



**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 2016**

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 statements of the Bank and its subsidiaries for the year ended 31 December 2016.

### **THE 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
Mr. Le Duc Tho	Member
Ms. Nguyen Hong Van	Member
Mr. Michael Knight Ipson	Member
Mr. Cat Quang Duong	Member
Mr. Hiroyuki Nagata	Member
Mr. Go Watanabe	Member (resigned on 26 April 2016)
Mr. Yotaro Agari	Member (appointed on 26 April 2016)
Mr. Phung Khac Ke	Member
Ms. Tran Thu Huyen	Member

#### **Board of Management**

Mr. Le Duc Tho	General Director
Mr. Tran Minh Binh	Deputy General Director
Mr. Nguyen Van Du	Deputy General Director (resigned on 31 May 2016)
Ms. Bui Nhu Y	Deputy General Director
Mr. Nguyen Hoang Dung	Deputy General Director
Mr. Nguyen Duc Thanh	Deputy General Director
Mr. Hiroyuki Nagata	Deputy General Director
Mr. Tran Cong Quynh Lan	Deputy General Director
Mr. Nguyen Dinh Vinh	Deputy General Director
Ms. Le Nhu Hoa	Deputy General Director (appointed on 01 August 2016)
Mr. Nguyen Hai Hung	Chief Accountant

#### **Person authorized to sign the financial statements**

Ms. Le Nhu Hoa	(According to Authorization Letter No. 685/UQ-HDQT-NHCT18 dated 08 August 2016 of the Chairman)
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## 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 and its subsidiaries (the "Bank"), prepared on 30 March 2017 as set out from page 05 to page 79, which comprise the consolidated balance sheet as at 31 December 2016, 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.

### **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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime applicable to credit institutions in Vietnam and legal regulations relating to financial reporting.

## INDEPENDENT AUDITORS' REPORT (Continued)

### **Emphasis of matter**

We would like to draw readers' attention to Note 51 of the Notes to the consolidated financial statements "Contingent liabilities". As at 31 December 2016, 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. As at 07 January 2015, the Appeal Court of People's Supreme Court at Ho Chi Minh City ("the Appeal Court") had judged the case, sentencing the accused for swindling to appropriate assets and certain other crimes, simultaneously reaching a verdict on judgment against the accused members. In terms of civil responsibilities, Huynh Thi Huyen Nhu was responsible for reimbursement to three (03) banks, four (04) companies and three (03) individuals which were defrauded by her and the Bank neither has compensation obligations, joint liability nor incurs any financial loss with regards to the illegal actions of the accused members mentioned above. The Appeal Court has ceased the first instance judgment in part relating to Huynh Thi Huyen Nhu's illegal actions to five (05) other companies for and has been re-investigating and judging as regulated by laws. Accordingly, the responsibilities and legal obligations of the parties concerned shall be defined only when the case has been re-investigating and tried with effective judgment and verdict. Our opinion is not modified in respect of this matter.



**Nguyen Tuan Anh**  
**Audit Director**

Audit Practising Registration Certificate  
No. 1291-2013-001-1

**For and on behalf of**  
**DELOITTE VIETNAM COMPANY LIMITED**

30 March 2017  
Hanoi, S.R. Vietnam

**Nguyen Thi Thanh Van**  
**Auditor**

Audit Practising Registration Certificate  
No. 2543-2014-001-1

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**CONSOLIDATED BALANCE SHEET**

*As at 31 December 2016*

*Unit: Million VND*

<b>NO.</b>	<b>ITEMS</b>	<b>Notes</b>	<b>Closing balance</b>	<b>Opening balance</b>
<b>A.</b>	<b>ASSETS</b>			
<b>I.</b>	<b>Cash, gold and gemstones</b>	<b>4</b>	<b>5,187,132</b>	<b>5,090,768</b>
<b>II.</b>	<b>Balances with the State Bank of Vietnam ("SBV")</b>	<b>5</b>	<b>13,502,594</b>	<b>11,892,969</b>
<b>III.</b>	<b>Placements with and loans to other credit institutions</b>	<b>6</b>	<b>94,469,281</b>	<b>66,018,789</b>
1.	Placements with other credit institutions		91,031,828	64,385,375
2.	Loans to other credit institutions		3,437,453	1,633,414
3.	Provisions for losses		-	-
<b>IV.</b>	<b>Trading securities</b>	<b>7</b>	<b>1,894,690</b>	<b>3,346,354</b>
1.	Trading securities		1,974,670	3,373,406
2.	Provisions for impairment of trading securities		(79,980)	(27,052)
<b>V.</b>	<b>Derivative financial instruments and other financial assets</b>	<b>8</b>	<b>682,690</b>	<b>-</b>
<b>VI.</b>	<b>Loans to customers</b>		<b>655,125,731</b>	<b>533,530,118</b>
1.	Loans to customers	9	661,987,797	538,079,829
2.	Provisions for credit losses of loans to customers	10	(6,862,066)	(4,549,711)
<b>VII.</b>	<b>Investment securities</b>	<b>11</b>	<b>134,226,686</b>	<b>120,024,229</b>
1.	Available-for-sale investment securities		125,573,894	108,940,288
2.	Held-to-maturity investment securities		11,743,021	12,928,649
3.	Provisions for impairment of investment securities	12	(3,090,229)	(1,844,708)
<b>VIII.</b>	<b>Capital contribution, long-term investments</b>	<b>13</b>	<b>3,202,637</b>	<b>3,892,314</b>
1.	Investments in joint-ventures		2,774,766	2,782,845
2.	Other long-term investments		430,445	1,131,164
3.	Provisions for impairment of long-term investments		(2,574)	(21,695)
<b>IX.</b>	<b>Fixed assets</b>		<b>10,615,318</b>	<b>8,665,767</b>
1.	Tangible fixed assets	14	6,422,471	4,374,977
a.	Cost		12,538,329	9,746,338
b.	Accumulated depreciation		(6,115,858)	(5,371,361)
2.	Intangible assets	15	4,192,847	4,290,790
a.	Cost		5,141,691	5,090,892
b.	Accumulated amortisation		(948,844)	(800,102)
<b>X.</b>	<b>Other assets</b>		<b>29,792,264</b>	<b>27,022,179</b>
1.	Other receivables	16	12,572,928	10,799,595
2.	Interest and fee receivables		14,207,830	12,863,853
3.	Other assets	17	3,013,053	3,360,668
	- In which: Goodwill	18	4,537	6,352
4.	Provisions for impairment of other balance sheet assets		(1,547)	(1,937)
<b>TOTAL ASSETS</b>			<b>948,699,023</b>	<b>779,483,487</b>

*The accompanying notes are an integral part of these consolidated financial statements*

**CONSOLIDATED BALANCE SHEET (Continued)**

As at 31 December 2016

Unit: Million VND

NO.	ITEMS	Notes	Closing balance	Opening balance
<b>B. LIABILITIES AND OWNERS' EQUITY</b>				
<b>I.</b>	<b>Borrowings from the Government and the SBV</b>	<b>19</b>	<b>4,808,417</b>	<b>13,227,115</b>
<b>II.</b>	<b>Deposits and borrowings from other credit institutions</b>	<b>20</b>	<b>85,151,867</b>	<b>99,169,216</b>
1.	Deposits from other credit institutions		41,346,232	43,399,347
2.	Borrowings from other credit institutions		43,805,635	55,769,869
<b>III.</b>	<b>Deposits from customers</b>	<b>21</b>	<b>655,060,148</b>	<b>492,960,064</b>
<b>IV.</b>	<b>Derivative financial instruments and other financial liabilities</b>	<b>8</b>	<b>-</b>	<b>117,619</b>
<b>V.</b>	<b>Grants, trusted funds and borrowings at risk of the credit institutions</b>	<b>22</b>	<b>6,075,468</b>	<b>54,237,247</b>
<b>VI.</b>	<b>Valuable papers issued</b>	<b>23</b>	<b>23,849,453</b>	<b>20,860,497</b>
<b>VII.</b>	<b>Other liabilities</b>		<b>113,354,267</b>	<b>42,801,583</b>
1.	Accrued fee and interest expenses		9,944,825	5,971,380
2.	Other payables and liabilities	24	103,171,982	36,711,027
3.	Other provisions	24	237,460	119,176
	<b>TOTAL LIABILITIES</b>		<b>888,299,620</b>	<b>723,373,341</b>
<b>VIII.</b>	<b>Capital and reserves</b>	<b>26</b>	<b>60,399,403</b>	<b>56,110,146</b>
1.	Capital		46,208,767	46,208,778
a.	Charter capital		37,234,046	37,234,046
b.	Share premium		8,974,721	8,974,732
2.	Reserves		6,366,898	5,275,032
3.	Foreign exchange reserves		480,011	441,537
4.	Retained earnings		7,083,394	3,942,373
5.	Non-controlling interests		260,333	242,426
	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>948,699,023</b>	<b>779,483,487</b>

The accompanying notes are an integral part of these consolidated financial statements

**CONSOLIDATED BALANCE SHEET (Continued)**

As at 31 December 2016

Unit: Million VND

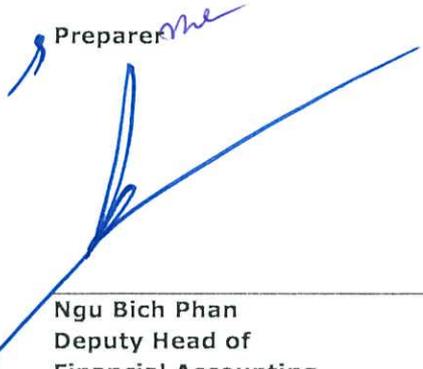
**OFF-CONSOLIDATED BALANCE SHEET ITEMS**

NO.	ITEMS	Notes	Closing balance	Opening balance
1.	Credit guarantees	40	2,349,067	5,338,188
2.	Foreign exchange transactions commitmen	40	133,764,643	65,296,692
	<i>Buying foreign currency commitments</i>		509,340	6,826,039
	<i>Selling foreign currency commitments</i>		743,152	6,733,633
	<i>Currency swap contracts</i>		132,512,151	51,737,020
3.	Letter of credit	40	42,320,738	29,551,935
4.	Other guarantees	40	46,360,864	32,145,380
5.	Other commitments	40	28,605,438	30,337,607

Preparer

Approver

Approver

  
 Ngu Bich Phan  
 Deputy Head of  
 Financial Accounting  
 Management Department

  
 Nguyen Hai Hung  
 Chief Accountant

  
 Le Nhu Hoa  
 Deputy General Director



30 March 2017

The accompanying notes are an integral part of these consolidated financial statements

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31 December 2016*

*Unit: Million VND*

<b>NO.</b>	<b>ITEMS</b>	<b>Notes</b>	<b>Current year</b>	<b>Prior year</b>
1.	Interest and similar income	27	52,990,698	42,471,731
2.	Interest and similar expenses	28	(30,585,706)	(23,632,746)
<b>I.</b>	<b>Net interest income</b>		<b>22,404,992</b>	<b>18,838,985</b>
3.	Income from services		3,334,497	2,650,863
4.	Expenses on services		(1,636,472)	(1,190,961)
<b>II.</b>	<b>Net profit from services</b>	<b>29</b>	<b>1,698,025</b>	<b>1,459,902</b>
<b>III.</b>	<b>Net gain from trading foreign currencies</b>	<b>30</b>	<b>685,139</b>	<b>19,767</b>
<b>IV.</b>	<b>Net gain from trading securities</b>	<b>31</b>	<b>183,919</b>	<b>129,177</b>
<b>V.</b>	<b>Net gain from investment securities</b>	<b>32</b>	<b>40,955</b>	<b>52,807</b>
5.	Other operating income		2,546,328	4,108,124
6.	Other operating expenses		(1,247,565)	(1,905,838)
<b>VI.</b>	<b>Net profit from other activities</b>	<b>33</b>	<b>1,298,763</b>	<b>2,202,286</b>
<b>VII.</b>	<b>Income from capital contribution, equity investments</b>	<b>34</b>	<b>150,475</b>	<b>40,960</b>
<b>VIII.</b>	<b>Operating expenses</b>	<b>35</b>	<b>(12,870,682)</b>	<b>(10,719,457)</b>
<b>IX.</b>	<b>Net profit from operating activities before credit provision expenses</b>		<b>13,591,586</b>	<b>12,024,427</b>
<b>X.</b>	<b>Provision expenses for credit losses</b>		<b>(5,022,104)</b>	<b>(4,678,986)</b>
<b>XI.</b>	<b>Profit before tax</b>		<b>8,569,482</b>	<b>7,345,441</b>

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*The accompanying notes are an integral part of these consolidated financial statements*

