

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

Interim consolidated financial statements

30 June 2017



Vietnam Joint Stock Commercial Bank for Industry and Trade

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Vietnam Joint Stock Commercial Bank for Industry and Trade

GENERAL INFORMATION

THE BANK

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

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

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

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

Charter capital

As at 30 June 2017, the charter capital of the Bank is VND37,234,046 million (31 December 2016: VND37,234,046 million).

Location

The Bank's Head Office is located at No.108 Tran Hung Dao Street, Hoan Kiem District, Hanoi, Vietnam. As at 30 June 2017, the Bank has one (1) Head Office; one (1) Trade finance centre; three (3) Administrative units; five (5) Cash management centres; two (2) Local representative offices; one (1) overseas representative office in Myanmar; one-hundred and fifty seven (157) branches (including two (2) overseas branches); seven (7) subsidiaries and one (1) subsidiary bank.

BOARD OF DIRECTORS

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

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

Vietnam Joint Stock Commercial Bank for Industry and Trade

GENERAL INFORMATION (continued)

BOARD OF MANAGEMENT AND CHIEF ACCOUNTANT

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

<i>Name</i>	<i>Position</i>
Mr. Le Duc Tho	General Director
Mr. Tran Minh Binh	Deputy General Director
Ms. Bui Nhu Y	Deputy General Director (retired from 1 May 2017)
Mr. Nguyen Hoang Dung	Deputy General Director
Mr. Nguyen Duc Thanh	Deputy General Director
Mr. Tran Cong Quynh Lan	Deputy General Director
Mr. Nguyen Dinh Vinh	Deputy General Director
Ms. Le Nhu Hoa	Deputy General Director
Mr. Hiroshi Yamaguchi	Deputy General Director (appointed on 15 May 2017)
Mr. Hiroyuki Nagata	Deputy General Director (resigned from 15 May 2017)
Mr. Nguyen Hai Hung	Chief Accountant

SUPERVISORY BOARD

The members of the Supervisory Board of the Bank during the period and at the date of the interim consolidated financial statements are as follows:

<i>Name</i>	<i>Position</i>
Mr. Nguyen The Huan	Chief Supervisor
Ms. Pham Thi Thom	Member
Mr. Tran Minh Duc	Member
Ms. Pham Thi Hong Phuong	Member

LEGAL REPRESENTATIVE

The legal representative of the Bank during the six-month period ended 30 June 2017 and at the date of the interim consolidated financial statements is Mr. Nguyen Van Thang - the Chairman.

Ms. Le Nhu Hoa - Deputy General Director is authorized by Mr. Nguyen Van Thang to sign the accompanying interim consolidated financial statements for the six-month period ended 30 June 2017 in accordance with the Letter of Authorization No. 685/UQ-HDQT-NHCT18 dated 8 August 2016.

AUDITORS

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

Vietnam Joint Stock Commercial Bank for Industry and Trade

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Vietnam Joint Stock Commercial Bank for Industry and Trade ("the Bank") is pleased to present this report and the interim consolidated financial statements of the Bank and its subsidiaries as at 30 June 2017 and for the six-month period then ended.

MANAGEMENT'S RESPONSIBILITY FOR THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Board of Management of the Bank is responsible for the interim consolidated financial statements which give a true and fair view of the interim consolidated financial position of the Bank and its subsidiaries and of the interim consolidated results of their operations and their interim consolidated cash flows for the period. In preparing these interim consolidated financial statements, the Board of Management is required to:

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

The Board of Management of the Bank is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the interim consolidated financial position of the Bank and its subsidiaries and ensuring that the interim consolidated financial statements comply with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and statutory requirements relevant to preparation and presentation of the financial statements. The Board of Management is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

STATEMENT BY THE BOARD OF MANAGEMENT

The Board of Management of the Bank does hereby state that, in its opinion, the accompanying interim consolidated financial statements give a true and fair view of the interim consolidated financial position of the Bank and its subsidiaries as at 30 June 2017, the interim consolidated results of their operations and their interim consolidated cash flows for the six-month period then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and statutory requirements relevant to preparation and presentation of the interim consolidated financial statements.

