

**Vietnam Joint Stock Commercial Bank  
for Industry and Trade**

Interim separate financial statements

30 June 2018



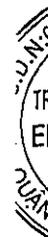
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# Vietnam Joint Stock Commercial Bank for Industry and Trade

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# Vietnam Joint Stock Commercial Bank for Industry and Trade

## GENERAL INFORMATION

### THE BANK

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

The Bank was established on the basis of equitizing Vietnam Bank for Industry and Trade, a State-owned commercial bank set up under the name of Vietnam Industrial and Commercial Bank in accordance with Decree No. 53/ND-HDBT dated 26 March 1988 of the Ministers’ Council on the organization of the State Bank of Vietnam (“SBV”). The Bank was officially renamed Vietnam Bank for Industry and Trade in accordance with Decision No. 402/CT dated 14 November 1990 granted by the Chairman of Ministers’ Council. Also, the Governor of the SBV signed Decision No. 285/QD-NH5 dated 21 September 1996 to re-establish the Bank under State corporation model. On 25 December 2008, Vietnam Bank for Industry and Trade successfully carried out its initial public offering.

The Bank was equitized and renamed Vietnam Joint Stock Commercial Bank for Industry and Trade on 3 July 2009 according to Establishment and Operating License No. 142/GP-NHNN dated 3 July 2009 issued by the State Bank of Vietnam and Business Registration No. 0103038874 dated 3 July 2009 issued by Hanoi Authority for Planning and Investment. The most recent 10<sup>th</sup> amendment of Business Registration No. 0100111948 issued by Hanoi Authority for Planning and Investment was dated 29 April 2014.

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

#### ***Charter capital***

As at 30 June 2018, the charter capital of the Bank is VND37,234,046 million (31 December 2017: VND37,234,046 million).

#### ***Location***

The Bank’s Head Office is located at 108 Tran Hung Dao Street, Hoan Kiem District, Hanoi, Vietnam. As at 30 June 2018, the Bank has one (1) Head Office; one (1) Trade finance centre; three (3) administrative units; five (5) Cash management centres; two (2) local representative offices; one (1) overseas representative office in Myanmar; one-hundred and fifty seven (157) branches (including two (2) overseas branches).

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# Vietnam Joint Stock Commercial Bank for Industry and Trade

## GENERAL INFORMATION (continued)

### BOARD OF DIRECTORS

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

<u>Name</u>	<u>Position</u>
Mr. Cat Quang Duong	Member (assigned to the Board of Directors from 23 July 2018 by Resolution No. 261/NQ-HDQT-NHCT1.2 dated 23 July 2018)
Mr. Nguyen Van Thang	Chairman (resigned as Chairman from 13 July 2018 by Decision No. 1436/QD-NHNN on the dismissal of the representative of the State capital portion at Vietnam Joint Stock Commercial Bank for Industry and Trade)
Mr. Le Duc Tho	Member cum. General Director
Ms. Nguyen Hong Van	Member
Mr. Yotaro Agari	Member (resigned from 21 April 2018)
Mr. Phung Khac Ke	Member
Ms. Tran Thu Huyen	Member
Mr. Hiroshi Yamaguchi	Member
Mr. Hideaki Takase	Member (additionally appointed on 21 April 2018)

### BOARD OF MANAGEMENT AND CHIEF ACCOUNTANT

The members of the Board of Management and Chief Accountant of the Bank during the period and at the date of the interim separate financial statements are as follows:

<u>Name</u>	<u>Position</u>
Mr. Le Duc Tho	General Director
Mr. Tran Minh Binh	Deputy General Director
Mr. Nguyen Hoang Dung	Deputy General Director
Mr. Nguyen Duc Thanh	Deputy General Director
Mr. Tran Cong Quynh Lan	Deputy General Director
Mr. Nguyen Dinh Vinh	Deputy General Director
Ms. Le Nhu Hoa	Deputy General Director
Mr. Hiroshi Yamaguchi	Deputy General Director
Mr. Nguyen Hai Hung	Chief Accountant

### SUPERVISORY BOARD

The members of the Supervisory Board of the Bank during the period and at the date of the interim separate financial statements are as follows:

<u>Name</u>	<u>Position</u>
Mr. Nguyen The Huan	Chief Supervisor
Ms. Pham Thi Thom	Member
Mr. Tran Minh Duc	Member
Ms. Pham Thi Hong Phuong	Member

# Vietnam Joint Stock Commercial Bank for Industry and Trade

GENERAL INFORMATION (continued)

## **AUTHORIZED PERSON**

Ms. Le Nhu Hoa - Deputy General Director is authorized to sign the accompanying interim separate financial statements for the six-month period ended 30 June 2018 in accordance with the Letter of Authorization No. 685/UQ-HDQT-NHCT18 dated 8 August 2016.

## **AUDITOR**

The auditor of the Bank is Ernst & Young Vietnam Limited.

# Vietnam Joint Stock Commercial Bank for Industry and Trade

## REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Vietnam Joint Stock Commercial Bank for Industry and Trade (“the Bank”) is pleased to present this report and the interim separate financial statements of the Bank as at 30 June 2018 and for the six-month period then ended.

### MANAGEMENT’S RESPONSIBILITY FOR THE INTERIM SEPARATE FINANCIAL STATEMENTS

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

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

The Board of Management of the Bank is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the interim separate financial position of the Bank and to ensure that the accounting records comply with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and statutory requirements relevant to preparation and presentation of the financial statements. The Board of Management is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

### STATEMENT BY THE BOARD OF MANAGEMENT

The Board of Management of the Bank does hereby state that, in its opinion, the accompanying interim separate financial statements give a true and fair view of the interim separate financial position of the Bank as at 30 June 2018, the interim separate results of their operations and their interim separate cash flows for the six-month period then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and statutory requirements relevant to preparation and presentation of the interim separate financial statements.

For and on behalf of the Board of Management



Mr. Lê Đức Thọ  
General Director

Hanoi, Vietnam

14 August 2018



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working world**

Ernst & Young Vietnam Limited      Tel: +84 4 3831 5100  
8th Floor, CornerStone Building      Fax: +84 4 3831 5090  
16 Phan Chu Trinh Street              ey.com  
Hoan Kiem District  
Hanoi, S.R. of Vietnam

Reference: 60755043/20159368-BNRL

## **REPORT ON REVIEW OF INTERIM SEPARATE FINANCIAL STATEMENTS**

**To:                    The Shareholders of  
                         Vietnam Joint Stock Commercial Bank for Industry and Trade**

We have reviewed the accompanying interim separate financial statements of Vietnam Joint Stock Commercial Bank for Industry and Trade ("the Bank"), as prepared on 14 August 2018 and set out on pages 7 to 67, which comprise the interim separate balance sheet as at 30 June 2018, the interim separate income statement and the interim separate cash flow statement for the six-month period then ended and the notes thereto.

### ***Management's responsibility***

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

### ***Auditors' responsibility***

Our responsibility is to express a conclusion on the interim separate financial statements based on our review. We conducted our review in accordance with Vietnamese Standard on Review Engagements No. 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Vietnamese Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim separate financial statements do not give a true and fair view, in all material respects, of the interim separate financial position of the Bank as at 30 June 2018, and of the interim separate results of its operations and its interim separate cash flows for the six-month period then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and statutory requirements relevant to preparation and presentation of the interim separate financial statements.



**Ernst & Young Vietnam Limited**

CÔNG TY  
TRÁCH NHIỆM HỮU HẠN  
ERNST & YOUNG  
VIỆT NAM

Dang Phuong Ha  
Deputy General Director  
Audit Practising Registration  
Certificate No. 2400-2018-004-1

Hanoi, Vietnam

17 August 2018

INTERIM SEPARATE BALANCE SHEET  
as at 30 June 2018

	Notes	30 June 2018 VND million	31 December 2017 VND million
<b>ASSETS</b>			
<b>Cash, gold and gemstones</b>	<b>5</b>	<b>7,949,777</b>	<b>5,896,090</b>
<b>Balances with the State Bank of Vietnam</b>	<b>6</b>	<b>4,363,565</b>	<b>20,752,988</b>
<b>Placements with and loans to other credit institutions</b>	<b>7</b>	<b>83,215,960</b>	<b>108,640,609</b>
Placements with other credit institutions		79,223,320	102,159,206
Loans to other credit institutions		3,992,640	6,481,403
Provision for credit losses on loans to other credit institutions		-	-
<b>Securities held for trading</b>	<b>8</b>	<b>1,996,949</b>	<b>2,907,488</b>
Securities held for trading		1,996,949	2,907,488
Provision for securities held for trading		-	-
<b>Derivatives and other financial assets</b>	<b>9</b>	<b>-</b>	<b>528,762</b>
<b>Loans to customers</b>		<b>846,731,719</b>	<b>774,766,818</b>
Loans to customers	10	858,976,057	782,854,679
Provision for credit losses on loans to customers	11	(12,244,338)	(8,087,861)
<b>Investment securities</b>	<b>12</b>	<b>135,920,235</b>	<b>126,609,580</b>
Available-for-sale securities	12.1	133,799,444	124,039,900
Held-to-maturity investments	12.2	2,586,748	5,058,392
Provision for investment securities	12.3	(465,957)	(2,488,712)
<b>Long-term investments</b>	<b>13</b>	<b>6,449,775</b>	<b>6,448,019</b>
Investments in subsidiaries	13.1	4,590,032	4,590,032
Investments in joint ventures	13.2	1,688,788	1,688,788
Other long-term investments		170,955	170,955
Provision for long-term investments		-	(1,756)
<b>Fixed assets</b>		<b>10,822,825</b>	<b>11,080,736</b>
Tangible fixed assets	14	6,112,384	6,299,839
Cost		13,345,479	13,124,443
Accumulated depreciation		(7,233,095)	(6,824,604)
Intangible fixed assets	15	4,710,441	4,780,897
Cost		6,074,747	6,028,528
Accumulated amortization		(1,364,306)	(1,247,631)
<b>Other assets</b>		<b>34,113,074</b>	<b>30,441,911</b>
Receivables	16.1	16,694,605	12,927,855
Accrued interest and fee receivables		14,446,104	14,435,343
Other assets	16.2	2,972,523	3,078,871
Provision for other assets		(158)	(158)
<b>TOTAL ASSETS</b>		<b>1,131,563,879</b>	<b>1,088,073,001</b>

INTERIM SEPARATE BALANCE SHEET (continued)  
as at 30 June 2018

	<i>Notes</i>	<i>30 June 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
<b>LIABILITIES</b>			
Due to the Government and the State Bank of Vietnam	17	50,176,449	15,206,899
<b>Deposits and borrowings from other credit institutions</b>		<b>81,795,596</b>	<b>112,055,714</b>
Deposits from other credit institutions	18.1	48,404,959	66,952,385
Borrowings from other credit institutions	18.2	33,390,637	45,103,329
<b>Customer deposits</b>	19	<b>851,745,216</b>	<b>752,569,535</b>
<b>Derivatives and other financial liabilities</b>	9	<b>98,116</b>	-
<b>Other borrowed and entrusted funds</b>	20	<b>6,545,121</b>	<b>6,364,158</b>
<b>Valuable papers issued</b>	21	<b>30,916,883</b>	<b>22,501,773</b>
<b>Other liabilities</b>		<b>44,489,856</b>	<b>117,702,592</b>
Interest and fee payables		14,104,350	12,224,737
Other payables	22	30,385,506	105,477,855
<b>TOTAL LIABILITIES</b>		<b>1,065,767,237</b>	<b>1,026,400,671</b>
<b>OWNERS' EQUITY</b>			
Capital		46,203,873	46,203,873
- Charter capital		37,234,046	37,234,046
- Share premium		8,969,827	8,969,827
Reserves		7,049,913	7,049,913
Undistributed profits		12,542,856	8,418,544
<b>TOTAL OWNERS' EQUITY</b>	24	<b>65,796,642</b>	<b>61,672,330</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>1,131,563,879</b>	<b>1,088,073,001</b>

INTERIM SEPARATE BALANCE SHEET (continued)  
as at 30 June 2018

**OFF-BALANCE SHEET ITEMS**

	<u>30 June 2018</u> VND million	<u>31 December 2017</u> VND million
Credit guarantees	3,458,408	3,383,765
Foreign exchange commitments	145,741,683	195,249,551
- Foreign exchange commitments - buy	3,338,121	4,190,389
- Foreign exchange commitments - sell	3,553,248	4,411,779
- Cross currency swap contract	138,850,314	186,647,383
Letters of credit	62,227,824	55,301,021
Other guarantees	54,840,725	54,129,485
Other commitments	26,861,462	28,719,395

Prepared by:



Ms. Nguyen Thi Minh Ngoc  
Deputy Head of Financial  
Accounting Management  
Department

Reviewed by:



Mr. Nguyen Hai Hung  
Chief Accountant

Approved by:



