

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

Interim consolidated financial statements

For the six-month period ended 30 June 2019



# Vietnam Joint Stock Commercial Bank for Industry and Trade

## TABLE OF CONTENTS

	<i>Pages</i>
General information	1 - 3
Report of Management	4
Report on review of interim consolidated financial statements	5 - 6
Interim consolidated balance sheet	7 - 9
Interim consolidated income statement	10
Interim consolidated cash flow statement	11 - 12
Notes to the interim consolidated financial statements	13 - 63

# 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 11<sup>th</sup> amendment of Business Registration No. 0100111948 issued by Hanoi Authority for Planning and Investment was dated 1 November 2018.

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 2019, the charter capital of the Bank is VND37,234,046 million (31 December 2018: 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 2019, the Bank has one (1) Head Office; two (2) Local representative offices (in Da Nang and Ho Chi Minh City); nine (9) Administrative units include: one (1) School of Human Resource Development and Training; one (1) IT centre; one (1) Card centre; one (1) Trade finance centre; five (5) Cash management centres; one-hundred and fifty five (155) branches and seven (7) subsidiaries; foreign networks include: one (1) overseas representative office in Myanmar; two (2) branches in the Federal Republic of Germany, one (1) 100% owned bank in Lao People's Democratic Republic (Vietnam Joint Stock Commercial Bank for Industry and Trade in Laos).

# 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:

<i>Name</i>	<i>Position</i>
Mr. Le Duc Tho	Chairman (appointed for the term of 2014-2019 on 31 October 2018 by Resolution 568/NQ-HDQT-NHCT1.2 dated 31 October 2018; appointed for the term of 2019-2024 on 23 April 2019 by Resolution 118/NQ-HDQT-NHCT1.2 dated 23 April 2019)
Mr. Tran Minh Binh	Member (additionally appointed for the term of 2014-2019 on 8 December 2018 at Extraordinary General Meeting of Shareholders on 8 December 2018 by Resolution No. 19/NQ-DHDCCD dated 8 December 2018; appointed to the Board of Directors for the term of 2019-2024 on 23 April 2019 at Annual General Meeting of Shareholders 2019 on 23 April 2019)
Ms. Tran Thu Huyen	Member (additionally appointed to the Board of Directors for the term of 2014-2019 on 24 July 2014; appointed to the Board of Directors for the term of 2019-2024 on 23 April 2019 at the Annual General Meeting of Shareholders 2019, 23 April 2019)
Mr. Hiroshi Yamaguchi	Member (additionally appointed to the Board of Directors for the term of 2014-2019 on 17 April 2017; appointed to the Board of Directors for the term of 2019-2024 on 23 April 2019 at the Annual General Meeting of Shareholders 2019, 23 April 2019)
Mr. Hideaki Takase	Member (additionally appointed to the Board of Directors for the term of 2014-2019 on 21 April 2017; appointed to the Board of Directors for the term of 2019-2024 on 23 April 2019 at the Annual General Meeting of Shareholders 2019, 23 April 2019)
Mr. Nguyen The Huan	Member (appointed to the Board of Directors for the term of 2019-2024 on 23 April 2019 at the Annual General Meeting of Shareholders 2019, 23 April 2019)
Ms. Pham Thi Thanh Hoai	Member (appointed to the Board of Directors for the term of 2019-2024 on 23 April 2019 at the Annual General Meeting of Shareholders 2019, 23 April 2019)
Mr. Tran Van Tan	Member (appointed to the Board of Directors for the term of 2019-2024 on 23 April 2019 at the Annual General Meeting of Shareholders 2019, 23 April 2019)
Mr. Cat Quang Duong	Member (resigned from 23 April 2019 at the Annual General Meeting of Shareholders, 23 April 2019)
Mr. Phung Khac Ke	Member (resigned from 23 April 2019 at the Annual General Meeting of Shareholders, 23 April 2019)

### MANAGEMENT AND CHIEF ACCOUNTANT

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

<i>Name</i>	<i>Position</i>
Mr. Tran Minh Binh	General Director
Ms. Nguyen Hong Van	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

# Vietnam Joint Stock Commercial Bank for Industry and Trade

## GENERAL INFORMATION (continued)

### 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:

<i>Name</i>	<i>Position</i>
Ms. Le Anh Ha	Chief Supervisor (appointed to the Supervisory Board for the term 2019-2024 on 23 April 2019 at the Annual General Meeting of Shareholders 2019, 23 April 2019; appointed to the Head of the Bank's Supervisory Board for the term of 2019-2024 according to Resolution No.01/NQ-BKS-2019 dated 23 April 2019)
Ms. Nguyen Thi Anh Thu	Member (appointed to the Supervisory Board of the term of 2019-2024 on 23 April 2019 at the Annual General Meeting of Shareholders 2019, 23 April 2019)
Mr. Nguyen Manh Toan	Member (appointed to the Supervisory Board for the term 2019-2024 on 23 April 2019 at the Annual General Meeting of Shareholders 2019, 23 April 2019)
Mr. Nguyen The Huan	Chief Supervisor (resigned from 23 April 2019 at the Annual General Meeting of Shareholders on 23 April 2019)
Ms. Pham Thi Thom	Member (resigned from 23 April 2019 at the Annual General Meeting of Shareholders on 23 April 2019)
Mr. Tran Minh Duc	Member (resigned from 23 April 2019 at the Annual General Meeting of Shareholders on 23 April 2019)

### LEGAL REPRESENTATIVE

The legal representative of the Bank during the six-month period ended on 30 June 2019 and at the date of the interim consolidated financial statements is Mr. Le Duc Tho - the Chairman.

Ms. Nguyen Hong Van - Deputy General Director is authorized by Mr. Le Duc Tho to sign the accompanying interim consolidated financial statements for the six-month period ended 30 June 2019 in accordance with the Letter of Authorization No. 1151/UQ-HDQT-NHCT18 dated 18 December 2018.

### AUDITORS

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

# Vietnam Joint Stock Commercial Bank for Industry and Trade

## REPORT OF MANAGEMENT

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 2019 and for the six-month period then ended.

### MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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, 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 and its subsidiaries will continue their business.

Management of the Bank is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the 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. 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.

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

### STATEMENT BY MANAGEMENT

Management 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 2019 and of 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 management



Mr. Tran Minh Binh  
General Director

Hanoi, Vietnam

14 August 2019

Reference: 60755043/20827148-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 2019 and set out on pages 7 to 63, which comprise the interim consolidated balance sheet as at 30 June 2019, 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 of the Bank and its subsidiaries, 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.

### **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 2019, 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**



Stamp text: M.S.D.N.030... C.T.T.H  
CÔNG TY  
TRÁCH NHIỆM HỮU HẠN  
ERNST & YOUNG  
VIỆT NAM  
QUẬN 1 - TP. HỒ CHÍ MINH

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

Hanoi, Vietnam

14 August 2019

INTERIM CONSOLIDATED BALANCE SHEET  
as at 30 June 2019

	<i>Notes</i>	<i>30 June 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
<b>ASSETS</b>			
<b>Cash, gold and gemstones</b>		<b>7,557,058</b>	<b>7,028,347</b>
<b>Balances with the State Bank of Vietnam</b>		<b>31,819,095</b>	<b>23,182,208</b>
<b>Placements with and loans to other credit institutions</b>		<b>120,643,395</b>	<b>130,512,012</b>
Placements with other credit institutions		116,966,127	126,276,846
Loans to other credit institutions		3,677,268	4,235,166
Provision for credit losses on loans to other credit institutions		-	-
<b>Securities held for trading</b>	<b>5</b>	<b>8,176,232</b>	<b>3,131,835</b>
Securities held for trading		8,329,452	3,279,561
Provision for securities held for trading		(153,220)	(147,726)
<b>Derivatives and other financial assets</b>	<b>6</b>	<b>275,014</b>	<b>281,166</b>
<b>Loans to customers</b>		<b>872,427,307</b>	<b>851,917,565</b>
Loans to customers	7	885,535,114	864,925,948
Provision for credit losses on loans to customers	8	(13,107,807)	(13,008,383)
<b>Investment securities</b>	<b>9</b>	<b>93,309,850</b>	<b>102,100,093</b>
Available-for-sale securities	9.1	83,477,464	88,586,344
Held-to-maturity investments	9.2	16,013,551	16,207,592
Provision for investment securities		(6,181,165)	(2,693,843)
<b>Long-term investments</b>	<b>10</b>	<b>3,280,430</b>	<b>3,317,405</b>
Investment in a joint venture	10.1	3,016,965	2,906,452
Other long-term investments		264,652	412,645
Provision for long-term investments		(1,187)	(1,692)
<b>Fixed assets</b>		<b>10,513,334</b>	<b>11,114,537</b>
Tangible fixed assets		5,911,147	6,193,312
Cost		13,985,256	13,925,207
Accumulated depreciation		(8,074,109)	(7,731,895)
Intangible fixed assets		4,602,187	4,921,225
Cost		6,209,563	6,424,369
Accumulated amortization		(1,607,376)	(1,503,144)
<b>Other assets</b>	<b>11</b>	<b>35,793,462</b>	<b>31,849,567</b>
Receivables	11.1	25,557,089	21,556,765
Accrued interest and fee receivables		6,935,008	6,901,214
Other assets	11.2	3,310,254	3,400,524
In which: Goodwill	12	-	907
Provision for other assets		(8,889)	(8,936)
<b>TOTAL ASSETS</b>		<b>1,183,795,177</b>	<b>1,164,434,735</b>