For and on behalf of the Board of Management



ANH
NICÓ PHAN
NG THƯƠNG
VIỆT NAM

Mr. Le Duc Tho
General Director

Hanoi, Vietnam

24 August 2017

Reference: 60755043/19145213-BNHN

REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

We have reviewed the accompanying interim consolidated financial statements of Vietnam Joint Stock Commercial Bank for Industry and Trade ("the Bank") and its subsidiaries, as prepared on 24 August 2017 and set out on pages 6 to 71, which comprise the interim consolidated balance sheet as at 30 June 2017, the interim consolidated income statement and the interim consolidated cash flow statement for the six-month period then ended and the notes thereto.

Management's responsibility

Management of the Bank is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and statutory requirements relevant to preparation and presentation of the interim consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation and presentation of interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express a conclusion on the interim consolidated financial statements based on our review. We conducted our review in accordance with Vietnamese Standard on Review Engagements No. 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Vietnamese Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not give a true and fair view, in all material respects, of the interim consolidated financial position of the Bank and its subsidiaries as at 30 June 2017, and of the interim consolidated results of their operations and their interim consolidated cash flows for the six-month period then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and statutory requirements relevant to preparation and presentation of interim consolidated financial statements.

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Emphasis of matter

We draw attention to *Note 37.1 - Contingent liabilities* of the interim consolidated financial statements. As at 30 June 2017, the Bank is a party to the case of Huynh Thi Huyen Nhu - Former Head of Dien Bien Phu Transaction Office and other former employees of Ho Chi Minh City Branch and Nha Be Branch of the Bank.

In June 2017, the People Court of Ho Chi Minh City made decision to return the case and requested additional investigation. Accordingly, the case has been under re-investigation, prosecution and trial in accordance with the provisions of law. Hence, the responsibilities and legal obligations of the parties concerned shall be defined only when the re-investigation and trial are completed with effective judgment and verdict.

Our review conclusion on the interim consolidated financial statements is not modified in respect of this matter.

Other matter

The consolidated financial statements of the Bank for the year ended 31 December 2016 were audited by another audit firm which expressed an unmodified opinion on 30 March 2017 with an emphasis of matter related to the above-mentioned case of Huynh Thi Huyen Nhu. In addition, the interim consolidated financial statements of the Bank for the six-month period ended 30 June 2016 were reviewed by that audit firm which also expressed an unmodified conclusion on 9 August 2016 with the same emphasis of matter.

Ernst & Young Vietnam Limited



Dang Phuong Ha
Deputy General Director
Audit Practising Registration
Certificate No. 2400-2013-004-1

Hanoi, Vietnam

24 August 2017

INTERIM CONSOLIDATED BALANCE SHEET
as at 30 June 2017

	Notes	30 June 2017 VND million	31 December 2016 VND million
ASSETS			
Cash, gold and gemstones	5	6,380,043	5,187,132
Balances with the State Bank of Vietnam	6	16,210,207	13,502,594
Placements with and loans to other credit institutions	7	107,779,682	94,469,281
Placements with other credit institutions		104,018,767	91,031,828
Loans to other credit institutions		3,760,915	3,437,453
Provision for credit losses on loans to other credit institutions		-	-
Securities held for trading	8	9,818,635	1,894,690
Securities held for trading		9,890,844	1,974,670
Provision for securities held for trading		(72,209)	(79,980)
Derivatives and other financial assets	9	411,572	682,690
Loans to customers		721,967,181	655,125,731
Loans to customers	10	730,050,316	661,987,797
Provision for credit losses on loans to customers	11	(8,083,135)	(6,862,066)
Investment securities	12	129,430,973	134,226,686
Available-for-sale securities	12.1	123,578,024	125,573,894
Held-to-maturity investments	12.2	11,041,106	11,743,021
Provision for investment securities	12.3	(5,188,157)	(3,090,229)
Long-term investments	13	3,179,094	3,202,637
Investments in joint venture	13.1	2,751,448	2,774,766
Other long-term investments		430,445	430,445
Provision for long-term investments		(2,799)	(2,574)
Fixed assets		10,276,171	10,615,318
Tangible fixed assets	14	6,130,965	6,422,471
Cost		12,649,343	12,538,329
Accumulated depreciation		(6,518,378)	(6,115,858)
Intangible fixed assets	15	4,145,206	4,192,847
Cost		5,247,590	5,141,691
Accumulated amortization		(1,102,384)	(948,844)
Other assets		30,166,986	29,792,264
Receivables	16.1	11,878,615	12,572,928
Accrued interest and fee receivables		15,066,923	14,207,830
Other assets	16.2	3,223,343	3,013,053
In which: Goodwill	17	3,630	4,537
Provision for other assets		(1,895)	(1,547)
TOTAL ASSETS		1,035,620,544	948,699,023

