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

VNDm

		mium	shareš	and devel- opment fund	reserve	capital reserve	controlling interest	earnings Retained earnings	
Opening balance	8,865,795	101,716	(5,260)	13	517,699	216,751	2,908	783,350	10,482,972
Net profit for the year									
ומא טוו אוטוונ נומוזארורט טו כמוווטטטומו branch	1	I	I	I	I	I	(26)	795,182	795,156
Appropriation to investment and development reverses according to Resolution in 2014	1	ı	I	I	1	I	I	(6,276)	(6,276)
Appropriation to bonus and welfare fund according to Resolution in 2014	I	I	I	20,000	I	I	I	(20,000)	1
Increasing capital by paying stock dividend	T	1	I	I	I	I	I	(15,426)	(15,426)
Foreign currency difference	620,150	ı	I	I	I	I	I	(620,150)	I
Temporary appropriation from the parent bank	I	I	I	I	I	I	I	1,497	1,497
Dividend paid to SHBS in 2014	I	1	I	I	71,197	38,148	1	(109,345)	I
Closing balance							(161)		(161)
	9,485,945	101,716	(5,260)	20,013	588,896	254,899	2,721	808,832	11,257,762

Details of investmentequityare as follows:

VNDm

		31/12/2015			31/12/2014	
	Total	Ordinary share capital	Prefer- ence share capital	Total	Ordinary share capital	Preference share capital
Contribution capital (shareholder, member,etc)	9,485,945	9,485,945	-	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)	
	<u>9,582,401</u>	9,582,401		8,962,251	<u>8,962,251</u>	

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

	31/12/2015	31/12/2014
Shares authorized for issuance	948,594,461	886,827,640
Shares issued and fully paid	948,594,461	886,579,547
Ordinary shares	948,594,461	886,579,547
Preference shares	-	-
Treasury shares	496,186	496,186
Ordinary shares	496,186	496,186
Preference shares	-	-
Outstanding shares	948,098,275	886,083,361
Ordinary shares	948,098,275	886,083,361
Preference shares	-	-
Face value of outstanding shares (VND/share)	10,000	10,000

## 25.2 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 2015, 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 2015would be implemented in accordance with Resolution of the Annual General Meeting of Shareholders..

#### 26. BASIC EARNINGS PER SHARE

Basic earnings per share arecalculated by dividing net profit after tax for the year attributable to ordinary shareholders of the Bank by the weighted average number ofoutstanding ordinary shares during the year. The Bank'sbasic earnings per shareare calculated as follows:

	2015 VNDm	2014 VNDm (restated)
Net profit after tax for the year attributable to shareholders holding ordinary shares of the Bank	795,156	790,747
Adjusted for appropriation to bonus and welfare fund (*)		(15,427)
Net profit after tax attributable to shareholders holding ordinary shares of the Bank for calculating basic earnings per share	795,736	775,320
Weighted average number of outstanding ordinary shares (million shares)	948,098,275	948,098,275
Basic earnings per share (VND/share)	839	818

(\*) Net profit used to calculate earnings per share for the year 2014 has been adjusted to reflect the actual appropriation to bonus and welfare fund of 2014, according to Resolution of the General Shareholders Meeting on 24 April 2015.

# 27. DIVIDENDS

	2015 VNDm	2014 VNDm (restated)
Dividends declared and paid for previous year	2,761	603,732
Dividends on ordinary shares	2,761	603,732

#### 28. INTEREST AND SIMILAR INCOME

	2015 VNDm	2014 VNDm
Interest income from deposits with other banks	537,162	622,072
Interest income from loans to customers	9,871,676	8,063,938
Interest income from debt investment securities	889,712	895,125
Other interest income from credit activities	546,980	604,386
Income from guarantee services	146,268	127,328
	11,991,798	10,312,849

# 29. INTEREST AND SIMILAR EXPENSES

	2015 VNDm	2014 VNDm
Interest expenses for customer deposits	7,670,102	6,792,110
Interest expenses for borrowings	121,652	176,818
Interest expenses for issued valuable papers	414,761	606,575
Other expenses for credit activities	89,129	11,381
	8,295,644	7,586,884