INTERIM CONSOLIDATED BALANCE SHEET (continued)  
as at 30 June 2019

	<i>Notes</i>	<i>30 June 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
<b>LIABILITIES</b>			
<b>Due to the Government and the State Bank of Vietnam</b>	<b>13</b>	<b>71,482,368</b>	<b>62,600,159</b>
<b>Deposits and borrowings from other credit institutions</b>	<b>14</b>	<b>96,386,168</b>	<b>111,399,612</b>
Deposits from other credit institutions	14.1	81,464,976	73,941,924
Borrowings from other credit institutions	14.2	14,921,192	37,457,688
<b>Customer deposits</b>	<b>15</b>	<b>846,859,983</b>	<b>825,816,119</b>
<b>Other borrowed and entrusted funds</b>		<b>5,901,876</b>	<b>5,934,029</b>
<b>Valuable papers issued</b>	<b>16</b>	<b>59,516,363</b>	<b>46,216,359</b>
<b>Other liabilities</b>	<b>17</b>	<b>31,151,176</b>	<b>45,012,940</b>
Interest and fee payables		15,777,249	15,820,192
Other payables	17.1	14,945,796	28,772,169
Other provision		428,131	420,579
<b>TOTAL LIABILITIES</b>		<b>1,111,297,934</b>	<b>1,096,979,218</b>
<b>OWNERS' EQUITY</b>			
Capital		46,729,363	46,416,214
- Charter capital		37,234,046	37,234,046
- Share premium		8,974,698	8,974,698
- Other capital		520,619	207,470
Reserves		8,178,825	8,167,617
Foreign exchange differences		768,361	599,602
Undistributed profits		16,231,997	11,975,822
Non-controlling interests		588,697	296,262
<b>TOTAL OWNERS' EQUITY</b>	<b>19</b>	<b>72,497,243</b>	<b>67,455,517</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>1,183,795,177</b>	<b>1,164,434,735</b>

INTERIM CONSOLIDATED BALANCE SHEET (continued)  
as at 30 June 2019

**OFF-BALANCE SHEET ITEMS**

	<u>30 June 2019</u> VND million	<u>31 December 2018</u> VND million
Credit guarantees	1,909,156	3,058,616
Foreign exchange commitments	195,771,902	167,327,100
- Foreign exchange commitments - buy	2,775,229	2,507,667
- Foreign exchange commitments - sell	2,996,770	2,724,166
- Currency swap contracts	189,999,903	162,095,267
Letters of credit	56,356,459	52,940,203
Other guarantees	51,353,950	57,634,431
Other commitments	19,413,365	37,414,889

Prepared by:



Ms. Le Viet Nga  
Deputy Head of Financial  
Accounting Management  
Department

Reviewed by:



Mr. Nguyen Hai Hung  
Chief Accountant



Ms. Nguyen Hong Van  
Deputy General Director

Hanoi, Vietnam

14 August 2019

INTERIM CONSOLIDATED INCOME STATEMENT  
for the six-month period ended 30 June 2019

	Notes	For the six-month period ended 30 June 2019 VND million	For the six-month period ended 30 June 2018 VND million
Interest and similar income	20	39,955,167	36,124,052
Interest and similar expenses	21	(23,778,326)	(21,683,618)
<b>Net interest and similar income</b>		<b>16,176,841</b>	<b>14,440,434</b>
Fee and commission income		3,641,624	2,664,482
Fee and commission expenses		(1,686,252)	(1,465,185)
<b>Net fee and commission income</b>		<b>1,955,372</b>	<b>1,199,297</b>
<b>Net gain from trading in foreign currencies</b>		<b>787,195</b>	<b>357,659</b>
<b>Net gain from securities held for trading</b>	22.1	<b>135,989</b>	<b>213,359</b>
<b>Net (loss)/gain from investment securities</b>	22.2	<b>(242,819)</b>	<b>130,398</b>
Other income		848,460	1,375,699
Other expenses		(503,435)	(590,702)
<b>Net gain from other activities</b>		<b>345,025</b>	<b>784,997</b>
<b>Income from investments in other entities</b>	23	<b>414,807</b>	<b>210,340</b>
<b>TOTAL OPERATING EXPENSES</b>	24	<b>(6,857,058)</b>	<b>(7,118,674)</b>
<b>Net profit before provision for credit losses</b>		<b>12,715,352</b>	<b>10,217,810</b>
Provision expense for credit losses		(7,380,448)	(4,952,183)
<b>PROFIT BEFORE TAX</b>		<b>5,334,904</b>	<b>5,265,627</b>
Current corporate income tax expense	18.1	(1,021,996)	(1,012,094)
Deferred tax expense		(5,548)	(657)
<b>Corporate income tax expense</b>		<b>(1,027,544)</b>	<b>(1,012,751)</b>
<b>PROFIT AFTER TAX</b>		<b>4,307,360</b>	<b>4,252,876</b>
<b>Non-controlling interests</b>		<b>12,495</b>	<b>16,184</b>
<b>Owners' net profit</b>		<b>4,294,865</b>	<b>4,236,692</b>
<b>Basic earnings per share (VND/share)</b>	19.3	<b>1,153</b>	<b>1,138</b>

Prepared by:



Ms. Le Viet Nga  
Deputy Head of Financial  
Accounting Management  
Department

Reviewed by:



Mr. Nguyen Hai Hung  
Chief Accountant

Approved by:



Ms. Nguyen Hong Van  
Deputy General Director

Hanoi, Vietnam

14 August 2019

INTERIM CONSOLIDATED CASH FLOW STATEMENT  
for the six-month period ended 30 June 2019

	<i>Notes</i>	<i>For the six-month period ended 30 June 2019 VND million</i>	<i>For the six-month period ended 30 June 2018 VND million</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest and similar receipts		39,844,902	35,998,639
Interest and similar payments		(23,838,947)	(19,822,609)
Net fee and commission receipts		2,021,351	1,326,349
Net receipts/(payment) from dealing in foreign currencies, gold and securities trading activities		1,707,764	(684,765)
Other (expenses)/income		(60,619)	26,499
Recoveries from bad debts written-off previously		474,214	792,092
Payments for operating and salary expenses		(6,526,943)	(6,592,555)
Corporate income tax paid during the period	18.1	(466,220)	(799,784)
<b>Net cash flows from operating profit before changes in operating assets and liabilities</b>		<b>13,155,502</b>	<b>10,243,866</b>
<b>Changes in operating assets</b>		<b>(28,087,221)</b>	<b>(74,667,605)</b>
Decrease/(increase) in deposits at and loans to other credit institutions		62,640	(11,868,443)
Decrease in trading securities		253,030	18,206,770
Decrease in derivatives and other financial assets		6,152	528,762
Increase in loans to customers		(16,561,873)	(74,216,908)
Utilization of provision to write off loans to customers, securities, long-term investments and other receivables		(4,047,293)	(2,661,208)
Increase in other assets		(7,799,877)	(4,656,578)
<b>Changes in operating liabilities</b>		<b>12,805,632</b>	<b>37,836,799</b>
Increase in due to the Government and the SBV		8,882,209	34,969,550
Decrease in deposits and borrowings from other credit institutions		(15,013,444)	(30,956,056)
Increase in customers deposits		21,043,864	99,511,691
Increase in valuable papers issued (except for valuable papers issued for financing activities)		13,300,004	8,615,110
(Decrease)/increase in other borrowed and entrusted funds		(32,153)	180,963
Increase in derivatives and other financial liabilities		-	98,116
Decrease in other liabilities		(15,374,848)	(74,582,575)
<b>Net cash flows used in operating activities</b>		<b>(2,126,087)</b>	<b>(26,586,940)</b>

INTERIM CONSOLIDATED CASH FLOW STATEMENT (continued)  
for the six-month period ended 30 June 2019

Notes	For the six-month period ended 30 June 2019 VND million	For the six-month period ended 30 June 2018 VND million
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(87,063)	(388,183)
Proceeds from disposal of fixed assets	238,158	2,237
Payments for disposal of fixed assets	(219,254)	(4,584)
Payments for investments in other entities	-	-
Proceeds from investments in other entities	304,905	-
Dividends and profits received from long-term investments and capital contribution	328,207	182,880
<b>Net cash flows from/(used in) investing activities</b>	<b>564,953</b>	<b>(207,650)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase capital from capital contribution and/or share issuance	593,300	-
Dividend payment to shareholders	(211)	-
<b>Net cash flows from financing activities</b>	<b>593,089</b>	<b>-</b>
<b>Net cash flows for the period</b>	<b>(968,045)</b>	<b>(26,794,590)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>155,544,719</b>	<b>131,707,327</b>
<b>Impact of exchange rate fluctuation</b>	<b>327,666</b>	<b>106,836</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>154,904,340</b>	<b>105,019,573</b>

Prepared by:



Ms. Le Viet Nga  
Deputy Head of Financial  
Accounting Management  
Department

Reviewed by:



Mr. Nguyen Hai Hung  
Chief Accountant



Ms. Nguyen Hong Van  
Deputy General Director

Hanoi, Vietnam

14 August 2019

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
as at 30 June 2019 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 ("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 11th amendment of Business Registration No. 0100111948 issued by Hanoi Authority for Planning and Investment was dated 1 November 2018.

