

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

Consolidated financial statements

31 December 2017



Vietnam Joint Stock Commercial Bank for Industry and Trade

TABLE OF CONTENTS

	<i>Pages</i>
General information	1 - 2
Report of the Board of Management	3
Independent auditors' report	4 - 5
Consolidated balance sheet	6 - 8
Consolidated income statement	9
Consolidated cash flow statement	10 - 11
Notes to the consolidated financial statements	12 - 78

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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/QĐ-NH5 dated 21 September 1996 to re-establish the Bank under State corporation model. On 25 December 2008, Vietnam Bank for Industry and Trade successfully carried out its initial public offering.

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

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

Charter capital

As at 31 December 2017, the charter capital of the Bank is VND37,234,046 million (31 December 2016: 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 2017, the Bank has one (1) Head Office; one (1) Trade finance centre; three (3) Administrative units; five (5) Cash management centres; two (2) Local representative offices; one (1) overseas representative office in Myanmar; one-hundred and fifty seven (157) branches (including two (2) overseas branches); seven (7) subsidiaries and one (1) subsidiary bank.

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
Mr. Le Duc Tho	Member cum. General Director
Ms. Nguyen Hong Van	Member
Mr. Cat Quang Duong	Member
Mr. Yotaro Agari	Member
Mr. Phung Khac Ke	Member
Ms. Tran Thu Huyen	Member
Mr. Hiroshi Yamaguchi	Member (additionally appointed on 17 April 2017)
Mr. Michael Knight Ipson	Member (resigned from 17 April 2017)
Mr. Hiroyuki Nagata	Member (resigned from 17 April 2017)

Vietnam Joint Stock Commercial Bank for Industry and Trade

GENERAL INFORMATION (continued)

BOARD OF MANAGEMENT AND CHIEF ACCOUNTANT

The members of the Board of 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
Mr. Tran Minh Binh	Deputy General Director
Ms. Bui Nhu Y	Deputy General Director (retired from 1 May 2017)
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 (appointed on 15 May 2017)
Mr. Hiroyuki Nagata	Deputy General Director (resigned from 15 May 2017)
Mr. Nguyen Hai Hung	Chief Accountant

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

LEGAL REPRESENTATIVE

The legal representative of the Bank during the year and at the date of the consolidated financial statements is Mr. Nguyen Van Thang - the Chairman.

Ms. Le Nhu Hoa - Deputy General Director is authorized by Mr. Nguyen Van Thang to sign the accompanying consolidated financial statements for the year ended 31 December 2017 in accordance with the Letter of Authorization No. 685/UQ-HDQT-NHCT18 dated 8 August 2016.

AUDITORS

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

Vietnam Joint Stock Commercial Bank for Industry and Trade

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Vietnam Joint Stock Commercial Bank for Industry and Trade ("the Bank") is pleased to present this report and the consolidated financial statements of the Bank and its subsidiaries as at 31 December 2017 and for the year then ended.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Bank's Board of 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, the Board of Management is required to:

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

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

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

STATEMENT BY THE BOARD OF MANAGEMENT

The Board of Management of the Bank does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2017, 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 the Board of Management



Mr. Le Duc Tho
General Director

Hanoi, Vietnam

28 March 2018

Reference: 60755043/19145213-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 28 March 2018 and set out on pages 6 to 78, which comprise the consolidated balance sheet as at 31 December 2017, 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, 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 2017, 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.

Emphasis of matter

We draw attention to *Note 38.1 - Contingent liabilities* of the consolidated financial statements. As at 31 December 2017, the Bank is a party to the case of Huynh Thi Huyen Nhu and Vo Anh Tuan – former employees of Ho Chi Minh City Branch and Nha Be Branch of the Bank.

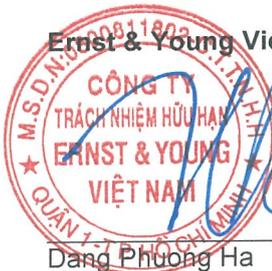
The case has been under re-investigation, prosecution and trial in accordance with the provisions of law. Hence, the responsibilities and legal obligations of the parties concerned shall be defined only when the re-investigation and trial are completed with effective judgment and verdict.

Our audit opinion on the consolidated financial statements is not modified in respect of this matter.

Other matter

The consolidated financial statements of the Bank for the year ended 31 December 2016 were audited by another audit firm which expressed an unmodified opinion on 30 March 2017 with an emphasis of matter related to the above-mentioned case of Huynh Thi Huyen Nhu.

Ernst & Young Vietnam Limited




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



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

Hanoi, Vietnam

28 March 2018

CONSOLIDATED BALANCE SHEET
as at 31 December 2017

	Notes	31 December 2017 VND million	31 December 2016 (restated) VND million
ASSETS			
Cash, gold and gemstones	5	5,979,833	5,187,132
Balances with the State Bank of Vietnam	6	20,756,531	13,502,594
Placements with and loans to other credit institutions	7	107,510,487	94,469,281
Placements with other credit institutions		101,938,284	91,031,828
Loans to other credit institutions		5,572,203	3,437,453
Provision for credit losses on loans to other credit institutions		-	-
Securities held for trading	8	3,528,982	1,894,690
Securities held for trading		3,602,443	1,974,670
Provision for securities held for trading		(73,461)	(79,980)
Derivatives and other financial assets	9	528,762	682,690
Loans to customers		782,385,236	655,089,226
Loans to customers	10	790,688,059	661,987,797
Provision for credit losses on loans to customers	11	(8,302,823)	(6,898,571)
Investment securities	12	128,392,765	134,226,686
Available-for-sale securities	12.1	125,759,661	125,573,894
Held-to-maturity investments	12.2	5,133,392	11,743,021
Provision for investment securities	12.4	(2,500,288)	(3,090,229)
Long-term investments	13	3,114,101	3,202,637
Investments in joint ventures	13.1	2,704,255	2,774,766
Other long-term investments		412,645	430,445
Provision for long-term investments		(2,799)	(2,574)
Fixed assets		11,436,527	10,623,575
Tangible fixed assets	14	6,386,736	6,422,388
Cost		13,310,305	12,538,577
Accumulated depreciation		(6,923,569)	(6,116,189)
Intangible fixed assets	15	5,049,791	4,201,187
Cost		6,320,043	5,144,462
Accumulated amortization		(1,270,252)	(943,275)
Other assets	16	31,427,618	29,688,994
Receivables	16.1	13,714,382	12,573,436
Accrued interest and fee receivables		14,523,919	14,106,717
Other assets	16.2	3,197,133	3,010,388
In which: Goodwill	17	2,722	4,537
Provision for other assets		(7,816)	(1,547)
TOTAL ASSETS		1,095,060,842	948,567,505

CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2017

	<i>Notes</i>	<i>31 December 2017</i> <i>VND million</i>	<i>31 December 2016</i> <i>(restated)</i> <i>VND million</i>
LIABILITIES			
Due to the State Bank of Vietnam	18	15,206,899	4,808,417
Deposits and borrowings from other credit institutions	19	115,158,765	85,151,867
Deposits from other credit institutions	19.1	68,526,012	41,346,232
Borrowings from other credit institutions	19.2	46,632,753	43,805,635
Customer deposits	20	752,935,338	655,060,148
Other borrowed and entrusted funds	21	6,364,158	6,075,468
Valuable papers issued	22	22,501,773	23,849,453
Other liabilities	23	119,128,626	113,315,388
Interest and fee payables		12,357,877	9,944,825
Other payables	23.1	106,429,185	103,133,103
Other provision		341,564	237,460
TOTAL LIABILITIES		1,031,295,559	888,260,741
OWNERS' EQUITY			
Capital		46,208,756	46,208,767
- Charter capital		37,234,046	37,234,046
- Share premium		8,974,710	8,974,721
Reserves		7,476,339	6,366,898
Foreign exchange differences		550,601	480,011
Undistributed profits		9,233,969	6,990,755
Non-controlling interests		295,618	260,333
TOTAL OWNERS' EQUITY	25	63,765,283	60,306,764
TOTAL LIABILITIES AND OWNERS' EQUITY		1,095,060,842	948,567,505

CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2017

OFF-BALANCE SHEET ITEMS

	<u>31 December 2017</u>	<u>31 December 2016</u>
	<u>VND million</u>	<u>VND million</u>
Credit guarantees	3,383,765	2,349,067
Foreign exchange commitments	195,261,549	133,764,643
- <i>Foreign exchange commitments - buy</i>	4,202,387	509,340
- <i>Foreign exchange commitments - sell</i>	4,411,779	743,152
- <i>Cross currency swap contracts</i>	186,647,383	132,512,151
Letters of credit	55,316,608	42,320,738
Other guarantees	54,223,212	46,360,864
Other commitments	28,719,395	28,605,438

Prepared by:



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

Reviewed by:



Mr. Nguyen Hai Hung
Chief Accountant

Approved by:



