

**VIETNAM JOINT STOCK COMMERCIAL BANK
FOR INDUSTRY AND TRADE**

(Incorporated in the Socialist Republic of Vietnam)

**AUDITED CONSOLIDATED
FINANCIAL STATEMENTS**

For the year ended 31 December 2014

In accordance with Vietnamese Accounting Standards and
Accounting Regime applicable to Credit Institutions in Vietnam

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STATEMENT OF THE BOARD OF MANAGEMENT

The Board of Management of Vietnam Joint Stock Commercial Bank for Industry and Trade (the “Bank”) presents this report together with the consolidated financial statement of the Bank and its subsidiaries for the year ended 31 December 2014.

BOARDS OF DIRECTORS AND MANAGEMENT

The members of the Boards of Directors and Management of the Bank who held office during the year and to the date of this report are as follows:

Board of Directors

Mr. Nguyen Van Thang	Chairman (appointed on 29 April 2014)
Mr. Pham Huy Hung	Chairman (resigned on 29 April 2014)
Mr. Le Duc Tho	Member (appointed on 29 April 2014)
Ms. Nguyen Hong Van	Member
Ms. Do Thi Thuy	Member (resigned on 29 April 2014)
Mr. Michael Knight Ipson	Member (resigned on 29 April 2014, reappointed on 25 September 2014)
Mr. Cat Quang Duong	Member
Ms. Nguyen Thi Bac	Member (resigned on 29 April 2014)
Mr. Pham Huy Thong	Member
Mr. Hiroyuki Nagata	Member
Mr. Go Watanabe	Member
Mr. Phung Khac Ke	Member (appointed on 01 November 2014)
Ms. Tran Thu Huyen	Member (appointed on 24 July 2014)

Board of Management

Mr. Nguyen Van Thang	General Director (resigned on 29 April 2014)
Mr. Le Duc Tho	General Director (appointed on 29 April 2014)
Mr. Tran Minh Binh	Deputy General Director (appointed on 28 May 2014)
Mr. Nguyen Van Du	Deputy General Director
Mr. Pham Anh Tuan	Deputy General Director (changed mission on 01 September 2014)
Ms. Bui Nhu Y	Deputy General Director
Mr. Nguyen Hoang Dung	Deputy General Director
Mr. Pham Huy Thong	Deputy General Director
Mr. Nguyen Duc Thanh	Deputy General Director
Mr. Hiroyuki Nagata	Deputy General Director
Mr. Le Thanh Tung	Deputy General Director (changed mission on 14 May 2014)
Mr. Tran Cong Quynh Lan	Deputy General Director (appointed on 05 March 2015)
Mr. Nguyen Hai Hung	Chief Accountant

STATEMENT OF THE BOARD OF MANAGEMENT (Continued)

BOARD OF MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The Board of Management of the Bank is responsible for preparing the consolidated financial statement, which give a true and fair view of the financial position of the Bank and its subsidiaries and of its results and cash flows for the year in accordance with Vietnamese Accounting Standards, accounting regime applicable to credit institutions in Vietnam and legal regulations relating to financial reporting. In preparing the consolidated financial statement, the Board of Management is required to:

- select appropriate accounting policies and then applying them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the consolidated financial statements;
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business; and
- design and implement an effective internal control system for the purpose of properly preparing and presenting the consolidated financial statements so as to minimise errors and frauds.

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 financial position of the Bank and its subsidiaries and that the consolidated financial statements comply with Vietnamese Accounting Standards, accounting regime applicable to credit institutions in Vietnam and legal regulations relating to financial reporting. The Board of Management is also responsible for safeguarding the assets of the Bank and its subsidiaries and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

The Board of Management confirms that the Bank has complied with the above requirements in preparing these consolidated financial statements.

For and on behalf of the Board of Management,



Le Duc Tho
General Director

Hanoi, 20 March 2015

No.: 907 /VNIA-HN-BC

INDEPENDENT AUDITORS' REPORT

To: **The shareholders**
 The Boards of Directors and Management
 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"), prepared on 20 March 2015 as set out from page 05 to page 80, which comprise the consolidated balance sheet as at 31 December 2014, the consolidated statement of income, consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (collectively referred to as the "consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, accounting regime applicable to credit institutions in Vietnam and legal regulations relating to financial reporting and for such internal control as management determines is necessary to enable the preparation 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 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 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 accompanying consolidated financial statements give a true and fair view of, in all material respects, the financial position of the Bank as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime applicable to credit institutions and legal regulations relating to financial reporting.

INDEPENDENT AUDITORS' REPORT (Continued)

Emphasis of matter

Without qualifying our opinion, we would like to draw attention to Note 54 of the Notes to the consolidated financial statements "Contingent liabilities", as at 31 December 2014, the Bank has legal rights and obligations related to the case of Huynh Thi Huyen Nhu and the other former employees of Ho Chi Minh City branch and Nha Be branch of the Bank. At the reporting date, the Appeal Court of People's Supreme Court at Ho Chi Minh City heard and trial for the case on 07 January 2015, sentencing the accused Huyen Nhu for swindling to appropriate assets and certain other crimes, simultaneously reaching a verdict on judgment against Huyen Nhu and other accused members. In terms of civil responsibilities, Huynh Thi Huyen Nhu was responsible to reimbursement to three (03) banks, four (04) companies and three (03) individuals which were defrauded and the Bank neither has compensation obligations, joint liability nor incurs any financial loss with regards to the illegal actions of these accuseds mentioned above. However, the appellate court has partly ceased the first instance judgment in part relating to five (05) other companies for re-investigation. Under the provisions of the criminal law and criminal procedure for a case that is being re-investigated, the responsibilities and legal obligations of the parties concerned shall be defined only when the case has been trial with specific judgment and the verdict takes effect.



Truong Anh Hung
Deputy General Director
Audit Practising Registration Certificate
No. 0029-2013-001-1

For and on behalf of
DELOITTE VIETNAM COMPANY LIMITED

20 March 2015
Hanoi, S.R. Vietnam

Pham Quynh Hoa
Auditor
Audit Practising Registration Certificate
No. 0910-2013-001-1

CONSOLIDATED BALANCE SHEET

As at 31 December 2014

FORM B 02/TCTD-HN
Unit: Million VND

NO.	ITEMS	Notes	31/12/2014	31/12/2013
A.	ASSETS			
I.	Cash, gold and gemstones	6	4,630,740	2,833,496
II.	Balances with the State Bank of Vietnam ("SBV")	7	9,876,451	10,159,564
III.	Placements with and loans to other credit institutions	8	75,433,624	73,079,476
1.	Placements with other credit institutions		67,162,062	59,520,681
2.	Loans to other credit institutions		8,271,562	13,661,254
3.	Provisions for credit losses of loans to other credit institutions		-	(102,459)
IV.	Trading securities	12	3,647,897	655,067
1.	Trading securities		3,654,333	657,693
2.	Provisions for impairment of trading securities		(6,436)	(2,626)
V.	Derivative financial instruments and other financial assets	9	-	164,334
VI.	Loans to customers		435,523,079	372,988,742
1.	Loans to customers	10	439,869,027	376,288,968
2.	Provisions for credit losses of loans to customers	11	(4,345,948)	(3,300,226)
VII.	Investment securities	13	93,404,410	82,360,193
1.	Available-for-sale investment securities		87,338,962	79,908,691
2.	Held-to-maturity investment securities		6,708,858	2,586,748
3.	Provisions for impairment of investment securities	14	(643,410)	(135,246)
VIII.	Long-term investments	15	3,784,907	3,755,358
1.	Investments in joint-ventures		2,843,745	2,795,383
2.	Other long-term investments		1,030,326	1,040,326
3.	Provisions for impairment of long-term investments		(89,164)	(80,351)
IX.	Fixed assets		8,872,165	7,080,388
1.	Tangible fixed assets	16	4,661,630	3,464,589
a.	<i>Cost</i>		9,313,732	7,328,188
b.	<i>Accumulated depreciation</i>		(4,652,102)	(3,863,599)
2.	Intangible assets	17	4,210,535	3,615,799
a.	<i>Cost</i>		4,851,812	4,078,806
b.	<i>Accumulated amortisation</i>		(641,277)	(463,007)
X.	Other assets		25,958,316	23,291,798
1.	Other receivables	18	9,877,588	10,487,749
2.	Interest and fee receivables		12,706,283	10,035,489
3.	Other assets	19	3,376,800	2,782,048
	- <i>In which: Goodwill</i>	20	8,167	9,982
4.	Provisions for impairment of other assets		(2,355)	(13,488)
TOTAL ASSETS			661,131,589	576,368,416

The notes set out from pages 10 to 80 are an integral part of these consolidated financial statements

CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2014

FORM B 02/TCTD-HN
Unit: Million VND

NO. ITEMS	Notes	31/12/2014	31/12/2013
B. LIABILITIES AND OWNERS' EQUITY			
I. Borrowings from the Government and the SBV	21	4,731,403	147,371
II. Deposits and borrowings from other credit institutions	22	103,769,865	80,464,749
1. Deposits from other credit institutions		42,040,236	31,865,823
2. Borrowings from other credit institutions		61,729,629	48,598,926
III. Deposits from customers	23	424,181,174	364,497,001
IV. Derivative financial instruments and other financial liabilities	9	415,778	-
V. Grants, trusted funds and borrowings at risk of the credit institution	24	32,021,693	32,424,519
VI. Valuable papers issued	25	5,294,073	16,564,766
VII. Other liabilities	26	35,479,425	27,982,425
1. Accrued fee and interest expenses		5,749,315	4,365,827
2. Other payables and liabilities		29,662,391	23,111,685
3. Other provisions		67,719	504,913
TOTAL LIABILITIES		605,893,411	522,080,831
VIII. Capital and reserves	28	55,012,808	54,074,666
1. Contributed capital		46,208,816	46,205,524
a. Charter capital		37,234,046	37,234,046
b. Share premium		8,974,770	8,971,478
2. Reserves		4,250,372	3,374,995
3. Foreign exchange reserves		338,463	317,641
4. Retained earnings		4,215,157	4,176,506
IX. Minority interests	28	225,370	212,919
TOTAL LIABILITIES AND OWNERS' EQUITY		661,131,589	576,368,416

OFF-BALANCE SHEET ITEMS

NO. ITEMS	Notes	31/12/2014	31/12/2013
I. Contingent liabilities	43	54,122,956	46,730,513
1. Loan guarantees		2,496,147	1,421,190
2. L/C guarantees		29,742,703	27,626,059
3. Other guarantees		21,884,106	17,683,264
II. Commitments	43	26,392,728	17,545,621
1. Other commitments		26,392,728	17,545,621

Preparer *llc*

Approver

llc
Le Nhu Hoa
Head of Financial Accounting
Management Department
20 March 2015

Huu
Nguyen Hai Hung
Chief Accountant

Du
Nguyen Van Du
Deputy General Director



The notes set out from pages 10 to 80 are an integral part of these consolidated financial statements

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

FORM B 03/TCTD-HN
Unit: Million VND

NO.	ITEMS	Notes	2014	2013
1.	Interest and similar income	29	41,075,588	44,280,823
2.	Interest and similar expenses	30	(23,495,402)	(26,003,568)
I.	Net interest income		17,580,186	18,277,255
3.	Income from services		2,404,468	2,096,679
4.	Expenses on services		(936,683)	(576,553)
II.	Net profit from services	31	1,467,785	1,520,126
III.	Net gain from trading foreign currencies	32	386,539	291,450
IV.	Net gain from trading securities	33	192,423	18,930
V.	Net (loss)/gain from investment securities	34	(153,675)	45,976
5.	Other operating income		3,742,898	1,931,677
6.	Other operating expenses		(2,351,412)	(970,364)
VI.	Net profit from other activities	35	1,391,486	961,313
VII.	Income from capital contribution, equity investments	36	166,384	172,759
VIII.	Operating expenses	37	(9,826,686)	(9,413,764)
IX.	Net profit from operating activities before credit provision expenses		11,204,442	11,874,045
X.	Provision expenses for credit losses		(3,901,965)	(4,123,423)
XI.	Profit before tax		7,302,477	7,750,622
7.	Current corporate income tax expenses	38	(1,575,269)	(1,942,644)
XII.	Corporate income tax expenses	38	(1,575,269)	(1,942,644)
XIII.	Profit after corporate income tax		5,727,208	5,807,978
XIV.	Minority interests		15,096	15,529
XV.	Profit attributable to the owners of the Bank		5,712,112	5,792,449
XVI.	Earnings per share (VND)	39	1,266	1,504

Preparer *llh*

Approver



Le Nhu Hoa
Head of Financial Accounting
Management Department

Nguyen Hai Hung
Chief Accountant

Nguyen Van Du
Deputy General Director

20 March 2015

The notes set out from pages 10 to 80 are an integral part of these consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014

FORM B 04/TCTD-HN
Unit: Million VND

NO. ITEMS	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES		
01. Interest and similar income	38,409,812	42,191,450
02. Interest and similar expenses	(22,092,801)	(25,292,411)
03. Income from services	1,449,458	1,547,844
04. Net gain from trading foreign currencies, gold and securities	552,849	493,474
05. Other expenses	(603,528)	(112,156)
06. Receipts from debts written-off or paid off by risk fund	1,203,022	1,264,542
07. Payments to employees and for operating management	(9,174,208)	(8,910,917)
08. Corporate income tax paid	(1,620,769)	(2,279,367)
Net cash from operating profit before movements in assets and working capital	8,123,835	8,902,459
<i>Movement in operating assets</i>	<i>(71,724,402)</i>	<i>(57,264,883)</i>
09. Decrease in deposit at and loans to other credit institutions	5,761,295	2,412,018
10. (Increase) in trading securities	(5,889,301)	(10,674,243)
11. Decrease/(Increase) in derivatives and others financial assets	164,334	(89,883)
12. (Increase) in loans to customers	(69,972,844)	(42,932,876)
13. (Increase) in provisions for losses	(1,928,993)	(4,576,049)
14. Decrease/(Increase) in other operating assets	141,107	(1,403,850)
<i>Movement in operating liabilities</i>	<i>82,085,841</i>	<i>50,652,387</i>
15. Increase/(Decrease) in borrowings from the Government and the State Bank of Vietnam	4,584,032	(2,638,003)
16. Increase/(Decrease) in deposits and borrowings from other credit institutions	23,305,116	(16,350,052)
17. Increase in deposits from customers (including State Treasury)	59,684,172	75,391,694
18. (Decrease) in valuable papers (excluding valuable papers charged to financial activities)	(11,270,693)	(12,104,463)
19. (Decrease) in grants, trusted funds and borrowings at risk of the credit institution	(402,826)	(802,189)
20. Increase in derivatives and other financial liabilities	415,779	-
21. Increase in other operating liabilities	5,770,296	7,155,530
22. Cash outflows from reserves of the credit institution	(35)	(130)
I. Net cash from operating activities	18,485,274	2,289,963
CASH FLOWS FROM INVESTING ACTIVITIES		
01. Acquisition of fixed assets	(3,205,082)	(3,225,179)
02. Proceeds from sales, disposal of fixed assets	1,250,544	7,322
03. Expenses on sales, disposal of fixed assets	(1,749)	(6,844)
04. Investment in other entities	-	(296,869)
05. Proceeds from investments in other entities	10,000	5,000
06. Dividends and profit received from long-term investments and capital contribution	18,873	339,294
II. Net cash (used in) investing activities	(1,927,414)	(3,177,276)

The notes set out from pages 10 to 80 are an integral part of these consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT (Continued)

For the year ended 31 December 2014

FORM B 04/TCTD-HN

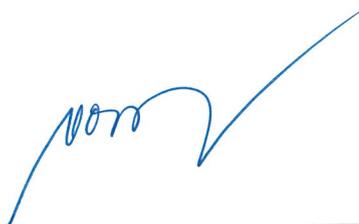
Unit: Million VND

NO. ITEMS	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES		
01. Increase in share capital from issuing stocks	-	19,985,769
02. Dividends paid	(3,734,193)	(4,194,807)
03. Receipts from selling treasury shares	13,087	-
III. Net cash (used in)/from financing activities	(3,721,106)	15,790,962
IV. Net increase in cash	12,836,754	14,903,649
V. Cash and cash equivalents at the beginning of the year	74,215,984	59,313,988
VI. Effects of changes in foreign exchange rates	11,910	(1,653)
VII. Cash and cash equivalents at the end of the year (Note 40)	87,064,648	74,215,984

Preparer *th*

Approver

Approver





Le Nhu Hoa
 Head of Financial Accounting
 Management Department

Nguyen Hai Hung
 Chief Accountant

Nguyen Van Du
 Deputy General Director

20 March 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FORM B 05/TCTD-HN

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

1. GENERAL INFORMATION

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

Establishment and operation

The Bank was established from the equitisation of Vietnam Bank for Industry and Trade - a State-owned commercial bank which had been established in accordance with Decision No. 402/CT dated 14 November 1990 by the President of Ministerial Council and subsequently reorganised into State-owned corporation in accordance with Decision No. 285/QD-NH5 dated 21 September 1996 by the Governor of the State Bank of Vietnam (the “SBV”). On 25 December 2008, Vietnam Bank for Industry and Trade successfully undertook its Initial Public Offering.

