

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

Consolidated financial statements

For the year ended 31 December 2018



# Vietnam Joint Stock Commercial Bank for Industry and Trade

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# Vietnam Joint Stock Commercial Bank for Industry and Trade

## GENERAL INFORMATION

### THE BANK

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

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

The Bank was equitized and renamed Vietnam Joint Stock Commercial Bank for Industry and Trade on 3 July 2009 according to Establishment and Operating License No. 142/GP-NHNN dated 3 July 2009 issued by the State Bank of Vietnam and Business Registration No. 0103038874 dated 3 July 2009 issued by Hanoi Authority for Planning and Investment. The most recent 11<sup>th</sup> amendment of Business Registration No. 0100111948 issued by Hanoi Authority for Planning and Investment was dated 1 November 2018.

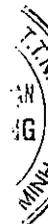
The Bank was established to provide banking services including mobilizing and receiving short, medium and long-term deposits from organizations or individuals; making short, medium and long-term loans and advances to organizations and individuals based on the nature and ability of the Bank's capital 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 31 December 2018, the charter capital of the Bank is VND37,234,046 million (31 December 2017: VND37,234,046 million).

#### ***Location***

The Bank's Head Office is located at 108 Tran Hung Dao Street, Hoan Kiem District, Hanoi, Vietnam. As at 31 December 2018, the Bank has one (1) Head Office; one (1) Trade finance centre; three (3) Administrative units; five (5) Cash management centres; two (2) Local representative offices; one (1) overseas representative office in Myanmar; one-hundred and fifty seven (157) branches (including two (2) overseas branches); seven (7) subsidiaries and one (1) subsidiary bank.



# Vietnam Joint Stock Commercial Bank for Industry and Trade

## GENERAL INFORMATION (continued)

### BOARD OF DIRECTORS

The members of the Board of Directors of the Bank during the year and at the date of the consolidated financial statements are as follows:

<i>Name</i>	<i>Position</i>
Mr. Nguyen Van Thang	Chairman (resigned from 13 July 2018 by Decision No. 1436/QD-NHNN on resignation of the representative of state capital portion at Vietnam Joint Stock Commercial Bank for Industry and Trade)
Mr. Le Duc Tho	Chairman (appointed on 31 October 2018 by Resolution 568/NQ-HDQT-NHCT1.2 dated 31 October 2018)
Mr. Tran Minh Binh	Member cum. General Director (additionally appointed on 8 December 2018 by Resolution No. 19/NQ-DHDCD dated 8 December 2018)
Ms. Nguyen Hong Van	Member (resigned from 8 December 2018 by Resolution 19/NQ-DHDCD dated 8 December 2018)
Mr. Cat Quang Duong	Member Assigned to the Board of Directors from 23 July 2018 by Resolution No. 261/NQ-HDQT-NHCT1.2 dated 23 July 2018. Resigned from 31 October by Resolution No. 399/NQ-HDQT-NHCT1.2 dated 31 October 2018.
Mr. Yotaro Agari	Member (resigned from 21 April 2018)
Mr. Hideaki Takase	Member (additionally appointed on 21 April 2018)
Mr. Phung Khac Ke	Member
Ms. Tran Thu Huyen	Member
Mr. Hiroshi Yamaguchi	Member

### MANAGEMENT AND CHIEF ACCOUNTANT

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

<i>Name</i>	<i>Position</i>
Mr. Le Duc Tho	General Director (resigned from 31 October 2018)
Mr. Tran Minh Binh	General Director (appointed acting General Director on 31 October 2018, appointed General Director on 8 December 2018)
Ms. Nguyen Hong Van	Deputy General Director (appointed on 8 December 2018)
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 year and at the date of the consolidated financial statements are as follows:

<i>Name</i>	<i>Position</i>
Mr. Nguyen The Huan	Chief Supervisor
Ms. Pham Thi Thom	Member
Mr. Tran Minh Duc	Member
Ms. Pham Thi Hong Phuong	Member (resigned from 8 December 2018 by Resolution No. 19/NQ-DHDCD dated 8 December 2018)

## LEGAL REPRESENTATIVE

The legal representative of the Bank during the year and at the date of the 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 consolidated financial statements for the year ended 31 December 2018 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 consolidated financial statements of the Bank and its subsidiaries as at 31 December 2018 and for the year then ended.

### MANAGEMENT’S RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the consolidated financial statements which give a true and fair view of the consolidated financial position of the Bank and its subsidiaries and of the consolidated results of their operations and their consolidated cash flows for the year. In preparing these 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 consolidated financial statements; and
- ▶ prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Bank and its subsidiaries will continue their business.

Management of the Bank is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the consolidated financial position of the Bank and its subsidiaries and to ensure that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

### STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2018 and of the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and statutory requirements relevant to preparation and presentation of the consolidated financial statements.

For and on behalf of management



Mr. Trần Minh Bình  
General Director

Hanoi, Vietnam

29 March 2019



Building a better  
working world

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20th Floor, Bitexco Financial Tower  
2 Hai Trieu Street, District 1  
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ey.com

Reference: 60755043/20159368-HN

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Vietnam Joint Stock Commercial Bank for Industry and Trade ("the Bank") and its subsidiaries as prepared on 29 March 2019 and set out on pages 7 to 75, which comprise the consolidated balance sheet as at 31 December 2018, the consolidated income statement and the consolidated cash flow statement for the year then ended and the notes thereto.

### *Management's responsibility*

Management of the Bank is responsible for the preparation and fair presentation of these 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 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's and its subsidiaries' preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and its subsidiaries' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2018, and of the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other statutory requirements relevant to preparation and presentation of the consolidated financial statements.



**Ernst & Young Vietnam Limited**

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

  
Hoang Thi Hong Minh  
Auditor  
Audit Practising Registration  
Certificate No. 0761-2018-004-1

Hanoi, Vietnam

29 March 2019

CONSOLIDATED BALANCE SHEET  
as at 31 December 2018

	Notes	31 December 2018 VND million	31 December 2017 VND million
<b>ASSETS</b>			
Cash, gold and gemstones	5	7,028,347	5,979,833
Balances with the State Bank of Vietnam	6	23,182,208	20,756,531
<b>Placements with and loans to other credit institutions</b>	<b>7</b>	<b>130,512,012</b>	<b>107,510,487</b>
Placements with other credit institutions		126,276,846	101,938,284
Loans to other credit institutions		4,235,166	5,572,203
Provision for credit losses on loans to other credit institutions		-	-
<b>Securities held for trading</b>	<b>8</b>	<b>3,131,835</b>	<b>3,528,982</b>
Securities held for trading		3,279,561	3,602,443
Provision for securities held for trading		(147,726)	(73,461)
<b>Derivatives and other financial assets</b>	<b>9</b>	<b>281,166</b>	<b>528,762</b>
<b>Loans to customers</b>		<b>851,917,565</b>	<b>782,385,236</b>
Loans to customers	10	864,925,948	790,688,059
Provision for credit losses on loans to customers	11	(13,008,383)	(8,302,823)
<b>Investment securities</b>	<b>12</b>	<b>102,100,093</b>	<b>128,392,765</b>
Available-for-sale securities	12.1	88,586,344	125,759,661
Held-to-maturity investments	12.2	16,207,592	5,133,392
Provision for investment securities	12.4	(2,693,843)	(2,500,288)
<b>Long-term investments</b>	<b>13</b>	<b>3,317,405</b>	<b>3,114,101</b>
Investment in a joint venture	13.1	2,906,452	2,704,255
Other long-term investments		412,645	412,645
Provision for long-term investments		(1,692)	(2,799)
<b>Fixed assets</b>		<b>11,114,537</b>	<b>11,436,527</b>
Tangible fixed assets	14	6,193,312	6,386,736
Cost		13,925,207	13,310,305
Accumulated depreciation		(7,731,895)	(6,923,569)
Intangible fixed assets	15	4,921,225	5,049,791
Cost		6,424,369	6,320,043
Accumulated amortization		(1,503,144)	(1,270,252)
<b>Other assets</b>	<b>16</b>	<b>31,849,567</b>	<b>31,427,618</b>
Receivables	16.1	21,556,765	13,714,382
Accrued interest and fee receivables		6,901,214	14,523,919
Other assets	16.2	3,400,524	3,197,133
In which: Goodwill	17	907	2,722
Provision for other assets		(8,936)	(7,816)
<b>TOTAL ASSETS</b>		<b>1,164,434,735</b>	<b>1,095,060,842</b>

CONSOLIDATED BALANCE SHEET (continued)  
as at 31 December 2018

	<i>Notes</i>	<i>31 December 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
<b>LIABILITIES</b>			
<b>Due to the Government and the State Bank of Vietnam</b>	<b>18</b>	<b>62,600,159</b>	<b>15,206,899</b>
<b>Deposits and borrowings from other credit institutions</b>	<b>19</b>	<b>111,399,612</b>	<b>115,158,765</b>
Deposits from other credit institutions	19.1	73,941,924	68,526,012
Borrowings from other credit institutions	19.2	37,457,688	46,632,753
<b>Customer deposits</b>	<b>20</b>	<b>825,816,119</b>	<b>752,935,338</b>
<b>Other borrowed and entrusted funds</b>	<b>21</b>	<b>5,934,029</b>	<b>6,364,158</b>
<b>Valuable papers issued</b>	<b>22</b>	<b>46,216,359</b>	<b>22,501,773</b>
<b>Other liabilities</b>	<b>23</b>	<b>45,012,940</b>	<b>119,128,626</b>
Interest and fee payables		15,820,192	12,357,877
Other payables	23.1	28,772,169	106,429,185
Other provision		420,579	341,564
<b>TOTAL LIABILITIES</b>		<b><u>1,096,979,218</u></b>	<b><u>1,031,295,559</u></b>
<b>OWNERS' EQUITY</b>			
Capital		46,416,214	46,208,756
- <i>Charter capital</i>		37,234,046	37,234,046
- <i>Share premium</i>		8,974,698	8,974,710
- <i>Other capital</i>		207,470	-
Reserves		8,167,617	7,476,339
Foreign exchange differences		599,602	550,601
Undistributed profits		11,975,822	9,233,969
Non-controlling interests		296,262	295,618
<b>TOTAL OWNERS' EQUITY</b>	<b>25</b>	<b><u>67,455,517</u></b>	<b><u>63,765,283</u></b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b><u>1,164,434,735</u></b>	<b><u>1,095,060,842</u></b>