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 2019, the charter capital of the Bank is VND37,234,046 million (31 December 2018: 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 2019, the Bank has one (1) Head Office; two (2) Local representative offices (in Da Nang and Ho Chi Minh City); nine (9) Administrative units include: one (1) School of Human Resource Development and Training; one (1) IT centre; one (1) Card centre; one (1) Trade finance centre; five (5) Cash management centres; ; one-hundred and fifty five (155) branches and seven (7) subsidiaries; foreign networks include: one (1) overseas representative office in Myanmar; two (2) branches in the Federal Republic of Germany, one (1) 100% owned bank in Lao People's Democratic Republic (Vietnam Joint Stock Commercial Bank for Industry and Trade in Laos).

***Employees***

The Bank has 23,837 employees as at 30 June 2019 (31 December 2018: 24,197 employees).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

1. GENERAL INFORMATION (continued)

**Subsidiaries**

As at 30 June 2019, 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>Ownership</i>
VietinBank Leasing Company Limited	Business Registration No. 0101047075 dated 31 August 2009 granted by Hanoi Authority for Planning and Investment	Financial leasing	100%
VietinBank Securities Joint Stock Company	Establishment and Operating License No. 107/UBCK - GP dated 1 July 2009 granted by State Securities Commission	Security market	75.6%
VietinBank Debt Management and Asset Exploitation Company Limited	Business Registration No. 0302077030/GP dated 20 July 2010 granted by Department of Planning and Investment of Ho Chi Minh City	Asset management	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	73.4%
VietinBank Gold & Jewellery Trading Company Limited	Business Registration No. 0105011873/GP dated 25 November 2010 granted by Hanoi Authority for Planning and Investment	Gold, gold manipulation	100%
VietinBank Fund Management Company Limited	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	100%
VietinBank Global Money Transfer Company Limited	Business Registration No. 0105757686 dated 3 January 2012 granted by Hanoi Authority for Planning and Investment	Monetary transfer intermediary	100%
VietinBank Lao Limited	Business Registration No. 068/NHCHDCNDL dated 8 July 2015 granted by Lao DPR Central Bank	Finance and Banking	100%

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 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 interim consolidated financial statements as at 30 June 2019, all amounts are rounded to the nearest million and presented in VND million. The presentation makes no impact on readers' view of interim consolidated financial position, interim consolidated income statement and interim consolidated cash flows.

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

### **3.1 Statement of compliance**

The 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/QD-NHNN issued on 29 April 2004 and Circular No. 10/2014/TT-NHNN dated 20 March 2014 and Circular 22/2017/TT-NHNN issued on 29 December 2017 amending and supplementing Decision No. 479/2004/QD-NHNN; Decision No. 16/2007/QD-NHNN dated 18 April 2007, Circular No. 49/2014/TT-NHNN amending and supplementing a number of articles of Decision No. 16/2007/QD-NHNN and the chart of account system for Credit Institutions issued in connection with Decision No. 479/2004/QD-NHNN by the Governor of the State Bank of Vietnam and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 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 Management of the Bank to 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. The actual results may differ from such estimates and assumptions.

**3.4 *Basis of consolidation***

The interim consolidated financial statements comprise the financial statements of the Bank and its subsidiaries for the six-month period ended 30 June 2019.

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 2019 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 Bank's consolidated financial statements for the year ended 31 December 2018 and the interim consolidated financial statement for the six-month period ended 30 June 2018.

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

Cash and cash equivalents comprise cash on hand, balance with the SBV, demand deposits and placements with other credit institutions with an original maturity of three months or less from the transaction date, Government treasury bills and other short-term valuable papers eligible for rediscount with the SBV, securities with recovery or maturity of three months or less from date of purchase which are convertible into a known amount of cash and do not bear liquidity risk as at the reporting date.

##### **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 dated 21 January 2013 ("Circular 02") regulating classification of assets, levels and method of setting up of risk provisions, and use of provisions against credit risks in the banking activity of credit institutions, foreign banks' branches and Circular No. 09/2014/TT-NHNN dated 18 March 2014 ("Circular 09") amending, supplementing a number of Articles of the Circular 02.

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

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

**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 on 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 under five years from disbursement date. Long-term loans have maturity from 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 and other credit risk bearing assets**

*Loan classification*

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

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

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

*Specific provision*

Specific provision as at 30 June 2019 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 2019.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 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 and other credit risk bearing assets** (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 incompliance with Clause 1, 3, 4, 5, 6 under Article 126 of Law on Credit Institutions; or - Debts made incompliance with Clause 1, 2, 3, 4 under Article 127 of Law on Credit Institutions; or - Debts made incompliance with Clauses 1, 2, 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 2019 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 and other credit risk bearing assets*** (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 2019 is made at 0.75% of total outstanding loans excluding placements with and loans to other credit institutions and loans classified as loss group as at 30 June 2019.

###### *Write-off bad debts*

Provisions are recognized as an expense 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 07 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 2019 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 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 Limited and VietinBank Securities Joint Stock Company are provided for impairment in accordance with Circular No. 146/2014/TT-BTC ("Circular 146") dated 06 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 2019 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 some articles of Circular No. 19/2013/TT-NHNN stipulating purchase, sale and bad debt written-off of VAMC.

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

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

In which:

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

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

Specific provision for special bonds is recognized in the interim 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 2019 and for the six-month period then ended

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

##### 4.8 *Investments in joint ventures*

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

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

##### 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. 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 interim consolidated income statement over the term of the agreement using the straight-line method based on the interest rate stipulated in the contract.

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 interim 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 2019 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.

Cost 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 is calculated on a straight-line basis over the estimated useful lives of these assets as follows:

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

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

##### 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.

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%

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

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

##### 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 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. Finance leases are recorded as principal of loan to customer and income from these are recognized 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 recognized on a straight-line basis over the term of the relevant lease and independent on payment method. Initial direct costs incurred for obtaining income from the operating lease are recognized 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 relevant lease.

##### 4.16 *Recognition of income and expense*

###### 4.16.1 *Interest income and expenses*

Interest income and interest 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. Fee from guarantee, letter of credit, investment activities (bonds, etc.) are recognized on an accrual/amortization basis.

###### 4.16.2 *Income from securities trading*

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

###### 4.16.3 *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 which are received in the form of shares, bonus shares and the right to buy shares for current shareholders, the share from undistributed profits is not recognized as an increase in investment value and is not recorded as an income of the Bank but updates the number of shares.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

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

##### 4.16 Recognition of income and expense (continued)

###### 4.16.4 Income 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") on financial regime applicable to insurers, reinsurers, insurance brokers and foreign non-life insurance branches.

Specifically, gross written premiums are recognized as revenue at the point of time when the following conditions are met: (i) the insurance contract has been entered into by the insurer and the insured; and (ii) there is evidence of a contract being signed and the premium paid by the insured or (iii) there is agreement between the Corporation and the insured on premium payment period. Premium payment period shall not exceed 30 days from policy inception date. For instalment contracts, non-life insurers are 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 policy holder makes 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 as at the end of the six-month period is recorded as "Revenue pending for allocation" in the interim consolidated balance sheet.

Premium return and premium reduction are considered as revenue deduction and must be booked separately. At the end of period, these amounts are net-off to 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 receivables from accrued income not yet collected

According to Circular No. 16/2018/TT-BTC dated 7 February 2018 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 the interim consolidated income statement.

###### 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. 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 at percentage of direct premiums for specific line of insurance as stipulated in Circular 50. Commission expense is allocated and recognized in the income statement for direct premiums earned during the period.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

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

##### 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 principal amounts outstanding at the date of 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 33*). 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 insurance*

The technical reserves calculated based on Official Letter No. 2821/BTC-QLBH, which was approved by Ministry of Finance on 13 March 2018, include (a) technical reserves for non-life insurance and (b) technical reserve of health insurance. The reserve appropriation methodologies are based on Circular 50.