The Bank was equitised and renamed as Vietnam Joint Stock Commercial Bank for Industry and Trade on 03 July 2009 under License of Establishment and Operation No. 142/GP-NHNN dated 03 July 2009, issued by the State Bank of Vietnam and Business Registration Certificate No. 0103038874 dated 03 July 2009 issued by Hanoi Authority for Planning and Investment. On 29 April 2014, Hanoi Authority for Planning and Investment issued the tenth amended Business Registration Certificate No. 0100111948 to the Bank.

The Bank’s main activities are to provide banking services including mobilizing and receiving short-term, medium-term, and long-term deposits from organisations and individuals; making short-term, medium-term, and long-term loans to organisations and individuals based on the nature and capability of the Bank’s sources of capital; providing settlement services among organisations and individuals; conducting foreign exchange transactions, international trade funding services, discounting commercial papers, bonds and other valuable papers, and providing other banking services allowed by the SBV.

Charter capital

The Bank’s charter capital under the License of Establishment and Operation No. 142/GP-NHNN dated 03 July 2009 is VND 11,252,973 million, of which State-owned capital is VND 10,040,855 million and capital raised from the Initial Public Offering is VND 1,212,118 million.

On 18 October 2010, the Bank completed its share issuance with 391,931,841 shares additionally issued, of which 76,848,603 shares were issued in form of share dividend payment and 315,083,238 shares were sold to the Bank’s shareholders.

On 10 March 2011, the Bank completed its share issuance to a strategic shareholder with the total number of new issued shares of 168,581,013.

On 28 December 2011, the Bank completed its share issuance to the existing shareholders with the total number of new issued shares of 337,162,100.

On 13 April 2012, the Bank completed its share issuance to the existing shareholders with the total number of new issued shares of 598,782,376.

On 14 May 2013, the Bank completed its share issuance to Bank of Tokyo Mitsubishi UFJ, Ltd. with the total number of new issued shares of 644,389,811.

On 22 October 2013, the Bank completed its share issuance to the existing shareholders with the total number of new issued shares of 457,260,208.

Accordingly, as at 31 December 2014, the Bank’s charter capital is VND 37,234,046 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

1. GENERAL INFORMATION (Continued)

The branch network

The Head Office of the Bank is located at 108 Tran Hung Dao Street, Hoan Kiem District, Hanoi, Vietnam. As at 31 December 2014, the Bank has one (01) Head Office, one (01) Main Operation Center, four (04) administrative units, two (02) local representative offices, one (01) overseas representative office in Myanmar and one hundred and fifty two (152) branches (including three (03) overseas branches).

Subsidiaries

As at 31 December 2014, the Bank has seven (7) subsidiaries as follows:

No.	Name	Established in accordance with Decision No.	Business sector	% of ownership held by the Bank
1	VietinBank Leasing Company Ltd.	0101047075/GP dated 10 March 2011 by Hanoi Authority for Planning and Investment Department	Banking and finance	100%
2	VietinBank Securities Joint Stock Company	107/UBCK-GP dated 01 July 2009 by State Securities Commission of Vietnam (SSC)	Capital market	76%
3	VietinBank Debt Management and Asset Exploitation Company Ltd.	0302077030/GP dated 20 July 2010 by Department of Planning and Investment of Ho Chi Minh City	Asset management	100%
4	VietinBank Insurance Company Ltd.	21/GPDC6/KDBH dated 21 April 2009 by the Ministry of Finance	Non-life insurance	100%
5	VietinBank Gold and Jewellery Trading Company Ltd.	0105011873/GP dated 25 November 2010 by Hanoi Authority for Planning and Investment Department	Gold and gemstones manufacturing and trading	100%
6	VietinBank Fund Management Company Ltd.	50/UBCK-GP dated 26 October 2010 and 05/GPDC-UBCK dated 23 March 2011 by State Securities Commission of Vietnam (SSC)	Fund management	100%
7	VietinBank Global Money Transfer Company Ltd.	0105757686 dated 03 January 2012 by Hanoi Authority for Planning and Investment Department	Money transfer intermediary	100%

Employees

The total number of employees of the Bank as at 31 December 2014 is 19,787 (as at 31 December 2013: 19,886).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

The accompanying consolidated financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, accounting regime applicable to credit institutions in Vietnam and legal regulations relating to financial reporting. However, due to the Bank's large scale of operations, for the purpose of preparing these consolidated financial statements, the figures are rounded to and presented in millions of Vietnam Dong (million VND). This presentation does not materially impact the consolidated financial statements in terms of the financial position, results of operations and the cash flows of the Bank and its subsidiaries. With regards to the earnings per share, the Bank presented the items in unit as shown in Note 39.

The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

Financial year

The Bank's financial year begins on 01 January and ends on 31 December.

3. ADOPTION OF NEW ACCOUNTING GUIDANCE

Circular No. 02/2013/TT-NHNN and Circular No. 09/2014/TT-NHNN

On 21 January 2013, the State Bank of Vietnam ("SBV") issued Circular No. 02/2013/TT-NHNN ("Circular 02") on classification of assets, provisioning and use of provisions against credit risks in the banking activity by credit institutions and branches of foreign banks. The Circular replaces Directive No. 05/2005/CT-NHNN dated 26 April 2005 of the State Bank Governor on classification of debts and provisioning against credit risks under Decision No. 493/2005/QD-NHNN dated 22 April 2005 of the Governor; Decision No. 780/QD-NHNN ("Decision 780") dated 23 April 2012 of the Governor on classification of re-scheduled loans; Decision No. 493/2005/QD-NHNN ("Decision 493") dated 22 April 2005 of the Governor on promulgating regulations on classification of debts, provisioning and use of provisions against credit risks in the banking activity by credit institutions; Decision No. 18/2007/QD-NHNN ("Decision 18") dated 25 April 2007 of the Governor on amending and supplementing a number of articles of Regulations on classification of debts, provisioning and use of provisions against credit risks in the banking activity by credit institutions regulated in Decision No. 493/2005/QD-NHNN dated 22 April 2005. On 18 March 2014, SBV issued Circular No. 09/2014/TT-NHNN ("Circular 09") on amending and supplementing a number of articles of Circular No. 02/2013/TT-NHNN. Circular 02 takes effect from 01 June 2014 with certain articles taking effect after 01 June 2014. The Bank applies Circular 02 for its consolidated financial statements for the year ended 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

3. ADOPTION OF NEW ACCOUNTING GUIDANCE (Continued)

Circular No. 02/2013/TT-NHNN and Circular No. 09/2014/TT-NHNN (Continued)

Some main changes in those Circulars which have significant effects on the Bank's consolidated financial statements during the year are as follows:

- *Extend the scope of assets exposed to credit risk to be classified and made provision including costs and entrusted amount for purchase of corporate bonds unlisted on the stock market or unregistered for trading on the trading market of unlisted public companies (Upcom), excluding entrusted amount for purchase of unlisted bonds whereby the trustor bear risks; entrusted credit facility; deposits, except demand deposits, at domestic credit institutions and Vietnam-based foreign bank branches as provided by law, and deposits at foreign credit institutions;*
- *Tighten regulations relating to amount of collaterals to be deducted such as: collaterals fully satisfy the conditions specified by the law on secured transactions; collaterals with high value (over VND 50 billion for loans to customers being related parties of the Bank and the entities subject to credit extension limits specified in the Law on Credit Institutions 2010; VND 200 billion or more for others) must be valued by an organisation with the valuation function as defined by law. The Bank has to assess collaterals on a periodical basis as provided by law to guarantee that the value of collaterals is tied with the market value when setting aside specific provisions as stipulated under this Circular;*
- *With regard to internal credit-rating system, Circular 02 provides more detailed regulations on the internal credit-rating system's principles, in which an internal credit-rating system must be built specifically for each type of customers, including those subject to credit extension limits and their related parties;*
- *With regard to methods and principles of classification, Circular 02 supplements specific classification principles concerning off-balance sheet commitments, entrusted credit facility not yet disbursed by the entrusted party under the entrustment contract, loans sold with the payment not yet made, purchased loans; costs and entrusted amount for purchase of corporate bonds of an unlisted entities, violated loans;*
- *With regard to classification of loans and off-balance sheet commitments, Circular 02 supplements some types of loan which are immediately classified to Group 3 and does not require risk provisioning for off-balance sheet commitments. Accordingly, off-balance sheet commitments must be classified in accordance with Circular 02 for management and supervision of the quality of credit activities;*
- *With regard to classification of rescheduled loans, the Bank is allowed to classify it in its pre-rescheduled classification group until 01 April 2015 with more strict conditions. The Bank shall have to issue internal regulations on monitoring, supervising the reschedule and classification of the rescheduled loans that are classified in their pre-rescheduled classification group, managing the structure and reason for implementation of rescheduling. However, each rescheduled loan is kept in its pre-rescheduled classification group for once only. The Bank has to perform frequent review and assessment on the repayment capability of customers after the loan is rescheduled and classified in its pre-rescheduled classification group. The Bank is not allowed to continue rescheduling after the loans to customers who are unable to conduct payment according to the rescheduled repayment term.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

3. ADOPTION OF NEW ACCOUNTING GUIDANCE (Continued)

Circular No. 02/2013/TT-NHNN and Circular No. 09/2014/TT-NHNN (Continued)

The application of those Circulars affects certain items on the Bank's consolidated financial statements for the year ended 31 December 2014 as follows:

Items	In accordance with previous regulations on classification of loans, risk provisioning levels	In accordance with new regulations on classification of loans, risk provisioning levels	Effects of the application of Circular 02 and Circular 09
Placements with and loans to other credit institutions	There is no specific regulation on classification of assets, risk provisioning levels.	Supplement regulations on classification of assets and risk provisioning levels for deposits and loans to at other credit institutions, except demand deposits.	Classification of assets and risk provisioning are made in accordance with Circular 02 and Circular 09, except for demand deposits.
Trading securities	There is no specific regulation on classification of assets and risk provisioning for unlisted corporate bonds.	Supplement regulations on classification of assets and risk provisioning for cost and entrusted amount for purchase of corporate bonds unlisted on the stock market or unregistered for trading on the trading market of unlisted public companies (Upcom), excluding entrusted amount for purchase of unlisted bonds whereby the trustors bear risks.	Classification of assets and risk provisioning are made in accordance with Circular 02 and Circular 09 for balances of unlisted corporate bonds.
Loans to customers	Classification of loans and risk provisioning under Decision 493, Decision 18 and Decision 780.	Decision 493, Decision 18, and Decision 780 are superseded; Circular 02 and Circular 09 take effect in replacement.	Classification of assets and risk provisioning are made in accordance with Circular 02 and Circular 09. Basically, classification of loans under Circular 02 and Circular 09 is slightly different from previous regulations such as: supplementing regulations on classification of loans which violate regulations on subjects of credit extension, purposes of loans, or credit limit; reducing challenging period for a customer, supplementing conditions and effective period, limiting the times of rescheduling and keeping loan classification in its pre-rescheduled classification group (only 01 time), etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

3. ADOPTION OF NEW ACCOUNTING GUIDANCE (Continued)

Circular No. 02/2013/TT-NHNN and Circular No. 09/2014/TT-NHNN (Continued)

Items	In accordance with previous regulations on classification of loans, risk provisioning levels	In accordance with new regulations on classification of loans, risk provisioning levels	Effects of the application of Circular 02 and Circular 09
Investment securities	There is no specific regulation on classification of assets and risk provisioning for unlisted corporate bonds.	Supplement regulations on classification of assets and risk provisioning levels for amounts for cost and entrusted amount for purchase of corporate bonds unlisted on the stock market or unregistered for trading on the trading market of unlisted public companies (Upcom), excluding entrusted amount for purchase of unlisted bonds whereby the trustor bear risks.	Classification of assets and risk provisioning are made in accordance with Circular 02 and Circular 09 for balances of unlisted corporate bonds.
Other assets	There is no specific regulation on classification of assets and risk provisioning for entrusted amount for purchase of corporate bonds unlisted on the stock market or unregistered for trading on the trading market of unlisted public companies (Upcom); entrusted credit facilities.	Supplement regulations on classification of assets and risk provisioning for entrusted amount for purchase of corporate bonds unlisted on the stock market or unregistered for trading on the trading market of unlisted public companies (Upcom); payments on behalf customer under off-balance sheet commitments; entrusted credit facilities.	Classification of assets and risk provisioning for payments on behalf customer under off-balance sheet commitments; entrusted credit facilities are made in accordance with Circular 02 and Circular 09.
Other liabilities	Risk provisioning for off-balance sheet commitments is made based on classification of loans under Decision 493 and Decision 18.	Supersede Decision 493 and Decision 18. Off-balance sheet commitments must be classified in accordance with Circular 02 for management and supervision of the quality of credit activities.	Off-balance sheet commitments are classified in accordance with Circular 02 for management and supervision of the quality of credit activities. However, there is no requirement of provision-making for off-balance sheet commitments.
Off-balance sheet commitments			

Moreover, some certain articles in Circular 02 will take effect after the financial year ends. The Board of Management of the Bank is considering the extent of impact of adopting those articles on the Bank's consolidated financial statements for future accounting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
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3. APPLICATION OF NEW ISSUED GUIDANCE (Continued)

Circular No. 10/2014/TT-NHNN

On 20 March 2014, the State Bank of Vietnam issued Circular No. 10/2014/TT-NHNN ("Circular 10") on the amendment and supplementation of several accounts in the account system of credit institutions issued in conjunction with Decision No. 479/2004/QĐ-NHNN dated 29 April 2004 ("Decision 479") of the Governor of the State Bank.

The main changes in Circular 10 compared to Decision 479 are as follows:

- Supersede some accounts in the accounts system of credit institutions issued in conjunction with Decision No. 479;
- Supplement new accounts for specific transactions;
- Amend, supplement name and detailed accounting content of some accounts in the accounts system of credit institutions issued in conjunction with the Decision No. 479. Accordingly, comparative figures of some accounts those are changed in substance of accounting records are reclassified for comparison purposes (see details in Note 57).

4. NEW ACCOUNTING GUIDANCE IN ISSUE BUT NOT YET EFFECTIVE

On 22 December 2014, the Ministry of Finance issued Circular No. 202/2014/TT-BTC (Circular 202) guiding the preparation and presentation of consolidated financial statements. Circular 202 is effective for financial years beginning on or after 01 January 2015. Circular 202 will supersede section XIII in Circular No. 161/2007/TT-BTC dated 31 December 2007 of the Ministry of Finance guiding the preparation and presentation of consolidated financial statements in accordance with Vietnamese Accounting Standard No. 25 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries".

On 31 December 2014, the State Bank of Vietnam (the "SBV") issued Circular No. 49/2014/TT-NHNN ("Circular 49") on the amendment and supplementation of several accounts in the accounting regime applicable to credit institutions issued in conjunction with Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 and the accounting system of credit institutions issued in conjunction with Decision No. 479/2004/QĐ-NHNN dated 29 April 2004 of the Governor of the State Bank. Circular 49 will come into effective from 15 February 2015.

The Board of Management evaluates that the application on these Circulars in the future may not have a material impact on the comparative figures of the Banks' consolidated financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by the Bank in the preparation of these consolidated financial statements, are as follows:

Estimates

The preparation of the consolidated financial statements in conformity with Vietnamese Accounting Standards, accounting regime applicable to credit institutions in Vietnam and legal regulations relating to financial reporting requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Although these accounting estimates are based on the management's best knowledge, actual results may differ from those estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **FORM B 05/TCTD-HN**
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and enterprises controlled by the Bank (its subsidiaries) on 31 December 2014. Control is achieved where the Bank has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Bank.