CONSOLIDATED BALANCE SHEET (continued)  
as at 31 December 2018

OFF-BALANCE SHEET ITEMS

	31 December 2018 VND million	31 December 2017 VND million
Credit guarantees	3,058,616	3,383,765
Foreign exchange commitments	167,327,100	195,261,549
- Foreign exchange commitments - buy	2,507,667	4,202,387
- Foreign exchange commitments - sell	2,724,166	4,411,779
- Currency swap contracts	162,095,267	186,647,383
Letters of credit	52,940,203	55,316,608
Other guarantees	57,634,431	54,223,212
Other commitments	37,414,889	28,719,395

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

29 March 2019

CONSOLIDATED INCOME STATEMENT  
for the year ended 31 December 2018

	Notes	2018 VND million	2017 VND million
Interest and similar income	26	74,176,120	65,277,199
Interest and similar expenses	27	(51,658,034)	(38,204,212)
<b>Net interest and similar income</b>		<b>22,518,086</b>	<b>27,072,987</b>
Fee and commission income		5,954,421	4,302,331
Fee and commission expenses		(3,186,894)	(2,447,131)
<b>Net fee and commission income</b>	<b>28</b>	<b>2,767,527</b>	<b>1,855,200</b>
<b>Net gain from trading in foreign currencies</b>	<b>29</b>	<b>709,869</b>	<b>709,966</b>
<b>Net gain from securities held for trading</b>	<b>30</b>	<b>271,475</b>	<b>324,668</b>
<b>Net gain/(loss) from investment securities</b>	<b>31</b>	<b>218,321</b>	<b>(80,869)</b>
Other income		2,903,224	3,233,912
Other expenses		(1,024,814)	(1,239,040)
<b>Net gain from other activities</b>	<b>32</b>	<b>1,878,410</b>	<b>1,994,872</b>
<b>Income from investments in other entities</b>	<b>33</b>	<b>374,238</b>	<b>743,046</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>34</b>	<b>(14,256,251)</b>	<b>(15,069,777)</b>
<b>Net profit before provision for credit losses</b>		<b>14,481,675</b>	<b>17,550,093</b>
Provision expense for credit losses		(7,751,273)	(8,343,899)
<b>PROFIT BEFORE TAX</b>		<b>6,730,402</b>	<b>9,206,194</b>
Current corporate income tax expense	24.1	(1,305,164)	(1,747,409)
Deferred tax expense		(8,809)	117
<b>Corporate income tax expense</b>		<b>(1,313,973)</b>	<b>(1,747,292)</b>
<b>PROFIT AFTER TAX</b>		<b>5,416,429</b>	<b>7,458,902</b>
<b>Non-controlling interests</b>		<b>2,480</b>	<b>26,539</b>
<b>Owners' net profit</b>		<b>5,413,949</b>	<b>7,432,363</b>
<b>Basic earnings per share (VND/share)</b>	<b>25.3</b>	<b>1,454</b>	<b>1,546</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

29 March 2019

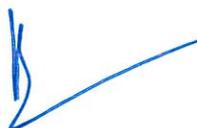
CONSOLIDATED CASH FLOW STATEMENT  
for the year ended 31 December 2018

	<i>Notes</i>	<i>2018</i> <i>VND million</i>	<i>2017</i> <i>VND million</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest and similar receipts		81,997,808	64,942,556
Interest and similar payments		(48,160,147)	(35,767,979)
Net fee and commission receipts		3,085,123	2,841,199
Net receipts from dealing in foreign currencies, gold and securities trading activities		1,729,360	1,824,454
Other expenses		(269,907)	(842,441)
Recoveries from bad debts written-off previously		1,968,711	2,289,247
Payments for operating and salary expenses		(14,727,086)	(13,276,456)
Corporate income tax paid during the year	24.1	(1,573,255)	(1,793,430)
<b>Net cash flows from operating profit before changes in operating assets and liabilities</b>		<b>24,050,607</b>	<b>20,217,150</b>
<b><i>Changes in operating assets</i></b>		<b>(60,680,120)</b>	<b>(136,128,883)</b>
Decrease/(increase) in deposits at and loans to other credit institutions		1,061,676	(1,895,466)
Decrease in trading securities		22,721,999	3,496,089
Decrease in derivatives and other financial assets		247,596	153,928
Increase in loans to customers		(71,531,023)	(121,036,561)
Utilization of provision to write off loans to customers, securities, long-term investments and other receivables		(2,706,866)	(7,663,701)
Increase in other assets		(10,473,502)	(9,183,172)
<b><i>Changes in operating liabilities</i></b>		<b>61,048,848</b>	<b>139,860,930</b>
Increase in due to the SBV and the Government		47,393,260	10,398,482
(Decrease)/increase in deposits and borrowings from other credit institutions		(3,759,153)	30,006,898
Increase in customers deposits (including deposits from State Treasury)		72,880,781	97,875,190
Increase/(decrease) in valuable papers issued (except for valuable papers issued for financing activities)		23,714,586	(1,347,680)
(Decrease)/increase in other borrowed and entrusted funds		(430,129)	288,690
(Decrease)/increase in other liabilities		(78,750,497)	2,639,973
Payments from credit institution's fund		-	(623)
<b>Net cash flows from operating activities</b>		<b>24,419,335</b>	<b>23,949,197</b>

CONSOLIDATED CASH FLOW STATEMENT (continued)  
for the year ended 31 December 2018

	Notes	2018 VND million	2017 VND million
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets		(1,006,229)	(1,784,649)
Proceeds from disposal of fixed assets		6,084	43,701
Payments for disposal of fixed assets		(5,037)	(5,277)
Proceeds from investments in other entities		-	600,000
Dividends and profits received from long-term investments		374,238	231,582
<b>Net cash flows used in investing activities</b>		<b>(630,944)</b>	<b>(914,643)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend payment to shareholders		-	(5,212,766)
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>(5,212,766)</b>
<b>Net increase in cash for the year</b>		<b>23,788,391</b>	<b>17,821,788</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>131,707,327</b>	<b>113,814,949</b>
<b>Impact of exchange rate fluctuation</b>		<b>49,001</b>	<b>70,590</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>35</b>	<b>155,544,719</b>	<b>131,707,327</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

29 March 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
as at 31 December 2018 and for the year then ended**1. GENERAL INFORMATION**

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***Employees***

The Bank has 24,197 employees as at 31 December 2018 (31 December 2017: 23,784 employees).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

1. GENERAL INFORMATION (continued)

**Subsidiaries**

As at 31 December 2018, the Bank has seven (7) directly owned subsidiary companies and one (1) subsidiary bank as follows:

<i>Subsidiaries</i>	<i>Operating Licence</i>	<i>Nature of Business</i>	<i>Ownership</i>
VietinBank Leasing Company Limited	Business Registration No. 0101047075/GP dated 10 March 2011 granted by Hanoi Authority for Planning and Investment	Finance and banking	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	97.8%
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 Planning and Investment Department	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 CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year 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.

### **2.2 Accounting currency**

Currency used in preparation of financial statement of the Bank is Vietnam dong ("VND"). For the purpose of preparing consolidated financial statements as at 31 December 2018, all amounts are rounded to the nearest million and presented in VND million. The presentation makes no impact on readers' view of consolidated financial position, consolidated income statement and consolidated cash flows.

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

### **3.1 Statement of compliance**

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

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

The 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).

The accompanying consolidated financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Vietnam. Accordingly, the accompanying 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 consolidated financial position and results of consolidated operations and 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 consolidated financial statements indicate nil balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

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

#### 3.3 *Assumptions and uses of estimates*

The preparation of the 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 consolidated financial statements comprise the financial statements of the Bank and its subsidiaries for the year ended 31 December 2018.

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

The 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.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 *Changes in accounting policies and disclosures*

The accounting policies adopted by the Bank in preparation of the consolidated financial statements are consistent with those followed in the preparation of the Bank's consolidated financial statements for the year ended 31 December 2017, except for the following changes in the accounting policies:

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

On 29 September 2017, the SBV issued Circular No. 14/2017/TT-NHNN regulating methods of calculation of interest in depositing and credit granting transactions between credit institutions and customers. Accordingly, the interest accruals on credit and deposit operation are calculated on the basis that a year is 365 days. The circular has taken effect since 1 January 2018.