Ms. Le Nhu Hoa
Deputy General Director

Hanoi, Vietnam

28 March 2018

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2017

	Notes	2017 VND million	2016 (restated) VND million
Interest and similar income	26	65,277,199	52,889,585
Interest and similar expenses	27	(38,204,212)	(30,585,706)
Net interest and similar income		27,072,987	22,303,879
Fee and commission income		4,302,331	3,334,497
Fee and commission expenses		(2,447,131)	(1,636,472)
Net fee and commission income	28	1,855,200	1,698,025
Net gain from trading of foreign currencies	29	709,966	685,139
Net gain from securities held for trading	30	324,668	183,919
Net (loss)/gain from investment securities	31	(80,869)	40,955
Other income		3,233,912	2,546,328
Other expenses		(1,239,040)	(1,247,565)
Net gain from other activities	32	1,994,872	1,298,763
Income from investments in other entities	33	743,046	150,475
TOTAL OPERATING EXPENSES	34	(15,069,777)	(12,848,843)
Net profit before provision for credit losses		17,550,093	13,512,312
Provision expense for credit losses		(8,343,899)	(5,058,609)
PROFIT BEFORE TAX		9,206,194	8,453,703
Current corporate income tax expense	24.1	(1,747,409)	(1,688,781)
Deferred corporate income tax income		117	289
Corporate income tax expense		(1,747,292)	(1,688,492)
PROFIT AFTER TAX		7,458,902	6,765,211
Non-controlling interests		26,539	19,984
Owners' net profit		7,432,363	6,745,227
Basic earnings per share (VND/share)	25.3	1,546	1,432

Prepared by:



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

Reviewed by:



Mr. Nguyen Hai Hung
Chief Accountant

Approved by:



Ms. Le Nhu Hoa
Deputy General Director

Hanoi, Vietnam

28 March 2018

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2017

	Notes	2017 VND million	2016 VND million
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and similar receipts		64,942,556	51,622,581
Interest and similar payments		(35,767,979)	(26,632,017)
Net fee and commission receipts		2,841,199	1,745,205
Net receipts from dealing in foreign currencies, gold and securities trading activities		1,824,454	2,859,345
Other expense		(842,441)	(650,253)
Recoveries from bad debts written-off previously		2,289,247	1,814,476
Payments for operating and salary expenses		(13,276,456)	(11,243,918)
Corporate income tax paid in the year	24.1	(1,793,430)	(1,660,986)
Net cash flows from operating profit before changes in operating assets and liabilities		20,217,150	17,854,433
Changes in operating assets		(136,128,883)	(139,525,898)
Increase in deposits at and loans to other credit institutions		(1,895,466)	(2,224,254)
Decrease/(increase) in trading securities		3,496,089	(9,726,307)
Decrease/(increase) in derivatives and other financial assets		153,928	(682,690)
Increase in loans to customers		(121,036,561)	(123,541,758)
Decrease in utilization of provision to write off loans to customers, securities, long-term investments and other receivables		(7,663,701)	(1,482,318)
Increase in other assets		(9,183,172)	(1,868,571)
Changes in operating liabilities		139,860,930	156,101,473
Increase/(decrease) in due to the SBV and the Government		10,398,482	(8,418,698)
Increase/(decrease) in deposits and borrowings from other credit institutions		30,006,898	(14,017,349)
Increase in customers deposits (including deposits from State Treasury)		97,875,190	162,100,084
(Decrease)/increase in valuable papers issued (except for valuable papers issued for financing activities)		(1,347,680)	2,988,956
Increase/(decrease) in other borrowed and entrusted funds		288,690	(48,161,779)
Decrease in derivatives and other financial liabilities		-	(117,619)
Increase in other liabilities		2,639,973	61,730,621
Payments from credit institution's fund		(623)	(2,743)
Net cash flows from operating activities		23,949,197	34,430,008

CONSOLIDATED CASH FLOW STATEMENT (continued)
for the year ended 31 December 2017

	Notes	2017 VND million	2016 VND million
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(1,784,649)	(1,852,272)
Proceeds from disposal of fixed assets		43,701	13,348
Payments for disposal of fixed assets		(5,277)	(8,573)
Payments for investments in other entities		-	(24,000)
Proceeds from investments in other entities		600,000	219,588
Dividends and profits received from long-term investments and capital contribution		231,582	112,602
Net cash flows from/(used in) investing activities		(914,643)	(1,539,307)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend payment to shareholders		(5,212,766)	-
Cash flows used in financing activities		(5,212,766)	-
Net cash flows in the year		17,821,788	32,890,701
Cash and cash equivalents at the beginning of the year		113,814,949	80,882,722
Adjustment due to exchange rate differences		70,590	41,526
Cash and cash equivalents at the end of the year	35	131,707,327	113,814,949

Prepared by:



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

Reviewed by:



Mr. Nguyen Hai Hung
Chief Accountant

Approved by:



Ms. Le Nhu Hoa
Deputy General Director

Hanoi, Vietnam

28 March 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2017 and for the year then ended**1. GENERAL INFORMATION**

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

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

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Location

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Employees

The Bank has 23,784 employees as at 31 December 2017 (31 December 2016: 22,957 employees).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

1. GENERAL INFORMATION (continued)

Subsidiaries

As at 31 December 2017, 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 Ltd	Business Registration No. 0101047075/GP dated 10 March 2011 granted by Hanoi Authority for Planning and Investment	Finance and banking	100%
VietinBank Securities JSC	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 Ltd	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 Ltd	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 Ltd	Establishment and Operating License No. 50/UBCK-GP dated 26 October 2010 granted by State Security Commission and No. 05/GPDC-UBCK dated 23 March 2011	Fund management	100%
VietinBank Global Money Transfer Company Ltd	Business Registration No. 0105757686 dated 3 January 2012 granted by Hanoi Planning and Investment Department	Monetary transfer intermediary	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 2017 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 2017, 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 Board of 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 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 2017 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 Board of Management of the Bank make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the income, expenses and the resultant provisions. 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 2017.

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 2016, except for the following change in the accounting policies:

Decree No. 93/2017/ND-CP on financial regime applicable to credit institutions, foreign bank branches and financial supervision and evaluation of efficiency of State capital investment at credit institutions with State owning 100% of charter capital and State-owned credit institutions

On 7 August 2017, the Government promulgated Decree No. 93/2017/ND-CP on the financial regime applicable to credit institutions, foreign bank branches, and financial supervision and efficiency evaluation of State capital investment in credit institutions with State owning 100% of charter capital and State-owned credit institutions ("Decree 93"). Decree 93 replaces Decree No. 57/2012/ND-CP dated 20 July 2012 of the Government, and takes effect on 25 September 2017, except for regulations on the efficiency evaluation of State investment in joint-stock credit institutions with State owning over 50% of charter capital.

Decree 93 supplements the regulations on capital adequacy, income, expenses, accounting currency and the distribution order of profit after corporate income tax.

Circular No. 39/2016/TT-NHNN on lending activities to customers of credit institutions and foreign bank branches

On 30 December 2016, the SBV issued Circular No. 39/2016/TT-NHNN on lending activities to customers of credit institutions and foreign bank branches, which has taken effect since 15 March 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Standards issued but not yet effective

On 29 December 2017, the SBV issued Circular No. 22/2017/TT-NHNN amending and supplementing a number of articles of 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 main changes in Circular 22 are as below:

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

Circular 22 will take effect on 1 April 2018.

4.3 Cash and cash equivalents

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

4.4. 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 4.6*.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 *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 on the consolidated balance sheet.

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

Loan classification and provision for credit losses are made according to Circular 02 and Circular 09 as presented in *Note 4.6*.

4.6 ***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 2017 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 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Specific provision (continued)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 *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 2017 is made at 0.75% of total outstanding loans excluding placements with and loans to other credit institutions and loans classified as loss (group 5) as at 30 November 2017.

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.

4.7 *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 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 4.6*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 *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.

4.8.1 *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 4.6*.

Investment securities owned by VietinBank Fund Management Company Ltd. and VietinBank Securities Joint Stock Company are provided for impairment in accordance with Circular No. 146/2014/TT-BTC ("*Circular 146*") dated 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 2017 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 *Investment securities* (continued)

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

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

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

Other held-to-maturity securities

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

Held-to-maturity securities are recorded and measured identical to debt securities available-for-sale and presented at Note 4.8.1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 *Joint venture*

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

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

4.10 *Other long-term investments*

Other long-term investments are investments in other entities in which the Bank holds less than 11% of voting rights. 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 the fiscal 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.

4.11 *Re-purchase and re-sale contracts*

Securities sold under agreements to repurchase at a specific date in the future (repos) are still recognized in the 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 2017 and for the year then ended**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)**4.12 Fixed assets**

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

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

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.

4.13 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.

4.14 Receivables**4.14.1 Receivables classified as credit bearing assets**

Receivables classified as credit bearing assets are recognized at cost. Doubtful receivables are classified and provided for allowance by the Bank in accordance with the regulations on recognition and use of provision to write off the credit risk as presented in *Note 4.6*.

4.14.2 Other receivables

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

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

Provision for overdue debts is made in accordance with Circular No. 228/2009/TT-BTC as follows:

<i>Overdue status</i>	<i>Allowance rate</i>
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 2017 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 *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.

4.16 *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. 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.

4.17 *Recognition of income and expense*

4.17.1 *Interest income and expenses*

Interest income and 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,...) are recognized on an accrual/amortization basis.

4.17.2 *Income from securities trading*

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

4.17.3 *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 received in form of shares and bonus shares are recognized as an increase in income and value of investment according to Circular No. 220/2013/TT-BTC dated 31 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Recognition of income and expense (continued)

4.17.4 Income and expense from non-life insurance activities

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

Specifically, gross written premium is recognized as revenue when the following conditions are met: (i) the insurance contract has been entered into by the insurer and policy holders; and (ii) the premium has been paid by policy holders or (iii) there is an agreement between the Company and policy holders for delayed payment of insurance premium. If the Company and its customers mutually agree a method of insurance premium payment on an instalment basis, only the insurance premium which is due in accordance with the instalment contract shall be taken to revenue for the period. Premium payment period shall not exceed 30 days from policy inception date. For instalment contracts, VietinBank Insurance Joint Stock Corporation is required to record revenue from insurance premium of the first instalment as of the insurance contract's effective date and record revenue from premium of the following instalments only when the policyholders make full premium payment under the agreement of the contract. If policyholder cannot make full premium payment as agreed in the contracts, insurance contract shall be automatically terminated after contractual premium payment date.

