

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

Interim consolidated financial statements

30 June 2018



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 10th 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 VND 37,234,046 million (31 December 2017: VND 37,234,046 million).

Location

The Bank’s Head Office is located at No.108 Tran Hung Dao Street, Hoan Kiem District, Hanoi, Vietnam. As at 30 June 2017, 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); seven (7) subsidiaries and one (1) subsidiary bank.

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 consolidated 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 from 13 July 2018 by Decision No. 1436/QD-NHNN on dismissal of the representative of 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 consolidated 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 consolidated 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 consolidated 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.

Handwritten signature and date: 11.8.18

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 consolidated financial statements of the Bank and its subsidiaries as at 30 June 2018 and for the six-month period then ended.

MANAGEMENT’S RESPONSIBILITY FOR THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Bank’s Board of Management is responsible for the interim consolidated financial statements which give a true and fair view of the interim consolidated financial position of the Bank and its subsidiaries and of the interim consolidated results of their operations and their interim consolidated cash flows for the period. In preparing these interim consolidated 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 consolidated financial statements; and
- ▶ prepare the interim consolidated 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 consolidated financial position of the Bank and its subsidiaries 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 its subsidiaries 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 consolidated 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 consolidated financial statements give a true and fair view of the interim consolidated financial position of the Bank and its subsidiaries as at 30 June 2018, the interim consolidated results of their operations and their interim consolidated 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 consolidated financial statements.

For and on behalf of the Board of Management



Mr. Le Đức Thọ
General Director

Hanoi, Vietnam

14 August 2018



**Building a better
working world**

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Hoan Kiem District
Hanoi, S.R. of Vietnam

Reference: 60755043/20159368-BNHN

REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

We have reviewed the accompanying interim consolidated financial statements of Vietnam Joint Stock Commercial Bank for Industry and Trade ("the Bank") and its subsidiaries, as prepared on 14 August 2018 and set out on pages 7 to 71, which comprise the interim consolidated balance sheet as at 30 June 2018, the interim consolidated income statement and the interim consolidated 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 consolidated 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 consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation and presentation of interim consolidated 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 consolidated 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.

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not give a true and fair view, in all material respects, of the interim consolidated financial position of the Bank and its subsidiaries as at 30 June 2018, and of the interim consolidated results of their operations and their interim consolidated cash flows of the Bank and its subsidiaries 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 interim consolidated financial statements.

Ernst & Young Vietnam Limited



The stamp is circular and red, containing the following text: 'M.S.D.N: 03.011827', 'C. T. T. M. T. H.', 'CÔNG TY TRÁCH NHIỆM HỮU HẠN', 'ERNST & YOUNG VIỆT NAM', and 'QUẬN 1 - TP. HỒ CHÍ MINH'. A blue ink signature is written over the stamp.

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

Hanoi, Vietnam

17 August 2018

Vietnam Joint Stock Commercial Bank for Industry and Trade B02a/TCTD-HN

 INTERIM CONSOLIDATED BALANCE SHEET
 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>
ASSETS			
Cash, gold and gemstones	5	8,080,738	5,979,833
Balances with the State Bank of Vietnam	6	4,381,164	20,756,531
Placements with and loans to other credit institutions	7	82,099,838	107,510,487
Placements with other credit institutions		78,453,198	101,938,284
Loans to other credit institutions		3,646,640	5,572,203
Provision for credit losses on loans to other credit institutions		-	-
Securities held for trading	8	3,113,598	3,528,982
Securities held for trading		3,166,704	3,602,443
Provision for securities held for trading		(53,106)	(73,461)
Derivatives and other financial assets	9	-	528,762
Loans to customers		855,081,224	782,385,236
Loans to customers	10	867,566,175	790,688,059
Provision for credit losses on loans to customers	11	(12,484,951)	(8,302,823)
Investment securities	12	137,510,740	128,392,765
Available-for-sale securities	12.1	135,336,693	125,759,661
Held-to-maturity investments	12.2	2,651,129	5,133,392
Provision for investment securities	12.3	(477,082)	(2,500,288)
Long-term investments	13	3,141,561	3,114,101
Investments in joint venture	13.1	2,730,608	2,704,255
Other long-term investments		412,645	412,645
Provision for long-term investments		(1,692)	(2,799)
Fixed assets		11,214,019	11,436,527
Tangible fixed assets	14	6,212,443	6,386,736
<i>Cost</i>		13,554,513	13,310,305
<i>Accumulated depreciation</i>		(7,342,070)	(6,923,569)
Intangible fixed assets	15	5,001,576	5,049,791
<i>Cost</i>		6,390,484	6,320,043
<i>Accumulated amortization</i>		(1,388,908)	(1,270,252)
Other assets		35,494,575	31,427,618
Receivables	16.1	17,646,645	13,714,382
Accrued interest and fee receivables		14,642,754	14,523,919
Other assets	16.2	3,212,935	3,197,133
<i>In which: Goodwill</i>	17	1,815	2,722
Provision for other assets		(7,759)	(7,816)
TOTAL ASSETS		1,140,117,457	1,095,060,842

INTERIM CONSOLIDATED 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>
LIABILITIES			
Due to the Government and the State Bank of Vietnam	18	50,176,449	15,206,899
Deposits and borrowings from other credit institutions		84,202,709	115,158,765
Deposits from other credit institutions	19.1	49,662,200	68,526,012
Borrowings from other credit institutions	19.2	34,540,509	46,632,753
Customer deposits	20	852,447,029	752,935,338
Derivatives and other financial liabilities	9	98,116	-
Other borrowed and entrusted funds	21	6,545,121	6,364,158
Valuable papers issued	22	31,116,883	22,501,773
Other liabilities		47,488,687	119,128,626
Interest and fee payables		14,262,328	12,357,877
Other payables	23	32,880,449	106,429,185
Other provision		345,910	341,564
TOTAL LIABILITIES		1,072,074,994	1,031,295,559
OWNERS' EQUITY			
Capital		46,208,756	46,208,756
- <i>Charter capital</i>		37,234,046	37,234,046
- <i>Share premium</i>		8,974,710	8,974,710
Reserves		7,493,676	7,476,339
Foreign exchange differences		657,437	550,601
Undistributed profits		13,372,385	9,233,969
Non-controlling interests		310,209	295,618
TOTAL OWNERS' EQUITY	25	68,042,463	63,765,283
TOTAL LIABILITIES AND OWNERS' EQUITY		1,140,117,457	1,095,060,842

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

OFF-BALANCE SHEET ITEMS

	30 June 2018 VND million	31 December 2017 VND million
Credit guarantees	3,458,408	3,383,765
Foreign exchange commitments	145,867,698	195,261,549
- Foreign exchange commitments - buy	3,464,136	4,202,387
- Foreign exchange commitments - sell	3,553,248	4,411,779
- Cross currency swap contracts	138,850,314	186,647,383
Letters of credit	62,365,019	55,316,608
Other guarantees	54,939,087	54,223,212
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

Vietnam Joint Stock Commercial Bank for Industry and Trade B03a/TCTD-HN

INTERIM CONSOLIDATED 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	26	36,124,052	31,554,505
Interest and similar expenses	27	(21,683,618)	(18,069,584)
Net interest and similar income		14,440,434	13,484,921
Fee and commission income		2,664,482	1,866,508
Fee and commission expenses		(1,465,185)	(957,552)
Net fee and commission income	28	1,199,297	908,956
Net gain from trading of foreign currencies	29	357,659	353,395
Net gain from securities held for trading	30	213,359	177,864
Net gain from investment securities	31	130,398	53,674
Other income		1,375,699	1,239,669
Other expenses		(590,702)	(446,060)
Net gain from other activities	32	784,997	793,609
Income from investments in other entities	33	210,340	558,894
TOTAL OPERATING EXPENSES	34	(7,118,674)	(6,674,175)
Net profit before provision for credit losses		10,217,810	9,657,138
Provision expense for credit losses		(4,952,183)	(4,843,509)
PROFIT BEFORE TAX		5,265,627	4,813,629
Current corporate income tax expense	24.1	(1,012,094)	(892,640)
Deferred corporate income tax expense		(657)	-
Corporate income tax expense		(1,012,751)	(892,640)
PROFIT AFTER TAX		4,252,876	3,920,989
Non-controlling interests		16,184	16,518
Owners' net profit		4,236,692	3,904,471
Basic earnings per share (VND/share)	25.3	1,138	1,049