*Circular No. 19/2017/TT-NHNN amending and supplementing a number of articles of Circular No. 36/2014/TT-NHNN of the Governor of the SBV dated 20 November 2014 stipulating prudential ratios and limits for the operation of credit institutions and foreign bank branches*

On 28 December 2017, the SBV issued Circular No. 19/2017/TT-NHNN amending and supplementing a number of articles of Circular No. 36/2014/TT-NHNN dated 20 November 2014 of the Governor of the State Bank of Vietnam providing for prudential ratios and limits for operations of credit institutions and branches of foreign banks. Accordingly, "Other commitments" disclosed in "Off balance sheet items" include unused credit limits that the Bank has the right to revoke or automatically revoke due to the customers' violation on revocable commitments or reduction of capacity to perform the duty and available credit limits of credit cards. The circular has taken effect since 28 February 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

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

##### 4.1 *Changes in accounting policies and disclosures* (continued)

*Circular No. 16/2018/TT-BTC ("Circular 16") guiding a number of articles on the financial regime applicable to credit institutions and foreign bank branches*

Changes in Circular 16 are as below:

- ▶ Amending and supplementing the management and utilization method of real estate held for debt resolution;
- ▶ Amending and supplementing the recognition of revenue from trading in securities (shares exclusive);
- ▶ Amending and supplementing recognition of expenses.

Circular 16 has taken effect since 26 March 2018 and replaced Circular No. 05/2013/TT-BTC dated 9 January 2013 of the Ministry of Finance providing guidance to the financial regime applicable to credit institutions and foreign bank branches. The Bank assessed that Circular 16 has no significant impacts on the Bank and its subsidiaries' accounting policies.

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

On 29 December 2017, the SBV issued Circular No. 22/2017/TT-NHNN amending and supplementing a number of articles of the Chart of account system applicable to credit institutions issued in connection with Decision No. 479/2004/QD-NHNN dated 29 April 2004 and the financial reporting regime applicable to credit institutions required under Decision No. 16/2007/QD-NHNN dated 18 April 2007 by the Governor of the SBV ("Circular 22"). The circular has taken effect since 1 April 2018.

The main changes in Circular 22 are as follows:

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

The Bank has assessed the effect of Circular 22 on the comparative figures in the consolidated financial statements. Accordingly, the effect due to the changes in exchange rate policies are immaterial. As a result, the Bank is not required to restate the comparative figures due to the changes in exchange rate policies.

##### 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

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

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

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

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.

##### 4.4 *Loans to customers*

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

Provision for credit losses on loans to customers is accounted and presented in a separate line in the 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 31 December 2018 is made based on the principal balance less discounted value of collateral multiplied by provision rates which are determined based on the loan classification results as at 30 November 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year 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: <ul style="list-style-type: none"> <li>- Debts made in compliance with Clause 1, 3, 4, 5, 6 under Article 126 of Law on Credit Institutions; or</li> <li>- Debts made in compliance with Clause 1, 2, 3, 4 under Article 127 of Law on Credit Institutions; or</li> <li>- Debts made in compliance with Clauses 1, 2, 5 under Article 128 of Law on Credit Institutions.</li> </ul> (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 CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year 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)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year 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 31 December 2018 is made at 0.75% of total outstanding loans excluding placements with and loans to other credit institutions and loans classified as loss group as at 30 November 2018.

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

Provisions are recognized as an expense on the 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 consolidated income statement.

Interest and dividends derived from securities held for trading are recognized on a cash basis in the 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 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year 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 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 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year 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 consolidated income statement in "Provision expense for credit losses". General provision is not required for the special bonds.

On settlement date of special bonds, recovery from the debts is recognized into "Other income".

##### *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 CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year 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 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 year.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year 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 consolidated income statement.

When assets are sold or liquidated, their cost and accumulated depreciation are deducted from the consolidated balance sheet item and any gains or losses resulting from their disposal are recorded to the 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 structure	5 - 40 years
Machine and equipment	3 - 7 years
Transportation vehicles	6 - 7 years
Other tangible fixed assets	4 years
Land use rights (*)	Upon lease term
Computer software	3 - 8 years

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

##### 4.13 Receivables

###### 4.13.1 Receivables classified as credit bearing assets

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

###### 4.13.2 Other receivables

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

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

Provision for overdue debts is made in accordance with Circular No. 228/2009/TT-BTC 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year 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 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 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 consolidated balance sheet at the amount of the Bank's net investment in the leases. Financial 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 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 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 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 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 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

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

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

###### 4.16.4 Income and expense from non-life insurance activities

Gross written premiums are recognized in accordance with Circular No. 50/2017/TT-BTC dated 1 July 2017 ("Circular 50") 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 fiscal year is recorded as "Revenue pending for allocation" in the balance sheet.

Premium return and premium reduction are considered as revenue deduction and must be booked separately. At year end, 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 not yet collected

According to Circular No. 05/2013/TT-BTC dated 9 January 2013 issued by the Ministry of Finance, receivables from accrued income but not yet collected at the due date are recorded as reduction in revenue if the income has been accrued in the same accounting period or recorded as expense if the income has been accrued in different accounting periods and monitored in off-balance sheet. Upon actual receipt of these receivables, the Bank recognized in the 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year 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 consolidated financial statements.

##### 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 consolidated balance sheet date (*Note 46*). Income and expenses arising in foreign currencies during the year 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 consolidated balance sheet and will be transferred to the 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 No. 50/2017/TT-BTC ("Circular 50") dated 1 July 2017 issued by the Ministry of Finance.

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:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year 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 year 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year 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, except the policies which only cover death or total permanent disability, 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:

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

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.

(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 CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year 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 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 consolidated balance sheet date.

Current income tax is charged or credited to the 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 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 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 year 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 year.

##### 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year 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 consolidated balance sheet and will be transferred to the consolidated income statement at the end of the accounting year.

###### *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 consolidated balance sheet and will be transferred to the consolidated income statement at the end of the accounting year.

Differences in interest rate swaps are recognized in the 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 KPI 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year 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 year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year 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 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 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 5. CASH, GOLD AND GEMSTONES

	<i>31 December 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Cash on hand in VND	5,763,833	5,201,870
Cash on hand in foreign currencies	1,211,753	729,977
Valuable papers in foreign currencies	19,817	-
Monetary gold	10,467	25,941
Non-monetary gold	16	-
Other gemstones	22,461	22,045
	<b>7,028,347</b>	<b>5,979,833</b>

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

	<i>31 December 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Balance with the SBV		
In VND	19,753,319	17,620,706
In foreign currencies	3,428,889	3,135,825
	<b>23,182,208</b>	<b>20,756,531</b>

Balances with the SBV include current account and compulsory reserves. In accordance with regulations of the SBV, the Bank must maintain a certain reserve with the SBV in form of compulsory reserves. As at 31 December 2018, compulsory reserves in VND and in foreign currencies bear interest rate of 1.20% per annum and 0% per annum, respectively.

Compulsory reserve balances for deposits in VND applicable to credit institutions as at 31 December 2018 are as follows:

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

Compulsory reserve balances for deposits in foreign currencies applicable to credit institutions as at 31 December 2018 are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

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

	<i>31 December 2018</i>	<i>31 December 2017</i>
	<i>VND million</i>	<i>VND million</i>
<b>Placements with other credit institutions</b>		
Current accounts	67,777,391	52,109,399
- <i>In VND</i>	60,142,796	47,518,499
- <i>In foreign currencies</i>	7,634,595	4,590,900
Term deposits	58,499,455	49,828,885
- <i>In VND</i>	38,469,817	26,447,643
- <i>In foreign currencies</i>	20,029,638	23,381,242
	<b>126,276,846</b>	<b>101,938,284</b>
<b>Loans to other credit institutions</b>		
In VND	3,730,710	4,944,303
In foreign currencies	504,456	627,900
	<b>4,235,166</b>	<b>5,572,203</b>
<b>Provision for credit losses</b>	-	-
	<b>130,512,012</b>	<b>107,510,487</b>

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

	<i>31 December 2018</i>	<i>31 December 2017</i>
	<i>VND million</i>	<i>VND million</i>
Current	62,734,621	55,401,088

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 8. SECURITIES HELD FOR TRADING

	<i>31 December 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
<b>Debt securities</b>	<b>2,183,108</b>	<b>2,910,939</b>
Government bonds	1,276,084	2,907,488
Bonds issued by other credit institutions	575,179	-
Bonds issued by other domestic economic entities	331,845	3,451
<b>Equity securities</b>	<b>946,374</b>	<b>671,504</b>
Equity securities issued by other domestic credit institutions	21,491	10
Equity securities issued by other domestic economic entities	924,883	671,494
<b>Other trading securities</b>	<b>150,079</b>	<b>20,000</b>
Fund certificates	150,079	20,000
	<b>3,279,561</b>	<b>3,602,443</b>
Provision for securities held for trading	(147,726)	(73,461)
	<b>3,131,835</b>	<b>3,528,982</b>

### *Securities held for trading by listing status*

	<i>31 December 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
<b>Debt securities</b>	<b>2,183,108</b>	<b>2,910,939</b>
Listed securities	1,999,942	2,910,939
Unlisted securities	183,166	-
<b>Equity securities</b>	<b>946,374</b>	<b>671,504</b>
Listed securities	560,945	310,642
Unlisted securities	385,429	360,862
<b>Other trading securities</b>	<b>150,079</b>	<b>20,000</b>
Listed securities	-	-
Unlisted securities	150,079	20,000
	<b>3,279,561</b>	<b>3,602,443</b>

## 9. DERIVATIVES AND OTHER FINANCIAL ASSETS

	<i>31 December 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
<b>Currency derivative financial instruments</b>	<b>195,848</b>	<b>462,559</b>
Foreign exchange forward contracts	(79,987)	35,489
Foreign exchange swap contracts	275,835	427,070
<b>Commodity option contracts</b>	<b>-</b>	<b>10,764</b>
<b>Other derivative financial instruments</b>	<b>85,318</b>	<b>55,439</b>
	<b>281,166</b>	<b>528,762</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 10. LOANS TO CUSTOMERS