Ms. Le Nhu Hoa  
Deputy General Director

Hanoi, Vietnam

14 August 2018

INTERIM SEPARATE INCOME STATEMENT  
for the six-month period ended 30 June 2018

	Notes	For the six-month period ended 30 June 2018 VND million	For the six-month period ended 30 June 2017 VND million
Interest and similar income	25	35,672,432	31,235,565
Interest and similar expenses	26	(21,600,569)	(18,043,973)
<b>Net interest and similar income</b>		<b>14,071,863</b>	<b>13,191,592</b>
Fee and commission income		1,919,274	1,395,474
Fee and commission expenses		(926,445)	(567,216)
<b>Net fee and commission income</b>	<b>27</b>	<b>992,829</b>	<b>828,258</b>
<b>Net gain from trading of foreign currencies</b>	<b>28</b>	<b>339,242</b>	<b>342,680</b>
<b>Net gain from securities held for trading</b>	<b>29</b>	<b>237,980</b>	<b>131,799</b>
<b>Net gain from investment securities</b>	<b>30</b>	<b>129,898</b>	<b>30,070</b>
Other income		1,165,268	1,166,170
Other expenses		(434,246)	(430,088)
<b>Net gain from other activities</b>	<b>31</b>	<b>731,022</b>	<b>736,082</b>
<b>Income from investments in other entities</b>	<b>32</b>	<b>416,741</b>	<b>205,270</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>33</b>	<b>(6,911,613)</b>	<b>(6,497,410)</b>
<b>Net profit before provision for credit losses</b>		<b>10,007,962</b>	<b>8,968,341</b>
Provision expense for credit losses		(4,901,943)	(4,812,803)
<b>PROFIT BEFORE TAX</b>		<b>5,106,019</b>	<b>4,155,538</b>
Current corporate income tax expense	23.1	(936,332)	(829,747)
<b>Corporate income tax expense</b>		<b>(936,332)</b>	<b>(829,747)</b>
<b>PROFIT AFTER TAX</b>		<b>4,169,687</b>	<b>3,325,791</b>

Prepared by:



Ms. Nguyen Thi Minh Ngoc  
Deputy Head of Financial  
Accounting Management  
Department

Reviewed by:



Mr. Nguyen Hai Hung  
Chief Accountant

Approved by:



Ms. Le Nhu Hoa  
Deputy General Director

Hanoi, Vietnam

14 August 2018

INTERIM SEPARATE CASH FLOW STATEMENT  
for the six-month period ended 30 June 2018

	<i>Notes</i>	<i>For the six-month period ended 30 June 2018 VND million</i>	<i>For the six-month period ended 30 June 2017 VND million</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest and similar receipts		35,705,564	30,358,803
Interest and similar payments		(19,705,813)	(17,288,719)
Net fee and commission receipts		992,264	890,522
Net payments from dealing in foreign currencies, gold and securities trading activities		707,120	137,921
Other income		(15,634)	(315,880)
Recoveries from bad debts written-off previously		782,497	650,141
Payments for operating and salary expenses		(7,663,434)	(5,855,200)
Corporate income tax paid during the period	23.1	(728,031)	(955,875)
<b>Net cash flows from operating profit before changes in operating assets and liabilities</b>		<b>10,074,533</b>	<b>7,621,713</b>
<b><i>Changes in operating assets</i></b>		<b>(75,451,391)</b>	<b>(77,660,321)</b>
(Increase) in deposits at and loans to other credit institutions		(12,158,677)	(234,169)
Decrease/(increase) in trading securities		18,918,009	(7,496,596)
Decrease in derivatives and other financial assets		528,762	271,118
(Increase) in loans to customers		(75,937,084)	(66,186,269)
Utilization of provision to write off loans to customers, securities, long-term investments and other receivables		(2,636,619)	(1,497,247)
(Increase) in other assets		(4,165,782)	(2,517,158)
<b><i>Changes in operating liabilities</i></b>		<b>38,278,872</b>	<b>85,009,375</b>
Increase in due to the Government and the SBV (Decrease)/increase in deposits and borrowings from other credit institutions		34,969,550	20,962,408
Increase in customers deposits (including deposits from State Treasury)		(30,260,118)	33,929,509
Increase/(decrease) in valuable papers issued (except for valuable papers issued for financing activities)		99,175,681	37,603,460
Increase in other borrowed and entrusted funds		8,415,110	(5,546,781)
Increase in derivatives and other financial liabilities		180,963	440,219
(Decrease) in other liabilities		98,116	-
Payments from credit institution's fund		(74,300,430)	(2,378,816)
		-	(624)
<b>Net cash flows (used in)/from operating activities</b>		<b>(27,097,986)</b>	<b>14,970,767</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets		(369,765)	(734,607)
Proceeds from disposal of fixed assets		2,228	39,959
Payments for disposal of fixed assets		(4,584)	(4,647)
Proceeds from investments in other entities		-	600,000
Dividends and profits received from long-term investments and capital contribution		416,741	198,916
<b>Net cash flows from investing activities</b>		<b>44,620</b>	<b>99,621</b>

INTERIM SEPARATE CASH FLOW STATEMENT (continued)  
for the six-month period ended 30 June 2018

	<i>For the six-month period ended 30 June 2018</i>	<i>For the six-month period ended 30 June 2017</i>
<i>Notes</i>	<i>VND million</i>	<i>VND million</i>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend payment to shareholders	-	(2,606,383)
<b>Cash flows used in financing activities</b>	<b>-</b>	<b>(2,606,383)</b>
<b>Net cash flows for the period</b>	<b>(27,053,366)</b>	<b>12,464,005</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>132,496,563</b>	<b>114,082,032</b>
<b>Adjustment due to exchange rate differences</b>	<b>104</b>	<b>34,531</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>105,443,301</b>	<b>126,580,568</b>
<b>34</b>		

Prepared by:



Ms. Nguyen Thi Minh Ngoc  
Deputy Head of Financial  
Accounting Management  
Department

Reviewed by:



Mr. Nguyen Hai Hung  
Chief Accountant

Approved by:



Ms. Le Nhu Hoa  
Deputy General Director

Hanoi, Vietnam

14 August 2018

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS  
as at 30 June 2018 and for the six-month period then ended

**1. GENERAL INFORMATION**

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***Location***

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***Employees***

The Bank has 22,232 employees as at 30 June 2018 (31 December 2017: 22,472 employees).

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

## 1. GENERAL INFORMATION (continued)

*Subsidiaries*

As at 30 June 2018, the Bank has seven (7) directly owned subsidiary companies and one (1) subsidiary bank as follows:

<i>Subsidiaries</i>	<i>Operating licence</i>	<i>Nature of business</i>	<i>Charter capital</i>	<i>Ownership</i>
VietinBank Leasing Company Ltd	Business Registration No. 0101047075/GP dated 10 March 2011 granted by Hanoi Authority for Planning and Investment	Finance and banking	VND1,000 billion	100%
VietinBank Securities JSC	Establishment and Operating License No. 107/UBCK - GP dated 1 July 2009 granted by State Securities Commission	Security market	VND976.5 billion	75.6%
VietinBank Debt Management and Asset Exploitation Company Ltd	Business Registration No. 0302077030/GP dated 20 July 2010 granted by Department of Planning and Investment of Ho Chi Minh City	Asset management	VND120 billion	100%
VietinBank Insurance Joint Stock Corporation	Establishment and Operating License No. 21/GP-KDBH dated 12 December 2002 granted by the Ministry of Finance and Amended License No. 21/GPDC23/KDBH dated 2 November 2017 granted by the Ministry of Finance	Non-life insurance	VND500 billion	97.83%
VietinBank Gold & Jewellery Trading Company Ltd	Business Registration No. 0105011873/GP dated 25 November 2010 granted by Hanoi Authority for Planning and Investment	Gold, gold manipulation	VND300 billion	100%
VietinBank Fund Management Company Ltd	Establishment and Operating License No. 50/UBCK-GP dated 26 October 2010 granted by State Security Commission and No. 05/GPDC-UBCK dated 23 March 2011	Fund management	VND950 billion	100%
VietinBank Global Money Transfer Company Ltd	Business Registration No. 0105757686 dated 3 January 2012 granted by Hanoi Authority for Planning and Investment	Monetary transfer intermediary	VND50 billion	100%
VietinBank Lao Limited	Business Registration No. 068/NHCHDCNDL dated 8 July 2015 granted by Lao DPR Central Bank	Finance and Banking	VND1,166 billion	100%

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

## **2. ACCOUNTING PERIOD AND ACCOUNTING CURRENCY**

### **2.1 Accounting period**

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

The Bank's interim period starts on 1 January and ends on 30 June each year.

### **2.2 Accounting currency**

Currency used in preparation of financial statement of the Bank is Vietnam dong ("VND"). For the purpose of preparing the interim separate financial statements as at 30 June 2018, all amounts are rounded to the nearest million and presented in VND million. The presentation makes no impact on readers' view of the interim separate financial position, the interim separate income statement and the interim separate cash flows.

## **3. APPLIED ACCOUNTING STANDARDS AND SYSTEM**

### **3.1 Statement of compliance**

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

### **3.2 Accounting standards and system**

The interim separate financial statements of the Bank are prepared in accordance with the Accounting System applicable to credit institutions required under Decision No. 479/2004/QD-NHNN issued on 29 April 2004 and Circular No. 10/2014/TT-NHNN dated 20 March 2014 amending and supplementing Decision No. 479/2004/QD-NHNN, Decision No. 16/2007/QD-NHNN dated 18 April 2007, Circular No. 49/2014/TT-NHNN amending and supplementing a number of articles of Decision No. 16/2007/QD-NHNN and the chart of account system applicable to credit institutions issued in connection with Decision No. 479/2004/QD-NHNN by the Governor of the State Bank of Vietnam and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

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

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

**3. APPLIED ACCOUNTING STANDARDS AND SYSTEM (continued)**

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

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

The Bank prepares interim separate financial statements to reflect the Bank's own operations. Simultaneously, the Bank also prepares interim consolidated financial statements to reflect the operations of the Bank and its subsidiaries in accordance with *Vietnamese Accounting Standard No. 25 - Consolidated financial statements and accounting for investments in subsidiaries*. Those who use the interim separate financial statements need to read the accompanying interim separate financial statements with the interim consolidated financial statements of the Bank and its subsidiaries for the six-month accounting period ended 30 June 2018 in order to obtain full information on the interim consolidated financial position, the interim consolidated results of operations and interim consolidated cash flows of the Bank and its subsidiaries.

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

**3.3 Assumptions and uses of estimates**

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

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

#### **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 interim separate financial statements are consistent with those followed in the preparation of the separate financial statements for the year ended 31 December 2017 and the interim separate financial statements for the year ended 30 June 2017, except for the following changes:

*Circular No. 22/2017/TT-NHNN amending and supplementing a number of articles of the Chart of account system applicable to credit institutions issued in connection with Decision No. 479/2004/QD-NHNN dated 29 April 2004 and the financial reporting regime applicable to credit institutions required under Decision No. 16/2007/QD-NHNN dated 18 April 2007 by the Governor of the SBV*

On 29 December 2017, the SBV issued Circular No. 22/2017/TT-NHNN amending and supplementing a number of articles of the chart of account system applicable to credit institutions issued in connection with Decision No. 479/2004/QD-NHNN dated 29 April 2004 and the financial reporting regime applicable to credit under Decision No.16/2007/QD-NHNN dated 18 April 2007 by the Governor of the SBV ("Circular 22").

The main changes in Circular 22 are as bellows:

- ▶ Amending and supplementing the guidance on the accounting treatment for foreign exchange and gold transactions;
- ▶ Amending a number of accounts in the Chart of account system applicable to credit institutions;
- ▶ Amending the guidance on the accounting treatment for some accounts in the chart of account system applicable to credit institutions; and
- ▶ Amending and supplementing the guidance on the financial reporting regime applicable to credit institutions.

Circular 22 has taken effect since 1 April 2018.

The Bank has conducted comparative data reviews in the interim separate income statement, the interim separate cash flow statement and the interim separate balance sheet under Circular 22. Accordingly, the effects on the financial statements due to the change in exchange rate policy are not material. As a results, the Bank is not required to restate the comparative figures due to the change in exchange rate policies.

*Circular No. 14/2017/TT-NHNN regulates methods of calculating interest on depositing and credit extension transaction between credit institutions and customers*

On 29 September 2017, the SBV issued Circular No. 14/2017/TT-NHNN regulating methods of calculating interest on depositing and credit extension transaction between credit institutions and customers. Accordingly, interest receivable from loans and interest payable for deposits are made on a one-year basis of 365 days. This circular has taken effect since 1 January 2018.

##### **4.2 Cash and cash equivalents**

Cash and cash equivalents comprise cash, current accounts at the SBV, Government bills and other short-term valuable papers which can be rediscount with the SBV, securities, current deposits, placements with and loans to other credit institutions with an original maturity of three months or less from the transaction date, high liquidity, which are readily convertible into certain amounts of cash and that are subject to an insignificant risk of change in value.

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

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

**4.3 Placements with and loans to other credit institutions**

Placements with and loans to other credit institutions are presented at the outstanding principal amounts at the end of the period.

Placements with and loans to other credit institutions are classified and provided for allowance in accordance with Circular No. 02/2013/TT-NHNN ("Circular 02") and Circular No. 09/2014/TT-NHNN ("Circular 09"). Accordingly, the Bank makes a specific provision for placements with (except for current accounts) and loans to other credit institutions according to the method as described in *Note 4.5*.

According to Circular 02, the Bank is not required to make a general provision for placements with and loans to other credit institutions.

**4.4 Loans to customers**

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

Provision for credit losses of loans to customers is accounted and presented in a separate line in the interim separate balance sheet.

Short-term loans have maturity of less than one year from disbursement date. Medium-term loans have maturity from one to five years from disbursement date. Long-term loans have maturity of more than five years from disbursement date.

Loan classification and provision for credit losses are made according to Circular 02 and Circular 09 as presented in *Note 4.5*.

**4.5 Loan classification and provision for credit losses applied to placements with and loans to other credit institutions, unlisted corporate bonds purchased and trusted for purchase by the Bank, loans to customers granted and trusted for grant by the Bank**

*Loan classification*

The classification of placements with and loans to other credit institutions, direct and entrusted investments in unlisted corporate bonds, loans to customers and entrustments for credit granting (collectively called "debts") is made using both the quantitative and qualitative methods as regulated under Article 10 and Article 11 of Circular 02. In case the classification results under Articles 10 and 11 are not the same, the debts must be classified into the higher risk group.