Details of such reserving methodologies are as follows:

###### a) Technical reserves for non-life insurance

###### (i) *Unearned premium reserve*

Unearned premium reserve is calculated as a percentage of total premium or in accordance with a coefficient of the insurance contracts' terms, as such:

- ▶ For insurance policies with a term of less than 1 year: for line of cargo insurance delivered by road, water, inland water, railway and airway, unearned premium reserve is made at 25% of the total insurance premium. For other insurance lines, unearned premium reserve is calculated at 50% of the total insurance premium.
- ▶ For insurance policies 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 words, 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:

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

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

**4.20 Technical reserves for insurance** (continued)

a) Technical reserves for non-life insurance (continued)

(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:

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

In which:

- The compensation amount arising from a fiscal year includes the compensation amount actually paid in the year plus increase/decrease of the provision for losses incurred under the insurance liability but still unresolved in financial year-end.
- The average time of delaying the claim for compensation is the average time since the loss occurs until the non-life insurance enterprise, foreign branch, reinsurance enterprise receives the notice of loss or a claim form for compensation (in days)
- ▶ Gross and assumed reinsurance claim reserve is presented as liabilities; claim reserve of outward reinsurance is presented as reinsurance asset.

(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.
- ▶ Catastrophe reserve is presented as liabilities.

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 73/2016/ND-CP issued by the Government of Vietnam on 1 July 2016 (“Decree No. 73”) 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 2019.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

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

**4.20 Technical reserves for insurance (continued)**

b) Technical reserve for health insurance

(i) *Mathematical reserve*

- ▶ Regarding health insurance policies with a term of more than 1 year, mathematical reserve is calculated based on the 1/8 method.
- ▶ Regarding health insurance policies provided by a non-life insurer or foreign branch which only cover death or total permanent disability, mathematical reserve is set aside based on a coefficient of the remaining days of insurance policies.
- ▶ Mathematical reserve is recorded in un-earned premium reserve account in the balance sheet.

(ii) *Unearned premiums reserve*

Regarding insurance policies with a term of less than or equal to 1 year, unearned premiums reserve is calculated at 50% of the total insurance premiums.

(iii) *Claim reserve*

- ▶ 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:

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

In which:

- The compensation amount arising from a fiscal year includes the compensation amount actually paid in the year plus increase/decrease of the provision for losses incurred under the insurance liability but still unresolved in financial year-end.
- The average time of delaying the claim for compensation is the average time since the loss occurs until the non-life insurance enterprise, foreign branch, reinsurance enterprise receives the notice of loss or a claim form for compensation (in days).
- ▶ Gross and assumed reinsurance claim reserve is presented as liabilities; claim reserve of outward reinsurance is presented as reinsurance asset.

(iv) *Equalization reserve*

Equalization reserve for health insurance is established at 1% of net premium and recognised in catastrophe reserve account on balance sheet.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

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

**4.21 Corporate income taxes**

*Current income tax*

Current income tax assets and liabilities for the current period and prior years 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 tax assets are recognized for deductible temporary differences, deductible amounts carried over to subsequent years 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 payables are determined on the basis of expected tax rates applied for the 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 the accounting period.

**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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

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

##### 4.23 *Derivatives* (continued)

###### *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 six-month 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 accounting 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*

The employees at the Bank shall be entitled to receive allowance from the Social Insurance Fund upon retirement and shall be subsidized by the Bank for 02 months based on additional salary by the job position attached to the KPIs on an average of the latest six - month period before retirement.

Under the Bank's labor reorganization policy, the employees at the Bank of early retirement are entitled to receive allowance equal to a half of the basic salary for social insurance for one year (12 months) of work and by a half of a month's basic salary for social insurance for each month of retirement before the age (not exceeding 48 months of retirement before the age).

###### 4.24.2 *Voluntary resignation benefits*

Under Section 48 of the Vietnam Labour Code 10/2012/QH13 effective from 1 May 2013, the employee working at the Bank when terminating the labour contract with the Bank in accordance with the law and the Bank is entitled to receive allowance equal to a half month's salary for each year of employment (12 months) up to 31 December 2008. The average monthly salary used in this calculation is the average salary under the labour contract of the latest six – month period up to the resignation date.

###### 4.24.3 *Unemployment insurance*

According to Circular No. 28/2015/TT-BLDTBXH on guidelines for Article 52 of the Law on Employment and Decree No. 28/2015/ND-CP dated 12 March 2015 of the Government on guidelines for the Law on Employment in term of unemployment insurance, 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

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

**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) The 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 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.

*(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 Joint Stock Corporation and VietinBank Fund Management Company Limited: 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: the statutory reserve is made as per Decree No. 73/2016/NĐ-CP dated 1 July 2016 promulgated by the Government at the following rate:

- ▶ Statutory reserve fund: 5% of profit after tax, not exceeding 10% of the Company's charter capital

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

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

**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 2019 and for the six-month period then ended

#### 5. SECURITIES HELD FOR TRADING

	<i>30 June 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
<b>Debt securities</b>	<b>7,311,101</b>	<b>2,183,108</b>
Government bonds	6,537,689	1,276,084
Bonds issued by other domestic credit institutions	216,798	575,179
Bonds issued by other domestic economic entities	556,614	331,845
<b>Equity securities</b>	<b>938,410</b>	<b>946,374</b>
Equity securities issued by other domestic credit institutions	23,476	21,491
Equity securities issued by other domestic economic entities	914,934	924,883
<b>Other trading securities</b>	<b>79,941</b>	<b>150,079</b>
Fund certificates	79,941	150,079
	<b>8,329,452</b>	<b>3,279,561</b>
Provision for securities held for trading	(153,220)	(147,726)
	<b>8,176,232</b>	<b>3,131,835</b>

#### 6. DERIVATIVES AND OTHER FINANCIAL ASSETS

	<i>30 June 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
<b>Currency derivative financial instruments</b>	<b>224,274</b>	<b>195,848</b>
Foreign exchange forward contracts	(15,997)	(79,987)
Foreign exchange swap contracts	240,271	275,835
<b>Other derivative financial instruments</b>	<b>50,740</b>	<b>85,318</b>
Interest rate swap	50,740	85,318
	<b>275,014</b>	<b>281,166</b>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

## 7. LOANS TO CUSTOMERS

	<i>30 June 2019</i>	<i>31 December 2018</i>
	<i>VND million</i>	<i>VND million</i>
Loans to domestic economic entities and individuals	872,720,514	851,853,211
Discounted bills and valuable papers	1,191,732	1,026,188
Financial lease	2,729,133	2,486,941
Payments on behalf of customers	47,601	96,054
Loans financed by entrusted funds	389,066	452,354
Loans to foreign economic entities and individuals	8,457,068	9,011,200
	<b>885,535,114</b>	<b>864,925,948</b>

### 7.1 Analysis of loan portfolio by quality

	<i>30 June 2019</i>	<i>31 December 2018</i>
	<i>VND million</i>	<i>VND million</i>
Current	865,119,849	846,025,275
Special mention	7,405,734	5,209,721
Substandard	1,829,160	2,135,701
Doubtful	3,659,278	2,085,475
Loss	7,521,093	9,469,776
	<b>885,535,114</b>	<b>864,925,948</b>

### 7.2 Analysis of loan portfolio by original maturity

	<i>30 June 2019</i>	<i>31 December 2018</i>
	<i>VND million</i>	<i>VND million</i>
Short term loans	500,110,935	487,609,766
Medium term loans	64,839,992	70,340,280
Long term loans	320,584,187	306,975,902
	<b>885,535,114</b>	<b>864,925,948</b>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

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

Movement of provision for credit losses on loans to customers during the six-month period ended 30 June 2019 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 2019	6,768,718	6,239,665	13,008,383
Provision charged/(reversed) in the period	(62,876)	4,209,593	4,146,717
Provision used to write-off bad debts	-	(4,047,293)	(4,047,293)
<b>Closing balance as at 30 June 2019</b>	<b>6,705,842</b>	<b>6,401,965</b>	<b>13,107,807</b>

Movement of 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	341,502	1,424,134	1,765,636
Provision used to write-off bad debts	-	(21,235)	(21,235)
<b>Closing balance as at 30 June 2018</b>	<b>6,286,260</b>	<b>3,760,964</b>	<b>10,047,224</b>

## 9. INVESTMENT SECURITIES

### 9.1 Available-for-sale securities

	<i>30 June 2019 VND million</i>	<i>31 December 2018 VND million</i>
<b>Debt securities</b>	<b>83,100,849</b>	<b>88,187,442</b>
Government bonds	37,361,815	41,709,054
Bonds issued by other domestic credit institutions	26,853,103	24,007,410
Bonds issued by other domestic economic entities	18,885,931	22,470,978
<b>Equity securities</b>	<b>376,615</b>	<b>398,902</b>
Equity securities issued by domestic economic entities	376,615	398,902
<b>Provision for available-for-sale securities</b>	<b>(714,533)</b>	<b>(460,192)</b>
In which:		
Provision for diminution in value	(162,338)	(117,473)
General provision	(299,387)	(342,719)
Specific provision	(252,808)	-
	<b>82,762,931</b>	<b>88,126,152</b>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

## 9. INVESTMENT SECURITIES (continued)

### 9.2 Held-to-maturity securities

	30 June 2019 VND million	31 December 2018 VND million
Face value of held-to-maturity securities	16,013,551	16,207,592
Provision for held-to-maturity securities	(5,466,632)	(2,233,651)
	<b>10,546,919</b>	<b>13,973,941</b>

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

The Bank classified debts as at 30 June 2019 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 2019 is made based on unlisted corporate bonds classification result at 30 June 2019.