Prepaid premium before due date is recorded as "*Short term unearned revenue*" in the consolidated balance sheet.

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

4.17.5 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.

4.17.6 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 *Recognition of income and expense* (continued)

4.17.8 *Commission expenses for non-life insurance activities*

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

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

Deposits from banks, customer deposits and valuable papers issued are disclosed at the principal amounts outstanding at the date of the consolidated financial statements.

4.19 *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 49*). 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.

4.20 *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.

4.21 *Technical reserves for non-life insurance*

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

Details of the reserving methodologies are as follows:

(i) *Unearned premium reserve*

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

- ▶ For cargo insurance with a term of less than 1 year, unearned premium reserve is made at 25% of the retained premium. For other insurance, the rate is 50%.
- ▶ For other insurance lines and line of insurance of cargo delivered by road, water, inland water, railway and airway with a term of more than 1 year, unearned premium reserve is calculated based on the 1/8 method. This method assumes that premiums for all insurance contracts issued in a quarter equally spread along the quarter. In other word, all insurance contracts of a particular quarter are assumed to be effective at that mid-quarter. Unearned premium reserve is calculated based on the following formula:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.21 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:

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

Where:

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

(iii) Catastrophe reserve

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.22 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 payables are 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 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 year.

4.23 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.

4.24 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 2017 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.24 *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 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 year.

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

4.25 *Employee benefits*

4.25.1 *Post - employment benefits*

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

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

4.25.2 *Voluntary resignation benefits*

The Bank has the obligation, under Section 48 of the Vietnam Labour Code 10/2012/QH13 effective from 1 May 2013, to pay allowance arising from voluntary resignation and fully meet the elements in accordance with the law of employees, equal to one-half month’s salary for each year of employment up to 31 December 2008.

4.25.3 *Unemployment insurance*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.26 Capital and reserves

4.26.1 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.

4.26.2 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.

4.26.3 Reserves

(i) Bank's reserves

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

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

(ii) Subsidiaries' reserves

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

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

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

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

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

These reserves will be appropriated at the end of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.27 *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.

4.28 *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 2017 and for the year then ended

5. CASH, GOLD AND GEMSTONES

	<i>31 December 2017</i>	<i>31 December 2016</i>
	<i>VND million</i>	<i>VND million</i>
Cash on hand in VND	5,201,870	4,509,334
Cash on hand in foreign currencies	729,977	649,086
Valuable papers in foreign currencies	-	-
Monetary gold	25,941	5,784
Non-monetary gold	-	1,181
Other gemstones	22,045	21,747
	5,979,833	5,187,132

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

	<i>31 December 2017</i>	<i>31 December 2016</i>
	<i>VND million</i>	<i>VND million</i>
Balance with the SBV		
- In VND	17,620,706	10,410,791
- In foreign currencies	3,135,825	3,091,803
	20,756,531	13,502,594

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 2017, 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 2017 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 2017 are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

7. PLACEMENTS WITH AND LOANS TO OTHER CREDIT INSTITUTIONS

	<i>31 December 2017</i>	<i>31 December 2016</i>
	<i>VND million</i>	<i>VND million</i>
Placements with other credit institutions		
Current accounts	52,109,399	40,154,261
- <i>In VND</i>	47,518,499	31,149,125
- <i>In foreign currencies</i>	4,590,900	9,005,136
Term deposits	49,828,885	50,877,567
- <i>In VND</i>	26,447,643	32,719,580
- <i>In foreign currencies</i>	23,381,242	18,157,987
	101,938,284	91,031,828
Loans to other credit institutions		
In VND	4,944,303	2,783,762
In foreign currencies	627,900	653,691
	5,572,203	3,437,453
Provision for credit losses	-	-
	107,510,487	94,469,281

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

	<i>31 December 2017</i>	<i>31 December 2016</i>
	<i>VND million</i>	<i>VND million</i>
Current	55,401,088	54,315,020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

8. SECURITIES HELD FOR TRADING

	<i>31 December 2017</i> <i>VND million</i>	<i>31 December 2016</i> <i>VND million</i>
Debt securities	2,910,939	1,502,806
Government bonds	2,907,488	1,502,806
Bonds issued by other domestic economic entities	3,451	-
Equity securities	671,504	471,864
Equity securities issued by other domestic credit institutions	10	1,767
Equity securities issued by other domestic economic entities	671,494	470,097
Other trading securities	20,000	-
Fund certificates	20,000	-
	3,602,443	1,974,670
Provision for securities held for trading	(73,461)	(79,980)
	3,528,982	1,894,690

Securities held for trading by listing status

	<i>31 December 2017</i> <i>VND million</i>	<i>31 December 2016</i> <i>VND million</i>
Debt securities	2,910,939	1,502,806
Listed	2,910,939	1,502,806
Unlisted	-	-
Equity securities	671,504	471,864
Listed	310,642	57,810
Unlisted	360,862	414,054
Other trading securities	20,000	-
Listed	-	-
Unlisted	20,000	-
	3,602,443	1,974,670

9. DERIVATIVES AND OTHER FINANCIAL ASSETS

	<i>31 December 2017</i> <i>VND million</i>	<i>31 December 2016</i> <i>VND million</i>
Derivative financial instruments	462,559	628,437
Foreign exchange forward contracts	35,489	184,888
Foreign exchange swap contracts	427,070	443,549
Commodity option contracts	10,764	-
Other derivative financial instruments	55,439	54,253
	528,762	682,690

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

10. LOANS TO CUSTOMERS

	<i>31 December 2017</i>	<i>31 December 2016</i>
	<i>VND million</i>	<i>VND million</i>
Loans to domestic economic entities and individuals	778,247,588	652,250,039
Discounted bills and valuable papers	1,364,879	1,193,140
Financial lease	2,297,299	1,929,817
Payments on behalf of customers	71,899	32,956
Loans financed by entrusted funds	547,321	682,632
Loans to foreign economic entities and individuals	8,159,073	5,899,213
	790,688,059	661,987,797

10.1 Analysis of loan portfolio by quality

	<i>31 December 2017</i>	<i>31 December 2016</i>
	<i>VND million</i>	<i>(restated)</i>
		<i>VND million</i>
Current	778,049,805	648,968,336
Special mention	3,627,123	6,037,104
Substandard	1,243,379	2,350,744
Doubtful	2,550,738	811,889
Loss	5,217,014	3,819,724
	790,688,059	661,987,797

10.2 Analysis of loan portfolio by original maturity

	<i>31 December 2017</i>	<i>31 December 2016</i>
	<i>VND million</i>	<i>VND million</i>
Short term loans	448,913,060	374,736,785
Medium term loans	76,808,731	73,115,713
Long term loans	264,966,268	214,135,299
	790,688,059	661,987,797

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 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 2017		31 December 2016	
	VND million	%	VND million	%
State-owned companies	30,642,778	3.88	36,108,050	5.45
One-member limited liability companies with 100% State ownership	51,982,101	6.57	59,059,510	8.92
Two or more member limited liability companies with over 50% State ownership or being controlled by the State	7,321,453	0.93	5,578,225	0.84
Other limited liability companies	168,898,190	21.36	132,337,779	19.99
Joint stock companies with over 50% State ownership or being controlled by the State	39,887,528	5.04	40,569,939	6.13
Other joint-stock companies	228,977,373	28.96	175,651,457	26.54
Partnership companies	67,494	0.01	31,921	0.00
Private enterprises	14,515,648	1.84	17,805,279	2.69
Foreign invested enterprises	47,013,578	5.95	37,704,068	5.70
Co-operatives and unions of co-operative	1,317,511	0.17	1,075,014	0.16
Household business and individuals	196,444,680	24.84	152,700,606	23.07
Operation administration entity, the Party, unions and associations	2,792,703	0.35	3,352,178	0.51
Others	827,022	0.10	13,771	0.00
	790,688,059	100	661,987,797	100

10.4 Analysis of loan portfolio by sectors

	31 December 2017		31 December 2016 (restated)	
	VND million	%	VND million	%
Construction	84,586,370	10.70	63,082,118	9.53
Electricity, petroleum and steam	23,950,207	3.03	32,131,389	4.85
Production and processing	222,476,492	28.13	196,735,423	29.73
Mining	27,733,755	3.51	20,716,612	3.13
Agricultural, forestry and aquaculture	31,457,587	3.98	30,779,162	4.65
Transportation, logistics and information	32,350,775	4.09	13,819,478	2.09
Wholesale and retail trade, repair of motor vehicles, motor cycles and personal goods	213,086,772	26.95	179,731,946	27.15
Trading and services	56,164,741	7.10	65,035,819	9.82
Households services, production of material products and services used by households	85,067,043	10.76	50,066,963	7.56
Other activities	13,814,317	1.75	9,888,887	1.49
	790,688,059	100	661,987,797	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 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 ended 31 December 2017 are as follows:

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

Movement of provision for credit losses on loans to customers during the year ended 31 December 2016 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 2016	3,815,343	734,368	4,549,711
Provision charged in the year	1,078,859	1,941,080	3,019,939
Provision used to write-off bad debts	-	(671,079)	(671,079)
Closing balance as at 31 December 2016 (restated)	<u>4,894,202</u>	<u>2,004,369</u>	<u>6,898,571</u>