# **30. NET FEE AND COMMISSION INCOME**

	2015 VNDm	2014 VNDm
Fee and commission income from	189,988	440,321
Settlement services	94,129	100,784
Guarantee and treasury services	15,771	10,521
Agency services	3,092	2,777
Other services	76,996	326,239
Fees and commission expenses for	(92,550)	(86,722)
Settlement services	(20,210)	(21,753)
Guarantee and treasury services	(10,879)	(12,178)
Other services	(61,461)	(52,791)
Net fee and commission income	97,438	353,599

# 31. NET GAIN FROM FOREIGN CURRENCY TRADING

	2015 VNDm	2014 VNDm
Income from foreign currency trading	290,656	282,260
Income from foreign exchange spot contracts	169,969	180,895
Income from gold trading	3,386	423
Income from currency derivatives	117,301	100,942
Expenses for foreign currency trading	(264,091)	(216,701)
Expenses for foreign exchange spot contracts	(124,328)	(153,201)
Expenses for gold trading	(8,504)	(577)
Expenses for currency derivatives	(131,259)	(62,923)
Net gain from foreign currency trading	26,565	65,559

#### 32. NET GAINFROM TRADING SECURITIES

	2015 VNDm	2014 VNDm
Income from trading securities	2,993	12,477
Expenses for trading securities	(1,333)	(12,012)
Reversal of provision for impairment of trading securities	2,500	3,090
Net gainfrom trading securities	4,160	3,555

#### 33. NET LOSS FROM INVESTMENT SECURITIES

Net loss from investment securities	(69,645)	(6,931)
Net gain from held-to-maturity securities	<u> </u>	28,604
Net loss from available-for-sale securities	(136,621)	(35,535)
Provision for impairment of available-for-sale securities	(64,396)	(24,763)
Expenses for trading of available-for-sale securities	(72,878)	(25,989)
Income from trading of available-for-sale securities	653	15,217
	2015 VNDm	2014 VNDm

# 34. NET GAIN FROM OTHER OPERATING ACTIVITIES

	2015 VNDm	2014 VNDm
Net gainfrom debt trading activities	16,872	(30,990)
Income from debt trading activities	16,872	-
Expenses for debt trading activities	-	(30,990)
Net gainfrom other operatingactivities	157,712	138,756
Income from other operating activities	288,120	296,940
Expenses for social activities	(28,828)	(3,818)
Expenses for collecting debt	(3,076)	(12,627)
Expenses for other operating activities	(98,504)	(141,739)
Net gain from other operating activities	174,584	107,766

# 35. DIVIDEND INCOME

	2015 VNDm	2014 VNDm
Dividends received during the year		
- from trading securities	738	-
-from investment equity securities	313	4,187
-from capital contribution and other long-term investments	7,513	3,633
	8.564	7.820

#### **36. OPERATING EXPENSES**

	2015 VNDm	2014 VNDm
Tax expenses and fees	28,389	25,548
Employee expenses	1,217,053	882,755
Salary expenses	1,098,820	773,002
Expenses on shift meals for employees	39,756	41,246
Salary related remuneration	68,511	50,389
Other allowances	9,966	18,118
Expenses on fixed assets	381,651	344,054
In which:		
- Depreciation expenses	120,727	118,397
General and administration expenses	331,000	283,569
In which:		
- Business trip expenses	16,625	18,098
- Expenses for trade union activities	828	380
Insurance for customer deposits	101,789	70,974
Provision for impairment of other long-term investments	157	578
Other provisions	18,601	16,875
	2,078,640	1,624,353

# 37. CASH AND CASH EQUIVALENTS

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

	2015 VNDm	2014 VNDm
Cash and cash equivalents on hand	1,917,860	801,433
Balance with the State Banks	4,362,518	3,346,049
Current accounts at other banks	6,568,619	5,677,664
Deposits with and loans to other banks due within 3 months	20,912,241	18,800,000
	33,761,238	28,625,146

#### 38. EMPLOYEES' REMUNERATION

	Actual amount 2015	Actual amount 2014
I. Average number of employees (persons)	6,083	5,553
II. Employees' income (VNDm)	-	-
1.Total salary	1,098,820	773,002
2. Bonus	-	-
3. Other income		
4. Total income (1+2+3)	1,098,820	773,002
5. Salary per capita per month	15.03	11.60
6. Income per capita per month	15.03	11.60

#### 39. TYPE AND CARRYING VALUE OF BORROWERS' MORTGAGED ASSETS

	Carrying val	ue (VNDm)
	31/12/2015	31/12/2014
Real estate properties	124,880,041	102,594,113
Movable assets	42,037,461	37,531,355
Valuable papers	20,497,771	15,336,136
Other assets	131,183,721	89,914,572
	<u>    318,598,994</u>	245,376,176

# 40. CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of business, the Bank is a party to financial instruments, which are recorded as offbalance 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 ofoff-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 toother 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 importedmerchandise serves as collateral for the transaction.