Since 1 January 2015, credit institutions, foreign bank branches have been required to use the updated information from Credit Information Centre (CIC) about the loan group of customers at the time of loan classification to adjust the classification group of loans and off-balance sheet items.

Accordingly, debts are classified based on risk level as follows: *Current, Special Mention, Sub-standard, Doubtful* and *Loss*. Loans which are classified as *Sub-standard, Doubtful* and *Loss* are non-performing loans.

*Specific provision*

Specific provision as at 30 June 2018 is made based on the principal balance less discounted value of collaterals multiplied by provision rates which are determined based on the loan classification results as at 30 June 2018.

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

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

**4.5 Loan classification and provision for credit losses applied to placements with and loans to other credit institutions, unlisted corporate bonds purchased and trusted for purchase by the Bank, loans to customers granted and trusted for grant by the Bank (continued)**

*Specific provision (continued)*

The specific provision rates for each group are presented as follows:

Group		Loan classification using the quantitative method	Loan classification using the qualitative method	Provision rate
1	Current	(a) Standard debts are assessed as fully and timely recoverable for both principals and interests; or (b) Debts are overdue for a period of less than 10 days and assessed as fully recoverable for both overdue principals and interests, and fully and timely recoverable for both remaining principals and interests.	Debts are assessed as fully and timely recoverable for both principals and interests.	0%
2	Special mention	(a) Debts are overdue for a period between 10 days and 90 days; or (b) Debts which the repayment terms are restructured for the first time.	Debts are assessed as fully recoverable for both principals and interests but there is a sign that customers decline ability to pay for the debt.	5%
3	Sub-standard	(a) Debts are overdue for a period between 91 days and 180 days; or (b) Debts which the repayment terms are extended for the first time; or (c) Debts which interests are exempted or reduced because customers do not have sufficient capability to repay all interests under credit contracts; or (d) Debts under one of the following cases which have not been recovered in less than 30 days from the date of the recovery decision: - Debts made in compliance with Clause 1, 3, 4, 5, 6 under Article 126 of Law on Credit Institutions; or - Debts made in compliance with Clause 1, 2, 3, 4 under Article 127 of Law on Credit Institutions; or - Debts made in compliance with Clauses 1, 2 and 5 under Article 128 of Law on Credit Institutions. (e) Debts are required to be recovered according to regulatory inspection conclusions.	Debts are assessed as not fully recoverable for both principals and interests when due, have possibility to make losses.	20%

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 *Loan classification and provision for credit losses applied to placements with and loans to other credit institutions, unlisted corporate bonds purchased and trusted for purchase by the Bank, loans to customers granted and trusted for grant by the Bank* (continued)

*Specific provision* (continued)

Group	Loan classification using the quantitative method	Loan classification using the qualitative method	Provision rate	
4	Doubtful	<ul style="list-style-type: none"> <li>(a) Debts are overdue for a period of between 181 days and 360 days; or</li> <li>(b) Debts which the repayment terms are restructured for the first time but still overdue for a period of less than 90 days under that restructured repayment term; or</li> <li>(c) Debts which the repayment terms are restructured for the second time; or</li> <li>(d) Debts are specified in point (d) of Loan group 3 and overdue for a period of between 30 days and 60 days after decisions of recovery have been issued; or</li> <li>(e) Debts are required to be recovered according to regulatory inspection conclusions but still outstanding with an overdue period up to 60 days since the recovery date as required by regulatory inspection conclusions.</li> </ul>	Debts are assessed as having ability to make high losses.	50%
5	Loss	<ul style="list-style-type: none"> <li>(a) Debts are overdue for a period of more than 360 days; or</li> <li>(b) Debts which the repayment terms are restructured for the first time but still overdue for a period of 90 days or more under that first restructured repayment term; or</li> <li>(c) Debts which the repayment terms are restructured for the second time but still overdue under that second restructured repayment term; or</li> <li>(d) Debts which the repayment terms are restructured for the third time or more, regardless of being overdue or not; or</li> <li>(e) Debts are specified in point (d) of Loan group 3 and overdue for a period of more than 60 days after decisions on recovery have been issued; or</li> <li>(f) Debts are required to be recovered under regulatory inspection conclusions but still outstanding with an overdue period of more than 60 days since the recovery date as required by regulatory inspection conclusions; or</li> <li>(g) Debts of credit institutions under special control as announced by the SBV, or debts of foreign bank branches which capital and assets are blocked.</li> </ul>	Debts are assessed as not recoverable, capital loss.	100%

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

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

**4.5 *Loan classification and provision for credit losses applied to placements with and loans to other credit institutions, unlisted corporate bonds purchased and trusted for purchase by the Bank, loans to customers granted and trusted for grant by the Bank***  
(continued)

*Specific provision (continued)*

Where 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 has to classify the entire remaining debts of that 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 the higher risk group assessed by the leading bank and by the Bank.

For loans in agricultural and rural areas, the Bank is allowed to restructure debt and remain the debt group in accordance with Circular No. 10/2015/TT-NHNN dated 22 July 2015 guiding the implementation of a number of contents of Decree No. 55/2015/ND-CP dated 9 June 2015 issued by the Government on credit policies supporting agricultural and rural development.

The basis for determination of the value and discounted value for each type of collateral is specified in Circular 02 and Circular 09 amending and supplementing a number of articles of Circular 02.

*General provision*

General provision as at 30 June 2018 is made at 0.75% of total outstanding loans excluding placements with and loans to other credit institutions and loans classified as loss (group 5) as at 30 June 2018.

*Write-off bad debts*

Provisions are recognized as expenses on the interim separate income statement and used to write-off bad debt. According to Circular 02, the Bank establishes a Risk Management Committee to deal with bad debts if they are classified in Group 5 or if the borrower is a dissolved, bankrupt organization or individual who is dead or missing.

**4.6 *Securities held for trading***

Securities held for trading include debt securities, equity securities and other securities acquired and held for the purpose of reselling within one year to gain profit on price variances.

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

Interest and dividends derived from securities held for trading are recognized on a cash basis in the interim separate income statement upon actual receipt.

Provision for impairment of securities held for trading is recorded when their book value is higher than their market value as stipulated in Circular No. 228/2009/TT-BTC ("Circular 228") dated 7 December 2009 issued by the Ministry of Finance and Circular No. 89/2013/TT-BTC ("Circular 89") dated 28 June 2013. In case the market values of the securities cannot be determined, no provision is made. Provision for impairment is recognized in the interim separate income statement as "*Net gain/(loss) from securities held for trading*".

Provision for credit losses of corporate bonds, which are not listed on the stock market or not registered on the unlisted public companies market, is made in accordance with Circular 02 and Circular 09 as described in *Note 4.5*.

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

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

**4.7 Investment securities**

Investment securities are classified into two categories: available-for-sale and held-to-maturity investment securities. The Bank classifies investment securities on their purchase dates. In accordance with Official Letter No. 2601/NHNN-TCKT dated 14 April 2009 issued by the SBV, the Bank is allowed to reclassify investment securities no more than one time after the purchase date.

**4.7.1 Available-for-sale securities**

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

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

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

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

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

Provision for diminution in value of securities is made when the carrying value is higher than the market value in compliance with Circular 228 and Circular 89. In case market prices of securities are not available or cannot be determined reliably, no provision is required. Provision is recognized in the "*Net gain/(loss) from investment securities*" account of the interim separate income statement.

Provision for credit losses of corporate bonds which are not listed on the stock market or not registered on the unlisted public companies market is made in accordance with Circular 02 as described in Note 4.5.

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

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

##### 4.7 *Investment securities* (continued)

##### 4.7.2 *Held-to-maturity investment securities*

Held-to-maturity investment securities include special bonds issued by Vietnam Asset Management Company ("VAMC") and other held-to-maturity securities.

##### *Special bonds issued by VAMC*

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

During the holding period, the Bank annually calculates and makes allowance in accordance with Circular No. 14/2015/TT-NHNN dated 28 August 2015 issued by the SBV amending and supplementing a number of articles of Circular No. 19/2013/TT-NHNN stipulating purchase, sale and bad debt written-off of VAMC.

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

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

In which:

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

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

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

##### *Other held-to-maturity securities*

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

Held-to-maturity securities are recorded and measured identical to debt securities available-for-sale and presented at Note 4.7.1.

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

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

**4.8 Investment in subsidiaries**

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

Provisions for impairment of investments in subsidiaries are made for each impaired investment and are subject to revision at the end of accounting period. Provision for investments in subsidiaries is made when the investments are impaired due to the losses incurred by subsidiaries. Increase or decrease of provision balance is recognized in “*Total operating expenses*” in the interim separate income statement.

**4.9 Joint venture**

Investments in joint ventures whereby the Bank is subject to joint control are initially stated at cost.

Distributions from net accumulated profit of joint ventures after the date on which control is transferred to the Bank is recognized in the separate income statement. Other distributions are considered as recoveries of investments and deducted from the investment value.

**4.10 Other long-term investments**

Other long-term investments are investments in other entities in which the Bank holds less than 11% of voting rights and the Bank is the founding shareholder; or strategic partner; or the Bank can have certain influence on the entity’s financial and operational policies under written agreement on delegating its representatives to take part in the Board of Director/Management. These investments are initially recorded at cost at the investment date.

For securities which are not listed but are registered for trading on unlisted public company market (UpCom), provision for diminution in value is made when their registered price for trading is lower than the carrying value of the securities at the end of accounting period.

In other cases, provision for diminution in the value of investment 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. Provision for diminution in the value of investment is made using the below formula:

$$\text{Provision for diminution in value of each investment} = \left( \frac{\text{Total invested amount of all parties in the entity} - \text{Owners' equity of the entity}}{\text{Total invested amount of all parties in the entity}} \right) \times \frac{\text{Invested amount of each party}}{\text{Total invested amount of all parties in the entity}}$$

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

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

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

##### 4.11 *Re-purchase and re-sale contracts*

Securities sold under agreements to repurchase at a specific date in the future (repos) are still recognized in the interim separate financial statements. The corresponding cash received from these agreements is recognized in the interim separate balance sheet as a liability and the difference between the sale price and repurchase price is amortized in the separate income statement over the term of the agreement using the straight-line method based on the interest rate stipulated in the contract.

Conversely, securities purchased under agreements to resell at a specific date in the future are not recognized in the interim separate financial statements. The corresponding cash paid under these agreements is recognized as a loan in the interim separate balance sheet and the difference between the purchase price and resale price is amortized in the separate income statement over the term of the agreement using the straight-line method based on the interest rate stipulated in the contract.

##### 4.12 *Fixed assets*

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

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

Costs related to additions, improvements and renewals are capitalized while expenditures for maintenance and repairs are charged to the interim separate income statement.

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

##### 4.13 *Depreciation and amortization*

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

Buildings and construction	05 - 40 years
Machine and equipment	03 - 07 years
Transportation vehicles	06 - 07 years
Other tangible fixed assets	04 - 25 years
Land use rights (*)	Upon lease term
Computer software	03 - 08 years

(\*) Indefinite land use rights are not depreciated. Definite land use rights are depreciated over the lease or usage term.

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

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

##### 4.14 Receivables

###### 4.14.1 Receivables classified as credit bearing assets

Receivables classified as credit bearing assets are recognized at cost. Doubtful receivables are classified and provided for allowance by the Bank in accordance with the regulations on recognition and use of provision to write off the credit risk as presented in *Note 4.5*.

###### 4.14.2 Other receivables

Receivables other than receivables from credit activities of the Bank are initially recorded at cost and always carried at cost subsequently.

Provision for receivables is determined based on the overdue status of debts or expected loss of current debts in case the debts are not due for payment yet, however, the corporate debtors have bankruptcy or are in the process of dissolution, or of individual debtors who are missing, escaped, deceased, prosecuted, on trial or under execution of criminal judgement by legal authority. Provision expense incurred is recorded in "*Total operating expenses*" of the interim separate income statement.

Provision for overdue debts is made in accordance with Circular 228 as follows:

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

##### 4.15 Prepaid expenses and deferred expenses

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

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

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

**4.16 Recognition of income and expense**

**4.16.1 Interest income and expenses**

Interest income and expenses are recognized in the interim separate income statement on an accrual basis using the nominal interest rates. The recognition of accrued interest income of a loan is suspended when such loan is classified in groups 2 to 5 in compliance with Circular 02. Suspended interest income is reversed and monitored off-balance sheet and recognized in the interim separate income statement upon actual receipt.

Fees and commissions are recognized on an accrual basis. Fees from guarantee, letter of credit, investment activities (bonds, ...) are recognized on an accrual/amortization basis.

**4.16.2 Income from securities trading**

Income from securities trading is recognized based on differences between selling price and cost of securities sold.

**4.16.3 Income from other services**

When the result of the contract is definitely determined, income is recognized based on the completion of work or service. If the result of the contract is not determined, income is only recognized to the extent of recoverable amount of expenses incurred.

**4.16.4 Recognition of due income receivables not yet collected**

According to Circular No. 05/2013/TT-BTC dated 9 January 2013 issued by the Ministry of Finance, receivables from accrued income but not yet collected at the due date are recorded as reduction in revenue if the income has been accrued in the same accounting period or recorded as expense if the income has been accrued in different accounting periods and monitored in off-balance sheet. Upon actual receipt of these receivables, the Bank recognizes in income from operating activities in the interim separate income statement.

**4.17 Deposits from other credit institutions, customers and valuable papers issued**

Deposits from other credit institutions, customer deposits and valuable papers issued are disclosed at the outstanding principal amounts at the end of the period.