	<i>31 December 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Loans to domestic economic entities and individuals	851,853,211	778,247,588
Discounted bills and valuable papers	1,026,188	1,364,879
Financial lease	2,486,941	2,297,299
Payments on behalf of customers	96,054	71,899
Loans financed by entrusted funds	452,354	547,321
Loans to foreign economic entities and individuals	9,011,200	8,159,073
	<b>864,925,948</b>	<b>790,688,059</b>

### 10.1 Analysis of loan portfolio by quality

	<i>31 December 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Current	846,025,275	778,049,805
Special mention	5,209,721	3,627,123
Substandard	2,135,701	1,243,379
Doubtful	2,085,475	2,550,738
Loss	9,469,776	5,217,014
	<b>864,925,948</b>	<b>790,688,059</b>

### 10.2 Analysis of loan portfolio by original maturity

	<i>31 December 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Short term loans	487,609,766	448,913,060
Medium term loans	70,340,280	76,808,731
Long term loans	306,975,902	264,966,268
	<b>864,925,948</b>	<b>790,688,059</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

**10. LOANS TO CUSTOMERS (continued)**

**10.3 Analysis of loan portfolio by ownership and types of customers**

	31 December 2018		31 December 2017	
	VND million	%	VND million	%
State-owned companies	35,753,678	4.13	30,642,778	3.88
One-member limited liability companies with 100% State ownership	38,958,135	4.50	51,982,101	6.57
Two or more member limited liability companies with over 50% State ownership or being controlled by the State	6,559,862	0.76	7,321,453	0.93
Other limited liability companies	192,470,350	22.25	168,898,190	21.36
Joint stock companies with over 50% State ownership or voting share capital; or being controlled by the State	32,583,840	3.77	39,887,528	5.04
Other joint-stock companies	247,586,087	28.64	228,977,373	28.96
Partnership companies	25,244	0.00	67,494	0.01
Private enterprises	12,548,898	1.45	14,515,648	1.84
Foreign invested enterprises	48,063,597	5.56	47,013,578	5.95
Co-operatives and unions of co-operative	1,338,775	0.15	1,317,511	0.17
Household business and individuals	246,593,889	28.51	196,444,680	24.84
Operation administration entities, the Party, unions and associations	2,173,765	0.25	2,792,703	0.35
Others	269,828	0.03	827,022	0.10
	<b>864,925,948</b>	<b>100</b>	<b>790,688,059</b>	<b>100</b>

**10.4 Analysis of loan portfolio by sectors**

	31 December 2018		31 December 2017	
	VND million	%	VND million	%
Construction	94,337,991	10.91	84,586,370	10.70
Electricity, petroleum and steam	27,952,631	3.23	23,950,207	3.03
Production and processing	233,772,041	27.03	222,476,492	28.13
Mining	18,643,873	2.16	27,733,755	3.51
Agricultural, forestry and aquaculture	35,792,236	4.14	31,457,587	3.98
Transportation, logistics and information	19,628,064	2.27	32,350,775	4.09
Wholesale and retail, repairing of cars, motor vehicles and motor cycles	254,030,031	29.36	213,086,772	26.95
Trading and services	119,245,916	13.79	56,164,741	7.10
Households services, production of material products and services used by households	44,614,817	5.16	85,067,043	10.76
Other activities	16,908,348	1.95	13,814,317	1.75
	<b>864,925,948</b>	<b>100</b>	<b>790,688,059</b>	<b>100</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

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

Movement of provision for credit losses on loans to customers during the year 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 year	823,960	4,136,141	4,960,101
Provision used to write-off bad debts	-	(254,541)	(254,541)
<b>Closing balance as at 31 December 2018</b>	<b><u>6,768,718</u></b>	<b><u>6,239,665</u></b>	<b><u>13,008,383</u></b>

Movement of provision for credit losses on loans to customers during the year 2017 are as follows:

	<i>General provision VND million</i>	<i>Specific provision VND million</i>	<i>Total VND million</i>
Opening balance as at 1 January 2017	4,894,202	2,004,369	6,898,571
Provision charged in the year	1,050,556	2,564,001	3,614,557
Provision used to write-off bad debts	-	(2,210,305)	(2,210,305)
<b>Closing balance as at 31 December 2017</b>	<b><u>5,944,758</u></b>	<b><u>2,358,065</u></b>	<b><u>8,302,823</u></b>

## 12. INVESTMENT SECURITIES

### 12.1 Available-for-sale securities

	<i>31 December 2018 VND million</i>	<i>31 December 2017 VND million</i>
<b>Debt securities</b>	<b>88,187,442</b>	<b>125,287,262</b>
Government bonds	41,709,054	52,508,513
Bonds issued by other domestic credit institutions	24,007,410	26,696,702
Bonds issued by other domestic economic entities	22,470,978	46,082,047
<b>Equity securities</b>	<b>398,902</b>	<b>472,399</b>
Equity securities issued by domestic economic entities	398,902	472,399
<b>Provision for available-for-sale securities</b>	<b>(460,192)</b>	<b>(606,234)</b>
Provision for diminution in value	(117,473)	(120,039)
General provision	(342,719)	(486,195)
Specific provision	-	-
	<b><u>88,126,152</u></b>	<b><u>125,153,427</u></b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 12. INVESTMENT SECURITIES (continued)

### 12.2 Held-to-maturity securities

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

	31 December 2018 VND million	31 December 2017 VND million
<b>Debt securities</b>	<b>2,780,789</b>	<b>2,661,748</b>
Government bonds	2,200,000	2,200,000
Bonds issued by other domestic credit institutions	94,041	55,000
Bonds issued by other domestic economic entities	486,748	406,748
<b>Provision for held-to-maturity securities</b>	<b>(3,651)</b>	<b>(2,901)</b>
General provision	(3,651)	(2,901)
Specific provision	-	-
	<b>2,777,138</b>	<b>2,658,847</b>

#### 12.2.2 Special bonds issued by VAMC

	31 December 2018 VND million	31 December 2017 VND million
Special bonds	13,426,803	2,471,644
Provision for special bonds	(2,230,000)	(1,891,153)
	<b>11,196,803</b>	<b>580,491</b>

### 12.3 Analysis by quality of investment securities classified as credit risk bearing assets

	31 December 2018 VND million	31 December 2017 VND million
Current	40,682,714	64,933,530
Special mention	590,000	-
Substandard	-	-
Doubtful	-	240,850
Loss	480,850	240,000
	<b>41,753,564</b>	<b>65,414,380</b>

### 12.4 Provision for investment securities

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

	Available-for-sale securities VND million	Held-to-maturity securities VND million	Total VND million
Opening balance as at 1 January 2018	606,234	1,894,054	2,500,288
Provision charged in the year	(146,042)	2,791,922	2,645,880
Provision used to write-off bad debts	-	(2,452,325)	(2,452,325)
<b>Closing balance as at 31 December 2018</b>	<b>460,192</b>	<b>2,233,651</b>	<b>2,693,843</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

### 13. LONG-TERM INVESTMENTS

Analysis by type of investments

	<i>31 December 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Investment in a joint venture ( <i>Note 13.1</i> )	2,906,452	2,704,255
Other long-term investments	412,645	412,645
Provision for long-term investments	<u>(1,692)</u>	<u>(2,799)</u>
	<b><u>3,317,405</u></b>	<b><u>3,114,101</u></b>

#### 13.1 Investment in a joint venture

	<i>31 December 2018</i>			<i>31 December 2017</i>		
	<i>Cost</i> <i>VND</i> <i>million</i>	<i>Carrying</i> <i>value (equity</i> <i>method)</i> <i>VND million</i>	<i>% owned</i>	<i>Cost</i> <i>VND</i> <i>million</i>	<i>Carrying</i> <i>value (equity</i> <i>method)</i> <i>VND million</i>	<i>% owned</i>
Indovina Bank Limited	<u>1,688,788</u>	<u>2,906,452</u>	50%	<u>1,688,788</u>	<u>2,704,255</u>	50%
	<b><u>1,688,788</u></b>	<b><u>2,906,452</u></b>		<b><u>1,688,788</u></b>	<b><u>2,704,255</u></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 40 years with the initial charter capital of USD 10,000,000. 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 31 December 2018, the charter capital of Indovina Bank Limited was USD 193 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

#### 14. TANGIBLE FIXED ASSETS

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

	Building & construction VND million	Machines & equipment VND million	Transportation vehicles VND million	Other tangible fixed assets VND million	Total VND million
<b>Cost</b>					
Opening balance	7,059,531	4,759,813	1,235,692	255,269	13,310,305
Additions	33,528	148,696	165,458	21,569	369,251
Transfer from construction in progress	106,146	71,868	10,284	15,551	203,849
Other increases	73,527	106,370	5,963	8,920	194,780
Disposals	(40,164)	(25,212)	(16,237)	(2,442)	(84,055)
Reclassification	-	296	-	(296)	-
Other decreases	(50,253)	(8,029)	(7,746)	(2,895)	(68,923)
Closing balance	7,182,315	5,053,802	1,393,414	295,676	13,925,207
<b>Accumulated depreciation</b>					
Opening balance	1,732,209	4,140,335	885,156	165,869	6,923,569
Depreciation during the year	272,072	372,267	115,637	51,645	811,621
Other increases	9,716	53,929	2,484	11,583	77,712
Disposals	(7,568)	(24,535)	(15,948)	(2,303)	(50,354)
Reclassification	-	245	-	(245)	-
Other decreases	(6,270)	(9,471)	(12,558)	(2,354)	(30,653)
Closing balance	2,000,159	4,532,770	974,771	224,195	7,731,895
<b>Net book value</b>					
Opening balance	5,327,322	619,478	350,536	89,400	6,386,736
Closing balance	5,182,156	521,032	418,643	71,481	6,193,312