Deferred payment letters ofcredits 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 granteddepending on the customers' trustworthiness.

	31/12/2015 VNDm	31/12/2014 VNDm
Credit guarantees	193,394	187,506
Foreign exchange commitments	10,735,194	4,131,126
Buyingforwards	560,318	15,815
Selling forwards	1,238,878	164,527
Swaps	8,935,998	3,950,784
Letters of credit	7,841,919	4,761,609
Other guarantees	9,336,269	8,964,570
Other commitments	1,000,000	2,000,000
	<u>29,106,776</u>	20,044,811

The outstanding commitments and contingent liabilities as at the end of the years are as follows:

#### 41. RISK-FREE TRUSTFUNDS RECEIVED AND AGENCY ACTIVITIES

5	166,000	166,000
Trusted funds received from other organizations	166,000	166,000
	31/12/2015 VNDm	31/12/2014 VNDm

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.

# 42. RELATED PARTY TRANSACTIONS

Related party transactions include all transactions undertaken with other entities to which SHB arerelated. 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 decisionsmaking. 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 aventurer, 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 2015is as follows:

Transactions	VNDm
Dividend income from related parties	1,350
Interest income from loans	164,562
Income from trusted contracts	15,822
Salary of members of Board of Management and Board of Supervisors	10,116

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

Transactions	Receivables VNDm	Payables VNDm
Loans	2,242,072	-
Trusted investments	651	-
Investment in related parties	102,700	-
Accrued interest from loans, trusted funds and bonds	850,551	-
Demand deposits	-	811,795
Term deposits	-	1,613,122
Capital from related parties	-	1,351,002

# 43. CONCENTRATION OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS BY GEOGRAPHICAL

#### REGIONS

	Total loan ba- lance	Total deposits	Credit commit- ments	Derivatives (Total contract value)	Trading and investment securities
Domestic	125,955,583	148,071,567	17,370,008	100,011	17,950,302
Overseas	5,471,610	757,309	1,574		
	131,427,193	148,828,876	17,371,582	100,011	17,950,302

#### 44. RISK MANAGEMENT POLICIES FORFINANCIAL 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 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.

#### 45. CREDIT RISK

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

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

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

#### 45.1 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 CircularNo.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.

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

#### 45.2 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.

#### 46. MARKET RISK

#### 46.1 Interest rate risk

The interest rate of loans to customers customer deposits denominated in currencies are presented in Note 11 and Note 20, respectively.

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:
  - Itemswhich bearfixed 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.
  - Itemswhich bearfloating 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:
  - Itemswithfixed 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.
  - Itemswithfloating 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.

ilities of SHB according to their re-pricing terms as at 31 December 2015 is as follows:	
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		Non inter					Interest re-pricingwithin	singwithin	
	Overdue	est bearing lãi suất	Up to 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Total
ASSETS			-						
Cash, gold	1	1,917,860	I	1	I	1	1	ı	1,917,860
Balances with the SBV	I	4,362,518	I	I	ı	ı	ı	I	4,362,518
Placements with and loans to other banks (*)	5,137	,	23,027,209	5,673,500	1,093,000	ı	ı	ı	29,798,846
Trading securities	I	70,927	I	I	ı	ı	I	ı	70,927
Loans and advances to customers (*)	4,186,759	,	40,891,753	66,516,558	14,226,782	2,086,569	3,289,772	229,000	131,427,193
Investment securities (*)		7,047,986	200,428	1,392,520	831,835	1,369,300	4,500,344	2,536,963	17,879,376
Long-term investments (*)	I	313,397	I	ı	ı	ı	ı	ı	313,397
Fixed assets and investment properties		4,056,266		I	I	1	ı	ı	4,056,266
Other assets (*)	1,048,584	15,898,595		1				'  	16,947,179
Total assets	5,240,480	33,667,549	64,119,390	73,582,578	16,151,617	3,455,869	7,790,116	2,765,963	206,773,562
LIABILITIES									
Deposits of and loans from the SBV and other banks	ı	1	23,074,792	8,730,087	515,000	44,071	1,998	4,750	32,370,698
Customer deposits	ı	ı	54,966,012	32,387,676	31,919,053	25,205,754	4,348,147	2,234	148,828,876
Derivatives and other financial liabilities		100,011	I	I	ı	,	,	ı	100,011
Other borrowed funds	ı	ı	6,091	12,054	384,146	1	12,341	ı	414,632
Valuable papers issued	I	ı	31,200	1,679,600	473,693	3,879,942	1,195,013	1,000,000	8,259,448
Other liabilities		3,472,713	"	'			"		3,472,713
Total liabilities		3,572,724	78,078,095	42,809,417	33,291,892	29,129,767	5,557,499	1,006,984	193,446,378
Interest sensitivity gap	5,240,480	30,094,825	(13,958,705)	30,773,161	(17,140,275)	(25,673,898)	2,232,617	1,758,979	13,327,184