The classification and provision for credit losses of unlisted corporate bonds in accordance with Circular 02 and Circular 09 as at 30 June 2019 are as follows:

<i>Classification</i>	<i>Book value of bonds VND million</i>	<i>Specific provision VND million</i>	<i>General provision VND million</i>	<i>Total VND million</i>
Current	39,328,210	-	294,962	294,962
Special mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	590,000	155,881	4,425	160,306
Loss	240,850	96,927	-	96,927
	<b>40,159,060</b>	<b>252,808</b>	<b>299,387</b>	<b>552,195</b>

## 10. LONG-TERM INVESTMENTS

Analysis by type of investments:

	30 June 2019 VND million	31 December 2018 VND million
Investment in a joint venture (Note 10.1)	3,016,965	2,906,452
Other long-term investments	264,652	412,645
Provision for long-term investments	(1,187)	(1,692)
	<b>3,280,430</b>	<b>3,317,405</b>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

## 10. LONG-TERM INVESTMENTS (continued)

### 10.1 Investment in a joint venture

	30 June 2019			31 December 2018		
	Cost VND million	Carrying value (equity method) VND million	% owned	Cost VND million	Carrying value (equity method) VND million	% owned
Indovina Bank Limited	1,688,788	3,016,965	50%	1,688,788	2,906,452	50%
	<b>1,688,788</b>	<b>3,016,965</b>		<b>1,688,788</b>	<b>2,906,452</b>	

Indovina Bank Limited 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 Limited was granted Operating License No. 08/NH-GP dated 29 October 1992 and its amendments issued by the SBV for the operating period of 99 years with the initial charter capital of USD10,000,000. Since its establishment, the charter capital of Indovina Bank Limited 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 2019, the charter capital of Indovina Bank Limited was USD193 million.

## 11. OTHER ASSETS

### 11.1 Receivables

	30 June 2019 VND million	31 December 2018 VND million
Internal receivables	370,866	272,081
External receivables	17,713,389	14,040,801
in which: CIT receivables	565	136,488
Construction in progress	6,074,377	5,865,048
- Constructions in the North	5,295,207	5,144,184
- Constructions in the Central	581,961	559,290
- Constructions in the South	197,209	161,574
Fixed assets in purchase or under repair	1,398,457	1,378,835
	<b>25,557,089</b>	<b>21,556,765</b>

### 11.2 Other assets

	30 June 2019 VND million	31 December 2018 VND million
Materials and tools	152,889	167,468
Prepaid expenses	3,083,983	3,170,550
Goodwill (Note 12)	-	907
Other assets	73,382	61,599
	<b>3,310,254</b>	<b>3,400,524</b>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

## 12. GOODWILL

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

	<i>30 June 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
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	(17,242)	(15,427)
Value of unamortized goodwill at the beginning of the period	907	2,722
<b>Decrease in goodwill during the period</b>	<b>(907)</b>	<b>(1,815)</b>
Goodwill amortized during the period	(907)	(1,815)
<b>Total value of unamortized goodwill at the end of the period</b>	<b>-</b>	<b>907</b>

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

	<i>30 June 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
<b>Borrowings from the SBV</b>	<b>3,022,610</b>	<b>3,394,517</b>
Borrowings based on the credit files	3,015,652	3,387,559
Borrowings to support State-owned enterprises	6,958	6,958
<b>Deposits from the State Treasury and other liabilities</b>	<b>68,459,758</b>	<b>59,205,642</b>
	<b>71,482,368</b>	<b>62,600,159</b>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

#### 14. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

##### 14.1 Deposits from other credit institutions

	30 June 2019 VND million	31 December 2018 VND million
<b>Demand deposits</b>	<b>45,819,758</b>	<b>45,929,817</b>
In VND	45,381,528	45,506,583
In foreign currencies	438,230	423,234
<b>Term deposits</b>	<b>35,645,218</b>	<b>28,012,107</b>
In VND	17,231,500	24,662,300
In foreign currencies	18,413,718	3,349,807
	<b>81,464,976</b>	<b>73,941,924</b>

##### 14.2 Borrowings from other credit institutions

	30 June 2019 VND million	31 December 2018 VND million
In VND	1,456,421	4,244,314
In foreign currencies	13,464,771	33,213,374
	<b>14,921,192</b>	<b>37,457,688</b>

#### 15. CUSTOMER DEPOSITS

	30 June 2019 VND million	31 December 2018 VND million
<b>Demand deposits</b>	<b>121,733,095</b>	<b>124,039,627</b>
- Demand deposits in VND	97,850,707	99,241,853
- Demand deposits in foreign currencies	23,882,388	24,797,774
<b>Term deposits</b>	<b>718,499,666</b>	<b>694,572,398</b>
- Term deposits in VND	690,286,252	665,347,621
- Term deposits in foreign currencies	28,213,414	29,224,777
<b>Deposits for specific purpose</b>	<b>3,265,323</b>	<b>4,067,540</b>
- Deposits for specific purpose in VND	1,977,585	2,471,786
- Deposits for specific purpose in foreign currencies	1,287,738	1,595,754
<b>Margin deposits</b>	<b>3,361,899</b>	<b>3,136,554</b>
- Margin deposits in VND	2,534,530	2,800,123
- Margin deposits in foreign currencies	827,369	336,431
	<b>846,859,983</b>	<b>825,816,119</b>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

**16. VALUABLE PAPERS ISSUED**

	<i>30 June 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
<b>In VND</b>	<b>59,515,482</b>	<b>46,215,482</b>
Par value	59,515,482	46,215,482
<b>In foreign currencies</b>	<b>881</b>	<b>877</b>
Par value	881	877
	<b>59,516,363</b>	<b>46,216,359</b>

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	197	-	-	-	197
- <i>In VND</i>	197	-	-	-	197
From 12 months to under 5 years	-	166	5,500,000	27,500,872	33,001,038
- <i>In VND</i>	-	166	5,500,000	27,500,019	33,000,185
- <i>In foreign currencies</i>	-	-	-	853	853
From 5 years	-	-	26,515,100	28	26,515,128
- <i>In VND</i>	-	-	26,515,100	-	26,515,100
- <i>In foreign currencies</i>	-	-	-	28	28
<b>Closing balance</b>	<b>197</b>	<b>166</b>	<b>32,015,100</b>	<b>27,500,900</b>	<b>59,516,363</b>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

## 17. OTHER LIABILITIES

### 17.1 Other payables

	<i>30 June 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
Internal payables	2,637,640	2,709,617
External payables (*)	11,304,277	24,557,731
Bonus, welfare funds	1,003,879	1,504,821
	<b>14,945,796</b>	<b>28,772,169</b>

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

	<i>30 June 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
Collection, payment on behalf of other organizations	6,316,982	20,933,729
Amounts kept for customers and awaiting settlement	111,074	131,942
Corporate income tax payable	419,486	-
Other items awaiting for payment	1,706,136	1,381,640
Other payables related to securities operation	681,778	610,398
Tax and fee payables	184,474	224,055
Payables to the SBV due to the collection of written-off debts	91,515	90,046
Payables related to trade finance activities	8,450	6,005
Money transfer payable	792,814	860,338
Other payables	991,568	319,578
	<b>11,304,277</b>	<b>24,557,731</b>

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

	<i>Opening balance</i> <i>VND million</i>	<i>Movements during the period</i>		<i>Closing balance</i> <i>VND million</i>
		<i>Payables</i> <i>VND million</i>	<i>Paid</i> <i>VND million</i>	
Value added tax	21,311	224,512	217,698	28,125
Corporate income tax	(136,488)	1,021,629	466,220	418,921
Other taxes	124,716	388,650	452,159	61,207
	<b>9,539</b>	<b>1,634,791</b>	<b>1,136,077</b>	<b>508,253</b>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

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

### 18.1 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.

For VietinBank Lao Limited, the Bank shall calculate and determine the CIT payable according to the income tax regulations in Laos. According to Tax Law No. 70 issued by the National Assembly on 15 December 2015, the CIT amount of VietinBank Lao Limited is determined by 24% of the earned profit.

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 years 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 end of six-month period.