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
 as at 31 December 2018 and for the year then ended

**15. INTANGIBLE FIXED ASSETS**

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

	<i>Land use rights</i> VND million	<i>Other intangible</i> <i>fixed assets</i> VND million	<i>Total</i> VND million
<b>Cost</b>			
Opening balance	4,495,619	1,824,424	6,320,043
Additions	733	44,642	45,375
Other increases	2,000	78,321	80,321
Disposals	(3,884)	(59)	(3,943)
Other decreases	(12,745)	(4,682)	(17,427)
Closing balance	<u>4,481,723</u>	<u>1,942,646</u>	<u>6,424,369</u>
<b>Accumulated depreciation</b>			
Opening balance	258,254	1,011,998	1,270,252
Amortization during the year	37,901	196,182	234,083
Other increases	118	3,959	4,077
Disposals	-	(59)	(59)
Other decreases	(1,841)	(3,368)	(5,209)
Closing balance	<u>294,432</u>	<u>1,208,712</u>	<u>1,503,144</u>
<b>Net book value</b>			
Opening balance	<u>4,237,365</u>	<u>812,426</u>	<u>5,049,791</u>
Closing balance	<u>4,187,291</u>	<u>733,934</u>	<u>4,921,225</u>

**16. OTHER ASSETS**
**16.1 Receivables**

	<i>31 December 2018</i> VND million	<i>31 December 2017</i> VND million
Internal receivables	272,081	418,131
External receivables	14,040,801	6,350,449
in which: CIT receivables (Note 24)	136,488	-
Construction in progress	5,865,048	5,600,517
- Constructions in the North	5,144,184	4,937,812
- Constructions in the Central	559,290	472,272
- Constructions in the South	161,574	190,433
Fixed assets in purchase or under repair	1,378,835	1,345,285
	<u>21,556,765</u>	<u>13,714,382</u>

**16.2 Other assets**

	<i>31 December 2018</i> VND million	<i>31 December 2017</i> VND million
Materials	167,468	193,325
Prepaid expenses	3,170,550	2,990,175
Goodwill (Note 17)	907	2,722
Other assets	61,599	10,911
	<u>3,400,524</u>	<u>3,197,133</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 17. 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>31 December 2018</i>	<i>31 December 2017</i>
	<i>VND million</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 year	(15,427)	(13,612)
Value of unamortized goodwill at the beginning of the year	2,722	4,537
<b>Decrease in goodwill during the year</b>	<b>(1,815)</b>	<b>(1,815)</b>
Goodwill amortized during the year	(1,815)	(1,815)
<b>Total value of unamortized goodwill at the end of the year</b>	<b>907</b>	<b>2,722</b>

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

	<i>31 December 2018</i>	<i>31 December 2017</i>
	<i>VND million</i>	<i>VND million</i>
<b>Borrowings from the SBV</b>	<b>3,394,517</b>	<b>4,107,281</b>
Borrowings based on the credit files	3,387,559	4,100,323
Borrowings to support State-owned enterprises	6,958	6,958
<b>Deposits from the State Treasury</b>	<b>59,205,642</b>	<b>11,099,618</b>
In VND	59,204,977	11,098,975
In foreign currencies	665	643
	<b>62,600,159</b>	<b>15,206,899</b>

## 19. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

### 19.1 Deposits from other credit institutions

	<i>31 December 2018</i>	<i>31 December 2017</i>
	<i>VND million</i>	<i>VND million</i>
<b>Demand deposits</b>	<b>45,929,817</b>	<b>41,701,970</b>
In VND	45,506,583	38,087,146
In foreign currencies	423,234	3,614,824
<b>Term deposits</b>	<b>28,012,107</b>	<b>26,824,042</b>
In VND	24,662,300	19,634,870
In foreign currencies	3,349,807	7,189,172
	<b>73,941,924</b>	<b>68,526,012</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

**19. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS (continued)**

**19.2 Borrowings from other credit institutions**

	<u>31 December 2018</u> VND million	<u>31 December 2017</u> VND million
In VND	4,244,314	548,900
In foreign currencies	33,213,374	46,083,853
	<b><u>37,457,688</u></b>	<b><u>46,632,753</u></b>

**20. CUSTOMER DEPOSITS**

	<u>31 December 2018</u> VND million	<u>31 December 2017</u> VND million
Demand deposits	124,039,627	115,412,491
- Demand deposits in VND	99,241,853	95,909,532
- Demand deposits in foreign currencies	24,797,774	19,502,959
Term deposits	694,572,398	631,943,800
- Term deposits in VND	665,347,621	604,962,495
- Term deposits in foreign currencies	29,224,777	26,981,305
Deposits for specific purpose	4,067,540	3,173,915
- Deposits for specific purpose in VND	2,471,786	1,521,130
- Deposits for specific purpose in foreign currencies	1,595,754	1,652,785
Margin deposits	3,136,554	2,405,132
- Margin deposits in VND	2,800,123	1,961,897
- Margin deposits in foreign currencies	336,431	443,235
	<b><u>825,816,119</u></b>	<b><u>752,935,338</u></b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 20. CUSTOMER DEPOSITS (continued)

Analysis of customer deposits by type of entities is as follows:

	31 December 2018		31 December 2017	
	VND million	%	VND million	%
State-owned companies	144,282,240	17.47	81,729,855	10.85
One-member limited liability companies with 100% State ownership	32,455,154	3.93	57,852,075	7.68
Two or more member limited liability companies with over 50% State ownership or being controlled by the State	1,475,933	0.18	1,666,059	0.22
Other limited liability companies	27,192,508	3.29	24,465,024	3.25
Joint stock companies with over 50% State ownership or voting share capital; or being controlled by the State	23,934,107	2.90	28,278,246	3.76
Other joint-stock companies	53,066,664	6.42	51,315,381	6.82
Partnership companies	2,641,632	0.32	2,411,262	0.32
Private enterprises	2,201,924	0.27	1,886,742	0.25
Foreign invested enterprises	57,591,086	6.97	48,997,014	6.51
Co-operatives and unions of co- operative	170,954	0.02	440,958	0.06
Household business and individuals	435,144,186	52.70	412,340,160	54.76
Operation administration entities, the Party, unions and associations	30,154,319	3.65	30,928,742	4.11
Others	15,505,412	1.88	10,623,820	1.41
	<b>825,816,119</b>	<b>100</b>	<b>752,935,338</b>	<b>100</b>

## 21. OTHER BORROWED AND ENTRUSTED FUNDS

	31 December 2018 VND million	31 December 2017 VND million
Funds received in VND	849,358	827,515
Funds received in foreign currencies	5,084,671	5,536,643
	<b>5,934,029</b>	<b>6,364,158</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

**22. VALUABLE PAPERS ISSUED**

	<i>31 December 2018</i>	<i>31 December 2017</i>
	<i>VND million</i>	<i>VND million</i>
<b>In VND</b>	<b>46,215,482</b>	<b>22,500,925</b>
Par value	46,215,482	22,500,925
<b>In foreign currencies</b>	<b>877</b>	<b>848</b>
Par value	877	848
	<b>46,216,359</b>	<b>22,501,773</b>

Details of the term of valuable papers issued at the end of the year 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	5,650,000	14,050,868	19,701,034
- <i>In VND</i>	-	166	5,650,000	14,050,019	19,700,185
- <i>In foreign currencies</i>	-	-	-	849	849
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>32,165,100</b>	<b>14,050,896</b>	<b>46,216,359</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 23. OTHER LIABILITIES

### 23.1 Other payables

	<i>31 December 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Internal payables	2,709,617	3,776,803
External payables (*)	24,557,731	102,252,137
Bonus, welfare funds	1,504,821	400,245
	<b>28,772,169</b>	<b>106,429,185</b>

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

	<i>31 December 2018</i> <i>VND million</i>	<i>31 December 2017</i> <i>VND million</i>
Collection, payment on behalf of other organizations	20,933,729	99,146,666
Amount kept for customers and awaiting settlement	131,942	306,586
Corporate income tax payable	-	131,590
Other items awaiting for payment	1,381,640	1,207,851
Other payables related to securities operation	610,398	742,324
Tax and fee payables	224,055	185,067
Payables to the SBV due to the collection of written-off debts	90,046	86,654
Payables related to trade finance activities	6,005	6,526
Money transfer payable	860,338	287,517
Other payables	319,578	151,356
	<b>24,557,731</b>	<b>102,252,137</b>

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

	<i>Opening balance</i> <i>VND million</i>	<i>Movements during the year</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	32,452	362,078	373,219	21,311
Corporate income tax	131,590	1,305,177	1,573,255	(136,488)
Other taxes	135,545	796,697	807,526	124,716
	<b>299,587</b>	<b>2,463,952</b>	<b>2,754,000</b>	<b>9,539</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

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

### 24.1 Current corporate income tax

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

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 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 year. Taxable income differs from the one reported in the 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 year-end.