**4.18 Foreign currency transactions**

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

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

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

**4.19 Payables and accruals**

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

**4.20 Corporate income taxes**

*Current income tax*

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

Current income tax is charged or credited to the interim separate income statement except when it relates to items recognized directly to equity, in this case the current income tax is also recognized in equity.

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

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

*Deferred tax*

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

Deferred tax payables are recognized for temporary taxable differences.

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

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

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

##### 4.21 *Classification for off-balance-sheet commitments*

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

##### 4.22 *Derivatives*

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

###### *Currency forward contracts*

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

###### *Swap contracts*

The swap contracts are commitments to settle in cash on a pre-determined future date based on the difference between pre-determined exchange rates calculated on the notional principal amount or commitments to settle interest based on a floating rate or a fixed rate calculated on the notional amount and in a given period.

The currency swap contracts are revalued periodically. Gains or losses realized or unrealized are recognized in the "*Foreign exchange differences*" under "*Owners' equity*" in the interim separate balance sheet and will be transferred to the interim separate income statement at the end of the financial period.

Differences in interest rate swaps are recognized in the interim separate income statement on an accrual basis.

##### 4.23 *Employee benefits*

###### 4.23.1 *Post - employment benefits*

When retiring, employees of the Bank are entitled to receive post-employment benefits from the Social Insurance Fund and a 2-month payment based on the average of actual monthly salary and cost of living allowance of 6 months adjacent to the date of employees' retirement paid by the Bank.

Employees who are forced to early retire as a part of employment rearrangement are entitled to receive a half of the social security wage base for one year (12 months) of employment and a half of the social security wage base for each month of early retirement period (maximum of 48 months of early retirement).

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

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

##### 4.23 *Employee benefits* (continued)

###### 4.23.2 *Voluntary resignation benefits*

The Bank has the obligation, under Section 48 of the Vietnam Labour Code No. 10/2012/QH13 effective from 1 May 2013, to pay allowance arising from voluntary resignation and fully meet the elements in accordance with the law of employees, equal to one-half month's salary for each year of employment up to 31 December 2008. The average monthly salary used in this calculation is the average monthly salary of the latest six-month period up to the resignation date.

###### 4.23.3 *Unemployment insurance*

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

##### 4.24 *Capital and reserves*

###### 4.24.1 *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares are recognized as a deduction from share premium in equity.

###### 4.24.2 *Share premium*

On receipt of capital from shareholders, the difference between the issuance price and the par value of the shares is recorded as share premium in equity.

###### 4.24.3 *Reserves*

Reserves are for specific purposes and appropriated from net profit after tax of the Bank at prescribed rates as below:

- ▶ Supplementary charter capital reserve: 5% of net profit after tax and does not exceed charter capital;
- ▶ Financial reserve: 10% of net profit after tax;
- ▶ Bonus to the Board of Management, bonus and welfare funds are appropriated according to the decision approved in the General Meeting of Shareholders;
- ▶ Other reserves: are to be made upon the current regulations and decisions of the Annual General Shareholders' Meeting.

##### 4.25 *Offsetting*

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

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended**5. CASH, GOLD AND GEMSTONES**

	<i>30 June 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Cash on hand in VND	5,910,386	5,196,656
Cash on hand in foreign currencies	2,039,391	699,434
	<b>7,949,777</b>	<b>5,896,090</b>

**6. BALANCES WITH THE STATE BANK OF VIETNAM ("SBV")**

	<i>30 June 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Balance with the SBV		
- In VND	1,589,128	17,617,163
- In foreign currencies	2,774,437	3,135,825
	<b>4,363,565</b>	<b>20,752,988</b>

Balances with the SBV include current account and compulsory reserves. In accordance with regulations of the SBV, the Bank must maintain a certain reserve with the SBV in form of compulsory reserves. As at 30 June 2018, compulsory reserves in VND and in foreign currencies bear interest rate of 1.20% per annum and 0% per annum, respectively.

Compulsory reserve balances for deposits in VND applicable to credit institutions as at 30 June 2018 are as follows:

- Compulsory reserve balance is 3% of the preceding month's average balance for demand deposits and term deposits in VND with terms of less than 12 months;
- Compulsory reserve balance is 1% of the preceding month's average balance for deposits in VND with terms of 12 months or more.

Compulsory reserve balances for deposits in foreign currencies applicable to credit institutions as at 30 June 2018 are as follows:

- Compulsory reserve balance is 8% of the preceding month's average balance for demand deposits and term deposits in foreign currencies with terms of less than 12 months;
- Compulsory reserve balance is 6% of the preceding month's average balance for deposits in foreign currencies with terms of 12 months or more;
- Compulsory reserve balance is 1% of the balance for deposit in foreign currencies from overseas credit institutions.

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

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

	<i>30 June 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
<b>Placements with other credit institutions</b>		
Demand deposits	42,542,597	53,223,521
- <i>In VND</i>	37,332,453	47,499,006
- <i>In foreign currencies</i>	5,210,144	5,724,515
Term deposits	36,680,723	48,935,685
- <i>In VND</i>	28,065,134	26,206,000
- <i>In foreign currencies</i>	8,615,589	22,729,685
	<b>79,223,320</b>	<b>102,159,206</b>
<b>Loans to other credit institutions</b>		
In VND	3,992,640	5,853,503
In foreign currencies	-	627,900
	<b>3,992,640</b>	<b>6,481,403</b>
<b>Provision for credit losses</b>	-	-
	<b>83,215,960</b>	<b>108,640,609</b>

Placements with and loans to other credit institutions by loan group are as follows:

	<i>30 June 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Current	40,673,363	55,417,088

## 8. SECURITIES HELD FOR TRADING

	<i>30 June 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
<b>Debt securities</b>		
Government bonds	1,996,949	2,907,488
Provision for securities held for trading	-	-
	<b>1,996,949</b>	<b>2,907,488</b>

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

**9. DERIVATIVES AND OTHER FINANCIAL ASSETS/(LIABILITES)**

	<u>30 June 2018</u> VND million	<u>31 December 2017</u> VND million
<b>Currency derivative contracts</b>	(174,621)	<b>462,559</b>
Currency forward contracts	(47,203)	35,489
Currency swap contracts	(127,418)	427,070
<b>Commodity options contracts</b>	-	<b>10,764</b>
<b>Other derivative financial instruments</b>	<b>76,505</b>	<b>55,439</b>
	<u><b>(98,116)</b></u>	<u><b>528,762</b></u>

**10. LOANS TO CUSTOMERS**

	<u>30 June 2018</u> VND million	<u>31 December 2017</u> VND million
Loans to domestic economic entities and individuals	853,254,409	777,598,607
Discounted bills and valuable papers	1,723,324	1,364,879
Payments on behalf of customers	93,709	71,899
Loans financed by entrusted funds	532,908	547,321
Loans to foreign economic entities and individuals	3,371,707	3,271,973
	<u><b>858,976,057</b></u>	<u><b>782,854,679</b></u>

**10.1 Analysis of loan portfolio by quality**

	<u>30 June 2018</u> VND million	<u>31 December 2017</u> VND million
Current	843,992,563	770,283,251
Special mention	3,778,238	3,594,606
Substandard	1,971,830	1,242,161
Doubtful	944,942	2,550,290
Loss	8,288,484	5,184,371
	<u><b>858,976,057</b></u>	<u><b>782,854,679</b></u>

**10.2 Analysis of loan portfolio by original maturity**

	<u>30 June 2018</u> VND million	<u>31 December 2017</u> VND million
Short term loans	498,452,590	445,885,431
Medium term loans	71,755,478	75,087,489
Long term loans	288,767,989	261,881,759
	<u><b>858,976,057</b></u>	<u><b>782,854,679</b></u>

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

## 11. PROVISION FOR CREDIT LOSSES ON LOANS TO CUSTOMERS

Changes in provision for credit losses on loans to customers during the six-month period ended 30 June 2018 are as follows:

	<i>General provision VND million</i>	<i>Specific provision VND million</i>	<i>Total VND million</i>
Opening balance as at 1 January 2018	5,760,739	2,327,122	8,087,861
Provision charged in the period	606,988	3,733,783	4,340,771
Provision used to write-off bad debts	-	(184,294)	(184,294)
<b>Closing balance as at 30 June 2018</b>	<b><u>6,367,727</u></b>	<b><u>5,876,611</u></b>	<b><u>12,244,338</u></b>

Changes in provision for credit losses on loans to customers during the six-month period ended 30 June 2017 are as follows:

	<i>General provision VND million</i>	<i>Specific provision VND million</i>	<i>Total VND million</i>
Opening balance as at 1 January 2017 (restated)	4,765,011	1,982,674	6,747,685
Provision charged in the period	626,187	1,623,433	2,249,620
Provision used to write-off bad debts	-	(1,059,257)	(1,059,257)
<b>Closing balance as at 30 June 2017 (restated)</b>	<b><u>5,391,198</u></b>	<b><u>2,546,850</u></b>	<b><u>7,938,048</u></b>

## 12. INVESTMENT SECURITIES

### 12.1 Available-for-sale securities

	<i>30 June 2018 VND million</i>	<i>31 December 2017 VND million</i>
<b>Debt securities</b>	<b>133,400,542</b>	<b>123,640,998</b>
Government bonds	75,011,549	52,402,291
Bonds issued by domestic credit institutions	26,740,394	26,616,464
Bonds issued by domestic economic entities	31,648,599	44,622,243
<b>Equity securities</b>	<b>398,902</b>	<b>398,902</b>
Equity securities issued by domestic economic entities	398,902	398,902
	<b><u>133,799,444</u></b>	<b><u>124,039,900</u></b>
<b>Provision for available-for-sale securities</b>	<b>(463,056)</b>	<b>(594,658)</b>
Provision for diminution in value	(77,973)	(120,039)
General provision	(385,083)	(474,619)
Specific provision	-	-
	<b><u>133,336,388</u></b>	<b><u>123,445,242</u></b>

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

## 12. INVESTMENT SECURITIES (continued)

### 12.2 Held-to-maturity securities

#### 12.2.1 Held-to-maturity securities (excluding Special bonds issued by VAMC)

	30 June 2018 VND million	31 December 2017 VND million
<b>Debt securities</b>	<b>2,586,748</b>	<b>2,586,748</b>
Government bonds	2,200,000	2,200,000
Bonds issued by domestic economic entities	386,748	386,748
<b>Provision for held-to-maturity securities</b>	<b>(2,901)</b>	<b>(2,901)</b>
General provision	(2,901)	(2,901)
Specific provision	-	-
	<b>2,583,847</b>	<b>2,583,847</b>

#### 12.2.2 Special bonds issued by VAMC

	30 June 2018 VND million	31 December 2017 VND million
Face value of special bonds	-	2,471,644
Provisions for special bonds	-	(1,891,153)
	-	<b>580,491</b>

### 12.3 Provision for investment securities

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

	Available-for- sale securities VND million	Held-to- maturity securities VND million	Total VND million
<b>Opening balance</b>	<b>594,658</b>	<b>1,894,054</b>	<b>2,488,712</b>
Provision (reversed)/charged in the period	(131,602)	561,172	429,570
Provision used to write-off bad debts	-	(2,452,325)	(2,452,325)
<b>Closing balance</b>	<b>463,056</b>	<b>2,901</b>	<b>465,957</b>

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

## 12. INVESTMENT SECURITIES (continued)

### 12.4 Unlisted corporate bonds are classified and made provision according to Circular 02

The Bank classified debts as at 30 June 2018 and made corresponding provision for unlisted corporate bonds in accordance with Circular 02 and Circular 09. Accordingly, provision for credit losses as at 30 June 2018 is made based on unlisted corporate bonds classification result as at 30 June 2018.

The classification and provision for credit losses of unlisted corporate bonds in accordance with Circular 02 and Circular 09 as at 30 June 2018 are as follows:

<i>Classification</i>	<i>Book value VND million</i>	<i>Specific provision VND million</i>	<i>General provision VND million</i>	<i>Total VND million</i>
Current	51,731,156	-	387,984	387,984
Special mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	480,850	-	-	-
	<b>52,212,006</b>	<b>-</b>	<b>387,984</b>	<b>387,984</b>

## 13. LONG-TERM INVESTMENTS

Analysis by type of investment:

	<i>30 June 2018 VND million</i>	<i>31 December 2017 VND million</i>
Investments in subsidiaries ( <i>Note 13.1</i> )	4,590,032	4,590,032
Investments in joint ventures ( <i>Note 13.2</i> )	1,688,788	1,688,788
Other long-term investments	170,955	170,955
Provision for long-term investments	-	(1,756)
	<b>6,449,775</b>	<b>6,448,019</b>

### 13.1 Investments in subsidiaries

<b>Subsidiaries</b>	<i>30 June 2018</i>	<i>31 December 2017</i>
	<i>Cost VND million</i>	<i>Cost VND million</i>
VietinBank Leasing Company Ltd	1,000,000	1,000,000
VietinBank Securities JSC	597,232	597,232
VietinBank Debt Management and Asset Exploitation Company Ltd	120,000	120,000
VietinBank Insurance Joint Stock Corporation	489,150	489,150
VietinBank Fund Management Company Ltd	950,000	950,000
VietinBank Gold & Jewellery Trading Company Ltd	300,000	300,000
VietinBank Global Money Transfer Company Ltd	50,000	50,000
VietinBank Lao Limited	1,083,650	1,083,650
	<b>4,590,032</b>	<b>4,590,032</b>

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended**13. LONG-TERM INVESTMENTS (continued)****13.2 Investments in joint venture**

	<u>30 June 2018</u>		<u>31 December 2017</u>	
	<i>Cost VND million</i>	<i>% owned</i>	<i>Cost VND million</i>	<i>% owned</i>
Indovina Bank Ltd	<u>1,688,788</u>	50%	<u>1,688,788</u>	50%
	<b><u>1,688,788</u></b>		<b><u>1,688,788</u></b>	

Indovina Bank Ltd was established in Vietnam with Head Office located in Ho Chi Minh City; its main activity is providing banking services. This is a joint venture between the Bank and Cathay United Bank, a bank established in Taiwan. Indovina Bank Ltd was granted Operating License No. 08/NH-GP dated 29 October 1992 and its amendments issued by the SBV for the operating period of 40 years with the initial charter capital of USD10,000,000. Since its establishment, the charter capital of Indovina Bank Ltd has been increased several times under the approval of the SBV, while the proportions of ownership in the joint venture remain unchanged. As at 30 June 2018, the charter capital of Indovina Bank Ltd was USD193 million.