12. INVESTMENT SECURITIES

12.1 Available-for-sale securities

	<i>31 December 2017 VND million</i>	<i>31 December 2016 VND million</i>
Debt securities	125,287,262	124,945,799
Government bonds	52,508,513	55,310,868
Bonds issued by domestic credit institutions	26,696,702	25,133,435
Bonds issued by domestic economic entities	46,082,047	44,501,496
Equity securities	472,399	628,095
Equity securities issued by domestic economic entities	472,399	628,095
Provision for available-for-sale securities	(606,234)	(472,121)
In which:		
Provision for diminution in value	(120,039)	(164,496)
General provision	(486,195)	(307,625)
Specific provision	-	-
	<u>125,153,427</u>	<u>125,101,773</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

12. INVESTMENT SECURITIES (continued)

12.2 Held-to-maturity securities

12.2.1 Held-to-maturity securities (not including special bonds issued by VAMC)

	31 December 2017 VND million	31 December 2016 VND million
Debt securities	2,661,748	2,586,748
Government bonds	2,200,000	2,200,000
Bonds issued by domestic credit institutions	55,000	-
Bonds issued by domestic economic entities	406,748	386,748
Provision for held-to-maturity securities	(2,901)	(2,901)
General provision	(2,901)	(2,901)
Specific provision	-	-
	2,658,847	2,583,847

12.2.2 Special bonds issued by VAMC

	31 December 2017 VND million	31 December 2016 VND million
Special bonds	2,471,644	9,156,273
Provision for special bonds	(1,891,153)	(2,615,207)
	580,491	6,541,066

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

	31 December 2017 VND million	31 December 2016 (restated) VND million
Current	64,933,530	65,162,357
Special mention	-	-
Substandard	-	-
Doubtful	240,850	-
Loss	240,000	-
	65,414,380	65,162,357

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	472,121	2,618,108	3,090,229
Provision charged in the year	134,113	4,729,342	4,863,455
Provision used to write-off bad debts	-	(5,453,396)	(5,453,396)
Closing balance	606,234	1,894,054	2,500,288

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

13. LONG-TERM INVESTMENTS

Analysis by type of investments

	31 December 2017 VND million	31 December 2016 VND million
Investments in joint ventures (Note 13.1)	2,704,255	2,774,766
Other long-term investments	412,645	430,445
Provision for long-term investments	(2,799)	(2,574)
	3,114,101	3,202,637

13.1 Investments in joint ventures

	31 December 2017			31 December 2016		
	Cost VND million	Carrying value (equity method) VND million	% owned	Cost VND million	Carrying value (equity method) VND million	% owned
Indovina Bank Ltd	1,688,788	2,704,255	50%	1,688,788	2,590,905	50%
Vietinbank Aviva Life Insurance Company Ltd	-	-	-	400,000	183,861	50%
	1,688,788	2,704,255		2,088,788	2,774,766	

Indovina Bank Ltd was established in Vietnam with Head Office located in Ho Chi Minh City, its main activity is providing banking services. This is a joint venture between the Bank and Cathay United Bank, a bank established in Taiwan. Indovina Bank Ltd was granted Operating License No. 08/NH-GP dated 29 October 1992 and its amendments issued by the SBV for the operating period of 40 years with the initial charter capital of USD10,000,000. Since its establishment, the charter capital of Indovina Bank Ltd. has been increased several times under the approval of the SBV, while the proportions of ownership in the joint venture remain unchanged. As at 31 December 2017, the charter capital of Indovina Bank Ltd was USD193 million.

VietinBank Aviva Life Insurance Company Ltd was established in Vietnam with Head Office located in Hanoi. Its main activities are providing life insurance, health insurance, reinsurance and capital investment in a number of areas such as: bonds, shares, real estates, capital contribution, etc. This is a joint venture between the Bank and Aviva International Holdings Ltd, a company incorporated in the United Kingdom. This joint venture was granted the Establishment and Operating License No. 64GP/KDBH dated 29 July 2011 by the Ministry of Finance for the operating period of 50 years with the initial charter capital of VND800 billion. On 22 May 2017, the Bank has transferred the Bank's entire invested capital in VietinBank Aviva Life Insurance Company Ltd to Aviva International Holdings Limited ("AIH").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 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
Cost					
Opening balance (restated)	6,720,364	4,431,363	1,174,942	211,908	12,538,577
Additions	-	131,550	62,125	22,138	215,813
Transfer from construction in progress	276,485	4,101	3,409	3,721	287,716
Reclassification	-	751	462	(1,213)	-
Other increases	98,153	211,679	8,239	20,585	338,656
Disposals	(5,790)	(19,631)	(13,140)	(1,743)	(40,304)
Other decreases	(29,681)	-	(345)	(127)	(30,153)
Closing balance	7,059,531	4,759,813	1,235,692	255,269	13,310,305
Accumulated depreciation					
Opening balance (restated)	1,442,214	3,771,849	776,611	125,515	6,116,189
Depreciation during the year	289,431	383,191	118,236	42,698	833,556
Reclassification	-	148	461	(609)	-
Other increases	4,116	4,097	2,344	500	11,057
Disposals	(2,709)	(18,918)	(12,361)	(1,729)	(35,717)
Other decreases	(843)	(32)	(135)	(506)	(1,516)
Closing balance	1,732,209	4,140,335	885,156	165,869	6,923,569
Net book value					
Opening balance (restated)	5,278,150	659,514	398,331	86,393	6,422,388
Closing balance	5,327,322	619,478	350,536	89,400	6,386,736

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 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
Cost			
Opening balance (restated)	4,256,208	888,254	5,144,462
Additions	5,506	925,160	930,666
Other increases	236,579	11,010	247,589
Other decreases	(1,764)	-	(1,764)
Disposals	(910)	-	(910)
Closing balance	<u>4,495,619</u>	<u>1,824,424</u>	<u>6,320,043</u>
Accumulated amortization			
Opening balance (restated)	216,044	727,231	943,275
Amortization during the year	42,407	283,950	326,357
Other increases	196	817	1,013
Other decreases	(393)	-	(393)
Closing balance	<u>258,254</u>	<u>1,011,998</u>	<u>1,270,252</u>
Net book value			
Opening balance (restated)	<u>4,040,164</u>	<u>161,023</u>	<u>4,201,187</u>
Closing balance	<u>4,237,365</u>	<u>812,426</u>	<u>5,049,791</u>

16. OTHER ASSETS

16.1 Receivables

	<i>31 December 2017</i> VND million	<i>31 December 2016</i> <i>(restated)</i> VND million
Internal receivables	418,131	964,001
External receivables	6,350,449	4,472,015
Construction in progress	5,600,517	5,258,628
- <i>Constructions in the North</i>	4,937,812	4,954,640
- <i>Constructions in the Central</i>	472,272	132,063
- <i>Constructions in the South</i>	190,433	171,925
Fixed assets in purchase or repairing	1,345,285	1,878,792
	<u>13,714,382</u>	<u>12,573,436</u>

16.2 Other assets

	<i>31 December 2017</i> VND million	<i>31 December 2016</i> <i>(restated)</i> VND million
Materials and tools	193,325	161,463
Prepaid expenses	2,990,175	2,842,264
Goodwill (Note 17)	2,722	4,537
Other assets	10,911	2,124
	<u>3,197,133</u>	<u>3,010,388</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

17. GOODWILL

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

	<i>31 December 2017</i> <i>VND million</i>	<i>31 December 2016</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	(13,612)	(11,797)
Value of unamortized goodwill at the beginning of the year	4,537	6,352
Decrease in goodwill during the year	(1,815)	(1,815)
Goodwill amortized during the year	(1,815)	(1,815)
Total value of unamortized goodwill at the end of the year	2,722	4,537

18. DUE TO THE STATE BANK OF VIETNAM

	<i>31 December 2017</i> <i>VND million</i>	<i>31 December 2016</i> <i>VND million</i>
Borrowings from the SBV	4,107,281	4,808,227
Borrowings based on the credit files	4,100,323	4,797,369
Borrowings to support State-owned enterprises	6,958	10,858
Deposits from the State Treasury	11,099,618	190
In VND	11,098,975	185
In foreign currencies	643	5
	15,206,899	4,808,417

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

19. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

19.1 Deposits from other credit institutions

	31 December 2017 VND million	31 December 2016 VND million
Demand deposits	41,701,970	23,986,765
In VND	38,087,146	22,675,898
In foreign currencies	3,614,824	1,310,867
Term deposits	26,824,042	17,359,467
In VND	19,634,870	11,253,000
In foreign currencies	7,189,172	6,106,467
	68,526,012	41,346,232

19.2 Borrowings from other credit institutions

	31 December 2017 VND million	31 December 2016 VND million
In VND	548,900	11,980,000
In foreign currencies	46,083,853	31,825,635
	46,632,753	43,805,635

20. CUSTOMER DEPOSITS

	31 December 2017 VND million	31 December 2016 VND million
Demand deposits	115,412,491	86,007,168
- Demand deposits in VND	95,909,532	72,366,017
- Demand deposits in foreign currencies	19,502,959	13,641,151
Term deposits	631,943,800	548,031,303
- Term deposits in VND	604,962,495	518,598,290
- Term deposits in foreign currencies	26,981,305	29,433,013
Deposits for specific purpose	3,173,915	4,777,797
- Deposits for specific purpose in VND	1,521,130	2,902,435
- Deposits for specific purpose in foreign currencies	1,652,785	1,875,362
Margin deposits	2,405,132	16,243,880
- Margin deposits in VND	1,961,897	15,738,389
- Margin deposits in foreign currencies	443,235	505,491
	752,935,338	655,060,148