INTERIM CONSOLIDATED BALANCE SHEET (continued)
as at 30 June 2017

	<i>Notes</i>	<i>30 June 2017</i> <i>VND million</i>	<i>31 December 2016</i> <i>VND million</i>
LIABILITIES			
Due to the State Bank of Vietnam	18	25,770,825	4,808,417
Deposits and borrowings from other credit institutions		119,223,170	85,151,867
Deposits from other credit institutions	19.1	71,549,300	41,346,232
Borrowings from other credit institutions	19.2	47,673,870	43,805,635
Customer deposits	20	692,930,741	655,060,148
Other borrowed and entrusted funds	21	6,505,687	6,075,468
Valuable papers issued	22	18,302,672	23,849,453
Other liabilities		112,567,389	113,354,267
Interest and fee payables		10,657,181	9,944,825
Other payables	23.1	101,674,307	103,171,982
Other provision		235,901	237,460
TOTAL LIABILITIES		975,300,484	888,299,620
OWNERS' EQUITY			
Capital		46,208,767	46,208,767
- Charter capital		37,234,046	37,234,046
- Share premium		8,974,721	8,974,721
Reserves		6,378,915	6,366,898
Foreign exchange differences		560,079	480,011
Undistributed profits		6,897,572	7,083,394
Non-controlling interests		274,727	260,333
TOTAL OWNERS' EQUITY	25	60,320,060	60,399,403
TOTAL LIABILITIES AND OWNERS' EQUITY		1,035,620,544	948,699,023

INTERIM CONSOLIDATED BALANCE SHEET (continued)
as at 30 June 2017

OFF-BALANCE SHEET ITEMS

	30 June 2017 VND million	31 December 2016 VND million
Credit guarantees	2,329,491	2,349,067
Foreign exchange commitments	124,746,315	133,764,643
- <i>Foreign exchange commitments - buy</i>	4,077,679	509,340
- <i>Foreign exchange commitments - sell</i>	4,246,419	743,152
- <i>Cross currency swap contract</i>	116,422,217	132,512,151
Letters of credit	41,700,689	42,320,738
Other guarantees	44,000,140	46,360,864
Other commitments	35,599,158	28,605,438

Prepared by:



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

Reviewed by:



Mr. Nguyen Hai Hung
Chief Accountant

Approved by:



Ms. Le Nhu Hoa
Deputy General Director

Hanoi, Vietnam

24 August 2017

INTERIM CONSOLIDATED INCOME STATEMENT
for the six-month period ended 30 June 2017

	Notes	For the six-month period ended 30 June 2017 VND million	For the six-month period ended 30 June 2016 VND million
Interest and similar income	26	31,554,505	25,404,391
Interest and similar expenses	27	(18,069,584)	(14,140,621)
Net interest and similar income		13,484,921	11,263,770
Fee and commission income		1,866,508	1,573,628
Fee and commission expenses		(957,552)	(768,420)
Net fee and commission income	28	908,956	805,208
Net gain from trading of foreign currencies	29	353,395	343,751
Net gain from securities held for trading	30	177,864	59,471
Net gain from investment securities	31	53,674	25,732
Other income		1,239,669	1,135,847
Other expenses		(446,060)	(709,109)
Net gain from other activities	32	793,609	426,738
Income from investments in other entities	33	558,894	15,241
TOTAL OPERATING EXPENSES	34	(6,674,175)	(5,657,788)
Net profit before provision for credit losses		9,657,138	7,282,123
Provision expense for credit losses		(4,843,509)	(3,009,179)
PROFIT BEFORE TAX		4,813,629	4,272,944
Current corporate income tax expense	24.1	(892,640)	(858,262)
Deferred corporate income tax income	24.2	-	-
Corporate income tax expense		(892,640)	(858,262)
PROFIT AFTER TAX		3,920,989	3,414,682
Non-controlling interest		16,518	6,864
Owner's net profit		3,904,471	3,407,818
Basic earnings per share (VND/share)	25.3	1,049	915

Prepared by:



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

Reviewed by:



Mr. Nguyen Hai Hung
Chief Accountant

Approved by:



Ms. Le Nhu Hoa
Deputy General Director

Hanoi, Vietnam

24 August 2017

INTERIM CONSOLIDATED CASH FLOW STATEMENT
for the six-month period ended 30 June 2017

	<i>Notes</i>	<i>For the six-month period ended 30 June 2017 VND million</i>	<i>For the six-month period ended 30 June 2016 VND million</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and similar receipts		30,868,543	24,312,970
Interest and similar payments		(17,363,078)	(13,468,725)
Net fee and commission receipts		997,104	810,992
Net payments from dealing in foreign currencies, gold and securities trading activities		743,697	525,209
Other income		(460,482)	(183,027)
Recoveries from bad debts written-off previously		650,745	613,361
Payments for operating and salary expenses		(6,134,413)	(5,240,529)
Corporate income tax paid during the period	24.1	(1,009,362)	(638,234)
Net cash flows from operating profit before changes in operating assets and liabilities		8,292,754	6,732,017
<i>Changes in operating assets</i>		(78,633,633)	(49,920,827)
Decrease/(increase) in deposits at and loans to other credit institutions		13,609	(2,803,802)
(Increase)/decrease in trading securities		(10,218,389)	8,524,594
Decrease/(increase) in derivatives and other financial assets		271,118	(164,947)
(Increase) in loans to customers		(66,565,272)	(54,786,653)
(Increase) in utilization of provision to write off loans to customers, securities, long-term investments and other receivables		(1,497,247)	(156,074)
(Increase) in other assets		(637,452)	(533,945)
<i>Changes in operating liabilities</i>		85,179,917	66,675,077
Increase/(decrease) in due to the SBV and the Government		20,962,408	(8,531,976)
Increase/(decrease) in deposits and borrowings from other credit institutions		34,071,303	(11,067,116)
Increase in customers deposits (including deposits from State Treasury)		37,870,593	83,404,468
(Decrease) in valuable papers issued (except for valuable papers issued for financing activities)		(5,546,781)	(397,578)
Increase/(decrease) in other borrowed and entrusted funds		430,219	(27,746,224)
(Decrease) in derivatives and other financial liabilities		-	(117,619)
(Decrease)/increase in other liabilities		(2,607,201)	31,131,157
Payments from credit institution's fund		(624)	(35)
Net cash flows from operating activities		14,839,038	23,486,267
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(773,070)	(815,081)
Proceeds from disposal of fixed assets		39,967	10,857
Payments for disposal of fixed assets		(4,647)	(7,387)
Payments for investments in other entities		-	(24,000)
Proceeds from investments in other entities		600,000	9,474
Dividends and profits received from long-term investments and capital contribution		14,016	12,649
Net cash flows from/(used in) investing activities		(123,734)	(813,488)

INTERIM CONSOLIDATED CASH FLOW STATEMENT (continued)
for the six-month period ended 30 June 2017

	Notes	For the six-month period ended 30 June 2017 VND million	For the six-month period ended 30 June 2016 VND million
CASH FLOWS FROM FINANCING ACTIVITY			
Dividend payment for shareholders		(2,606,383)	-
Cash flows used in financing activity	25.1	(2,606,383)	-
Net cash flows for the period		12,108,921	22,672,779
Cash and cash equivalents at the beginning of the period		113,814,949	80,882,722
Adjustment due to exchange rate difference		115,613	(17,282)
Cash and cash equivalents at the end of the period	35	126,039,483	103,538,219

Prepared by:



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

Reviewed by:



Mr. Nguyen Hai Hung
Chief Accountant

Approved by:



Ms. Le Nhu Hoa
Deputy General Director

Hanoi, Vietnam

24 August 2017

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
as at 30 June 2017 and for the six-month period then ended

1. GENERAL INFORMATION

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

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

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

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

Charter capital

As at 30 June 2017, the charter capital of the Bank is VND37,234,046 million (31 December 2016: VND37,234,046 million).

Location

The Bank's Head Office is located at 108 Tran Hung Dao Street, Hoan Kiem District, Hanoi, Vietnam. As at 30 June 2017, the Bank has one (1) Head Office; one (1) Trade finance centre; three (3) Administrative units; five (5) Cash management centres; two (2) Local representative offices; one (1) overseas representative office in Myanmar; one-hundred and fifty seven (157) branches (including two (2) overseas branches); seven (7) subsidiaries and one (1) subsidiary bank.