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

#### 14. TANGIBLE FIXED ASSETS

Movements of tangible fixed assets in the period are as follows:

	Building & construction VND million	Machines & equipment VND million	Transportation vehicles VND million	Other tangible fixed assets VND million	Total VND million
<b>Cost</b>					
Opening balance	7,009,867	4,693,812	1,167,971	252,793	13,124,443
Additions	-	38,058	10,112	3,691	51,861
Transfer from construction in progress	18,840	-	-	-	18,840
Reclassification	(346)	346	-	-	-
Other increases	23,001	111,225	12,303	21,408	167,937
Disposals	(1,362)	(6,375)	(5,814)	(466)	(14,017)
Other decreases	(1,831)	(178)	(1,531)	(45)	(3,585)
Closing balance	7,048,169	4,836,888	1,183,041	277,381	13,345,479
<b>Accumulated depreciation</b>					
Opening balance	1,722,361	4,088,734	849,760	163,749	6,824,604
Depreciation during the period	128,972	176,415	48,416	22,083	375,886
Reclassification	(81)	81	-	-	-
Other increases	2,619	37,640	160	6,971	47,390
Disposals	(1,057)	(6,364)	(5,768)	(466)	(13,655)
Other decreases	(108)	(57)	(651)	(314)	(1,130)
Closing balance	1,852,706	4,296,449	891,917	192,023	7,233,095
<b>Net book value</b>					
Opening balance	5,287,506	605,078	318,211	89,044	6,299,839
Closing balance	5,195,463	540,439	291,124	85,358	6,112,384

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

## 15. INTANGIBLE FIXED ASSETS

Movements of intangible fixed assets in the period are as follows:

	<i>Land use rights</i> VND million	<i>Other intangible</i> <i>fixed assets</i> VND million	<i>Total</i> VND million
<b>Cost</b>			
Opening balance	4,226,338	1,802,190	6,028,528
Additions	-	9,689	9,689
Other increases	733	39,808	40,541
Disposals	(3,884)	-	(3,884)
Other decreases	-	(127)	(127)
Closing balance	<u>4,223,187</u>	<u>1,851,560</u>	<u>6,074,747</u>
<b>Accumulated amortization</b>			
Opening balance	255,026	992,605	1,247,631
Amortization during the period	18,230	99,046	117,276
Other increases	-	13,008	13,008
Other decreases	-	(13,609)	(13,609)
Closing balance	<u>273,256</u>	<u>1,091,050</u>	<u>1,364,306</u>
<b>Net book value</b>			
Opening balance	<u>3,971,312</u>	<u>809,585</u>	<u>4,780,897</u>
Closing balance	<u><u>3,949,931</u></u>	<u><u>760,510</u></u>	<u><u>4,710,441</u></u>

## 16. OTHER ASSETS

### 16.1 Receivables

	<i>30 June 2018</i> VND million	<i>31 December 2017</i> VND million
Internal receivables	1,990,315	410,692
External receivables	7,708,124	5,609,911
Construction in progress (i)	5,693,909	5,600,517
Fixed assets in purchase or repairing	1,302,257	1,306,735
	<u><b>16,694,605</b></u>	<u><b>12,927,855</b></u>

(i) Construction in progress

	<i>30 June 2018</i> VND million	<i>31 December 2017</i> VND million
Constructions in the North	5,058,170	4,937,812
Constructions in the Central	492,226	472,272
Constructions in the South	143,513	190,433
	<u><b>5,693,909</b></u>	<u><b>5,600,517</b></u>

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

## 16. OTHER ASSETS (continued)

## 16.2 Other assets

	<u>30 June 2018</u> VND million	<u>31 December 2017</u> VND million
Materials and tools	148,980	164,240
Prepaid expenses	2,699,608	2,790,695
Other assets	123,935	123,936
	<b><u>2,972,523</u></b>	<b><u>3,078,871</u></b>

## 17. DUE TO THE GOVERNMENT AND THE STATE BANK OF VIETNAM

	<u>30 June 2018</u> VND million	<u>31 December 2017</u> VND million
<b>Borrowings from the SBV</b>	<b>3,838,871</b>	<b>4,107,281</b>
Borrowings based on the credit files	3,831,913	4,100,323
Borrowings to support State-owned enterprises	6,958	6,958
<b>Deposits from the State Treasury</b>	<b>46,337,578</b>	<b>11,099,618</b>
In VND	46,336,919	11,098,975
In foreign currencies	659	643
	<b><u>50,176,449</u></b>	<b><u>15,206,899</u></b>

## 18. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

## 18.1 Deposits from other credit institutions

	<u>30 June 2018</u> VND million	<u>31 December 2017</u> VND million
<b>Demand deposits</b>	<b>35,680,946</b>	<b>41,555,391</b>
In VND	35,218,205	38,102,061
In foreign currencies	462,741	3,453,330
<b>Term deposits</b>	<b>12,724,013</b>	<b>25,396,994</b>
In VND	3,700,340	19,484,870
In foreign currencies	9,023,673	5,912,124
	<b><u>48,404,959</u></b>	<b><u>66,952,385</u></b>

## 18.2 Borrowings from other credit institutions

	<u>30 June 2018</u> VND million	<u>31 December 2017</u> VND million
In VND	5,427	99,364
In foreign currencies	33,385,210	45,003,965
	<b><u>33,390,637</u></b>	<b><u>45,103,329</u></b>

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

**19. CUSTOMER DEPOSITS**

	<u>30 June 2018</u> VND million	<u>31 December 2017</u> VND million
Demand deposits	114,958,512	114,956,835
- Demand deposits in VND	97,494,983	96,455,100
- Demand deposits in foreign currencies	17,463,529	18,501,735
Term deposits	731,439,679	631,764,847
- Term deposits in VND	705,246,101	605,484,340
- Term deposits in foreign currencies	26,193,578	26,280,507
Deposits for specific purpose	2,963,162	3,541,421
- Deposits for specific purpose in VND	1,714,755	1,888,636
- Deposits for specific purpose in foreign currencies	1,248,407	1,652,785
Margin deposits	2,383,863	2,306,432
- Margin deposits in VND	2,026,324	1,877,670
- Margin deposits in foreign currencies	357,539	428,762
	<u><b>851,745,216</b></u>	<u><b>752,569,535</b></u>

**20. OTHER BORROWED AND ENTRUSTED FUNDS**

	<u>30 June 2018</u> VND million	<u>31 December 2017</u> VND million
Funds received in VND	909,640	827,515
Funds received in foreign currencies	5,635,481	5,536,643
	<u><b>6,545,121</b></u>	<u><b>6,364,158</b></u>

**21. VALUABLE PAPERS ISSUED**

	<u>30 June 2018</u> VND million	<u>31 December 2017</u> VND million
<b>In VND</b>	<b>30,916,015</b>	<b>22,500,925</b>
Par value	30,916,015	22,500,925
<b>In foreign currencies</b>	<b>868</b>	<b>848</b>
Par value	868	848
Discounted value	-	-
	<u><b>30,916,883</b></u>	<u><b>22,501,773</b></u>

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended**21. VALUABLE PAPERS ISSUED (continued)**

Details of the term of valuable papers issued at the end of the period are as follows:

	<i>Bills of exchange VND million</i>	<i>Bearer bonds VND million</i>	<i>Book-entry bonds VND million</i>	<i>Certificates of deposits VND million</i>	<i>Total VND million</i>
Less than 12 months	209	-	-	-	209
- In VND	209	-	-	-	209
From 12 months to 5 years	-	166	5,000,000	1,408	5,001,574
- In VND	-	166	5,000,000	540	5,000,706
- In foreign currencies	-	-	-	868	868
Over 5 years	-	-	25,915,100	-	25,915,100
- In VND	-	-	25,915,100	-	25,915,100
<b>Closing balance</b>	<b>209</b>	<b>166</b>	<b>30,915,100</b>	<b>1,408</b>	<b>30,916,883</b>

**22. OTHER PAYABLES**

	<i>30 June 2018 VND million</i>	<i>31 December 2017 VND million</i>
Internal payables	2,051,054	3,171,941
External payables (*)	27,177,869	101,918,689
Bonus, welfare funds	1,156,583	387,225
	<b>30,385,506</b>	<b>105,477,855</b>

(\*) Details of external payables are as follows:

	<i>30 June 2018 VND million</i>	<i>31 December 2017 VND million</i>
Collection, payment on behalf of other organisations	22,651,013	100,178,627
Amounts kept for customers and awaiting for settlement	200,068	306,586
Corporate income tax payable	293,950	85,636
Other items awaiting for payment	2,431,628	907,267
Tax and fee payables	134,066	160,677
Payables to the SBV due to the collection of written-off debts	88,527	86,654
Payables related to trade finance activities	7,357	6,526
Money transfer payable	936,248	36,661
Other payables	435,012	150,055
	<b>27,177,869</b>	<b>101,918,689</b>

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

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

	Opening balance VND million	Movements during the period		Closing balance VND million
		Payables VND million	Paid VND million	
Value added tax	29,712	131,442	(139,504)	21,650
Corporate income tax	85,636	936,345	(728,031)	293,950
Other taxes	130,965	524,996	(543,545)	112,416
	<b>246,313</b>	<b>1,592,783</b>	<b>(1,411,080)</b>	<b>428,016</b>

#### 23.1 Current corporate income tax

From 1 January 2016, the Bank has the obligation to pay corporate income tax ("CIT") at the rate of 20% of taxable profits according to Circular No. 78/2014/TT-BTC which became effective from 2 August 2014.

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

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

Provision for current income tax expense is computed as follows:

	For the six-month period ended 30 June 2018 VND million	For the six-month period ended 30 June 2017 VND million
<b>Profit before tax</b>	<b>5,106,019</b>	<b>4,155,538</b>
<i>Minus</i>		
- Dividend income	(416,741)	(5,270)
- Others	(7,617)	(1,534)
<b>Estimated taxable income</b>	<b>4,681,661</b>	<b>4,148,734</b>
<b>CIT expenses in the period</b>	<b>936,332</b>	<b>829,747</b>
<b>CIT payable at the beginning of the period</b>	<b>85,636</b>	<b>170,728</b>
CIT paid during the period	(728,031)	(955,875)
Adjust the tax of prior year	13	-
<b>Current income tax payable at the end of the period</b>	<b>293,950</b>	<b>44,600</b>

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

## 24. OWNERS' EQUITY AND RESERVES

### 24.1 Statement of changes in equity

	Charter capital VND million	Share premium VND million	Capital supplementary reserve VND million	Financial reserve VND million	Undistributed profits VND million	Total VND million
<b>Balance as at 1 January 2017</b>	<b>37,234,046</b>	<b>8,969,827</b>	<b>2,022,071</b>	<b>4,020,837</b>	<b>6,744,508</b>	<b>58,991,289</b>
Net profit for the year	-	-	-	-	6,717,522	6,717,522
Appropriation to reserves	-	-	335,876	671,752	(1,007,628)	-
Appropriation of the Bank's bonus and welfare funds	-	-	-	-	(1,412,266)	(1,412,266)
Dividend in 2016	-	-	-	-	(2,606,383)	(2,606,383)
Utilisation of reserves	-	-	-	(623)	-	(623)
Other adjustments	-	-	-	-	(17,209)	(17,209)
<b>Balance as at 31 December 2017</b>	<b>37,234,046</b>	<b>8,969,827</b>	<b>2,357,947</b>	<b>4,691,966</b>	<b>8,418,544</b>	<b>61,672,330</b>
Net profit for the period	-	-	-	-	4,169,687	4,169,687
Other adjustments	-	-	-	-	(45,375)	(45,375)
<b>Balance as at 30 June 2018</b>	<b>37,234,046</b>	<b>8,969,827</b>	<b>2,357,947</b>	<b>4,691,966</b>	<b>12,542,856</b>	<b>65,796,642</b>

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

## 24. OWNERS' EQUITY AND RESERVES (continued)

### 24.2 Equity

Details of the Bank's shares are as follows:

	30 June 2018		31 December 2017	
	Shares	VND million	Shares	VND million
Number of registered shares	3,723,404,556	37,234,046	3,723,404,556	37,234,046
Number of shares issued	3,723,404,556	37,234,046	3,723,404,556	37,234,046
- Ordinary shares	3,723,404,556	37,234,046	3,723,404,556	37,234,046
Number of shares circulated	3,723,404,556	37,234,046	3,723,404,556	37,234,046
- Ordinary shares	3,723,404,556	37,234,046	3,723,404,556	37,234,046

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

## 25. INTEREST AND SIMILAR INCOME

	For the six-month period ended 30 June 2018 VND million	For the six-month period ended 30 June 2017 VND million
Interest income from deposits	963,922	1,264,632
Interest income from loans to customers	28,983,862	23,487,589
Interest income from debt securities	5,162,801	6,012,212
Income from guarantee activities	361,386	297,001
Other income from credit activities	200,461	174,131
	<b>35,672,432</b>	<b>31,235,565</b>