Provision for current income tax expense is computed as follows:

	<i>For the six- month period ended 30 June 2019 VND million</i>	<i>For the six- month period ended 30 June 2018 VND million</i>
<b>Profit before tax</b>	<b>5,334,904</b>	<b>5,265,627</b>
<i>Plus/(minus)</i>		
- Non-bearing tax dividend income	(29,717)	(3,000)
- Subsidiaries' profits	(340,734)	(386,232)
- Income from increase in interest at joint venture	(70,312)	(188,291)
- Movement of general provision for loans arising from consolidation	17,460	-
- Others	(114,330)	(6,446)
<b>Estimated taxable income</b>	<b>4,797,271</b>	<b>4,681,658</b>
Parent Bank's CIT expenses	959,454	936,332
Subsidiaries' CIT expenses	62,542	75,762
<b>Total CIT expenses in the period</b>	<b>1,021,996</b>	<b>1,012,094</b>
<b>CIT payable at the beginning of the period</b>	<b>(136,488)</b>	<b>131,590</b>
CIT paid during the period	(466,220)	(799,784)
Adjustment CIT differences of previous year	(367)	13
<b>Current income tax payable at the end of the period</b>	<b>418,921</b>	<b>343,913</b>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

## 19. OWNERS' EQUITY AND RESERVES

### 19.1 Statement of changes in equity

	Charter capital VND million	Share premium VND million	Other owned capital VND million	Capital 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
<b>Balance as at 1 January 2018</b>	<b>37,234,046</b>	<b>8,974,710</b>	-	<b>2,597,498</b>	<b>4,823,006</b>	<b>55,835</b>	<b>550,601</b>	<b>9,233,969</b>	<b>295,618</b>	<b>63,765,283</b>
Net profit for the year	-	-	-	-	-	-	-	5,413,949	2,480	5,416,429
Appropriation to reserves	-	-	-	276,179	547,499	10,747	-	(834,425)	(1,833)	(1,833)
Appropriation of the Bank bonus and welfare funds in 2017	-	-	-	-	-	-	-	(1,702,564)	-	(1,702,564)
Increase from subsidiaries' share issue	-	-	66,404	-	-	-	-	(66,404)	-	-
Increase from translation of financial statements for consolidation purposes	-	-	-	-	-	-	49,001	(49,001)	-	-
Reclassification	-	-	141,066	(141,066)	-	-	-	-	-	-
Other adjustments	-	(12)	-	-	(1,440)	(641)	-	(19,702)	(3)	(21,798)
<b>Balance as at 31 December 2018</b>	<b>37,234,046</b>	<b>8,974,698</b>	<b>207,470</b>	<b>2,732,611</b>	<b>5,369,065</b>	<b>65,941</b>	<b>599,602</b>	<b>11,975,822</b>	<b>296,262</b>	<b>67,455,517</b>
Net profit for the period	-	-	-	-	-	-	-	4,294,865	12,495	4,307,360
Appropriation to reserves	-	-	-	5,898	5,898	-	-	(11,796)	-	-
Appropriation of the Bank bonus and welfare funds in 2018	-	-	-	-	-	-	-	(18,680)	-	(18,680)
Increase from subsidiaries' share issue	-	-	313,149	-	-	-	-	-	280,151	593,300
Increase from translation of financial statements for consolidation purposes	-	-	-	-	(386)	(202)	180,825	-	-	180,825
Other adjustments	-	-	-	-	-	-	(12,066)	(8,214)	(211)	(21,079)
<b>Balance as at 30 June 2019</b>	<b>37,234,046</b>	<b>8,974,698</b>	<b>520,619</b>	<b>2,738,509</b>	<b>5,374,577</b>	<b>65,739</b>	<b>768,361</b>	<b>16,231,997</b>	<b>588,697</b>	<b>72,497,243</b>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

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

### 19.2 Equity

Details of the Bank's shares are as follows:

	30 June 2019		31 December 2018	
	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.

### 19.3 Basic earnings per share

Profit for calculation of basic earnings per share

	For the six-month period ended 30 June 2019 VND million	For the six-month period ended 30 June 2018 VND million
Net profit	4,294,865	4,236,692
Number of ordinary shares for calculation of basic earnings	3,723,404,556	3,723,404,556
<b>Basic earnings per share (VND/share)</b>	<b>1,153</b>	<b>1,138</b>

## 20. INTEREST AND SIMILAR INCOME

	For the six-month period ended 30 June 2019 VND million	For the six-month period ended 30 June 2018 VND million
Interest income from deposits	1,616,627	983,331
Interest income from loans to customers	34,281,695	29,217,085
Interest income from debt securities	3,295,461	5,236,796
Income from guarantee activities	371,470	361,850
Income from finance leases	130,112	115,414
Other income from credit activities	259,802	209,576
	<b>39,955,167</b>	<b>36,124,052</b>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

**21. INTEREST AND SIMILAR EXPENSES**

	<i>For the six-month period ended 30 June 2019 VND million</i>	<i>For the six-month period ended 30 June 2018 VND million</i>
Interest expenses for deposits	21,275,464	19,838,290
Interest expenses for borrowings	513,243	953,647
Interest expenses for valuable papers issued	1,845,209	830,642
Other expenses for credit activities	144,410	61,039
	<b>23,778,326</b>	<b>21,683,618</b>

**22. NET (LOSS)/GAIN FROM SECURITIES****22.1 Net gain from securities held for trading**

	<i>For the six-month period ended 30 June 2019 VND million</i>	<i>For the six-month period ended 30 June 2018 VND million</i>
Income from securities held for trading	147,259	289,963
Expenses for securities held for trading	(5,777)	(122,785)
Provision (charged)/reversed for securities held for trading	(5,493)	46,181
<b>Net gain from securities held for trading</b>	<b>135,989</b>	<b>213,359</b>

**22.2 Net (loss)/gain from investment securities**

	<i>For the six-month period ended 30 June 2019 VND million</i>	<i>For the six-month period ended 30 June 2018 VND million</i>
Income from trading in investment securities	11,220	6,973
Expenses for trading in investment securities	(448)	(6,478)
Provision (charged)/reversed for investment securities	(253,591)	129,903
<b>Net (loss)/gain from investment securities</b>	<b>(242,819)</b>	<b>130,398</b>

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

	<i>For the six-month period ended 30 June 2019 VND million</i>	<i>For the six-month period ended 30 June 2018 VND million</i>
Income from equity securities	1,084	1,732
Income from capital contribution	185,545	20,317
Share from net profit under equity method of investment in a joint venture	228,178	188,291
	<b>414,807</b>	<b>210,340</b>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

#### 24. TOTAL OPERATING EXPENSES

	<i>For the six-month period ended 30 June 2019 VND million</i>	<i>For the six-month period ended 30 June 2018 VND million</i>
<b>Expenses on taxes, fees, charges</b>	<b>10,142</b>	<b>18,050</b>
<b>Personnel expenses</b>	<b>4,451,416</b>	<b>4,397,966</b>
Salary and allowances	3,627,296	3,628,682
Expenses related to salary	274,878	267,787
Allowances	6,776	5,896
Other expenses	542,466	495,601
<b>Expenses on assets</b>	<b>908,920</b>	<b>1,042,980</b>
Depreciation and amortization expenses	458,810	504,011
Others	450,110	538,969
<b>Administrative expenses</b>	<b>1,159,677</b>	<b>1,350,485</b>
Per-diem	65,014	87,053
Expenses for union activities	6,540	19,894
Other expenses	1,088,123	1,243,538
<b>Insurance premium for customers' deposits</b>	<b>326,903</b>	<b>310,949</b>
<b>Other provision reverse</b>	<b>-</b>	<b>(1,756)</b>
	<b>6,857,058</b>	<b>7,118,674</b>

#### 25. 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 2019 VND million</i>	<i>31 December 2018 VND million</i>
Cash and cash equivalents on hand	7,557,058	7,028,347
Balances with the SBV	31,819,095	23,182,208
Current accounts at other credit institutions	67,824,740	67,777,391
Placements with other credit institutions with terms not exceeding three (3) months	47,703,447	57,556,773
	<b>154,904,340</b>	<b>155,544,719</b>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

## 26. COLLATERAL AND MORTGAGES

### 26.1 *Assets, valuable papers taken for mortgage, pledge and discount, rediscount*

Details of customers' collateral and mortgages at the Bank as at the end of the period are as follows:

	<i>30 June 2019</i>	<i>31 December 2018</i>
	<i>VND million</i>	<i>VND million</i>
Real estates	1,171,827,011	1,088,175,438
Movables	67,669,643	76,798,701
Deposits, gold, gemstones and valuable papers	129,727,059	140,666,919
Other assets	491,527,690	492,718,827
	<b>1,860,751,403</b>	<b>1,798,359,885</b>

Collaterals and mortgages held by the Bank which are permitted to sell to or re-pledge for a third party in the absence of default by the customers (owner of the collaterals) who are able to pay off the debts according to the law.

As at 30 June 2019, the Bank did not hold any collateral which the Bank is permitted to sell or re-pledge for a third party in the absence of default by the customers (owner of the collaterals) who are able to pay off the debt according to the law.