Employees

The Bank has 23,628 employees as at 30 June 2017 (31 December 2016: 22,957 employees).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

1. GENERAL INFORMATION (continued)

Subsidiaries

As at 30 June 2017, the Bank has seven (7) directly owned subsidiary companies and one (1) subsidiary bank as follows:

<i>Subsidiaries</i>	<i>Operating Licence</i>	<i>Nature of Business</i>	<i>Charter capital</i>	<i>Ownership</i>
VietinBank Leasing Company Ltd	Business Registration No. 0101047075/GP dated 10 March 2011 granted by Hanoi Authority for Planning and Investment	Finance and banking	VND 1,000 billion	100%
VietinBank Securities JSC	Establishment and Operating License No. 107/UBCK - GP dated 1 July 2009 granted by State Securities Commission	Security market	VND 904 billion	75.6%
VietinBank Debt Management and Asset Exploitation Company Ltd	Business Registration No. 0302077030/GP dated 20 July 2010 granted by Department of Planning and Investment of Ho Chi Minh City	Asset management	VND 120 billion	100%
VietinBank Insurance Company Ltd	Establishment and Operating License No. 21/GP-KDBH dated 12 December 2002 granted by the Ministry of Finance and Amended License No. 21/GPDC6/KDBH dated 21 April 2009 granted by the Ministry of Finance	Non-life insurance	VND 500 billion	100%
VietinBank Gold & Jewelry Trading Company Ltd	Business Registration No. 0105011873/GP dated 25 November 2010 granted by Hanoi Authority for Planning and Investment	Gold, gold manipulation	VND 300 billion	100%
VietinBank Fund Management Company Ltd	Establishment and Operating License No. 50/UBCK-GP dated 26 October 2010 granted by State Security Commission and No. 05/GPDC-UBCK dated 23 March 2011	Fund management	VND 950 billion	100%
VietinBank Global Money Transfer Company Ltd	Business Registration No. 0105757686 dated 3 January 2012 granted by Hanoi Planning and Investment Department	Monetary transfer intermediary	VND 50 billion	100%
VietinBank Lao Limited	Business Registration No. 068/NHCHDCNDL dated 8 July 2015 granted by Lao DPR Central Bank	Finance and Banking	VND 1,166 billion	100%

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

2. ACCOUNTING PERIOD AND ACCOUNTING CURRENCY

2.1 *Accounting period*

The Bank's fiscal year starts on 1 January and ends on 31 December.

The Bank's interim period starts on 1 January and ends on 30 June each year.

2.2 *Accounting currency*

Currency used in preparation of financial statement of the Bank is Vietnam dong ("VND"). For the purpose of preparing interim consolidated financial statements as at 30 June 2017, all amounts are rounded to the nearest million and presented in VND million. The presentation makes no impact on readers' view of interim consolidated financial position, interim consolidated income statement and interim consolidated cash flows.

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM

3.1 *Statement of compliance*

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

3.2 *Accounting standards and system*

The interim consolidated financial statements of the Bank and its subsidiaries are prepared in accordance with the Accounting System applicable to Credit Institutions required under Decision No. 479/2004/QĐ-NHNN issued on 29 April 2004 and Circular No. 10/2014/TT-NHNN dated 20 March 2014 amending and supplementing Decision No. 479/2004/QĐ-NHNN, Decision No. 16/2007/QĐ-NHNN dated 18 April 2007, Circular No. 49/2014/TT-NHNN amending and supplementing a number of articles of Decision No. 16/2007/QĐ-NHNN and the chart of account system for Credit Institutions issued in connection with Decision No. 479/2004/QĐ-NHNN by the Governor of the State Bank of Vietnam and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

- ▶ Decision No. 149/2001/QĐ-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series No.1);
- ▶ Decision No. 165/2002/QĐ-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series No.2);
- ▶ Decision No. 234/2003/QĐ-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series No.3);
- ▶ Decision No. 12/2005/QĐ-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series No. 4); and
- ▶ Decision No. 100/2005/QĐ-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series No.5).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM (continued)

3.2 Accounting standards and system (continued)

The accompanying interim consolidated financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Vietnam. Accordingly, the accompanying interim consolidated financial statements and their utilization are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the interim consolidated financial position and results of interim consolidated operations and interim consolidated cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

Items or balances required by Decision No. 16/2007/QD-NHNN dated 18 April 2007 and Circular No. 49/2014/TT-NHNN dated 31 December 2014 issued by the SBV regarding the financial reporting mechanism for credit institutions that are not shown in these interim consolidated financial statements indicate nil balance.