## 26. INTEREST AND SIMILAR EXPENSES

	For the six-month period ended 30 June 2018 VND million	For the six-month period ended 30 June 2017 VND million
Interest expenses for deposits	19,808,260	16,038,191
Interest expenses for borrowings	900,627	1,105,773
Interest expenses for valuable papers issued	830,642	844,246
Expenses for other credit activities	61,040	55,763
	<b>21,600,569</b>	<b>18,043,973</b>

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

**27. NET FEE AND COMMISSION INCOME**

	<i>For the six-month period ended 30 June 2018 VND million</i>	<i>For the six-month period ended 30 June 2017 VND million</i>
<b>Fee and commission income</b>	<b>1,919,274</b>	<b>1,395,474</b>
Settlement services	1,186,996	912,212
Trust and agency services	21,184	31,068
Other services	711,094	452,194
<b>Fee and commission expenses</b>	<b>(926,445)</b>	<b>(567,216)</b>
Settlement services	(695,441)	(350,104)
Trustee and agency services	(4,187)	(3,214)
Treasury services	(118,662)	(76,485)
Other services	(108,155)	(137,413)
<b>Net fee and commission income</b>	<b>992,829</b>	<b>828,258</b>

**28. NET GAIN FROM TRADING OF FOREIGN CURRENCIES**

	<i>For the six-month period ended 30 June 2018 VND million</i>	<i>For the six-month period ended 30 June 2017 VND million</i>
<b>Income from trading of foreign currencies</b>		
Income from spot foreign currencies trading	361,736	1,274,664
Income from currency derivatives	418,130	694,058
Other income	-	72
<b>Expenses for trading of foreign currencies</b>		
Expenses for spot foreign currencies trading	(49,385)	(751,397)
Expenses for currency derivatives	(391,189)	(874,710)
Other expenses	(50)	(7)
<b>Net gain from trading of foreign currencies</b>	<b>339,242</b>	<b>342,680</b>

**29. NET GAIN FROM SECURITIES HELD FOR TRADING**

	<i>For the six-month period ended 30 June 2018 VND million</i>	<i>For the six-month period ended 30 June 2017 VND million</i>
Income from securities held for trading	238,085	131,799
Expenses for securities held for trading	(105)	-
<b>Net gain from securities held for trading</b>	<b>237,980</b>	<b>131,799</b>

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

**30. NET GAIN FROM INVESTMENT SECURITIES**

	<i>For the six-month period ended 30 June 2018 VND million</i>	<i>For the six-month period ended 30 June 2017 VND million</i>
Income from trading of investment securities	4,764	2,720
Expenses for trading of investment securities	(6,468)	-
Provision reversed for investment securities (Note 12.3)	131,602	27,350
<b>Net gain from investment securities</b>	<b>129,898</b>	<b>30,070</b>

**31. NET GAIN FROM OTHER ACTIVITIES**

	<i>For the six-month period ended 30 June 2018 VND million</i>	<i>For the six-month period ended 30 June 2017 VND million</i>
<b>Income from other activities</b>	<b>1,165,268</b>	<b>1,166,170</b>
Income from recovery of bad debts previously written-off	782,497	1,016,350
Income from other derivatives	227,845	84,099
Income from disposal of fixed assets	2,228	39,959
Other income	152,698	25,762
<b>Expenses for other activities</b>	<b>(434,246)</b>	<b>(430,088)</b>
Expenses for other derivatives	(228,370)	(183,401)
Other expenses	(205,876)	(246,687)
<b>Net gain from other activities</b>	<b>731,022</b>	<b>736,082</b>

**32. INCOME FROM INVESTMENTS IN OTHER ENTITIES**

	<i>For the six-month period ended 30 June 2018 VND million</i>	<i>For the six-month period ended 30 June 2017 VND million</i>
Dividends received from capital contribution, share purchase	416,741	205,270
- From equity securities	-	2,270
- From capital contribution	416,741	203,000
	<b>416,741</b>	<b>205,270</b>

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

### 33. TOTAL OPERATING EXPENSES

	<i>For the six-month period ended 30 June 2018 VND million</i>	<i>For the six-month period ended 30 June 2017 VND million</i>
<b>Expenses on taxes, fees</b>	<b>15,144</b>	<b>17,218</b>
<b>Personnel expenses</b>	<b>4,251,370</b>	<b>3,862,824</b>
Salary and allowances	3,513,101	3,225,484
Expenses related to salary	256,507	197,429
Allowances	5,842	14,814
Other expenses	475,920	425,097
<b>Expenses on assets</b>	<b>1,028,078</b>	<b>1,051,586</b>
Depreciation and amortization of fixed assets	493,162	545,804
Other expenses	534,916	505,782
<b>Administrative expenses</b>	<b>1,308,466</b>	<b>1,311,537</b>
Per-diem	77,855	78,260
Social activities of credit institution	19,019	13,117
Other expenses	1,211,592	1,220,160
<b>Insurance fee for customer deposits</b>	<b>310,311</b>	<b>255,063</b>
<b>Provision reversal</b>	<b>(1,756)</b>	<b>(818)</b>
	<b>6,911,613</b>	<b>6,497,410</b>

### 34. CASH AND CASH EQUIVALENTS

Cash and cash equivalents on the interim separate cash flow statement include items on the interim separate balance sheet are as follows:

	<i>30 June 2018 VND million</i>	<i>30 June 2017 VND million</i>
Cash and cash equivalents on hand	7,949,777	6,248,031
Balances with the SBV	4,363,565	16,207,770
Current accounts at other credit institutions	42,542,597	51,511,561
Placements with other credit institutions with original term of three months or less	22,021,562	52,613,206
Investment securities due within three months from acquisition date	28,565,800	-
	<b>105,443,301</b>	<b>126,580,568</b>

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

### 35. ASSETS, VALUABLE PAPERS USED FOR MORTGAGE, DISCOUNT AND REDISCOUNT

	<i>30 June 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Real estates	953,376,832	992,783,285
Movable property	76,323,399	94,480,853
Deposits, gold, gemstones and valuable papers	137,957,613	114,597,494
Other assets	561,175,708	539,123,500
	<b>1,728,833,552</b>	<b>1,740,985,132</b>

### 36. RELATED PARTY TRANSACTIONS

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

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

Details of significant balances with related parties as at 30 June 2018 are as follows:

#### Related organizations

<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>30 June 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
The State Bank of Vietnam ("the SBV")	Owner and direct management agency	Deposits of the Bank at the SBV	4,363,565	20,752,988
Subsidiaries	Subsidiary	Deposits at the Bank	1,757,825	2,573,749
		Borrowings from the Bank	346,000	919,200
		Interest receivable from loans	7,251	3,601
		Interest payable for deposits	8,449	(6,964)
		Deposits of the Bank at subsidiaries	2,445,537	1,596,217

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

### 36. RELATED PARTY TRANSACTIONS (continued)

Details of significant transactions with related parties in the period are as follows:

#### Related Organizations

<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>30 June 2018 VND million</i>	<i>31 December 2017 VND million</i>
Subsidiaries	Subsidiary	Interest income	17,768	40,889
		Deposits interest income	12,318	30,513
		Deposit interest expenses	(40,569)	(27,086)

#### Related Individual

<i>Related parties</i>	<i>Transactions</i>
Board of Directors, Supervisory Board and Board of Management (*)	Salaries and remunerations: Payment in accordance with the Bank's internal regulations on salary payment, ensuring the interrelation between managerial level's average salary and staff level's average salary within the banking system.

(\*) The salary and remuneration of the Board of Directors and Supervisory Board comply with Resolution No. 18/NQ-DHDCD dated 21 April 2018 approved by the General Meeting of Shareholders.

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

	<i>Total loans VND million</i>	<i>Total deposits VND million</i>	<i>Credit commitments VND million</i>	<i>Derivative financial instruments VND million</i>	<i>Trading and investment of securities VND million</i>
Domestic	859,598,102	945,780,015	120,474,181	98,116	138,383,141
Overseas	3,370,595	707,738	52,776	-	-
	<b>862,968,697</b>	<b>946,487,753</b>	<b>120,526,957</b>	<b>98,116</b>	<b>138,383,141</b>

### 38. GEOGRAPHICAL SEGMENT INFORMATION

<i>Items</i>	<i>Unit: VND million</i>			
	<i>North</i>	<i>South</i>	<i>Others</i>	<i>Total</i>
<b>Segment profit before tax</b>	<b>2,068,614</b>	<b>1,815,819</b>	<b>1,221,586</b>	<b>5,106,019</b>
Current corporate income tax expense	(936,332)	-	-	(936,332)
<b>Segment profit after corporate income tax</b>	<b>1,132,282</b>	<b>1,815,819</b>	<b>1,221,586</b>	<b>4,169,687</b>
Segment assets	645,258,106	369,841,764	116,464,009	1,131,563,879
Segment liabilities	583,570,504	366,915,267	115,281,466	1,065,767,237

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

### 39. FINANCIAL RISK MANAGEMENT POLICIES

Under the guidance of the State Bank of Vietnam on enhancing the role of risk management in credit institutions, the Bank continues implementing risk management policies for its entire business to support the safe and steady growth of business activities.

According to Official Letter No. 1601/NHNN-TTGSNH on the implementation of capital adequacy regulation under Basel II, the Bank is one of the ten selected banks to apply Basel II standards (jointly with Vietcombank, BIDV, MB, Sacombank, Techcombank, VPBank, etc.). The application of Basel II standards not only meets the requirements of the State Bank of Vietnam under the restructuring plan of the Vietnamese banking sector but is also a prerequisite for integration and expansion of the Bank in the global financial banking industry. The Bank has always played a pioneering role in the modernization of the banking system. In the first six months of 2018, the Bank has continued to implement sub-projects on RWA calculator, risk management and data management within the Basel II project in order to comprehensively enhance the risk management system in accordance with Basel II. Besides, within the implement plan of the Basel II project in Vietnam, the State Bank of Vietnam issued Circular No. 13/2018/TT-NHNN dated 18 May 2018 ("Circular 13") on internal control systems of commercial banks and foreign banks' branches. This circular will take effect from 1 January 2019 (except for Chapter V on Internal capital adequacy assessment). The Bank assessed the gap and developed an implementation plan to timely meet the effective period of Circular 13.

In addition, the Bank has continued to complete its policies system in 5 levels, namely: (i) General policy regime, (ii) Detailed policies, (iii) Guidance documents on policies, (iv) General processes, and (v) Detailed processes for each product in order to ensure consistency and overall effectiveness of the policy system. Accordingly, the Bank issues regulations, procedures, detailed guidance and internal indicators as well as strictly manages the balance between assets and liabilities, tightly controls the growth in business activities and credit quality; complies with limitation and safety rate for its operation and requirements on risk management as stipulated in Circular No. 36/2014/TT-NHNN, Circular No. 06/2016/TT-NHNN, Circular No. 19/2017/TT-NHNN, Circular No. 16/2018/TT-NHNN and regulations of the State Bank of Vietnam and meets requirements on risk management in accordance with Basel II. Accordingly, risks related to financial instruments are strictly managed as follows:

**General policies to manage the risk of financial instruments:** The Bank has issued regulation on splitting the data of Banking and Trading, providing criteria for risk management standardization based on the features of each activity.

**Credit risk management:** Management activities of credit risk of the Bank are deployed through standardized models to organize, create and establish risk control limits based on the risk appetite of the Board of Directors, consistent with the business strategy in each period, ensuring secure and sustainable growth targets. Planning activities are standardized in order to appropriately combine growth and risk management. The mechanism and policies system related to activities of credit risk management is standardized under 5 document levels. The Bank is one of the first banks to implement credit risk measuring models under Basel II standards (according to the statistical analysis method) in replacement to the internal credit ratings system (according to expert method previously) and apply in credit approval, loan pricing and efficient customer management. Information technology infrastructure is a priority of investment, to make sure scoring of credit ratings, loan initialising, collateral management, extraction of credit portfolio management information, early warning are performed automatically, with operational errors, processing time reduced and the quality of information improved.

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

### 39. FINANCIAL RISK MANAGEMENT POLICIES (continued)

**Management of liquidity risk and interest rate risk:** The Bank has continued to synchronize and improve the liquidity risk and interest risk management model on banking book according to international practice. The Bank has separated the function and responsibility between Transaction Unit and Risk Management Unit to ensure independence and cross check to mitigate possible risks. The Bank has also issued regulations and processes on liquidity risk and interest rate risk on banking book to ensure consistent implementation. The Bank continues to apply liquidity and interest rate risk limits on banking book, meet the requirements of competent administrative body and follow international practice. The Asset-Liability Management System (ALM) and Liquidity & Interest rate risk analysis tools (RAR) are also continuingly operated and upgraded to create standardized data sources and measurement and monitor tools for the management of liquidity risk and interest rate risk on banking book.

**Management of currency risk:** The Bank carries out its policy of managing foreign exchange risk in full concentration. The status of each currency is managed on a daily basis and the hedging strategy is used by the Bank to ensure that the currency's status is maintained within the established limits. The measurement and risk reporting system ensures full and comprehensive disclosure of market value margins, risk measurement and monitoring of authorization mechanisms in treasury dealing. On that basis, currency risk reports are periodically sent to the managers and transaction units to support in decision making process to ensure secure and effective operation.

### 40. CREDIT RISK

Credit risk is the risk that results in the Bank's loss because its customers or counterparties default on their contractual obligations or fail to fulfil their committed obligations.