**CONSOLIDATED INCOME STATEMENT (Continued)**

*For the year ended 31 December 2016*

*Unit: Million VND*

NO.	ITEMS	Notes	Current year	Prior year
7.	Current corporate income tax expense	36	(1,711,921)	(1,628,563)
8.	Deferred tax expense		289	-
<b>XII.</b>	<b>Corporate income tax expense</b>		<b>(1,711,632)</b>	<b>(1,628,563)</b>
<b>XIII.</b>	<b>Profit after corporate income tax</b>		<b>6,857,850</b>	<b>5,716,878</b>
<b>XIV.</b>	<b>Non-controlling interests</b>		<b>19,984</b>	<b>18,957</b>
<b>XV.</b>	<b>Profit attributable to the owners of the Bank</b>		<b>6,837,866</b>	<b>5,697,921</b>
<b>XVI.</b>	<b>Earnings per share (VND)</b>	<b>26</b>	<b>1,457</b>	<b>1,224</b>

Preparer *me*

Approver

*[Signature]*  
Ngu Bich Phan  
Deputy Head of  
Financial Accounting  
Management Department

*[Signature]*  
Nguyen Hai Hung  
Chief Accountant

*[Signature]*  
Le Nhu Hoa  
Deputy General Director



30 March 2017

The accompanying notes are an integral part of these consolidated financial statements

**CONSOLIDATED CASH FLOW STATEMENT**

*For the year ended 31 December 2016*

*Unit: Million VND*

<b>NO. ITEMS</b>	<b>Current year</b>	<b>Prior year</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
01. Interest and similar income received	51,622,581	42,478,255
02. Interest and similar expenses paid	(26,632,017)	(23,474,151)
03. Service income received	1,745,205	1,608,083
04. Net cash received gain from trading foreign currencies, gold and securities	2,859,345	1,471,322
05. Other expenses	(650,253)	(322,928)
06. Receipts from debts written-off or paid off by risk fund	1,814,476	2,241,477
07. Payments to employees and for operating management	(11,243,918)	(9,951,632)
08. Corporate income tax paid	(1,660,986)	(1,709,038)
<b>Net cash from operating profit before movements in assets and working capital</b>	<b>17,854,433</b>	<b>12,341,388</b>
<b>Movement in operating assets</b>	<b>(139,525,898)</b>	<b>(128,359,308)</b>
09. (Increase)/Decrease in deposits at and loans to other credit institutions	(2,224,254)	6,756,363
10. (Increase) in trading securities	(9,726,307)	(27,073,650)
11. (Increase) in derivatives financial instruments and others financial assets	(682,690)	-
12. (Increase) in loans to customers	(123,541,758)	(105,121,197)
13. (Decrease) in provisions for losses	(1,482,318)	(3,458,017)
14. (Increase)/Decrease in other operating assets	(1,868,571)	537,193
<b>Movements in operating liabilities</b>	<b>156,101,473</b>	<b>114,814,594</b>
15. (Decrease)/Increase in borrowings from the Government and the State Bank of Vietnam	(8,418,698)	8,495,712
16. (Decrease) in deposits and borrowings from other credit institutions	(14,017,349)	(4,600,649)
17. Increase in deposits from customers (including the State Treasury)	162,100,084	68,778,890
18. Increase in issued valuable papers (excluding valuable papers charged to financial activities)	2,988,956	15,566,424
19. (Decrease)/Increase in grants, trusted funds and borrowings at risk of the credit institution	(48,161,779)	22,215,554
20. (Decrease) in derivatives financial instruments and other financial liabilities	(117,619)	(298,159)
21. Increase in other operating liabilities	61,730,621	4,657,170
22. Cash outflows from reserves of the credit institution	(2,743)	(348)
<b>I. Net cash generated by/(used in) operating activities</b>	<b>34,430,008</b>	<b>(1,203,326)</b>

*The accompanying notes are an integral part of these consolidated financial statements*

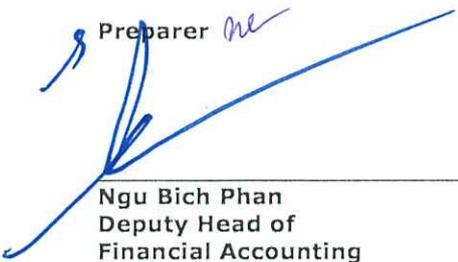
**CONSOLIDATED CASH FLOW STATEMENT (Continued)**

For the year ended 31 December 2016

Unit: Million VND

NO. ITEMS	Current year	Prior year
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
01. Acquisition of fixed assets	(1,852,272)	(1,912,423)
02. Proceeds from sales, disposals of fixed assets	13,348	233,554
03. Expenses on sales, disposals of fixed assets	(8,573)	(18,308)
04. Investments in other entities	(24,000)	(13,860)
05. Proceeds from investments in other entities	219,588	39,705
06. Dividends and profits received from long-term investments and capital contribution	112,602	373,492
<b>II. Net cash (used in) investing activities</b>	<b>(1,539,307)</b>	<b>(1,297,840)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
01. Dividends and profits paid	-	(3,723,405)
<b>III. Net cash (used in) financing activities</b>	<b>-</b>	<b>(3,723,405)</b>
<b>IV. Net increase/(decrease) in cash</b>	<b>32,890,701</b>	<b>(6,224,571)</b>
<b>V. Cash and cash equivalents at the beginning of the year</b>	<b>80,882,722</b>	<b>87,064,648</b>
<b>VI. Effects of changes in foreign exchange rates</b>	<b>41,526</b>	<b>42,645</b>
<b>VII. Cash and cash equivalents at the end of the year (Note 37)</b>	<b>113,814,949</b>	<b>80,882,722</b>

Preparer

  
Ngu Bich Phan  
Deputy Head of  
Financial Accounting  
Management Department

30 March 2017

Approver

  
Nguyen Hai Hung  
Chief Accountant

Approver

  
Le Nhu Hoa  
Deputy General Director



The accompanying notes are an integral part of these consolidated financial statements

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*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 337,162,027.

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 the 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 2016, the Bank's charter capital is VND 37,234,046 million.

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**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 2016, the Bank has one (01) Head Office, one (01) Trade Finance Center, five (05) Cash Management Centers, three (03) administrative units, two (02) local representative offices, one (01) overseas representative office in Myanmar and one hundred and fifty seven (157) branches (including two (02) overseas branches).

**Subsidiaries**

As at 31 December 2016, the Bank has seven (7) subsidiaries and one (1) subsidiary bank as follows:

<b>No.</b>	<b>Name</b>	<b>Established in accordance with Decision No.</b>	<b>Business sector</b>	<b>% of ownership held by the Bank</b>
1	VietinBank Leasing Company Ltd.	0101047075/GP dated 10 March 2011 by Hanoi Authority for Planning and Investment	Banking and finance	100%
2	VietinBank Securities Joint Stock Company	107/UBCK-GP dated 01 July 2009 by State Securities Commission of Vietnam (SSC)	Securities 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 Jewelry Trading Company Ltd.	0105011873/GP dated 25 November 2010 by Hanoi Authority for Planning and Investment	Gold and gemstones manufacturing and trading	100%
6	VietinBank Fund Management Company Ltd.	50/UBCK-GP dated 26 October 2010 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	Money transfer intermediary	100%
8	VietinBank (Lao) Limited	068/NHCHDCNDL dated 08 July 2015 by Bank of the Lao People's Democratic Republic	Banking and finance	100%

**Employees**

The total number of employees of the Bank as at 31 December 2016 is 22,957 (as at 31 December 2015: 21,024).

**Disclosure of information comparability in the consolidated financial statements**

Comparative figures are the figures of the audited consolidated financial statements for the year ended 31 December 2015.

**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 consolidated financial position, the consolidated results of operations and the consolidated cash flows of the Bank and its subsidiaries. With regards to the number of shares, the Bank presented the items in unit as shown in Note 26.

The accompanying consolidated financial statements are not intended to present the consolidated financial position, consolidated results of operations and consolidated 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. 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.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Bank and enterprises controlled by the Bank (its subsidiaries) as at 31 December 2016. 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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of consolidation (Continued)**

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

**Business combinations**

On acquisition, 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 year of acquisition.

The non-controlling interests are 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.

**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 in 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 attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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), securities which are expected to be realised or matured not exceeding three months from the date of purchase, Government treasury bills and other short-term valuable papers eligible for re-discounting with the State Bank of Vietnam.

**Loans to customers**

Loans to customers are stated at their outstanding principal amounts as at the balance sheet date except for the loans which are unable to be recovered and are written off. According to Circular No. 02/2013/TT-NHNN dated 21 January 2013 ("Circular 02"), the Bank has to establish Risk Settlement Committee in order to decide the use of provision against credit risks in the following cases:

- Customer is an organization which is dissolved, goes bankrupt as prescribed by law, or an individual who dies or is missing;
- Loans which are classified to Group 5.

**Provision for credit losses**

In accordance with Law on Credit Institutions No. 47/2010/QH12 effective from 01 January 2011, Decision No. 1627/2001/QD-NHNN dated 31 December 2001 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 articles of lending regulations under Decision No. 1627/2001/QD-NHNN, Circular 02 of the State Bank Governor stipulating classification of assets, levels and method of provisioning and use of provision against credit risk in banking activities by credit institutions and branches of foreign banks and Circular No. 09/2014/TT-NHNN dated 18 March 2014 ("Circular 09") amending Circular 02, credit institutions are required to classify loans and make provisions for credit losses. Accordingly, the classification and making provisions for credit losses under guidance of Circular 02 and Circular 09 are applied for the following assets:

- Loans;
- Finance leases;
- Discounts, rediscounts of negotiable instruments and other valuable papers;
- Factoring;
- Credit facilities in the form of credit card issuance;
- Payments on behalf of customers 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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Provision for credit losses (Continued)**

Accordingly, customers risk category is the one with highest risk level when the Bank simultaneously classifies loans based on Article 10 and Article 11, Circular 02 and the loan category provided by Credit Information Centre ("CIC") of the State Bank of Vietnam at the time of loans classification. Specifically, Article 10 of Circular 02 requires classifications of loans and off-balance-sheet commitments are made under qualitative methods; Article 11 of Circular 02 requires the Bank to classify loans and off-balance-sheet commitments based on internal credit ranking of the Bank as approved by the State Bank of Vietnam. Loans are classified by risk level into: Current, Special-mentioned, Substandard, Doubtful and Loss. Bad debts are Substandard, Doubtful and Loss.

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:

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

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. 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.

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 at domestic credit institutions and Vietnam-based foreign bank branches as provided by law, and deposits at foreign credit institutions, loans, 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 and 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Investments**

***Trading securities***

Trading securities include debt securities, equity securities and other 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 is recorded in the consolidated income statement on the cash basis. Cash 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 premium (if any) 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 net gain from investments in securities using the straight-line method over the investment period.

*With regard to special bonds resulting from 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.

NON-REVENUE

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments (Continued)**

***Investment securities (Continued)***

*With regard to special bonds resulting from debts trading transactions between Vietnam Asset Management Company ("VAMC") and credit institutions (Continued)*

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 ("Decree 53") dated 18 May 2013 and Decree No. 18/2016/ND-CP dated 18 March 2016 ("Decree 18") of the Government, Circular No. 19/2013/TT-NHNN dated 06 September 2013 ("Circular 19") and Circular No. 14/2015/TT-NHNN dated 28 August 2015 of the State Bank of Vietnam amending and supplementing a certain articles of Decree 53 and Circular 19. 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 bonds, the Bank shall make specific minimum provision for each special bond calculated on annual basis by the following formula:

Minimum special provision made in the year = (Par value of the special bond x Number of years from issuance of special bonds to provision time)/Term of the special bond - Accumulated bad debt collection at the date of provision - Accumulated specific provision for special bonds.

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 made 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 a portion or the whole amount of bad debts bought into charter capital, share capital of borrowers being enterprises.
- 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 consolidated 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Investments (Continued)**

***Investment securities (Continued)***

*Available-for-sale investment securities*

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 net gain from investment securities on 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 utilised 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**).

At VietinBank Fund Management Company Ltd. and VietinBank Securities Joint Stock Company, provisions for impairment of securities are made in accordance with Circular No. 146/2014/TT-BTC ("Circular 146") dated 06 October 2014 issued by the Ministry of Finance. Accordingly, for listed securities, the companies determined the value of the investments using closing prices in the active market as at the balance sheet date.

