

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

*(Incorporated in the Socialist Republic of Vietnam)*

**REVIEWED CONSOLIDATED  
FINANCIAL STATEMENTS**

**For the period from 01 January 2014 to 30 June 2014**

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

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## **STATEMENT OF THE BOARD OF MANAGEMENT**

The Board of Management of Vietnam Joint Stock Commercial Bank for Industry and Trade (the “Bank”) presents this report together with consolidated financial statements of the Bank and its subsidiaries for the period from 01 January 2014 to 30 June 2014.

### **BOARDS OF DIRECTORS AND MANAGEMENT**

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

#### **Board of Directors**

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

#### **Board of Management**

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

**STATEMENT OF THE BOARD OF MANAGEMENT (Continued)**

**BOARD OF MANAGEMENT'S STATEMENT OF RESPONSIBILITY**

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

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

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

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

For and on behalf of the Board of Management,



**Le Duc Tho**  
**General Director**

*Hanoi, 27 August 2014*

No.: 341 /VNIA-HN-BC

## REVIEW REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

**To:** The shareholders  
The Boards of Directors and Management  
Vietnam Joint Stock Commercial Bank for Industry and Trade

We have reviewed the accompanying consolidated balance sheet as at 30 June 2014, the related consolidated statements of income and cash flow for the period from 01 January 2014 to 30 June 2014 and the notes thereto (collectively referred to as the “consolidated financial statements”) of Vietnam Joint Stock Commercial Bank for Industry and Trade and its subsidiaries (the “Bank”) prepared on 27 August 2014, as set out from page 4 to page 75. The preparation of these consolidated financial statements is the responsibility of the Bank’s management. Our responsibility is to issue a review report on these consolidated financial statements based on our review.

We conducted our review in accordance with Vietnamese Standard on Auditing No. 910 - Engagements to review financial statements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the consolidated financial statements are free of material misstatements. A review is limited primarily to inquiries of the Bank’s personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

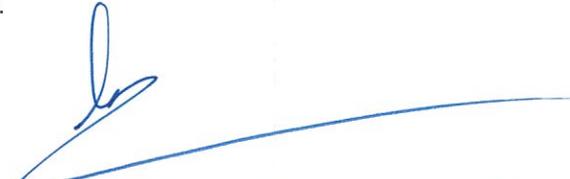
Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true and fair view of, in all material respects, the financial position of the Bank and its subsidiaries as at 30 June 2014, the results of its operations and its cash flows for the period from 01 January 2014 to 30 June 2014 in accordance with Vietnamese Accounting Standards, Accounting regime applicable to credit institutions in Vietnam and legal regulations relating to financial reporting.

Without qualifying our conclusion, we would like to draw attention to Note 50 of the Notes to the consolidated financial statements “Contingent liabilities”. The People’s Court of Ho Chi Minh City prosecuted and sentenced the Bank’s former employees of Ho Chi Minh City branch and Nha Be branch of the Bank (including Huynh Thi Huyen Nhu) for alleged misappropriation of assets by means of fraudulence and other charges in the first instance criminal court. In terms of civil responsibilities, Huynh Thi Huyen Nhu was ordered to pay compensation to the defrauded organisations and individuals victims and the Bank neither has compensation obligations, joint liability nor incurs any financial loss with regards to the illegal actions of these individuals mentioned above. After the first instance criminal court, some of litigating participants appealed against the first-instance judgement. According to the code of criminal legislation and criminal procedure code, the appeal court shall be conducted if the judgment of the first instance court is appealed. Therefore, in this case, the legal responsibilities and obligations of related parties will be determined only when the appeal court has been completed with an effective judgement (until now, the appeal court of the Supreme People’s Court of Vietnam has not yet tried this case). However, based on the result of reconciliation, review and examination procedures conducted up to the date of these consolidated financial statements, the Bank’s management believes that the Bank neither is jointly liable for nor incurs any financial loss with regards to the illegal actions of the above-mentioned individuals.

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

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

27 August 2014  
Hanoi, S.R. Vietnam

  
**Tran Duy Cuong**  
Auditor  
Audit Practising Registration Certificate  
No. 0797-2013-001-1

CONSOLIDATED BALANCE SHEET

As at 30 June 2014

FORM B 02/TCTD-HN  
Unit: Million VND

NO.	ITEMS	Notes	30/6/2014	31/12/2013
<b>A.</b>	<b>ASSETS</b>			
<b>I.</b>	<b>Cash, gold and gemstones</b>	<b>5</b>	<b>4,343,509</b>	<b>2,833,496</b>
<b>II.</b>	<b>Balances with the State Bank of Vietnam ("SBV")</b>	<b>6</b>	<b>18,014,881</b>	<b>10,159,564</b>
<b>III.</b>	<b>Placements with and loans to other credit institutions</b>	<b>7</b>	<b>54,066,164</b>	<b>73,079,476</b>
1.	Placements with other credit institutions		53,420,364	59,520,681
2.	Loans to other credit institutions		645,800	13,661,254
3.	Provision for credit losses of loans to other credit institutions		-	(102,459)
<b>IV.</b>	<b>Trading securities</b>	<b>11</b>	<b>3,494,314</b>	<b>655,067</b>
1.	Trading securities		3,497,800	657,693
2.	Provisions for impairment of trading securities		(3,486)	(2,626)
<b>V.</b>	<b>Derivative financial instruments and other financial assets</b>	<b>8</b>	<b>-</b>	<b>164,334</b>
<b>VI.</b>	<b>Loans to customers</b>		<b>372,499,172</b>	<b>372,988,742</b>
1.	Loans to customers	9	377,992,284	376,288,968
2.	Provisions for credit losses of loans to customers	10	(5,493,112)	(3,300,226)
<b>VII.</b>	<b>Investment securities</b>	<b>12</b>	<b>109,097,493</b>	<b>82,360,193</b>
1.	Available-for-sale investment securities		106,766,907	79,908,691
2.	Held-to-maturity investment securities		2,586,748	2,586,748
3.	Provisions for impairment of investment securities	13	(256,162)	(135,246)
<b>VIII.</b>	<b>Long-term investments</b>	<b>14</b>	<b>3,727,302</b>	<b>3,755,358</b>
1.	Investments in joint-ventures		2,775,896	2,795,383
2.	Other long-term investments		1,029,326	1,040,326
3.	Provisions for impairment of long-term investments		(77,920)	(80,351)
<b>IX.</b>	<b>Fixed assets</b>		<b>7,288,937</b>	<b>7,080,388</b>
1.	Tangible fixed assets	15	3,626,887	3,464,589
a.	Cost		7,890,826	7,328,188
b.	Accumulated depreciation		(4,263,939)	(3,863,599)
2.	Intangible assets	16	3,662,050	3,615,799
a.	Cost		4,191,165	4,078,806
b.	Accumulated amortisation		(529,115)	(463,007)
<b>X.</b>	<b>Other assets</b>		<b>25,104,419</b>	<b>23,291,798</b>
1.	Other receivables	17	11,350,370	10,487,749
2.	Interest and fee receivables		10,272,003	10,035,489
3.	Other assets	18	3,485,925	2,782,048
	- In which: Goodwill	19	9,074	9,982
4.	Provisions for impairment of other assets		(3,879)	(13,488)
	<b>TOTAL ASSETS</b>		<b>597,636,191</b>	<b>576,368,416</b>

The notes set out from pages 9 to 75 are an integral part of these consolidated financial statements

CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2014

FORM B 02/TCTD-HN  
Unit: Million VND

NO. ITEMS	Notes	30/6/2014	31/12/2013
<b>B. LIABILITIES AND OWNERS' EQUITY</b>			
<b>I. Borrowings from the Government and the SBV</b>	<b>20</b>	<b>569,235</b>	<b>147,371</b>
<b>II. Deposits and borrowings from other credit institutions</b>	<b>21</b>	<b>88,388,535</b>	<b>80,464,749</b>
1. Deposits from other credit institutions		47,635,075	31,865,823
2. Borrowings from other credit institutions		40,753,460	48,598,926
<b>III. Deposits from customers</b>	<b>22</b>	<b>377,690,458</b>	<b>364,497,001</b>
<b>IV. Derivative financial instruments and other financial liabilities</b>	<b>8</b>	<b>22,389</b>	<b>-</b>
<b>V. Grants, trusted funds and borrowings at risk of the credit institution</b>	<b>23</b>	<b>31,391,083</b>	<b>32,424,519</b>
<b>VI. Valuable papers issued</b>	<b>24</b>	<b>5,368,838</b>	<b>16,564,766</b>
<b>VII. Other liabilities</b>	<b>25</b>	<b>40,623,807</b>	<b>27,982,425</b>
1. Accrued fee and interest expenses		4,395,982	4,365,827
2. Other payables and liabilities		36,116,800	23,111,685
3. Other provisions		111,025	504,913
<b>TOTAL LIABILITIES</b>		<b>544,054,345</b>	<b>522,080,831</b>
<b>VIII. Capital and reserves</b>	<b>27</b>	<b>53,364,042</b>	<b>54,074,666</b>
1. Capital		46,205,524	46,205,524
a. Charter capital		37,234,046	37,234,046
b. Share premium		8,971,478	8,971,478
2. Reserves		3,379,895	3,374,995
3. Foreign exchange reserves		338,704	317,641
4. Retained earnings		3,439,919	4,176,506
<b>IX. Minority interests</b>	<b>27</b>	<b>217,804</b>	<b>212,919</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>597,636,191</b>	<b>576,368,416</b>

OFF-BALANCE SHEET ITEMS

NO. ITEMS	Notes	30/6/2014	31/12/2013
<b>I. Contingent liabilities</b>	<b>42</b>	<b>54,669,633</b>	<b>46,730,513</b>
1. Loan guarantees		1,895,309	1,421,190
2. L/C guarantees		35,524,598	27,626,059
3. Other guarantees		17,249,726	17,683,264
<b>II. Commitments</b>	<b>42</b>	<b>12,754,600</b>	<b>17,545,621</b>
1. Other commitments		12,754,600	17,545,621

Preparer

Approver

Le Nhu Hoa  
Head of Financial Accounting  
Management Department

Nguyen Hai Hung  
Chief Accountant



Nguyen Van Du  
Deputy General Director

27 August 2014

The notes set out from pages 9 to 75 are an integral part of these consolidated financial statements

**CONSOLIDATED INCOME STATEMENT**

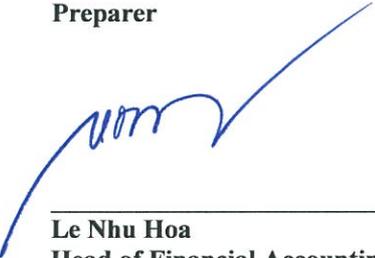
*For the period from 01 January to 30 June 2014*

**FORM B 03/TCTD-HN**  
*Unit: Million VND*

NO. ITEMS	Notes	From 01/10/2014	From 01/01/2013
		to 30/6/2014	to 30/6/2013
1. Interest and similar income	28	20,595,114	22,956,477
2. Interest and similar expenses	29	(11,875,807)	(13,643,347)
<b>I. Net interest income</b>		<b>8,719,307</b>	<b>9,313,130</b>
3. Income from services		1,145,837	938,171
4. Expenses on services		(324,773)	(267,653)
<b>II. Net profit from services</b>	<b>30</b>	<b>821,064</b>	<b>670,518</b>
<b>III. Net gain from trading foreign currencies</b>	<b>31</b>	<b>194,450</b>	<b>75,557</b>
<b>IV. Net gain from trading securities</b>	<b>32</b>	<b>60,364</b>	<b>9,219</b>
<b>V. Net (loss)/gain from investment securities</b>	<b>33</b>	<b>(135,596)</b>	<b>114,999</b>
5. Other operating income		1,007,011	632,606
6. Other operating expenses		(912,473)	(723,998)
<b>VI. Net profit/(loss) from other activities</b>	<b>34</b>	<b>94,538</b>	<b>(91,392)</b>
<b>VII. Income from capital contribution, equity investments</b>	<b>35</b>	<b>95,032</b>	<b>108,806</b>
<b>VIII. Operating expenses</b>	<b>36</b>	<b>(4,259,035)</b>	<b>(4,203,179)</b>
<b>IX. Net profit from operating activities before credit provision expenses</b>		<b>5,590,124</b>	<b>5,997,658</b>
<b>X. Provision expenses for credit losses</b>	<b>37</b>	<b>(1,717,455)</b>	<b>(1,861,098)</b>
<b>XI. Profit before tax</b>		<b>3,872,669</b>	<b>4,136,560</b>
7. Current corporate income tax expenses	38	(848,317)	(1,019,260)
<b>XII. Corporate income tax expenses</b>	<b>38</b>	<b>(848,317)</b>	<b>(1,019,260)</b>
<b>XIII. Profit after corporate income tax</b>		<b>3,024,352</b>	<b>3,117,300</b>
<b>XIV. Minority interests</b>		<b>6,538</b>	<b>7,906</b>
<b>XV. Profit attributable to the owners of the Bank</b>		<b>3,017,814</b>	<b>3,109,394</b>
<b>XVI. Earnings per share (VND)</b>	<b>39</b>	<b>810</b>	<b>1,113</b>