Tools that the Bank uses to manage credit risk include:

*For credit activities:* The Bank manages and controls credit risk by setting credit limits for each counterparty and geographical and industrial concentration, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the financial position as well as solvency of counterparties based on the qualitative and quantitative factors. Credit limit is established for each counterparty based on its risk rating assigned by the credit rating system, in which each customer is rated at a risk rating. Risk rating can be modified and updated regularly.

*For investment activities/interbank lending activities:* The Bank controls and manages risks by setting the interbank and investment limit for each specific counterparty based on the analysis and assessment of the counterparty's risks. These limits are set by the Financial Institution Committee and executed by the Treasury Dealing Department.

#### Assessment of impairment losses

For the purpose of accounting, the Bank uses the impaired loss model to account for impairment of financial assets. This means that losses are only recognized when there is objective evidence of that particular loss. List of events may occur loss include:

- Customers have severe financial hardship;
- Breach of contract, such as non-payment;
- Where the Bank concludes that the client is in financial difficulty;
- It is possible that customers will go bankrupt or have to restructure their finances;
- Observed data shows a decline in estimated future cash flow from the loan.

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

**40. CREDIT RISK (continued)**

**Specific provisions**

The Bank determines the appropriate specific provisions for each problem loans or advances, including any amounts that are past due, reduced credit rating, or in violation of the original terms of the loan contract. The conditions to be considered when determining a provision value include the sustainability of the customer's business plan and the ability to improve the business if financial difficulties are anticipated, payment of invoices and dividends in the event of bankruptcy, other financial support, the recognized value of the collateral, and the estimated cash flow. Provisions are calculated at each reporting period, unless unexpected situations require high prudence.

**General provisions**

General provision is evaluated for loans, advances and other investments in debt securities held to maturity which itself does not encounter any problem, and for loans and advances which have been evaluated and concluded with no impairment.

Financial guarantees and letters of credit are also evaluated similarly to loans.

**Modes of credit risk mitigation**

***Collateral***

The value and type of collateral depends on the counterparty credit risk assessment. Each type of collateral has guidelines for acceptability and asset pricing. Collateral includes money, securities traded on the market, real estate, receivables, inventories, machineries, equipment, movable assets and other financial assets.

***Recovered collateral***

When necessary, the Bank will recover the collateral and process the liquidation procedure as soon as possible, the money recovered is used to reduce the balance of the debt. Collateral recovered is classified into other asset items in the interim separate balance sheet at the reporting date. The value of these assets in the first six months of 2018 is not material.

Bad debt which are hard to recover, for example customers are bankrupt or difficult to repay, shall active the use of provision fund. The handling of risks for bad debts of a value exceeding the branch's authority must be approved by the Risk Board at Head Office.

The Board of Management monitors credit performance of the Bank and its procedures for risk control, including periodic review of its credit policies, guidelines and procedures, and assesses the risk profile of its loan portfolio, review and manage the quality of loans.

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

#### 40. CREDIT RISK (continued)

##### Modes of credit risk mitigation (continued)

*Credit bearing assets of the Bank are divided into the following groups:*

► **Financial assets which are neither past due nor impaired**

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

► **Financial assets which are past due but not impaired**

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

The Bank is currently holding collateral in the forms of real estates, movable assets, valuable papers and other types for the above financial assets. However, it has not been able to determine the fair value of such assets due to insufficient information and unavailability of detail guidance by the SBV and other authorities.

The maturity of overdue but not impaired financial assets is presented as follows:

*Unit: VND million*

	<i>Overdue</i>				<i>Total</i>
	<i>Less than 90 days</i>	<i>91-180 days</i>	<i>181-360 days</i>	<i>Over 360 days</i>	
Loans to customers	688,594	108,602	139,225	1,458,877	2,395,298
Available-for-sale investment securities	-	-	-	480,850	480,850
	<u>688,594</u>	<u>108,602</u>	<u>139,225</u>	<u>1,939,727</u>	<u>2,876,148</u>

► **Financial assets which are overdue and impaired**

The maturity of overdue and impaired financial assets is presented as follow:

*Unit: VND million*

	<i>Overdue</i>				<i>Total</i>
	<i>Less than 90 days</i>	<i>91-180 days</i>	<i>181-360 days</i>	<i>Over 360 days</i>	
Loans to customers	3,089,644	1,863,228	805,717	6,829,607	12,588,196

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended**41. INTEREST RATE RISK**

Interest rate risk is the possibility of the Bank's income or asset value being affected when market interest rate fluctuates.

Interest rate risk to the Bank possibly derives from investment activities and fund mobilization and lending activities.

The effective interest rate re-pricing term of assets and liabilities is the remaining period from the date of interim separate financial statements to the nearest interest rate re-pricing date. The following assumptions and conditions have been adopted in the analysis of effective interest rate re-pricing term of the Bank's assets and liabilities:

- Cash, gold and gemstones and other assets are classified as non-interest-bearing items;
- Balances with the SBV are considered settlement deposits, thus the effective interest rate re-pricing term is assumed to be within one month;
- The effective interest rate re-pricing term of trading securities is determined based on the contractual re-pricing term or the re-pricing term in accordance with the regulation on the maximum holding period of the Bank, whichever comes earlier;
- The effective interest rate re-pricing term of placements with and loans to other credit institutions; investment securities; loans to customers; borrowings from the Government and the SBV; deposits and borrowings from other credit institutions; customer deposits, valuable papers issued, other borrowed and trusted funds are determined as follows:
  - Items with fixed interest rate during the contractual period: the effective interest rate re-pricing term is determined from the interim separate balance sheet date to maturity date;
  - Items with floating interest rate: the effective interest rate re-pricing term is determined from the interim separate balance sheet date to the nearest interest rate re-pricing date;
  - Accrued income, accrued expenses: Classified as non-interest-bearing items.

***The Bank's interest rate risk policies***

For inter-bank lending (short-term activities), investment interest rate is based on the fluctuation of the market and the Bank's funding cost. The inter-bank loans usually have short terms (less than 3 months).

The Bank forecasts fluctuation of the market interest rate and its fund balancing ability in order to make appropriate investment decisions. In case that the interest rates are forecasted to decline, the Bank will focus on long-term investments to increase profitability. Conversely, if interest rates are forecasted to have increasing trend, the Bank will increase short-term investments.

For fund mobilization: interest rate for fund mobilization is determined based on the market price, business orientation of the Bank's management, the Bank's fund balance and regulations of the State Bank of Vietnam. Fund is mobilized mainly with short interest rate re-pricing term.

For lending activities: The Bank determines lending interest rate based on the funding cost, management expenses, risk considerations, collateral value and market interest rate to ensure competitiveness as well as the efficiency. The Head Office regulates the lending interest rate floor for each period; branches can themselves decide lending interest rates for each period based on credit risk analysis and assessment provided that the rates are not less than the regulated floor rate and annual budgeted profit is assured. Besides, due to the fact that assets were mainly financed by the short interest rate re-pricing term funds, the Bank requires that all long-term and medium-term loans' interest must be floating (interest rate are not fixed during the whole loans' periods) to minimize possible interest rate risk to arise.

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

**41. INTEREST RATE RISK (continued)**

*Interest rate risk management*

The Bank manages interest rate risk at 2 levels: transaction level and portfolio level, of which the former is more focused.

*Interest rate risk management at portfolio level*

- The Bank has been implementing the completed systems of the rules, regulations and procedures of interest rate management in the Bank in accordance with international rules and Basel II regulations; implementing interest rate management under “three lines of defense” rule.
- The Bank completed the design, officially applied and continuously upgraded the software system of Assets-Liabilities Management (ALM), which runs to the transaction level under international practices, automatically provides reports of term differences, revaluation under nominal term and behaviour, scenarios analysis reports on interest rate increase/decrease situation, etc. in order to facilitate the Bank’s interest rate management activities.
- Re-pricing terms of all loans are required to be adjusted based on the re-pricing terms of funds mobilized and are controlled within established limits by the Bank.

*Interest rate risk management at transaction level*

- All credit contracts are required to include terms relating to interest rate risk prevention to ensure that the Bank can hold initiative in coping with fluctuations of the market, lending interest rate must reflect the Bank’s actual funding cost;
- Management through the Fund Transfer Pricing (FTP) system: The Bank completed stage 2 of internal fund transfer pricing system - FTP, which enhanced the Bank’s capital and interest management; the Bank also completed stage 2 of ALM system project of managing assets-liabilities for creating standardized data source and effective measures and control for the Bank’s capital and interest management. Depending on the orientation of the Bank and the market movements, the Head Office can change the fund price for each type of customers or products, etc. to give signals for the business units to determine their lending/fund mobilization rates.

With the experience and sensitivity in managing, the Bank has been cautiously and flexibly managing the deposit and loan interest rate mechanism to ensure the safety and effectiveness of the business operation. As shown in the interest rate re-pricing gap report, the majority of interest bearing assets of the Bank has re-pricing term within 01 month, which is in line with the re-pricing structure of the mobilised funds that have short interest rate re-pricing term.

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

#### 41. INTEREST RATE RISK (continued)

Below table shows an analysis of the interest re-pricing period of assets and liabilities of the Bank as at 30 June 2018.

	Overdue		Interest re-pricing period					Total VND million		
	Non-interest bearing VND million	Over 3 months VND million	Up to 3 months VND million	Up to 1 month VND million	From 1 to 3 months VND million	From 3 to 6 months VND million	From 6 to 12 months VND million			
									From 1 to 5 years VND million	Over 5 years VND million
<b>Assets</b>										
Cash, gold, and gemstones	7,949,777	-	-	-	-	-	-	-	7,949,777	
Balances with the State Bank of Vietnam	-	-	-	4,363,565	-	-	-	-	4,363,565	
Placements with and loans to other credit institutions (*)	-	-	-	62,664,204	4,787,623	400,000	15,364,133	-	83,215,960	
Securities held for trading (*)	-	-	-	1,996,949	-	-	-	-	1,996,949	
Loans to customers (*)	-	11,205,256	3,778,238	269,056,195	263,867,842	223,606,184	64,379,632	20,483,175	858,976,057	
Investment securities (*)	398,902	480,850	-	33,281,358	17,324,222	15,684,958	10,126,000	31,973,676	136,386,192	
Long-term investment (*)	6,449,775	-	-	-	-	-	-	-	6,449,775	
Fixed assets	10,822,825	-	-	-	-	-	-	-	10,822,825	
Other assets (*)	34,113,074	158	-	-	-	-	-	-	34,113,232	
<b>Total assets</b>	<b>59,734,353</b>	<b>11,686,264</b>	<b>3,778,238</b>	<b>371,362,271</b>	<b>285,979,687</b>	<b>239,691,142</b>	<b>89,869,765</b>	<b>52,456,851</b>	<b>1,144,274,332</b>	
<b>Liabilities</b>										
Due to the SBV	-	-	-	43,598,959	493,107	677,380	5,406,993	-	-	50,176,449
Deposits and borrowings from other credit institutions	-	-	-	53,887,833	21,773,344	5,653,351	476,311	4,757	-	81,795,596
Customer deposits	-	-	-	130,991,721	195,325,575	198,280,879	242,525,737	83,885,493	735,811	851,745,216
Derivatives and other financial liabilities	-	-	-	98,116	-	-	-	-	-	98,116
Other borrowed and entrusted funds	-	-	-	-	3,448,132	226,864	-	2,870,125	-	6,545,121
Valuable papers issued	-	-	-	1,783	-	4,200,000	3,415,100	23,300,000	-	30,916,883
Other liabilities	44,489,856	-	-	-	-	-	-	-	-	44,489,856
<b>Total liabilities</b>	<b>44,489,856</b>	-	-	<b>228,578,422</b>	<b>221,040,158</b>	<b>209,038,474</b>	<b>251,824,141</b>	<b>110,060,375</b>	<b>735,811</b>	<b>1,065,767,237</b>
<b>Interest sensitivity gap of balance sheet items</b>	<b>15,244,497</b>	<b>11,686,264</b>	<b>3,778,238</b>	<b>142,783,849</b>	<b>64,939,529</b>	<b>30,652,668</b>	<b>(161,954,376)</b>	<b>(57,603,524)</b>	<b>28,979,950</b>	<b>78,507,095</b>
<b>Interest sensitivity gap of off-balance sheet items</b>	-	-	-	-	-	-	-	-	-	-
<b>Interest sensitivity gap (on, off-balance sheet items)</b>	<b>15,244,497</b>	<b>11,686,264</b>	<b>3,778,238</b>	<b>142,783,849</b>	<b>64,939,529</b>	<b>30,652,668</b>	<b>(161,954,376)</b>	<b>(57,603,524)</b>	<b>28,979,950</b>	<b>78,507,095</b>

(\*) Excluding provision

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

**42. CURRENCY RISK**

Currency risk is the risk that values of financial instruments will be affected by the changes in foreign exchange rate.

The Bank was incorporated and operates in Vietnam and its reporting currency is Vietnam Dong (VND), while part of the Bank's asset-equity is in foreign currencies (USD, EUR, etc.). Thus, currency risk may arise.

The Bank is exposed to the following risks:

- Currency risks in foreign currency trading;
- Currency risks in fund mobilization and lending;
- Currency risks in investments.

*The economic situation and macroeconomic policies during the year which had significant effects on the Bank's current operations:*

After the first six months of the year, the central rate has been continuously increased over the months with a total increase of 1.23% compared to the beginning of 2018, an increase of more than VND500 compared to the central rate for the first time the SBV announced in January 2018. The central rate's movements were slightly different from the US dollar's trend in the international market, however, this was seen as a proactive move to anticipate the regulatory repercussions of major nations.