Except for cases mentioned above, provisions for impairment of such securities are made in accordance with Official Letter No. 2601/NHNN-TCKT dated 14 April 2009 and guidance under Circular No. 228/2009/TT-BTC dated 07 December 2009 and Circular No. 89/2013/TT-BTC dated 28 June 2013 amending and supplementing Circular 228/2009/TT-BTC issued by the Ministry of Finance. Accordingly, for listed securities, the Bank determined the value of the investments using market 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 of more than VND 300 billion each at the end of the 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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments (Continued)**

***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).

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 Bank's 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. An investment in securities can be reclassified once only (as guided in Dispatch No. 2601/NHNN-TCKT dated 14 April 2009 of the SBV on checking up classification and making provisions for impairment of financial investments).

***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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 balance sheet but they are recorded in the off-consolidated balance sheet items.

**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:

<b><u>Assets</u></b>	<b><u>Estimated useful lives (Years)</u></b>
Buildings and structures	05 - 40
Machinery and equipment	03 - 07
Motor vehicles	06 - 07
Other 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 together with their disposal expense is recognised in the consolidated income statement.

**Intangible assets and amortisation**

Intangible assets comprise land use rights 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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Leasing**

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

***The Bank as lessor***

Amounts due from lessees under finance leases are recorded as 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 are expenses which have already been paid but relate to results of operations of multiple accounting periods. 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 and maintenance costs for assets, costs of tools and 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 prepayment term in accordance with prevailing accounting regulations, but not exceeding three years for repair, maintenance costs for assets, and not exceeding two years for costs of tools and supplies issued for consumption or over the time of service for prepaid service fee.

**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, being 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.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Other receivables (Continued)**

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.

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

<b>Overdue status</b>	<b>Rate of provision</b>
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 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 reserve: 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 Meetings of Shareholders;
- Other funds: are established in accordance with the prevailing regulations and the Decisions approved in the General Meetings of Shareholders.

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



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital and reserves (Continued)**

***Reserves (Continued)***

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. 73/2016/ND-CP issued by the Government dated 01 July 2016, 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 principal and interest on time and the Bank is not required to 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 either group 2 to group 5 in the year is not recognised in the consolidated income statement for the year. Accrued interest income of impaired 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.

**3. 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.

***Recognition of dividends and profit received***

Cash dividends received and distributed profit from investment activities and capital contribution are recorded in the consolidated income statement when the Bank's right to receive dividends and distributed profit have been established. Stock dividends, which are distributed from profits of joint-stock companies, are not recognised in the consolidated financial statements.

***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 financial year 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 and Circular No. 194/2014/TT-BTC dated 17 December 2014 amending and supplementing Circular 124/2012/TT-BTC issued by the Ministry of Finance.

***Income and expense from other services***

Income and expense from other services are recognised on accrual basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Underwriting reserves**

The Bank's subsidiary makes underwriting reserves as regulated in Article No. 96 of the Law on Insurance Business, Decree No. 73/2016/ND-CP dated 01 July 2016 by the Government, Circular No. 125/2012/TT-BTC issued by the Ministry of Finance dated 30 July 2012 and Circular No. 232/2012/TT-BTC dated 28 December 2012 issued by the Ministry of Finance, accordingly:

Unearned premium reserve: The reserve is provided for at the rate of 25% of the premium retained for the year for all types of cargo insurance and at 50% of the premium retained for insurance services of other types.

Claim reserve: The reserve is provided for losses that incurred and reported including direct insurance and inward reinsurance, but not yet settled, using each claim dossier method based on the retention liabilities and the amount claim reinsurers for each estimated loss.

For the incurred but not reported (IBNR) losses, claim reserve is provided for based on statistical rate of the three consecutive years to ensure that IBNR losses are carefully assessed and fully recorded.

Catastrophe reserve: On 28 December 2005, the Ministry of Finance issued Vietnamese Accounting Standard No. 19 "Insurance Contract" and Decision No. 100/2005/QD-BTC which were effective from 2006. In accordance with Vietnamese Accounting Standard No. 19 "Insurance Contract", reserve to cover the losses in the future of which the claims did not appear at the balance sheet date (including catastrophe reserve) is deemed not necessary. However, under regulations of Decree No. 73/2016/ND-CP dated 01 July 2016 issued by the Government and Circular No. 125/2012/TT-BTC dated 30 July 2012 issued by the Ministry of Finance, insurance companies have to make catastrophe reserve. According to Official Letter No. 17924 dated 26 December 2012 issued by the insurance supervisory authority of the Ministry of Finance, the Bank is allowed to make catastrophe reserve of 1% retained premium during the year for all types of insurance, the reserve will be appropriated until it reaches 100% of retained earnings for the year.

**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 year are translated into VND at central 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 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 applicable exchange rates of foreign currencies against VND as at 31 December 2016 in Note 55). 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.

For the purpose of preparing the consolidated financial statements, assets and liabilities of subsidiaries and joint ventures 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 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 dates. All foreign exchange differences, if any, are classified as equity and recorded as "Foreign exchange reserves". Foreign exchange reserves are recognised in the consolidated income statement when investments in subsidiaries or joint ventures are disposed.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Other payable provisions**

Other payable 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 as at the balance sheet 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 profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or 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.

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 payment based on the average of actual monthly salary and cost of living allowance of 6 months adjacent to the date of employees' retirement paid by the Bank (appropriated from the Bank's provision for salary reserve).

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).

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Employee benefits (Continued)**

*Resignation allowance*

When employees of the Bank terminate the labor contracts, they are entitled to receive severance allowance equal to a half of the Social Security Wage Base for each year of service (12 months) at the Bank up to 31 December 2008.

*Unemployment allowance*

Since 01 January 2009, the Bank has contributed to the Unemployment Insurance Fund an amount equal to 1% of its employees' basic salary in accordance with laws and regulations.

**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 and recorded in foreign exchange reserve and then transferred to "Net gain/loss from trading foreign currencies" as at the balance sheet date.

***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".

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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-consolidated 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, credit institutions are 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 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-consolidated balance sheet commitments in accordance with the guidance in Circular 02 and Circular 09.

**4. CASH, GOLD AND GEMSTONES**

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
Cash in VND	4,509,334	4,392,024
Cash in foreign currencies	649,086	643,793
Valuable papers in foreign currencies	-	14,239
Monetary gold	5,784	15,450
Non-monetary gold	1,181	1,139
Gold, other precious metal and gemstones	21,747	24,123
	<u><b>5,187,132</b></u>	<u><b>5,090,768</b></u>

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

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
Current account at the State Bank of Vietnam		
- in VND	10,410,791	8,786,477
- in foreign currencies	3,091,803	3,106,492
	<u><b>13,502,594</b></u>	<u><b>11,892,969</b></u>

Deposit at the State Bank of Vietnam ("SBV") consists of compulsory reserves for deposits and current accounts. Pursuant to regulations of the State Bank of Vietnam on the 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 2016 are as follows:

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

Compulsory reserve balances for deposits in foreign currencies applicable to credit institutions as at 31 December 2016 are as follows:

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

6. PLACEMENTS WITH AND LOANS TO OTHER CREDIT INSTITUTIONS

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
<b>Placements with other credit institutions</b>		
Demand deposits	40,154,261	15,685,526
- In VND	31,149,125	7,360,065
- In foreign currencies	9,005,136	8,325,461
Term deposits	50,877,567	48,699,849
- In VND	32,719,580	12,318,625
- In foreign currencies	18,157,987	36,381,224
- Provisions for credit losses	-	-
	<b>91,031,828</b>	<b>64,385,375</b>
<b>Loans to other credit institutions</b>		
- In VND	2,783,762	1,353,564
<i>Include: discounts, rediscounts</i>	2,183,763	303,564
- In foreign currencies	653,691	279,850
<i>Include: discounts, rediscounts</i>	-	-
Provisions for credit losses	-	-
	<b>3,437,453</b>	<b>1,633,414</b>
<b>Placements with and loans to other credit institutions</b>	<b>94,469,281</b>	<b>66,018,789</b>

Analysis on quality of placements with and loans to other credit institutions

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
Current loans	54,315,020	50,333,263
Special-mentioned loans	-	-
Sub-standard loans	-	-
Doubtful loans	-	-
Loss loans	-	-
<b>Total</b>	<b>54,315,020</b>	<b>50,333,263</b>

7. TRADING SECURITIES

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
<b>Debt securities</b>	<b>1,502,806</b>	<b>3,200,074</b>
- Government bonds	1,502,806	3,200,074
<b>Equity securities</b>	<b>471,864</b>	<b>173,332</b>
- Equity securities issued by other local credit institutions	1,767	4,670
- Equity securities issued by local business entities	470,097	168,662
	<b>1,974,670</b>	<b>3,373,406</b>
Provisions for impairment of trading securities	(79,980)	(27,052)
	<b>1,894,690</b>	<b>3,346,354</b>

**7. TRADING SECURITIES (Continued)**

**Listing status of trading securities**

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
<b>Debt securities</b>		
Government bonds		
- Listed	1,502,806	3,200,074
<b>Equity securities</b>		
Equity securities issued by other local credit institutions		
- Listed	1,767	4,670
Equity securities issued by local business entities		
- Listed	56,043	129,822
- Unlisted	414,054	38,840
	<u><b>1,974,670</b></u>	<u><b>3,373,406</b></u>

**8. DERIVATIVE FINANCIAL INSTRUMENTS AND OTHER FINANCIAL ASSETS/LIABILITIES**

	<b>Net book value</b> <b>(at the exchange rate as of the</b> <b>reporting date)</b>	
	<u>Assets</u> million VND	<u>Liabilities</u> million VND
<b>Closing balance</b>		
<b>Currency derivative financial instruments</b>	<b>682,690</b>	-
Forward contracts	184,888	-
Swap contracts	497,802	-
Future contracts	-	-
<b>Opening balance</b>		
<b>Currency derivative financial instruments</b>	-	<b>117,619</b>
Swap contracts	-	23,589
Forward contracts	-	94,030

**9. LOANS TO CUSTOMERS**

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
Loans to local business entities and individuals	652,250,039	530,370,007
Discounting promissory notes and valuable papers	1,193,140	632,317
Finance leases	1,929,817	1,687,147
Payments made on behalf of customers	32,956	33,497
Loans by grants, investment trusts	682,632	834,517
Loans to foreign organisations and individuals	5,899,213	4,454,458
Frozen loans and loans pending for resolution	-	67,886
	<b><u>661,987,797</u></b>	<b><u>538,079,829</u></b>

**Analysis of loan balances by quality**

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
Current loans	649,686,016	529,926,538
Special-mentioned loans	5,558,981	3,211,051
Sub-standard loans	2,111,187	1,411,357
Doubtful loans	811,972	735,343
Loss loans	3,819,641	2,795,540
	<b><u>661,987,797</u></b>	<b><u>538,079,829</u></b>

**Analysis of loan balances by term**

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
Short-term loans	374,736,785	301,472,059
Medium-term loans	73,115,713	60,120,242
Long-term loans	214,135,299	176,487,528
	<b><u>661,987,797</u></b>	<b><u>538,079,829</u></b>

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.

**9. LOANS TO CUSTOMERS (Continued)**

**Analysis of loan balances by type of business entity**

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
State-owned enterprises	36,108,050	33,123,792
State-owned one-member limited enterprises	59,059,510	61,176,526
Two or more member limited liability enterprises with more than 50% of the State's share holding	5,578,225	4,097,319
Other limited companies	132,337,779	102,560,849
Joint stock companies with more than 50% of the State's share-holding	40,569,939	35,683,155
Other joint stock companies	175,651,457	142,518,950
Partnership companies	31,921	39,384
Private companies	17,805,279	15,588,031
Foreign invested enterprises	37,704,068	27,263,603
Cooperatives, cooperative unions	1,075,014	987,490
Household businesses, individuals	152,700,606	112,178,323
Administrative units, the Party, unions and associations	3,352,178	2,181,783
Others	13,771	680,624
	<b><u>661,987,797</u></b>	<b><u>538,079,829</u></b>

**Analysis of loan balances by industry**

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
Agricultural, forestry and aquaculture	30,779,162	20,129,999
Mining and quarrying	20,716,612	19,917,579
Manufacturing and processing	197,138,338	157,510,377
Electricity, fuel gas and hot water	32,131,389	31,221,063
Water supplying, garbage and sewage treatment and management	2,091,832	1,559,824
Construction	74,903,882	59,026,326
Wholesale and retail trade; repair of motor vehicles, motor cycles	181,044,008	152,123,602
Transport, warehouse	12,240,836	7,343,728
Hospitality services	10,432,691	3,551,927
Information and communications	1,578,642	1,590,299
Financial, banking and insurance activities	207,416	299,496
Real estate	18,230,958	42,522,609
Profession, science and technology	44,645	62,638
Administrative activities and supporting services	477,968	476,643
Education and training	1,673,079	791,863
Health care and social work	3,014,178	1,789,363
Art and entertainment	13,131	-
Other service activities	22,835,429	9,363,428
Households	50,066,963	26,978,616
International organisations and bodies	418,805	459,689
Others	1,947,833	1,360,760
	<b><u>661,987,797</u></b>	<b><u>538,079,829</u></b>

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**9. 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.