Provision for current income tax expense is computed as follows:

	2018 VND million	2017 VND million
<b>Profit before tax</b>	<b>6,730,402</b>	<b>9,206,194</b>
<i>Plus/(minus)</i>		
- Non-bearing tax dividend income	(229,761)	(230,387)
- Subsidiaries' profits	(702,390)	(557,308)
- Income from increase in interest at joint venture	(110,883)	(307,164)
- Movement of general provision for loans arising from consolidation	146,254	5,666
- Others	27,398	46,917
<b>Estimated taxable income</b>	<b>5,861,020</b>	<b>8,163,918</b>
Parent Bank's CIT expenses	1,172,204	1,632,784
Subsidiaries' CIT expenses	132,960	114,625
<b>Total CIT expenses in the year</b>	<b>1,305,164</b>	<b>1,747,409</b>
<b>CIT payable at the beginning of the year</b>	<b>131,590</b>	<b>177,602</b>
CIT paid during the year	(1,573,255)	(1,793,430)
Adjustment CIT differences of previous year	13	9
<b>Current income tax payable at the end of the year</b>	<b>(136,488)</b>	<b>131,590</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 25. OWNERS' EQUITY AND RESERVES

### 25.1 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 2017</b>	<b>37,234,046</b>	<b>8,974,721</b>	-	<b>2,190,856</b>	<b>4,127,738</b>	<b>48,304</b>	<b>480,011</b>	<b>6,990,755</b>	<b>260,333</b>	<b>60,306,764</b>
Net profit for the year	-	-	-	-	-	-	-	7,432,363	26,539	7,458,902
Appropriation to reserves	-	-	-	351,990	695,891	7,531	-	(1,055,413)	(2,124)	(2,125)
Other increase	-	-	-	-	-	-	-	-	10,874	10,874
Appropriation of the Bank bonus and welfare funds in 2016	-	-	-	-	-	-	-	(1,412,266)	-	(1,412,266)
Dividend in 2016	-	-	-	-	-	-	-	(2,606,383)	-	(2,606,383)
Utilization of reserves	-	-	-	-	(623)	-	-	-	-	(623)
Increase from subsidiaries' share issue	-	-	-	54,652	-	-	-	(54,652)	-	-
Increase from translation of financial statements for consolidation purposes	-	-	-	-	-	-	70,590	-	-	70,590
Other adjustments	-	(11)	-	-	-	-	-	(60,435)	(4)	(60,450)
<b>Balance as at 31 December 2017</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)	(21,758)
<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>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

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

### 25.2 Equity

Details of the Bank's shares are as follows:

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

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

### 25.3 Basic earnings per share

*Profit for calculation of basic earnings per share*

	2018 VND million	2017 VND million
Net profit	5,413,949	7,432,363
Bonus and welfare fund	-	(1,674,873)
<b>Profit attributed to ordinary equity holders</b>	<b>5,413,949</b>	<b>5,757,490</b>

*Number of ordinary shares for calculation of basic earnings*

	2018 Shares	2017 Shares
Number of ordinary shares issued at the beginning of the year	3,723,404,556	3,723,404,556
Effect of the number of shares issued in the year	-	-
<b>Weighted average of ordinary shares for calculation of basic earnings per share</b>	<b>3,723,404,556</b>	<b>3,723,404,556</b>

*Basic earnings per share*

	2018 VND/share	2017 VND/share
<b>Basic earnings per share</b>	<b>1,454</b>	<b>1,546</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

**26. INTEREST AND SIMILAR INCOME**

	<i>2018</i>	<i>2017</i>
	<i>VND million</i>	<i>VND million</i>
Interest income from deposits	2,239,306	2,325,479
Interest income from loans to customers	61,635,426	50,436,259
Interest income from debt securities	8,940,971	11,397,746
Income from guarantee activities	650,154	554,466
Income from finance leases	236,392	212,982
Other income from credit activities	473,871	350,267
	<b>74,176,120</b>	<b>65,277,199</b>

**27. INTEREST AND SIMILAR EXPENSES**

	<i>2018</i>	<i>2017</i>
	<i>VND million</i>	<i>VND million</i>
Interest expenses for deposits	40,920,955	34,666,313
Interest expenses for borrowings	1,971,206	1,884,027
Interest expenses for valuable papers issued	2,218,639	1,544,739
Other expenses for credit activities	6,547,234	109,133
	<b>51,658,034</b>	<b>38,204,212</b>

**28. NET FEE AND COMMISSION INCOME**

	<i>2018</i>	<i>2017</i>
	<i>VND million</i>	<i>VND million</i>
<b>Fee and commission income</b>	<b>5,954,421</b>	<b>4,302,331</b>
Settlement services	2,626,613	2,016,316
Trustee and agency services	51,398	51,540
Other services	3,276,410	2,234,475
<b>Fee and commission expenses</b>	<b>(3,186,894)</b>	<b>(2,447,131)</b>
Settlement services	(1,547,393)	(1,175,581)
Trustee and agency services	(47,353)	(30,611)
Treasury services	(282,232)	(189,858)
Other services	(1,309,916)	(1,051,081)
<b>Net fee and commission income</b>	<b>2,767,527</b>	<b>1,855,200</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

**29. NET GAIN FROM TRADING IN FOREIGN CURRENCIES**

	2018 <i>VND million</i>	2017 <i>VND million</i>
<b>Income from trading in foreign currencies</b>		
Income from trading in spot foreign currencies	901,498	850,144
Income from trading in currency derivatives	890,449	1,080,472
Income from gold trading	457,499	553,528
<b>Expenses for trading in foreign currencies</b>		
Expenses for trading in spot foreign currencies	(167,113)	(98,252)
Expenses for trading in currency derivatives	(916,742)	(1,122,114)
Expenses for gold trading	(455,722)	(553,812)
<b>Net gain from trading in foreign currencies</b>	<b>709,869</b>	<b>709,966</b>

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

	2018 <i>VND million</i>	2017 <i>VND million</i>
Income from securities held for trading	428,139	361,714
Expenses for securities held for trading	(82,399)	(37,912)
Provision (charged)/reversed for securities held for trading	(74,265)	866
<b>Net gain from securities held for trading</b>	<b>271,475</b>	<b>324,668</b>

**31. NET GAIN/(LOSS) FROM INVESTMENT SECURITIES**

	2018 <i>VND million</i>	2017 <i>VND million</i>
Income from trading in investment securities	105,868	81,779
Expenses for trading in investment securities	(32,839)	(28,188)
Provision reversed/(charged) for investment securities	145,292	(134,460)
<b>Net gain/(loss) from investment securities</b>	<b>218,321</b>	<b>(80,869)</b>

**32. NET GAIN FROM OTHER ACTIVITIES**

	2018 <i>VND million</i>	2017 <i>VND million</i>
<b>Income from other activities</b>		
Income from recovery of bad debts previously written-off	1,968,711	2,654,831
Income from other derivatives	542,512	231,010
Income from transfer, disposal of assets	6,084	42,833
Other income	385,917	305,238
<b>Expenses for other activities</b>		
Expenses for other derivatives	(450,370)	(255,667)
Expenses for transfer, disposal of assets	(5,037)	(5,259)
Other expenses	(569,407)	(978,114)
<b>Net gain from other activities</b>	<b>1,878,410</b>	<b>1,994,872</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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**33. INCOME FROM INVESTMENTS IN OTHER ENTITIES**

	2018 <i>VND million</i>	2017 <i>VND million</i>
Dividend received from equity securities	8,180	3,534
Dividend received from capital contribution	255,175	648,488
Share from net profit under equity method of investment in a joint venture	110,883	91,024
	<b>374,238</b>	<b>743,046</b>

**34. TOTAL OPERATING EXPENSES**

	2018 <i>VND million</i>	2017 <i>VND million</i>
<b>Expenses on taxes, fees, charges</b>	<b>27,769</b>	<b>35,515</b>
<b>Personnel expenses</b>	<b>7,519,099</b>	<b>8,282,388</b>
Salary and allowances	5,995,719	6,919,462
Expenses related to salary	550,848	431,020
Allowances	14,320	32,842
Other expenses	958,212	899,064
<b>Expenses on assets</b>	<b>2,356,550</b>	<b>2,631,446</b>
Depreciation and amortization expenses	1,045,704	1,159,913
Others	1,310,846	1,471,533
<b>Administrative expenses</b>	<b>3,292,312</b>	<b>3,572,296</b>
Per-diem	222,664	243,992
Expenses for union activities	52,604	45,620
Other expenses	3,017,044	3,282,684
<b>Insurance premium for customers' deposits</b>	<b>629,513</b>	<b>542,652</b>
<b>Other provision expenses</b>	<b>431,008</b>	<b>5,480</b>
	<b>14,256,251</b>	<b>15,069,777</b>

**35. CASH AND CASH EQUIVALENTS**

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

	31 December 2018 <i>VND million</i>	31 December 2017 <i>VND million</i>
Cash and cash equivalents on hand	7,028,347	5,979,833
Balances with the SBV	23,182,208	20,756,531
Current accounts at other credit institutions	67,777,391	52,109,399
Placements with other credit institutions with terms not exceeding 3 months	57,556,773	49,161,564
Securities with maturity or recovery terms not exceeding 3 months from the date of purchase	-	3,700,000
	<b>155,544,719</b>	<b>131,707,327</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

### 36. EMPLOYEES' REMUNERATIONS

	2018 <i>VND million</i>	2017 <i>VND million</i>
<b>I. Total number of employees (persons) (*)</b>	<b>24,197</b>	<b>23,784</b>
<b>II. Employees' remuneration (VND million)</b>		
1. Total salary fund	5,995,719	6,919,462
2. Other remuneration	321,540	184,782
3. Total remuneration (1+2)	<u>6,317,259</u>	<u>7,104,244</u>
4. Average monthly salary (**)	<u>21.03</u>	<u>24.56</u>
5. Average monthly remuneration (**)	<u>22.16</u>	<u>25.22</u>

(\*) Data as at 31 December

(\*\*) Calculated based on the average number of employees in the year

### 37. COLLATERAL AND MORTGAGES

#### 37.1 *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 year are as follows:

	31 December 2018 <i>VND million</i>	31 December 2017 <i>VND million</i>
Real estates	1,088,175,438	999,807,889
Movables	76,798,701	94,526,206
Deposits, gold, gemstones and valuable papers	140,666,919	115,556,511
Other assets	492,718,827	544,536,440
	<u><b>1,798,359,885</b></u>	<u><b>1,754,427,046</b></u>

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 31 December 2018, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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### 38. 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).