Preparer

Approver

  
Le Nhu Hoa  
Head of Financial Accounting  
Management Department  
27 August 2014

  
Nguyen Hai Hung  
Chief Accountant

  
  
Nguyen Van Du  
Deputy General Director

The notes set out from pages 9 to 75 are an integral part of these consolidated financial statements

**CONSOLIDATED CASH FLOW STATEMENT**

*For the period from 01 January 2014 to 30 June 2014*

**FORM B 04/TCTD-HN**

*Unit: Million VND*

NO. ITEMS	From 01/01/2014 to 30/6/2014	From 01/01/2013 to 30/6/2013
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
01. Interest and similar income	20,350,348	22,512,312
02. Interest and similar expenses	(11,831,971)	(12,150,595)
03. Income from services	819,218	670,518
04. Net gain from trading foreign currencies, gold and securities	319,865	289,855
05. Other expenses	(314,876)	(100,011)
06. Receipts from debts written-off or paid off by risk fund	599,233	485,550
07. Payments to employees and for operating management	(4,735,203)	(5,124,366)
08. Corporate income tax paid	(517,793)	(838,742)
<b>Net cash from operating profit before movements in assets and working capital</b>	<b>4,688,821</b>	<b>5,744,521</b>
<b><i>Movement in operating assets</i></b>	<b><i>10,260,747</i></b>	<b><i>(15,549,935)</i></b>
09. Decrease/(Increase) in deposit at and loans to other credit institutions	13,333,899	(6,406,952)
10. (Increase) in trading securities	(989,989)	(7,693,041)
11. Decrease in derivatives and other financial assets	164,334	74,451
12. (Increase) in loans to customers	(1,706,133)	(1,251,172)
13. (Decrease) in provision for losses	(31,609)	-
14. (Increase) in other operating assets	(509,755)	(273,221)
<b><i>Movement in operating liabilities</i></b>	<b><i>22,865,535</i></b>	<b><i>(1,115,798)</i></b>
15. Increase/(Decrease) in borrowings from the Government and the State Bank of Vietnam	421,864	(2,529,146)
16. Increase/(Decrease) in deposits and borrowings from other credit institutions	7,923,786	(16,029,363)
17. Increase in deposits from customers (including State Treasury)	13,193,457	18,161,748
18. (Decrease)/Increase in valuable papers (excluding valuable papers charged to financial activities)	(11,195,928)	151,295
19. (Decrease) in grants, trusted funds and borrowings at risk of the credit institution	(1,033,435)	(4,777,231)
20. Increase in financial instruments and other financial liabilities	22,389	30,353
21. Increase in other operating liabilities	13,533,437	3,876,546
22. Cash outflows from reserves of the credit institution	(35)	-
<b>I. Net cash from/(used in) operating activities</b>	<b>37,815,103</b>	<b>(10,921,212)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
01. Acquisition of fixed assets	(1,827,888)	(586,397)
02. Proceeds from sales, disposal of fixed assets	2,361	2,286
03. Expenses on sales, disposal of fixed assets	(102)	(4,014)
04. Investment in other entities	-	(139)
05. Proceeds from investments in other entities	11,000	5,000
06. Dividends and profit received from long-term investments and capital contribution	15,678	24,610
<b>II. Net cash (used in) investing activities</b>	<b>(1,798,951)</b>	<b>(558,654)</b>

*The notes set out from pages 9 to 75 are an integral part of these consolidated financial statements*

**CONSOLIDATED CASH FLOW STATEMENT (Continued)**

*For the period from 01 January 2014 to 30 June 2014*

**FORM B 04/TCTD-HN**

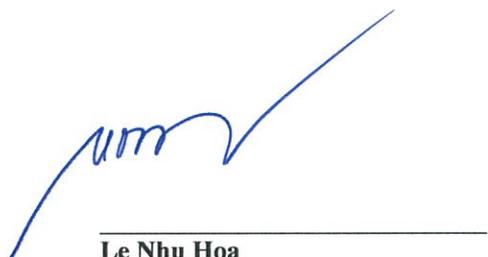
*Unit: Million VND*

NO. ITEMS	From 01/01/2014 to 30/6/2014	From 01/01/2013 to 30/6/2013
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
01. Increase in share capital from issuing stocks	-	15,413,296
02. Dividends paid	(3,723,405)	-
<b>III. Net cash (used in)/from financing activities</b>	<b>(3,723,405)</b>	<b>15,413,296</b>
<b>IV. Net increase in cash</b>	<b>32,292,747</b>	<b>3,933,430</b>
<b>V. Cash and cash equivalents at the beginning of the period</b>	<b>74,215,984</b>	<b>59,313,988</b>
VI. Effects of changes in foreign exchange rates	(954)	(1,904)
<b>VII. Cash and cash equivalents at the end of the period (Note 40)</b>	<b>106,507,777</b>	<b>63,245,514</b>

Preparer

Approver

Approver



Le Nhu Hoa  
 Head of Financial Accounting  
 Management Department

27 August 2014



Nguyen Hai Hung  
 Chief Accountant




Nguyen Van Du  
 Deputy General Director

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FORM B 05/TCTD-HN**

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

**1. GENERAL INFORMATION**

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

**Establishment and operation**

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

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

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

**Charter capital**

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

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

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

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

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

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

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

Accordingly, as at 30 June 2014, the Bank’s charter capital is VND 37,234,046 million.



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

**1. GENERAL INFORMATION (Continued)**

**The branch network**

The Head Office of the Bank is located at 108 Tran Hung Dao Street, Hoan Kiem District, Hanoi, Vietnam. As at 30 June 2014, the Bank has one (01) Head Office, one (01) Main Operation Center, three (03) administrative units, two (02) local representative offices, one (01) overseas representative office in Myanmar and one hundred and fifty two (152) branches (including three (03) overseas branches).

**Subsidiaries**

As at 30 June 2014, the Bank has seven (7) subsidiaries as follows:

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

**Employees**

The total number of employees of the Bank as at 30 June 2014 is 19,503 (as at 31 December 2013: 19,886).

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

**2. ACCOUNTING CONVENTION AND FINANCIAL YEAR**

**Accounting convention**

The accompanying consolidated financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, Accounting regime applicable to credit institutions in Vietnam and legal regulations relating to financial reporting. However, due to the Bank's large scale of operations, for the purpose of preparing these consolidated financial statements, the figures are rounded to and presented in millions of Vietnam Dong (million VND). This presentation does not materially impact the consolidated financial statements in terms of the financial position, results of operations and the cash flows of the Bank and its subsidiaries. With regards to the number of shares and earnings per share, the Bank presented the items in unit as shown in Note 27 and Note 39.

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

**Financial year**

The Bank's financial year begins on 01 January and ends on 31 December. These consolidated financial statements are prepared for the period from 01 January 2014 to 30 June 2014.

**3. ADOPTION OF NEW ACCOUNTING GUIDANCE**

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

On 21 January 2013, the State Bank of Vietnam ("SBV") issued Circular No. 02/2013/TT-NHNN ("Circular 02") on classification of assets, provisioning and use of provisions against credit risks in the banking activity by credit institutions and branches of foreign banks. The Circular replaces Directive No. 05/2005/CT-NHNN dated 26 April 2005 of the State Bank Governor on classification of debts and provisioning against credit risks under Decision No. 493/2005/QD-NHNN dated 22 April 2005 of the Governor; Decision No. 780/QD-NHNN dated 23 April 2012 of the Governor on classification of re-scheduled loans; Decision No. 493/2005/QD-NHNN dated 22 April 2005 of the Governor on promulgating regulations on classification of debts, provisioning and use of provisions against credit risks in the banking activity by credit institutions; Decision No. 18/2007/QD-NHNN dated 25 April 2007 of the Governor on amending and supplementing a number of articles of Regulations on classification of debts, provisioning and use of provisions against credit risks in the banking activity by credit institutions regulated in Decision No. 493/2005/QD-NHNN dated 22 April 2005. On 18 March 2014, SBV issued Circular No. 09/2014/TT-NHNN ("Circular 09") on amending and supplementing a number of articles of Circular No. 02/2013/TT-NHNN. Circular 02 takes effect from 01 June 2014 with certain articles taking effect after 01 June 2014. The Bank applies Circular 02 for its consolidated financial statements for the period from 01 January 2014 to 30 June 2014.

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

**3. ADOPTION OF NEW ACCOUNTING GUIDANCE (Continued)**

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

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

- *Extend the scope of assets exposed to credit risk to be classified and made provision including credit facilities in the form of credit cards issuance; costs and entrusted amount for purchase of corporate bonds unlisted on the stock market or unregistered for trading on the trading market of unlisted public companies (Upcom), excluding entrusted amount for purchase of unlisted bonds whereby the trustor bear risks; deposits, except demand deposits, at domestic credit institutions and Vietnam-based foreign bank branches as provided by law, and deposits at foreign credit institutions;*
- *Tighten regulations relating to amount of collaterals to be deducted such as: collaterals fully satisfy the conditions specified by the law on secured transactions; collaterals with high value must be valued by an organisation with the valuation function as defined by law (over VND 50 billion for loans to customers being related parties of the credit institution or foreign bank branch and the entities subject to credit extension limits specified in the Law on Credit Institutions 2010; VND 200 billion or more for others). The Bank has to assess collaterals on a periodical basis as provided by law to guarantee that the value of collaterals is tied with the market value when setting aside specific provisions as stipulated under this Circular;*
- *With regard to internal credit-rating system, Circular 02 provides more detailed regulations on the principles on which internal credit-rating system must be built, in which an internal credit-rating system must be built specifically for each types of customers, including those subject to credit extension limits and their related parties;*
- *With regard to internal regulations on credit extension, loan management and risk provisioning policy, Circular 02 specifies that credit institutions shall have to issue their own internal regulations;*
- *With regard to methods and principles of classification, Circular 02 supplements specific classification principles concerning off-balance sheet commitments, entrusted credit facility not yet disbursed by the entrusted party under the entrustment contract, loans sold with the payment not yet made, purchased loans; costs and entrusted amount for purchase of corporate bonds of an unlisted entities, violated loans;*
- *With regard to classification of loans and off-balance sheet commitments, Circular 02 supplements some types of loan which are immediately classified to Group 3 and does not require risk provisioning for off-balance sheet commitments. Accordingly, off-balance sheet commitments must be classified in accordance with Circular 02 for management and supervision of the quality of credit activities;*

*With regard to classification of rescheduled loans, the Bank is allowed to classify it in its pre-rescheduled classification group until 01 April 2015 with more strict conditions. The Bank shall have to issue internal regulations on monitoring, supervising the reschedule and classification of the rescheduled loans that are classified in their pre-rescheduled classification group, managing the structure and reason for implementation of rescheduling. However, each rescheduled loan is kept in its pre-rescheduled classification group for once only. The Bank has to perform frequent review and assessment on the repayment capability of customers after the loan is rescheduled and classified in its pre-rescheduled classification group. The Bank is not allowed to continue rescheduling after the loans to customers who are unable to conduct payment according to the rescheduled repayment term.*

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

**3. ADOPTION OF NEW ACCOUNTING GUIDANCE (Continued)**

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

The application of those Circulars affects certain items on the Bank's consolidated financial statements for the period from 01 January 2014 to 30 June 2014 as follows:

Items	In accordance with previous regulations on classification of loans, risk provisioning levels	In accordance with new regulations on classification of loans, risk provisioning levels	Effects of the application of Circular 02 and Circular 09
<b>Placements with and loans to other credit institutions</b>	There is no specific regulation on classification of assets, risk provisioning levels.	Supplement regulations on classification of assets and risk provisioning for deposits, except demand deposits, at other credit institutions.	Classification of assets and risk provisioning are made in accordance with Circular 02 and Circular 09, except for demand deposits.
<b>Trading securities</b>	There is no specific regulation on classification of assets and risk provisioning for unlisted corporate bonds.	Supplement regulations on classification of assets and risk provisioning for cost and entrusted amount for purchase of corporate bonds unlisted on the stock market or unregistered for trading on the trading market of unlisted public companies (Upcom), excluding entrusted amount for purchase of unlisted bonds whereby the trustors bear risks.	Classification of assets and risk provisioning are made in accordance with Circular 02 and Circular 09 for balances of unlisted corporate bonds.
<b>Loans to customers</b>	Classification of loans and risk provisioning under the State Bank Governor's Decision No. 493/2005/QD-NHNN, Decision No. 18/2007/QD-NHNN and Decision No. 780/QD-NHNN.	Decision No. 493/2005/QD-NHNN, Decision No. 18/2007/QD-NHNN, and Decision No. 780/QD-NHNN are superseded; Circular 02 and Circular 09 take effect in replacement.	Classification of assets and risk provisioning are made in accordance with Circular 02 and Circular 09. Basically, classification of loans under Circular 02 and Circular 09 is slightly different from previous regulations such as: supplementing regulations on classification of loans which violate regulations on subjects of credit extension, purposes of loans, or credit limit; reducing challenging period for a customer, supplementing conditions and effective period, limiting the number of rescheduling and keeping loan classification in its pre-scheduled classification group (only 01 time), etc.