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

Notes	<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>
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and similar receipts	35,998,639	30,868,543
Interest and similar payments	(19,822,609)	(17,363,078)
Net fee and commission receipts	1,326,349	997,104
Net payments from dealing in foreign currencies, gold and securities trading activities	(684,765)	743,697
Other income/(expenses)	26,499	(460,482)
Recoveries from bad debts written-off previously	792,092	650,745
Payments for operating and salary expenses	(6,592,555)	(6,134,413)
Corporate income tax paid during the period	24.1 (799,784)	(1,009,362)
Net cash flows from operating profit before changes in operating assets and liabilities	10,243,866	8,292,754
Changes in operating assets	(74,667,605)	(78,633,633)
(Increase)/decrease in deposits at and loans to other credit institutions	(11,868,443)	13,609
Decrease/(increase) in trading securities	18,206,770	(10,218,389)
Decrease in derivatives and other financial assets	528,762	271,118
(Increase) in loans to customers	(74,216,908)	(66,565,272)
Utilization of provision to write off loans to customers, securities, long-term investments and other receivables	(2,661,208)	(1,497,247)
(Increase) in other assets	(4,656,578)	(637,452)
Changes in operating liabilities	37,836,799	85,179,917
Increase in due to the Government and the SBV	34,969,550	20,962,408
(Decrease)/increase in deposits and borrowings from other credit institutions	(30,956,056)	34,071,303
Increase in customer deposits (including deposits from State Treasury)	99,511,691	37,870,593
Increase/(decrease) in valuable papers issued (except for valuable papers issued for financing activities)	8,615,110	(5,546,781)
Increase in other borrowed and entrusted funds	180,963	430,219
Increase in derivatives and other financial liabilities	98,116	-
(Decrease) in other liabilities	(74,582,575)	(2,607,201)
Payments from credit institution's fund	-	(624)
Net cash flows (used in)/from operating activities	(26,586,940)	14,839,038
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(388,183)	(773,070)
Proceeds from disposal of fixed assets	2,237	39,967
Payments for disposal of fixed assets	(4,584)	(4,647)
Payments for investments in other entities	-	-
Proceeds from investments in other entities	-	600,000
Dividends and profits received from long-term investments and capital contribution	182,880	14,016
Net cash flows used in investing activities	(207,650)	(123,734)

INTERIM CONSOLIDATED CASH FLOW STATEMENT (continued)
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>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend payment to shareholders	-	(2,606,383)
Cash flows used in financing activities	-	(2,606,383)
Net cash flows for the period	(26,794,590)	12,108,921
Cash and cash equivalents at the beginning of the period	131,707,327	113,814,949
Adjustment due to exchange rate differences	106,836	115,613
Cash and cash equivalents at the end of the period	105,019,573	126,039,483
35	105,019,573	126,039,483

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 CONSOLIDATED FINANCIAL STATEMENTS
as at 30 June 2018 and for the six-month period then ended

1. GENERAL INFORMATION

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 ("the 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.

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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) Domestic representative offices; one (1) overseas representative office in Myanmar; one-hundred and fifty seven (157) branches (including two (2) overseas branches); seven (7) subsidiary companies and one (1) subsidiary bank.

Employees

The Bank has 23,564 employees as at 30 June 2018 (31 December 2017: 23,784 employees).

NOTES TO THE INTERIM CONSOLIDATED 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 & Jewelry 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 Planning and Investment Department	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 CONSOLIDATED 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 statements of the Bank is Vietnam dong ("VND"). For the purpose of preparing the interim consolidated 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 consolidated financial position, the interim consolidated income statement and the interim consolidated 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 consolidated 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 consolidated financial statements.

3.2 Accounting standards and system

The interim consolidated financial statements of the Bank and its subsidiaries are prepared in accordance with the Accounting System applicable to Credit Institutions required under Decision No. 479/2004/QĐ-NHNN issued on 29 April 2004 and Circular No. 10/2014/TT-NHNN dated 20 March 2014 amending and supplementing Decision No. 479/2004/QĐ-NHNN, Decision No. 16/2007/QĐ-NHNN dated 18 April 2007, Circular No. 49/2014/TT-NHNN amending and supplementing a number of articles of the Financial Reporting Regime applicable to credit institutions issued in connection with the Decision No. 16/2007/QĐ-NHNN and the chart of account system applicable to credit institutions issued in connection with Decision No. 479/2004/QĐ-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/QĐ-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series No.1);
- ▶ Decision No. 165/2002/QĐ-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series No.2);
- ▶ Decision No. 234/2003/QĐ-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series No.3);
- ▶ Decision No. 12/2005/QĐ-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series No. 4); and
- ▶ Decision No. 100/2005/QĐ-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series No.5).

NOTES TO THE INTERIM CONSOLIDATED 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 consolidated financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Vietnam. Accordingly, the accompanying interim consolidated 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 consolidated financial position and results of interim consolidated operations and interim consolidated cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

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

3.3 Assumptions and uses of estimates

The preparation of the interim consolidated 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.

3.4 Basis of consolidation

The interim consolidated financial statements comprise the interim financial statements of the Bank and its subsidiaries for the six-month period ended 30 June 2018.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Bank obtains control.

The interim financial statements of the Bank and its subsidiaries are prepared for the same reporting period, using consistent accounting policies.

All intra-company balances, income and expenses and unrealized gains or losses resulting from intra-company transactions are eliminated in full.

Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling's share of changes in equity since the date of the combination. Losses in subsidiaries are respectively attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE INTERIM CONSOLIDATED 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 consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the period ended 31 December 2017 and the interim consolidated financial statement for the six-month period ended 30 June 2017.

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 of 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 issued together with 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 follows:

- ▶ 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 consolidated income statement, the interim consolidated cash flow statement and the interim consolidated 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 result, 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, accrued interest on credit and accrued interest on deposit 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 loan 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 CONSOLIDATED 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 principal amounts outstanding 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 principal amounts outstanding 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 consolidated 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*. Debts 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 collateral multiplied by provision rates which are determined based on the loan classification results as at 30 June 2018.

NOTES TO THE INTERIM CONSOLIDATED 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 CONSOLIDATED 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"> (a) Debts are overdue for a period of between 181 days and 360 days; or (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 (c) Debts which the repayment terms are restructured for the second time; or (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 (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. 	Debts are assessed as having ability to make high losses.	50%
5	Loss	<ul style="list-style-type: none"> (a) Debts are overdue for a period of more than 360 days; or (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 (c) Debts which the repayment terms are restructured for the second time but still overdue under that second restructured repayment term; or (d) Debts which the repayment terms are restructured for the third time or more, regardless of being overdue or not; or (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 (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 (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. 	Debts are assessed as not recoverable, capital loss.	100%

NOTES TO THE INTERIM CONSOLIDATED 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 of the 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 consolidated 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 consolidated income statement.

Interest and dividends derived from securities held for trading are recognized on a cash basis in the interim consolidated 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 consolidated 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 CONSOLIDATED 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 consolidated 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 consolidated 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*

Investment securities owned by VietinBank Fund Management Company Ltd. and VietinBank Securities Joint Stock Company are provided for impairment in accordance with Circular No. 146/2014/TT-BTC ("*Circular 146*") dated 6 October 2014 issued by the Ministry of Finance. Accordingly, for listed securities, the companies determined the value of the investments using closing prices in the active market as at the balance sheet date.