Details of significant balances with related parties as at 31 December are as follows:

#### Related organizations

<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>2018</i>	<i>2017</i>
			<i>VND million</i>	<i>VND million</i>
The State Bank of Vietnam	Owner and direct management agency	Deposits of the Bank at the SBV	23,182,208	20,756,531
		Due to the SBV	3,394,517	4,107,281
Indovina Bank Limited	Joint venture	Deposits of Indovina Bank Limited at the Bank	4,040,635	4,011,620
		Deposits of the Bank at Indovina Bank Limited	4,011,795	4,007,785

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

### 38. RELATED PARTY TRANSACTIONS (continued)

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

#### 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. 18/NQ-DHDCD dated 21 April 2018 approved by the General Meeting of Shareholders.

### 39. 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	860,109,360	951,767,561	113,336,163	281,166	108,073,497
Overseas	9,051,754	7,196,124	297,087	-	-
	<b>869,161,114</b>	<b>958,963,685</b>	<b>113,633,250</b>	<b>281,166</b>	<b>108,073,497</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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#### 40. SEGMENT INFORMATION

##### 40.1 Business segment report

Items	Banking financial services		Non-banking financial services		Others	Adjustment	Total
	Banking financial services	Non-banking financial services	Banking financial services	Non-banking financial services			
<b>I. Income</b>	<b>83,504,670</b>	<b>2,336,075</b>	<b>865,759</b>	<b>(515,049)</b>		<b>86,191,455</b>	
1. Interest income	73,753,305	422,903	136,696	(136,784)		74,176,120	
- Interest income from external sources	73,747,488	401,559	131,600	(104,527)		74,176,120	
- Interest income from internal sources	5,817	21,344	5,096	(32,257)		-	
2. Income from services	4,284,323	1,820,344	17,408	(167,654)		5,954,421	
3. Other income	5,467,042	92,828	711,655	(210,611)		6,060,914	
<b>II. Expenses</b>	<b>(69,200,380)</b>	<b>(2,007,295)</b>	<b>(821,015)</b>	<b>318,910</b>		<b>(71,709,780)</b>	
1. Interest expenses	(51,675,510)	(63,317)	(55,991)	136,784		(51,658,034)	
- External interest expenses	(51,625,639)	(8,584)	(55,987)	32,176		(51,658,034)	
- Internal interest expenses	(49,871)	(54,733)	(4)	104,608		-	
2. Depreciation and amortization expenses	(1,027,429)	(8,411)	(9,864)	-		(1,045,704)	
3. Expenses related to operating business	(16,497,441)	(1,935,567)	(755,160)	182,126		(19,006,042)	
<b>Net profit from operating activities before credit provision expenses</b>	<b>14,304,290</b>	<b>328,780</b>	<b>44,744</b>	<b>(196,139)</b>		<b>14,481,675</b>	
<b>Provision expenses for credit losses</b>	<b>(7,746,060)</b>	<b>(9,595)</b>	<b>(606)</b>	<b>4,988</b>		<b>(7,751,273)</b>	
<b>Segment profit before tax</b>	<b>6,558,230</b>	<b>319,185</b>	<b>44,138</b>	<b>(191,151)</b>		<b>6,730,402</b>	
Current corporate income tax expense	(1,216,543)	(63,107)	(25,514)	-		(1,305,164)	
Deferred tax expense	-	(682)	(8,127)	-		(8,809)	
<b>Segment profit after corporate income tax</b>	<b>5,341,687</b>	<b>255,396</b>	<b>10,497</b>	<b>(191,151)</b>		<b>5,416,429</b>	
<b>III. Assets</b>	<b>1,163,440,860</b>	<b>6,163,644</b>	<b>3,033,316</b>	<b>(8,203,085)</b>		<b>1,164,434,735</b>	
1. Cash on hand	6,989,280	3,670	35,397	-		7,028,347	
2. Fixed assets	10,959,292	78,521	76,724	-		11,114,537	
3. Other assets	1,145,492,288	6,081,453	2,921,195	(8,203,085)		1,146,291,851	
<b>IV. Liabilities</b>	<b>1,096,927,542</b>	<b>3,207,703</b>	<b>1,551,667</b>	<b>(4,707,694)</b>		<b>1,096,979,218</b>	
1. External liabilities	1,093,714,169	2,229,711	1,520,718	(4,699,816)		1,092,764,782	
2. Internal liabilities	3,213,373	977,992	30,949	(7,878)		4,214,436	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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**40. SEGMENT INFORMATION (continued)**

**40.2 Geographical segment report**

Items	Unit: VND million				
	North	South	Others	Offset	Total
<b>Segment profit before tax</b>	<b>3,964,695</b>	<b>378,859</b>	<b>2,386,848</b>	-	<b>6,730,402</b>
Current corporate income tax expense	(1,271,984)	(40)	(33,140)	-	(1,305,164)
Deferred tax expense	(8,809)	-	-	-	(8,809)
<b>Segment profit after corporate income tax</b>	<b>2,683,902</b>	<b>378,819</b>	<b>2,353,708</b>	-	<b>5,416,429</b>
Segment assets	675,565,829	361,594,903	135,477,088	(8,203,085)	1,164,434,735
Segment liabilities	614,977,016	354,774,264	131,935,632	(4,707,694)	1,096,979,218

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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#### 41. FINANCIAL RISK MANAGEMENT POLICIES

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

According to Official Letter No. 1601/NHNN-TTGSNH on the implementation of capital adequacy regulation under Basel II, the Bank is one of the ten selected banks to apply Basel II standards (jointly with Vietcombank, BIDV, MB, Sacombank, Techcombank, VPBank, etc.). The application of Basel II standards not only meets the requirements of the State Bank of Vietnam under the restructuring plan of the Vietnamese banking sector but is also a prerequisite for integration and expansion of the Bank in the global financial banking industry. The Bank has always played a pioneering role in the modernization of the banking system. In 2018, 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 Circular 06/2016/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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

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

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. 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.

#### 42. 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

#### 42. CREDIT RISK (continued)

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

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

The Bank's financial assets which are neither past due nor impaired include loans classified as Current loans, except for the loans overdue less than 10 days, under Circular 02; securities, receivables and other financial assets which are not past due and no provision is required under Circular No. 228/2009/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*

	<i>Overdue</i>				<i>Total</i>
	<i>Less than 90 days</i>	<i>91-180 days</i>	<i>181-360 days</i>	<i>Over 360 days</i>	
Loans to customers	2,216,425	565,748	245,118	1,445,790	4,473,081
Available-for-sale securities	590,000	-	-	480,850	1,070,850
	<b>2,806,425</b>	<b>565,748</b>	<b>245,118</b>	<b>1,926,640</b>	<b>5,543,931</b>

► *Financial assets which are impaired*

The maturity of impaired financial assets is presented as follows:

*Unit: VND million*

	<i>Overdue</i>				<i>Total</i>
	<i>Less than 90 days</i>	<i>91-180 days</i>	<i>181-360 days</i>	<i>Over 360 days</i>	
Loans to customers	2,993,296	1,569,953	1,840,357	8,023,986	14,427,592

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

#### 43. MARKET RISK

##### 43.1 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 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 consolidated balance sheet date to maturity date;
  - Items with floating interest rate: the effective interest rate re-pricing term is determined from the consolidated balance sheet date to the nearest interest rate re-pricing date;
  - Accrued income, accrued expenses: classified as non-interest-bearing items.

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

For 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

**43. MARKET RISK** (continued)

**43.1 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

#### 43. MARKET RISK (continued)

##### 43.1 Interest rate risk (continued)

Below table shows an analysis of the interest re-pricing period of assets and liabilities of the Bank as at 31 December 2018:

	Overdue		Interest re-pricing period							Total VND million
	Up to 3 months		Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years		
	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million		
<b>Assets</b>										
Cash, gold and gemstones	7,028,347	-	-	-	-	-	-	-	-	7,028,347
Balances with the SBV	-	-	23,182,208	-	-	-	-	-	-	23,182,208
Placements with and loans to other credit institutions (*)	-	-	108,434,619	19,795,393	1,220,000	1,062,000	-	-	-	130,512,012
Securities held for trading (*)	-	-	3,279,561	-	-	-	-	-	-	3,279,561
Derivatives and other financial assets	-	-	281,166	-	-	-	-	-	-	281,166
Loans to customers (*)	-	13,690,952	5,209,721	251,122,454	206,135,768	56,004,678	19,957,270	2,064,557	-	864,925,948
Investment securities (*)	13,825,705	480,850	3,205,722	16,041,797	8,013,201	2,603,847	38,913,145	21,119,669	-	104,793,936
Long-term investments (*)	3,319,097	-	-	-	-	-	-	-	-	3,319,097
Fixed assets	11,114,537	-	-	-	-	-	-	-	-	11,114,537
Other assets (*)	31,858,494	9	-	-	-	-	-	-	-	31,858,503
<b>Total assets</b>	<b>67,146,180</b>	<b>14,171,811</b>	<b>5,799,721</b>	<b>286,959,644</b>	<b>215,368,969</b>	<b>59,670,525</b>	<b>58,870,415</b>	<b>23,184,226</b>	<b>1,180,295,315</b>	
<b>Liabilities</b>										
Due to the SBV	-	-	56,238,981	3,853,941	878,474	1,628,763	-	-	-	62,600,159
Deposits and borrowings from other credit institutions	-	-	91,604,345	15,361,562	2,803,116	1,630,589	-	-	-	111,399,612
Customer deposits	-	-	129,577,460	207,038,783	200,801,899	182,517,535	105,153,688	726,754	-	825,816,119
Other borrowed and entrusted funds	-	-	-	2,805,478	229,176	-	2,899,375	-	-	5,934,029
Valuable papers issued	-	-	1,259	-	3,415,100	18,850,000	23,950,000	-	-	46,216,359
Other liabilities (*)	44,592,361	-	-	-	-	-	-	-	-	44,592,361
<b>Total liabilities</b>	<b>44,592,361</b>	-	<b>277,422,045</b>	<b>229,059,764</b>	<b>208,127,765</b>	<b>204,626,887</b>	<b>132,003,063</b>	<b>726,754</b>	<b>1,096,558,639</b>	
<b>Interest sensitivity gap of balance sheet items</b>	<b>22,553,819</b>	<b>14,171,811</b>	<b>5,799,721</b>	<b>171,701,779</b>	<b>57,899,880</b>	<b>7,241,204</b>	<b>(73,132,648)</b>	<b>22,457,472</b>	<b>83,736,676</b>	
<b>Interest sensitivity gap of off-balance sheet items</b>	-	-	-	-	-	-	-	-	-	
<b>Interest sensitivity gap of on, off-balance sheet items</b>	<b>22,553,819</b>	<b>14,171,811</b>	<b>5,799,721</b>	<b>171,701,779</b>	<b>57,899,880</b>	<b>7,241,204</b>	<b>(73,132,648)</b>	<b>22,457,472</b>	<b>83,736,676</b>	