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

20. CUSTOMER DEPOSITS (continued)

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

	31 December 2017		31 December 2016	
	VND million	%	VND million	%
State-owned companies	81,729,855	10.85	91,619,723	13.99
One-member limited liability companies with 100% State ownership	57,852,075	7.68	52,266,511	7.98
Two or more member limited liability companies with over 50% State ownership or being controlled by the State	1,666,059	0.22	994,156	0.15
Other limited liability companies	24,465,024	3.25	19,013,792	2.90
Joint stock companies with over 50% State ownership or controlled by the State	28,278,246	3.76	31,467,920	4.80
Other joint-stock companies	51,315,381	6.82	34,306,646	5.24
Partnership companies	2,411,262	0.32	71,241	0.01
Private enterprises	1,886,742	0.25	2,213,889	0.34
Foreign invested enterprises	48,997,014	6.51	36,464,620	5.57
Co-operatives and unions of co- operative	440,958	0.06	434,301	0.07
Household business and individuals	412,340,160	54.76	348,446,993	53.18
Operation administration entity, the Party, unions and associations	30,928,742	4.11	26,705,147	4.08
Others	10,623,820	1.41	11,055,209	1.69
	752,935,338	100	655,060,148	100

21. OTHER BORROWED AND ENTRUSTED FUNDS

	31 December 2017 VND million	31 December 2016 VND million
Funds received in VND	827,515	808,445
Funds received in foreign currencies	5,536,643	5,267,023
	6,364,158	6,075,468

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
 as at 31 December 2017 and for the year then ended

22. VALUABLE PAPERS ISSUED

	<i>31 December 2017</i>	<i>31 December 2016</i>
	<i>VND million</i>	<i>VND million</i>
In VND	22,500,925	18,313,003
Par value	22,500,925	18,313,003
In foreign currencies	848	5,536,450
Par value	848	5,540,615
Discounted value	-	(4,165)
	22,501,773	23,849,453

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	219	-	-	-	219
- <i>In VND</i>	219	-	-	-	219
From 12 months to 5 years	-	166	2,000,000	1,388	2,001,554
- <i>In VND</i>	-	166	2,000,000	540	2,000,706
- <i>In foreign currencies</i>	-	-	-	848	848
Over 5 years	-	-	20,500,000	-	20,500,000
- <i>In VND</i>	-	-	20,500,000	-	20,500,000
Closing balance	219	166	22,500,000	1,388	22,501,773

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

23. OTHER LIABILITIES

23.1 Other payables

	<i>31 December 2017</i> <i>VND million</i>	<i>31 December 2016</i> <i>(restated)</i> <i>VND million</i>
Internal payables	3,776,803	2,647,869
External payables (*)	102,252,137	100,156,063
Bonus, welfare funds	400,245	329,171
	106,429,185	103,133,103

(*) Details of external payables are as follows:

	<i>31 December 2017</i> <i>VND million</i>	<i>31 December 2016</i> <i>(restated)</i> <i>VND million</i>
Collection, payment on behalf of other organizations	99,146,666	95,217,477
Amount kept for customers and awaiting for settlement	306,586	246,723
Corporate income tax payable	131,590	177,602
Other items awaiting for payment	1,207,851	874,572
Other payables related to securities operation	742,324	224,709
Tax and fee payables	185,067	118,876
Payables to the SBV due to the collection of written-off debts	86,654	85,290
Payables related to trade finance activities	6,526	6,000
Money transfer payable	287,517	147,345
Dividend payable	-	2,606,383
Other payables	151,356	451,086
	102,252,137	100,156,063

24. TAX AND OTHER OBLIGATIONS TO THE STATE BUDGET

	<i>Opening balance</i> <i>(restated)</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	30,033	315,520	(313,101)	32,452
Corporate income tax	177,602	1,747,418	(1,793,430)	131,590
Other taxes	79,635	824,242	(768,332)	135,545
	287,270	2,887,180	(2,874,863)	299,587

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 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.

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:

	2017 VND million	2016 (restated) VND million
Profit before tax	9,206,194	8,453,703
<i>Plus/(minus)</i>		
- Non-bearing tax dividend income	(230,387)	(27,436)
- Subsidiaries' profits	(557,308)	(443,130)
- Income from increase in interest at joint venture	(307,164)	(73,325)
- Expenses arising from consolidation	5,666	532
- Others	46,917	88,707
Estimated taxable income	8,163,918	7,999,051
Parent Bank's CIT expenses	1,632,784	1,600,146
Subsidiaries' CIT expenses	114,625	88,635
CIT expenses in the year	1,747,409	1,688,781
CIT payable at the beginning of the year	177,602	155,920
CIT paid during the year	(1,793,430)	(1,660,986)
Adjustment CIT differences of previous year	9	(6,113)
Current income tax payable at the end of the year	131,590	177,602

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 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	Capital supplementary reserve VND million	Financial reserve VND million	Investment and development fund VND million	Foreign exchange difference VND million	Undistributed profits VND million	Non- controlling interests VND million	Total VND million
Balance as at 1 January 2016	37,234,046	8,974,732	1,791,882	3,478,726	4,424	441,537	3,942,373	242,426	56,110,146
Net profit for the year	-	-	-	-	-	-	6,837,866	19,984	6,857,850
Appropriation to reserves	-	-	348,373	688,111	10,178	-	(1,046,662)	(2,073)	(2,073)
Dividend payment in the year	-	-	-	-	-	-	(2,606,383)	-	(2,606,383)
Reclassification of funds	-	-	-	(33,702)	33,702	-	-	-	-
Utilization of reserves	-	-	-	(2,743)	-	-	-	-	(2,743)
Capital increase from share issuance of subsidiaries in the year	-	-	50,601	-	-	-	(50,601)	-	-
Increase from translation of financial statements for consolidation purposes	-	-	-	90	-	38,474	-	-	38,564
Other adjustments	-	(11)	-	(2,744)	-	-	(85,838)	(4)	(88,597)
Balance as at 31 December 2016	37,234,046	8,974,721	2,190,856	4,127,738	48,304	480,011	6,990,755	260,333	60,306,764
Net profit for the year	-	-	-	-	-	-	7,432,363	26,539	7,458,902
Appropriation to reserves	-	-	351,990	695,891	7,531	-	(1,055,413)	(2,124)	(2,125)
Other increase	-	-	-	-	-	-	-	10,874	10,874
Appropriation bonus and welfare funds 2016	-	-	-	-	-	-	-	-	-
Dividend in 2016	-	-	-	-	-	-	(1,412,266)	-	(1,412,266)
Utilization of reserves	-	-	-	(623)	-	-	(2,606,383)	-	(2,606,383)
Increase from subsidiaries' share issue	-	-	54,652	-	-	-	(54,652)	-	(623)
Increase from translation of financial statements for consolidation purposes	-	-	-	-	-	70,590	-	-	70,590
Other adjustments	-	(11)	-	-	-	-	(60,435)	(4)	(60,450)
Balance as at 31 December 2017	37,234,046	8,974,710	2,597,498	4,823,006	55,835	550,601	9,233,969	295,618	63,765,283

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 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 2017		31 December 2016	
	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

	2017 VND million	2016 (restated) VND million
Net profit	7,432,363	6,745,227
Bonus and welfare fund (*)	(1,674,873)	(1,412,266)
Profit attributed to ordinary equity holders	5,757,490	5,332,961

(*) The appropriation for bonus and welfare funds this year is estimated by the Board of Management, the value of which may change as approved by the General Assembly of Shareholders in 2018.

Number of ordinary shares for calculation of basic earnings

	2017 Shares	2016 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	-	-
Weighted average of ordinary shares for calculation of basic earnings per share	3,723,404,556	3,723,404,556

Basic earnings per share

	2017 VND	2016 (restated) VND
Basic earnings per share	1,546	1,432

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

26. INTEREST AND SIMILAR INCOME

	2017 <i>VND million</i>	2016 <i>(restated)</i> <i>VND million</i>
Interest income from deposits	2,325,479	1,361,746
Interest income from loans to customers	50,436,259	41,472,849
Interest income from debt securities	11,397,746	8,958,339
Income from guarantee activities	554,466	571,482
Income from finance leases	212,982	188,625
Other income from credit activities	350,267	336,544
	65,277,199	52,889,585

27. INTEREST AND SIMILAR EXPENSES

	2017 <i>VND million</i>	2016 <i>VND million</i>
Interest expenses for deposits	34,666,313	26,394,962
Interest expenses for borrowings	1,884,027	2,675,173
Interest expenses for valuable papers issued	1,544,739	1,405,656
Expense for other credit activities	109,133	109,915
	38,204,212	30,585,706

28. NET FEE AND COMMISSION INCOME

	2017 <i>VND million</i>	2016 <i>VND million</i>
Fee and commission income	4,302,331	3,334,497
Settlement services	2,016,316	1,618,757
Trust and agency services	51,540	84,960
Other services	2,234,475	1,630,780
Fee and commission expenses	(2,447,131)	(1,636,472)
Settlement services	(1,175,581)	(251,185)
Trustee and agency services	(30,611)	(16,225)
Treasury services	(189,858)	(182,301)
Other services	(1,051,081)	(1,186,761)
Net fee and commission income	1,855,200	1,698,025