(\*) The amounts exclude provisions

#### Interest rate sensitivity

With all other variables held constant, SHB's profit before tax and their owners' equity for the year ended 31 December 2015 are affected by the impact on floating rate borrowings as follows:

	Increase/(Decrease) in basis	Effect or	n
	points	Profit before tax VNDm	Owners' equity VNDm
VND equivalent	10	(4,863)	(3,793)
VND equivalent	(10)	4,863	3,793

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

# 46.2 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 isincorporated and operates in Vietnam, VND is the reporting currency. The major currency of transactions is also VND.SHB's assetsaremainly 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. Positionsare monitored on a daily basis and hedging strategies are used to ensure that the positions are maintained within established limits.

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	EUR as translated	USD as translated	Other foreign curren- cies as translated	Total
ASSETS				
Cash, gold	31,112	268,258	29,621	328,991
Balances with the State Bank	I	2,280,098	873,175	3,153,273
Placements with and loans to other banks (*)	491,924	4,825,705	308,987	5,626,616
Derivatives and other financial assets	I	3,333,287	I	3,333,287
Loans and advances to customers (*)	15,045	10,153,256	132,562	10,300,863
Fixed assets and investment properties	I	20,178	3,888	24,066
Other assets (*)		1,578,094	29,178	1,607,272
Total assets	538,081	22,458,876	1,377,411	24,374,368
LIABILITIES				
Deposits of and loans from the SBV and other banks	I	4,659,400	I	4,659,400
Customer deposits	535,254	16,956,641	239,939	17,731,834
Derivatives and other financial liabilities	576	I	29,305	29,881
Other liabilities	3,234	63,962	820,898	888,094
Capital and reserves		102,787	19,475	122,262
Total liabilities and owners' equity	539,064	21,782,790	1,109,617	23,431,471
FX position on-balance sheet	(683)	676,086	267,794	942,897
FX position off-balance sheet	713	(679,521)	248	(678,560)
FX position on and off-balance sheet	(270)	(3,435)	268,042	264,337

(\*) The amounts exclude provisions

#### Foreign currency sensitivity

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

	Increase/(decrease)	Effec	ct on
	in exchange rate (%)	Profit before tax VNDm	Owners' equity VNDm
USD	5	(172)	(134)
EUR	5	(14)	(11)
Other currencies	5	13,402	10,454
USD	(5)	172	134
EUR	(5)	14	11
Other currencies	(5)	(13,402)	(10,454)

#### 46.3 Liquidity risk

Liquidity risk is defined as the risk that SHBwill encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises in caseSHB fails to fulfill its duepayment 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 dateaccording 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 the remaining useful life of assets.