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

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

Specific provision for special bonds is recognized in the interim consolidated 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 CONSOLIDATED 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 *Joint venture*

A joint venture is contractual arrangement whereby the Bank and other parties undertake an economic activity that is subject to joint control, i.e., the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Bank reports its interests in jointly controlled entities using the equity method of accounting. According to equity method of accounting, investments in joint ventures are initially stated at cost. Subsequently, interests in joint ventures are adjusted by post-acquisition changes in the Bank's share of the net assets of the joint ventures.

4.9 *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:

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

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.

4.10 *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 consolidated financial statements. The corresponding cash received from these agreements is recognized in the interim consolidated balance sheet as a liability and the difference between the sale price and repurchase price is amortized in the consolidated 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 consolidated financial statements. The corresponding cash paid under these agreements is recognized as a loan in the interim consolidated balance sheet and the difference between the purchase price and resale price is amortized in the consolidated income statement over the term of the agreement using the straight-line method based on the interest rate stipulated in the contract.

NOTES TO THE INTERIM CONSOLIDATED 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 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 consolidated income statement.

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

4.12 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	5 - 40 years
Machine and equipment	3 - 7 years
Transportation vehicles	6 - 7 years
Other tangible fixed assets	4 years
Land use rights (*)	Upon lease term
Computer software	3 - 8 years

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

4.13 Receivables

4.13.1 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*.

4.13.2 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 consolidated income statement.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Receivables (continued)

4.13.2 Other receivables (continued)

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%

4.14 Prepaid expenses and deferred expenses

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

4.15 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under leases are charged to "Other operating expenses" in the interim consolidated income statement on a straight-line basis over the term of the relevant lease.

The Bank as lessor

Amounts due from lessees under finance leases are recorded as loan to customer in the interim consolidated balance sheet at the amount of the Bank's net investment in the leases. Financial leases are recorded as principal of loan to customers and income from these are recognised as "Interest and similar income". Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

Operating lease assets are recorded on the interim consolidated balance sheet. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred for obtaining income from the operating lease are recognised as expenses in the period.

The Bank as lessee

Rentals payable under operating leases are charged to the interim consolidated income statement on a straight-line basis over the term of the lease agreement.

4.16 Recognition of income and expense

4.16.1 Interest income and expenses

Interest income and expenses are recognized in the interim consolidated 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 consolidated income statement upon actual receipt.

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

NOTES TO THE INTERIM CONSOLIDATED 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 (continued)

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 Dividends

Dividends received in cash from investment activities are recognized in the interim consolidated income statement when the Bank's rights to receive payment are established. Dividends received in form of shares and bonus shares are recognized as an increase in income and value of investment according to Circular No. 220/2013/TT-BTC dated 31 December 2013.

4.16.4 Income and expense from non-life insurance activities

Gross written premiums are recognized in accordance with Circular No. 50/2017/TT-BTC dated 1 July 2017 ("Circular 50") providing guidance on the financial regime applicable to insurance, reinsurance, insurance brokerage companies and foreign non-life insurance company branches.

Specifically, gross written premium is recognized as revenue when the following conditions are met: (i) the insurance contract has been entered into by the insurer and policyholders; (ii) There is evidence that the insurance contract has been entered into and that the policyholder has fully paid the premium and or (iii) The insurance contract is concluded and the insurer has agreed upon for the policyholder to delay payment of insurance premium, the insurance enterprise shall account into the income amount paid to the policyholders even though the policy holder has not paid the premium. Premium payment period shall not exceed 30 days from policy inception date. For instalment contracts, VietinBank Insurance Joint Stock Corporation is required to record revenue from insurance premium of the first instalment as of the insurance contract's effective date and record revenue from premium of the following instalments only when the policyholders make full premium payment under the agreement of the contract. If policyholder cannot make full premium payment as agreed in the contracts, insurance contract shall be automatically terminated after contractual premium payment date.

Prepaid premium before due date is recorded as "*Deferred income*" in the interim consolidated balance sheet.

The refund/reduction of gross written premium is considered as revenue deduction and must be booked separately. At period end, these amounts are net off against gross written premium to calculate net written premium.

4.16.5 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.

4.16.6 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 consolidated income statement.

NOTES TO THE INTERIM CONSOLIDATED 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 (continued)

4.16.7 Claim settlement expenses of non-life insurance activities

Claim expense is recognized at the point of time when the claim documents are completed and approved by authorized persons. In case that the final claim amount has not been finalized but VietinBank Insurance Joint Stock Corporation is certain that the loss is within its insured liabilities and has paid an advance to the customer as per their request, such advance would also be recognized as claim expense. Any claim that is not yet approved by authorized persons is considered as an outstanding claim and included in claim reserve.

4.16.8 Commission expenses for non-life insurance activities

Commission is calculated as percentage of direct premiums for specific line of insurance as stipulated in Circular No. 50/2017/TT-BTC dated 1 July 2017 issued by the Ministry of Finance. Commission expense is allocated and recognized in the consolidated income statement for direct premiums earned during the year.

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 consolidated 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 consolidated balance sheet and will be transferred to the interim consolidated income statement.

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 Technical reserves for non-life insurance

The technical reserves of Vietinbank Insurance Joint Stock Corporation include (i) unearned premium reserve, (ii) claims reserve and (iii) catastrophe reserve. The reserving methodologies are based on Circular No. 50/2017/TT-BTC dated 1 July 2017 issued by the Ministry of Finance as follows:

(i) Unearned premium reserve

Unearned premium reserve is calculated as a percentage of the total premium or by the coefficient of the policy term, specifically:

- ▶ For cargo insurance with a term of less than 1 year, unearned premium reserve is made at 25% of the retained premium. For other insurance, the rate is 50%.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Technical reserves for non-life insurance (continued)

- ▶ For other insurance lines and line of insurance of cargo delivered by road, water, inland water, railway and airway with a term of more than 1 year, unearned premium reserve is calculated based on the 1/8 method. This method assumes that premiums for all insurance contracts issued in a quarter equally spread along the quarter. In other word, all insurance contracts of a particular quarter are assumed to be effective at that mid-quarter. Unearned premium reserve is calculated based on the following formula:

$$\text{Unearned premium reserve} = \text{Premiums} \times \text{Unearned premium rate}$$

Gross and assumed unearned premium reserve is presented as liabilities; Unearned premium reserve of outward reinsurance is presented as reinsurance asset.

(ii) Claim reserve

Claim reserve includes the reserve for outstanding claims and for claims incurred but not reported.

- ▶ Outstanding claim reserve is established based on the estimated claim payments for each claim for which the insurer is liable, which is either notified to the insurer or requested for payment but is still unresolved at the end of the fiscal year after deducting the amount recoverable from reinsurers; and
- ▶ Reserve for incurred but not reported claims for which the insurer is liable (IBNR) is established for each insurance operation as per formula below:

$$\begin{array}{l} \text{Reserve for} \\ \text{payment of} \\ \text{losses which} \\ \text{have incurred} \\ \text{but not yet} \\ \text{reported for} \\ \text{the current} \\ \text{fiscal year} \end{array} = \frac{\text{Total indemnity for} \\ \text{claims incurred} \\ \text{but not reported at} \\ \text{the end of the last} \\ \text{three years}}{\text{Total indemnity for} \\ \text{losses arising in} \\ \text{the last three} \\ \text{years}} \times \text{Indemnity} \\ \text{for losses} \\ \text{arising in the} \\ \text{current fiscal} \\ \text{year}} \times \frac{\text{Net operating} \\ \text{revenue of} \\ \text{current fiscal} \\ \text{year}}{\text{Net operating} \\ \text{revenue of the} \\ \text{previous fiscal} \\ \text{year}} \times \frac{\text{Average} \\ \text{delay in} \\ \text{claim} \\ \text{intimation of} \\ \text{current} \\ \text{fiscal year}}{\text{Average} \\ \text{delay in} \\ \text{claim} \\ \text{intimation of} \\ \text{previous} \\ \text{fiscal year}}$$

Where:

- Indemnity that has occurred in a fiscal year includes indemnity that has been paid in the year plus increase/decrease in claims reserve for covered losses but have not been resolved at the end of fiscal year.
- Average deferred time of claims refers to average time that starts from the occurrence of loss and finishes when the non-life insurer, foreign branch, or reinsurer receives the report of loss or claim (expressed as days).