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

**3. ADOPTION OF NEW ACCOUNTING GUIDANCE (Continued)**

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

Items	In accordance with previous regulations on classification of loans, risk provisioning levels	In accordance with new regulations on classification of loans, risk provisioning levels	Effects of the application of Circular 02 and Circular 09
<b>Investment securities</b>	There is no specific regulation on classification of assets and risk provisioning for unlisted corporate bonds.	Supplement regulations on classification of assets and risk provisioning levels for amounts for cost and entrusted amount for purchase of corporate bonds unlisted on the stock market or unregistered for trading on the trading market of unlisted public companies (Upcom), excluding entrusted amount for purchase of unlisted bonds whereby the trustor bear risks.	Classification of assets and risk provisioning are made in accordance with Circular 02 and Circular 09 for balances of unlisted corporate bonds.
<b>Other assets</b>	There is no specific regulation on classification of assets and risk provisioning for entrusted amount for purchase of corporate bonds unlisted on the stock market or unregistered for trading on the trading market of unlisted public companies (Upcom), amounts payable on customer behalf according to off-balance sheet commitments; entrusted credit facilities.	Supplement regulations on classification of assets and risk provisioning for entrusted amount for purchase of corporate bonds unlisted on the stock market or unregistered for trading on the trading market of unlisted public companies (Upcom), amounts payable on customer behalf according to off-balance sheet commitments; entrusted credit facilities.	Classification of assets and risk provisioning for amounts payable on customer behalf according to off-balance sheet commitments; entrusted credit facilities are made in accordance with Circular 02 and Circular 09.
<b>Other liabilities</b> <b>Off-balance sheet commitments</b>	Risk provisioning for off-balance sheet commitments are made based on classification of loans under Decision No. 493/2005/QD-NHNN and Decision No. 18/2007/QD-NHNN.	Supersede Decision No. 493/2005/QD-NHNN and Decision No. 18/2007/QD-NHNN. Off-balance sheet commitments must be classified in accordance with Circular 02 for management and supervision of the quality of credit activities.	Off-balance sheet commitments are classified in accordance with Circular 02 for management and supervision of the quality of credit activities. However, there is no requirement of provision-making for off-balance sheet commitments.

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



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

**3. APPLICATION OF NEW ISSUED GUIDANCE (Continued)**

**Circular No. 10/2014/TT-NHNN**

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

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

- *Supersede some accounts in the accounts system of credit institutions issued in conjunction with Decision No. 479;*
- *Supplement new accounts for specific transactions;*
- *Amend, supplement name and detailed accounting content of some accounts in the accounts system of credit institutions issued in conjunction with the Decision No. 479. Accordingly, comparative figures of some accounts affected are reclassified for comparison purposes (see details in Note 52).*

**4. 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 period. 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) up to 30 June 2014. Control is achieved where the Bank has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

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

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

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

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

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

**Basis of consolidation (Continued)**

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Bank's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling's share of changes in equity since the date of the combination. Losses applicable to the non-controlling in excess of the non-controlling interests in the subsidiary's equity are allocated against the interests of the Bank except to the extent that the non-controlling shareholders has a binding obligation and is able to make an additional investment to cover the losses.

**Business combinations**

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

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

**Interests in joint ventures**

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

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

**Goodwill**

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

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

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



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

**4. 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) and securities with maturity not exceeding three months from the date of purchase.

**Loans to customers**

Loans to customers are disclosed at their principal amounts outstanding at the balance sheet date.

**Provision for credit losses**

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

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

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



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

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

**Provision for credit losses (Continued)**

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

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

<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%

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 for payment at domestic credit institutions and Vietnam-based foreign bank branches as provided by law, and deposits at foreign credit institutions, valuable papers repurchased and reverse-repurchased from other credit institutions and foreign bank branches in Vietnam.

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

**Investments**

***Trading securities***

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

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



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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

*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, the remaining portfolio 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 the consolidated income statement using the straight-line method over the investment period.

*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/strategic partner nor capable of controlling, to some extent, the process of initiating and approving financial and operational policies 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.

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

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

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

**Investments (Continued)**

*Investment securities (Continued)*

*Provisions for impairment of trading securities and investment securities*

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

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

Except for cases mentioned above, provisions for impairment of such securities are made in accordance with Office Letter No. 2601/NHNN-TCKT dated 14 April 2009 and Circular No. 228/2009/TT-BTC dated 07 December 2009 issued by the Ministry of Finance. Accordingly, for listed securities, the Bank determined the value of the investments using closing prices in the active market as at the balance sheet date; for unlisted and liquid equity securities, the Bank collected direct quotations from three securities companies having charter capital more than VND 300 billion each at the end of the accounting period 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 excess gain is not recorded as income until the securities are sold.

*Other long-term investments*

Other long-term investments represent the investments in unlisted equity securities and other entities in which the Bank holds less than 20% of the voting right and is the founding shareholder; or strategic partner; or has certain power to govern the financial and operating policies of the investee by a written agreement on delegating personnel to take part in the Board of Directors/Board of Management. 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.



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

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

**Investments (Continued)**

***Recognition***

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

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

***Derecognition***

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

**Repurchase and Reverse Repurchase Agreements**

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

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

**Trust activities and trusted funds**

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



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

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

**Tangible fixed assets and depreciation**

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

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

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

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

**Intangible assets and amortisation**

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

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



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

**4. 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.

***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 period or allocated to expenses over the lease term in accordance with rental income recognition.

***The Bank as lessee***

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease.

**Prepayments**

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

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

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

**Other receivables**

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

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

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

4. 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 accounting period are made based on the following provision rates applied to receivables as at the balance sheet date after deducting the value of evaluated collaterals.

<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 are stated as a decrease in the owners' equity.

**Reserves**

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

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

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

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

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

**Revenue and expenses**

***Interest income***

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

The accrued interest income arising from the loans that are classified from group 2 to group 5 is not recognised in the consolidated income statement for the period. 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.

***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 period; and
- Add reinsurance commission which is recognised in line with the recognition of respective reinsurance premium.



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

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

**Revenue and expenses (Continued)**

***Dividend recognition***

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

***Claim settlement expenses of insurance activities***

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

***Commission expense of insurance activities***

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

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

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

**Foreign currencies**

According to the Bank's accounting system, all transactions are recorded in the original currency. Income and expense arising in foreign currency during the period are translated into VND at interbank exchange rate quoted by the State Bank of Vietnam for USD and at bank transfer rate for other foreign currencies at the end of the transaction date. Monetary assets and liabilities and the balance of equity reserves at foreign branches denominated in foreign currencies as at the balance sheet date are translated into VND using the above exchange rate as at the balance sheet date (see list of exchange rates of applicable foreign currencies against VND as at 30 June 2014 in Note 51). Foreign exchange differences arising from the revaluation of monetary assets and liabilities denominated in foreign currencies into VND are recognised in the consolidated income statement. Foreign exchange differences arising from the revaluation of the balance of equity reserves at foreign branches are recognised in "Foreign exchange reserves".

For the purpose of preparing consolidated financial statements, assets and liabilities of 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 accounting period. Income and expenses are translated at the average exchange rate during the period; 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 is recognised into the consolidated income statement when investments in subsidiaries or joint ventures are disposed.

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

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

**Other provisions**

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

**Taxation**

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other periods (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 period 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.



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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Employee benefits**

*Post-employment benefits*

When retiring, employees of the Bank are entitled to receive post-employment benefits from the Social Insurance Fund and a 2-month pay based on the actual average of monthly salary and inflation allowance of 6 months adjacent to the date of employees' retirement paid by the Bank (allocated from the Bank's provision for salary).

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

*Resignation allowance*

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

*Unemployment allowance*

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

**Derivatives**

*Forward, swap and future contracts*

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

*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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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**      **FORM B 05/TCTD-HN**  
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**4. 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-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 Article 10 of Circular 02 in order to manage and supervise quality of credit extension activity. Accordingly, the off-balance sheet commitments are graded using the following risk classifications: *Current, Special-mentioned, Sub-standard, Doubtful and Loss* based on the overdue status and other qualitative factors.

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

VIETNAM JOINT STOCK COMMERCIAL BANK  
FOR INDUSTRY AND TRADE  
HANOI, S.R. VIETNAM

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

**5. CASH, GOLD AND GEMSTONES**

	<u>30/6/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Cash in VND	3,615,813	2,334,912
Cash in foreign currencies	619,084	489,813
Valuable papers in foreign currencies	5,279	1,818
Monetary gold	82,062	6,953
Gold, other precious metal and gemstones	21,271	-
	<u>4,343,509</u>	<u>2,833,496</u>

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

	<u>30/6/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Current account at the State Bank of Vietnam in VND	15,559,525	7,387,231
Current account at the State Bank of Vietnam in foreign currencies	2,455,356	2,772,333
	<u>18,014,881</u>	<u>10,159,564</u>

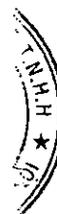
Deposit at the State Bank of Vietnam ("SBV") consists of compulsory reserves for deposits and current accounts. Pursuant to regulations made by the State Bank of Vietnam on the compulsory reserve, a part of banks' compulsory reserve can be a floating balance. In details, according to Decision No. 379/QD-NHNN 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 30 June 2014 are as follows:

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

Compulsory reserve balances for deposits in foreign currencies applicable to credit institutions as at 30 June 2014 are as follows:

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



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

	<u>30/6/2014</u>	<u>31/12/2013</u>
	million VND	million VND
<b>Placements with other credit institutions</b>		
Demand deposits	12,453,935	12,583,806
- In VND	6,537,019	5,443,961
- In foreign currencies and gold	5,916,916	7,139,845
Term deposits	40,966,429	46,936,875
- In VND	36,010,218	38,076,000
- In foreign currencies and gold	4,956,211	8,860,875
	<u>53,420,364</u>	<u>59,520,681</u>
<b>Loans to other credit institutions</b>		
Loans in VND	535,533	9,066,000
Loans in foreign currencies and gold	110,267	4,595,254
	<u>645,800</u>	<u>13,661,254</u>
Provision for credit losses of loans to other credit institutions (*)	-	(102,459)
	<u>54,066,164</u>	<u>73,079,476</u>

(\*) As at 30 June 2014, the Bank has graded term deposits with and loans to other credit institutions using the following risk classifications: *Current, Special-mentioned, Sub-standard, Doubtful and Loss* based on the overdue status under Article 10 of Circular 02 and other qualitative factors of placements and loans. Accordingly, as at 30 June 2014, the term deposits with and loans to other credit institutions are graded in current group and there is no need to make specific provision for them. Additionally, Circular 02 does not require the Bank to make general provision for these term deposits with and loans to other credit institutions.