All internal transactions and balances between group enterprises are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Bank's equity therein. 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 applicable to the non-controlling shareholders in excess of the non-controlling interests in the subsidiary's equity are allocated against the interests of the Bank except to the extent that the non-controlling shareholder has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to profit or loss in the period of acquisition.

The interest of non-controlling shareholders is initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Interests in joint ventures

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill represents the excess of the cost of acquisition over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary or jointly controlled entity at the date of acquisition. Goodwill is recognised as an asset and is amortised on the straight-line basis over its estimated period of benefit of 10 years.

Goodwill arising on the acquisition of jointly controlled entities is included within the carrying amount of the jointly controlled entities. Goodwill arising on the acquisition of subsidiaries is presented separately as an intangible asset in the consolidated balance sheet.

On disposal of a subsidiary or jointly controlled entity, the remaining amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Cash and cash equivalents

Cash and cash equivalents comprise cash and cash equivalents on hand, demand deposits, balances with the State Bank of Vietnam, placements with other credit institutions (including demand deposits and term deposits not exceeding three months) and securities which are expected to be realised or matured not exceeding three months from the date of purchase.

Loans to customers

Loans to customers are disclosed at their principal amounts outstanding at the balance sheet date except for the loans which are unable to be recovered and are written off. According to Circular 02, the Bank has to establish Risks Settlement Committee in order to decide the use of provision against credit risks in the following cases:

- Customers are legal entities that are liquidated or go bankrupt, or an individual who pass away or are missing;
- Loans which are classified under Group 5.

Provision for credit losses

In accordance with Law on Credit Institutions No. 47/2010/QH12 effective from 01 January 2011, Decision No. 1627/2011/QD-NHNN dated 31 December 2011 of the Governor of the State Bank on lending regulations of credit institutions, Decision No. 127/2005/QD-NHNN dated 03 February 2005 amending and supplementing a number of lending regulations under Decision No. 1627/2001/QD-NHNN, Circular 02 stipulating classification of assets, levels and method of provisioning and use of provision against credit risk in activities by credit institutions and branches of foreign banks and Circular 09 amending and supplementing a number of Circular 02 on classification of assets, provisioning and use of provision against credit risk in banking activities by credit institutions and branches of foreign banks, credit institutions are required to classify loans and make provisions for credit losses. Accordingly, the classification and making provisions for credit losses are applied for the following assets:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision for credit losses (Continued)

- Loans;
- Finance lease;
- Discounts, rediscounts of negotiable instruments and other valuable papers;
- Factoring;
- Credit facilities under form of credit card issuance;
- Payments on behalf of customer under off-balance sheet commitments;
- Cost and entrusted amounts for purchase of corporate bonds unlisted on the stock market or unregistered for trading on trading market of unlisted public companies (Upcom) (hereinafter referred to as unlisted bonds), excluding purchase of unlisted bonds by entrustment amount which the trustors bear risks;
- Entrusted credit facilities;
- Deposits (excluding demand deposits) at domestic credit institutions, Vietnam-based foreign banks' branches as prescribed by law and deposits at foreign credit institutions.

The Bank performs the classification of loans by the quantitative method as stipulated in Article 10 of Circular 02. Accordingly, loans are graded using the following risk classifications: *Current, Special-mentioned, Sub-standard, Doubtful and Loss* based on the overdue status and other qualitative factors.

Credit risk exposure of loans to customers is calculated by subtracting from the loan balance the related determined value of collateral which is subject to certain accepted discount rates in accordance with Circular 02.

Specific provision is made for the potential losses of each loan and established based on the net loan exposure for each individual customer using the prescribed provision rates applicable to that loan classification as follows:

Group	Category	Provision rate
1	Current	0%
2	Special-mentioned	5%
3	Sub-standard	20%
4	Doubtful	50%
5	Loss	100%

Loan classification is to be made at the end of each quarter for the first three quarters and on 30 November for the last quarter of each financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision for credit losses (Continued)

General provision is made for credit losses which are yet to be identified during the loan classification. Accordingly, the Bank is required to make and maintain a general provision at 0.75% of total of loans exposures that are classified in groups 1 to 4, except for deposits for payment at domestic credit institutions and Vietnam-based foreign bank branches as provided by law, and deposits at foreign credit institutions, valuable papers repurchased and reverse-repurchased from other credit institutions and foreign bank branches in Vietnam.

These provisions are recorded in the consolidated income statement as an expense that will be used to write off any credit losses incurred. The Bank writes off loans if they are classified under Group 5 or if the borrowers are legal entities that are liquidated or go bankrupt, or if borrowers are individuals who pass away or are missing.

Investments

Trading securities

Trading securities include debt securities, equity securities and other kinds of securities that the Bank and/or its subsidiaries purchases and intends to sell in the short term (less than 1 year) in order to gain profits from price fluctuation. Trading securities are initially recognised at cost at transaction date and subsequently carried at cost.

Interest received while holding trading securities are recorded in the consolidated income statement on the cash basis. Dividends are recognised in the consolidated income statement when dividend distributions are officially announced.

Investment securities

Held-to-maturity investment securities

Held-to-maturity investment securities are debt securities that the Bank purchases for investment purpose in order to gain interest and the Bank has intention and ability to hold the securities until maturity. Held-to-maturity securities have fixed or determinable payments and fixed maturities. In case the securities are sold before maturity, such securities will be reclassified to trading or available-for-sale securities.

Held-to-maturity investment securities are initially recognised at par value as at the transaction date, accumulative interest income before the purchasing date (for debt securities with interest paid in arrears) or interest income received upfront awaiting amortisations (for debt securities with interest paid in advance) is recorded in a separate account. Any discount or surplus which is the difference between par value and the amount equal to par value plus (+) accumulative interest income before the purchasing date (if any) for debt securities with interest paid in arrears or minus (-) interest income received upfront awaiting amortisation (if any) for debt securities with interest paid in advance is also recorded in a separate account.

In subsequent period, held-to-maturity investment securities are recognised at par value. Any discount or surplus is amortised in the consolidated income statement using the straight-line method over the estimated remaining term of securities. Interest paid in arrears is recorded as follows: accumulative interest income before the purchasing date is recorded as a decrease in value of such securities and the same amount is credited into accrued interest; accumulative interest income after the purchasing date is recognised as the Bank's income, based on the accumulated method. Interest received upfront is recognised and amortised to the consolidated income statement using the straight-line method over the investment period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Investment securities (Continued)

Bad debts trading transactions between Vietnam Asset Management Company ("VAMC") and credit institutions

Pursuant to Official Letter No. 8499/NHNN-TCKT dated 14 November 2013 of the State Bank of Vietnam guiding the accounting treatment of the bad debts trading transactions between VAMC and credit institutions, when the Bank involves in bad debts selling transactions to receive special bonds from VAMC and the formal selling procedures are completed, the Bank will record the special bonds received from VAMC on the "Held-to-maturity investment securities" account. Periodically, the Bank shall determine and make provision for impairment of those special bonds in accordance with the regulations stipulated in Decree No. 53/2013/ND-CP dated 18 May 2013 of the Government and Circular No. 19/2013/TT-NHNN dated 06 September 2013 of the State Bank of Vietnam. Accordingly, during the term of the special bonds, the Bank shall record the provision for impairment of those special bonds in the operating expenses. Within 05 working days prior to the date corresponding to the maturity date of the special bond, the Bank shall make specific minimum provision for each special bond calculated on annual basis by the following formula:

Annual provision = Face value of the special bond / Term of the special bond.

The Bank is not required to make general provision for special bonds.

The special bonds are redeemed in the following cases:

- a) The loan loss provision for special bonds is not lower than the carrying amount of outstanding principal of the bad debts being recorded by VAMC, including the cases below:
 - (i) VAMC sells bad debts to other organizations and individuals, including the bad debts bought with special bonds to debt-selling credit institutions at market prices or agreed prices;
 - (ii) VAMC converts all bad debts bought into charter capital, share capital of borrowers being companies.
- b) The special bonds are matured.

When the special bonds are redeemed and the Bank receives the previously sold debts from VAMC, the Bank might use the provision made annually for special bonds to settle bad debts. The difference between provisions made for special bonds and unrecoverable amount of debts is recorded as "Other operating income" in the income statement.

Available-for-sale investment securities

Available-for-sale investment securities include debt and equity securities that the Bank holds for investment purpose and that are ready for sale. These securities are not frequently traded but could be sold at any time once they are profitable, and the Bank is neither founding shareholder nor strategic partner of the investee by a written agreement on delegating personnel to take part in the Board of Directors/Board of Management.

Available-for-sale equity securities are initially recognised at cost as at the transaction date and subsequently carried at cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Investment securities (Continued)

Available-for-sale investment securities (Continued)

Available-for-sale debt securities are initially recognised at par value as at the transaction date. Accrued interest income before the purchasing date (for debt securities with interest paid in arrears) or interest income received upfront awaiting amortisations (for debt securities with interest paid in advance) is recorded in a separate account. Any discount or premium which is the difference between the cost and the amount equal to par value plus (+) accumulative interest income before the purchasing date for debt securities with interest paid in arrears or minus (-) interest income received upfront awaiting amortisation for debt securities with interest paid in advance is also recorded in a separate account. Subsequently, available-for-sale debt securities are recorded at par value less/plus remaining discount/premium after being amortised to the consolidated income statement using the straight-line method over the remaining term of securities. Interest paid in arrears is recorded as follows: accumulative interest income before the purchasing date is recorded as a decrease in the value of such securities and the same amount is credited into the accrued interest income; accumulative interest income after the purchasing date is recognised in the Bank's income on an accrual basis. Interest received upfront is amortised to the consolidated income statement using the straight-line method over the investment period.

Provisions for impairment of trading securities and investment securities

For special bond issued by Vietnam Asset Management Company in order to buy the bad debts of credit institutions, provisions are made and utilise in accordance with Circular No. 19/2013/TT-NHNN dated 06 September 2013 issued by the Governor of the State Bank of Vietnam on the purchase, sale and settlement of bad debts of Vietnam Asset Management Company and other relevant regulations.

Unlisted corporate bonds are classified and made provision in accordance with Circular 02 and Circular 09 (similar to loans represented in **Provision for credit losses**).

Except for cases above, provisions for impairment of such securities are made in accordance with Official Letter No. 2601/NHNN-TCKT dated 14 April 2009 and Circular No. 228/2009/TT-BTC dated 07 December 2009 issued by the Ministry of Finance. Accordingly, for listed securities, the Bank determined the value of the investments using closing prices in the active market as at the balance sheet date; for unlisted and liquid equity securities, the Bank collected direct quotations from three securities companies having charter capital more than VND 300 billion each at the end of the financial year to determine the value of the investments. When market price increases, the gain will be offset against, but not exceed the provision made previously. The excessive amount is not recorded as income until the securities are sold.

Other long-term investments

Other long-term investments represent the investments in unlisted equity securities and other entities in which the Bank has no significant influence, control or joint control over the investee. The long-term investments are recognised at cost less provision (if any).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Other long-term investments (Continued)

Provision for impairment of long-term investments is made when the investees make losses (except that such losses were intended in the entities' original business plans) in accordance with Circular No. 228/2009/TT-BTC ("Circular 228") dated 07 December 2009 and Circular No. 89/2013/TT-BTC dated 28 June 2013 amending and supplementing Circular 228 issued by the Ministry of Finance. Accordingly, provision to be made is the difference between the Banks' actual contributed capital to the investees and the Bank's share of the owner's equity of the investee. Provision for impairment of long-term investments is recorded as an operating expense in the Bank's consolidated income statement.

Recognition

The Bank records investment securities and other investments at the date when contracts are signed and effective (transaction-date based policy).

Investment securities and other investments are initially recorded at cost. After initial recording, investment securities and other investments are recorded under the above accounting policies.

Derecognition

Investments in securities are derecognised when the rights to receive cash flows from the investments are ended or when the Bank has transferred significant risks and benefits attached to the ownership of the investments.

Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase at a specific date in the future (repos) are recorded in the consolidated financial statements. The corresponding proceeds received is recognised in the consolidated balance sheet as a liability. The difference between the sale price and repurchase price is amortised to the consolidated income statement over the agreement validity period using the straight-line method based on the contractual interest rate.

Conversely, securities purchased under agreements to resell at a specific date in the future (reverse repos) are not recognised in the consolidated financial statements. The corresponding cash payment is recognised in the consolidated balance sheet as an asset. The difference between the purchasing price and resale price is amortised to the consolidated income statement over the agreement validity period using the straight-line method based on the contractual interest rate.

Trust activities and trusted funds

The Bank's trust activities include discretionary investment trusts and client-directed investment trusts. The value of investment trust and trusted funds received are recorded when the trust contracts have been signed and trust funds have been realised. Rights and obligations of the trustor and trustee relating to profit and profit sharing, trust fee, other rights and obligations are in compliance with the terms of the contracts. The assets that are held under custody services are not assets of the Bank and therefore, they are not included in the Bank's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **FORM B 05/TCTD-HN**
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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. The costs of purchased tangible fixed assets comprise their purchase prices, non-refundable tax and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Expenditure incurred after the tangible fixed assets have been put into operation such as repairs, maintenance and overhaul costs is charged to the consolidated income statement as incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of tangible fixed assets beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

Tangible fixed assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Estimated useful lives (Years)</u>
Buildings and structures	05 - 40
Machinery and equipment	03 - 07
Motor vehicles	06 - 07
Others tangible fixed assets	04 - 25

Loss or gain resulting from sales and disposals of tangible fixed assets which is the difference between proceeds from sales or disposals of assets and their residual values and together with their disposal expense is recognised in the consolidated income statement.

Intangible assets and amortisation

Intangible assets comprise land use rights, computer software and other intangible assets which are stated at cost less accumulated amortisation. Land use rights granted with indefinite term are not amortised. Computer software and other intangible assets are amortised using the straight-line method over the period from 03 years to 05 years. Land use rights granted with definite term are amortised over granted periods of land use.

Loss or gain resulting from sales and disposals of intangible assets which is the difference between proceeds from sales or disposals of assets and their residual values together with their disposal expense is recognised in the consolidated income statement.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
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5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Bank as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Bank's net investment in the leases. 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.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred for obtaining income from the operating lease are recognised as expenses in the year or allocated to expenses over the lease term in accordance with rental income recognition.

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.

Prepayments

Prepayments comprise prepaid expenses for office rental and other prepaid expenses.

Office rental expense represents the amount which has been prepaid to lease the office. Prepaid expense for office rental is amortised to the consolidated income statement using the straight-line method over the prepaid rental period.

Other long-term prepayments include repair, maintenance cost for assets, tools, supplies issued for consumption and prepaid service charges and other prepayments which are considered to bring future economic benefits to the Bank. These expenses are charged to the consolidated income statement, using the straight-line method over the period of prepayment term in accordance with prevailing accounting regulations, but not exceeding three years for repair, maintenance cost for assets, and not exceeding two years for tools and supplies issued for consumption.

Other receivables

Other receivables apart from receivables from credit activities in the Bank's operations are initially recognised at cost and subsequently carried at cost.

Other receivables are subject to review for impairment provision which is made based on the overdue status or based on the expected loss for the following cases: institutional debtors which have fallen into bankruptcy or have been in the process of dissolution; or individual debtors who are missing, escaping, prosecuted, on trial or passing away even though loans are not overdue. Provision expense incurred is recorded as operating expenses in the consolidated income statement during the year.

The Bank makes provision for overdue receivables in accordance with Circular No. 228/2009/TT-BTC dated 07 December 2009 issued by the Ministry of Finance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other receivables (Continued)

Accordingly, provisions for overdue receivables at the end of the accounting period are made based on the following provision rates applied to receivables as at the balance sheet date after deducting the value of evaluated collaterals.

Overdue status	Rate of provision
From 6 months to below 1 year	30%
From 1 year to below 2 years	50%
From 2 years to below 3 years	70%
From 3 years and above	100%

Capital and reserves

Common stocks

Common stocks are classified as owners' equity.

Share premium

When capital is received from shareholders, the difference between selling price and par value is recorded as share premium in owners' equity. Incurred expenses that directly relate to the issuance of common stocks are recognised as a decrease in the share premium in the owners' equity.

Treasury shares

When issued stocks are repurchased, the aggregate amount paid, including expenses that directly relate to the repurchase of stocks, after deducting taxes, is recorded as treasury shares and are stated as a decrease in the owners' equity.