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Technical reserves for non-life insurance (continued)

(iii) Catastrophe reserve

Catastrophe reserve is accrued annually until such reserve reaches 100% of the retained premiums of the current fiscal year and is made based on retained premiums according to Circular 50.

On 28 December 2005, the Ministry of Finance issued Decision No. 100/2005/QD-BTC governing the publication of four new accounting standards, one of which is Vietnamese Accounting Standard ("VAS") 19 – Insurance Contract. Following the issuance of this Standard, starting from January 2006, the provision of catastrophe reserve is no longer required since it represents "possible claims under contracts that are not in existence at the reporting date". However, since the Ministry of Finance has not issued detailed guidance for the implementation of VAS 19 and in accordance with the provision set out in Decree No. 73/2016/ND-CP issued by the Government of Vietnam on 1 July 2016 on the details of the implementation of the Law on Insurance Business and amendments to certain articles of the Law on Insurance Business, the Corporation has elected to adopt the policy of providing for the catastrophe reserve at 1% of total retained premiums for the six-month period ended 30 June 2017.

4.21 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 consolidated balance sheet date.

Current income tax is charged or credited to the interim consolidated 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 consolidated 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 consolidated balance sheet date between the tax base of assets and liabilities and their carrying amount for the financial reporting purposes.

Deferred tax payable is recognized for temporary taxable differences.

Deferred corporate income tax assets are recognized for deductible temporary differences, deductible amounts carried over to subsequent periods of taxable losses, and unused tax credits when it is probable that there will be sufficient future taxable profit to use deductible temporary differences, taxable losses and tax credits. Deferred tax 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2018 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.22 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.

4.23 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 consolidated balance sheet and will be transferred to the interim consolidated 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 consolidated balance sheet and will be transferred to the interim consolidated income statement at the end of the financial period.

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

4.24 Employee benefits

4.24.1 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2018 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.24 Employee benefits (continued)

4.24.2 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.

4.24.3 Unemployment insurance

According to Circular No. 32/2010/TT-BLDTBXH 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.

4.25 Capital and reserves

4.25.1 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.

4.25.2 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.

4.25.3 Reserves

(i) Bank's 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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.25 Capital and reserves (continued)

4.25.3 Reserves (continued)

(ii) Subsidiaries' reserves

Reserves at subsidiaries are appropriated under the Bank's policy, except for the following companies, which are appropriated in accordance with relevant legal regulations:

VietinBank Securities JSC and VietinBank Fund Management Company Ltd: reserves are appropriated from the Companies' net profit after tax according to Circular No. 146/2014/TT-BTC dated 6 October 2014 issued by the Ministry of Finance at prescribed rates as below:

- ▶ Supplementary charter capital reserve: 5% of net profit after tax and does not exceed 10% of charter capital;
- ▶ Financial reserve: 5% of net profit after tax and does not exceed 10% of charter capital.

VietinBank Insurance Joint Stock Corporation: reserves are appropriated from the Companies' net profit after tax according to Decree No. 73/2016/ND-CP dated 1 July 2016 issued by the Government at prescribed rates as below:

- ▶ Compulsory reserves: 5% of net profit after tax and does not exceed 10% of charter capital.

These reserves will be appropriated at the end of the accounting period.

4.26 Offsetting

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

4.27 Business combinations and goodwill

Business combinations are accounted for using the purchase method. The cost of a business combination is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of Business combination plus any costs directly attributable to the business combination. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of business combination.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost the business combination over the Bank's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of a business combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the interim consolidated income statement. After initial recognition, goodwill is measured at cost less any accumulated amortization. Goodwill is amortized ten (10) years on a straight-line basis.

NOTES TO THE INTERIM CONSOLIDATED 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>31 December 2017</i>
	<i>VND million</i>	<i>VND million</i>
Cash on hand in VND	5,926,565	5,201,870
Cash on hand in foreign currencies	2,126,884	729,977
Valuable papers in foreign currencies	1,282	-
Monetary gold	3,415	25,941
Non-monetary gold	-	-
Other gemstones	22,592	22,045
	8,080,738	5,979,833

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

	<i>30 June 2018</i>	<i>31 December 2017</i>
	<i>VND million</i>	<i>VND million</i>
Balance with the SBV		
- In VND	1,606,727	17,620,706
- In foreign currencies	2,774,437	3,135,825
	4,381,164	20,756,531

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 CONSOLIDATED 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

	30 June 2018 VND million	31 December 2017 VND million
Placements with other credit institutions		
Current accounts	41,754,421	52,109,399
- In VND	37,353,591	47,518,499
- In foreign currencies	4,400,830	4,590,900
Term deposits	36,698,777	49,828,885
- In VND	27,767,129	26,447,643
- In foreign currencies	8,931,648	23,381,242
	78,453,198	101,938,284
Loans to other credit institutions		
In VND	3,646,640	4,944,303
In foreign currencies	-	627,900
	3,646,640	5,572,203
Provision for credit losses	-	-
	82,099,838	107,510,487

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

	30 June 2018 VND million	31 December 2017 VND million
Current	40,345,417	55,401,088

8. SECURITIES HELD FOR TRADING

	30 June 2018 VND million	31 December 2017 VND million
Debt securities	2,016,949	2,910,939
Government bonds	1,996,949	2,907,488
Bonds issued by local economic entities	20,000	3,451
Equity securities	999,676	671,504
Equity securities issued by local credit institutions	11,093	10
Equity securities issued by local economic entities	988,583	671,494
Other trading securities	150,079	20,000
Fund certificates	150,079	20,000
	3,166,704	3,602,443
Provision for securities held for trading	(53,106)	(73,461)
Provision for securities held for trading	(53,106)	(73,461)
	3,113,598	3,528,982

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

9. DERIVATIVES AND OTHER FINANCIAL ASSETS/(LIABILITIES)

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

10. LOANS TO CUSTOMERS

	<i>30 June 2018</i>	<i>31 December 2017</i>
	<i>VND million</i>	<i>VND million</i>
Loans to domestic economic entities and individuals	853,979,891	778,247,588
Discounted bills and valuable papers	1,723,324	1,364,879
Financial lease	2,308,625	2,297,299
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	8,927,718	8,159,073
	867,566,175	790,688,059

10.1 Analysis of loan portfolio by quality

	<i>30 June 2018</i>	<i>31 December 2017</i>
	<i>VND million</i>	<i>VND million</i>
Current	852,510,635	778,049,805
Special mention	3,827,924	3,627,123
Substandard	1,975,528	1,243,379
Doubtful	949,766	2,550,738
Loss	8,302,322	5,217,014
	867,566,175	790,688,059

10.2 Analysis of loan portfolio by original maturity

	<i>30 June 2018</i>	<i>31 December 2017</i>
	<i>VND million</i>	<i>VND million</i>
Short term loans	501,793,308	448,913,060
Medium term loans	73,651,038	76,808,731
Long term loans	292,121,829	264,966,268
	867,566,175	790,688,059

NOTES TO THE INTERIM CONSOLIDATED 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	5,944,758	2,358,065	8,302,823
Provision charged in the period	648,670	3,742,341	4,391,011
Provision used to write-off bad debts	-	(208,883)	(208,883)
Closing balance as at 30 June 2018	6,593,428	5,891,523	12,484,951

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)	4,894,202	2,004,369	6,898,571
Provision charged in the period	651,588	1,628,738	2,280,326
Provision used to write-off bad debts	-	(1,059,257)	(1,059,257)
Closing balance as at 30 June 2017 (restated)	5,545,790	2,573,850	8,119,640