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

29. NET GAIN FROM TRADING OF FOREIGN CURRENCIES

	2017 <i>VND million</i>	2016 <i>VND million</i>
Income from trading of foreign currencies		
Income from spot foreign currencies trading	850,144	1,872,548
Income from currency derivatives trading	1,080,472	1,152,062
Income from gold trading	553,528	1,171,482
Expenses for trading of foreign currencies		
Expenses for spot foreign currencies trading	(98,252)	(902,248)
Expenses for currency derivatives trading	(1,122,114)	(1,449,273)
Expenses for gold trading	(553,812)	(1,159,432)
Net gain from trading of foreign currencies	709,966	685,139

30. NET GAIN FROM SECURITIES HELD FOR TRADING

	2017 <i>VND million</i>	2016 <i>VND million</i>
Income from securities held for trading	361,714	225,155
Expenses for securities held for trading	(37,912)	(5,810)
Provision reversed/(charged) for securities held for trading	866	(35,426)
Net gain from securities held for trading	324,668	183,919

31. NET (LOSS)/GAIN FROM INVESTMENT SECURITIES

	2017 <i>VND million</i>	2016 <i>VND million</i>
Income from trading of investment securities	81,779	63,407
Expenses for trading of investment securities	(28,188)	(4,362)
Provision charged for investment securities	(134,460)	(18,090)
Net (loss)/gain from investment securities	(80,869)	40,955

32. NET GAIN FROM OTHER ACTIVITIES

	2017 <i>VND million</i>	2016 <i>VND million</i>
Income from other activities		
Income from recovery of bad debts previously written-off	2,654,831	2,056,782
Income from other derivatives	231,010	78,700
Income from transfer, disposal of assets	42,833	57,050
Other income	305,238	353,796
Expenses for other activities		
Expenses for other derivatives	(255,667)	(290,391)
Expenses for transfer, disposal of assets	(5,259)	(47,773)
Other expenses	(978,114)	(909,401)
Net gain from other activities	1,994,872	1,298,763

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

33. INCOME FROM INVESTMENTS IN OTHER ENTITIES

	2017 VND million	2016 VND million
Dividend received from equity securities	3,534	10,294
Dividend received from capital contribution	648,488	66,856
Share from net profit under equity method of investments in joint ventures	91,024	73,325
	743,046	150,475

34. TOTAL OPERATING EXPENSES

	2017 VND million	2016 (restated) VND million
Expenses on taxes, fees, charges	35,515	36,675
Personnel expenses		
Salary and allowances	6,919,462	5,826,200
Expenses - based to salary	431,020	347,067
Allowances	32,842	27,283
Other expenses	899,064	744,195
Expenses on assets		
Depreciation and amortisation expenses	1,159,913	915,978
Others	1,471,533	1,227,892
Administrative expenses		
Per-diem	243,992	213,317
Expenses for union activities	45,620	26,667
Other expenses	3,282,684	2,991,924
Insurance premium for customers' deposits	542,652	431,509
Other provision expenses	5,480	60,136
	15,069,777	12,848,843

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 2017 VND million	31 December 2016 VND million
Cash and cash equivalents on hand	5,979,833	5,187,132
Balances with the SBV	20,756,531	13,502,594
Current accounts at other credit institutions	52,109,399	40,154,261
Placements with other credit institutions with terms not exceeding 3 months	49,161,564	49,970,962
Securities with maturity or recovery term not exceeding 3 months from the date of purchase	3,700,000	5,000,000
	131,707,327	113,814,949

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

36. EMPLOYEES' REMUNERATIONS

	2017 VND million	2016 (restated) VND million
I. Total number of employees (persons) (*)	23,784	22,957
II. Employees' remuneration (VND million)		
1. Total salary fund	6,919,462	5,826,200
2. Other remuneration	184,782	168,871
3. Total remuneration (1+2)	<u>7,104,244</u>	<u>5,995,071</u>
4. Average monthly salary (**)	<u>24.56</u>	<u>22.28</u>
5. Average monthly remuneration (**)	<u>25.22</u>	<u>22.93</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

	31 December 2017 VND million	31 December 2016 VND million
Real estates	999,807,889	676,252,304
Movables	94,526,206	54,524,968
Deposits, gold, gemstones and valuable papers	115,556,511	111,143,618
Other assets	544,536,440	406,004,900
	<u>1,754,427,046</u>	<u>1,247,925,790</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 2017, 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)
as at 31 December 2017 and for the year then ended

38. CONTINGENT LIABILITIES AND COMMITMENTS

38.1 *Contingent liabilities*

As at 31 December 2017, the Bank is a party to the case of Huynh Thi Huyen Nhu and Vo Anh Tuan - former employees of Ho Chi Minh City Branch and Nha Be Branch of the Bank for swindling to appropriate assets.

According to The First Judgment of Criminal Case No. 56/2018/HS-ST dated 9 February 2018 of the People's Court of Ho Chi Minh City, Huynh Thi Huyen Nhu and Vo Anh Tuan have to pay the amount of VND200 billion to Hung Yen Investment and Trading Joint Stock Company and Huynh Thi Huyen Nhu has to pay the amount of VND885 billion to four (4) companies including Saigonbank - Berjaya Securities Joint Stock Company with the amount of VND210 billion, Orient Securities Corporation the amount of VND380 billion, An Loc Investment and Trading JSC with the amount of VND170 billion and Global Insurance Joint Stock Company with the amount of VND125 billion.

Up to the reporting date, the above-mentioned judgment has not yet effective as the appeal of some parties participating in the proceedings. The case has been under re-investigation, prosecution and trial in accordance with the provisions of law. Hence, the responsibilities and legal obligations of the parties concerned shall be defined only when the re-investigation and trial are completed with effective judgment and verdict.

However, based on results of internal reconciliation, review and investigation procedures that have been taken up to the date of this report, the Bank's management believes that the Bank neither is jointly liable for nor incur any financial loss with regards to the illegal actions of these individuals.

38.2 *Commitments*

On 22 May 2015, the Bank and Petrolimex Joint Stock Commercial Bank ("PG Bank") signed the Merger Agreement under the Approval of the General Shareholders' Meeting according to Resolution No. 14/NQDHDCD dated 14 April 2015. On 27 April 2016, the Bank and PG Bank signed an amended Merger Agreement replacing the previous Merger Agreement signed on 22 May 2015 under the Approval of the General Shareholders' Meeting according to Resolution No. 15/NQ-DHDCD dated 26 April 2016. Up to the reporting date, the Bank and PG Bank have agreed to suspend the merger. The two banks will report to the competent authority of each party for approval to terminate the merger transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

39. 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 2017 are as follows:

Related organizations

<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>2017</i> <i>VND million</i>	<i>2016</i> <i>VND million</i>
The State Bank of Vietnam	Owner and direct management agency	Deposits of the Bank at the SBV	20,756,531	13,502,594
		Due to the SBV	4,107,281	4,808,227
Indovina Bank Ltd	Joint venture	Deposits of Indovina at the Bank	4,011,620	4,239,457
		Deposits of the Bank at Indovina	4,007,785	4,003,724

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 Board of Management (*)	Salaries and remunerations: Payment in accordance with the Bank's internal regulations on salary payment, ensuring the interrelation between managerial level's average salary and staff level's average salary within the banking system.

- (*) The salary and remuneration of the Board of Directors and Supervisory Board comply with Resolution No. 17/NQ-DHDCD dated 17 April 2017 approved by the General Meeting of Shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

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

	<i>Total loans</i> <i>VND million</i>	<i>Total deposits</i> <i>VND million</i>	<i>Credit commitments</i> <i>VND million</i>	<i>Derivative financial instruments</i> <i>VND million</i>	<i>Trading and investment of securities</i> <i>VND million</i>
Domestic	788,101,190	826,065,823	112,811,787	528,762	134,495,496
Overseas	8,159,072	6,495,145	111,798	-	-
	796,260,262	832,560,968	112,923,585	528,762	134,495,496

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

41. SEGMENT INFORMATION

41.1 Business segment report

Unit: VND million

Items	Banking financial services	Non-banking financial services	Others	Adjustment	Total
I. Income	73,911,898	1,622,751	899,602	49,874	76,484,125
1. Interest income	64,924,829	347,995	103,184	(98,809)	65,277,199
- Interest income from external sources	64,919,990	330,791	97,820	(71,402)	65,277,199
- Interest income from internal sources	4,839	17,204	5,364	(27,407)	-
2. Income from services	3,239,970	1,164,333	33,343	(135,315)	4,302,331
3. Other income	5,747,099	110,423	763,075	283,998	6,904,595
II. Expenses	(57,099,425)	(1,334,387)	(755,222)	255,002	(58,934,032)
1. Interest expenses	(38,241,311)	(48,935)	(12,775)	98,809	(38,204,212)
- External interest expenses	(38,210,798)	(7,731)	(12,769)	27,086	(38,204,212)
- Internal interest expenses	(30,513)	(41,204)	(6)	71,723	-
2. Depreciation and amortization expenses	(1,147,309)	(7,671)	(4,933)	-	(1,159,913)
3. Expenses related to operating business	(17,710,805)	(1,277,781)	(737,514)	156,193	(19,569,907)
Net profit from operating activities before credit provision expenses	16,812,473	288,364	144,380	304,876	17,550,093
Provision expenses for credit losses	(8,324,219)	(6,970)	(6,414)	(6,296)	(8,343,899)
Segment profit before tax	8,488,254	281,394	137,966	298,580	9,206,194
Current corporate income tax expense	(1,664,886)	(57,484)	(25,039)	-	(1,747,409)
Deferred corporate income tax income/(expense)	-	357	(240)	-	117
Segment profit after corporate income tax	6,823,368	224,267	112,687	298,580	7,458,902
III. Assets	1,095,853,341	5,248,992	2,777,487	(8,818,978)	1,095,060,842
1. Cash on hand	5,926,697	3,003	50,133	-	5,979,833
2. Fixed assets	11,313,415	75,293	47,819	-	11,436,527
3. Other assets	1,078,613,229	5,170,696	2,679,535	(8,818,978)	1,077,644,482
IV. Liabilities	1,032,815,905	2,298,910	1,294,555	(5,113,811)	1,031,295,559
1. External liabilities	1,029,239,872	1,718,091	1,275,820	(5,115,272)	1,027,118,511
2. Internal liabilities	3,576,033	580,819	18,735	1,461	4,177,048