Reserves

Reserves are used for specific purposes and are appropriated from the Bank's profit after tax based on the following regulated ratios:

- Charter capital supplementary reserves: 5% of profit after tax, not exceeding the Bank's charter capital;
- Financial reserve fund: 10% of profit after tax but not exceeding 25% of the Bank's charter capital;
- Bonus fund for the Board of Management, bonus and welfare funds are established in accordance with the Decisions approved in the General Shareholders' Meetings;
- Other funds: are established in accordance with the prevailing regulations and the Decisions approved by the General Shareholders' Meetings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital and reserves (Continued)

Reserves (Continued)

Subsidiaries' reserves are appropriated based on the Bank's policy, except for the following subsidiaries' reserves which are appropriated based on relevant legal regulations:

VietinBank Securities Joint Stock Company and VietinBank Fund Management Company Ltd.: reserves are appropriated from profit after tax according to Circular No. 146/2014/TT-BTC issued by the Ministry of Finance dated 06 October 2014, the rates are as follows:

- Charter capital supplementary reserves: 5% of profit after tax but not exceeding 10% of the subsidiary's charter capital;
- Financial reserve fund: 5% of profit after tax but not exceeding 10% of the subsidiary's charter capital.

VietinBank Insurance Company Ltd.: reserve is appropriated from profit after tax according to Decree No. 46/2007/ND-CP issued by the Government dated 27 March 2007, the rate is as follows:

- Compulsory reserve fund: 5% of profit after tax but not exceeding 10% of the Subsidiary's charter capital.

These reserve funds are appropriated at the closing date of each financial year.

Revenue and expenses

Interest income

Interest income is recorded on an accrual basis for the loans which are identified as being able to claim both principals and interest on time and the Bank shall not appropriate provisions according to prevailing regulations. The interest amounts which have been recorded as income, in the event that the customer could not pay both principal and interest on the maturity date, would be recorded as a decrease in the income from operating activities and shall be tracked as off-balance sheet items to urge the collection of those loans. When collected, interests are recorded as income from operating activities.

The accrued interest income arising from the loans that are classified from group 2 to group 5 is not recognised in the consolidated income statement for the year. Accrued interest income of such loans is recorded as off-balance sheet item and is only recognised in the consolidated income statement when it is actually received.

Borrowing costs

Borrowing costs are recorded in the consolidated income statement on the accrual basis.

Revenue from sales of goods

Revenue from the sale of goods is recognised when all five (5) following conditions are satisfied:

- (a) the Bank has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the Bank retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the Bank; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and expenses (Continued)

Revenue from insurance services

Revenue from insurance services is recognised at the time when both of the following conditions are met: (a) the insurance contract has been entered into by the insurer and the insured; (b) the premium has been paid by the insured or there is an agreement between the insurer and the insured for delayed payment of insurance premium (in gross written premium) or the amount is incurred on the reinsurance notice of the cedents to the Bank (for reinsurance premium) with the following adjustments:

- (Increase)/decrease in provision for unearned premium which is made under Circular No. 125/2012/TT-BTC issued by the Ministry of Finance dated 30 July 2012;
- Deduct the reinsurance premium which is recorded based on the amount of premium payable to the reinsurer, corresponding to the gross written premium recognised in the year; and
- Add reinsurance commission which is recognised in line with the recognition of respective reinsurance premium.

Dividend recognition

Cash dividends received from investment activities are recorded in the consolidated income statement when the Bank's right to receive dividends has been established. Stock dividends, which are distributed from profits of joint-stock companies, are not recognised in the consolidated financial statements according to Circular No. 244/2009/TT-BTC dated 31 December 2009 issued by the Ministry of Finance.

Claim settlement expenses of insurance activities

Claim settlement expenses are recorded when claim files are completed and approved by competent people. In case the Bank assures that insurance responsibilities belong to the Bank and the Bank has advanced to client under client's request but the claim amount has not been determined reliably, the settled amount is also recorded to claim settlement expenses. Claim expenses which have not been approved at the end of the accounting period are considered as deferred expense and accounted in claim reserve.

Commission expense of insurance activities

Commission expenses are recorded when incurred. Commission expenses are calculated by percentage of premium from direct insurance and recorded to the consolidated income statement for the year. Commission of each insurance product is calculated at certain percentage in accordance with Circular No. 124/2012/TT-BTC dated 30 July 2012 issued by the Ministry of Finance.

Income and expense from other services

Income and expense from other services are recognised on cash basis, except for income from guarantee fee is recognised on the accrual basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

According to the Bank's accounting system, all transactions are recorded in the original currency. Income and expense arising in foreign currency during the period are translated into VND at interbank exchange rate quoted by the State Bank of Vietnam for USD and at bank transfer rate for other foreign currencies at the end of the transaction date. Monetary assets and liabilities and the balance of equity reserves at foreign branches denominated in foreign currencies as at the balance sheet date are translated into VND using the above exchange rate as at the balance sheet date (see list of exchange rates of applicable foreign currencies against VND as at 31 December 2014 in Note 56). Foreign exchange differences arising from the revaluation of monetary assets and liabilities denominated in foreign currencies into VND are recognised in the consolidated income statement. Foreign exchange differences arising from the revaluation of the balance of equity reserves at foreign branches are recognised in "Foreign exchange reserves".

For the purpose of preparing consolidated financial statements, assets and liabilities of joint venture of which financial statements are prepared in currencies other than VND (including comparative figures) are translated into VND at the above exchange rate at the end of the financial year. Income and expenses are translated at the average exchange rate during the year; in circumstances of significant fluctuation those are translated at the exchange rates at the transaction date. All foreign exchange differences, if any, are classified as equity and recorded as "Foreign exchange reserves". Foreign exchange reserve is recognised into the consolidated income statement when investment in joint venture is disposed.

Other provisions

Other provisions are recognised when the Bank has a present obligation as a result of a past event, and it is probable that the Bank will be required to settle that obligation. Other provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the closing date.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other year (including loss carried forward, if any) and it further excludes items that are non-taxable or non-deductible.

Deferred tax is recognised on temporary differences between carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all temporary differences except that deferred tax liabilities arise from the initial recognition of an asset or a liability in a transaction which affects neither the accounting profit nor taxable profit (or tax loss) at the transaction date. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

The determination of the tax currently payable and deferred tax is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examinations.

Other taxes are paid in accordance with the prevailing tax laws in Vietnam.

Employee benefits

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 pay based on the actual average of monthly salary and inflation allowance of 06 months adjacent to the date of employees' retirement paid by the Bank (allocated from the Bank's provision for salary).

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).

Resignation allowance

Resigned employees of the Bank are entitled to receive one-half of Social Security Wage Base for each year (12 months) of employment until 31 December 2008.

Unemployment allowance

In accordance with Circular No. 04/2009/TT-BLDTBXH dated 22 January 2009 providing guidance for implementation of Decree No. 127/2008/ND-CP dated 12 December 2008 on Unemployment Insurance, since 01 January 2009, the Bank has contributed to the Unemployment Insurance Fund an amount equal to 1% of their employees' basic salary.

Derivatives

Forward, swap and future contracts

For currency forward, swap and future contracts, the difference of VND amounts equivalent to the foreign currencies committed for trading between forward exchange rate and spot exchange rate as at effective date of the contract is recognised as asset - "Interest receivables from derivative financial instruments" when it is positive, or as liabilities - "Interest payables from derivative financial instruments" when it is negative. The difference is subsequently amortised in the consolidated income statement as "Net gain/loss from trading foreign currencies" over contractual terms. Commitments of currency forward and future contracts are revalued on a monthly basis at interbank exchange rate quoted by the State Bank of Vietnam for USD and at bank transfer rate for other foreign currencies at the end of the transaction date and recorded in foreign exchange reserve and then transferred to "Net gain/loss from trading foreign currencies" at the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Currency option contracts

Commitment amount for the currency option contracts is not recognised in the consolidated balance sheet. The option premium paid or received is recorded as receivable from or payable to derivative transactions, and is amortised to income or expense using the straight-line method over the period of the contracts. As at the balance sheet date, unrealised gain or loss arising from selling/buying option contracts are determined based on market price, cost of the contract, sales volume and maturity of the contract, and recorded in the consolidated income statement in "Net gain/loss from trading foreign currencies".

Related parties

The parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making decisions on financial and operating policies. A party is considered as a related party with the Bank if:

- (a) Directly or indirectly through one or more intermediaries, the party:
 - Has capability to control the Bank or is controlled by the Bank (including the holding company and subsidiaries);
 - Has contributed capital to the Bank that accordingly, gives it significant influence over the Bank;
 - Has joint control over the Bank;
- (b) The party is a joint venture or an associate in which the Bank is a venturer;
- (c) The party has a close member of the Board of Directors, Board of Management and Board of Supervisors of the Bank;
- (d) The party is a close member of the family of any individual referred to in (a) or (c);
- (e) The party is a Bank that is controlled, jointly controlled or significantly influenced by, or of which, significant voting power in such Bank resides with, directly or indirectly, any individual referred to in (c) or (d).

Off-balance sheet commitments and guarantees

At any time during the course of business, the Bank always has outstanding commitments. These commitments are in the form of approved loans and overdraft facilities. The Bank also provides financial guarantee services to guarantee the contract performance of customers to third parties. These transactions are recorded in the consolidated financial statements when performed or when related expenses are incurred or received.

According to Circular 02 and Circular 09 issued by the State Bank of Vietnam, the Bank is required to classify guarantee amounts, payment acceptances, lending commitments which are unconditional and irrevocable and have specific date of the implementation (hereinafter referred to as off-balance sheet commitments) as prescribed in Article 10 of Circular 02 in order to manage and supervise quality of credit extension activity. Accordingly, the off-balance sheet commitments are graded using the following risk classifications: *Current, Special-mentioned, Sub-standard, Doubtful and Loss* based on the overdue status and other qualitative factors.

The Bank does not make general provision and specific provisions for off-balance sheet commitments in accordance with Circular 02 and Circular 09.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

6. CASH, GOLD AND GEMSTONES

	<u>31/12/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Cash in VND	3,989,948	2,334,912
Cash in foreign currencies	605,367	489,813
Valuable papers in foreign currencies	1,423	1,818
Monetary gold	34,002	6,953
	<u>4,630,740</u>	<u>2,833,496</u>

7. BALANCES WITH THE STATE BANK OF VIETNAM (“SBV”)

	<u>31/12/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Current account at the State Bank of Vietnam in VND	7,357,366	7,387,231
Current account at the State Bank of Vietnam in foreign currencies	2,519,085	2,772,333
	<u>9,876,451</u>	<u>10,159,564</u>

Deposit at the State Bank of Vietnam (“SBV”) consists of compulsory reserves for deposits and current accounts. Pursuant to regulations made by the State Bank of Vietnam on compulsory reserve, part of banks’ compulsory reserve can be a floating balance. In details, according to Decision No. 379/QD-NHNN dated 24 February 2009, Decision No. 1925/QD-NHNN dated 26 August 2011 and Decision No. 1972/QD-NHNN dated 31 August 2011:

Compulsory reserve balances for VND deposits applicable to credit institutions as at 31 December 2014 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 more than 12 months.

Compulsory reserve balances for deposits in foreign currencies applicable to credit institutions as at 31 December 2014 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 more than 12 months;
- Compulsory reserve balance is 1% of the balance for deposits in foreign currencies from overseas credit institutions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
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8. PLACEMENTS WITH AND LOANS TO OTHER CREDIT INSTITUTIONS

	<u>31/12/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Placements with other credit institutions		
Demand deposits	12,926,088	12,583,806
- In VND	6,526,647	5,443,961
- In foreign currencies and gold	6,399,441	7,139,845
Term deposits	54,235,974	46,936,875
- In VND	43,898,000	38,076,000
- In foreign currencies and gold	10,337,974	8,860,875
	<u>67,162,062</u>	<u>59,520,681</u>
Loans to other credit institutions		
Loans in VND	4,978,432	9,066,000
Loans in foreign currencies and gold	3,293,130	4,595,254
	<u>8,271,562</u>	<u>13,661,254</u>
Provision for credit losses of loans to other credit institutions (*)	-	(102,459)
	<u>75,433,624</u>	<u>73,079,476</u>

(*) As at 31 December 2014, the Bank has graded term deposits with and loans to other credit institutions using the following risk classifications: *Current, Special-mentioned, Sub-standard, Doubtful and Loss* based on the overdue status under Article 10 of Circular 02 and other qualitative factors of placements and loans. Accordingly, as at 31 December 2014, the term deposits with and loans to other credit institutions are graded in current group and there is no need to make specific provision for them. In addition, Circular 02 does not require the Bank to make general provision for these term deposits with and loans to other credit institutions.

Provision for credit losses of loans to other credit institutions as at 31 December 2013 represents the amount of general provision for loans to other credit institutions under Circular 493.

9. DERIVATIVE FINANCIAL INSTRUMENTS AND OTHER FINANCIAL ASSETS/LIABILITIES

	Net book value	
	(at the exchange rate as of the reporting date)	
	Assets	Liabilities
	million VND	million VND
As at 31/12/2014		
Currency derivative financial instruments	-	415,778
Forward contracts	-	428,012
Swap contracts	-	(12,234)
Future contracts	-	-
As at 31/12/2013		
Currency derivative financial instruments	164,334	-
Forward contracts	78,808	-
Swap contracts	82,545	-
Future contracts	2,981	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

10. LOANS TO CUSTOMERS

	<u>31/12/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Loans to local business entities and individuals	434,346,458	371,541,653
Discounting promissory notes and valuable papers	516,404	562,909
Finance leases	1,443,362	1,381,985
Payments made on behalf of customers	36,218	30,445
Loans by grants, investment trusts	1,081,585	1,336,736
Loans to foreign organisations and individuals	2,445,000	1,435,240
	<u>439,869,027</u>	<u>376,288,968</u>

Analysis of loan balances by quality

	<u>31/12/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Current loans	431,193,296	369,774,495
Special-mentioned loans	3,770,580	2,744,180
Sub-standard loans	351,923	515,442
Doubtful loans	2,468,319	1,005,801
Loss loans	2,084,909	2,249,050
	<u>439,869,027</u>	<u>376,288,968</u>

Analysis of loan balances by term

	<u>31/12/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Short-term loans	263,705,167	227,697,332
Medium-term loans	39,684,156	32,972,090
Long-term loans	136,479,704	115,619,546
	<u>439,869,027</u>	<u>376,288,968</u>

Short-term, medium-term and long-term loans have initial terms of less than 1 year, from 1 year to 5 years and more than 5 years, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
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10. LOANS TO CUSTOMERS (Continued)

Analysis of loan balances by type of business entity

	31/12/2014	31/12/2013
	million VND	million VND
State-owned enterprises	33,731,720	30,484,784
State-owned one-member limited enterprises	70,040,919	66,167,188
Two or more member limited liability enterprises with more than 50% of the State's share holding	2,599,293	2,595,327
Other limited companies	77,029,722	70,564,721
Joint stock companies with more than 50% of the State's share-holding	33,778,763	29,719,860
Other joint stock companies	112,903,580	90,990,932
Partnership companies	39,479	265,660
Private companies	13,672,192	12,264,929
Foreign invested enterprises	19,387,693	12,329,285
Cooperatives, cooperative unions	1,784,852	1,868,725
Household businesses, individuals	73,924,911	58,477,622
Administrative units, the Party, unions and associations	975,903	497,014
Others	-	62,921
	439,869,027	376,288,968

Analysis of loan balances by industry

	31/12/2014	31/12/2013
	million VND	million VND
Agricultural, forestry and aquaculture	14,810,445	11,284,962
Mining and quarrying	24,290,297	24,816,572
Manufacturing and processing	145,565,255	127,666,222
Electricity, fuel gas and hot water	27,936,030	25,737,569
Water supplying, garbage and sewage treatment and management	1,012,271	563,554
Construction	37,885,479	26,714,044
Wholesale and retail trade; repair of motor vehicles, motor cycles	126,330,108	107,208,518
Transport, warehouse	7,376,150	8,082,789
Hospitality services	3,231,545	2,415,838
Information and communications	1,400,003	1,531,201
Financial, banking and insurance activities	69,581	34,353
Real estate	27,200,777	24,801,326
Profession, science and technology	74,400	97,017
Administrative activities and supporting services	451,464	342,722
Education and training	707,717	786,232
Health care and social work	1,985,292	1,813,510
Other service activities	7,600,063	6,065,515
Households	11,128,888	5,724,329
International organisations and bodies	602,559	213,338
Others	210,703	389,357
	439,869,027	376,288,968

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

10. LOANS TO CUSTOMERS (Continued)

The Bank has classified loan balance by type of business entity and industry based on the customer's purpose of loans according to guidance in Circular No. 31/2013/TT-NHNN dated 13 December 2013 issued by the State Bank of Vietnam.