*To prevent the risk of exchange rate fluctuations, the Bank has applied the following synchronous measures:*

Based on actual data, the growth demand of affiliates and business orientation, Treasury and Financial Planning Department analyses and projects cash inflows and outflows and proposes fund planning projection for each currency unit (in VND, USD, and EUR equivalent) to the Bank's management based on actual cash flows to ensure safety and effectiveness of the whole system. All foreign currency loans are financed through mobilized funds in the same currency, thus no currency risk arises in lending and mobilization activities.

*For investment activities:*

The Bank faces currency risk with regards to its investment in Indovina Bank Ltd. and the investment in the establishment of new branches in Germany. Currency risk for these investments is closely monitored by the Bank through the analysis and forecast of changes in exchange rates of these currencies against VND.

*For foreign currency trading activities:*

Regulations on currency position for each currency unit and stop-loss limits in foreign exchange trading are developed by the Market Risk Management Department at the Head Office and approved by the General Director, which are within the Bank's risk tolerance. The market risk limits are controlled and executed by the Treasury Dealing Department at the Head Office and independently supervised and reported by the Market Risk Management Department. The currency position is managed on a daily basis and hedging strategies are used to ensure that the currency position is maintained within established limits.

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

#### 42. CURRENCY RISK (continued)

The following table presents assets and liabilities in foreign currencies translated into VND as at 30 June 2018:

	EUR equivalent VND million	USD equivalent VND million	Other currencies equivalent VND million	Total VND million
<b>Assets</b>				
Cash, gold, and gemstones	198,430	1,805,326	35,635	2,039,391
Balances with the SBV	-	2,774,437	-	2,774,437
Placements with and loans to other credit institutions (*)	1,240,426	11,975,548	609,759	13,825,733
Loans to customers (*)	3,582,024	109,978,561	-	113,560,585
Investment securities (*)	-	1,688,788	-	1,688,788
Fixed assets	76,462	-	-	76,462
Other assets (*)	1,379,782	7,680,187	-	9,059,969
<b>Total assets</b>	<b>6,477,124</b>	<b>135,902,847</b>	<b>645,394</b>	<b>143,025,365</b>
<b>Liabilities</b>				
Deposits and borrowings from the SBV and other credit institutions	157,486	42,710,104	4,034	42,871,624
Customer deposits	2,787,758	42,224,047	251,248	45,263,053
Derivatives and other financial liabilities	-	98,116	-	98,116
Other borrowed and entrusted funds	194,391	5,433,161	7,929	5,635,481
Valuable papers issued	-	868	-	868
Other liabilities (*)	2,524,508	2,632,811	-	5,157,319
<b>Total liabilities</b>	<b>5,664,143</b>	<b>93,099,107</b>	<b>263,211</b>	<b>99,026,461</b>
<b>FX position on balance sheet</b>	<b>812,981</b>	<b>42,803,740</b>	<b>382,183</b>	<b>43,998,904</b>

(\*) Excluding provision

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

#### 43. LIQUIDITY RISK

Liquidity risk is defined as the risk that results in the Bank's difficulty in meeting obligations associated with its financial liabilities. Liquidity risk arises because the Bank might be unable to meet its payment obligations when they fall due under both normal and stressed circumstances or when the Bank has to mobilize funds at a higher cost to meet its payment obligations.

The Bank had issued regulations and procedures on the liquidity management which establishes rules of managing the liquidity gap through maturity, liquidity risk ratios, designs stress test scenarios and backup plan to proactively handle measures in facing with the market volatility. To minimize this risk, management plans to diversify its funding sources and also develops fund management report system to calculate liquidity position on a daily basis as well as prepares analysis and forecast report on future liquidity position on a regular basis.

On a monthly basis, at ALCO Committee meeting, fund balance and liquidity of the Bank is one of the key contents to be discussed. Based on analysis and evaluation, ALCO Committee makes recommendations to the Board of Directors and the Board of Management to best remain the Bank's solvency in a safe and effective way.

In addition, the Bank also maintains a list of secondary liquid assets such as the Government bonds, which may be sold or under repurchased contracts with the State Bank of Vietnam. It is not only the secondary reserve in liquidity stress circumstances (if any) but also the profitable investments, providing funds for key national projects. The maturity of assets and liabilities represents the remaining time to the contractual maturity date from the balance sheet date until the payment date regulated in the contract or terms of issuance.

The following assumptions and conditions have been adopted in the analysis of the Bank's maturity relating to its assets and liabilities:

- Cash, gold and gemstones and balance with the State Bank of Vietnam are classified into maturity up to one month;
- The maturity term of deposits with and loans to other credit institutions and loans to customers, investment securities, borrowings from the Government and the SBV, deposits, loans from other credit institutions, valuable papers issued, other borrowed and entrusted funds are based on the contractual maturity date;
- The maturity date of trading securities are based on contractual maturity date or the maturity date in accordance with the regulation on the maximum holding period of the Bank, whichever comes earlier;
- The maturity term of customer deposits are determined based on the customer's behavior analysis and the forecast on interest rate policy and other macroeconomic factors.

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

**43. LIQUIDITY RISK (continued)**

Based on the management's approval of annual business plan, the Treasury and Financial Planning Department together with some other departments does analysis and makes forecasts of cash inflows and outflows of the system according to the approved plans; and also based on the actual daily fluctuations of fund mobilisation and utilisation, the Bank makes decisions on appropriate management of capital adequacy.

Based on the projection of capital adequacy, the Treasury Dealing Department creates the Bank's liquidity buffer through purchasing highly liquid valuable papers, which could be converted into cash on the secondary market. The Treasury Dealing Department may decide to sell valuable papers to the SBV in the open market, or to borrow to replenish working capital's deficiency to ensure liquidity position of the whole system.

Based on the SBV's regulations, the Treasury and Financial Planning Department in cooperation with the Treasury Dealing Department proposes available fund management plan in order to assure that the actual average balance of deposits in VND and foreign currencies at the SBV is not less than the required level of compulsory reserve. Besides, the Bank also establishes credit limit with other banks and other credit institutions for mutual support when needed. The Market Risk Management Department acts as an independent supervisor to ensure that the liquidity risks are managed and comply with the regulations and procedures on the liquidity management of the Bank.

The process of capital adequacy of the Bank is performed in the Sunshine system, the interbank payment program CITAD. On the basis of centralised payment at the Head Office, the Bank actively performs liquidity risk management on a daily basis. Currently, the Bank is promptly completing and developing the procedures as well as applying and upgrading software for risk management in accordance with international standards.

The Bank's liquidity risk management activities are monitored closely in compliance with the regulations of the State Bank of Vietnam and the Bank's criteria for internal liquidity management for each major currency unit (such as VND, USD, EUR) on deposit and loan portfolios.

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
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#### 43. LIQUIDITY RISK (continued)

The table below presents the analysis of remaining maturity of assets and liabilities of the Bank as at 30 June 2018:

	Overdue		Current					Total VND million
	Above 3 months VND million	Within 3 months VND million	Up to 1 months VND million	From 1 to 3 months VND million	From 3 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million	
<b>Assets</b>								
Cash, gold and gemstones	-	-	7,949,777	-	-	-	-	7,949,777
Balances with the State Bank of Vietnam	-	-	4,363,565	-	-	-	-	4,363,565
Placements with and loans to other credit institutions (*)	-	-	77,228,337	4,787,623	1,200,000	-	-	83,215,960
Securities held for trading (*)	-	-	1,996,949	-	-	-	-	1,996,949
Loans to customers (*)	11,205,256	3,778,238	55,653,282	180,201,028	312,736,529	135,544,414	159,857,310	858,976,057
Investment securities (*)	480,850	-	28,657,442	3,535,429	21,728,883	50,243,787	31,739,801	136,386,192
Long-term investments (*)	-	-	-	-	-	-	6,449,775	6,449,775
Fixed assets	-	-	-	-	-	-	10,822,825	10,822,825
Other assets (*)	158	-	-	-	-	-	34,113,074	34,113,232
<b>Total assets</b>	<b>11,686,264</b>	<b>3,778,238</b>	<b>175,849,352</b>	<b>188,524,080</b>	<b>335,665,412</b>	<b>185,788,201</b>	<b>242,982,785</b>	<b>1,144,274,332</b>
<b>Liabilities</b>								
Due to the SBV	-	-	43,598,969	493,107	6,084,373	-	-	50,176,449
Deposits and borrowings from other credit institutions	-	-	49,092,530	11,612,259	11,219,332	9,753,111	118,364	81,795,596
Customer deposits	-	-	130,991,721	195,325,575	440,806,616	83,885,493	735,811	851,745,216
Derivatives and other financial liabilities	-	-	98,116	-	-	-	-	98,116
Other borrowed and entrusted funds	-	-	-	-	574,025	2,870,125	3,100,971	6,545,121
Valuable papers issued	-	-	1,783	-	-	7,000,000	23,915,100	30,916,883
Other liabilities	-	-	8,126,516	3,222,747	8,148,027	24,607,975	384,591	44,489,856
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>231,909,635</b>	<b>210,653,688</b>	<b>466,832,373</b>	<b>128,116,704</b>	<b>28,254,837</b>	<b>1,065,767,237</b>
<b>Net liquidity gap</b>	<b>11,686,264</b>	<b>3,778,238</b>	<b>(56,060,283)</b>	<b>(22,129,608)</b>	<b>(131,166,961)</b>	<b>57,671,497</b>	<b>214,727,948</b>	<b>78,507,095</b>

(\*) Excluding provision

#### Other market price risk

Except for the assets and liabilities disclosed in the previous section, the Bank does not bear any other market price risks that account for 5% of its net profit or the value of its assets, liabilities accounted for 5% of total assets.

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
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#### 44. ADDITIONAL INFORMATION ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

##### Financial assets

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

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

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

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

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

##### ► *Held-to-maturity investments*

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

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

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

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

Financial assets (continued)

▶ *Loans and receivables:*

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

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

▶ *Available-for-sale financial assets*

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

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

Financial liabilities

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

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

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

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

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

▶ *Financial liabilities at amortized cost:*

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

Offsetting of financial assets and financial liabilities

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

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

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

The carrying value and fair value of financial assets and financial liabilities of the Bank as at 30 June 2018 are presented as follows:

	Carrying value					Fair value VND million
	Financial assets at fair value through profit and loss VND million	Held-to- maturity VND million	Loans and receivables VND million	Available-for- sale VND million	Other assets and liabilities recorded at amortized cost VND million	
Cash, gold and gemstones	7,949,777	-	-	-	-	7,949,777
Balances with the State Bank of Vietnam	4,363,565	-	-	-	-	4,363,565
Placements with and loans to other credit institutions	-	-	83,215,960	-	-	83,215,960 (*)
Securities held for trading	1,996,949	-	-	-	-	1,996,949 (*)
Loans to customers	-	-	858,976,057	-	-	858,976,057 (*)
Available-for-sale securities	-	-	-	133,799,444	-	133,799,444 (*)
Held-to-maturity securities	-	2,586,748	-	-	-	2,586,748 (*)
Other long-term investments	-	-	-	170,955	-	170,955 (*)
Other financial assets	-	-	34,113,232	-	-	34,113,232 (*)
	<b>14,310,291</b>	<b>2,586,748</b>	<b>976,305,249</b>	<b>133,970,399</b>	<b>-</b>	<b>1,127,172,687 (*)</b>
Due to the SBV and the Government	-	-	-	-	50,176,449	50,176,449 (*)
Deposits and borrowings from other credit institutions	-	-	-	-	81,795,596	81,795,596 (*)
Customer deposits	-	-	-	-	851,745,216	851,745,216 (*)
Derivatives and other financial liabilities	-	-	-	-	98,116	98,116 (*)
Other borrowed and entrusted funds	-	-	-	-	6,545,121	6,545,121 (*)
Valuable papers issued	-	-	-	-	30,916,883	30,916,883 (*)
Other financial liabilities	-	-	-	-	44,061,840	44,061,840 (*)
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,065,339,221</b>	<b>1,065,339,221 (*)</b>

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

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

**45. EVENTS AFTER THE INTERIM SEPARATE BALANCE SHEET DATE**

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

**46. MOVEMENTS OF PROFIT**

Profit after tax of the Bank for the six-month period ended 30 June 2018 increased by VND844 billion, equivalent to 25.37% compared to the same period of last year, mainly because profit before tax of the Bank rose by VND950 billion, equivalent to 22.87% due to the following main items:

- ▶ Net interest income increased by VND377 billion after offsetting the increase in net interest income with the increase in operating expenses and provision for credit losses;
- ▶ Net fee and commission income increased by VND165 billion;
- ▶ Net income from securities held for trading, investment securities and investments in other entities rose by VND417 billion.

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS (continued)  
as at 30 June 2018 and for the six-month period then ended

**47. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST VIETNAM DONG AT THE END OF THE PERIOD**

	30 June 2018 VND	31 December 2017 VND
USD	22,961	22,425
EUR	26,737	27,208
GBP	28,026	30,646
CHF	23,102	23,294
JPY	207.50	201.42
SGD	16,845	17,010
CAD	17,357	18,123
AUD	16,958	17,740
NZD	15,524	16,158
THB	692.86	697.45
SEK	2,568	2,765
NOK	2,816	2,766
DKK	3,588	3,654
HKD	2,926	2,906
CNY	3,469	3,486
KRW	20.51	21.30
LAK	3.00	2.90
MYR	5,329	5,327

Prepared by:



Ms. Nguyen Thi Minh Ngoc  
Deputy Head of Financial  
Accounting Management  
Department

Reviewed by:



Mr. Nguyen Hai Hung  
Chief Accountant

Approved by:



Ms. Le Nhu Hoa  
Deputy General Director

Hanoi, Vietnam

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