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

41. SEGMENT INFORMATION (continued)

41.2 Geographical segment report

Items	Unit: VND million				
	North	South	Others	Offset	Total
Segment profit before tax	3,261,710	3,964,715	1,979,769	-	9,206,194
Current corporate income tax expense	(1,720,719)	(1,471)	(25,219)	-	(1,747,409)
Deferred corporate income tax income	117	-	-	-	117
Segment profit after corporate income tax	1,541,108	3,963,244	1,954,550	-	7,458,902
Segment assets	655,187,265	337,811,728	110,880,827	(8,818,978)	1,095,060,842
Segment liabilities	596,696,464	332,053,864	107,659,042	(5,113,811)	1,031,295,559

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

42. 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.) and to implement the regulations on capital adequacy ratio under Circular 41 earlier than the whole market. 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 2017, 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. In addition, to ensure management of liquidity risk, interest rate risk as well as profit maximization, in 2017, the Bank has enhanced the investment in highly liquid assets such as credit institution bonds with more attractive interest rate but not much riskier than Government bonds and Government Treasury bills as newly invested bonds are guaranteed by the Government.

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 2017 and for the year then ended

42. 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.

43. CREDIT RISK

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

Tools that the Bank uses to manage credit risk include:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

43. CREDIT RISK (continued)

Assessment of impairment losses

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

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

Specific provisions

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

General provisions

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

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

Modes of credit risk mitigation

Collateral

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

Recovered collateral

When necessary, the Bank will recover the collateral and process the liquidation procedure as soon as possible, the money recovered is used to reduce the balance of the debt. Collateral recovered is classified into other asset items in the consolidated balance sheet at the reporting date. The value of these assets in 2017 is not material.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

43. CREDIT RISK (continued)

Modes of credit risk mitigation (continued)

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

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

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

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

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

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

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

Unit: VND million

	<i>Overdue</i>				<i>Total</i>
	<i>Less than 90 days</i>	<i>91-180 days</i>	<i>181-360 days</i>	<i>Over 360 days</i>	
Loans to customers	203,154	51,505	117,372	1,428,485	1,800,516
Available-for-sale securities	-	-	240,850	240,000	480,850
	203,154	51,505	358,222	1,668,485	2,281,366

▶ *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	3,423,969	1,191,874	2,433,366	3,788,529	10,837,738

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

44. MARKET RISK

44.1 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 settlement deposits, thus the effective interest rate re-pricing term is assumed to be within one month;
- The effective interest rate re-pricing term of trading securities is determined based on the contractual re-pricing term or the re-pricing term in accordance with the regulation on the maximum holding period of the Bank, whichever comes earlier;
- The effective interest rate re-pricing term of placements with and loans to other credit institutions; investment securities; loans to customers; borrowings from the Government and the SBV; deposits and borrowings from other credit institutions; 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 2017 and for the year then ended

44. MARKET RISK (continued)

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

Interest rate risk management at transaction level

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

With the experience and sensitivity in managing, the Bank has been cautiously and flexibly managing the deposit and loan interest rate mechanism to ensure the safety and effectiveness of the business operation. As shown in the interest rate re-pricing gap report, the majority of interest bearing assets of the Bank has re-pricing term within 03 months, which is in line with the re-pricing structure of the mobilized funds that have short interest rate re-pricing term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

44. MARKET RISK (continued)

44.1 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 2017:

	Interest re-pricing period								Total VND million
	Overdue		Interest re-pricing period						
	Non-interest bearing VND million	Over 3 months VND million	Up to 3 months VND million	Up to 1 month VND million	From 1 to 3 months VND million	From 3 to 6 months VND million	From 6 to 12 months VND million	From 1 to 5 years VND million	
Assets									
Cash, gold and gemstones	5,979,833	-	-	-	-	-	-	-	5,979,833
Balances with the SBV	-	-	-	20,756,531	-	-	-	-	20,756,531
Placements with and loans to other credit institutions (*)	-	-	-	101,507,390	3,787,397	1,569,700	646,000	-	107,510,487
Securities held for trading (*)	-	-	-	3,602,443	-	-	-	-	3,602,443
Derivatives and other financial assets	-	-	-	528,762	-	-	-	-	528,762
Loans to customers (*)	-	9,011,131	3,627,123	281,588,173	232,787,634	196,312,248	50,304,833	15,799,518	790,688,059
Investment securities (*)	2,944,043	480,850	-	12,930,074	28,511,778	6,602,374	9,792,034	41,477,323	130,893,053
Long-term investments (*)	3,116,900	-	-	-	-	-	-	-	3,116,900
Fixed assets and investment properties	11,436,527	-	-	-	-	-	-	-	11,436,527
Other assets (*)	31,427,618	7,816	-	-	-	-	-	-	31,435,434
Total assets	54,904,921	9,499,797	3,627,123	420,913,373	265,086,809	204,484,322	60,742,867	57,276,841	1,105,948,029
Liabilities									
Due to the SBV	-	-	-	8,266,800	4,076,260	979,053	1,884,786	-	15,206,899
Deposits and borrowings from other credit institutions	-	-	-	75,052,598	30,571,661	9,510,114	24,216	176	115,158,765
Customer deposits	-	-	-	124,244,182	169,460,152	162,449,734	176,415,566	120,305,321	752,935,338
Other borrowed and entrusted funds	-	-	-	-	-	3,623,617	-	2,740,541	6,364,158
Valuable papers issued	-	-	-	1,773	-	-	4,200,000	18,300,000	22,501,773
Other liabilities (*)	118,787,062	-	-	-	-	-	-	-	118,787,062
Total liabilities	118,787,062	-	-	207,565,353	204,108,073	176,562,518	182,524,568	141,346,038	1,030,953,995
Interest sensitivity gap of balance sheet items	(63,882,141)	9,499,797	3,627,123	213,348,020	60,978,736	27,921,804	(121,781,701)	(84,069,197)	74,994,034
Interest sensitivity gap of off-balance sheet items	-	-	-	-	-	-	-	-	-
Interest sensitivity gap of on, off-balance sheet items	(63,882,141)	9,499,797	3,627,123	213,348,020	60,978,736	27,921,804	(121,781,701)	(84,069,197)	74,994,034

(*): Excluding provision

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

44. MARKET RISK (continued)

44.2 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.

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

After the first six months of the year, the central rate has been continuously increased over the months with a total increase of 1.23% compared to the beginning of 2017, an increase of more than VND500 compared to the central rate for the first time the SBV announced in January 2016. The central rate's movements were slightly different from the US dollar's trend in the international market, however, this was seen as a proactive move to anticipate the regulatory repercussions of major nations.

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

Based on 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 Ltd. and the investment in the establishment of new branches in Germany and Lao. 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 2017 and for the year then ended

44. MARKET RISK (continued)

44.2 Currency risk (continued)

The following table presents assets and liabilities in foreign currencies translated into VND as at 31 December 2017:

	EUR equivalent VND million	USD equivalent VND million	Other currencies equivalent VND million	Total VND million
Assets				
Cash, gold and gemstones	127,689	611,183	39,091	777,963
Balances with the SBV	-	3,135,825	-	3,135,825
Placements with and loans to other credit institutions (*)	1,392,957	26,771,161	435,924	28,600,042
Securities held for trading (*)	-	-	-	-
Derivatives and other financial assets	-	-	-	-
Loans to customers (*)	2,003,428	92,744,443	2,190,282	96,938,153
Investment securities (*)	-	-	-	-
Long-term investments (*)	75,335	1,688,788	-	1,688,788
Fixed assets and investment properties	1,457,082	5,283,591	-	6,740,673
Other assets (*)	-	-	-	-
Total assets	5,056,491	130,234,991	2,665,297	137,956,779
Liabilities				
Due from the SBV	-	-	-	-
Deposits and borrowings from other credit institutions	260,257	56,618,398	9,194	56,887,849
Customer deposits	3,263,435	45,160,632	156,217	48,580,284
Other borrowed and entrusted funds	203,000	5,322,649	10,994	5,536,643
Valuable papers issued	-	848	-	848
Other liabilities (*)	2,804,176	1,654,628	-	4,458,804
Owners' equity	-	-	-	-
Total liabilities	6,530,868	108,757,155	176,405	115,464,428
FX position on balance sheet	(1,474,377)	21,477,836	2,488,892	22,492,351
FX position off-balance sheet	-	-	-	-
Net on, off-balance sheet FX position	(1,474,377)	21,477,836	2,488,892	22,492,351

(*): Excluding provision

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

44. MARKET RISK (continued)

44.3 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 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 Committee meeting, the fund balance and liquidity of the Bank is one of the key contents to be discussed. At the same time, compliance with the liquidity risk limits was reviewed and reported at Management risk Committee meeting. Based on analysis and evaluation, ALCO/Risk Committee makes recommendations to the Board of Directors and the Board of Management to best remain the Bank's solvency in a safe and effective way.