## 27. 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 the 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).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

## 27. RELATED PARTY TRANSACTIONS (continued)

Details of significant balances with related parties as at 30 June 2019 are as follows:

### Related organizations

<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>30 June 2019 VND million</i>	<i>31 December 2018 VND million</i>
The State Bank of Vietnam	Owner and direct management agency	Deposits of the Bank at the SBV Due to the SBV	31,819,095 (3,022,610)	23,182,208 (3,394,517)
Indovina Bank Limited	Joint venture	Deposits of Indovina Bank Limited at the Bank Deposits of the Bank at Indovina Bank Limited	(4,029,264) 4,013,784	(4,040,635) 4,011,795

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

### Related organizations

<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>For the six-month period ended 30 June 2019 VND million</i>	<i>For the six-month period ended 30 June 2018 VND million</i>
The State Bank of Vietnam	Owner and direct management agency	Increase/(decrease) in deposits of the Bank at the SBV Increase/(decrease) in due to the SBV	8,636,887 371,907	(16,375,367) (268,410)
Indovina Bank Limited	Joint venture	Increase/(decrease) in deposits of Indovina Bank Limited at the Bank Increase deposits of the Bank at Indovina Bank Limited	11,371 1,989	(1,847) 20,201

### Related Individual

<i>Related parties</i>	<i>Transactions</i>
Board of Directors, Supervisory Board and 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. 20/NQ-DHDCD dated 23 April 2019 approved by the General Meeting of Shareholders.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

## 28. 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	880,755,315	990,173,203	109,256,575	275,014	107,820,467
Overseas	8,457,067	6,611,514	362,991	-	-
	<b>889,212,382</b>	<b>996,784,717</b>	<b>109,619,566</b>	<b>275,014</b>	<b>107,820,467</b>

## 29. 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. 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 2019, the Bank has continued to implement sub-projects on fund management, risk management within the Basel II Project in order to comprehensively enhance the risk management system as described in Basel II.

Moreover, 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.

The activities related to the Bank's financial instruments including foreign exchange trading products, gold trading, cross currency swaps, interest rate swaps, etc. mainly serve the demands of corporate customers in the preferential and key sectors and corporate and individual customers that have strong financial conditions.

To manage risk related to financial instruments, the Bank issues regulations, procedures, detailed guidance and internal indicators as well as strictly manages the balance between assets and liabilities, tightly controls the growth in business activities and credit quality; complies with limitation and safety rate for its operation and requirements on risk management as stipulated in Circular 36/2014/TT-NHNN and 06/2016/TT-NHNN, Circular 19/2017/TT-NHNN and regulations of the State Bank of Vietnam and meets requirements on risk management in accordance with Basel II. Accordingly, risks related to financial instruments are strictly managed as follows:

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

**Credit risk management:** Management activities of credit risk of the Bank are deployed through standardized models to organize, create and establish risk control limits based on the risk appetite of the Board of Directors, consistent with the business strategy in each period, ensuring secure and sustainable growth targets.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

**29. FINANCIAL RISK MANAGEMENT POLICIES (continued)**

VietinBank credit-oriented documents are elaborated according to the branches, types of customers and products in each customer segment, suitable to geographic, economic, and political and consumer characteristics of each region for the purpose of optimizing the efficiency of the credit portfolio, limiting the growth into groups of industries and customers with high risk.

With the active management of credit portfolio, the Bank has timely identified potential risk customers which might lead to deterioration in the quality of debt, issues related to the risk concentration, collateral assets, etc. to make proactively implement appropriate measures to support the strict management of debt quality and financial planning in accordance with the plan objectives of the Board of Directors.

The IT infrastructure is prioritized for investment, ensuring that credit portfolio management, early warning, branch credit risk monitoring are implemented automatically, minimizing the data processing time and increasing the quality of information.

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 it in credit approval, loan pricing and efficient customer management.

**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 Asset-Liability Management System (ALM) is also continually 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 monetary risks, interest rate risks on the trading book, the Bank set limits for on-hold status, stop-loss limits, risk-bearing value limits, etc. to control based on the 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

**30. 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 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)  
as at 30 June 2019 and for the six-month period then ended

### 30. CREDIT RISK (continued)

#### Credit risk mitigation methods

*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. 228/2009/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.

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

*Unit: VND million*

	Overdue				Total
	Less than 90 days	91-180 days	181-360 days	Over 360 days	
Loans to customers	409,250	96,763	172,934	981,375	1,660,322
	<b>409,250</b>	<b>96,763</b>	<b>172,934</b>	<b>981,375</b>	<b>1,660,322</b>

▶ **Financial assets which are impaired**

The maturity of impaired financial assets is presented as follows:

*Unit: VND million*

	Overdue				Total
	Less than 90 days	91-180 days	181-360 days	Over 360 days	
Loans to customers	6,996,484	1,732,397	3,486,344	6,539,718	18,754,943
Available-for-sale securities	-	-	590,000	240,850	830,850
	<b>6,996,484</b>	<b>1,732,397</b>	<b>4,076,344</b>	<b>6,780,568</b>	<b>19,585,793</b>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

## 31. MARKET RISK

### 31.1 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 demand deposits, thus the effective interest rate re-pricing term is assumed to be within one month;
- ▶ The maturity of securities held-for-trading is calculated on the basis of the probable time to convert bonds into cash because this portfolio includes highly liquid bonds with fixed interest rates;
- ▶ 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; deposits from customers, valuable papers issued, grants, trusted funds and borrowings at risk of the credit institution is 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 and accrued expenses: classified as non-interest-bearing items.

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

**31. MARKET RISK** (continued)

**31.1 Interest rate risk** (continued)

*Interest rate risk management*

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

*Interest rate risk management at portfolio level*

- Since 2013, the Bank has issued regulations and procedures for managing interest rate risk on banking book which stipulate the principles for managing interest rate risk on banking book through the process of identification, measurement, control and monitoring of risk aims to ensure a balance between the interest rate risk control/prevention goal and the maximization of net interest income as well as the economic value of equity in the business operations of the Bank.
- The Bank completed the design, officially applied and continuously upgraded the software system of Assets-Liabilities Management (ALM), which runs to the transaction level under international practices, automatically provides reports of term differences, revaluation under nominal term and behaviour, scenarios analysis reports on interest rate increase/decrease situation, etc. in order to facilitate the Bank's interest rate management activities.
- Re-pricing terms of all loans are required to be adjusted based on the re-pricing terms of funds mobilized and are controlled within established limits by the Bank.

*Interest rate risk management at transaction level*

- All credit contracts are required to include terms relating to interest rate risk prevention to ensure that the Bank can hold initiative in coping with fluctuations of the market, lending interest rate must reflect the Bank's actual funding cost;
- Management through the Fund Transfer Pricing (FTP) system: the Bank has completed and continuously improved of internal fund transfer pricing system - FTP, which enhanced 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 for each transaction.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

### 31. MARKET RISK (continued)

#### 31.1 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 2019:

	Interest re-pricing period										Total VND million
	Overdue			Interest re-pricing period							
	Non-interest bearing VND million	Over 3 months VND million	Up to 3 months VND million	Up to 1 month VND million	From 1 to 3 months VND million	From 3 to 6 months VND million	From 6 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million		
<b>Assets</b>											
Cash, gold and gemstones	7,557,058	-	-	-	-	-	-	-	-	-	7,557,058
Balances with the SBV	-	-	-	31,819,095	-	-	-	-	-	-	31,819,095
Placements with and loans to other credit institutions (*)	-	-	-	109,420,213	8,855,182	900,000	1,468,000	-	-	-	120,643,395
Securities held for trading (*)	-	-	-	8,329,452	-	-	-	-	-	-	8,329,452
Derivatives and other financial assets	-	-	-	275,014	-	-	-	-	-	-	275,014
Loans to customers (*)	-	13,009,531	7,405,734	370,170,962	225,657,653	209,471,332	44,530,200	13,811,701	1,478,001	-	885,535,114
Investment securities (*)	376,615	-	-	2,052,235	9,330,514	7,636,729	5,145,458	58,473,176	16,476,288	-	99,491,015
Long-term investments (*)	3,281,617	-	-	-	-	-	-	-	-	-	3,281,617
Fixed assets	10,513,334	-	-	-	-	-	-	-	-	-	10,513,334
Other assets (*)	35,802,351	-	-	-	-	-	-	-	-	-	35,802,351
<b>Total assets</b>	<b>57,530,975</b>	<b>13,009,531</b>	<b>7,405,734</b>	<b>522,066,971</b>	<b>243,843,349</b>	<b>218,008,061</b>	<b>51,143,658</b>	<b>72,284,877</b>	<b>17,954,289</b>	<b>1,203,247,445</b>	
<b>Liabilities</b>											
Due to the SBV	-	-	-	68,850,222	437,269	677,380	1,517,497	-	-	-	71,482,368
Deposits and borrowings from other credit institutions	-	-	-	80,125,582	9,863,869	5,263,766	1,079,655	53,296	-	-	96,386,168
Customer deposits	-	-	-	353,796,340	147,067,184	144,367,640	189,648,100	11,952,455	28,264	-	846,859,983
Other borrowed and entrusted funds	-	-	-	-	1,309,412	1,678,464	-	2,914,000	-	-	5,901,876
Valuable papers issued	-	-	-	8,000,000	2,196,611	15,072,379	9,682,273	24,565,100	-	-	59,516,363
Other liabilities (*)	30,723,045	-	-	-	-	-	-	-	-	-	30,723,045
<b>Total liabilities</b>	<b>30,723,045</b>	<b>-</b>	<b>-</b>	<b>510,772,144</b>	<b>160,874,345</b>	<b>167,059,629</b>	<b>201,927,525</b>	<b>39,484,851</b>	<b>28,264</b>	<b>1,110,869,803</b>	
<b>Interest sensitivity gap of balance sheet items</b>	<b>26,807,930</b>	<b>13,009,531</b>	<b>7,405,734</b>	<b>11,294,827</b>	<b>82,969,004</b>	<b>50,948,432</b>	<b>(150,783,867)</b>	<b>32,800,026</b>	<b>17,926,025</b>	<b>92,377,642</b>	
<b>Interest sensitivity gap of off-balance sheet items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Interest sensitivity gap of on, off-balance sheet items</b>	<b>26,807,930</b>	<b>13,009,531</b>	<b>7,405,734</b>	<b>11,294,827</b>	<b>82,969,004</b>	<b>50,948,432</b>	<b>(150,783,867)</b>	<b>32,800,026</b>	<b>17,926,025</b>	<b>92,377,642</b>	