**10. PROVISIONS FOR CREDIT LOSSES OF LOANS TO CUSTOMERS**

The Bank reclassified loans to customers in accordance with Circular 02, Circular 09, amendments, supplements and policies on loan classification and credit loss provisioning of the Bank. Provision for credit losses as at 31 December 2016 was set up based on loan classification results as at 30 November 2016. 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 2016 is as follows:

	<b>General provision</b>	<b>Specific provision</b>	<b>Total</b>
	<b>million VND</b>	<b>million VND</b>	<b>million VND</b>
<b>Opening balance</b>	<b>3,815,343</b>	<b>734,368</b>	<b>4,549,711</b>
Provision charged for the year	1,078,862	1,904,572	2,983,434
Provision utilised in the year	-	(671,079)	(671,079)
<b>Closing balance</b>	<b>4,894,205</b>	<b>1,967,861</b>	<b>6,862,066</b>

Movement in provision for credit losses of loans to customers for the year ended 31 December 2015 is as follows:

	<b>General provision</b>	<b>Specific provision</b>	<b>Total</b>
	<b>million VND</b>	<b>million VND</b>	<b>million VND</b>
<b>Prior year's opening balance</b>	<b>3,159,793</b>	<b>1,206,709</b>	<b>4,366,502</b>
Provision charged for the year	655,550	2,585,718	3,241,268
Provision utilised to write off bad debts	-	(2,464,840)	(2,464,840)
Decrease in provision during the year	-	(593,219)	(593,219)
<b>Prior year's closing balance</b>	<b>3,815,343</b>	<b>734,368</b>	<b>4,549,711</b>

11. INVESTMENT SECURITIES

	<u>Closing balance</u>	<u>Opening balance</u>
	million VND	million VND
<b>Available-for-sale investment securities</b>	<b>125,573,894</b>	<b>108,940,288</b>
<b>Debt securities</b>	<b>124,945,799</b>	<b>108,666,252</b>
- Government bonds	55,310,868	39,468,438
- Debt securities issued by other local credit institutions	25,133,435	16,554,359
- Debt securities issued by local business entities	44,501,496	52,643,455
<b>Equity securities</b>	<b>628,095</b>	<b>274,036</b>
- Equity securities issued by local business entities	628,095	274,036
<b>Provisions for impairment of available-for-sale investment securities</b>	<b>(472,121)</b>	<b>(454,031)</b>
<i>In which:</i>		
- Provisions for impairment of available-for-sale equity investment securities	(164,496)	(62,164)
- General provision for impairment of available-for-sale debt investment securities	(307,625)	(391,867)
	<u><b>125,101,773</b></u>	<u><b>108,486,257</b></u>
<b>Held-to-maturity investment securities</b>	<b>11,743,021</b>	<b>12,928,649</b>
Government bonds	2,200,000	2,200,000
Debt securities issued by local business entities	9,543,021	10,728,649
<b>Provisions for impairment of held-to-maturity investment securities</b>	<b>(2,618,108)</b>	<b>(1,390,677)</b>
	<u><b>9,124,913</b></u>	<u><b>11,537,972</b></u>
<b>Total</b>	<u><b>134,226,686</b></u>	<u><b>120,024,229</b></u>

Analysis of securities quality classified as credit risk assets

	<u>Closing balance</u>	<u>Opening balance</u>
	million VND	million VND
Current loans	44,888,244	52,730,203
Special-mentioned loans	-	-
Sub-standard loans	-	-
Doubtful loans	-	-
Loss loans	-	-
<b>Total</b>	<u><b>44,888,244</b></u>	<u><b>52,730,203</b></u>

As at 31 December 2016, the Bank has implemented classification of debt securities of business entities ("BEs") which are unlisted (not including any special bonds issued by VAMC) in accordance with Circular 02 and Circular 09. Provision for losses on debt securities of unlisted BEs as at 31 December 2016 is made based on the results of loan classification as at 30 November 2016.

11. INVESTMENT SECURITIES (Continued)

Special bonds issued by VAMC

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
Par value of special bonds	9,156,273	10,341,901
Provision for special bonds	(2,615,207)	(1,387,776)
<b>Total</b>	<b>6,541,066</b>	<b>8,954,125</b>

12. PROVISIONS FOR IMPAIRMENT OF INVESTMENT SECURITIES

Movement in provisions for impairment of investment securities for the year ended 31 December 2016 is as follows:

	<u>Provision for available-for-sale</u> <u>investment securities</u>			<u>Provision for held-to-maturity</u> <u>investment securities</u>		
	<u>Debt securities</u> <u>issued by unlisted</u> <u>business entities</u>	<u>Other debt</u> <u>securities</u>	<u>Equity</u> <u>securities</u>	<u>Debt securities</u> <u>issued by unlisted</u> <u>business entities</u>	<u>Other debt</u> <u>securities</u>	<u>Total</u>
	million VND	million VND	million VND	million VND	million VND	million VND
Opening balance	391,867	-	62,164	1,390,677	-	1,844,708
Provision charged/(reversed) for the year (see Note 32)	(84,242)	-	102,332	2,038,670	-	2,056,760
Provision utilised for the year	-	-	-	(811,239)	-	(811,239)
<b>Closing balance</b>	<b>307,625</b>	<b>-</b>	<b>164,496</b>	<b>2,618,108</b>	<b>-</b>	<b>3,090,229</b>

**12. PROVISIONS FOR IMPAIRMENT OF INVESTMENT SECURITIES (Continued)**

Movement in provisions for impairment of investment securities for the year ended 31 December 2015 is as follows:

	Provision for available-for-sale investment securities			Provision for held-to-maturity investment securities		Total million VND
	Debt securities issued by unlisted business entities		Equity securities	Debt securities issued by unlisted business entities		
	million VND	Other debt securities million VND	million VND	million VND	Other debt securities million VND	
Prior year's opening balance	240,267	-	15,990	387,153	-	643,410
Provision charged/(reversed) for the year (see Note 32)	151,600	-	(18,263)	1,437,718	-	1,571,055
Provision utilised for the year	-	-	-	(434,194)	-	(434,194)
Reclassification	-	-	64,437	-	-	64,437
<b>Prior year's closing balance</b>	<b>391,867</b>	<b>-</b>	<b>62,164</b>	<b>1,390,677</b>	<b>-</b>	<b>1,844,708</b>

***Detail of provisions for impairment of debt securities of unlisted business entities***

Movement in provisions for impairment of debt securities of unlisted business entities for the year ended 31 December 2016 is as follows:

	General provision million VND	Specific provision million VND	Total million VND
<b>Opening balance</b>	<b>394,767</b>	<b>1,387,776</b>	<b>1,782,543</b>
Provision (reversed)/charged for the year	(84,241)	2,038,670	1,954,429
Provision utilised for the year	-	(811,239)	(811,239)
<b>Closing balance</b>	<b>310,526</b>	<b>2,615,207</b>	<b>2,925,733</b>

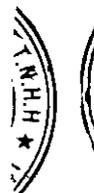
**12. PROVISIONS FOR IMPAIRMENT OF INVESTMENT SECURITIES (Continued)**

Movement in provisions for impairment of debt securities of unlisted business entities for the year ended 31 December 2015 is as follows:

	<u>General provision</u> million VND	<u>Specific provision</u> million VND	<u>Total</u> million VND
<b>Prior year's opening balance</b>	<b>243,168</b>	<b>384,252</b>	<b>627,420</b>
Provision reversed for the year	151,599	1,437,718	1,589,317
Provision utilised for the year	-	(434,194)	(434,194)
<b>Prior year's closing balance</b>	<b>394,767</b>	<b>1,387,776</b>	<b>1,782,543</b>

**13. CAPITAL CONTRIBUTION, LONG-TERM INVESTMENTS**

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
Investments in joint ventures	2,774,766	2,782,845
Other long-term investments	430,445	1,131,164
Provisions for impairment of long-term investments	(2,574)	(21,695)
	<b>3,202,637</b>	<b>3,892,314</b>



13. CAPITAL CONTRIBUTION, LONG-TERM INVESTMENTS (Continued)

Investments in joint ventures

Details of investments in joint ventures of the Bank as at the balance sheet date are as follows:

	Closing balance			Opening balance				
	Cost in original currency	Cost equivalent	Net value of investment using equity method	Proportion of ownership interest	Cost in original currency	Cost equivalent	Net value of investment using equity method	Proportion of ownership interest
	USD	million VND	million VND	%	USD	million VND	million VND	%
Indovina Bank Ltd.	96,500,000	1,688,788	2,590,905	50	96,500,000	1,688,788	2,464,219	50
Vietinbank Aviva Life Insurance Company Limited	Non-applicable	400,000	183,861	50	Non-applicable	400,000	318,626	50
		<b>2,088,788</b>	<b>2,774,766</b>			<b>2,088,788</b>	<b>2,782,845</b>	

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 remain unchanged. As at 31 December 2016, Indovina Bank Ltd.'s charter capital was USD 193,000,000.

VietinBank Aviva Life Insurance Company Limited was established in Vietnam, with the head office located in Hanoi. Its principal activities are providing life insurance services, health insurance services, reinsurance services and investing in some sectors such as bonds, securities, real estate, capital contribution, etc. ... 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 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.

**14. TANGIBLE FIXED ASSETS**

Movement in tangible fixed assets for the year ended 31 December 2016 is as follows:

	<b>Buildings, structures</b>	<b>Machinery, equipment</b>	<b>Motor vehicles</b>	<b>Others</b>	<b>Total</b>
	<b>million VND</b>	<b>million VND</b>	<b>million VND</b>	<b>million VND</b>	<b>million VND</b>
<b>Cost</b>					
Opening balance	4,351,033	4,243,435	997,730	154,140	9,746,338
Acquisitions during the year	1,646,667	197,398	181,476	55,612	2,081,153
Transfer from construction in progress	713,903	14,799	3,528	5,523	737,753
Other additions	28,501	1,806	770	-	31,077
Disposals	(16,401)	(26,541)	(8,451)	(1,389)	(52,782)
Reclassification	(421)	1,900	-	(1,709)	(230)
Other decreases	(2,918)	(1,553)	(111)	(398)	(4,980)
<b>Closing balance</b>	<b>6,720,364</b>	<b>4,431,244</b>	<b>1,174,942</b>	<b>211,779</b>	<b>12,538,329</b>
<b>Accumulated depreciation</b>					
Opening balance	1,170,495	3,425,503	670,409	104,954	5,371,361
Charge for the year	256,275	374,871	116,422	23,898	771,466
Other additions	14,422	927	31	-	15,380
Disposals	(3,456)	(26,524)	(8,446)	(1,495)	(39,921)
Reclassification	(20)	1,716	-	(1,696)	-
Other decreases	(1,194)	(1,134)	(80)	(20)	(2,428)
<b>Closing balance</b>	<b>1,436,522</b>	<b>3,775,359</b>	<b>778,336</b>	<b>125,641</b>	<b>6,115,858</b>
<b>Net book value</b>					
<b>Closing balance</b>	<b>5,283,842</b>	<b>655,885</b>	<b>396,606</b>	<b>86,138</b>	<b>6,422,471</b>
<b>Opening balance</b>	<b>3,180,538</b>	<b>817,932</b>	<b>327,321</b>	<b>49,186</b>	<b>4,374,977</b>

15. INTANGIBLE ASSETS

Movement in intangible assets for the year ended 31 December 2016 is as follows:

	<u>Land use rights</u> million VND	<u>Others</u> million VND	<u>Total</u> million VND
<b>Cost</b>			
Opening balance	4,218,797	872,095	5,090,892
Acquisitions during the year	67,834	16,364	84,198
Other additions	1,840	-	1,840
Disposals	(35,259)	-	(35,259)
Reclassification	230	-	230
Other decreases	(5)	(205)	(210)
<b>Closing balance</b>	<b>4,253,437</b>	<b>888,254</b>	<b>5,141,691</b>
<b>Accumulated amortisation</b>			
Opening balance	181,736	618,366	800,102
Charge for the year	37,964	111,787	149,751
Other additions	64	-	64
Disposals	(886)	-	(886)
Reclassification	-	-	-
Other decreases	-	(187)	(187)
<b>Closing balance</b>	<b>218,878</b>	<b>729,966</b>	<b>948,844</b>
<b>Net book value</b>			
<b>Closing balance</b>	<b>4,034,559</b>	<b>158,288</b>	<b>4,192,847</b>
<b>Opening balance</b>	<b>4,037,061</b>	<b>253,729</b>	<b>4,290,790</b>

16. OTHER RECEIVABLES

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
Construction in progress	5,258,628	5,218,948
Purchases and major repair of fixed assets	1,878,792	2,579,371
External receivables	4,471,507	2,490,062
Internal receivables	964,001	511,214
	<b>12,572,928</b>	<b>10,799,595</b>

**Construction in progress**

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
Constructions in the Northern area	4,954,640	4,467,228
Constructions in the Central area	132,063	416,177
Constructions in the Southern area	171,925	335,543
	<b>5,258,628</b>	<b>5,218,948</b>

**17. OTHER ASSETS**

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
Materials and tools	161,463	144,250
Prepaid expenses (*)	2,844,929	3,208,078
Goodwill (Note 18)	4,537	6,352
Other assets	2,124	1,988
	<b><u>3,013,053</u></b>	<b><u>3,360,668</u></b>

(\*) Prepaid expenses mainly include those of the head office and other office rentals of the Bank, the credit facilities arrangement fee and the carrying amount of 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.