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

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

	Net book value (at the exchange rate as of the reporting date)	
	<u>Assets</u>	<u>Liabilities</u>
	million VND	million VND
<b>As at 30/6/2014</b>		
<b>Currency derivative financial instruments</b>	-	22,389
Forward contracts	-	63,838
Swap contracts	-	(41,449)
Future contracts	-	-
<b>As at 31/12/2013</b>		
<b>Currency derivative financial instruments</b>	164,334	-
Forward contracts	78,808	-
Swap contracts	82,545	-
Future contracts	2,981	-

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

**9. LOANS TO CUSTOMERS**

	<u>30/6/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Loans to local business entities and individuals	373,067,860	371,541,653
Discounting promissory notes and valuable papers	300,315	562,909
Finance leases	1,253,432	1,381,985
Payments made on behalf of customers	30,249	30,445
Loans by grants, investment trusts	1,124,289	1,336,736
Loans to foreign organisations and individuals	2,216,139	1,435,240
	<u>377,992,284</u>	<u>376,288,968</u>

**Analysis of loan balances by quality**

	<u>30/6/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Current loans	365,485,479	369,774,495
Special-mentioned loans	2,930,566	2,744,180
Sub-standard loans	3,256,525	515,442
Doubtful loans	3,147,198	1,005,801
Loss loans	3,172,516	2,249,050
	<u>377,992,284</u>	<u>376,288,968</u>

**Analysis of loan balances by term**

	<u>30/6/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Short-term loans	222,918,386	227,697,332
Medium-term loans	34,232,734	32,972,090
Long-term loans	120,841,164	115,619,546
	<u>377,992,284</u>	<u>376,288,968</u>

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



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

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

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

	<u>30/6/2014</u>	<u>31/12/2013</u>
	million VND	million VND
State-owned enterprises	35,949,532	30,484,784
State-owned one-member limited enterprises	62,524,556	66,167,188
Two or more member limited liability enterprises with more than 50% of the State's share holding	2,760,930	2,595,327
Other limited companies	68,694,596	70,564,721
Joint stock companies with more than 50% of the State's share-holding	31,401,142	29,719,860
Other joint stock companies	89,600,332	90,990,932
Partnership companies	9,070	265,660
Private companies	11,484,761	12,264,929
Foreign invested enterprises	17,853,437	12,329,285
Cooperatives, cooperative unions	1,732,994	1,868,725
Household businesses, individuals	55,275,102	58,477,622
Administrative units, the Party, unions and associations	705,832	497,014
Others	-	62,921
	<u>377,992,284</u>	<u>376,288,968</u>

**Analysis of loan balances by industry**

	<u>30/6/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Agricultural, forestry and aquaculture	11,568,915	11,284,962
Mining and quarrying	25,186,652	24,816,572
Manufacturing and processing	124,398,599	127,666,222
Electricity, fuel gas and hot water	26,850,415	25,737,569
Water supplying, garbage and sewage treatment and management	672,982	563,554
Construction	30,220,536	26,714,044
Wholesale and retail trade; repair of motor vehicles, motor cycles	107,255,836	107,208,518
Transport, warehouse	7,476,552	8,082,789
Hospitality services	2,390,057	2,415,838
Information and communications	1,336,091	1,531,201
Financial, banking and insurance activities	55,778	34,353
Real estate	24,186,900	24,801,326
Profession, science and technology	84,945	97,017
Administrative activities and supporting services	364,778	342,722
Education and training	706,622	786,232
Health care and social work	1,835,018	1,813,510
Other service activities	6,864,026	6,065,515
Households	5,372,432	5,724,329
International organisations and bodies	457,563	213,338
Others	707,587	389,357
	<u>377,992,284</u>	<u>376,288,968</u>

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

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

Movement in provision for credit losses of loans to customers for the period from 01 January 2014 to 30 June 2014:

	<u>General provision</u>	<u>Specific provision</u>	<u>Total</u>
	million VND	million VND	million VND
<b>As at 01/01/2014</b>	<b>2,628,031</b>	<b>672,195</b>	<b>3,300,226</b>
Provision charged for the period (Note 37)	187,206	2,037,289	2,224,495
Provision utilised for the period	-	(31,609)	(31,609)
<b>As at 30/6/2014</b>	<b>2,815,237</b>	<b>2,677,875</b>	<b>5,493,112</b>

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

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

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

Movement in provision for credit losses of loans to customers for the period from 01 January 2013 to 30 June 2013 is as follows:

	<u>General provision</u>	<u>Specific provision</u>	<u>Total</u>
	million VND	million VND	million VND
<b>As at 01/01/2013</b>	<b>2,299,619</b>	<b>1,373,635</b>	<b>3,673,254</b>
Provision charged for the period (Note 37)	177,749	1,509,236	1,686,985
<b>As at 30/6/2013</b>	<b>2,477,368</b>	<b>2,882,871</b>	<b>5,360,239</b>

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

**11. TRADING SECURITIES**

	<u>30/6/2014</u>	<u>31/12/2013</u>
	million VND	million VND
<b>Debt securities</b>	<b>3,458,252</b>	<b>633,425</b>
- Government bonds	3,458,252	633,425
<b>Equity securities</b>	<b>39,548</b>	<b>24,268</b>
- Equity securities issued by other local credit institutions	14,000	7,923
- Equity securities issued by local business entities	25,548	16,345
	<u><b>3,497,800</b></u>	<u><b>657,693</b></u>
Provisions for impairment of trading securities	(3,486)	(2,626)
	<u><b>3,494,314</b></u>	<u><b>655,067</b></u>

**Listing status of trading securities**

	<u>30/6/2014</u>	<u>31/12/2013</u>
	million VND	million VND
<b>Debt securities</b>		
Government bonds		
- Listed	3,458,252	633,425
<b>Equity securities</b>		
Equity securities issued by other local credit institutions		
- Listed	14,000	7,923
Equity securities issued by local business entities		
- Listed	12,492	9,664
- Unlisted	13,056	6,681
	<u><b>3,497,800</b></u>	<u><b>657,693</b></u>



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

**12. INVESTMENT SECURITIES**

	<u>30/6/2014</u>	<u>31/12/2013 (*)</u>
	million VND	million VND
<b>Available-for-sale investment securities</b>	<b>106,766,907</b>	<b>79,908,691</b>
<b>Debt securities</b>	<b>106,722,884</b>	<b>79,864,668</b>
- Government bonds	70,343,808	45,703,748
- Debt securities issued by other local credit institutions	4,715,120	4,267,446
- Debt securities issued by local business entities	31,663,956	29,893,474
<b>Equity securities</b>	<b>44,023</b>	<b>44,023</b>
- Equity securities issued by local business entities	44,023	44,023
<b>Provisions for impairment of available-for-sale investment securities</b>	<b>(253,261)</b>	<b>(132,345)</b>
	<u><b>106,513,646</b></u>	<u><b>79,776,346</b></u>
<b>Held-to-maturity investment securities</b>	<b>2,586,748</b>	<b>2,586,748</b>
Government bonds	2,200,000	2,200,000
Debt securities issued by local business entities	386,748	386,748
<b>Provisions for impairment of held-to-maturity investment securities</b>	<b>(2,901)</b>	<b>(2,901)</b>
	<u><b>2,583,847</b></u>	<u><b>2,583,847</b></u>
	<u><b>109,097,493</b></u>	<u><b>82,360,193</b></u>

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

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

**13. PROVISION FOR IMPAIRMENT OF INVESTMENT SECURITIES**

Movement of the provision for impairment of investment securities for the period from 01 January 2014 to 30 June 2014 is as follows:

	Provision for available-for-sale investment securities			Provision for held-to-maturity investment securities		
	Debt securities issued by unlisted business entities			Debt securities issued by unlisted business entities		
	Other debt securities	Equity securities		Other debt securities	Equity securities	
	million VND	million VND	million VND	million VND	million VND	million VND
As at 01/01/2014	104,543	-	27,802	2,901	-	135,246
Provision charged/ (reverted) for the period (Note 33)	127,005	-	(6,089)	-	-	120,916
As at 30/6/2014	231,548	-	21,713	2,901	-	256,162

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

Movement in provision for impairment of debt securities of unlisted business entities for the period from 01 January 2014 to 30 June 2014 is as follows:

	General provision million VND	Specific provision million VND	Total million VND
As at 01/01/2014	107,444	-	107,444
Provision charged for the period	127,005	-	127,005
As at 30/6/2014	234,449	-	234,449

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

As at 30 June 2014, balance of debt securities of unlisted business entities is all classified as current loan.

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

Movement in provision for impairment of debt securities of unlisted business entities for the period from 01 January 2013 to 30 June 2013 is as follows:

	General provision million VND	Specific provision million VND	Total million VND
As at 01/01/2013	46,320	-	46,320
Provision reversed for the period	(1,883)	-	(1,883)
As at 30/6/2013	44,437	-	44,437

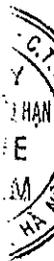
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**      **FORM B 05/TCTD-HN**  
*These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements*

**14. LONG-TERM INVESTMENTS**

	<u>30/6/2014</u>	<u>31/12/2013 (*)</u>
	million VND	million VND
Investments in joint ventures	2,775,896	2,795,383
Other long-term investments	1,029,326	1,040,326
Provisions for impairment of long-term investments	(77,920)	(80,351)
	<u>3,727,302</u>	<u>3,755,358</u>

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



**VIETNAM JOINT STOCK COMMERCIAL BANK  
FOR INDUSTRY AND TRADE**  
108 Tran Hung Dao, Hoan Kiem  
Hanoi, S.R. Vietnam

**Consolidated financial statements**  
For the period from 01 January 2014  
to 30 June 2014

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**FORM B 05/ICTD-HIN**

**14. LONG-TERM INVESTMENTS (Continued)**

**Investments in joint ventures**

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

	30/6/2014		31/12/2013	
	Cost in original currency USD	Cost equivalent million VND	Net value of investment using equity method million VND	Proportion of ownership interest %
Indovina Bank Ltd.	96,500,000	1,688,788	2,343,670	50
Vietinbank Aviva Life Insurance Company Limited	Non-applicable	400,000	432,226	50
		<u>2,088,788</u>	<u>2,775,896</u>	
			<u>2,088,788</u>	<u>2,795,383</u>
			1,688,788	50
			400,000	50

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

Since its establishment, the charter capital of Indovina Bank Ltd. has been increased several times under the approval of the SBV, while the proportions of ownership interest of the joint venture partners remains unchanged. As at 30 June 2014, Indovina Bank Ltd.'s charter capital was USD 193,000,000.

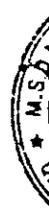
Vietinbank Aviva Life Insurance Company Limited was established in Vietnam. This company is the joint venture between the Bank and a company incorporated in the United Kingdom - Aviva International Holdings Limited. The joint venture received the Establishment and Operation License No. 64 GP/KDBH dated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

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

**15. TANGIBLE FIXED ASSETS**

Movement in tangible fixed assets for the period from 01 January 2014 to 30 June 2014 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>					
As at 01/01/2014	2,999,092	3,366,014	818,980	144,102	7,328,188
Acquisitions during the period	46,293	454,040	22,839	5,770	528,942
Transfer from construction in progress	47,946	3,910	-	146	52,002
Other additions	2,589	2,852	259	566	6,266
Disposals	(9,659)	(2,587)	(7,930)	(115)	(20,291)
Reclassification	(27)	(80)	-	-	(107)
Other decreases	(586)	(3,338)	(250)	-	(4,174)
<b>As at 30/6/2014</b>	<b>3,085,648</b>	<b>3,820,811</b>	<b>833,898</b>	<b>150,469</b>	<b>7,890,826</b>
<b>Accumulated depreciation</b>					
As at 01/01/2014	764,981	2,516,005	486,881	95,732	3,863,599
Charge for the period	99,302	247,739	53,873	10,590	411,504
Other additions	755	465	2	910	2,132
Disposals	(262)	(2,586)	(7,930)	(104)	(10,882)
Reclassification	(27)	(80)	-	-	(107)
Other decreases	(487)	(1,711)	(77)	(32)	(2,307)
<b>As at 30/6/2014</b>	<b>864,262</b>	<b>2,759,832</b>	<b>532,749</b>	<b>107,096</b>	<b>4,263,939</b>
<b>Net book value</b>					
<b>As at 30/6/2014</b>	<b>2,221,386</b>	<b>1,060,979</b>	<b>301,149</b>	<b>43,373</b>	<b>3,626,887</b>
<b>As at 31/12/2013</b>	<b>2,234,111</b>	<b>850,009</b>	<b>332,099</b>	<b>48,370</b>	<b>3,464,589</b>