12. INVESTMENT SECURITIES

12.1 Available-for-sale securities

	<i>30 June 2018 VND million</i>	<i>31 December 2017 VND million</i>
Debt securities	134,937,791	125,287,262
Government bonds	75,065,551	52,508,513
Bonds issued by other domestic entities	26,972,326	26,696,702
Bonds issued by domestic economic entities	32,899,914	46,082,047
Equity securities	398,902	472,399
Equity securities issued by domestic economic entities	398,902	472,399
	135,336,693	125,759,661
Provision for available-for-sale securities	(474,181)	(606,234)
Provision for diminution in value	(77,974)	(120,039)
General provision	(396,207)	(486,195)
Specific provision	-	-
	134,862,512	125,153,427

NOTES TO THE INTERIM CONSOLIDATED 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
Debt securities	2,651,129	2,661,748
Government bonds	2,200,000	2,200,000
Bonds issued by other domestic credit institutions	64,381	55,000
Bonds issued by domestic economic entities	386,748	406,748
Provision for held-to-maturity securities	(2,901)	(2,901)
General provision	(2,901)	(2,901)
Specific provision	-	-
	2,648,228	2,658,847

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)
	-	580,491

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
Opening balance	606,234	1,894,054	2,500,288
Provision (reversed)/charged in the period	(132,053)	561,172	429,119
Provision used to write-off bad debts	-	(2,452,325)	(2,452,325)
Closing balance	474,181	2,901	477,082

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.

NOTES TO THE INTERIM CONSOLIDATED 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 (continued)

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>
Standard	53,214,403	-	399,108	399,108
Special mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	480,850	-	-	-
	53,695,253	-	399,108	399,108

13. LONG-TERM INVESTMENTS

Analysis by type of investments:

	<i>30 June 2018 VND million</i>	<i>31 December 2017 VND million</i>
Investments in joint venture	2,730,608	2,704,255
Other long-term investments	412,645	412,645
Provision for long-term investments	(1,692)	(2,799)
	3,141,561	3,114,101

13.1 Investments in joint venture

	<i>30 June 2018</i>			<i>31 December 2017</i>		
	<i>Cost VND million</i>	<i>Carrying value (equity method) VND million</i>	<i>% owned</i>	<i>Cost VND million</i>	<i>Carrying value (equity method) VND million</i>	<i>% owned</i>
Indovina Bank Ltd	1,688,788	2,730,608	50%	1,688,788	2,704,255	50%
	1,688,788	2,730,608		1,688,788	2,704,255	

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 CONSOLIDATED 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
Cost					
Opening balance	7,059,531	4,759,813	1,235,692	255,269	13,310,305
Additions	-	55,941	13,591	3,691	73,223
Transfer from construction in progress	18,840	-	-	-	18,840
Other increases	23,350	112,282	12,707	21,408	169,747
Disposals	(1,362)	(6,375)	(5,814)	(466)	(14,017)
Reclassification	(346)	346	-	-	-
Other decreases	(1,831)	(178)	(1,531)	(45)	(3,585)
Closing balance	7,098,182	4,921,829	1,254,645	279,857	13,554,513
Accumulated depreciation					
Opening balance	1,732,209	4,140,335	885,156	165,869	6,923,569
Depreciation during the period	130,165	179,845	52,591	22,153	384,754
Other increases	2,720	38,408	433	6,971	48,532
Disposals	(1,057)	(6,364)	(5,768)	(466)	(13,655)
Reclassification	(81)	81	-	-	-
Other decreases	(108)	(57)	(651)	(314)	(1,130)
Closing balance	1,863,848	4,352,248	931,761	194,213	7,342,070
Net book value					
Opening balance	5,327,322	619,478	350,536	89,400	6,386,736
Closing balance	5,234,334	569,581	322,884	85,644	6,212,443

NOTES TO THE INTERIM CONSOLIDATED 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 VND million</i>	<i>Other intangible fixed assets VND million</i>	<i>Total VND million</i>
Cost			
Opening balance	4,495,619	1,824,424	6,320,043
Additions	-	26,547	26,547
Other increases	8,053	39,852	47,905
Other decreases	(3,884)	(127)	(4,011)
Closing balance	4,499,788	1,890,696	6,390,484
Accumulated amortization			
Opening balance	258,254	1,011,998	1,270,252
Amortization during the period	18,806	100,451	119,257
Other increases	-	13,008	13,008
Other decreases	-	(13,609)	(13,609)
Closing balance	277,060	1,111,848	1,388,908
Net book value			
Opening balance	4,237,365	812,426	5,049,791
Closing balance	4,222,728	778,848	5,001,576

16. OTHER ASSETS

16.1 Receivables

	<i>30 June 2018 VND million</i>	<i>31 December 2017 VND million</i>
Construction in progress (i)	5,693,909	5,600,517
Fixed assets in purchase or under repairing	1,313,005	1,345,285
External receivables	8,635,755	6,350,449
Internal receivables	2,003,976	418,131
	17,646,645	13,714,382

(i) Construction in progress

	<i>30 June 2018 VND million</i>	<i>31 December 2017 VND million</i>
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
	5,693,909	5,600,517

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

16. OTHER ASSETS (continued)

16.2 Other assets

	30 June 2018 VND million	31 December 2017 VND million
Materials	174,121	193,325
Prepaid expenses	2,972,687	2,990,175
Goodwill (Note 17)	1,815	2,722
Other assets	64,312	10,911
	3,212,935	3,197,133

17. GOODWILL

Goodwill represents business goodwill resulting from the enterprise valuation for purpose of equitizing VietinBank Securities JSC - a subsidiary of the Bank.

	30 June 2018 VND million	31 December 2017 VND million
Total value of goodwill	18,149	18,149
Amortized period	10 years	10 years
Value of accumulated amortized goodwill at the beginning of the period	(15,427)	(13,612)
Value of unamortized goodwill at the beginning of the period	2,722	4,537
Decrease in goodwill during the period	(907)	(1,815)
Goodwill amortized during the period	(907)	(1,815)
Total value of unamortized goodwill at the end of the period	1,815	2,722

18. DUE TO THE GOVERNMENT AND THE STATE BANK OF VIETNAM

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

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

19. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

19.1 Deposits from other credit institutions

	30 June 2018 VND million	31 December 2017 VND million
Demand deposits	35,791,415	41,701,970
In VND	35,104,306	38,087,146
In foreign currencies	687,109	3,614,824
Term deposits	13,870,785	26,824,042
In VND	3,900,340	19,634,870
In foreign currencies	9,970,445	7,189,172
	49,662,200	68,526,012

19.2 Borrowings from other credit institutions

	30 June 2018 VND million	31 December 2017 VND million
In VND	651,239	548,900
In foreign currencies	33,889,270	46,083,853
	34,540,509	46,632,753

20. CUSTOMER DEPOSITS

	30 June 2018 VND million	31 December 2017 VND million
Demand deposits	115,080,360	115,412,491
- Demand deposits in VND	96,561,837	95,909,532
- Demand deposits in foreign currencies	18,518,523	19,502,959
Term deposits	732,060,611	631,943,800
- Term deposits in VND	704,769,026	604,962,495
- Term deposits in foreign currencies	27,291,585	26,981,305
Deposits for specific purpose	2,809,458	3,173,915
- Deposits for specific purpose in VND	1,561,051	1,521,130
- Deposits for specific purpose in foreign currencies	1,248,407	1,652,785
Margin deposits	2,496,600	2,405,132
- Margin deposits in VND	2,119,705	1,961,897
- Margin deposits in foreign currencies	376,895	443,235
	852,447,029	752,935,338

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

21. OTHER BORROWED AND ENTRUSTED FUNDS

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

22. VALUABLE PAPERS ISSUED

	<i>30 June 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
In VND	31,116,015	22,500,925
Par value	31,116,015	22,500,925
In foreign currencies	868	848
Par value	868	848
Discounted value	-	-
	31,116,883	22,501,773