As at 31 December 2016, the Bank does not hold other assets classified as credit risk bearing assets.

**18. 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>Closing balance</u> million VND	<u>Opening balance</u> million VND
Total goodwill	18,149	18,149
Amortisation period	10 years	10 years
Accumulated amortised goodwill as at the beginning of the year	(11,797)	(9,982)
Goodwill not yet amortised at the beginning of the year	6,352	8,167
<b>Goodwill decrease during the year</b>	<b>(1,815)</b>	<b>(1,815)</b>
- Goodwill amortised for the year	(1,815)	(1,815)
<b>Total goodwill not yet amortised at the end of the year</b>	<b><u>4,537</u></b>	<b><u>6,352</u></b>

**19. BORROWINGS FROM THE GOVERNMENT AND THE STATE BANK OF VIETNAM**

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
<b>Borrowings from the SBV</b>	<b>4,808,227</b>	<b>13,205,353</b>
Loans under credit contracts	4,797,369	3,147,931
Discounting and rediscounting valuable papers	-	10,039,754
Borrowings for grants to SOEs	10,858	12,472
Other borrowings	-	5,196
<b>Current accounts held by the State Treasury</b>	<b>190</b>	<b>21,762</b>
- In VND	185	158
- In foreign currency	5	21,604
	<b>4,808,417</b>	<b>13,227,115</b>

**20. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS**

**Placements of other credit institutions**

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
<b>Demand deposits from other credit institutions</b>	<b>23,986,765</b>	<b>5,196,801</b>
- In VND	22,675,898	2,627,269
- In foreign currencies	1,310,867	2,569,532
<b>Term deposits from other credit institutions</b>	<b>17,359,467</b>	<b>38,202,546</b>
- In VND	11,253,000	27,828,501
- In foreign currencies	6,106,467	10,374,045
	<b>41,346,232</b>	<b>43,399,347</b>

**Borrowings from other credit institutions**

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
- In VND	11,980,000	13,090,000
- In foreign currencies	31,825,635	42,679,869
	<b>43,805,635</b>	<b>55,769,869</b>

In the year 2016, the Bank does not have any borrowing which the Bank does not have the ability to repay or the Bank violates the contracts.

**21. DEPOSITS FROM CUSTOMERS**

	<u>Closing balance</u>	<u>Opening balance</u>
	million VND	million VND
<b>Demand deposits</b>	<b>86,007,168</b>	<b>71,433,115</b>
- Demand deposits in VND	72,366,017	59,039,033
- Demand deposits in foreign currencies	13,641,151	12,394,082
<b>Term deposits</b>	<b>548,031,303</b>	<b>404,632,198</b>
- Term deposits in VND	518,598,290	374,945,005
- Term deposits in foreign currencies	29,433,013	29,687,193
<b>Deposits for specific purpose</b>	<b>4,777,797</b>	<b>3,061,924</b>
- Deposits for specific purpose in VND	2,902,435	1,218,004
- Deposits for specific purpose in foreign currencies	1,875,362	1,843,920
<b>Margin deposits</b>	<b>16,243,880</b>	<b>13,832,827</b>
- Margin deposits in VND	15,738,389	13,088,839
- Margin deposits in foreign currencies	505,491	743,988
	<b>655,060,148</b>	<b>492,960,064</b>

**Analysis of deposits from customers by type of business**

	<u>Closing balance</u>	<u>Opening balance</u>
	million VND	million VND
State-owned enterprises	91,619,723	45,294,680
State-owned one-member limited enterprises	52,266,511	38,472,306
Two or more member limited liability enterprises with more than 50% of the State's share-holding	994,156	1,685,370
Other limited companies	19,013,792	14,788,091
Joint stock companies with more than 50% of the State's share-holding	31,467,920	28,237,783
Other joint stock companies	34,306,646	26,420,395
Partnership companies	71,241	41,730
Private companies	2,213,889	1,095,496
Foreign invested enterprises	36,464,620	27,358,408
Cooperatives, cooperative unions	434,301	410,304
Household businesses, individuals	348,446,993	277,282,319
Administrative units, the Party, unions and associations	26,705,147	20,947,746
Others	11,055,209	10,925,436
	<b>655,060,148</b>	<b>492,960,064</b>



**24. OTHER PAYABLES AND LIABILITIES**

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
Internal payables	2,664,669	2,029,586
External payables	100,178,366	33,436,848
Other provisions	237,460	119,176
Bonus and welfare fund	328,947	1,244,593
	<b>103,409,442</b>	<b>36,830,203</b>

**24.1 Details of internal payables**

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
Payables to employees	2,043,300	1,475,064
Others	621,369	554,522
	<b>2,664,669</b>	<b>2,029,586</b>

**24.2 Details of external payables**

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
Payments/receipts on behalf of other organisations	95,217,477	31,213,296
Amount due to customers and deferred payment	246,723	44,055
Corporate income tax payables	200,743	155,920
Other pending payments	822,837	933,961
Fund transfer	4,942	13,727
Other payables relating to securities activities	224,709	303,526
Taxes and fees payable	119,600	83,759
Payables to the SBV from recovery of written-off bad debts	85,290	79,484
Payables relating to trade finance activities	6,000	7,799
Money transfer payables	147,345	94,118
Payables to building constructors	51,735	80,753
Dividends payable	2,606,383	-
Other payables	444,582	426,450
	<b>100,178,366</b>	<b>33,436,848</b>

**25. THE BANK'S OBLIGATIONS TO THE STATE BUDGET**

	<u>Opening balance</u> million VND	<u>Payable in the year</u> million VND	<u>Paid in the year</u> million VND	<u>Closing balance</u> million VND
Value added tax	2,135	277,900	250,002	30,033
Corporate income tax	155,920	1,705,809	1,660,986	200,743
Other taxes	74,815	449,516	444,696	79,635
	<b>232,870</b>	<b>2,433,225</b>	<b>2,355,684</b>	<b>310,411</b>

26. CAPITAL AND RESERVES

Movement in major items of owners' equity

	Charter capital	Share premium	Foreign exchange reserves	Investment and development fund	Financial supplementary reserve fund	Capital reserve	Retained earnings	Non-controlling interest	Total
	million VND	million VND	million VND	million VND	million VND	million VND	million VND	million VND	million VND
<b>Opening balance</b>	<b>37,234,046</b>	<b>8,974,732</b>	<b>441,537</b>	<b>4,424</b>	<b>3,478,726</b>	<b>1,791,882</b>	<b>3,942,373</b>	<b>242,426</b>	<b>56,110,146</b>
Profit for the year	-	-	-	-	-	-	6,837,866	19,984	6,857,850
Appropriation to reserves for the current year	-	-	-	10,178	688,111	348,373	(1,046,662)	(2,073)	(2,073)
Dividends payment	-	-	-	-	-	-	(2,606,383)	-	(2,606,383)
Reclassification of funds	-	-	-	33,702	(33,702)	-	-	-	-
Utilisation of reserves in the year	-	-	-	-	(2,743)	-	-	-	(2,743)
Capital increase from share issuance of subsidiaries in the year	-	-	-	-	-	50,601	(50,601)	-	-
Increase from translation of financial statements for consolidation purpose	-	-	38,474	-	90	-	-	-	38,564
Others	-	(11)	-	-	(2,744)	-	6,801	(4)	4,042
<b>Closing balance</b>	<b>37,234,046</b>	<b>8,974,721</b>	<b>480,011</b>	<b>48,304</b>	<b>4,127,736</b>	<b>2,190,856</b>	<b>7,083,394</b>	<b>260,333</b>	<b>60,399,403</b>

As at 31 December 2016, the Bank made temporary appropriation to reserves and profit distribution based on the operating result in 2015. Official decision on reserve appropriation of the year 2016 shall be made in the annual General Meeting of Shareholders.

The Resolution No. 716/NQ-HDQT-NHCT44 dated 30 December 2016 issued by the Board of Directors approved 2015 cash dividends payment at the rate of 7% per share, equivalent to VND 700 per ordinary share. On 16 February 2017, the Bank actually made the cash dividends payment to its shareholders.

26. CAPITAL AND RESERVES (Continued)

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

	Closing balance		Opening balance	
	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	8,974,721	non-applicable	8,974,732
	<b>3,723,404,556</b>	<b>46,208,767</b>	<b>3,723,404,556</b>	<b>46,208,778</b>

Details of the Bank's shares are as follows:

	Closing balance	Opening balance
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

Basic earnings per share:

Earnings for the purpose of calculating basic earnings per share

	Current year million VND	Prior year million VND
Profit after corporate income tax	6,837,866	5,697,921
Appropriation to bonus and welfare fund for the current year (*)	(1,412,266)	(1,140,000)
<b>Profit for the year attributable to equity holder</b>	<b>5,425,600</b>	<b>4,557,921</b>

(\*): Appropriation to bonus and welfare fund for the previous year was reduced by VND 60,000 million in accordance with the approval of 2016 General Meeting of Shareholders dated 26 April 2016. Appropriation to bonus and welfare fund for the current year is the Board of Management's estimate, the actual figure could be subject to change in accordance with the approval of 2017 General Meeting of Shareholders.

Number of shares for the purpose of calculating basic earnings per share

	Current year Share	Prior year Share
Number of ordinary shares issued carried forward from previous year	3,723,404,556	3,723,404,556
Influence of ordinary shares issued in the year	-	-
<b>Weighted average number of ordinary shares for the purpose of calculating basic earnings per share</b>	<b>3,723,404,556</b>	<b>3,723,404,556</b>

Earnings per share

	Current year VND	Prior year VND
Basic earnings per share	1,457	1,224

**27. INTEREST AND SIMILAR INCOME**

	<u>Current year</u> million VND	<u>Prior year</u> million VND
Interest from deposits	1,361,746	1,517,608
Interest from loans to customers	41,574,019	31,702,025
Interest from debt securities	8,958,282	8,524,178
Income from guarantee services	571,482	393,602
Interest income from finance leases	188,625	156,199
Other income from credit activities	336,544	178,119
	<b><u>52,990,698</u></b>	<b><u>42,471,731</u></b>

**28. INTEREST AND SIMILAR EXPENSES**

	<u>Current year</u> million VND	<u>Prior year</u> million VND
Interest expense on deposits	26,394,962	20,124,990
Interest expense on borrowings	2,675,173	2,609,950
Interest expense on valuable papers issued	1,405,656	773,922
Expense on other credit activities	109,915	123,884
	<b><u>30,585,706</u></b>	<b><u>23,632,746</u></b>

**29. NET GAIN FROM SERVICES**

	<u>Current year</u> million VND	<u>Prior year</u> million VND
<b>Income from services</b>	<b>3,334,497</b>	<b>2,650,863</b>
Income from remittance services	1,618,757	1,303,888
Income from trust and agency services	84,960	52,142
Others	1,630,780	1,294,833
<b>Expense for services</b>	<b>1,636,472</b>	<b>1,190,961</b>
Expense for remittance services	251,185	117,673
Expense for trust and agency services	16,225	5,720
Expense for treasury services	182,301	171,439
Others	1,186,761	896,129
<b>Net profit from services</b>	<b><u>1,698,025</u></b>	<b><u>1,459,902</u></b>