(\*): Excluding provision

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

**43. MARKET RISK (continued)**

**43.2 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 CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

**43. MARKET RISK (continued)**

**43.2 Currency risk (continued)**

The following table presents assets and liabilities in foreign currencies translated into VND as at 31 December 2018:

	EUR equivalent VND million	USD equivalent VND million	Other currencies equivalent VND million	Total VND million
<b>Assets</b>				
Cash, gold and gemstones	159,520	980,030	124,964	1,264,514
Balances with the SBV	-	3,428,889	-	3,428,889
Placements with and loans to other credit institutions (*)	1,531,339	26,207,671	429,679	28,168,689
Securities held for trading (*)	-	-	-	-
Derivatives and other financial assets	-	-	-	-
Loans to customers (*)	3,331,263	71,204,987	-	74,536,250
Investment securities (*)	-	-	-	-
Long-term investments (*)	-	1,688,788	-	1,688,788
Fixed assets	74,251	-	-	74,251
Other assets (*)	1,410,890	10,815,328	-	12,226,218
<b>Total assets</b>	<b>6,507,263</b>	<b>114,325,693</b>	<b>554,643</b>	<b>121,387,599</b>
<b>Liabilities</b>				
Due to the SBV	-	-	-	-
Deposits and borrowings from other credit institutions	486,440	36,033,657	466,318	36,986,415
Customer deposits	2,935,601	52,901,621	117,514	55,954,736
Other borrowed and entrusted funds	187,465	4,897,114	92	5,084,671
Valuable papers issued	-	877	-	877
Other liabilities (*)	2,589,816	1,205,911	-	3,795,727
Owners' equity	-	-	-	-
<b>Total liabilities</b>	<b>6,199,322</b>	<b>95,039,180</b>	<b>583,924</b>	<b>101,822,426</b>
<b>FX position on balance sheet</b>	<b>307,941</b>	<b>19,286,513</b>	<b>(29,281)</b>	<b>19,565,173</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>307,941</b>	<b>19,286,513</b>	<b>(29,281)</b>	<b>19,565,173</b>

(\*): Excluding provision

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended**43. MARKET RISK (continued)****43.3 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 Council meeting, the compliance of liquidity risk limits is also reviewed and reported. Based on analysis and evaluation, ALCO/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 CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

**43. MARKET RISK** (continued)

**43.3 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. Currently, the Bank is promptly completing and developing the procedures as well as applying and upgrading software for risk management in accordance with international standards.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

#### 43. MARKET RISK (continued)

##### 43.3 Liquidity risk (continued)

The table below presents the analysis of remaining maturity of assets and liabilities of the Bank as at 31 December 2018:

	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	-	-	7,028,347	-	-	-	-	7,028,347
Balances with the SBV	-	-	23,182,208	-	-	-	-	23,182,208
Placements with and loans to other credit institutions (*)	-	-	108,434,619	19,795,393	2,282,000	-	-	130,512,012
Securities held for trading (*)	-	-	3,279,561	-	-	-	-	3,279,561
Derivatives and other financial assets	-	-	281,166	-	-	-	-	281,166
Loans to customers (*)	13,690,952	5,209,721	54,581,576	180,440,228	302,849,199	132,775,137	175,379,135	864,925,948
Investment securities (*)	480,850	590,000	2,239,283	5,170,020	4,827,337	65,923,028	25,563,418	104,793,936
Long-term investments (*)	-	-	-	-	-	-	3,319,097	3,319,097
Fixed assets	-	-	-	-	-	-	11,114,537	11,114,537
Other assets (*)	9	-	-	-	128,960	-	31,729,534	31,858,503
<b>Total assets</b>	<b>14,171,811</b>	<b>5,799,721</b>	<b>199,026,760</b>	<b>205,405,641</b>	<b>310,087,496</b>	<b>198,698,165</b>	<b>247,105,721</b>	<b>1,180,295,315</b>
<b>Liabilities</b>								
Due to the SBV	-	-	56,238,981	3,853,941	2,507,237	-	-	62,600,159
Deposits and borrowings from other credit institutions	-	-	86,734,497	13,387,004	5,891,341	5,274,482	112,288	111,399,612
Customer deposits	-	-	129,577,460	207,038,783	383,319,434	105,153,688	726,754	825,816,119
Other borrowed and entrusted funds	-	-	-	-	-	2,899,375	3,034,654	5,934,029
Valuable papers issued	-	-	1,259	-	14,050,000	7,650,000	24,515,100	46,216,359
Other liabilities (*)	-	-	21,146,438	3,372,975	6,420,517	13,198,992	453,439	44,592,361
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>293,698,635</b>	<b>227,652,703</b>	<b>412,188,529</b>	<b>134,176,537</b>	<b>28,842,235</b>	<b>1,096,558,639</b>
<b>Net liquidity gap</b>	<b>14,171,811</b>	<b>5,799,721</b>	<b>(94,671,875)</b>	<b>(22,247,062)</b>	<b>(102,101,033)</b>	<b>64,521,628</b>	<b>218,263,486</b>	<b>83,736,676</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.

**44. ADDITIONAL INFORMATION ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

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

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

Financial assets

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

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

▶ *Financial asset at fair value through profit or loss*

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

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

▶ *Held-to-maturity investments*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

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

Financial assets (continued)

► *Loans and receivables:*

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

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

► *Available-for-sale financial assets:*

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

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

Financial liabilities

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

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

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

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

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

► *Financial liabilities at amortized cost:*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

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

##### Offsetting of financial assets and financial liabilities

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

The carrying value and fair value of financial assets and financial liabilities of the Bank as at 31 December 2018 are presented as follows:

	Carrying value					Fair value VND million
	Financial assets at fair value through profit and loss VND million	Held-to- maturity VND million	Loans and receivables VND million	Available-for- sale VND million	Other assets and liabilities recorded at amortized cost VND million	
Cash, gold and gemstones	7,028,347	-	-	-	-	7,028,347
Balances with the SBV	23,182,208	-	-	-	-	23,182,208
Placements with and loans to other credit institutions	-	-	130,512,012	-	-	130,512,012
Securities held for trading	3,279,561	-	-	-	-	3,279,561
Derivatives and other financial assets	281,166	-	-	-	-	281,166
Loans to customers	-	-	864,925,948	-	-	864,925,948
Available-for-sale securities	-	-	-	88,586,344	-	88,586,344
Held-to-maturity securities	-	16,207,592	-	-	-	16,207,592
Other long-term investments	-	-	-	412,645	-	412,645
Other financial assets	-	-	31,711,869	-	-	31,711,869
	<b>33,771,282</b>	<b>16,207,592</b>	<b>1,027,149,829</b>	<b>88,998,989</b>	<b>-</b>	<b>1,166,127,692</b>
Due to the SBV	-	-	-	-	62,600,159	62,600,159
Deposits and loans from other credit institutions	-	-	-	-	111,399,612	111,399,612
Customer deposits	-	-	-	-	825,816,119	825,816,119
Other borrowed and entrusted funds	-	-	-	-	5,934,029	5,934,029
Valuable papers issued	-	-	-	-	46,216,359	46,216,359
Other financial liabilities	-	-	-	-	44,436,430	44,436,430
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,096,402,708</b>	<b>1,096,402,708</b>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

**45. EVENTS AFTER THE CONSOLIDATED BALANCE SHEET DATE**

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

**46. EXCHANGE RATES OF SOME FOREIGN CURRENCIES AGAINST VIETNAM DONG AT THE BALANCE SHEET DATE**

	31 December 2018 VND	31 December 2017 VND
USD	23,195	22,425
EUR	26,587	27,208
GBP	29,537	30,646
CHF	23,544	23,294
JPY	210.69	201.42
SGD	17,023	17,010
CAD	17,034	18,123
AUD	16,392	17,740
NZD	16,364	16,158
THB	715.47	697.45
SEK	2,589	2,765
NOK	2,667	2,766
DKK	3,552	3,654
HKD	2,962	2,906
CNY	3,372	3,486
KRW	21.08	21.30
LAK	2.74	2.90
MYR	5,329	5,327



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29 March 2019