(\*): Excluding provision

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

**31. MARKET RISK (continued)**

**31.2 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.

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

Based on the 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 Limited and in VietinBank Lao Limited. 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)  
as at 30 June 2019 and for the six-month period then ended

### 31. MARKET RISK (continued)

#### 31.2 Currency risk (continued)

The following table presents assets and liabilities in foreign currencies translated into VND as at 30 June 2019:

	EUR equivalent VND million	USD equivalent VND million	Other currencies equivalent VND million	Total VND million
<b>Assets</b>				
Cash, gold and gemstones	120,369	1,203,696	51,679	1,375,744
Balances with the SBV	-	4,236,374	-	4,236,374
Placements with and loans to other credit institutions	1,507,774	25,161,901	794,688	27,464,363
Securities held for trading (*)	-	-	-	-
Derivatives and other financial assets	-	-	-	-
Loans to customers (*)	3,187,970	77,712,440	3,740,567	84,640,977
Investment securities (*)	-	-	-	-
Long-term investments (*)	-	1,688,788	-	1,688,788
Fixed assets	77,002	-	-	77,002
Other assets (*)	1,536,768	12,710,873	-	14,247,641
<b>Total assets</b>	<b>6,429,883</b>	<b>122,714,072</b>	<b>4,586,934</b>	<b>133,730,889</b>
<b>Liabilities</b>				
Due to the SBV	-	2,910	-	2,910
Deposits and borrowings from other credit institutions	601,134	30,546,419	1,169,166	32,316,719
Customer deposits	2,723,007	51,391,343	96,559	54,210,909
Other borrowed and entrusted funds	182,646	4,901,861	94	5,084,601
Valuable papers issued	-	881	-	881
Other liabilities (*)	2,486,125	1,894,783	-	4,380,908
Owners' equity	-	-	-	-
<b>Total liabilities</b>	<b>5,992,912</b>	<b>88,738,197</b>	<b>1,265,819</b>	<b>95,996,928</b>
<b>FX position on balance sheet</b>	<b>436,971</b>	<b>33,975,875</b>	<b>3,321,115</b>	<b>37,733,961</b>
<b>FX position off-balance sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net on, off-balance sheet FX position</b>	<b>436,971</b>	<b>33,975,875</b>	<b>3,321,115</b>	<b>37,733,961</b>

(\*): Excluding provision

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

**31. MARKET RISK (continued)**

**31.3 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 since 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 risk 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, the 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 Council meeting, fund balance and liquidity of the Bank is one of the key contents to be discussed. At Risk Management Committee, Risk Management Council meeting, the compliance of liquidity risk limits is also reviewed and reported. Based on analysis and evaluation, Risk Management Committee/ALCO Council/Risk Council makes recommendations to the Board of Directors and the 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 of securities held-for-trading is calculated on the basis of the probable time to convert bonds into cash because this portfolio includes highly liquid bonds;
- The maturity term of deposits from customers are determined based on the customer's behaviour analysis and the forecast on interest rate policy and other macroeconomic factors.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

**31. MARKET RISK** (continued)

**31.3 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 mobilization and utilization, the Bank makes decisions on appropriate management of capital adequacy.

Based on the projection of capital adequacy, the Treasury and Financial Planning Department in cooperation with 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 and Financial Planning Department in cooperation with 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, Asset-Liability management software, liquidity management software, information about large cash flows from business units. Therefore, the Bank actively performs liquidity risk management on a daily basis.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

### 31. MARKET RISK (continued)

#### 31.3 Liquidity risk (continued)

The table below presents the analysis of remaining maturity of assets and liabilities of the Bank as at 30 June 2019:

	Overdue		Current					Total VND million
	Over 3 months VND million	Up to 3 months VND million	Up to 1 month VND million	From 1 month to 3 months VND million	From 3 months to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million	
<b>Assets</b>								
Cash, gold and gemstones	-	-	7,557,058	-	-	-	-	7,557,058
Balances with the SBV	-	-	31,819,095	-	-	-	-	31,819,095
Placements with and loans to other credit institutions (*)	-	-	109,317,013	8,855,182	2,368,000	103,200	-	120,643,395
Securities held for trading (*)	-	-	8,329,452	-	-	-	-	8,329,452
Derivatives and other financial assets	-	-	275,014	-	-	-	-	275,014
Loans to customers (*)	13,009,531	7,405,734	55,305,543	169,015,828	305,709,124	133,438,026	201,651,328	885,535,114
Investment securities (*)	-	-	347,712	826,424	6,910,733	73,914,901	17,491,245	99,491,015
Long-term investments (*)	-	-	-	-	-	-	3,281,617	3,281,617
Fixed assets	-	-	-	-	-	-	10,513,334	10,513,334
Other assets (*)	-	-	-	-	-	-	35,802,351	35,802,351
<b>Total assets</b>	<b>13,009,531</b>	<b>7,405,734</b>	<b>212,950,887</b>	<b>178,697,434</b>	<b>314,987,857</b>	<b>207,456,127</b>	<b>268,739,875</b>	<b>1,203,247,445</b>
<b>Liabilities</b>								
Due to the SBV	-	-	68,850,222	437,269	2,194,877	-	-	71,482,368
Deposits and borrowings from other credit institutions	-	-	79,731,395	9,677,066	5,374,943	1,446,395	156,369	96,386,168
Customer deposits	-	-	158,477,860	168,613,271	386,156,761	132,892,646	719,445	846,859,983
Other borrowed and entrusted funds	-	-	-	-	-	2,914,000	2,987,876	5,901,876
Valuable papers issued	-	-	7,832,273	2,196,610	15,072,379	9,900,000	24,515,101	59,516,363
Other liabilities (*)	-	-	11,461,557	2,721,845	6,693,156	9,391,994	454,493	30,723,045
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>326,353,307</b>	<b>183,646,061</b>	<b>415,492,116</b>	<b>156,545,035</b>	<b>28,833,284</b>	<b>1,110,869,803</b>
<b>Net liquidity gap</b>	<b>13,009,531</b>	<b>7,405,734</b>	<b>(113,402,420)</b>	<b>(4,948,627)</b>	<b>(100,504,259)</b>	<b>50,911,092</b>	<b>239,906,591</b>	<b>92,377,642</b>

(\*): Excluding provision

#### Other market price risk

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

**32. EVENTS AFTER THE INTERIM CONSOLIDATED BALANCE SHEET DATE**

There is no other matter or circumstance that has arisen since the interim consolidated balance date that requires adjustment or disclosure in the interim consolidated financial statements.

**33. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST VIETNAM DONG AT THE BALANCE SHEET DATE**

	30 June 2019 VND	31 December 2018 VND
USD	23,312	23,195
EUR	26,679	26,587
GBP	29,579	29,537
CHF	23,908	23,544
JPY	217.62	210.69
SGD	17,248	17,023
CAD	17,862	17,034
AUD	16,391	16,392
NZD	15,644	16,364
THB	741.75	715.47
SEK	2,517	2,589
NOK	2,735	2,667
DKK	3,570	3,552
HKD	3,009	2,962
CNY	3,393	3,372
KRW	20.74	21.08
LAK	2.71	2.74
MYR	5,329	5,329

Prepared by:



Ms. Le Viet Nga  
Deputy Head of Financial  
Accounting Management  
Department

Reviewed by:



Mr. Nguyen Hai Hung  
Chief Accountant

Approved by:



Ms. Nguyen Hong Van  
Deputy General Director

Hanoi, Vietnam

14 August 2019