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	Overdue	due			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	Total
ASSETS								
Cash, gold	I	I	1,917,860	I	I	I	I	1,917,860
Balances with the SBV	I	I	4,362,518	I	I	I	I	4,362,518
Placements with and loans to other banks (*)	5,137	1	23,027,209	5,673,500	1,093,000	I	I	29,798,846
Trading securities (*)	I	I	70,927	I	I	I	I	70,927
Loans and advances to customers (*)	2,373,791	1,812,968	8,573,588	13,767,222	24,854,623	42,715,336	37,329,665	131,427,193
Investment securities (*)	1	1	200,428	1,392,520	2,201,134	11,500,217	2,585,077	17,879,376
Long-term investments (*)	I	1	I	I	I	1	313,397	313,397
Fixed assets and investment properties	I	1	3,619,029	243	8,694	213,551	214,749	4,056,266
Other assets (*)		1,048,584	15,325,845	7,988	118,966	440,020	5,776	16,947,179
Total assets	2,378,928	2,861,552	57,097,404	20,841,473	28,276,417	54,869,124	40,448,664	206,773,562
LIABILITIES								
Deposits of and loans from the SBV and other banks	1	1	22,806,164	8,204,433	1,138,931	216,420	4,750	32,370,698
Customer deposits	1	1	54,966,012	32,387,676	57,124,807	4,348,147	2,234	148,828,876
Derivatives and other financial liabilities	1	1	100,011	I	1	1	1	100,011
Other borrowed funds	1	1	6,090	12,044	76,906	300,305	19,287	414,632
Valuable papers issued		1	31,200	1,670,000	4,352,635	1,205,613	1,000,000	8,259,448
Other liabilities	"		3,472,713					3,472,713
Total liabilities	"	"	81,382,190	42,274,153	62,693,279	6,070,485	1,026,271	193,446,378
Net liquidity gap	2,378,928	2,861,552	(24,284,786)	(21,432,680)	(34,416,862)	48,798,639	39,422,393	13,327,184

(\*)The amounts exclude provisions

# 47. 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 beeffective 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 210are including cash, gold, balanceswith 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 inincome 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.thông qua báo cáo kết quả hoạt động kinh doanh.

#### Held-to-maturity investments: Held-to-maturity investments:

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

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

#### Loans and receivables:

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

- a) Those that SHB intend to sellimmediately 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 inincome statement.

#### • Financial liabilities by amortized cost

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

#### Offsetting financial assets and liabilities

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

47.1 Carryingvalue and fair valueof financial assets and liabilities

Carryingvalue and fair value of financial assets of SHB as at 31 December 2015 are presented in the following table:

VNDm

			Carryir	Carrying value			
	Trading	Held-to-ma- turity	Loans and receivables	Available- for-sale	Other assets and liabilities recorded at amortized cost	Total	Fair value (*)
Cash, gold	1,917,860	1		1		1,917,860	1,917,860
Balances with the SBV	4,362,518	I	1	I		4,362,518	4,362,518
Placements with and loans to other banks	I	1	23,230,227	I	6,568,619	29,798,846	(*)
Trading securities	70,927	I	I	I	I	70,927	(*)
Loans and advances to customers	I	I	131,427,193	I	I	131,427,193	(*)
Available-for-sale securities	I	I	I	7,479,883	I	7,479,883	(*)
Held-to-maturity securities	I	10,399,493	I	I	I	10,399,493	(*)
Other financial assets		1,926,958	2,331,392	313,397	28,319	4,600,066	(*)
Assets	6,351,305	12,326,451	156,988,812	7,793,280	6,596,938	190,056,786	(*)
Borrowings from the Government and the SBV	I	I	I	I	4,224,915	4,224,915	(*)
Deposits and borrowings from other banks	I	1	I	I	28,145,783	28,145,783	(*)
Deposits and other amounts due to customers	I	I	I	I	148,828,876	148,828,876	(*)
Derivative financial instruments	I	I	I	I	100,011	100,011	(*)
Other borrowed funds	I	I	I	I	414,632	414,632	(*)
Valuable papers issued	I	I	I	I	8,259,448	8,259,448	(*)
Other financial liabilities			I		10,461	10,461	(*)
Liabilities					189,984,126	189,984,126	(*)

(\*): Due to the lack of information on fair value, the amountspresented 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 recognisedin accordance with relevant accounting guidance of the Ministry of Finance and the State Bank of Vietnam.