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

**15. TANGIBLE FIXED ASSETS (Continued)**

Movement in tangible fixed assets for the period from 01 January 2013 to 30 June 2013 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>					
As at 01/01/2013	1,950,223	3,830,342	738,073	158,316	6,676,954
Acquisitions during the period	338,307	63,209	22,206	2,540	426,262
Transfer from construction in progress	49,615	2,309	-	-	51,924
Other additions	7,338	4,570	3,621	378	15,907
Disposals	(5,900)	(6,835)	(4,545)	(200)	(17,480)
Reclassification	-	(692,513)	(671)	(29,058)	(722,242)
Other decreases	(120)	(4,939)	(508)	(191)	(5,758)
<b>As at 30/6/2013</b>	<b>2,339,463</b>	<b>3,196,143</b>	<b>758,176</b>	<b>131,785</b>	<b>6,425,567</b>
<b>Accumulated depreciation</b>					
As at 01/01/2013	568,974	2,636,346	405,859	94,737	3,705,916
Charge for the period	78,908	228,514	47,336	10,505	365,263
Other additions	8,549	2,973	544	205	12,271
Disposals	(1,790)	(6,784)	(3,945)	(200)	(12,719)
Reclassification	-	(558,750)	(629)	(19,295)	(578,674)
Other decreases	(246)	(3,069)	(1,160)	(67)	(4,542)
<b>As at 30/6/2013</b>	<b>654,395</b>	<b>2,299,230</b>	<b>448,005</b>	<b>85,885</b>	<b>3,487,515</b>
<b>Net book value</b>					
<b>As at 30/6/2013</b>	<b>1,685,068</b>	<b>896,913</b>	<b>310,171</b>	<b>45,900</b>	<b>2,938,052</b>
<b>As at 31/12/2012</b>	<b>1,381,249</b>	<b>1,193,996</b>	<b>332,214</b>	<b>63,579</b>	<b>2,971,038</b>

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

16. INTANGIBLE ASSETS

Movement in intangible assets for the period from 01 January 2014 to 30 June 2014 is as follows:

	Land use rights million VND	Computer software million VND	Others million VND	Total million VND
<b>Cost</b>				
As at 01/01/2014	3,443,404	635,340	62	4,078,806
Acquisitions during the period	305,189	57,727	68	362,984
Other additions	147	16	-	163
Disposals	(250,227)	-	-	(250,227)
Other decreases	(561)	-	-	(561)
<b>As at 30/6/2014</b>	<b>3,497,952</b>	<b>693,083</b>	<b>130</b>	<b>4,191,165</b>
<b>Accumulated amortisation</b>				
As at 01/01/2014	98,954	364,005	48	463,007
Charge for the period	19,190	46,903	15	66,108
Other additions	60	6	-	66
Other decreases	(66)	-	-	(66)
<b>As at 30/6/2014</b>	<b>118,138</b>	<b>410,914</b>	<b>63</b>	<b>529,115</b>
<b>Net book value</b>				
As at 30/6/2014	3,379,814	282,169	67	3,662,050
As at 31/12/2013	3,344,450	271,335	14	3,615,799

Movement in intangible assets for the period from 01 January 2013 to 30 June 2013 is as follows:

	Land use rights million VND	Computer software million VND	Others million VND	Total million VND
<b>Cost</b>				
As at 01/01/2013	2,217,168	426,476	58	2,643,702
Acquisitions during the period	68,673	113,882	-	182,555
Other increases	7,493	3	-	7,496
Reclassification	(5,587)	(3,714)	-	(9,301)
Other decreases	-	-	(2)	(2)
<b>As at 30/6/2013</b>	<b>2,287,747</b>	<b>536,647</b>	<b>56</b>	<b>2,824,450</b>
<b>Accumulated amortisation</b>				
As at 01/01/2013	63,341	274,728	18	338,087
Charge for the period	13,449	43,242	4	56,695
Other increases	955	73	-	1,028
Reclassification	-	(3,456)	-	(3,456)
Other decreases	-	(930)	-	(930)
<b>As at 30/6/2013</b>	<b>77,745</b>	<b>313,657</b>	<b>22</b>	<b>391,424</b>
<b>Net book value</b>				
As at 30/6/2013	2,210,002	222,990	34	2,433,026
As at 31/12/2012	2,153,827	151,748	40	2,305,615

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

**19. 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).

	<b>From 01/01/2014 to 30/6/2014</b>	<b>From 01/01/2013 to 30/6/2013</b>
	<b>million VND</b>	<b>million VND</b>
Total goodwill	18,149	18,149
Amortisation period	10 years	10 years
Accumulated amortised goodwill as at the beginning of the period	(8,167)	(6,351)
Goodwill not yet amortised at the beginning of the period	9,982	11,798
<b>Goodwill decrease during the period</b>	<b>(908)</b>	<b>(908)</b>
- Amortised for the period	(908)	(908)
<b>Total goodwill not yet amortised at the end of the period</b>	<b>9,074</b>	<b>10,890</b>

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

	<b>30/6/2014</b>	<b>31/12/2013</b>
	<b>million VND</b>	<b>million VND</b>
Borrowings for grants to SOEs	12,472	12,472
Loans under credit contracts	536,530	109,778
Other borrowings	20,172	24,965
Current accounts held by the State Treasury	61	156
	<b>569,235</b>	<b>147,371</b>

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

	<b>30/6/2014</b>	<b>31/12/2013</b>
	<b>million VND</b>	<b>million VND</b>
<b>Demand deposits, gold from other credit institutions</b>	<b>1,818,265</b>	<b>3,994,723</b>
- In VND	675,863	1,307,889
- In gold and foreign currencies	1,142,402	2,686,834
<b>Term deposits, gold from other credit institutions</b>	<b>45,816,810</b>	<b>27,871,100</b>
- In VND	28,730,000	19,870,000
- In gold and foreign currencies	17,086,810	8,001,100
<b>Borrowings from other credit institutions</b>	<b>40,753,460</b>	<b>48,598,926</b>
- In VND	8,537,500	21,180,000
- In gold and foreign currencies	32,215,960	27,418,926
	<b>88,388,535</b>	<b>80,464,749</b>

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

**22. DEPOSITS FROM CUSTOMERS**

	<u>30/6/2014</u>	<u>31/12/2013</u>
	million VND	million VND
<b>Demand deposits, gold</b>	<b>54,960,201</b>	<b>63,017,080</b>
- Demand deposits in VND	44,791,980	51,594,652
- Demand deposits in gold, foreign currencies	10,168,221	11,422,428
<b>Term deposits, gold</b>	<b>311,058,021</b>	<b>290,016,677</b>
- Term deposits in VND	287,221,353	267,606,015
- Term deposits in gold, foreign currencies	23,836,668	22,410,662
<b>Deposits for specific purpose</b>	<b>2,627,477</b>	<b>2,774,113</b>
- Deposits for specific purpose in VND	1,119,273	1,204,954
- Deposits for specific purpose in foreign currencies	1,508,204	1,569,159
<b>Margin deposits</b>	<b>9,044,759</b>	<b>8,689,131</b>
- Margin deposits in VND	7,916,091	7,446,074
- Margin deposits in gold, foreign currencies	1,128,668	1,243,057
	<u><b>377,690,458</b></u>	<u><b>364,497,001</b></u>

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

	<u>30/6/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Funds received from other organisations and individuals in VND	25,186,336	26,140,460
Funds received from other organisations and individuals in foreign currencies	1,740,252	1,697,188
Funds received from international organisations in VND	820,402	961,899
Funds received from international organisations in foreign currencies	3,644,093	3,624,972
	<u><b>31,391,083</b></u>	<u><b>32,424,519</b></u>

**24. VALUABLE PAPERS**

	<u>30/6/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Valuable papers in VND	65,346	10,503,919
Valuable papers in foreign currencies	5,303,492	6,060,847
	<u><b>5,368,838</b></u>	<u><b>16,564,766</b></u>

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

**24. VALUABLE PAPERS (Continued)**

**Details of valuable papers by term**

	<u>30/6/2014</u>	<u>31/12/2013</u>
	million VND	million VND
<b>Certificate of deposit</b>		
Term under 12 months	74,300	11,314,652
Term from 12 months to under 5 years	10,997	23,934
<b>Bills</b>		
Term under 12 months	2,733	2,764
<b>Bonds</b>		
Term from 12 months to under 5 years	5,280,808	5,223,416
	<u>5,368,838</u>	<u>16,564,766</u>

**25. OTHER LIABILITIES**

	<u>30/6/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Interests and fees payable	4,395,982	4,365,827
Internal payables (Note 25.1)	1,699,068	3,299,820
External payables (Note 25.2)	34,417,732	19,811,865
Provision for off-balance sheet commitments (Note 25.3)	-	405,988
Other provisions	111,025	98,925
	<u>40,623,807</u>	<u>27,982,425</u>

**25.1 Details of internal payables**

	<u>30/6/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Payables to employees	942,403	1,885,644
Payables relating to bonus and welfare funds	641,756	1,293,511
Others	114,909	120,665
	<u>1,699,068</u>	<u>3,299,820</u>



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

**25. OTHER LIABILITIES (Continued)**

**25.2 Details of external payables**

	<u>30/6/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Payments/receipts on behalf of other organisations	30,370,883	17,585,562
Amount due to customers and deferred payment	117,959	161,199
Corporate income tax payables	531,097	205,887
Other pending payments	939,073	903,246
Advances from customer	1,485,473	-
Margin deposits of securities investors	195,185	152,206
Other tax payables	56,765	75,018
Payables for insurance of deposit	63,000	70,177
Payables to the SBV from recovery of written-off bad debts	62,031	60,004
Payables relating to trade finance activities	76,977	6,021
Money transfer payables	225,449	95,746
Other payables	293,840	496,799
	<u>34,417,732</u>	<u>19,811,865</u>

**25.3 Movement of provision balance for off-balance sheet commitments**

Movement of provision balance for off-balance sheet commitments for the period from 01 January 2014 to 30 June 2014 is as follows:

	<u>General provision</u>	<u>Specific provision</u>	<u>Total</u>
	million VND	million VND	million VND
<b>As at 01/01/2014</b>	<b>369,997</b>	<b>35,991</b>	<b>405,988</b>
Provision reversed for the period (Note 37)	(369,997)	(35,991)	(405,988)
<b>As at 30/6/2014</b>	<b>-</b>	<b>-</b>	<b>-</b>

As at 30 June 2014, the Bank has classified the off-balance sheet commitments in accordance with Article 10 of Circular 02, however, under Circular 02, the Bank is not required to make provision for off-balance sheet commitments. The balance as at 31 December 2013 represents the general and specific provision basing on the off-balance sheet commitment classification according to Decision 493, Decision 18 and Decision 780.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN**  
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**25. OTHER LIABILITIES (Continued)**

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

Movement of provision balance for off-balance sheet commitments for the period from 01 January 2013 to 30 June 2013 is as follows:

	<u>General provision</u> million VND	<u>Specific provision</u> million VND	<u>Total</u> million VND
As at 01/01/2013	331,443	78,390	409,833
Provision charged/(reversed) for the period (Note 37)	53,156	(24,931)	28,225
As at 30/6/2013	<u>384,599</u>	<u>53,459</u>	<u>438,058</u>

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

	<u>Opening balance</u> million VND	<u>Movement during the period from</u> <u>01 January 2014 to 30 June 2014</u>		<u>Closing balance</u> million VND
		<u>Payables</u> million VND	<u>Paid</u> million VND	
Value Added Tax	(88,306)	61,946	63,698	(90,058)
Corporate Income Tax	205,887	843,003	517,793	531,097
Other taxes	57,004	224,661	240,968	40,697
	<u>174,585</u>	<u>1,129,610</u>	<u>822,459</u>	<u>481,736</u>