**30. NET GAIN FROM TRADING FOREIGN CURRENCIES**

	<u>Current year</u>	<u>Prior year</u>
	million VND	million VND
<b>Income from trading foreign currencies</b>	<b>4,196,092</b>	<b>3,033,835</b>
- Income from spot trading foreign currencies	1,872,548	1,631,684
- Income from trading gold	1,171,482	622,842
- Income from trading derivative financial instruments	1,152,062	779,309
<b>Expense for trading foreign currencies</b>	<b>3,510,953</b>	<b>3,014,068</b>
- Expenses for spot trading foreign currencies	902,248	851,493
- Expenses for trading gold	1,159,432	617,901
- Expense for currency trading derivative financial instruments	1,449,273	1,544,674
<b>Net gain from trading foreign currencies</b>	<b>685,139</b>	<b>19,767</b>

**31. NET GAIN FROM TRADING SECURITIES**

	<u>Current year</u>	<u>Prior year</u>
	million VND	million VND
Income from trading securities held for trading	225,155	150,895
Expense for trading securities held for trading	(5,810)	(1,102)
Provision charged for impairment of securities held for trading	(35,426)	(20,616)
<b>Net gain from securities held for trading</b>	<b>183,919</b>	<b>129,177</b>

**32. NET GAIN FROM INVESTMENT SECURITIES**

	<u>Current year</u>	<u>Prior year</u>
	million VND	million VND
Income from trading investment securities	63,407	196,161
Expense for trading investment securities	(4,362)	(10,017)
Provision (charged) for impairment of investment securities (see Note 12)	(18,090)	(133,337)
<b>Net gain from investment securities</b>	<b>40,955</b>	<b>52,807</b>



35. OPERATING EXPENSES

	<u>Current year</u> million VND	<u>Prior year</u> million VND
<b>Taxes, fees and charges</b>	<b>36,345</b>	<b>74,570</b>
<b>Staff cost</b>		
- Salaries and allowances	5,843,000	4,725,164
- Salary-based expenses	347,067	271,371
- Other benefits	27,283	43,140
- Other expenses	744,436	452,474
<b>Expenses for fixed assets</b>		
- Depreciation and amortisation expenses	921,217	927,251
- Others	1,228,022	1,117,926
<b>Expenses for operating management</b>		
- Per diem	213,317	173,451
- Expenses for union activities	26,668	25,700
- Others	2,991,682	2,499,702
<b>Insurance premium for customers' deposits</b>	<b>431,509</b>	<b>268,409</b>
<b>Other provision expenses</b>	<b>60,136</b>	<b>140,299</b>
	<u><b>12,870,682</b></u>	<u><b>10,719,457</b></u>

36. CORPORATE INCOME TAX ("CIT") EXPENSES

	<u>Current year</u> million VND	<u>Prior year</u> million VND
<b>Profit before tax</b>	<b>8,569,482</b>	<b>7,345,441</b>
<i>Adjustments for:</i>		
- Non-taxable dividend income	(31,916)	(11,603)
- Profit before tax of subsidiaries	(443,130)	(390,903)
- Income from increase in interest in joint ventures	(73,325)	(11,371)
- Movement in general provision for credit losses of loans for consolidation	532	(127)
- Others	94,789	53,978
<b>Taxable profit of the Holding Bank</b>	<u><b>8,116,432</b></u>	<u><b>6,985,415</b></u>
CIT expense of the Holding Bank on local taxable profit	1,623,286	1,536,791
CIT expense of the Bank on overseas taxable profit	-	8,635
CIT expense of subsidiaries	88,635	83,137
<b>CIT expense on taxable profit</b>	<u><b>1,711,921</b></u>	<u><b>1,628,563</b></u>

**37. CASH AND CASH EQUIVALENTS**

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

	<u>Closing balance</u>	<u>Opening balance</u>
	million VND	million VND
Cash, gold and gemstones (*)	5,187,132	5,090,768
Balances with the State Bank of Vietnam (*)	13,502,594	11,892,969
Current deposits at other credit institutions (*)	40,154,261	15,685,526
Placements with other credit institutions with terms not exceeding 3 months	49,970,962	48,213,459
Securities with maturity or recovery term not exceeding 3 months from the date of purchase	5,000,000	-
	<u><b>113,814,949</b></u>	<u><b>80,882,722</b></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 4, Note 5 and Note 6, respectively.

**38. EMPLOYEES' REMUNERATIONS**

	<u>Current year</u>	<u>Prior year</u>
<b>I. Total number of employees (person) (*)</b>	<b>22,957</b>	<b>21,024</b>
<b>II. Employees' income (million VND)</b>		
1. Total salary fund	5,843,000	4,725,164
2. Bonus	-	-
3. Other allowances	169,113	145,943
4. Total income (1+2+3)	<u>6,012,113</u>	<u>4,871,107</u>
5. Average monthly salary (**)	<u>22.34</u>	<u>19.38</u>
6. Average monthly income (**)	<u>22.99</u>	<u>19.38</u>

(\*) Figures as at 31 December.

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

**39. VALUABLE PAPERS AND ASSETS AS COLLATERALS, MORTGAGES AND DISCOUNTING, RE-DISCOUNTING**

**Valuable papers and assets as collaterals, mortgages and discounting**

	Carrying value at balance sheet date (million VND)	
	Closing balance	Opening balance
Real estate	676,252,304	573,334,087
Movable assets	54,524,968	40,871,174
Valuable papers	111,143,618	109,954,562
Other assets	406,004,900	345,878,561
	<b>1,247,925,790</b>	<b>1,070,038,384</b>

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

As at 31 December 2016, the Bank did not hold any collateral which the Bank is permitted to sell or re-pledge for a third party in the absence of default by the customers (owner of the collaterals) who are able to pay off the debt according to the law.

**40. CONTINGENT LIABILITIES AND COMMITMENTS**

In normal course of business, the Bank uses financial instruments which are related to off-consolidated 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 of 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 signed before issuing L/C or financial guarantees.

The Bank requires margin deposits to cover the 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 customers as assessed by the Bank.

**40. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)**

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

**Details of contingent liabilities and commitments as at 31 December 2016:**

	<u>Closing balance</u>	<u>Opening balance</u>
	million VND	million VND
<b>Contingent liabilities</b>	<b>91,030,669</b>	<b>67,035,503</b>
Credit guarantees	2,349,067	5,338,188
Letters of Credit	42,320,738	29,551,935
Other guarantees	46,360,864	32,145,380
<b>Commitments</b>	<b>162,370,081</b>	<b>95,634,299</b>
Foreign exchange transactions commitments	133,764,643	65,296,692
Other commitments	28,605,438	30,337,607

As at 31 December 2016, the Bank classified contingent liabilities based on quality of loans under Circular 02 and Circular 09.

**41. RISK-FREE TRUST AND AGENCY ACTIVITIES**

	<u>Closing balance</u>	<u>Opening balance</u>
	million VND	million VND
Trusted fund from organisations	5,765,752	8,200,424
	<b>5,765,752</b>	<b>8,200,424</b>

**42. 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 2016 are as follows:**

<b>Related parties</b>	<b>Relationship</b>	<b>Transactions</b>	<b>Current year million VND</b>
The State Bank of Vietnam	Direct owner and management	Increase in deposits at the SBV	1,609,625
The State Bank of Vietnam	Direct owner and management	Decrease in borrowings from the SBV	(8,397,126)
Indovina Bank Ltd.	Joint venture	Increase in deposits from Indovina	4,003,724
Indovina Bank Ltd.	Joint venture	Increase in deposits from Indovina	1,320,545
Vietinbank Aviva Life Insurance Company Ltd.	Joint venture	Decrease in deposits from Aviva	(47,941)

**Significant balances with related parties as at 31 December 2016 are as follows:**

<b>Related parties</b>	<b>Relationship</b>	<b>Transactions</b>	<b>Receivables million VND</b>	<b>Payables million VND</b>
The State Bank of Vietnam	Direct owner and management	Demand deposits and compulsory reserves	13,502,594	-
The State Bank of Vietnam	Direct owner and management	Borrowings	-	4,808,227
Indovina Bank Ltd.	Joint venture	Deposits from Indovina	-	4,239,457
Indovina Bank Ltd.	Joint venture	Deposits at Indovina	4,003,724	-
Vietinbank Aviva Life Insurance Company Ltd.	Joint venture	Deposits from Aviva	-	146,869

**43. GEOGRAPHICAL STRUCTURE OF ASSETS, LIABILITIES AND OFF-CONSOLIDATED BALANCE SHEET ITEMS**

**As at 31 December 2016:**

	<u>Total loan balance</u>	<u>Total placements (assets)</u>	<u>Total deposits (liabilities)</u>	<u>Credit commitments</u>	<u>Derivatives (Difference between debit - credit)</u>	<u>Trading and investment securities (Difference between debit - credit)</u>
	million VND	million VND	million VND	million VND	million VND	million VND
Domestic	660,082,641	102,556,092	692,433,062	90,853,242	682,690	139,291,585
Overseas	5,342,609	1,978,330	3,973,508	177,427	-	-
	<b>665,425,250</b>	<b>104,534,422</b>	<b>696,406,570</b>	<b>91,030,669</b>	<b>682,690</b>	<b>139,291,585</b>

**44. 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.

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44. SEGMENT REPORT (Continued)

Business segment report

NO. ITEMS	Banking financial services		Non-banking financial services		Others		Off-set		Total
	million VND		million VND		million VND		million VND		
<b>I. Income</b>	<b>60,951,148</b>	<b>1,335,713</b>	<b>1,456,972</b>	<b>(237,181)</b>	<b>63,506,652</b>				
1. Interest and similar income	52,626,389	346,981	106,625	(89,297)	52,990,698				
- External interest and similar income	52,556,600	335,220	98,878	-	52,990,698				
- Internal interest and similar income	69,789	11,761	7,747	(89,297)	-				
2. Income from services	2,552,924	887,521	24,408	(130,356)	3,334,497				
3. Other income	5,771,835	101,211	1,325,939	(17,528)	7,181,457				
<b>II. Expenses</b>	<b>(47,623,472)</b>	<b>(1,163,563)</b>	<b>(1,359,389)</b>	<b>231,358</b>	<b>(49,915,066)</b>				
1. Interest and similar expenses	(30,631,689)	(31,702)	(13,665)	91,350	(30,585,706)				
- External interest and similar expenses	(30,570,061)	(4,033)	(11,612)	-	(30,585,706)				
- Internal interest and similar expenses	(61,628)	(27,669)	(2,053)	91,350	-				
2. Depreciation and amortisation expenses	(908,907)	(7,247)	(5,063)	-	(921,217)				
3. Expenses related to operating business	(16,082,876)	(1,124,614)	(1,340,661)	140,008	(18,408,143)				
<b>Net profit from operating activities before credit provision expenses</b>	<b>13,327,676</b>	<b>172,150</b>	<b>97,583</b>	<b>(5,823)</b>	<b>13,591,586</b>				
<b>Provision expenses for credit losses</b>	<b>(5,009,505)</b>	<b>(10,992)</b>	<b>(1,607)</b>	<b>-</b>	<b>(5,022,104)</b>				
<b>Segment profit before tax</b>	<b>8,318,171</b>	<b>161,158</b>	<b>95,976</b>	<b>(5,823)</b>	<b>8,569,482</b>				
Current corporate income tax expense	(1,642,110)	(48,430)	(21,381)	-	(1,711,921)				
Deferred tax expense	-	289	-	-	289				
<b>Segment profit after corporate income tax</b>	<b>6,676,061</b>	<b>113,017</b>	<b>74,595</b>	<b>(5,823)</b>	<b>6,857,850</b>				
<b>III. Assets</b>	<b>949,489,135</b>	<b>4,556,952</b>	<b>1,921,656</b>	<b>(7,268,720)</b>	<b>948,699,023</b>				
1. Cash on hand	5,155,469	3,324	28,339	-	5,187,132				
2. Fixed assets	10,509,410	57,880	48,028	-	10,615,318				
3. Other assets	933,824,256	4,495,748	1,845,289	(7,268,720)	932,896,573				
<b>IV. Liabilities</b>	<b>889,157,815</b>	<b>1,830,120</b>	<b>542,687</b>	<b>(3,231,002)</b>	<b>888,299,620</b>				
1. External liabilities	886,648,726	1,373,865	519,897	(3,231,002)	885,311,486				
2. Internal liabilities	2,509,089	456,255	22,790	-	2,988,134				

**44. SEGMENT REPORT (Continued)**

**Geographical segment report**

NO. ITEMS	Northern (*)	Southern	Others	Off-set	Total
	million VND	million VND	million VND	million VND	million VND
<b>I. Segment profit before tax</b>	<b>3,767,338</b>	<b>3,393,000</b>	<b>1,409,144</b>	<b>-</b>	<b>8,569,482</b>
Current corporate income tax expense	(1,694,172)	(1,360)	(16,389)	-	(1,711,921)
Deferred tax expense	289	-	-	-	289
<b>II. Segment profit after corporate income tax</b>	<b>2,073,455</b>	<b>3,391,640</b>	<b>1,392,755</b>	<b>-</b>	<b>6,857,850</b>
<b>III. Segment assets</b>	<b>594,891,924</b>	<b>288,307,301</b>	<b>72,768,518</b>	<b>(7,268,720)</b>	<b>948,699,023</b>
<b>IV. Segment liabilities</b>	<b>537,845,292</b>	<b>283,392,081</b>	<b>70,293,249</b>	<b>(3,231,002)</b>	<b>888,299,620</b>

(\*) As at 31 December 2016, the Head Office in the Northern region calculated and paid corporate income tax for all Bank's branches.