11. PROVISIONS FOR CREDIT LOSSES OF LOANS TO CUSTOMERS

Movement in provision for credit losses of loans to customers for the year ended 31 December 2014:

	<u>General provision</u> million VND	<u>Specific provision</u> million VND	<u>Total</u> million VND
As at 01/01/2014	2,628,031	672,195	3,300,226
Provision charged for the year	531,762	3,378,822	3,910,584
Provision utilised for the year	-	(2,864,862)	(2,864,862)
As at 31/12/2014	3,159,793	1,186,155	4,345,948

As at 31 December 2014, the Bank classifies the loans under Article 10 of Circular 02, Circular 09 and other related regulations of competent state authorities. Provision for credit losses as at 31 December 2014 is made based on the loan classification as at 30 November 2014.

As at 31 December 2013, the Bank classifies the loans under Article 6 of Decision 493, Decision 18, Decision 780 and other related regulations of competent state authorities.

Provision for credit losses of loans at overseas branches is made in accordance with prevailing regulations in their local jurisdictions.

Movement in provision for credit losses of loans to customers for the year ended 31 December 2013 is as follows:

	<u>General provision</u> million VND	<u>Specific provision</u> million VND	<u>Total</u> million VND
As at 01/01/2013	2,299,619	1,373,635	3,673,254
Provision charged for the year	328,412	3,874,609	4,203,021
Provision utilised for the year	-	(4,576,049)	(4,576,049)
As at 31/12/2013	2,628,031	672,195	3,300,226

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
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12. TRADING SECURITIES

	<u>31/12/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Debt securities	3,595,310	633,425
- Government bonds	3,595,310	633,425
Equity securities	59,023	24,268
- Equity securities issued by other local credit institutions	14,784	7,923
- Equity securities issued by local business entities	44,239	16,345
	<u>3,654,333</u>	<u>657,693</u>
Provisions for impairment of trading securities	(6,436)	(2,626)
	<u>3,647,897</u>	<u>655,067</u>

Listing status of trading securities

	<u>31/12/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Debt securities		
Government bonds		
- Listed	3,595,310	633,425
Equity securities		
Equity securities issued by other local credit institutions		
- Listed	14,784	7,923
Equity securities issued by local business entities		
- Listed	21,888	9,664
- Unlisted	22,351	6,681
	<u>3,654,333</u>	<u>657,693</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

13. INVESTMENT SECURITIES

	<u>31/12/2014</u>	<u>31/12/2013 (*)</u>
	million VND	million VND
Available-for-sale investment securities	87,338,962	79,908,691
Debt securities	87,294,939	79,864,668
- Government bonds (**)	41,999,430	45,703,748
- Debt securities issued by other local credit institutions	8,225,653	4,267,446
- Debt securities issued by local business entities	37,069,856	29,893,474
Equity securities	44,023	44,023
- Equity securities issued by local business entities	44,023	44,023
Provisions for impairment of available-for-sale investment securities	(256,257)	(132,345)
	<u>87,082,705</u>	<u>79,776,346</u>
Held-to-maturity investment securities	6,708,858	2,586,748
Government bonds	2,200,000	2,200,000
Debt securities issued by local business entities	4,508,858	386,748
Provisions for impairment of held-to-maturity investment securities	(387,153)	(2,901)
	<u>6,321,705</u>	<u>2,583,847</u>
Total	<u>93,404,410</u>	<u>82,360,193</u>

(*) Some items have been reclassified for comparison purpose.

(**) As at 31 December 2014, the Bank has discounted a number of Government bonds with a value of VND 3,070,000 million to borrow from the State Bank of Vietnam (see Note 21) and pledged a number of Government bonds with value of VND 1,126,088 million in order to guarantee the borrowings from other credit institution (see Note 22).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

14. PROVISION FOR IMPAIRMENT OF INVESTMENT SECURITIES

Movement of the provision for impairment of investment securities for the year ended 31 December 2014 is as follows:

	Provision for available-for-sale investment securities			Provision for held-to-maturity investment securities		
	Debt securities issued by			Debt securities issued by		
	unlisted business entities	Other debt securities	Equity securities	unlisted business entities	Other debt securities	Total
	million VND	million VND	million VND	million VND	million VND	million VND
As at 01/01/2014	104,543	-	27,802	2,901	-	135,246
Provision charged/ (reversed) for the year	135,724	-	(11,812)	499,828	-	623,740
Provision utilised for the year	-	-	-	(115,576)	-	(115,576)
As at 31/12/2014	240,267	-	15,990	387,153	-	643,410

Details of provision for impairment of debt securities of unlisted business entities

Movement in provision for impairment of debt securities of unlisted business entities for the year ended 31 December 2014 is as follows:

	General provision	Specific provision	Total
	million VND	million VND	million VND
As at 01/01/2014	107,444	-	107,444
Provision charged for the year	135,724	499,828	635,552
Provision utilised for the year	-	(115,576)	(115,576)
As at 31/12/2014	243,168	384,252	627,420

As at 31 December 2014, the Bank has classified the debt securities of unlisted business entities under Article 10 of Circular 02 and Circular 09. Provision for debt securities of unlisted business entities as at 31 December 2014 is made based on the loan classification as at 30 November 2014.

As at 31 December 2014, balance of debt securities of unlisted business entities is all classified as current loan.

Balance of provision as at 31 December 2013 represents the amount of general provision of debt securities of business entities under Circular No. 28/2011/TT-NHNN dated 01 September 2011 issued by the State Bank of Vietnam.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

14. PROVISION FOR IMPAIRMENT OF INVESTMENT SECURITIES (Continued)

Movement in provision for impairment of debt securities of unlisted business entities for the year ended 31 December 2013 is as follows:

	<u>General provision</u> million VND	<u>Specific provision</u> million VND	<u>Total</u> million VND
As at 01/01/2013	46,320	-	46,320
Provision charged for the year	61,124	-	61,124
As at 31/12/2013	<u>107,444</u>	<u>-</u>	<u>107,444</u>

14. LONG-TERM INVESTMENTS

	<u>31/12/2014</u> million VND	<u>31/12/2013 (*)</u> million VND
Investments in joint ventures	2,843,745	2,795,383
Other long-term investments	1,030,326	1,040,326
Provisions for impairment of long-term investments	(89,164)	(80,351)
	<u>3,784,907</u>	<u>3,755,358</u>

(*) Some items have been reclassified for comparison purpose.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

15. LONG-TERM INVESTMENTS (Continued)

Investments in joint ventures

Details of investments in joint ventures as at the reporting date are as follows:

	31/12/2014		31/12/2013		31/12/2013			
	Cost in original currency	Cost equivalent million VND	Net value of investment using equity method million VND	Proportion of ownership interest %	Cost in original currency	Cost equivalent million VND	Net value of investment using equity method million VND	Proportion of ownership interest %
Indovina Bank Ltd.	96,500,000	1,688,788	2,420,666	50	96,500,000	1,688,788	2,358,036	50
Vietinbank Aviva Life Insurance Company Limited	Non-applicable	400,000	423,079	50	Non-applicable	400,000	437,347	50
		<u>2,088,788</u>	<u>2,843,745</u>			<u>2,088,788</u>	<u>2,795,383</u>	

Indovina Bank Ltd. was established in Vietnam with the head office located in Ho Chi Minh City; its principal activity is providing banking services. Indovina Bank Ltd. is a joint venture between the Bank and a Taiwanese bank, Cathay United Bank. Indovina Bank Ltd. received Operation License No. 08/NH-GP dated 29 October 1992 and amendments issued by the SBV for the operating period of 40 years with the initial charter capital of USD 10,000,000.

Since its establishment, the charter capital of Indovina Bank Ltd. has been increased several times under the approval of the SBV, while the proportions of ownership interest of the joint venture partners remains unchanged. As at 31 December 2014, Indovina Bank Ltd.'s charter capital was USD 193,000,000.

VietinBank Aviva Life Insurance Company Limited was established in Vietnam. This company is the joint venture between the Bank and a company incorporated in the United Kingdom - Aviva International Holdings Limited. The joint venture received the Establishment and Operation License No. 64 GP/KDBH dated 29 July 2011 issued by the Ministry of Finance for the operating period of 50 years with the initial charter capital of VND 800 billion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

16. TANGIBLE FIXED ASSETS

Movement in tangible fixed assets for the year ended 31 December 2014 is as follows:

	Buildings, structures	Machinery, equipment	Motor vehicles	Others	Total
	million VND	million VND	million VND	million VND	million VND
Cost					
As at 01/01/2014	2,999,092	3,366,014	818,980	144,102	7,328,188
Acquisitions during the year	749,297	351,852	70,298	13,970	1,185,417
Transfer from construction in progress	464,343	29,305	1,675	17,298	512,621
Other additions	11,809	342,891	5,387	17,084	377,171
Disposals	(31,291)	(14,108)	(18,347)	(919)	(64,665)
Reclassification	-	883	-	(883)	-
Other decreases	(20,085)	(4,174)	(427)	(314)	(25,000)
As at 31/12/2014	4,173,165	4,072,663	877,566	190,338	9,313,732
Accumulated depreciation					
As at 01/01/2014	764,981	2,516,005	486,881	95,732	3,863,599
Charge for the year	206,756	493,041	108,888	23,818	832,503
Other additions	1,991	1,415	-	322	3,728
Disposals	(6,024)	(13,424)	(18,347)	(819)	(38,614)
Reclassification	-	527	-	(527)	-
Other decreases	(3,064)	(5,762)	(145)	(143)	(9,114)
As at 31/12/2014	964,640	2,991,802	577,277	118,383	4,652,102
Net book value					
As at 31/12/2014	3,208,525	1,080,861	300,289	71,955	4,661,630
As at 31/12/2013	2,234,111	850,009	332,099	48,370	3,464,589

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

16. TANGIBLE FIXED ASSETS (Continued)

Movement in tangible fixed assets for the year ended 31 December 2013 is as follows:

	Buildings, structures	Machinery, equipment	Motor vehicles	Others	Total
	million VND	million VND	million VND	million VND	million VND
Cost					
As at 01/01/2013	1,950,223	3,830,342	738,073	158,316	6,676,954
Acquisitions during the year	675,533	213,691	95,774	12,691	997,689
Transfer from construction in progress	383,409	28,705	-	3,625	415,739
Other additions	16,182	7,142	2,190	521	26,035
Disposals	(10,796)	(21,383)	(14,521)	(986)	(47,686)
Reclassification	(51)	(680,581)	(671)	(28,911)	(710,214)
Other decreases	(15,408)	(11,902)	(1,865)	(1,154)	(30,329)
As at 31/12/2013	2,999,092	3,366,014	818,980	144,102	7,328,188
Accumulated depreciation					
As at 01/01/2013	568,974	2,636,346	405,859	94,737	3,705,916
Charge for the year	186,700	450,894	97,929	22,307	757,830
Other additions	14,029	2,141	111	130	16,411
Disposals	(3,525)	(20,114)	(14,521)	(960)	(39,120)
Reclassification	(23)	(552,292)	(628)	(19,242)	(572,185)
Other decreases	(1,174)	(970)	(1,869)	(1,240)	(5,253)
As at 31/12/2013	764,981	2,516,005	486,881	95,732	3,863,599
Net book value					
As at 31/12/2013	2,234,111	850,009	332,099	48,370	3,464,589
As at 31/12/2012	1,381,249	1,193,996	332,214	63,579	2,971,038

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

17. INTANGIBLE ASSETS

Movement in intangible assets for the year ended 31 December 2014 is as follows:

	Land use rights	Computer software	Others	Total
	million VND	million VND	million VND	million VND
Cost				
As at 01/01/2014	3,443,404	635,340	62	4,078,806
Acquisitions during the year	774,585	101,692	68	876,345
Other additions	16,992	131,249	-	148,241
Disposals	(250,170)	-	-	(250,170)
Other decreases	(658)	(752)	-	(1,410)
As at 31/12/2014	3,984,153	867,529	130	4,851,812
Accumulated amortisation				
As at 01/01/2014	98,954	364,005	48	463,007
Charge for the year	43,298	116,892	43	160,233
Other additions	2,538	15,870	-	18,408
Disposals	(4)	-	-	(4)
Other decreases	(107)	(260)	-	(367)
As at 31/12/2014	144,679	496,507	91	641,277
Net book value				
As at 31/12/2014	3,839,474	371,022	39	4,210,535
As at 31/12/2013	3,344,450	271,335	14	3,615,799

Movement in intangible assets for the year ended 31 December 2013 is as follows:

	Land use rights	Computer software	Others	Total
	million VND	million VND	million VND	million VND
Cost				
As at 01/01/2013	2,217,168	426,476	58	2,643,702
Acquisitions during the year	1,210,518	213,195	-	1,423,713
Other additions	23,600	505	-	24,105
Reclassification	-	(3,819)	3	(3,816)
Other decreases	(7,882)	(1,017)	1	(8,898)
As at 31/12/2013	3,443,404	635,340	62	4,078,806
Accumulated amortisation				
As at 01/01/2013	63,341	274,728	18	338,087
Charge for the year	36,627	93,458	30	130,115
Other additions	132	220	-	352
Reclassification	-	(3,457)	-	(3,457)
Other decreases	(1,146)	(944)	-	(2,090)
As at 31/12/2013	98,954	364,005	48	463,007
Net book value				
As at 31/12/2013	3,344,450	271,335	14	3,615,799
As at 31/12/2012	2,153,827	151,748	40	2,305,615

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

18. OTHER RECEIVABLES

	<u>31/12/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Construction in progress	3,998,655	3,586,286
Purchases and major repair of fixed assets	2,533,945	3,584,323
External receivables	2,910,703	3,012,302
Internal receivables	434,285	304,838
	<u>9,877,588</u>	<u>10,487,749</u>

Construction in progress

	<u>31/12/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Constructions in the Northern area	3,376,332	2,829,080
Constructions in the Central area	351,725	269,692
Constructions in the Southern area	270,598	487,514
	<u>3,998,655</u>	<u>3,586,286</u>

19. OTHER ASSETS

	<u>31/12/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Investment in finance lease assets	-	184,094
Materials and tools	159,207	100,248
Prepaid expenses (*)	3,207,430	2,439,500
Goodwill (Note 20)	8,167	9,982
Other assets	1,996	48,224
	<u>3,376,800</u>	<u>2,782,048</u>

(*) Prepaid expenses mainly include those of the head office and other offices rental of the Bank, the credit facilities arrangement fee and the net book value of the assets which do not meet the conditions for fixed assets in accordance with Circular No. 45/2013/TT-BTC dated 25 April 2013 issued by the Ministry of Finance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

20. GOODWILL

Goodwill represents business goodwill resulted from the business valuation for equitisation of a subsidiary of the Bank - VietinBank Securities Company (currently known as VietinBank Securities Joint Stock Company).

	<u>2014</u>	<u>2013</u>
	million VND	million VND
Total goodwill	18,149	18,149
Amortisation period	10 years	10 years
Accumulated amortised goodwill at the beginning of the year	(8,167)	(6,351)
Goodwill not yet amortised at the beginning of the year	9,982	11,798
Goodwill decrease during the year	(1,815)	(1,816)
- Amortised for the year	(1,815)	(1,816)
Total goodwill not yet amortised at the end of the year	8,167	9,982

21. BORROWINGS FROM THE GOVERNMENT AND THE STATE BANK OF VIETNAM

	<u>31/12/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Borrowings for grants to State-owned enterprises	12,472	12,472
Loans under credit contracts	1,204,134	109,778
Discounting and rediscounting valuable papers (*)	3,499,384	-
Other borrowings	15,128	24,965
Current accounts held by the State Treasury	285	156
	4,731,403	147,371

(*) Discounting and rediscounting valuable papers are guaranteed by Government bonds with a value of VND 3,070,000 million (see Note 13).

22. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

	<u>31/12/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Demand deposits, gold from other credit institutions	1,527,952	3,994,723
- In VND	840,325	1,307,889
- In gold and foreign currencies	687,627	2,686,834
Term deposits, gold from other credit institutions	40,512,284	27,871,100
- In VND	31,793,234	19,870,000
- In gold and foreign currencies	8,719,050	8,001,100
Borrowings from other credit institutions (*)	61,729,629	48,598,926
- In VND	13,745,375	21,180,000
- In gold and foreign currencies	47,984,254	27,418,926
	103,769,865	80,464,749

(*) Including VND 1,282,375 million of borrowings from other credit institution which are guaranteed by Government bonds with a value of VND 1,126,088 million (see Note 13).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

23. DEPOSITS FROM CUSTOMERS

Analysis by the type of deposits

	<u>31/12/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Demand deposits, gold	62,210,531	63,017,080
- Demand deposits in VND	52,459,324	51,594,652
- Demand deposits in gold, foreign currencies	9,751,207	11,422,428
Term deposits, gold	347,134,294	290,016,677
- Term deposits in VND	321,533,861	267,606,015
- Term deposits in gold, foreign currencies	25,600,433	22,410,662
Deposits for specific purpose	2,164,979	2,774,113
- Deposits for specific purpose in VND	851,876	1,204,954
- Deposits for specific purpose in foreign currencies	1,313,103	1,569,159
Margin deposits	12,671,370	8,689,131
- Margin deposits in VND	10,703,464	7,446,074
- Margin deposits in gold, foreign currencies	1,967,906	1,243,057
	<u>424,181,174</u>	<u>364,497,001</u>

Analysis by the type of customers and type of business entity

	<u>31/12/2014</u>	<u>31/12/2013</u>
	million VND	million VND
State-owned enterprises	46,235,872	59,405,114
State-owned one-member limited enterprises	39,797,204	21,532,717
Two or more member limited liability enterprises with more than 50% of the State's share-holding	670,143	892,888
Other limited companies	11,197,025	11,250,622
Joint stock companies with more than 50% of the State's share-holding	23,644,871	18,278,808
Other joint stock companies	18,220,195	18,103,247
Partnership companies	35,901	360,629
Private companies	948,468	1,088,135
Foreign invested enterprises	20,254,848	13,907,594
Cooperatives, cooperative unions	320,069	256,497
Household businesses, individuals	236,752,269	198,835,969
Administrative units, the Party, unions and associations	15,593,202	13,061,575
Others	10,511,107	7,523,206
	<u>424,181,174</u>	<u>364,497,001</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

24. GRANTS, TRUSTED FUNDS AND BORROWINGS AT RISK OF THE CREDIT INSTITUTIONS

	<u>31/12/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Funds received from other organisations and individuals in VND	23,557,782	26,140,460
Funds received from other organisations and individuals in foreign currencies	4,128,638	1,697,188
Funds received from international organisations in VND	733,044	961,899
Funds received from international organisations in foreign currencies	3,602,229	3,624,972
	<u>32,021,693</u>	<u>32,424,519</u>

25. VALUABLE PAPERS

	<u>31/12/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Valuable papers in VND	4,430	10,503,919
Valuable papers in foreign currencies	5,289,643	6,060,847
	<u>5,294,073</u>	<u>16,564,766</u>

Details of valuable papers by term

	<u>31/12/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Certificate of deposit		
Term under 12 months	982	11,314,652
Term from 12 months to under 5 years	6,235	23,934
Bills		
Term under 12 months	644	2,764
Bonds		
Term from 12 months to under 5 years	5,286,212	5,223,416
	<u>5,294,073</u>	<u>16,564,766</u>

26. OTHER LIABILITIES

	<u>31/12/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Interests and fees payable	5,749,315	4,365,827
Internal payables (Note 26.1)	2,898,636	3,299,820
External payables (Note 26.2)	26,763,755	19,811,865
Provision for off-balance sheet commitments (Note 26.3)	-	405,988
Other provisions	67,719	98,925
	<u>35,479,425</u>	<u>27,982,425</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

26. OTHER LIABILITIES (Continued)

26.1 Details of internal payables

	<u>31/12/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Payables to employees	1,533,720	1,885,644
Payables relating to bonus and welfare funds	1,125,040	1,293,511
Others	239,876	120,665
	<u>2,898,636</u>	<u>3,299,820</u>

26.2 Details of external payables

	<u>31/12/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Payments/receipts on behalf of other organisations	24,681,794	17,585,562
Amount due to customers and deferred payment	315,624	161,199
Corporate income tax payables	155,915	205,887
Other pending payments	631,128	903,246
Others payables relating to securities activities	180,389	152,206
Other tax payables	234,331	75,018
Payables for insurance of deposit	82,539	70,177
Payables to the SBV from recovery of written-off bad debts	75,614	60,004
Payables relating to trade finance activities	10,085	6,021
Money transfer payables	149,019	95,746
Payables to building constructor	107,063	-
Other payables	140,254	496,799
	<u>26,763,755</u>	<u>19,811,865</u>

26.3 Movement of provision balance for off-balance sheet commitments

Movement of provision balance for off-balance sheet commitments for the year ended 31 December 2014 is as follows:

	<u>General provision</u>	<u>Specific provision</u>	<u>Total</u>
	million VND	million VND	million VND
As at 01/01/2014	369,997	35,991	405,988
Provision (reversed) for the year	(369,997)	(35,991)	(405,988)
As at 31/12/2014	<u>-</u>	<u>-</u>	<u>-</u>

As at 31 December 2014, the Bank classified the off-balance sheet commitments in accordance with Article 10 of Circular 02, however, under Circular 02, the Bank is not required to make provision for off-balance sheet commitments. The balance as at 31 December 2013 represents the general and specific provision based on the off-balance sheet commitment classification according to Decision 493, Decision 18 and Decision 780.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

26. OTHER LIABILITIES (Continued)

26.3 Movement of provision balance for off-balance sheet commitments (Continued)

Movement of provision balance for off-balance sheet commitments for the year ended 31 December 2013 is as follows:

	<u>General provision</u> million VND	<u>Specific provision</u> million VND	<u>Total</u> million VND
As at 01/01/2013	331,443	78,390	409,833
Provision charged/(reversed) for the year	38,554	(42,399)	(3,845)
As at 31/12/2013	<u>369,997</u>	<u>35,991</u>	<u>405,988</u>

27. THE BANK'S OBLIGATIONS TO THE STATE BUDGET

	<u>Opening balance</u> million VND	<u>Movement in 2014</u>		<u>Closing balance</u> million VND
		<u>Payables</u> million VND	<u>Paid</u> million VND	
Value added tax	(88,306)	380,735	130,567	161,862
Corporate income tax	205,887	1,570,525	1,620,769	155,643
Other taxes	57,004	363,176	353,612	66,568
	<u>174,585</u>	<u>2,314,436</u>	<u>2,104,948</u>	<u>384,073</u>

**VIETNAM JOINT STOCK COMMERCIAL BANK
FOR INDUSTRY AND TRADE**

108 Tran Hung Dao, Hoan Kiem
Hanoi, S.R. Vietnam

Consolidated financial statements
For the year ended 31 December 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FORM B 05/TCTD-HN

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

28. CAPITAL AND RESERVES

The movement in major items in owners' capital

	Charter capital million VND	Share premium million VND	Foreign exchange reserves million VND	Financial supplementary reserve fund million VND	Capital supplementary reserve million VND	Retained earnings million VND	Minority interest million VND	Total million VND
As at 01/01/2014	37,234,046	8,971,478	317,641	2,310,127	1,064,868	4,176,506	212,919	54,287,585
Profit for the year	-	-	-	-	-	5,712,112	15,096	5,727,208
Dividend payment of 2013	-	-	-	-	-	(3,723,405)	(10,788)	(3,734,193)
Appropriation to reserves for the previous year	-	-	-	2,467	2,467	(9,066)	(1,334)	(5,466)
Appropriation to reserves in the year	-	-	-	579,691	290,766	(1,870,457)	-	(1,000,000)
Increase due to financial statements translation for consolidation purpose	-	-	20,822	-	-	-	-	20,822
Other adjustments	-	3,292	-	(14)	-	(70,533)	9,477	(57,778)
As at 31/12/2014	37,234,046	8,974,770	338,463	2,892,271	1,358,101	4,215,157	225,370	55,238,178

As at 31 December 2014, the Bank had made temporary appropriation to reserves and profit distribution based on the operating results in 2014. The final approval of the appropriation to reserves in 2014 shall be made by the Shareholders' Annual General Meeting.

Resolution of the Shareholders' Annual General Meeting 2014 on 29 April 2014 approved the temporary appropriation to reserves as declared and decided to pay 2013 dividend of VND 3,723,405 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

28. CAPITAL AND RESERVES (Continued)

Details of the Bank's number of shares are as follows:

	31/12/2014		31/12/2013	
	Total shares (units)	Ordinary shares (million VND)	Total shares (units)	Ordinary shares (million VND)
Capital of the Government	2,400,204,956	24,002,050	2,400,204,956	24,002,050
Contributed capital (shareholders, members)	1,323,199,600	13,231,996	1,323,199,600	13,231,996
Share premium	non-applicable	8,974,770	non-applicable	8,971,478
	3,723,404,556	46,208,816	3,723,404,556	46,205,524

Details of the Bank's shares are as follows:

	31/12/2014	31/12/2013
Number of registered shares for issue (unit)	3,723,404,556	3,723,404,556
Number of shares in circulation (unit)	3,723,404,556	3,723,404,556
- Ordinary shares (unit)	3,723,404,556	3,723,404,556
Par value of shares (VND)	10,000	10,000

29. INTEREST AND SIMILAR INCOME

	2014 million VND	2013 million VND
Interest from deposits	2,121,688	912,616
Interest from loans to customers	29,847,298	34,491,642
Interest from debt securities	8,804,765	8,701,688
Interest from finance leases	168,652	171,928
Other income from credit activities	133,185	2,949
	41,075,588	44,280,823

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

30. INTEREST AND SIMILAR EXPENSES

	2014	2013
	million VND	million VND
Interest expense on deposits	20,639,317	20,279,031
Interest expense on borrowings	2,222,720	3,684,850
Interest expense on valuable papers issued	618,525	2,037,250
Expense on other credit activities	14,840	2,437
	23,495,402	26,003,568

31. NET GAIN FROM SERVICES

	2014	2013
	million VND	million VND
Income from services	2,404,468	2,096,679
Income from remittance services	1,140,287	1,041,561
Income from treasury and guarantee services	286,658	316,714
Income from trust and agency services	23,445	12,830
Others	954,078	725,574
Expense on services	936,683	576,553
Expense on remittance services	105,891	88,346
Expense from treasury services	159,134	139,946
Expense from trust and agency services	2,779	13,858
Others	668,879	334,403
Net gain from services	1,467,785	1,520,126

32. NET GAIN FROM TRADING FOREIGN CURRENCIES

	2014	2013
	million VND	million VND
Income from trading foreign currencies	3,308,798	5,121,228
- Income from spot trading foreign currencies	1,616,882	735,093
- Income from trading gold	1,188,659	3,811,989
- Income from trading derivative financial instruments	503,257	574,146
Expense from trading foreign currencies	2,922,259	4,829,778
- Expenses from spot trading foreign currencies	405,072	473,893
- Expenses from trading gold	1,186,750	3,791,660
- Expense from trading derivative financial instruments	1,330,437	564,225
Net gain from trading foreign currencies	386,539	291,450

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

33. NET GAIN FROM TRADING SECURITIES HELD FOR TRADING

	2014	2013
	million VND	million VND
Income from trading of securities held for trading	199,533	40,796
Expense from trading of securities held for trading	(3,282)	(28,954)
Provision (charged)/reserved for impairment of securities held for trading	(3,828)	7,088
Net gain from securities held for trading	192,423	18,930

34. NET (LOSS)/GAIN FROM INVESTMENT SECURITIES

	2014	2013 (*)
	million VND	million VND
Income from trading investment in available-for-sale securities	-	117,363
Expense from trading investment in available-for-sale securities	(29,763)	(11,473)
Provision (charged) for impairment of available-for-sale securities	(123,912)	(59,914)
Net (loss)/gain from investment securities	(153,675)	45,976

(*) Some items have been reclassified for comparison purpose.

35. NET GAIN FROM OTHER ACTIVITIES

	2014	2013 (*)
	million VND	million VND
Other operating income	3,742,898	1,931,677
Income from recovery of bad debts	1,203,022	1,266,542
Income from disposals of assets (**)	2,108,598	7,322
Income from other derivatives	174,943	136,280
Other income	256,335	521,533
Other operating expenses	2,351,412	970,364
Expenses from other derivatives	192,586	154,897
Expenses from disposals of assets (**)	1,143,761	6,844
Other expenses	1,015,065	808,623
Net gain from other activities	1,391,486	961,313

(*) Some items have been reclassified for comparison purpose.

(**) Income and expense from disposals of assets in 2014 majorly comprises income and expense from transfer of the Bank's office

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

36. INCOME FROM CAPITAL CONTRIBUTION, EQUITY INVESTMENTS

	<u>2014</u>	<u>2013</u>
	million VND	million VND
Dividend in cash from capital contribution, equity investments	18,872	26,874
- from equity securities investment	1,995	5,422
- from capital contribution, other long-term investment	16,877	21,452
Share from net profit/loss under equity method of investments in joint ventures	147,512	145,885
	<u>166,384</u>	<u>172,759</u>

37. OPERATING EXPENSES

	<u>2014</u>	<u>2013 (*)</u>
	million VND	million VND
Taxes, fees and charges	44,028	45,245
Staff cost		
- Salaries and allowances	4,500,682	4,501,208
- Salary-based expenses	276,645	219,017
- Other benefits	47,979	90,836
- Other expenses	234,559	192,899
Expenses for fixed assets		
- Depreciation and amortisation expense	992,736	887,945
- Others	1,005,902	871,193
Expenses for operating management		
- Per diem	152,209	141,711
- Expense for union activities	17,859	22,917
- Others	2,232,986	2,096,294
Insurance premium for customers' deposit	312,672	271,150
Other provision expenses	8,429	73,349
	<u>9,826,686</u>	<u>9,413,764</u>

(*) Some items have been reclassified for comparison purpose.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

38. CORPORATE INCOME TAX EXPENSES (“CIT”)

	2014	2013
	million VND	million VND
Profit before tax	7,302,477	7,750,622
<i>Adjustments for:</i>		
- Non-taxable dividend income	(12,472)	(23,527)
- Profit before tax of subsidiaries	(280,430)	(330,712)
- Income from increase in interest in joint ventures	(147,512)	(145,885)
- Changes in general provision for loans for consolidation	337	(3,576)
- Provision (charged)/reversed for debt securities has been excluded from prior year's deductible expenses	(104,623)	61,499
- Others	59,346	107,775
Taxable income of the Holding Bank	6,817,123	7,416,196
CIT expense of the Holding Bank	1,499,767	1,854,049
Overseas CIT expense of the Bank	12,726	5,899
CIT expense of subsidiaries	62,776	82,696
CIT expense based on the taxable income	1,575,269	1,942,644

39. BASIC EARNINGS PER SHARE (EPS)

	2014	2013
Earnings for the purpose of calculating basic EPS (million VND)	5,712,112	5,792,449
<i>Less: Bonus and welfare funds</i>	<i>1,000,000</i>	<i>1,100,000</i>
Earnings for the purpose of calculating basic EPS	4,712,112	4,692,449
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (share)	3,723,404,556	3,120,285,800
Basic earnings per share (VND)	1,266	1,504

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

40. CASH AND CASH EQUIVALENTS

Cash and cash equivalents presented in the consolidated cash flow statement includes the following consolidated balance sheet items:

	<u>31/12/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Cash, gold and gemstones (*)	4,630,740	2,833,496
Balances with the State Bank of Vietnam (*)	9,876,451	10,159,564
Current deposits at other credit institutions (*)	12,926,088	12,583,806
Placements with and loans to other credit institutions with terms of not exceeding 3 months	53,631,369	45,960,665
Securities with term of not exceeding 3 months from the date of purchase	6,000,000	2,678,453
	<u>87,064,648</u>	<u>74,215,984</u>

(*) Balances of cash, gold and gemstones, balances with the State Bank of Vietnam and current deposits at other credit institutions are presented in Note 6, Note 7 and Note 8.

41. EMPLOYEES' REMUNERATIONS

	<u>2014</u>	<u>2013</u>
I. Total number of employees (person) (*)	19,787	19,886
II. Employees' income (million VND)		
1. Total salary fund	4,500,682	4,501,208
2. Bonus	-	-
3. Other allowances	140,328	136,669
4. Total income (1+2+3)	4,641,010	4,637,877
5. Average monthly salary (**)	19.10	19.09
6. Average monthly income (**)	19.70	19.67

(*) Figures as at 31 December.

(**) Calculations were made based on average total number of employees for the year.