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
- <i>In VND</i>	209	-	-	-	209
From 12 months to 5 years	-	166	5,200,000	1,408	5,201,574
- <i>In VND</i>	-	166	5,200,000	540	5,200,706
- <i>In foreign currencies</i>	-	-	-	868	868
Over 5 years	-	-	25,915,100	-	25,915,100
- <i>In VND</i>	-	-	25,915,100	-	25,915,100
Closing balance	209	166	31,115,100	1,408	31,116,883

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

23. OTHER PAYABLES

	<u>30 June 2018</u> <u>VND million</u>	<u>31 December 2017</u> <u>VND million</u>
Internal payables	2,759,203	3,776,803
External payables (*)	28,936,003	102,252,137
Bonus, welfare funds	1,185,243	400,245
	<u>32,880,449</u>	<u>106,429,185</u>

(*) Details of external payables are as follows:

	<u>30 June 2018</u> <u>VND million</u>	<u>31 December 2017</u> <u>VND million</u>
Collection, payment on behalf of other organisations	22,602,020	99,146,666
Amount kept for customers and awaiting settlement	200,068	306,586
Corporate income tax payable	343,913	131,590
Other items awaiting payment	2,959,703	1,207,851
Other payables related to securities operation	957,982	742,324
Tax and fee payables	189,425	185,067
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	1,150,693	287,517
Other payables	436,315	151,356
	<u>28,936,003</u>	<u>102,252,137</u>

24. TAX AND OTHER OBLIGATIONS TO THE STATE BUDGET

	<i>Opening balance</i> <u>VND million</u>	<i>Movements during the period</i>		<i>Closing balance</i> <u>VND million</u>
		<i>Payables</i> <u>VND million</u>	<i>Paid</i> <u>VND million</u>	
Value added tax	32,452	159,937	(165,089)	27,300
Corporate income tax	131,590	1,012,107	(799,784)	343,913
Other taxes	135,545	552,023	(570,200)	117,368
	<u>299,587</u>	<u>1,724,067</u>	<u>(1,535,073)</u>	<u>488,581</u>

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

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

24.1 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 consolidated 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 consolidated 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:

	<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>
Profit before tax	5,265,627	4,813,629
<i>Plus/(minus)</i>		
- Non-bearing tax dividend income	(3,000)	(14,054)
- Subsidiaries' profits	(386,232)	(312,809)
- Income from increase in interest at joint venture	(188,291)	(344,878)
- Others	(6,446)	6,845
Estimated taxable income	4,681,658	4,148,733
Parent Bank's CIT expenses	936,332	829,747
Subsidiaries' CIT expenses	75,762	62,893
Total CIT expenses in the period	1,012,094	892,640
CIT payable at the beginning of the period	131,590	200,743
CIT paid during the period	(799,784)	(1,009,362)
Adjustment CIT payable in previous periods	13	9
Current income tax payable at the end of the period	343,913	84,030

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

as at 30 June 2018 and for the six-month period then ended

25. OWNERS' EQUITY AND RESERVES**25.1 Statement of changes in equity**

	Charter capital VND million	Share premium VND million	Capital supplementary reserve VND million	Financial reserve VND million	Investment and development fund VND million	Foreign exchange difference VND million	Undistributed profits VND million	Non- controlling interests VND million	Total VND million
Balance as at 1 January 2017	37,234,046	8,974,721	2,190,856	4,127,738	48,304	480,011	6,990,755	260,333	60,306,764
Net profit for the year	-	-	-	-	-	-	7,432,363	26,539	7,458,902
Appropriation to reserves	-	-	351,990	695,891	7,531	-	(1,055,413)	(2,124)	(2,125)
Other increases in the year	-	-	-	-	-	-	-	10,874	10,874
Appropriation of the Parent Bank's bonus and welfare funds in 2017	-	-	-	-	-	-	(1,412,266)	-	(1,412,266)
Dividend in 2016	-	-	-	(623)	-	-	(2,606,383)	-	(2,606,383)
Utilisation of reserves in the year	-	-	-	-	-	-	-	-	(623)
Capital increase from share issuance of subsidiaries in the year	-	-	54,652	-	-	-	(54,652)	-	-
Increase from translation of financial statements for consolidation purposes	-	-	-	-	-	70,590	-	-	70,590
Others adjustments	-	(11)	-	-	-	-	(60,435)	(4)	(60,450)
Balance as at 31 December 2017	37,234,046	8,974,710	2,597,498	4,823,006	55,835	550,601	9,233,969	295,618	63,765,283
Net profit for the period	-	-	-	-	-	-	4,236,692	16,184	4,252,876
Appropriation to reserves	-	-	3,941	4,842	8,153	-	(16,936)	(1,593)	(1,593)
Increase from translation of financial statements for consolidation purposes	-	-	-	1	400	106,836	-	-	107,237
Others	-	-	-	-	-	-	(81,340)	-	(81,340)
Balance as at 30 June 2018	37,234,046	8,974,710	2,601,439	4,827,849	64,388	657,437	13,372,385	310,209	68,042,463

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

25. OWNERS' EQUITY AND RESERVES (continued)

25.2 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.

25.3 Basic earnings per share

	For the six-month period ended 30 June 2018	For the six-month period ended 30 June 2017
Net profit (VND million)	4,236,692	3,904,471
Number of ordinary share in circulation (shares)	3,723,404,556	3,723,404,556
Basic earnings per share (VND/share)	1,138	1,049

26. 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	983,331	1,270,860
Interest income from loans to customers	29,217,085	23,647,582
Interest income from debt securities	5,236,796	6,061,641
Income from guarantee activities	361,850	297,457
Income from finance leases	115,414	98,800
Other income from credit activities	209,576	178,165
	36,124,052	31,554,505

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

27. INTEREST AND SIMILAR 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>
Interest expenses for deposits	19,838,290	16,058,511
Interest expenses for borrowings	953,647	1,111,064
Interest expenses for valuable papers issued	830,642	844,246
Expenses for other credit activities	61,039	55,763
	21,683,618	18,069,584

28. 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>
Fee and commission income	2,664,482	1,866,508
Settlement services	1,214,937	925,057
Trust and agency services	11,801	22,702
Other services	1,437,744	918,749
Fee and commission expenses	(1,465,185)	(957,552)
Settlement services	(696,493)	(350,851)
Trustee and agency services	(36,174)	(17,420)
Treasury services	(119,262)	(76,970)
Other services	(613,256)	(512,311)
Net fee and commission income	1,199,297	908,956

29. 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>
Income from trading of foreign currencies		
Income from spot foreign currencies trading	424,081	1,279,960
Income from currency derivatives	418,130	694,058
Income from gold trading	261,478	295,443
Expenses for trading of foreign currencies		
Expenses for spot foreign currencies trading	(93,949)	(747,340)
Expenses for currency derivatives	(391,189)	(874,710)
Expenses for gold trading	(260,892)	(294,016)
Net gain from trading of foreign currencies	357,659	353,395

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

30. 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	289,963	183,867
Expenses for securities held for trading	(122,785)	(31)
Provision charged for securities held for trading	46,181	(5,972)
Net gain from securities held for trading	213,359	177,864

31. 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	6,973	14,261
Expenses for trading of investment securities	(6,478)	(1,593)
Provision reversed for investment securities	129,903	41,006
Net gain from investment securities	130,398	53,674

32. 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>
Income from other activities	1,375,699	1,239,669
Income from recovery of bad debts previously written-off	792,092	1,016,955
Income from other derivatives	228,326	84,258
Income from disposal of fixed assets	2,237	39,967
Other income	353,044	98,489
Expenses for other activities	(590,702)	(446,060)
Expenses for other derivatives	(228,855)	(183,561)
Other expenses	(361,847)	(262,499)
Net gain from other activities	784,997	793,609

33. 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	22,049	214,016
- From equity securities	1,732	2,270
- From capital contribution	20,317	211,746
Share from net profit under equity method of investments in joint venture	188,291	344,878
	210,340	558,894