**45. 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 to 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 include cash, gold and gemstones, balances 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 properly 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

**45. FINANCIAL INSTRUMENTS (Continued)**

**Financial assets (Continued)**

- ✓ 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.

• *Held-to-maturity investments:*

Held-to-maturity investments are non-derivative financial assets with fixed or 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 that are 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 because of 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.

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**45. FINANCIAL INSTRUMENTS (Continued)**

**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 institutions, valuable papers issued, other payables and payables under currency derivative contracts.

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 realise 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 to support the safe and steady growth of business activities.

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.

**45. FINANCIAL INSTRUMENTS (Continued)**

**The risk management policy related to financial instruments (Continued)**

In 2016, the Bank has continued to implement sub-projects on fund management, risk management within the Basel II Project in order to comprehensively enhance the risk management system as described in Basel II.

Moreover, the Bank has continued to complete its policies system in 5 levels, namely: (i) general policy regime, (ii) detailed policies, (iii) guidance documents on policies, (iv) general processes, (v) detailed processes for each product in order to ensure consistency and overall effectiveness of the policy system.

The activities related to the Bank's financial instruments including foreign exchange trading products, gold trading, cross currency swaps, interest rate swaps etc. mainly serve the demands of corporate customers in the preferential and key sectors and corporate and individual customers that have strong financial conditions. In addition, to ensure management of liquidity risk, interest rate risk as well as profit maximization, in the year 2016, the Bank has enhanced the investment in highly liquid assets such as Credit Institution bonds with more attractive interest rate but not much riskier than Government bonds and Government Treasury bills as newly invested bonds are guaranteed by the Government.

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

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

**Credit risk management:** Management activities of credit risk of the Banks are deployed through standardized models to organize, create and establish risk control limits based on the risk appetite of the Board of Directors, consistent with the business strategy in each period, ensuring secure and sustainable growth targets. Planning activities are standardized in order to appropriately combine growth and risk management. The mechanism and policies system related to activities of credit risk management is standardized under 05 document levels. The Bank is one of the first banks to implement credit risk measuring models under Basel II standards (according to the statistical analysis method) in replacement to the internal credit ratings system (according to expert method previously) and apply in credit approval, loan pricing and efficient customer management. Information technology infrastructure is a priority of investment, to make sure scoring of credit ratings, loan initialising, collateral management, extraction of credit portfolio management information, early warning are performed automatically, with operational errors, processing time reduced and the quality of information improved.

45. FINANCIAL INSTRUMENTS (Continued)

**The risk management policy related to financial instruments (Continued)**

**Management of liquidity risk and interest rate risk:** The Bank has continued to synchronize and improve the liquidity risk and interest risk management model on Banking book according to international practice. The Bank has separated the function and responsibility between Transaction Unit and Risk Management Unit to ensure independence and cross check to mitigate possible risks. The Bank has also issued regulations and processes on liquidity risk and interest rate risk on banking book to ensure consistent implementation. The Asset-Liability Management System (ALM) is also continually operated and upgraded to create standardised data sources and measurement and monitor tools for the management of liquidity risk and interest rate risk.

**Management of currency risk:** The Bank has successfully and simultaneously implanted Treasury model from organisational model, policy document system to supporting tools according to international practices. The Bank has separated the function and responsibility of the Front-to-Back (the Straight Through Process) system to ensure independence and cross check to mitigate possible risks. The Bank uses Treasury Murex 3 system, which is one of the most modern ones, for automatic management of fund under the Straight Through System. The reporting system measure and monitor the risks to ensure complete express of profit to market value, risk measurement to each product/transaction counter and monitoring mechanism of delegation in capital business. On that basis, currency risk reports are periodically sent to the managers and transaction unit to support in decision making process to ensure secure and effective operation.

The policies on currency risk, interest rate risk, credit risk and liquidity risk are analysed in details in Notes 46, 47, 48 and 49.

**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:

45. FINANCIAL INSTRUMENTS (Continued)

	Carrying value (Excluding provisions)		Fair value	
	Closing balance million VND	Opening balance million VND	Closing balance million VND	Opening balance million VND
<b>Financial assets</b>				
Cash, gold and gemstones	5,187,132	5,090,768	5,187,132	5,090,768
Balances with the State Bank of Vietnam	13,502,594	11,892,969	13,502,594	11,892,969
Placements with and loans to other credit institutions	94,469,281	66,018,789	(*)	(*)
	441,257	161,502	363,960	135,498
Trading securities - Equity securities with market price reference	30,606	11,830	(*)	(*)
Trading securities - Equity securities without market price reference	1,502,806	3,200,074	(*)	(*)
Derivative financial instruments and other financial assets	682,690	-	(*)	(*)
Loans to customers	661,987,797	538,079,829	(*)	(*)
Investment securities - Equity securities with market price reference	499,902	274,036	335,048	211,872
Investment securities - Equity securities without market price reference	128,193	-	(*)	(*)
Investment securities - Debt securities	136,688,820	121,594,901	(*)	(*)
Other long-term investments	430,445	1,131,164	(*)	(*)
Other receivables	2,694,038	1,098,294	(*)	(*)
Interest and fee receivables	14,207,830	12,863,853	(*)	(*)
Other assets	1,436	1,320	(*)	(*)
	<b>932,454,827</b>	<b>761,419,329</b>		
<b>Financial liabilities</b>				
Borrowings from the Government and the SBV	4,808,417	13,227,115	(*)	(*)
Deposits and borrowings from other credit institutions	85,151,867	99,169,216	(*)	(*)
Deposits from customers	655,060,148	492,960,064	(*)	(*)
Derivative financial instruments and other financial liabilities institution	-	117,619	(*)	(*)
Valuable papers issued	6,075,468	54,237,247	(*)	(*)
Accrued fee and interest expenses	23,849,453	20,860,497	(*)	(*)
Other payables and liabilities	9,944,825	5,971,380	(*)	(*)
	99,856,373	33,145,285	(*)	(*)
	<b>884,746,551</b>	<b>719,688,423</b>		

(\*) The Bank has not assessed fair value of these financial assets and financial liabilities as at 31 December 2016 since Vietnamese Accounting Standards as well as prevailing regulations have not had specific guidance on the fair value determination of such items.

45. FINANCIAL INSTRUMENTS (Continued)

Classification of financial assets as at 31 December 2016:

	Financial assets				Total
	Held-for-trading	Held-to-maturity	Loans and receivables	Available-for-sale	
	million VND	million VND	million VND	million VND	million VND
Cash, gold and gemstones	5,187,132	-	-	-	5,187,132
Balances with the State Bank of Vietnam	13,502,594	-	-	-	13,502,594
Placements with and loans to other credit institutions	-	-	94,469,281	-	94,469,281
Trading securities	1,974,669	-	-	-	1,974,669
Derivative financial instruments and other financial assets	682,690	-	-	-	682,690
Loans to customers	-	-	661,987,797	-	661,987,797
Investment securities	-	11,743,021	-	125,573,894	137,316,915
Other long-term investments	-	-	-	430,445	430,445
Other receivables	-	-	2,694,038	-	2,694,038
Interest and fee receivables	-	-	14,207,830	-	14,207,830
Other assets	-	-	1,436	-	1,436
	<b>21,347,085</b>	<b>11,743,021</b>	<b>773,360,382</b>	<b>126,004,339</b>	<b>932,454,827</b>

Classification of financial liabilities as at 31 December 2016:

Except for derivative financial instruments which are classified as held-for-trading, all financial liabilities of the Bank as at 31 December 2016 are classified as financial liabilities measured at amortised cost.

**46. 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:*

After the event of Brexit, various major currencies such as USD, GBP, JPY, etc. fluctuated dramatically due to the effect of market behavior, which leads to increase in the USD/VND exchange rate. However, the SBV has taken flexible measures to ensure exchange rate stability.

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

Based on actual data, the growth demand of affiliates and business orientation, Treasury and Financial Planning Department analyses and projects cash inflows and outflows and proposes fund planning projection for each currency unit (in VND, USD, and EUR equivalent) to the Bank's management based on actual cash flows to ensure safety and effectiveness of the whole system. All foreign currency loans are financed through 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 new branches in Germany and Vietinbank Laos Limited. Currency risk for these investments is closely monitored by the Bank through the analysis and forecast of changes in exchange rates of these currencies against VND.

*For foreign currency trading activities:*

Regulations on currency position for each currency unit and stop-loss limits in foreign exchange trading are developed by the Market Risk Management Department at the Head Office and approved by the General Director, which are within the Bank's risk tolerance. The market risk limits are controlled and executed by the Treasury Dealing Department at the Head Office and independently supervised and reported by the Market Risk Management Department. The currency position is managed on a daily basis and hedging strategies are used to ensure that the currency position is maintained within established limits.

46. CURRENCY RISK (Continued)

Carrying amounts of assets and liabilities by currencies as at 31 December 2016 are as follows:

ITEMS	EUR		USD		VND		Other currencies		Total
	equivalent million VND	million VND	equivalent million VND	million VND	equivalent million VND	million VND	equivalent million VND	million VND	
<b>Assets</b>									
Cash, gold and gemstones	120,114	548,152	4,509,333	9,533	5,187,132				
Balances with the State Bank of Vietnam	-	3,091,803	10,410,791	-	13,502,594				
Placements with and loans to other credit institutions (*)	3,334,212	23,820,091	66,652,468	662,510	94,469,281				
Trading securities (*)	-	-	1,974,670	-	1,974,670				
Derivative financial instruments and other financial assets	-	-	682,690	-	682,690				
Loans to customers (*)	2,171,734	78,411,074	581,404,989	-	661,987,797				
Investment securities (*)	-	-	137,316,915	-	137,316,915				
Capital contribution, long-term investments (*)	-	1,688,788	1,516,423	-	3,205,211				
Fixed assets	68,141	-	10,547,177	-	10,615,318				
Other assets (*)	924,406	1,689,985	27,179,420	-	29,793,811				
<b>Total assets</b>	<b>6,618,607</b>	<b>109,249,893</b>	<b>842,194,876</b>	<b>672,043</b>	<b>958,735,419</b>				
<b>Liabilities and owners' equity</b>									
Borrowings from the Government and the SBV	-	-	4,808,417	-	4,808,417				
Deposits and borrowings from other credit institutions	1,367,393	37,875,038	45,908,898	538	85,151,867				
Deposits from customers	3,649,467	41,686,641	609,605,131	118,909	655,060,148				
Grants, trusted funds and borrowings at risk of the credit institution	192,709	5,072,233	808,445	2,081	6,075,468				
Valuable papers issued	-	5,536,450	18,313,003	-	23,849,453				
Other liabilities (*)	1,469,646	1,115,186	110,531,975	-	113,116,807				
Capital and reserves	-	-	60,399,403	-	60,399,403				
<b>Total liabilities and owners' equity</b>	<b>6,679,215</b>	<b>91,285,548</b>	<b>850,375,272</b>	<b>121,528</b>	<b>948,461,563</b>				
<b>Balance sheet currency position</b>	<b>(60,608)</b>	<b>17,964,345</b>	<b>(8,180,396)</b>	<b>550,515</b>	<b>10,273,856</b>				

(\*) Excluding risk provision.

**47. 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 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 deposits, thus the effective interest rate re-pricing term is assumed to be within one month;
- The effective interest rate re-pricing term of trading securities is determined based on the contractual re-pricing term or the re-pricing term in accordance with the regulation on the maximum holding period of the Bank, whichever comes earlier;
- The effective interest rate re-pricing term of placements with and loans to other credit institutions; investment securities; loans to customers; borrowings from the Government and the SBV; deposits and borrowings from other credit institutions; deposits from customers, valuable papers issued, grants, trusted fund and borrowing at risk of the credit institution is determined as follows:
  - Items with fixed interest rate during the contractual period: the effective interest rate re-pricing term is determined from the balance sheet date to maturity date;
  - Items with floating interest rate: the effective interest rate re-pricing term is determined from the 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 mobilised mainly with short interest rate re-pricing term.