42. COLLATERALS

42.1 Type and value of collaterals

	Carrying value at balance sheet date	
	(million VND)	
	<u>31/12/2014</u>	<u>31/12/2013</u>
Real estate	479,034,313	398,386,886
Movable assets	29,518,139	27,887,506
Valuable papers	64,205,314	42,689,836
Other assets	266,837,457	196,342,350
	<u>839,595,223</u>	<u>665,306,578</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

42. COLLATERALS (Continued)

42.2 Collaterals held by the Bank which are permitted to sell or re-pledge for a third party in the absence of default by the owner of the collaterals

As at 31 December 2014, the Bank did not hold any collateral which the Bank is permitted to sell to or re-pledge for a third party in the absence of default by the owner of the collaterals.

43. CONTINGENT LIABILITIES AND COMMITMENTS

In normal course of business, the Bank uses financial instruments which are related to off-balance sheet items. These financial instruments mainly comprise financial guarantees and commercial letters of credit. These instruments involve elements of credit risk apart from those recognised in the consolidated balance sheet.

Credit risk for off-balance sheet financial instruments is defined as the possibility of the Bank's sustaining a loss because any other party to a financial instrument fails to meet contractual obligations.

Financial guarantees are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party including guarantee for borrowings, settlement, contract performance and bidding, etc. The credit risk associated with issuing guarantees is essentially the same as that associated with loans to customers; other guarantees have risk concentration at lower level.

Letter of credit (L/C) transaction is a transaction where the Bank issues a financial guarantee to its customers (normally buyer or importer) in which the seller or the exporter is the beneficiary. There are 2 types of L/C by term: L/C at sight and usance L/C.

Credit risk of L/C is limited if the Bank can manage the receipt of goods. Usance L/C represents higher risk than L/C at sight. If the Bank makes payment to the beneficiary under L/C or financial guarantees conditions but the Bank's customer does not reimburse to the Bank, the Bank has the right to record a loan to the customer under their agreement before issuing L/C or financial guarantees.

The Bank requires margin deposits to support credit-related financial instruments when it is deemed necessary. The margin deposit required varies from nil to 100% of the value of a commitment granted, depending on the creditworthiness of clients as assessed by the Bank.

In addition, the Bank engages conditional commitments, in forms of commitments in interest swap contracts, commitments in valuable paper trading contracts and other commitments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

43. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Details of contingent liabilities and commitments as at 31 December 2014:

	<u>31/12/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Contingent liabilities	54,122,956	46,730,513
Financial guarantees	24,380,253	19,104,454
Letters of Credit	29,742,703	27,626,059
Commitments	26,392,728	17,545,621
Commitments in swap contracts	11,534,369	7,828,801
Commitments in valuable papers trading contracts	9,708,739	1,079,433
Other commitments	5,149,620	8,637,387

As at 31 December 2014, the Bank classified contingent liabilities based on quality of loans under Article 10 of Circular 02 and Circular 09. As at 31 December 2013, the Bank classified contingent liabilities based on quality of loans under Article 6 of Decision 493, Decision 18 and Decision 780.

44. RISK-FREE TRUST AND AGENCY ACTIVITIES

	<u>31/12/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Trusted fund from organisations	7,114,150	6,779,461
	<u>7,114,150</u>	<u>6,779,461</u>

10/03/14

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
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45. RELATED PARTY TRANSACTIONS AND BALANCES

During the course of operations, the Bank had deposits, borrowings and other transactions with its related parties.

Significant transactions with related parties for the year ended 31 December 2014 are as follows:

Related parties	Relationship	Transactions	2014
			million VND
The State Bank of Vietnam	Direct owner	Decrease in deposits	(283,113)
The State Bank of Vietnam	Direct owner	Increase in borrowings	4,583,903
Indovina Bank Ltd.	Joint Venture	Decrease in deposits and borrowings	(2,700,000)
Indovina Bank Ltd.	Joint Venture	Decrease in deposits	(1,229,553)
Vietinbank Aviva Life Insurance Company Ltd.	Joint Venture	Increase in deposits	100,715

Significant balances with related parties as at 31 December 2014 are as follows:

Related parties	Relationship	Transactions	Receivables	Payables
			million VND	million VND
The State Bank of Vietnam	Direct owner	Demand deposits and compulsory reserves	9,876,451	-
The State Bank of Vietnam	Direct owner	Borrowings	-	4,731,118
Indovina Bank Ltd.	Joint Venture	Deposits and loans	-	3,374,661
Vietinbank Aviva Life Insurance Company Ltd.	Joint Venture	Deposits	-	120,922

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

46. GEOGRAPHICAL STRUCTURE OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS

As at 31 December 2014:

	Total	Trading and
	Derivatives	investment
	(Total	securities
	transaction	(Difference
	value in	between debit
	contracts)	- credit)
	million VND	million VND
	Total	
	loan	placements
	balance	(assets)
	(liabilities)	commitments
	million VND	million VND
Domestic	446,141,754	75,940,922
Overseas	1,998,835	1,097,591
	448,140,589	77,038,513
	465,216,475	54,029,859
	1,005,220	93,097
	54,122,956	415,778
	97,702,153	-

47. SEGMENT REPORT

A business segment is a distinguishable component of the Bank that is engaged in providing services and that is subject to risks and returns that are different from those of other business segments.

A geographical segment is a distinguishable component of the Bank that is engaged in providing services and that is subject to risks and returns that are different from those of components operating in other economic environments.

Primary segment report of Vietinbank is divided by business; secondary segment report of Vietinbank is divided by geography.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

47. SEGMENT REPORT (Continued)

Business segment report

NO. ITEMS	Banking		Non-banking		Others		Off-set		Total	
	financial services	million VND	financial services	million VND	million VND	million VND	million VND	million VND	million VND	million VND
I. Income										
1. Interest and similar income	115,936,280	634,236	301,460	1,406,116	(67,078,964)	50,897,668				
- External interest and similar income	106,763,144	299,933	299,933	93,593	(66,081,082)	41,075,588				
- Internal interest and similar income	40,772,892	299,933	-	93,593	(90,830)	41,075,588				
2. Income from services	65,990,252	-	301,460	-	(65,990,252)	-				
3. Other income	2,041,579	86,266	32,843	86,266	(24,837)	2,404,468				
	7,131,557	1,226,257	1,226,257	(973,045)	7,417,612					
II. Expenses										
1. Interest and similar expenses	(105,043,847)	(406,531)	(406,531)	(1,321,812)	67,078,964	(39,693,226)				
- External interest and similar expenses	(89,539,894)	(35,005)	(35,005)	(1,585)	66,081,082	(23,495,402)				
- Internal interest and similar expenses	(23,549,642)	(35,005)	-	(1,585)	90,830	(23,495,402)				
2. Depreciation and amortisation expenses	(65,990,252)	-	(4,489)	-	65,990,252	-				
3. Expenses related to operating business	(981,700)	(4,489)	(367,037)	(6,547)	-	(992,736)				
	(14,522,253)	(367,037)	227,705	(1,313,680)	997,882	(15,205,088)				
Net profit from operating activities before credit provision expenses	10,892,433	227,705	84,304	-	-	11,204,442				
Provision expenses for credit losses	(3,860,083)	(41,052)	(830)	-	-	(3,901,965)				
Segment profit before tax	7,032,350	186,653	83,474	-	-	7,302,477				
Current corporate income tax expense	(1,514,745)	(43,126)	(17,398)	-	-	(1,575,269)				
Segment profit after corporate income tax	5,517,605	143,527	66,076	-	-	5,727,208				
III. Assets										
1. Cash on hand	673,293,207	3,465,446	1,452,653	(17,079,717)	661,131,589					
2. Fixed assets	4,598,346	1,588	30,806	-	4,630,740					
3. Other assets	8,767,124	56,687	48,354	-	8,872,165					
	659,927,737	3,407,171	1,373,493	(17,079,717)	647,628,684					
IV. Liabilities										
1. External liabilities	618,446,529	990,824	218,539	(13,762,481)	605,893,411					
2. Internal liabilities	615,750,714	808,799	197,743	(13,762,481)	602,994,775					
	2,695,815	182,025	20,796	-	2,898,636					

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**VIETNAM JOINT STOCK COMMERCIAL BANK
FOR INDUSTRY AND TRADE**

108 Tran Hung Dao, Hoan Kiem
Hanoi, S.R. Vietnam

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47. SEGMENT REPORT (Continued)

Geographical segment report

NO. ITEMS	Northern (*)	Southern	Others	Off-set	Total
	million VND	million VND	million VND	million VND	million VND
I. Segment profit before tax	4,387,987	2,274,291	640,199	-	7,302,477
Current corporate income tax expense	(1,574,866)	(403)	-	-	(1,575,269)
II. Segment profit after corporate income tax	2,813,121	2,273,888	640,199	-	5,727,208
III. Segment assets	459,870,549	176,223,416	42,117,341	(17,079,717)	661,131,589
IV. Segment liabilities	404,263,304	173,830,175	41,562,413	(13,762,481)	605,893,411

(*) As at 31 December 2014, the Head Office at Northern calculated and paid corporate income tax for all Bank's branches.

48. FINANCIAL INSTRUMENTS

On 06 November 2009, the Ministry of Finance issued Circular No. 210/2009/TT-BTC ("Circular 210") guiding the application of International Financial Reporting Standards on presentation of financial statements and disclosures of financial instruments, which is effective for the financial year beginning on or after 01 January 2011. Circular 210 provides the definition of financial instruments, including financial assets, financial liabilities, derivative financial instruments and equity instruments and requirements on classification, presentation and disclosures of these financial instruments.

As Circular 210 only regulates the presentation and disclosure of financial instruments, the following terms under Circular 210 are adopted for this Note of the consolidated financial statements. Assets and liabilities of the Bank are recognised in accordance with Vietnamese Accounting Standards, Accounting regime applicable to credit institutions in Vietnam and legal regulations relating to financial reporting.

Financial assets

Under Circular 210, the Bank's financial assets includes cash, gold, gemstones, balances and gold with the State Bank of Vietnam, placements with and loans to other credit institutions, loans to customers, trading securities, investment securities, other long-term investments, receivables, other assets and assets under currency derivative contracts.

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

- *Financial assets at fair value through profit or loss:*

Financial asset at fair value through profit or 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 selling or repurchasing in the near term;
- ✓ There is evidence of a recent actual pattern of short-term profit-taking; or
- ✓ It is a derivative (except for the derivative that is a financial guarantee contract or effective hedging instrument).

b) Upon initial recognition, it is designated by the Bank as at fair value through profit or loss.

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FOR INDUSTRY AND TRADE**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

48. FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

• *Held-to-maturity investments:*

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

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

• *Loans and receivables:*

Loans and receivables are non-derivative financial assets with fixed or determinable payments and not quoted in an active market, except for:

- a) Those that the Bank intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the Bank designates as at fair value through profit or loss upon initial recognition;
- b) Those that the Bank designates as available for sale upon initial recognition; or
- c) Those for which the holder may not recover substantially all of its initial investment, other than due to credit deterioration, which shall be classified as available for sale.

• *Available-for-sale financial assets:*

Available-for-sale financial assets are 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 designated as at fair value through profit or loss.

Financial liabilities

According to Circular 210, the Bank's financial liabilities include borrowings from the Government and the SBV, deposits and borrowings from other credit institutions, deposits from customers, bonds, grants, trusted funds and borrowings at risk of the credit institution, valuable papers issued, other payables and payables under currency derivative contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

48. FINANCIAL INSTRUMENTS (Continued)

Financial liabilities (Continued)

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

- *Financial liabilities at fair value through profit or loss:*
 - a) A financial liability must meet either of the following conditions:
 - ✓ It is acquired or incurred principally for the purpose of selling or repurchasing in the near term;
 - ✓ There is evidence of a recent actual pattern of short-term profit-taking; or
 - ✓ It is a derivative (except for the derivative that is a financial guarantee contract or effective hedging instrument).
 - b) Upon initial recognition, it is designated by the Bank as at fair value through profit or loss.
- *Financial liabilities at amortised cost:*

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

Offsetting financial assets and financial liabilities

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

The risk management policy related to financial instruments

Under the guidance of the State Bank on enhancing the role of risk management in credit institutions, the Bank continues implementing risk management policies for its entire business.

The Bank's Risk Management Division is heading towards the risk management activities in accordance with Basel II. Model of risk management related to financial instruments is associated with the modern risk management model of the Bank. This model based on the "3 stages of control" includes: (i) the business units in Round 1 acts as a unit directly and fully responsible for risk identification, assessment, control and mitigation; (ii) Round 2 is the Risk Management Department with responsibility to establish the policies, principles, control limit and independently supervise the risk management; (iii) Round 3 is the Internal Audit Department with the responsibility to ensure the rationality and effectiveness of the risk management at Round 1 and Round 2. All financial instruments are reviewed, assessed for all related risks before implementation, to ensure that the Bank can effectively control risks related to financial instruments.

In 2014, the Bank has successfully implemented Stage 1 of Risk Management Analysis Project and develops a roadmap for implementing the BIS standards (Basel II Project) in order to build up a stabilized base for the Bank to enhance the risk management activities in accordance with Basel II standards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

48. FINANCIAL INSTRUMENTS (Continued)

The risk management policy related to financial instruments (Continued)

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 2014, the Bank continued to enhance the investment in highly liquid assets such as Government bonds and Government Treasury bills.

To manage risk related to financial instruments, the Bank has issued regulations, procedures, detailed guidance and internal set of indicators and limitation to control risk as well as to ensure compliance with regulations of the State Bank of Vietnam and meet 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.

For the liquidity risk and interest rate risk: The Bank has continued to operate and improve Asset-Liability Management System (ALM), set up the behaviour assumption to support Asset and Liability management, create standardised data sources and measurement tools and monitored the management of liquidity risk and interest rate risk.

The Bank has operated system MX.3 to support management of all treasury and capital market transactions of the Bank from the sale department (Front Office), risk management department (Middle Office) to finance department (Back Office). The risk limits have been established and implemented in order to control transactions of financial instruments in Trading book strictly. On that basis, the market risk management reports have been prepared periodically and proposed to the Board of Management and sale department to support the decision making in order to ensure the effective and safe business performance of the Bank.

The policies on currency risk, interest rate risk, credit risk and liquidity risk are analysed in details in Notes 49, 50, 51 and 52.

Determination of fair value of financial instruments

The Bank uses the method and assumptions to estimate fair value as follows: Fair value of cash and short-term deposits is measured at the carrying value of such items because these are short-term instruments.

The Bank's financial instruments are detailed as follows:

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48. FINANCIAL INSTRUMENTS (Continued)

	Carrying value		Fair value	
	(Excluding provisions)		million VND	
	31/12/2014	31/12/2013 (**)	31/12/2014	31/12/2013 (**)
	million VND	million VND	million VND	million VND
Financial assets				
Cash on hand, gold and gemstones	4,630,740	2,833,496	4,630,740	2,833,496
Balances with the State Bank of Vietnam	9,876,451	10,159,564	9,876,451	10,159,564
Placements with and loans to other credit institutions	75,433,624	73,181,935	(*)	(*)
Trading securities - Equity securities with market price reference	37,738	17,594	33,550	15,082
Trading securities - Equity securities without market price reference	21,285	6,674	(*)	(*)
Trading securities - Debt securities	3,595,310	633,425	(*)	(*)
Derivative financial instruments and other financial assets	-	164,334	(*)	(*)
Loans to customers	439,869,027	376,288,968	(*)	(*)
Investment securities - Equity securities with market price reference	44,023	44,023	25,132	16,222
Investment securities - Debt securities	94,003,797	82,451,416	(*)	(*)
Other long-term investments	1,030,326	1,040,326	(*)	(*)
Other receivables	1,530,566	514,734	(*)	(*)
Interest and fee receivables	12,706,283	10,035,489	(*)	(*)
Other assets	1,210	231,795	(*)	(*)
	642,780,380	557,603,773		
Financial liabilities				
Borrowings from the Government and the SBV	4,731,403	147,371	(*)	(*)
Deposits and borrowing from other credit institutions	103,769,865	80,464,749	(*)	(*)
Deposits from customers	424,181,174	364,497,001	(*)	(*)
Derivative financial instruments and other financial liabilities	415,778	-	(*)	(*)
Grants, trusted funds and borrowings at risk of the credit institution	32,021,693	32,424,519	(*)	(*)
Valuable papers issued	5,294,073	16,564,766	(*)	(*)
Accrued fee and interest expenses	5,749,315	4,365,827	(*)	(*)
Other payables and liabilities	26,250,620	19,460,783	(*)	(*)
	602,413,921	517,925,016		

(*) The Bank has not assessed fair value of financial assets and financial liabilities as at 31 December 2014 because Vietnamese Accounting Standards as well as prevailing regulations have not had specific guidance on the fair value determination of such items.