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**FORM B 05/TCTD-HN**

**27. CAPITAL AND RESERVES**

The movement in major items in owners' capital

	Charter capital million VND	Share premium million VND	Foreign exchange reserves million VND	Financial supplementary reserve fund		Capital supplementary reserve million VND	Retained earnings million VND	Minority interest million VND	Total million VND
				million VND	million VND				
As at 01/01/2014	37,234,046	8,971,478	317,641	2,310,127	1,064,868	4,176,506	212,919	54,287,585	
Profit for the period	-	-	-	-	-	3,017,814	6,538	3,024,352	
Dividend of 2013	-	-	-	-	-	(3,723,405)	-	(3,723,405)	
Appropriation to reserves for the period	-	-	-	2,468	2,467	-	(1,653)	3,282	
Increase due to financial statements translation for consolidation purpose	-	-	21,063	-	-	-	-	21,063	
Other adjustments	-	-	-	(35)	-	(30,996)	-	(31,031)	
<b>As at 30/6/2014</b>	<b>37,234,046</b>	<b>8,971,478</b>	<b>338,704</b>	<b>2,312,560</b>	<b>1,067,335</b>	<b>3,439,919</b>	<b>217,804</b>	<b>53,581,846</b>	

As at 31 December 2013, the Bank had made temporary appropriation to reserves and profit distribution based on the operating results of 2013.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN**  
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**27. CAPITAL AND RESERVES (Continued)**

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

	30/6/2014		31/12/2013	
	Total shares (units)	Ordinary shares (million VND)	Total shares (units)	Ordinary shares (million VND)
Capital of the Government	2,400,204,956	24,002,050	2,400,204,956	24,002,050
Contributed capital (shareholders, members)	1,323,199,600	13,231,996	1,323,199,600	13,231,996
Share premium	non-applicable	8,971,478	non-applicable	8,971,478
	<b>3,723,404,556</b>	<b>46,205,524</b>	<b>3,723,404,556</b>	<b>46,205,524</b>

Details of the Bank's shares are as follows:

	30/6/2014	31/12/2013
	Unit	Unit
Number of registered shares for issue	3,723,404,556	3,723,404,556
Number of shares in circulation	3,723,404,556	3,723,404,556
- Ordinary shares	3,723,404,556	3,723,404,556
- Preferred shares	-	-
Par value of shares (VND)	10,000	10,000

**28. INTEREST AND SIMILAR INCOME**

	From 01/01/2014 to 30/6/2014	From 01/01/2013 to 30/6/2013
	million VND	million VND
Interest from deposits	1,033,118	360,357
Interest from loans to customers	15,106,980	18,003,947
Interest from debt securities	4,362,321	4,507,738
Interest from finance leases	91,333	82,891
Other income from credit activities	1,362	1,544
	<b>20,595,114</b>	<b>22,956,477</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN**  
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**29. INTEREST AND SIMILAR EXPENSES**

	<b>From 01/01/2014 to 30/6/2014 million VND</b>	<b>From 01/01/2013 to 30/6/2013 million VND</b>
Interest expense on deposits	10,305,299	10,425,746
Interest expense on borrowings	1,233,975	2,052,085
Interest expense on valuable papers issued	335,813	1,163,708
Expense on other credit activities	720	1,808
	<b>11,875,807</b>	<b>13,643,347</b>

**30. NET GAIN FROM SERVICES**

	<b>From 01/01/2014 to 30/6/2014 million VND</b>	<b>From 01/01/2013 to 30/6/2013 million VND</b>
<b>Income from services</b>	<b>1,145,837</b>	<b>938,171</b>
Income from remittance services	568,266	463,133
Income from treasury and guarantee services	192,577	165,878
Income from trust and agency services	9,492	5,499
Others	375,502	303,661
<b>Expense on services</b>	<b>324,773</b>	<b>267,653</b>
Expense on remittance services	44,247	35,591
Expense from trust and agency services	6,771	5,254
Expense from treasury services	71,381	75,594
Others	202,374	151,214
<b>Net gain from services</b>	<b>821,064</b>	<b>670,518</b>

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

	<b>From 01/01/2014 to 30/6/2014 million VND</b>	<b>From 01/01/2013 to 30/6/2013 million VND</b>
<b>Income from trading foreign currencies</b>	<b>1,393,169</b>	<b>1,501,588</b>
- Income from spot trading foreign currencies	363,081	311,807
- Income from trading gold	811,525	1,087,436
- Income from trading derivative financial instruments	218,563	102,345
<b>Expense from trading foreign currencies</b>	<b>1,198,719</b>	<b>1,426,031</b>
- Expenses from spot trading foreign currencies	76,386	113,436
- Expense from trading gold	808,458	1,081,580
- Expense from trading derivative financial instruments	313,875	231,015
<b>Net gain from trading foreign currencies</b>	<b>194,450</b>	<b>75,557</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN**  
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**32. NET GAIN FROM TRADING SECURITIES HELD FOR TRADING**

	From 01/01/2014 to 30/6/2014	From 01/01/2013 to 30/6/2013
	million VND	million VND
Income from trading securities held for trading	63,657	10,888
Expense from trading securities held for trading	(2,433)	(6,101)
Provision (charged)/reversed for impairment of securities held for trading	(860)	4,432
<b>Net gain from securities held for trading</b>	<b>60,364</b>	<b>9,219</b>

**33. NET (LOSS)/GAIN FROM TRADING INVESTMENT SECURITIES**

	From 01/01/2014 to 30/6/2014	From 01/01/2013 to 30/6/2013 (*)
	million VND	million VND
Income from trading investment in securities	-	117,663
Expense from trading investment in securities	(14,680)	-
Provision charged for impairment of investment in securities (Note 13)	(120,916)	(2,664)
<b>Net (loss)/gain from investment in available-for-sale securities</b>	<b>(135,596)</b>	<b>114,999</b>

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

**34. NET GAIN/(LOSS) FROM OTHER ACTIVITIES**

	From 01/01/2014 to 30/6/2014	From 01/01/2013 to 30/6/2013 (*)
	million VND	million VND
<b>Other operating income</b>	<b>1,007,011</b>	<b>632,606</b>
Income from recovery of bad debts	599,233	485,550
Income from disposals of assets	261,915	2,286
Income from other derivatives	86,545	90,062
Other income	59,318	54,708
<b>Other operating expenses</b>	<b>912,473</b>	<b>723,998</b>
Expenses from other derivatives	94,609	97,858
Expenses from disposals of assets	259,656	4,014
Other expenses	558,208	622,126
<b>Net gain/(loss) from other activities</b>	<b>94,538</b>	<b>(91,392)</b>

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN**  
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**35. INCOME FROM CAPITAL CONTRIBUTION, EQUITY INVESTMENTS**

	From 01/01/2014 to 30/6/2014 million VND	From 01/01/2013 to 30/6/2013 million VND
<b>Dividend in cash from capital contributions and shares purchases for the period</b>	<b>15,678</b>	<b>24,610</b>
- from investment equity securities	4,479	3,158
- from capital contribution and long-term investments	11,199	21,452
<b>Share from net profit under equity method of investments in joint ventures</b>	<b>79,354</b>	<b>84,196</b>
	<b>95,032</b>	<b>108,806</b>

**36. OPERATING EXPENSES**

	From 01/01/2014 to 30/6/2014 million VND	From 01/01/2013 to 30/6/2013 (*) million VND
<b>Taxes, fees and charges</b>	<b>19,317</b>	<b>25,953</b>
<b>Staff cost</b>		
- Salaries and allowances	1,857,878	2,088,938
- Salary-based expenses	125,037	81,196
- Other benefits	27,915	51,637
- Other expenses	85,010	70,042
<b>Expenses for fixed assets</b>		
- Depreciation and amortisation expenses	477,612	421,958
- Others	451,248	365,559
<b>Expenses for operating management</b>		
- Per diem	61,274	55,016
- Expense for union activities	4,623	8,668
- Others	982,611	872,324
<b>Insurance premium for customers deposit</b>	<b>148,515</b>	<b>129,123</b>
<b>Other operating expenses</b>	<b>17,995</b>	<b>32,765</b>
	<b>4,259,035</b>	<b>4,203,179</b>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN  
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37. PROVISION EXPENSES FOR CREDIT LOSSES

	From 01/01/2014 to 30/6/2014 million VND	From 01/01/2013 to 30/6/2013 million VND
Provision (reversed)/charged for credit losses of loans to credit institutions	(102,459)	144,734
Provision expenses for credit losses of loans to customers (Note 10)	2,224,495	1,686,985
Provision expenses for doubtful receivables	1,407	1,154
Provision (reversed)/charged for off-balance sheet commitments (Note 25)	(405,988)	28,225
	<b>1,717,455</b>	<b>1,861,098</b>

38. CORPORATE INCOME TAX EXPENSES

	From 01/01/2014 to 30/6/2014 million VND	From 01/01/2013 to 30/6/2013 million VND
<b>Profit before tax</b>	<b>3,872,669</b>	<b>4,136,560</b>
<i>Adjustments for:</i>		
- Non-taxable dividend income	(15,678)	(22,927)
- Profit before tax of subsidiaries	(123,974)	(170,093)
- Income from increase in interest in joint ventures	(79,354)	(84,196)
- Changes in general provision for loans for consolidation	3,159	(1,246)
- Provision (reversed) for debt securities	(2,821)	(1,125)
- Others	47,688	48,186
<b>Taxable income of the Holding Bank</b>	<b>3,701,689</b>	<b>3,905,159</b>
CIT expense of the Holding Bank	814,371	976,290
Overseas CIT expense of the Bank	5,400	-
CIT expense of subsidiaries	28,546	42,970
<b>CIT expense based on the taxable income</b>	<b>848,317</b>	<b>1,019,260</b>

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**39. BASIC EARNINGS PER SHARE (EPS)**

	<u>From 01/01/2014 to 30/6/2014</u>	<u>From 01/01/2013 to 30/6/2013</u>
Earnings for the purpose of calculating basic EPS (million VND)	3,017,814	3,109,394
Weighted average number of ordinary shares for the purpose of calculating basic earnings shares (share)	3,723,404,556	2,792,642,443
Basic earnings per share (VND)	810	1,113

**40. CASH AND CASH EQUIVALENTS**

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

	<u>30/6/2014</u>	<u>31/12/2013</u>
	million VND	million VND
Cash, gold and gemstones (*)	4,343,509	2,833,496
Balances with the State Bank of Vietnam (*)	18,014,881	10,159,564
Current deposits at other credit institutions (*)	12,453,935	12,583,806
Deposits at other credit institutions with terms of not exceeding 3 months	40,308,667	45,960,665
Securities with term of not exceeding 3 months from the date of purchase	31,386,785	2,678,453
	<u>106,507,777</u>	<u>74,215,984</u>

(\*) Balances of cash, gold and gemstones, balances with the State Bank of Vietnam and current deposits at other credit institutions are presented in Note 5, Note 6 and Note 7.

**41. COLLATERALS AND MORTGAGES**

**41.1 Type and value of collaterals and mortgages**

	<u>Carrying value at balance sheet date (million VND)</u>	
	<u>30/6/2014</u>	<u>31/12/2013</u>
Real estate	437,966,853	398,386,886
Movable assets	27,447,741	27,887,506
Valuable papers	42,984,024	42,689,836
Other assets	242,506,224	196,342,350
	<u>750,904,842</u>	<u>665,306,578</u>

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

As at 30 June 2014, the Bank did not hold any collateral which the Bank is permitted to sell to or re-pledge for a third party in the absence of default by the owner of the collaterals.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN**  
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**42. CONTINGENT LIABILITIES AND COMMITMENTS**

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

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

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

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

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

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

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

**Details of contingent liabilities and commitments as at 30 June 2014:**

	<u>30/6/2014</u>	<u>31/12/2013</u>
	million VND	million VND
<b>Contingent liabilities</b>	<b>54,669,633</b>	<b>46,730,513</b>
Financial guarantees	19,145,035	19,104,454
Letters of Credit	35,524,598	27,626,059
<b>Commitments</b>	<b>12,754,600</b>	<b>17,545,621</b>
Commitments in swap contracts	9,104,563	7,828,801
Commitments in valuable papers trading contracts	1,617,414	1,079,433
Other commitments	2,032,623	8,637,387

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

As at 30 June 2014:

	<b>Total loan balance</b>	<b>Total placements (assets)</b>	<b>Total deposits (liabilities)</b>	<b>Credit commitments</b>	<b>Derivatives (Total transaction value in contracts)</b>	<b>Trading and investment securities (Difference between debit - credit)</b>
	<b>million VND</b>	<b>million VND</b>	<b>million VND</b>	<b>million VND</b>	<b>million VND</b>	<b>million VND</b>
Domestic	376,857,969	70,451,042	424,184,891	54,620,780	22,389	112,851,455
Overseas	1,780,115	984,203	1,140,703	48,853	-	-
	<b>378,638,084</b>	<b>71,435,245</b>	<b>425,325,594</b>	<b>54,669,633</b>	<b>22,389</b>	<b>112,851,455</b>

**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 Note 45 of the consolidated financial statements. Assets and liabilities of the Bank are recognised in accordance with Vietnamese Accounting Standards, Accounting regime applicable to credit institutions in Vietnam and legal regulations relating to financial reporting.