47. INTEREST RATE RISK (Continued)

***The Bank's interest rate risk policies (Continued):***

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

***Interest rate risk management***

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

*Interest rate risk management at portfolio level*

- The Bank has been implementing the completed systems of the rules, regulations and procedures of interest rate management in the Bank in accordance with international rules and Basel II regulations; implementing interest rate management under "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 01 month, 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.

VIETNAM JOINT STOCK COMMERCIAL BANK FOR INDUSTRY AND TRADE

47. INTEREST RATE RISK (Continued)

	Non-interest bearing million VND	Overdue					Current					Total million VND	
		Over 3 months	Within 3 months	Within 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years				
<b>Assets</b>													
Cash, gold and gemstones	5,187,132	-	-	-	-	-	-	-	-	-	-	-	5,187,132
Balances with the State Bank of Vietnam	-	-	-	13,502,594	-	-	-	-	-	-	-	-	13,502,594
Placements with and loans to other credit institutions (*)	-	-	-	84,705,564	8,014,627	500,000	1,249,090	-	-	-	-	-	94,469,281
Trading securities (*)	-	-	-	1,974,670	-	-	-	-	-	-	-	-	1,974,670
Derivative financial instruments and other financial assets	-	-	-	682,690	-	-	-	-	-	-	-	-	682,690
Loans to customers (*)	-	6,742,800	5,558,981	522,055,453	95,206,917	26,070,476	1,631,951	1,889,673	2,831,546	661,987,797			
Investment securities (*)	628,095	-	-	15,552,900	24,713,336	7,728,288	9,479,821	56,702,761	22,511,714	137,316,915			
Long-term investments (*)	3,205,211	-	-	-	-	-	-	-	-	3,205,211			
Fixed assets	10,615,318	-	-	-	-	-	-	-	-	10,615,318			
Other assets (*)	29,793,811	-	-	-	-	-	-	-	-	29,793,811			
<b>Total assets</b>	<b>49,429,567</b>	<b>6,742,800</b>	<b>5,558,981</b>	<b>638,473,871</b>	<b>127,934,880</b>	<b>34,298,764</b>	<b>12,360,862</b>	<b>58,592,434</b>	<b>25,343,260</b>	<b>958,735,419</b>			
<b>Liabilities</b>													
Borrowings from the Government and the SBV	-	-	-	241,271	1,065,455	1,270,540	2,231,151	-	-	4,808,417			
Deposits and borrowings from other credit institutions	-	-	-	51,471,241	18,693,292	12,394,257	2,593,077	-	-	85,151,867			
Deposits from customers	-	-	-	213,934,130	154,326,414	136,822,162	141,733,340	8,242,620	1,482	655,060,148			
Grants, trusted funds and borrowings at risk of the credit institutions	-	-	-	3,286	1,410	3,285,897	15,000	2,769,875	-	6,075,468			
Valuable papers issued	-	-	-	187	10,508	5,538,758	-	18,300,000	-	23,849,453			
Other liabilities (*)	113,116,807	-	-	-	-	-	-	-	-	113,116,807			
<b>Total liabilities</b>	<b>113,116,807</b>	-	-	<b>265,650,115</b>	<b>174,097,079</b>	<b>159,311,614</b>	<b>146,572,568</b>	<b>29,312,495</b>	<b>1,482</b>	<b>888,062,160</b>			
<b>Balance sheet net interest gap</b>	<b>(63,687,240)</b>	<b>6,742,800</b>	<b>5,558,981</b>	<b>372,823,756</b>	<b>(46,162,199)</b>	<b>(125,012,850)</b>	<b>(134,211,706)</b>	<b>29,279,939</b>	<b>25,341,778</b>	<b>70,673,259</b>			

(\*) Excluding risk provision.



**48. 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 fulfill 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 limits 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 2016 is presented below:

	<b>Overdue</b>			
	<b>Within 90 days</b>	<b>91-180 days</b>	<b>181-360 days</b>	<b>Over 360 days</b>
	<b>million VND</b>	<b>million VND</b>	<b>million VND</b>	<b>million VND</b>
Loans to customers	428,085	134,849	95,805	986,982

The Bank is currently holding collaterals in the forms of real estate, movable assets, valuable papers and others in kind 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, these assets' values are measured in accordance with Circular 02 and Circular 09 (see Note 39).

**49. 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 mobilise 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 the Board of Management to best remain the Bank's solvency in a safe and effective way.

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

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

- Balance with the State Bank of Vietnam is considered as 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 are 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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**49. LIQUIDITY RISK (Continued)**

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

Based on the projection of capital adequacy, the Treasury Dealing Department creates the Bank's liquidity buffer through purchasing highly liquid valuable papers, which could be converted into cash on the secondary market. The Treasury Dealing Department may decide to sell valuable papers to the SBV in the open market, or to borrow to replenish working capital's deficiency to ensure liquidity position of the whole system.

Based on the SBV's regulations, the Treasury and Financial Planning Department in cooperation with the Treasury Dealing Department proposes available fund management plan in order to assure that the actual average balance of deposits in VND and foreign currencies at the SBV is not less than the required level of compulsory reserve. Besides, the Bank also establishes credit limit with other banks and other credit institutions for mutual support when needed. The Market Risk Management Department acts as an independent supervisor to ensure that the liquidity risks are managed and comply with the regulations and procedures on the liquidity management of the Bank.

The process of capital adequacy of the Bank is performed in the INCAS, the interbank payment program CITAD. On the basis of centralised payment at the Head Office, the Bank actively performs liquidity risk management on a daily basis. Currently, the Bank is promptly completing and developing the procedures as well as applying and upgrading software for risk management in accordance with international standards.

The data in the Liquidity Risk Report as at 31 December 2016 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.

11/11/2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49. LIQUIDITY RISK (Continued)

	Overdue		Current					Total million VND
	Over 3 months	Within 3 months	Within 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	
	million VND	million VND	million VND	million VND	million VND	million VND	million VND	
<b>Assets</b>								
Cash, gold and gemstones	-	-	5,187,132	-	-	-	-	5,187,132
Balances with the State Bank of Vietnam	-	-	13,502,594	-	-	-	-	13,502,594
Placements with and loans to other credit institutions (*)	-	-	84,705,564	8,014,627	1,749,090	-	-	94,469,281
Trading securities (*)	-	-	1,974,670	-	-	-	-	1,974,670
Derivative financial instruments and other financial assets	-	-	682,690	-	-	-	-	682,690
Loans to customers (*)	6,742,800	5,558,981	39,113,708	142,685,332	228,533,135	147,136,111	92,217,730	661,987,797
Investment securities (*)	-	-	5,908,654	4,370,135	9,505,290	90,448,556	27,084,280	137,316,915
Long-term investments (*)	-	-	-	-	-	-	3,205,211	3,205,211
Fixed assets	-	-	-	-	-	-	-	10,615,318
Other assets (*)	-	-	-	-	-	-	29,793,811	29,793,811
<b>Total assets</b>	<b>6,742,800</b>	<b>5,558,981</b>	<b>151,075,012</b>	<b>155,070,094</b>	<b>239,787,515</b>	<b>237,584,667</b>	<b>162,916,350</b>	<b>958,735,419</b>
<b>Liabilities</b>								
Borrowings from the Government and the SBV	-	-	241,271	1,065,455	3,501,691	-	-	4,808,417
Deposits and borrowings from other credit institutions	-	-	39,796,177	11,658,728	19,761,540	13,703,465	231,957	85,151,867
Deposits from customers	-	-	105,124,731	154,326,414	278,555,502	117,037,116	16,385	655,060,148
Grants, trusted funds and borrowings at risk of the credit institution	-	-	3,286	1,410	15,000	3,304,154	2,751,618	6,075,468
Valuable papers issued	-	-	187	10,508	5,538,758	-	18,300,000	23,849,453
Other liabilities (*)	-	-	60,236,360	6,092,392	9,132,636	37,380,272	275,147	113,116,807
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>205,402,012</b>	<b>173,154,907</b>	<b>316,505,127</b>	<b>171,425,007</b>	<b>21,575,107</b>	<b>888,062,160</b>
<b>Net liquidity difference</b>	<b>6,742,800</b>	<b>5,558,981</b>	<b>(54,327,000)</b>	<b>(18,084,813)</b>	<b>(76,717,612)</b>	<b>66,159,660</b>	<b>141,341,243</b>	<b>70,673,259</b>

(\*) Excluding risk provision.

**50. CAPITAL AND OPERATING LEASE COMMITMENTS**

	<u>Closing balance</u>	<u>Opening balance</u>
	million VND	million VND
Capital commitments: office construction and equipment acquisition	908,016	935,197
Irrevocable operating lease commitments	<u>581,233</u>	<u>507,670</u>
Of which:		
- due within one year	141,147	126,607
- due from two to five years	348,999	325,948
- due after five years	91,087	55,115

**51. CONTINGENT LIABILITIES**

As at 31 December 2016, 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. As at 07 January 2015, the Appeal Court of People's Supreme Court at Ho Chi Minh City ("the Appeal Court") had judged the case, sentencing the accused for swindling to appropriate assets and certain other crimes, simultaneously reaching a verdict on judgment against the accused members. In terms of civil responsibilities, Huynh Thi Huyen Nhu was responsible for reimbursement to three (03) banks, four (04) companies and three (03) individuals which were defrauded by her and the Bank neither has compensation obligations, joint liability nor incurs any financial loss with regards to the illegal actions of the accused members mentioned above. The Appeal Court has ceased the first instance judgment in part relating to Huynh Thi Huyen Nhu's illegal actions to five (05) other companies and has been re-investigating and judging as regulated by laws. Accordingly, the responsibilities and legal obligations of the parties concerned shall be defined only when the case has been re-investigated and tried with effective judgment and verdict. However, based on the results of the reconciliation, examination and cross-check procedures performed as well as the investigation and judgement results which the Bank is aware of up to the reporting date, the Bank's management believes that the Bank neither has joint liability nor incurs any financial loss with regards to the illegal actions of the accused individuals mentioned above.

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**52. OTHER COMMITMENT**

On 22 May 2015, the Bank and Petrolimex Joint Stock Commercial Bank ("PG Bank") signed the Merger agreement under approval by the General Shareholders' Meeting according to Resolution No. 14/NQ-DHDCD dated 14 April 2015. On 27 April 2016, the Bank and PG Bank signed the Merger agreement replacing the Merger agreement which was signed on 22 May 2015 under approval by the General Shareholders' Meeting according to Resolution No. 15/NQ-DHDCD dated 26 April 2016. Up to the reporting date, the Bank and PG Bank have been implementing the procedures for the State authorities' approval for the merger.

**53. SUBSEQUENT EVENTS**

Except for the cash dividends payment on 16 February 2017 which is presented in Note 26, there is no other subsequent event that needs to be presented in these consolidated financial statements.

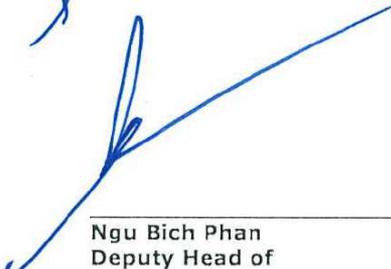
**54. NOTES TO CHANGES IN PROFIT**

The increase in net profit after tax of the Bank in the year 2016 by VND 1,140 billion (equivalent to 20%) in comparison to that in the year 2015, was driven by a VND 1,224 billion increase in its profit before tax for the same period, increased by 17% in comparison to that in the year 2015. The increase mainly comes from the following items:

	<b>Impact</b>	
	<u><b>Absolute value</b></u> million VND	<u><b>Relative value</b></u> %
<b>Items of significant movement</b>		
Increase in Net gain from trading foreign currencies	665,372	9.06%
Increase in Net profit from services	238,123	3.24%
Increase in Income from capital contribution, equity investments	109,515	1.49%

55. EXCHANGE RATES OF SOME FOREIGN CURRENCIES AT THE BALANCE SHEET DATE

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
USD	22,159	21,890
EUR	23,780	24,560
GBP	27,911	33,303
CHF	22,215	22,695
JPY	193.46	186.61
SGD	15,617	15,893
CAD	16,835	16,193
AUD	16,338	16,401
NZD	15,694	15,390
THB	626.86	612.78
SEK	2,483	2,672
NOK	2,618	2,560
DKK	3,201	3,292
HKD	2,916	2,899
CNY	3,247	3,451
KRW	18.64	19.13
LAK	2.78	2.76
MYR	5,042	5,238

Preparer   
  
 Ngu Bich Phan  
 Deputy Head of  
 Financial Accounting  
 Management Department

30 March 2017

Approver

  
 Nguyen Hai Hung  
 Chief Accountant



  
 Le Nhu Hoa  
 Deputy General Director

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