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

34. 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>
Expenses on taxes, fees	18,050	19,311
Personnel expenses	4,397,966	3,977,736
Salary and allowances	3,628,682	3,316,757
Expenses related to salary	267,787	206,297
Allowances	5,896	14,832
Other expenses	495,601	439,850
Expenses on assets	1,042,980	1,059,960
Depreciation and amortization of fixed assets	504,011	554,680
Other expenses	538,969	505,280
Administrative expenses	1,350,485	1,364,132
Per-diem	87,053	85,733
Social activities of credit institution	19,894	13,338
Other expenses	1,243,538	1,265,061
Insurance fee for customer deposits	310,949	255,423
Provision reversal	(1,756)	(2,387)
	7,118,674	6,674,175

35. CASH AND CASH EQUIVALENTS

Cash and cash equivalents on the interim consolidated cash flow statement include items on the interim consolidated 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	8,080,738	6,380,043
Balances with the SBV	4,381,164	16,210,207
Current accounts at other credit institutions	41,754,421	50,775,906
Placements with other credit institutions with original term of three (03) months or less	22,237,450	52,673,327
Investment securities due within three (03) months from acquisition date	28,565,800	-
	105,019,573	126,039,483

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

36. ASSETS, VALUABLE PAPERS USED FOR MORTGAGE, DISCOUNT AND REDISCOUNT

	30 June 2018 VND million	31 December 2017 VND million
Real estates	961,092,871	999,807,889
Movable property	76,374,651	94,526,206
Deposits, gold, gemstones and valuable papers	138,366,129	115,556,511
Other assets	566,904,798	544,536,440
	1,742,738,449	1,754,427,046

37. 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>	30 June 2018 VND million	31 December 2017 VND million
The State Bank of Vietnam	Owner and direct management agency	Deposits of VietinBank at the SBV	4,381,164	20,756,531
		Borrowings from the SBV	3,838,871	4,107,281
Indovina Bank Ltd	Joint venture	Deposits of Indovina at VietinBank	4,009,773	4,011,620
		Deposits of VietinBank at Indovina	4,027,986	4,007,785

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

37. RELATED PARTY TRANSACTIONS (continued)

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

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.

38. 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	862,286,209	941,435,382	120,474,181	98,116	141,154,526
Overseas	8,926,606	7,011,425	288,333	-	-
	871,212,815	948,446,807	120,762,514	98,116	141,154,526

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

39. SEGMENT INFORMATION

39.1 Business segment report

Unit: VND million

Items	Banking financial services	Non-banking financial services	Others	Off-set	Total
I. Income	40,532,304	1,023,498	571,084	(351,686)	41,775,200
1. Interest and similar income	35,911,301	207,209	67,465	(61,923)	36,124,052
- Interest and similar income from external sources	35,908,536	195,264	63,485	(43,233)	36,124,052
- Interest and similar income from internal sources	2,765	11,945	3,980	(18,690)	-
2. Income from services	1,952,848	762,020	5,331	(55,717)	2,664,482
3. Other income	2,668,155	54,269	498,288	(234,046)	2,986,666
II. Expenses	(30,386,339)	(813,890)	(492,369)	135,208	(31,557,390)
1. Interest and similar expenses	(21,688,376)	(30,606)	(26,559)	61,923	(21,683,618)
- External interest and similar expenses	(21,671,776)	(3,844)	(26,557)	18,559	(21,683,618)
- Internal interest and similar expenses	(16,600)	(26,762)	(2)	43,364	-
2. Depreciation and amortisation expenses	(496,301)	(4,039)	(3,671)	-	(504,011)
3. Expenses related to operating business	(8,201,662)	(779,245)	(462,139)	73,285	(9,369,761)
Net profit from operating activities before credit provision expenses	10,145,965	209,608	78,715	(216,478)	10,217,810
Provision expenses for credit losses	(4,937,677)	(5,671)	(880)	(7,955)	(4,952,183)
Segment profit before tax	5,208,288	203,937	77,835	(224,433)	5,265,627
Current corporate income tax expense	(959,744)	(40,793)	(11,557)	-	(1,012,094)
Deferred corporate income tax expense	-	-	(657)	-	(657)
Segment profit after corporate income tax	4,248,544	163,144	65,621	(224,433)	4,252,876
III. Assets	1,140,020,636	5,531,484	3,417,128	(8,851,791)	1,140,117,457
1. Cash on hand	8,038,623	1,815	40,300	-	8,080,738
2. Fixed assets	11,063,612	73,818	76,589	-	11,214,019
3. Other assets	1,120,918,401	5,455,851	3,300,239	(8,851,791)	1,120,822,700
IV. Liabilities	1,072,773,227	2,602,212	1,880,340	(5,180,785)	1,072,074,994
1. External liabilities	1,069,551,109	1,896,518	1,863,148	(5,180,227)	1,068,130,548
2. Internal liabilities	3,222,118	705,694	17,192	(558)	3,944,446

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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39. SEGMENT INFORMATION (continued)

39.2 Geographical segment report

Items	Unit: VND million				
	North	South	Others	Off-set	Total
Segment profit before tax	2,148,677	1,821,702	1,295,248	-	5,265,627
Current corporate income tax expense	(993,237)	(1,179)	(17,678)	-	(1,012,094)
Deferred corporate income tax expense	(657)	-	-	-	(657)
Segment profit after corporate income tax	1,154,783	1,820,523	1,277,570	-	4,252,876
Segment assets	654,455,708	369,975,198	124,502,332	(8,815,781)	1,140,117,457
Segment liabilities	588,347,263	366,921,477	121,951,028	(5,144,774)	1,072,074,994

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40. 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 and complete sub-projects on RWA calculator, risk management and data management within the Basel II Project in order to comprehensively enhance the risk management system as described in Basel II. Additionally, within the implement plan of the Basel II project in Vietnam, the SBV issued Circular No. 13/2018 / TT-NHNN dated 18 May 2018 ("Circular 13") on the internal control systems applicable to commercial banks, foreign banks' branches. This circular will take effect from 1 January 2019 (except Chapter V for internal capital adequacy assessment). The Bank assessed the gap and developed an implementation plan to meet the requirements of 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 has issued specific regulations, procedures, guidance and internal indicators and limits, and closely monitored the balance of asset and liability, tightly control growth in business operations and credit quality; compliance with the limits, operating safety rate and risk management requirements of Circular No.36/2014TT-NHNN, Circular No.06/2016/TT-NHNN, Circular No.19/2017/TT-SBV, Circular No.16/2018/TT-NHNN and regulations of the SBV, thereby meeting the requirements of Basel II risk management. Specifically, the risk management policy for financial instruments is 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2018 and for the six-month period then ended

40. 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 a set of liquidity risk management limits, interest rate risk management limits on bank books, comply with regulatory requirements and follow international practices; at the same time, the Asset-Liability Management System (ALM) is 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. In addition, for currency risk and interest rate risk on the Business Book, the Bank establishes limits on holding status, stop loss limits, risk limits, etc., in order to control them in accordance with risk appetite of the Bank. 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.

41. 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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41. CREDIT RISK (continued)

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.

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 consolidated balance sheet at the reporting date. The value of these assets in the first six months of 2018 is not material.

Bad debts 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)
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41. CREDIT RISK (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
	688,594	108,602	139,225	1,939,727	2,876,148

► *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	3,139,330	1,866,926	810,541	6,843,445	12,660,242

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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42. 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 consolidated 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 consolidated balance sheet date to maturity date;
 - Items with floating interest rate: the effective interest rate re-pricing term is determined from the interim consolidated balance sheet date to the nearest interest rate re-pricing date;
 - Accrued income, accrued expenses: classified as non-interest income.

The Bank's interest rate risk policies

For interbank lending (short-term activities), investment interest rate is based on the fluctuation of the market and the Bank's funding cost. The interbank 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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42. INTEREST RATE RISK (continued)

The Bank's interest rate risk policies (continued)

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.