**Financial assets**

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

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**45. FINANCIAL INSTRUMENTS (Continued)**

**Financial assets (Continued)**

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

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

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

a) A financial asset is classified as held for trading if:

- ✓ It is acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- ✓ There is evidence of a recent actual pattern of short-term profit-taking; or
- ✓ It is a derivative (except for the derivative that is a financial guarantee contract or effective hedging instrument).

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

• *Held-to-maturity investments:*

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

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

• *Loans and receivables:*

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

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



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

**Financial assets (Continued)**

• *Available-for-sale financial assets:*

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

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

**Financial liabilities**

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

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

• *Financial liabilities at fair value through profit or loss:*

- a) A financial liability must meet either of the following conditions:

- ✓ It is acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- ✓ There is evidence of a recent actual pattern of short-term profit-taking; or
- ✓ It is a derivative (except for the derivative that is a financial guarantee contract or effective hedging instrument).

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

• *Financial liabilities at amortised cost:*

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

**Offsetting financial assets and financial liabilities**

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



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

**The risk management policy related to financial instruments**

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

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

In the first 6 months of 2014, the Bank has successfully implemented Stage 1 of Risk Management Analysis Project and develops a roadmap for implementing the BIS standards (Basel II Project) in order to build up a stabilized base for the Bank to enhance the risk management activities in accordance with Basel II standards.

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 first 6 months of 2014, the Bank continued to enhance the investment in highly liquid assets such as Government bonds and Government treasury bills.

To manage risk related to financial instruments, the Bank has issued regulations, procedures, detailed guidance and internal set of indicators and limitation to control risk as well as to ensure compliance with regulations of the State Bank of Vietnam and meet requirements on risk management in accordance with Basel II. Accordingly, risks related to financial instruments are strictly managed as follows:

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

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

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

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



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**45. FINANCIAL INSTRUMENTS (Continued)**

**Determination of fair value of financial instruments**

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

The Bank's financial instruments are detailed as follows:

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45. FINANCIAL INSTRUMENTS (Continued)

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	Carrying value (Excluding provisions)		Fair value	
	30/6/2014 million VND	31/12/2013 (**) million VND	30/6/2014 million VND	31/12/2013 (**) million VND
<b>Financial assets</b>				
Cash on hand, gold and gemstones	4,343,509	2,833,496	4,343,509	2,833,496
Balances with the State Bank of Vietnam	18,014,881	10,159,564	18,014,881	10,159,564
Placements with and loans to other credit institutions	54,066,164	73,181,935	(*)	(*)
Trading securities - Equity securities with market price reference	26,501	17,594	23,051	15,082
Trading securities - Equity securities without market price reference	13,047	6,674	(*)	(*)
Trading securities - Debt securities	3,458,252	633,425	(*)	(*)
Derivative financial instruments and other financial assets	-	164,334	(*)	(*)
Loans to customers	377,992,284	376,288,968	(*)	(*)
Investment securities - Equity securities with market price reference	44,023	44,023	22,311	16,222
Investment securities - Debt securities	109,309,632	82,451,416	(*)	(*)
Other long-term investments	1,029,326	1,141,326	(*)	(*)
Other receivables	1,083,546	514,734	(*)	(*)
Interest and fee receivables	10,272,001	10,035,489	(*)	(*)
Other assets	208,371	231,795	(*)	(*)
	<b>579,861,537</b>	<b>557,704,773</b>		
<b>Financial liabilities</b>				
Borrowings from the Government and the SBV	569,235	147,371	(*)	(*)
Deposits and borrowing from other credit institutions	88,388,535	80,464,749	(*)	(*)
Deposits from customers	377,690,458	364,497,001	(*)	(*)
Derivative financial instruments and other financial liabilities	22,389	-	(*)	(*)
Grants, trusted funds and borrowings at risk of the credit institution	31,391,083	32,424,519	(*)	(*)
Valuable papers issued	5,368,838	16,564,766	(*)	(*)
Accrued fee and interest expenses	4,395,982	4,365,827	(*)	(*)
Other payables and liabilities	32,299,084	19,460,783	(*)	(*)
	<b>540,125,604</b>	<b>517,925,016</b>		

(\*) The Bank has not assessed fair value of financial assets and financial liabilities as at 30 June 2014 since Vietnamese Accounting Standards as well as prevailing regulations have not had specific guidance on the fair value determination of such items.

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

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**45. FINANCIAL INSTRUMENTS (Continued)**

**Classification of financial assets as at 30 June 2014:**

	Financial assets				Total million VND
	Held-for- trading million VND	Held-to- maturity million VND	Loans and receivables million VND	Available-for- sale million VND	
Cash on hand, gold and gemstones	4,343,509	-	-	-	4,343,509
Balances with the State Bank of Vietnam	18,014,881	-	-	-	18,014,881
Placements with and loans to other credit institutions	-	-	54,066,164	-	54,066,164
Trading securities	3,497,800	-	-	-	3,497,800
Loans to customers	-	-	377,992,284	-	377,992,284
Investment securities	-	2,586,748	-	-	2,586,748
Other long-term investments	-	-	-	106,766,907	106,766,907
Other receivables	-	-	1,083,546	-	1,083,546
Interest and fee receivables	-	-	10,272,001	-	10,272,001
Other assets	-	-	208,371	-	208,371
	<b>25,856,190</b>	<b>2,586,748</b>	<b>443,622,366</b>	<b>107,796,233</b>	<b>579,861,537</b>

**Classification of financial liabilities as at 30 June 2014:**

Except for derivatives financial instruments and other financial assets which are classified as held-for-trading, all the financial liabilities of the Bank as at 30 June 2014 which classified as financial liabilities measured at amortised cost.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN**  
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**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 period which had significant effects on the Bank's operations:*

In the first 6 months of 2014, to stabilise the exchange rates, the State Bank of Vietnam (SBV) continued to take measures to keep the stability of the foreign exchange market and made timely intervention where the unusual fluctuation arose such as putting restrictions on the types of entities eligible to borrow foreign currencies and reducing the interest rate cap of USD deposits to 0.25% per annum for enterprises and 1.25% per annum for individuals. Thanks to the SBV's positive measures, the foreign exchange market in the first 6 months of 2014 was kept fairly stable.

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

Based on actual data, the growth demand of affiliates and business orientation, Treasury and Financial Planning Department analyses and projects cash inflows and outflows and proposes fund planning projection for each currency unit (including VND, USD, and EUR equivalent) to the Bank's management based on actual cash flows to ensure safety and effectiveness of the whole system. All foreign currency loans are financed through mobilised funds in the same currency, thus no currency risk arises in lending and mobilisation activities.

*For investment activities:*

The Bank faces currency risk with regards to its investment in Indovina Bank Ltd. and the investment in the establishment of branches in Germany and Laos. Currency risk for these investments is closely monitored by the Bank through the analysis and forecast of changes in exchange rates of these currencies against VND.

*For foreign currency trading activities:*

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

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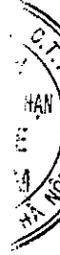
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**46. CURRENCY RISK (Continued)**

Carrying amounts of assets and liabilities by currencies as at 30 June 2014 are as follows:

ITEMS	EUR		USD equivalent		VND		Other currency		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	97,015	614,060		3,615,813		16,621		4,343,509	
Balances with the State Bank of Vietnam	-	2,455,356		15,559,525		-		18,014,881	
Placements with and loans to other credit institutions (*)	162,457	10,408,849		43,082,770		412,088		54,066,164	
Trading securities (*)	-	-		3,497,800		-		3,497,800	
Loans to customers (*)	1,450,045	78,779,626		297,737,511		25,102		377,992,284	
Investment securities (*)	-	-		109,353,655		-		109,353,655	
Long-term investments (*)	-	2,343,670		1,461,552		-		3,805,222	
Fixed assets	-	-		7,288,937		-		7,288,937	
Other assets (*)	820,962	1,849,486		22,437,850		-		25,108,298	
<b>Total assets</b>	<b>2,530,479</b>	<b>96,451,047</b>		<b>504,035,413</b>		<b>453,811</b>		<b>603,470,750</b>	
<b>Liabilities and owners' equity</b>									
Borrowings from the Government and the SBV	-	20,172		549,063		-		569,235	
Deposits and borrowings from other credit institutions	435,311	50,009,862		37,943,362		-		88,388,535	
Deposits from customers	7,069,966	29,437,042		341,048,697		134,753		377,690,458	
Derivative financial instruments and other financial liabilities	-	22,389		-		-		22,389	
Grants, trusted funds and borrowings at risk of the credit institution	260,148	5,124,197		26,006,738		-		31,391,083	
Valuable papers issued	-	5,303,492		65,346		-		5,368,838	
Other liabilities (*)	101,135	1,448,174		38,955,369		8,104		40,512,782	
Capital and reserves	-	-		53,364,042		-		53,364,042	
<b>Total liabilities and owners' equity</b>	<b>7,866,560</b>	<b>91,365,328</b>		<b>497,932,617</b>		<b>142,857</b>		<b>597,307,362</b>	
<b>Balance sheet currency position</b>	<b>(5,336,081)</b>	<b>5,085,719</b>		<b>6,102,796</b>		<b>310,954</b>		<b>6,163,388</b>	

(\*) Excluding risk provision.



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**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 the assets and liabilities is the remaining period from the date of consolidated financial statements to the nearest interest rate re-pricing date. The following assumptions and conditions have been adopted in the analysis of effective interest rate re-pricing term of the Bank's assets and liabilities:

- Cash, gold and gemstones; long-term investments and other assets (including fixed assets, investment properties and other assets) are classified as non-interest-bearing items;
- Balances with the SBV are considered settlement deposit, thus the effective interest rate re-pricing term is assumed to be within one month;
- The effective interest rate re-pricing term of trading securities is determined based on the contractual re-pricing term or the re-pricing term in accordance with the regulation on the maximum holding period of the Bank, whichever comes earlier;
- The effective interest rate re-pricing term of placements with and loans to other credit institutions; investment securities; loans to customers; borrowings from the Government and the SBV; deposits and borrowings from other credit institutions; deposits from customers, valuable papers issued, grants, trusted fund and borrowing at risk of the credit institutions are determined as follows:
  - Items with fixed interest rate during the contractual period: the effective interest rate re-pricing term is determined from the consolidated balance sheet date to maturity date;
  - Items with floating interest rate: the effective interest re-pricing term is determined from the consolidated balance sheet date to the nearest interest rate re-pricing date.

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

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

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

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

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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 consideration, collateral value and market interest rate to ensure the competitiveness as well as the efficiency. The Head Office regulates the lending interest rate floor for each period; branches can themselves decide lending interest rates for each period based on credit risk analysis and assessment provided that the rates are not less than the regulated floor rate and annual budget profit is assured. Besides, due to the fact that capital structure focuses on the funds with short interest rate re-pricing term, the Bank requires that all loans must be at the floating interest rate, adjusted every one to three months.

*Interest rate risk management:*

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

*Interest rate risk management at portfolio level*

- The Bank has been implementing the completed systems of the rules, regulations and procedures of interest rate management in the Bank in accordance with international rules and Basel II regulations; implementing interest rate management under "3 control stages" rule.
- The Bank completed the design, officially applied and continuously upgraded the software system of Assets-Liabilities Management (ALM), which runs to the transaction level under international practices, automatically provides reports of term differences, revaluation under nominal term and behaviour, scenarios analysis reports on interest rate increase/decrease situation, etc. in order to facilitate the Bank's interest rate management activities.
- Re-pricing terms of all loans are required to be adjusted based on the re-pricing terms of funds mobilised and are controlled within established limits by the Bank.