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

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

- Cash, gold and gemstones and balance with the State Bank of Vietnam are classified into maturity up to one month;
- The maturity term of deposits with and loans to other credit institutions and loans to customers, investment securities, borrowings from the Government and the SBV, deposits, loans from other credit institutions, valuable papers issued, other borrowed and entrusted funds are based on the contractual maturity date;
- The maturity term of trading securities are based on contractual maturity date or the maturity date in accordance with the regulation on the maximum holding period of the Bank, whichever comes earlier;
- The maturity term of 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 2017 and for the year then ended

44. MARKET RISK (continued)

44.3 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 2017 and for the year then ended

44. MARKET RISK (continued)

44.3 Liquidity risk (continued)

The table below presents the analysis of remaining maturity of assets and liabilities of the Bank as at 31 December 2017:

	Overdue		Current					Total VND million
	Over 3 months VND million	Up to 3 months VND million	Up to 1 months 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	
Assets								
Cash, gold and gemstones	-	-	5,979,833	-	-	-	-	5,979,833
Balances with the SBV	-	-	20,756,531	-	-	-	-	20,756,531
Placements with and loans to other credit institutions (*)	-	-	101,507,390	3,787,397	2,215,700	-	-	107,510,487
Securities held for trading (*)	-	-	3,602,443	-	-	-	-	3,602,443
Derivatives and other financial assets	-	-	528,762	-	-	-	-	528,762
Loans to customers (*)	9,011,131	3,627,123	60,044,687	160,489,498	264,788,215	114,157,567	178,569,838	790,688,059
Investment securities (*)	480,850	-	8,118,353	912,490	16,071,040	71,938,242	33,372,078	130,893,053
Long-term investments (*)	-	-	-	-	-	-	3,116,900	3,116,900
Fixed assets and investment properties	-	-	-	-	-	-	11,436,527	11,436,527
Other assets (*)	7,816	-	-	-	-	-	31,427,618	31,435,434
Total assets	9,499,797	3,627,123	200,537,999	165,189,385	283,074,955	186,095,809	257,922,961	1,105,948,029
Liabilities								
Due to the SBV	-	-	8,266,800	4,076,260	2,863,839	-	-	15,206,899
Deposits and borrowings from other credit institutions	-	-	66,599,237	17,088,305	23,339,235	8,003,301	128,687	115,158,765
Customer deposits	-	-	124,244,181	169,460,152	338,865,301	120,305,321	60,383	752,935,338
Other borrowed and entrusted funds	-	-	-	-	-	3,363,750	3,000,408	6,364,158
Valuable papers issued	-	-	1,773	-	-	2,000,000	20,500,000	22,501,773
Other liabilities (*)	-	-	47,261,791	4,413,115	13,173,024	53,617,457	321,675	118,787,062
Total liabilities	-	-	246,373,782	195,037,832	378,241,399	187,289,829	24,011,153	1,030,953,995
Net liquidity gap	9,499,797	3,627,123	(45,835,783)	(29,848,447)	(95,166,444)	(1,194,020)	233,911,808	74,994,034

(*): Excluding provision

Other market price risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

45. ADDITIONAL INFORMATION ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

Financial assets

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

Financial assets within the scope of Circular 210, for disclosures in the notes to the 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 an effective hedging instrument).
- b) Upon initial recognition, it is designated by the entity as at fair value through profit or loss.

▶ *Held-to-maturity investments*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

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

Financial assets (continued)

▶ *Loans and receivables:*

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

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

▶ *Available-for-sale financial assets:*

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

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

Financial liabilities

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

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

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

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

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

▶ *Financial liabilities at amortized cost:*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

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

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 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 2017 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	5,979,833	-	-	-	-	5,979,833
Balances with the SBV	20,756,531	-	-	-	-	20,756,531
Placements with and loans to other credit institutions	-	-	107,510,487	-	-	107,510,487
Securities held for trading	3,602,443	-	-	-	-	3,602,443
Derivatives and other financial assets	528,762	-	-	-	-	528,762
Loans to customers	-	-	790,688,059	-	-	790,688,059
Available-for-sale securities	-	-	-	125,759,661	-	125,759,661
Held-to-maturity securities	-	5,133,392	-	-	-	5,133,392
Other long-term investments	-	-	-	412,645	-	412,645
Other financial assets	-	-	31,426,766	-	-	31,426,766
	30,867,569	5,133,392	929,625,312	126,172,306	-	1,091,798,579
Due to the SBV	-	-	-	-	15,206,899	15,206,899
Deposits and loans from other credit institutions	-	-	-	-	115,158,765	115,158,765
Customer deposits	-	-	-	-	752,935,338	752,935,338
Other borrowed and entrusted funds	-	-	-	-	6,364,158	6,364,158
Valuable papers issued	-	-	-	-	22,501,773	22,501,773
Other financial liabilities	-	-	-	-	118,432,526	118,432,526
	-	-	-	-	1,030,599,459	1,030,599,459

(*) 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 2017 and for the year then ended

46. RESTATING THE COMPARATIVE FIGURES

On 19 December 2017, the State Auditor issued the audited financial statements of the Bank for the year 2016. Based on that, the beginning balance on the consolidated balance sheet and the consolidated income statement have been adjusted in accordance with the State audit report.

The main adjustments are as follows:

- Consolidated balance sheet: Adjustments relating to loan classification, cost and depreciation of fixed assets, other assets, payables and other liabilities;
- Consolidated income statement: Adjustments relating to provision expenses, operation expenses, interest income and income tax expenses.

a) Impact to consolidated total assets

<i>Items</i>	<i>2016 Restated (As adjusted by State Audit)</i>	<i>2016 Audited (As audited by independent auditor)</i>	<i>Adjustment</i>
Loans to customers	655,089,226	655,125,731	(36,505)
Provision for credit losses on loans to customers	(6,898,571)	(6,862,066)	(36,505)
Fixed assets	10,623,575	10,615,318	8,257
Tangible fixed assets	6,422,388	6,422,471	(83)
<i>Cost</i>	12,538,577	12,538,329	248
<i>Accumulated depreciation</i>	(6,116,189)	(6,115,858)	(331)
Intangible fixed assets	4,201,187	4,192,847	8,340
<i>Cost</i>	5,144,462	5,141,691	2,771
<i>Accumulated amortization</i>	(943,275)	(948,844)	5,569
Other assets	29,688,994	29,792,264	(103,270)
Receivables	12,573,436	12,572,928	508
Accrued interest and fees receivable	14,106,717	14,207,830	(101,113)
Other assets	3,010,388	3,013,053	(2,665)
TOTAL ASSETS	948,567,505	948,699,023	(131,518)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

46. **RESTATING THE COMPARATIVE FIGURES** (continued)

b) Impact to consolidated liabilities and owners' equity

<i>Items</i>	<i>2016 Restated (As adjusted by State Audit)</i>	<i>2016 Audited (As audited by independent auditor)</i>	<i>Adjustment</i>
Other liabilities	113,315,388	113,354,267	(38,879)
Other payables and liabilities	103,133,103	103,171,982	(38,879)
Total liabilities	888,260,741	888,299,620	(38,879)
Owners' equity	60,306,764	60,399,403	(92,639)
Undistributed profits	6,990,755	7,083,394	(92,639)
TOTAL LIABILITIES AND OWNERS' EQUITY	948,567,505	948,699,023	(131,518)

c) Impact to consolidated income statement

<i>Items</i>	<i>2016 Restated (As adjusted by State Audit)</i>	<i>2016 Audited (As audited by independent auditor)</i>	<i>Adjustment</i>
Interest and similar income	52,889,585	52,990,698	(101,113)
Net interest and similar income	22,303,879	22,404,992	(101,113)
Total operating expenses	(12,848,843)	(12,870,682)	21,839
Net profit before provision for credit losses	13,512,312	13,591,586	(79,274)
Provision expenses for credit losses	(5,058,609)	(5,022,104)	(36,505)
Profit before tax	8,453,703	8,569,482	(115,779)
Current corporate income tax expense	(1,688,781)	(1,711,921)	23,140
Corporate income tax expense	(1,688,492)	(1,711,632)	23,140
Profit after tax	6,765,211	6,857,850	(92,639)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

47. EVENTS AFTER THE CONSOLIDATED BALANCE SHEET DATE

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

48. NOTES TO CHANGES IN PROFIT

Net profit after tax of the Bank for the year ended 31 December 2017 increased by VND694 billion (equivalent to 10%) in comparison in 2016, mainly due to the increase in its profit before tax by VND752 billion (equivalent to 9%) for the same period due to the following main items:

	<i>Movement</i>	
	<i>Amount</i> <i>VND million</i>	<i>Rate on profit</i> <i>before tax</i> <i>%</i>
Items		
Income from investments in other entities	592,571	78.75
Net fee and commission income	157,175	20.89
	749,746	99.64

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

49. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST VIETNAM DONG AT THE END OF THE YEAR

	<i>31 December 2017</i>	<i>31 December 2016</i>
	<i>VND million</i>	<i>VND million</i>
USD	22,425	22,159
EUR	27,208	23,780
GBP	30,646	27,911
CHF	23,294	22,215
JPY	201.42	193.46
SGD	17,010	15,617
CAD	18,123	16,835
AUD	17,740	16,338
NZD	16,158	15,694
THB	697.45	626.86
SEK	2,765	2,483
NOK	2,766	2,618
DKK	3,654	3,201
HKD	2,906	2,916
CNY	3,486	3,247
KRW	21.30	18.64
LAK	2.90	2.78
MYR	5,327	5,042

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Hanoi, Vietnam

28 March 2018