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 behavior, 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 mobilised 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)
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42. 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:

	Non-interest bearing		Overdue		Interest re-pricing period							Total		
	VND million		VND million		VND million		VND million		VND million		VND million			
	Over 3 months	Up to 3 months	Up to 1 months	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	From 1 to 5 years	Over 5 years	From 1 to 5 years		Over 5 years	
Assets														
Cash, gold and gemstones	-	-	-	-	-	-	-	-	-	-	-	-	-	8,080,738
Balances with the SBV	-	-	4,381,164	-	-	-	-	-	-	-	-	-	-	4,381,164
Placements with and loans to other credit institutions (*)	-	-	-	61,548,082	4,787,623	400,000	15,364,133	-	-	-	-	-	-	82,099,838
Securities held for trading (*)	-	-	3,166,704	-	-	-	-	-	-	-	-	-	-	3,166,704
Loans to customers (*)	11,227,616	3,827,924	271,824,664	266,506,631	225,842,338	65,023,455	20,688,016	2,625,531	867,566,175	-	-	-	-	137,987,822
Investment securities (*)	480,850	-	33,672,193	17,527,666	15,869,152	10,244,913	32,354,800	27,439,346	-	-	-	-	-	3,143,253
Long-term investments (*)	-	-	-	-	-	-	-	-	-	-	-	-	-	11,214,019
Fixed assets and investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	35,502,334
Other assets (*)	7,759	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	11,716,225	3,827,924	374,592,807	288,821,920	242,111,490	90,632,501	53,042,816	30,064,877	1,153,142,047					
Liabilities														
Due to the SBV	-	-	43,598,969	493,107	677,380	5,406,993	-	-	-	-	-	-	-	50,176,449
Deposits and borrowings from other credit institutions	-	-	55,473,647	22,414,114	5,819,723	490,328	4,897	-	84,202,709	-	-	-	-	84,202,709
Customer deposits	-	-	131,099,656	195,486,517	198,444,256	242,725,570	83,954,612	736,418	852,447,029	-	-	-	-	852,447,029
Derivatives and other financial liabilities	-	-	98,116	-	-	-	-	-	98,116	-	-	-	-	98,116
Other borrowed and entrusted funds	-	-	-	3,448,132	226,864	-	2,870,125	-	6,545,121	-	-	-	-	6,545,121
Valuable papers issued	-	-	1,783	-	4,200,000	3,415,100	23,500,000	-	31,116,883	-	-	-	-	31,116,883
Other liabilities (*)	47,142,777	-	-	-	-	-	-	-	47,142,777	-	-	-	-	47,142,777
Total liabilities	47,142,777	-	230,272,171	221,841,870	209,368,223	252,037,991	110,329,634	736,418	1,071,729,084					
Interest sensitivity gap (balance sheet items)	11,188,710	11,716,225	144,320,636	66,980,050	32,743,267	(161,405,490)	(57,286,818)	29,328,459	81,412,963					
Interest sensitivity gap of off-balance sheet items	-	-	-	-	-	-	-	-	-					-
Interest sensitivity gap (on, off-balance sheet items)	11,188,710	11,716,225	144,320,636	66,980,050	32,743,267	(161,405,490)	(57,286,818)	29,328,459	81,412,963					81,412,963

(*) Excluding provision

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43. 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 2016. 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)
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43. 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
Assets				
Cash, gold and gemstones	198,430	1,920,108	35,635	2,154,173
Balances with the SBV	-	2,774,437	-	2,774,437
Placements with and loans to other credit institutions	1,240,426	11,482,293	609,759	13,332,478
Loans to customers (*)	3,582,024	109,978,561	-	113,560,585
Long-term investments (*)	-	1,688,788	-	1,688,788
Fixed assets and investment properties	76,462	-	-	76,462
Other assets (*)	1,379,782	7,680,187	-	9,059,969
Total assets	6,477,124	135,524,374	645,394	142,646,892
Liabilities				
Deposits and borrowings from the SBV and other credit institutions	157,486	44,385,304	4,034	44,546,824
Customer deposits	2,787,758	44,396,404	251,248	47,435,410
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
Total liabilities	5,664,143	96,946,664	263,211	102,874,018
FX position on balance sheet	812,981	38,577,710	382,183	39,772,874

(*) Excluding provision

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44. 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/Risk 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.

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44. 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 Core 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.

Vietnam Joint Stock Commercial Bank for Industry and Trade

B05a/TCTD-HN

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44. 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		
Assets									
Cash, gold and gemstones	-	-	8,080,738	-	-	-	-	8,080,738	
Balances with the SBV	-	-	4,381,164	-	-	-	-	4,381,164	
Placements with and loans to other credit institutions (*)	-	-	76,112,215	4,787,623	1,200,000	-	-	82,099,838	
Securities held for trading (*)	-	-	3,166,704	-	-	-	-	3,166,704	
Loans to customers (*)	11,227,616	3,827,924	56,287,633	182,003,113	315,864,025	136,899,914	161,455,950	867,566,175	
Investment securities (*)	480,850	-	28,993,977	3,576,946	21,984,052	50,839,464	32,112,533	137,987,822	
Long-term investments (*)	-	-	-	-	-	-	3,143,253	3,143,253	
Fixed assets and investment properties	-	-	-	-	-	-	11,214,019	11,214,019	
Other assets (*)	7,759	-	-	-	-	-	35,494,575	35,502,334	
Total assets	11,716,225	3,827,924	177,022,431	190,367,682	339,048,077	187,739,378	243,420,330	1,153,142,047	
Liabilities									
Due to the SBV	-	-	43,598,969	493,107	6,084,373	-	-	50,176,449	
Deposits and borrowings from other credit institutions	-	-	50,537,223	11,953,997	11,549,506	10,040,136	121,847	84,202,709	
Customer deposits	-	-	131,099,656	195,486,517	441,169,826	83,954,612	736,418	852,447,029	
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	-	-	7,200,000	23,915,100	31,116,883	
Other liabilities (*)	-	-	8,609,340	3,415,075	8,634,286	26,076,533	407,543	47,142,777	
Total liabilities	-	-	233,945,087	211,348,696	468,012,016	130,141,406	28,281,879	1,071,729,084	
Net liquidity gap	11,716,225	3,827,924	(56,922,656)	(20,981,014)	(128,963,939)	57,597,972	215,138,451	81,412,963	

(*) Excluding provision

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

45. 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 relevant to preparation and presentation of the interim consolidated financial statements.

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 consolidated 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; or
- c) Those meet the definition of loans and receivables.

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

45. 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; or
- 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 consolidated 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.

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

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

Offsetting of financial assets and financial liabilities

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

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	8,080,738	-	-	-	-	8,080,738
Balances with the SBV	4,381,164	-	-	-	-	4,381,164
Placements with and loans to other credit institutions	-	-	82,099,838	-	-	82,099,838
Securities held for trading	3,166,704	-	-	-	-	3,166,704
Loans to customers	-	-	867,566,175	-	-	867,566,175
Available-for-sale securities	-	-	-	135,336,693	-	135,336,693
Held-to-maturity securities	-	2,651,129	-	-	-	2,651,129
Other long-term investments	-	-	-	412,645	-	412,645
Other financial assets	-	-	35,487,006	-	-	35,487,006
	15,628,606	2,651,129	985,153,019	135,749,338	-	1,139,182,092
Due to the SBV and the Government	-	-	-	-	50,176,449	50,176,449
Deposits and borrowings from other credit institutions	-	-	-	-	84,202,709	84,202,709
Customer deposits	-	-	-	-	852,447,029	852,447,029
Derivatives and other financial liabilities	-	-	-	-	98,116	98,116
Other borrowed and entrusted funds	-	-	-	-	6,545,121	6,545,121
Valuable papers issued	-	-	-	-	31,116,883	31,116,883
Other financial liabilities	-	-	-	-	46,643,016	46,643,016
	-	-	-	-	1,071,229,323	1,071,229,323

(*) 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2018 and for the six-month period then ended

46. EVENTS AFTER THE INTERIM CONSOLIDATED BALANCE SHEET DATE

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

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

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Hanoi, Vietnam

14 August 2018