# 47.2 Financial assets, which have been pledged, mortgaged or transferred but not qualified for derecognition

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 Decem	ber 2015	31 Decer	nber 2014
	Book value VNDm	Related obliga- tions	Book value VNDm	Related obliga- tions
		VNDm		VNDm
Treasury Bills	1,682,605	1,682,605	-	-
Government bonds	1,878,979	1,878,979	712,857	517,502
Municipal bonds	550,000	550,000	-	-
Bonds issued by local economic entities	200,000	200,000		
	4,311,584	4,311,584	712,857	517,502

# 48. OPERATING LEASE COMMITMENTS

	31/12/2015 triệu VND	31/12/2014 triệu VND
Irrevocable operating lease commitments	529,747	289,291
In which:		
-due within 1year	105,145	85,755
-due from 2to 5 years	379,322	172,727
-due after 5 years	45,280	30,809

#### 49. RESTATEMENT OF COMPARATIVE FIGURES DUE TO CHANGES IN ACCOUNTING POLICIES

According to Circular No. 49/2014/TT-NHNN dated 31 December 2014 of the Governor of the SBV, which came into effect on 15 February 2015, to ascertain comparative figures, the Bank supplemented and restated some items in the consolidated financial statements as at 31 December 2014 and for the year then ended as follows:

#### **Off-balance sheet items**

	30/6/2014 VNDm (restated)	31/12/2014 VNDm (restated)	Reason
Off-ballance sheet items	4,131,127	Not disclosed	
Foreign exchange commitments	15,816	Not disclosed	
Buyingforwards	164,527	Not disclosed	Additional
Selling forwards	3,950,784	Not disclosed	Additional disclosure under
Swaps	3.950.784	not disclosed	Circular 49

## 50. EVENTS AFTER THE CONSOLIDATEDBALANCE SHEET DATE

Since 15 January 2016, the Laos branch was officially changedtoa wholly-owned subsidiary of SHB, namely the Saigon – Hanoi One Sole Limited Liabilities Bank. The charter capital of the BankisUSDm 50. Its Head Office is located in Vientiane Capital, Lao P.D.R.

Besides, relating to the operation of SHB Securities Joint Stock Company ("SHBS"), SHB has no plan to make additional investment in thissubsidiary. Therefore, the Bank hasmade a decision on restructuring SHBS by merging, dissolving or divesting in the form of share transfer in order to ensure the safety of SHB's capital.

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

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

	31/12/2015 VND	31/12/2014 VND
USD	21,890	21,246
EUR	24,583	26,026
GBP	33,339	33,367
CHF	22,726	21,647
JPY	187	179
SGD	15,908	16,212
AUD	16,428	17,547
HKD	2,901	2,761
CAD	16,231	18,471
LAK	2.712	2.712
ТНВ	623	651

Prepared by

Approved by

Ms. Nguyen Thi Hanh Hoa Accountant

Ms. Ngo Thi Van Chief Accountant



Hanoi, Vietnam 14April 2016

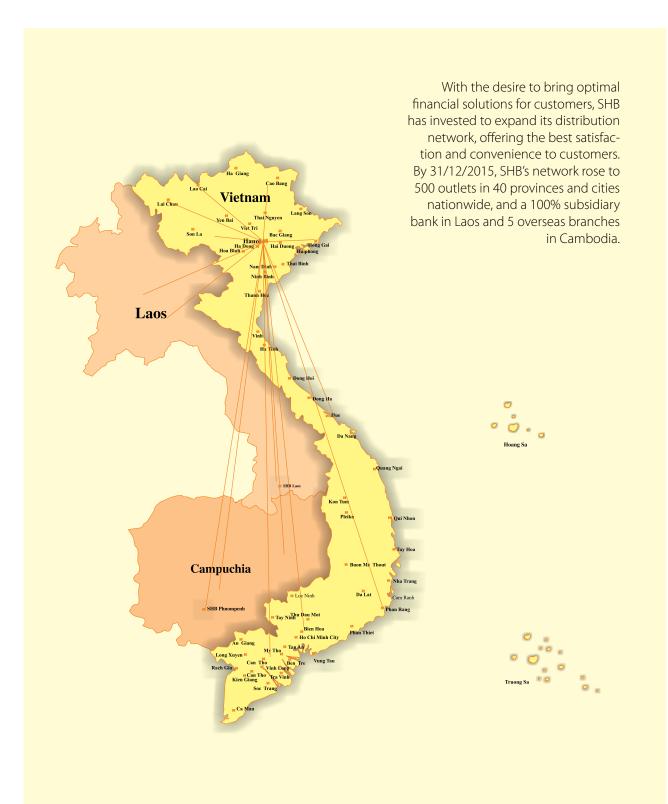








# SHB NETWORK





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