*Interest Rate Management at transaction level*

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

With the experience and sensitivity in managing, the Bank has been cautiously, flexibly managing the deposit and loan interest rate mechanism to ensure the safety and effectiveness of the business operation. As shown in the interest rate re-pricing gap report, the majority of interest bearing assets of the Bank has re-pricing term within 6 months, which is in line with the re-pricing structure of the mobilised funds that have short interest rate re-pricing term.

*Interest rate sensitivity*

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



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**47. INTEREST RATE RISK (Continued)**

30/6/2014	Non - interest bearing million VND	Overdue					Current					Total		
		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	million VND	million VND			
<b>Assets</b>														
Cash, gold and gemstones	4,343,509	-	-	-	-	-	-	-	-	-	-	-	-	4,343,509
Balances with the State Bank of Vietnam	-	-	-	18,014,881	-	-	-	-	-	-	-	-	-	18,014,881
Placements with and loans to other credit institutions (*)	-	-	-	36,764,991	11,894,556	3,784,632	1,621,985	-	-	-	-	-	-	54,066,164
Trading securities (*)	39,548	-	-	3,458,252	-	-	-	-	-	-	-	-	-	3,497,800
Loans to customers (*)	-	9,576,239	2,930,566	255,839,835	67,614,814	38,375,975	1,863,976	1,790,879	-	-	-	-	-	377,992,284
Investment securities (*)	-	-	-	14,215,975	20,777,194	7,764,110	7,545,402	54,676,828	4,374,146	-	-	-	-	109,353,655
Long-term investments (*)	3,805,222	-	-	-	-	-	-	-	-	-	-	-	-	3,805,222
Fixed assets	7,288,937	-	-	-	-	-	-	-	-	-	-	-	-	7,288,937
Other assets (*)	25,108,298	-	-	-	-	-	-	-	-	-	-	-	-	25,108,298
<b>Total assets</b>	<b>40,585,514</b>	<b>9,576,239</b>	<b>2,930,566</b>	<b>328,293,934</b>	<b>100,286,564</b>	<b>49,924,717</b>	<b>11,031,363</b>	<b>56,467,707</b>	<b>4,374,146</b>	<b>603,470,750</b>				
<b>Liabilities</b>														
Borrowings from the Government and the SBV	-	-	-	34,388	-	-	-	-	-	-	-	-	534,847	569,235
Deposits and borrowings from other credit institutions	-	-	-	49,497,580	22,981,019	10,606,624	2,651,656	2,651,656	-	-	-	-	-	88,388,535
Deposits from customers	-	-	-	211,506,656	77,933,304	28,326,784	20,266,216	39,657,498	-	-	-	-	-	377,690,458
Derivative financial instruments and other financial liabilities	22,389	-	-	-	-	-	-	-	-	-	-	-	-	22,389
Grants, trusted funds and borrowings at risk of the credit institution	-	-	-	6,592,128	12,360,674	6,592,128	3,139,108	2,707,045	-	-	-	-	-	31,391,083
Valuable papers issued	-	-	-	5,369	16,107	21,475	42,951	5,282,936	-	-	-	-	-	5,368,838
Other liabilities (*)	40,512,782	-	-	-	-	-	-	-	-	-	-	-	-	40,512,782
<b>Total liabilities</b>	<b>40,535,171</b>	<b>-</b>	<b>-</b>	<b>267,636,121</b>	<b>113,291,104</b>	<b>45,547,011</b>	<b>26,099,931</b>	<b>50,299,135</b>	<b>534,847</b>	<b>543,943,320</b>				
<b>Balance sheet net interest gap</b>	<b>50,343</b>	<b>9,576,239</b>	<b>2,930,566</b>	<b>60,657,813</b>	<b>(13,004,540)</b>	<b>4,377,706</b>	<b>(15,068,568)</b>	<b>6,168,572</b>	<b>3,839,299</b>	<b>59,527,430</b>				

(\*) Excluding risk provision.

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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.

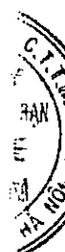
*For investment activities/interbank lending activities:* The Bank controls and manages risks by setting the interbank and investment limit for each specific counterparty based on the analysis and assessment of the counterparty's risks. These limits are set by the Financial Institution Committee and 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 30 June 2014 is presented below:

	Overdue			
	Within 90 days million VND	91-180 days million VND	181-360 days million VND	Over 360 days million VND
Loans to customers	54,614	139,567	76,582	1,024,817

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 41).



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**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 mobilize funds at a higher cost to meet its payment obligations.

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

On a monthly basis, at ALCO Committee meeting, fund balance and liquidity of the Bank is one of the key contents to be discussed. Based on analysis and evaluation, ALCO Committee makes recommendations to the Board of Directors and Board of Management to best remain the Bank's solvency in a safe and effective way.

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

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

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

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

**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.

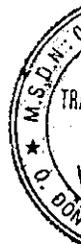
Based on the projection of capital adequacy, the Treasury Dealing Department creates the Bank's liquidity buffer through purchasing highly liquid valuable papers, which could be converted into cash on the secondary market. The Treasury Dealing Department may decide to sell valuable papers to SBV in the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

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

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

The data in the Liquidity Risk Report as at 30 June 2014 shows that the Bank's funds are fairly plentiful with terms ranging from 01 to 12 months; the longer-term funds are quite limited. This is a common situation of commercial banks in Vietnam. In fact, the Bank still maintains an appropriate rate of short-term funds utilisation for medium and long-term loans within the limit set by the State Bank.

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



**VIETNAM JOINT STOCK COMMERCIAL BANK  
FOR INDUSTRY AND TRADE**  
108 Tran Hung Dao, Hoan Kiem  
Hanoi, S.R. Vietnam

Consolidated financial statements  
For the period from 01 January 2014  
to 30 June 2014

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

FORM B 05/TCID-HN

**49. LIQUIDITY RISK (Continued)**

	Overdue					Current			Total million VND
	Over 3 months		Within 3 months		Within 1 month		From 1 to 3 months		
	million VND	million VND	million VND	million VND	million VND	million VND	million VND	million VND	
<b>Assets</b>									
Cash, gold and gemstones	-	-	4,343,509	-	-	-	-	-	4,343,509
Balances with the State Bank of Vietnam	-	-	18,014,881	-	-	-	-	-	18,014,881
Placements with and loans to other credit institutions (*)	-	-	36,764,992	11,894,556	5,406,616	-	-	-	54,066,164
Trading securities (*)	-	-	3,497,800	-	-	-	-	-	3,497,800
Loans to customers (*)	9,576,239	2,930,566	36,548,548	109,645,644	153,503,901	54,822,822	10,964,564	377,992,284	
Investment securities (*)	-	-	14,215,975	20,777,194	15,309,512	54,676,828	4,374,146	109,353,655	
Long-term investments (*)	-	-	-	-	-	-	3,805,222	3,805,222	3,805,222
Fixed assets	-	-	-	-	-	-	7,288,937	7,288,937	7,288,937
Other assets (*)	-	-	-	-	-	-	25,108,298	25,108,298	25,108,298
<b>Total assets</b>	<b>9,576,239</b>	<b>2,930,566</b>	<b>113,385,705</b>	<b>142,317,394</b>	<b>174,220,029</b>	<b>109,499,650</b>	<b>51,541,167</b>	<b>603,470,750</b>	
<b>Liabilities</b>									
Borrowings from the Government and the SBV	-	-	34,388	-	-	-	-	534,847	569,235
Deposits and borrowings from other credit institutions	-	-	44,194,268	26,516,560	13,258,280	4,419,427	-	-	88,388,535
Deposits from customers	-	-	103,864,876	90,645,710	143,522,374	39,657,498	-	-	377,690,458
Derivative financial instruments and other financial liabilities	-	-	22,389	-	-	-	-	-	22,389
Grants, trusted funds and borrowings at risk of the credit institution	-	-	6,201,878	12,452,518	9,087,909	2,707,046	941,732	31,391,083	
Valuable papers issued	-	-	5,369	64,426	16,107	5,282,936	-	-	5,368,838
Other liabilities (*)	-	-	5,047,893	9,256,123	20,160,589	6,048,177	-	-	40,512,782
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>159,371,061</b>	<b>138,935,337</b>	<b>186,045,259</b>	<b>58,115,084</b>	<b>1,476,579</b>	<b>543,943,320</b>	
<b>Net liquidity difference</b>	<b>9,576,239</b>	<b>2,930,566</b>	<b>(45,985,356)</b>	<b>3,382,057</b>	<b>(11,825,230)</b>	<b>51,384,566</b>	<b>50,064,588</b>	<b>59,527,430</b>	

(\*) Excluding risk provision.

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

**50. CONTINGENT LIABILITIES**

The People's Court of Ho Chi Minh city prosecuted and sentenced the Bank's former employees of Ho Chi Minh City branch and Nha Be branch of the Bank (including Huynh Thi Huyen Nhu) for alleged misappropriation of assets by means of fraudulence and other charges in the first instance criminal court. In terms of civil responsibilities, Huynh Thi Huyen Nhu was ordered to pay compensation to the defrauded organisations and individuals victims and the Bank neither has compensation obligation, joint liability nor incurs any financial loss with regards to the illegal actions of these individuals mentioned above. After the first instance criminal court, some of litigating participants appealed against the first-instance judgement. According to the code of criminal legislation and criminal procedure code, the appeal court shall be conducted if the judgment of the first instance court is appealed. Therefore, in this case, the legal responsibilities and obligations of related parties will be determined only when the appeal court has been completed with an effective judgement (until now, the appeal court of The Supreme People's Court of Vietnam has not yet tried this case). However, based on the result of reconciliation, review and examination procedures conducted up to the date of these consolidated financial statements, the Bank's management believes that the Bank neither is jointly liable for nor incurs any financial loss with regards to the illegal actions of the above - mentioned individuals.

**51. EXCHANGE RATES OF SOME FOREIGN CURRENCIES AT THE END OF THE ACCOUNTING PERIOD**

	<u>30/6/2014</u>	<u>31/12/2013</u>
	VND	VND
USD	21,246	21,036
EUR	28,999	28,937
GBP	36,159	34,756
CHF	23,876	23,618
JPY	209.60	199.76
SGD	17,021	16,623
CAD	19,892	19,745
AUD	19,975	18,754
NZD	18,570	17,257
THB	644.90	631.40
SEK	3,159	3,279
NOK	3,449	3,457
DKK	3,890	3,880
HKD	2,741	2,712
CNY	3,415	3,468
KRW	21.00	19.92
LAK	2.62	2.62
MYR	6,619	6,416
RUB	610	Non applicable
INR	358.50	Non applicable

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

**52. COMPARATIVE FIGURES**

Comparative figures in the consolidated balance sheet and related notes are figures in the audited consolidated financial statements for the year ended 31 December 2013. Comparative figures in the statements of income and cash flow and related notes are figures in the reviewed consolidated financial statements for the period from 01 January 2013 to 30 June 2013.

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

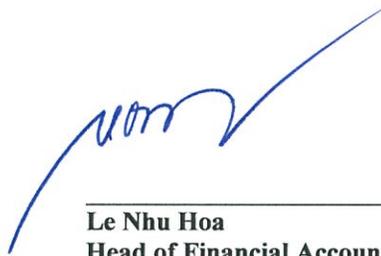
Consolidated Balance sheet items	Consolidated financial statements for the year ended 31 December 2013		Restated in consolidated financial statements for the period from 01 January 2014 to 30 June 2014
	million VND	Difference million VND	million VND
Available for sale investment securities	80,627,909	(719,218)	79,908,691
Other long-term investments	321,108	719,218	1,040,326
Provisions for impairment of investment securities	(212,189)	76,943	(135,246)
Provisions for impairment of long-term investments	(3,408)	(76,943)	(80,351)

Consolidated Income statement items	Consolidated financial statements for the period from 01 January 2013 to 30 June 2013		Restated in consolidated financial statements for the period from 01 January 2014 to 30 June 2014
	million VND	Difference million VND	million VND
Net gain/(loss) from investment securities	86,999	28,000	114,999
Other operating expenses	(247,067)	(476,931)	(723,998)
Operating expenses	(4,652,110)	448,931	(4,203,179)

Preparer

Approver

  
\_\_\_\_\_  
Le Nhu Hoa  
Head of Financial Accounting  
Management Department

  
\_\_\_\_\_  
Nguyen Hai Hung  
Chief Accountant

  
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Nguyen Van Du  
Deputy General Director



27 August 2014