(**) Some items have been reclassified for comparison purpose.

**VIETNAM JOINT STOCK COMMERCIAL BANK
FOR INDUSTRY AND TRADE**

108 Tran Hung Dao, Hoan Kiem
Hanoi, S.R. Vietnam

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For the year ended 31 December 2014

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48. FINANCIAL INSTRUMENTS (Continued)

Classification of financial assets as at 31 December 2014:

	Financial assets				Total million VND
	Held-for- trading million VND	Held-to- maturity million VND	Loans and receivables million VND	Available-for- sale million VND	
Cash on hand, gold and gemstones	4,630,740	-	-	-	4,630,740
Balances with the State Bank of Vietnam	9,876,451	-	-	-	9,876,451
Placements with and loans to other credit institutions	-	-	75,433,624	-	75,433,624
Trading securities	3,654,333	-	-	-	3,654,333
Loans to customers	-	-	439,869,027	-	439,869,027
Investment securities	-	6,708,858	-	87,338,962	94,047,820
Other long-term investments	-	-	-	1,030,326	1,030,326
Other receivables	-	-	1,530,566	-	1,530,566
Interest and fee receivables	-	-	12,706,283	-	12,706,283
Other assets	-	-	1,210	-	1,210
	18,161,524	6,708,858	529,540,710	88,369,288	642,780,380

Classification of financial liabilities as at 31 December 2014:

Except for derivatives financial instruments and other financial assets which are classified as held-for-trading, all the financial liabilities of the Bank as at 31 December 2014 which classified as financial liabilities measured at amortised cost.

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49. CURRENCY RISK

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

The Bank was incorporated and operates in Vietnam and its reporting currency is Vietnam Dong (VND), while a 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 mobilisation and lending;
- Currency risks in investments.

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

In 2014, to stabilise the exchange rates, the State Bank of Vietnam (SBV) continued to take measures to keep the stability of the foreign exchange market and made timely intervention where the unusual fluctuation arose such as putting restrictions on the types of entities eligible to borrow foreign currencies and reducing the interest rate cap of USD deposits to 0.25% per annum for enterprises and 0.75% per annum for individuals. In addition, the level of foreign exchange reserves significantly increased as well as the balance of trade surplus continuously, which helps the foreign exchange market Vietnam in 2014 fairly stable.

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

Based on actual data, the growth demand of affiliates and business orientation, Treasury and Financial Planning Department analyses and projects cash inflows and outflows and proposes fund planning projection for each currency unit (including 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 mobilised funds in the same currency, thus no currency risk arises in lending and mobilisation 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 branches in Germany and Laos. 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)

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49. CURRENCY RISK (Continued)

Carrying amounts of assets and liabilities by currencies as at 31 December 2014 are as follows:

ITEMS	EUR	USD equivalent	Gold, currencies equivalent	Other currency equivalent	Total
	million VND	million VND	million VND	million VND	million VND
Assets					
Cash, gold and gemstones	122,900	503,921	3,989,948	13,971	4,630,740
Balances with the State Bank of Vietnam	-	2,519,085	7,357,366	-	9,876,451
Placements with and loans to other credit institutions (*)	572,327	19,193,255	55,403,079	264,963	75,433,624
Trading securities (*)	-	-	3,654,333	-	3,654,333
Loans to customers (*)	1,198,752	79,956,243	358,685,312	28,720	439,869,027
Investment securities (*)	-	-	94,047,820	-	94,047,820
Capital contribution, long-term investments (*)	-	1,688,788	2,185,283	-	3,874,071
Fixed assets	-	-	8,872,165	-	8,872,165
Other assets (*)	751,158	2,143,606	23,059,969	5,937	25,960,671
Total assets	2,645,138	106,004,898	557,255,275	313,592	666,218,902
Liabilities and owners' equity					
Borrowings from the Government and the SBV	-	15,129	4,716,274	-	4,731,403
Deposits and borrowings from other credit institutions	507,155	56,883,776	46,378,934	-	103,769,865
Deposits from customers	8,893,927	29,612,762	385,548,525	125,960	424,181,174
Derivative financial instruments and other financial liabilities	-	415,778	-	-	415,778
Grants, trusted funds and borrowings at risk of the credit institution	227,140	7,503,727	24,290,826	-	32,021,693
Valuable papers issued	-	5,289,643	4,430	-	5,294,073
Other liabilities (*)	95,365	1,764,399	33,551,405	537	35,411,706
Capital and reserves	-	-	55,012,808	-	55,012,808
Total liabilities and owners' equity	9,723,586	101,485,214	549,503,202	126,497	660,838,500
Balance sheet currency position	(7,078,448)	4,519,684	7,752,072	187,095	5,380,402

(*) Excluding risk provision.

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50. 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 mobilisation and lending activities.

The effective interest rate re-pricing term of the 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; long-term investments and other assets (including fixed assets, investment properties and other assets) are classified as non-interest-bearing items;
- Balances with the SBV are considered settlement deposit, 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 fund and borrowing at risk of the credit institutions are 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 re-pricing term is determined from the consolidated balance sheet date to the nearest interest rate re-pricing date.

The Bank's interest rate risk policies:

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

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

For fund mobilisation: interest rate for fund mobilisation 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.

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50. INTEREST RATE RISK (Continued)

The Bank's interest rate risk policies (Continued)

For lending activities: The Bank determines lending interest rate based on the funding cost, management expenses, risk consideration, collateral value and market interest rate to ensure the 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 budget profit is assured. Besides, due to the fact that capital structure focuses on the funds with short interest rate re-pricing term, the Bank requires that all loans must be at the floating interest rate, adjusted every one to three months.

Interest rate risk management

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

Interest rate risk management at portfolio level

- The Bank has been implementing the completed systems of the rules, regulations and procedures of interest rate management in the Bank in accordance with international rules and Basel II regulations; implementing interest rate management under "3 control stages" 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 mobilised and are controlled within established limits by the Bank.

Interest Rate Management at transaction level

- All credit contracts are required to include terms relating to interest rate risk prevention to ensure that the Bank can hold initiative in coping with fluctuations of the market, lending interest rate must reflect the Bank's actual funding cost;
- Management through the Fund Transfer Pricing (FTP) system: the Bank completed stage 2 of internal fund transfer pricing system - FTP, which enhanced the Bank's capital and interest management; the Bank also completed stage 2 of ALM system project of managing assets-liabilities for creating standardised 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 mobilisation rates.

With the experience and sensitivity in managing, the Bank has been cautiously, 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 6 months, which is in line with the re-pricing structure of the mobilised funds that have short interest rate re-pricing term.

Interest rate sensitivity

Since Circular 210 does not provide specific guidance on implementation of interest rate sensitivity analysis, the Bank has not disclosed such information herein

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN

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51. CREDIT RISK

Credit risk is the risk that results in the Bank's loss because its customer 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. Risk rating is subject to regular assessment.

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.

Financial assets overdue but not impaired

The Bank's overdue financial assets that are not impaired include overdue loans with no provision required under Vietnamese Accounting Standards, Accounting regime applicable to credit institutions in Vietnam and legal regulations relating to financial reporting. The aging of such financial assets as at 31 December 2014 is presented below:

	Overdue			
	Within 90 days	91-180 days	181-360 days	Over 360 days
	million VND	million VND	million VND	million VND
Loans to customers	16,340	7,965	20,199	911,870

The Bank is currently holding collaterals in the forms of real estate, movable assets, valuable papers and others in kind to secure for the above financial assets. For the purpose of determining whether the assets are impaired and any provision is needed in accordance with Vietnamese Accounting Standards, value of collaterals are measured in accordance with Circular 02 and Circular 09 (see Note 42).

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52. LIQUIDITY RISK

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

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

On a monthly basis, at ALCO Committee meeting, fund balance and liquidity of the Bank is one of the key contents to be discussed. Based on analysis and evaluation, ALCO Committee makes recommendations to the Board of Directors and 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 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 the key national projects. The maturity of assets and liabilities represents the remaining time to the contractual maturity date from the consolidated 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:

- Balance with the State Bank of Vietnam is considered current deposit including the compulsory reserve, which is determined upon the composition and maturity of the Bank's customer deposits.
- The maturity term of investment securities is based on the contractual maturity date.
- The maturity date of trading securities is 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 with and loans to other credit institutions and loans to customers is based on the contractual maturity date. The actual due date may be different from contractual term when the contract is extended.
- The maturity term of equity investment is considered to be over five years as equity investments have indefinite maturity.
- The maturity term of deposits, loans from other credit institutions is based on the contractual maturity date.
- The maturity term of deposits from customers is determined based on the customer behaviour analysis and the forecast on interest rate policy and other macroeconomic factors.
- Vostro accounts and current accounts paid upon customers' demand are considered to be current.

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52. LIQUIDITY RISK (Continued)

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

Based on the projection of capital adequacy, the Treasury Dealing Department creates the Bank's liquidity buffer through purchasing highly liquid valuable papers, which could be converted into cash on the secondary market. The Treasury Dealing Department may decide to sell valuable papers to 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 INCAS, the interbank payment program CITAD. On the basis of centralized payment at the Head Office, the Bank actively performs liquidity risk management on a daily basis. Currently, the Bank is promptly competing and developing the procedures as well as applying and upgrading software for risk management in accordance with international standards.

The data in the Liquidity Risk Report as at 31 December 2014 shows that the Bank's funds are fairly plentiful with terms ranging from 01 to 12 months; the longer-term funds are quite limited. This is a common situation of commercial banks in Vietnam. In fact, the Bank still maintains an appropriate rate of short-term funds utilisation for medium and long-term loans within the limit set by the State Bank.

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

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52. LIQUIDITY RISK (Continued)

	Overdue		Current					Total million VND
	Over 3 months million VND	Within 3 months million VND	Within 1 month million VND	From 1 to 3 months million VND	From 3 to 12 months million VND	From 1 to 5 years million VND	Over 5 years million VND	
Assets								
Cash, gold and gemstones	-	-	4,630,740	-	-	-	-	4,630,740
Balances with the State Bank of Vietnam	-	-	9,876,451	-	-	-	-	9,876,451
Placements with and loans to other credit institutions (*)	-	-	50,540,528	17,349,734	7,543,362	-	-	75,433,624
Trading securities (*)	-	-	3,654,333	-	-	-	-	3,654,333
Loans to customers (*)	4,905,151	3,770,580	47,431,263	133,669,922	172,477,318	64,678,994	12,935,799	439,869,027
Investment securities (*)	-	-	15,933,162	717,592	14,549,928	60,025,703	2,821,435	94,047,820
Capital contribution, long-term investments (*)	-	-	-	-	-	-	3,874,071	3,874,071
Fixed assets	-	-	-	-	-	-	8,872,165	8,872,165
Other assets (*)	-	-	-	-	-	-	25,960,671	25,960,671
Total assets	4,905,151	3,770,580	132,066,477	151,737,248	194,570,608	124,704,697	54,464,141	666,218,902
Liabilities								
Borrowings from the Government and the SBV	-	-	3,499,384	-	-	-	1,232,019	4,731,403
Deposits and borrowings from other credit institutions	-	-	51,884,933	31,130,959	15,565,480	5,188,493	-	103,769,865
Deposits from customers	-	-	116,649,823	101,803,482	161,188,846	44,539,023	-	424,181,174
Derivative financial instruments and other financial liabilities	-	-	415,778	-	-	-	-	415,778
Grants, trusted funds and borrowings at risk of the credit institution	-	-	6,404,339	12,815,756	9,940,883	2,860,715	-	32,021,693
Valuable papers issued	-	-	10,588	60,882	15,882	5,206,721	-	5,294,073
Other liabilities (*)	-	-	4,412,298	8,090,659	17,622,114	5,286,635	-	35,411,706
Total liabilities	-	-	183,277,142	153,901,738	204,333,205	63,081,587	1,232,019	605,825,692
Net liquidity difference	4,905,151	3,770,580	(51,210,666)	(2,164,490)	(9,762,597)	61,623,110	53,232,122	60,393,210

(*) Excluding risk provision.

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53. CAPITAL AND OPERATING LEASE COMMITMENTS

	<u>31/12/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Capital commitments: office construction and equipment acquisition	481,114	766,245
Irrevocable operating lease commitments	<u>773,674</u>	<u>439,973</u>
Of which:		
- due within one year	168,437	84,097
- due from two to five years	355,578	235,640
- due after five years	249,659	120,236

54. CONTINGENT LIABILITIES

As at 31 December 2014, the Bank has legal rights and obligations related to the case of Huynh Thi Huyen Nhu and the other former employees of Ho Chi Minh City branch and Nha Be branch of the Bank. At the reporting date, the Appeal Court of People's Supreme Court at Ho Chi Minh City heard and trial for the case on 07 January 2015, sentencing the accused Huyen Nhu for swindling to appropriate assets and certain other crimes, simultaneously reaching a verdict on judgment against Huyen Nhu and other accused members. In terms of civil responsibilities, Huynh Thi Huyen Nhu was responsible to reimbursement to three (03) banks, four (04) companies and three (03) individuals which were defrauded and the Bank neither has compensation obligations, joint liability nor incurs any financial loss with regards to the illegal actions of these accuseds mentioned above. However, the appellate court has partly ceased the first instance judgment in part relating to five (05) other companies for re-investigation. Under the provisions of the criminal law and criminal procedure for a case that is being re-investigated, the responsibilities and legal obligations of the parties concerned shall be defined only when the case has been trial with specific judgment and the verdict take effect.

55. SUBSEQUENT EVENTS

As at 13 January 2015, the SBV has issued Official Letter No. 216/NHNN-TTGSNN to approve the establishment of a wholly-owned subsidiary of the Bank in Lao People's Democratic Republic by transitioning from existing branch in the Democratic Republic Lao People's Democratic Republic named Bank Limited Industry and Trade of Vietnam in Laos. The Bank's subsidiary has charter capital of USD 50 million.

As at 13 January 2015, the Bank has announced the information of the SBV's approval for listing VietinBank's shares owned by the State in accordance with Dispatch No. 9375/NHNN-TTGSNN dated 16 December 2014 issued by the SBV. Accordingly, as being the representative of the state-ownership at VietinBank, SBV approved the listing of all VietinBank's state-owned shares on Ho Chi Minh City Stock Exchange (HOSE).

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56. EXCHANGE RATES OF SOME FOREIGN CURRENCIES AT BALANCE SHEET DATE

	<u>31/12/2014</u>	<u>31/12/2013</u>
	VND	VND
USD	21,246	21,036
EUR	25,908	28,937
GBP	33,210	34,756
CHF	21,548	23,618
JPY	178.32	199.76
SGD	16,137	16,623
CAD	18,389	19,745
AUD	17,459	18,754
NZD	16,711	17,257
THB	638.42	631.40
SEK	2,762	3,279
NOK	2,878	3,457
DKK	3,480	3,880
HKD	2,749	2,712
CNY	3,426	3,468
KRW	19.60	19.92
LAK	2.62	2.62
MYR	6,100	6,416

57. COMPARATIVE FIGURES

Comparative figures are those in the audited consolidated financial statements for the year ended 31 December 2013.

Certain classifications have been made to the prior year's figures to enhance their comparability with the current year's presentation. Details are as follows:

Consolidated balance sheet items	Consolidated financial statements for the year ended 31 December 2013		Reclassified consolidated financial statements for the year ended 31 December 2014
	million VND	Difference million VND	million VND
Available-for-sale investment securities	80,627,909	(719,218)	79,908,691
Other long-term investments	321,108	719,218	1,040,326
Provisions for impairment of investment securities	(212,189)	76,943	(135,246)
Provisions for impairment of long-term investments	(3,408)	(76,943)	(80,351)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **FORM B 05/TCTD-HN**
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

57. COMPARATIVE FIGURES (Continued)

Consolidated income statement items	Consolidated financial statements for the year ended 31 December 2013		Reclassified consolidated financial statements for the year ended 31 December 2014
	million VND	Difference million VND	
Net (loss)/gain from investment securities	8,033	37,943	45,976
Other operating expenses	(436,531)	(533,833)	(970,364)
Operating expenses	(9,909,654)	495,890	(9,413,764)

Preparer *by*

Approver

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Chief Accountant




Nguyen Van Du
Deputy General Director

20 March 2015