3.3 Assumptions and uses of estimates

The preparation of the interim consolidated financial statements requires the Board of Management of the Bank make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the income, expenses and the resultant provisions. Such estimates are necessarily based on assumptions involving varying degrees of subjectivity and uncertainty and actual results may differ resulting in future changes in such provision.

3.4 Basis of consolidation

The interim consolidated financial statements comprise the interim financial statements of the Bank and its subsidiaries for the six-month period ended 30 June 2017.

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

The interim financial statements of the Bank and its subsidiaries are prepared for the same reporting period, using consistent accounting policies.

All intra-company balances, income and expenses and unrealized gains or losses resulting from intra-company transactions are eliminated in full.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 *Changes in accounting policies and disclosures*

The accounting policies adopted by the Bank in preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Bank's consolidated financial statements for the previous period.

4.2 *Cash and cash equivalents*

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

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

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

Placements with and loans to other credit institutions are classified and provided for allowance in accordance with Circular No. 02/2013/TT-NHNN ("Circular 02") and Circular No. 09/2014/TT-NHNN ("Circular 09"). Accordingly, the Bank makes a specific provision for placements with (except for current accounts) and loans to other credit institutions according to the method as described in *Note 4.5*.

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

4.4 *Loans to customers*

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

Provision for credit losses of loans to customers is accounted and presented in a separate line in the interim consolidated balance sheet.

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

Loan classification and provision for credit losses are made according to Circular 02 and Circular 09 as presented in *Note 4.5*.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 *Loan classification and provision for credit losses applied to placements with and loans to other credit institutions, unlisted corporate bonds purchased and trusted for purchase by the Bank, loans to customers granted and trusted for grant by the Bank*

Loan classification

Loan classification for placements with and loans to other credit institutions, unlisted corporate bonds purchased and trusted for purchase (hereafter referred as “debts”) is made using the quantitative method as regulated under Article 10 of Circular 02. Loan classification for loans to customers granted and trusted for grant is made using both the quantitative and qualitative methods as regulated under Article 10 and Article 11 of Circular 02. In case the classification results under Articles 10 and 11 are not the same, the debts must be classified into the higher risk group.

Since 1 January 2015, credit institutions, foreign bank branches have been required to use the updated information from Credit Information Centre (CIC) about the loan group of customers at the time of loan classification to adjust the classification group of loans and off-balance sheet items.

Accordingly, loans to customers are classified based on risk level as follows: *Current, Special Mention, Sub-standard, Doubtful* and *Loss*. Loans which are classified as *Sub-standard, Doubtful* and *Loss* are non-performing loan.

Specific provision

Specific provision as at 30 June 2017 is made based on the principal balance less discounted value of collateral multiplied by provision rates which are determined based on the loan classification results as at 30 June 2017.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Specific provision (continued)

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Specific provision (continued)

Where a customer has more than one debt with the Bank and any of the outstanding debts is classified into a higher risk group, the Bank has to classify the entire remaining debts of that customer into the corresponding higher risk group.

When the Bank participates in a syndicated loan as a participant, it classifies loans (including syndicated loans) of the customer into the higher of the risk group assessed by the leading bank and by the Bank.

For loans in agricultural and rural areas, the Bank is allowed to restructure debt and remain the debt group in accordance with Circular No. 10/2015/TT-NHNN dated 22 July 2015 guiding the implementation of a number of contents of Decree No. 55/2015/ND-CP dated 9 June 2015 issued by the Government on credit policies supporting agricultural and rural development.

The basis for determination of the value and discounted value for each type of collateral is specified in Circular 02 and Circular 09 amending and supplementing a number of articles of Circular 02.

General provision

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

Write-off bad debts

Provisions are recognized as an expense on the interim consolidated income statement and used to write-off bad debt. According to Circular 02, the Bank establishes a Risk Management Committee to deal with bad debts if they are classified in Group 5 or if the borrower is a dissolved, bankrupt organization or individual who is dead or missing.

4.6 *Securities held for trading*

Securities held for trading include debt securities, equity securities and other securities acquired and held for the purpose of reselling within one year to gain profit on price variances.

Securities held for trading are initially recognized at the cost of acquisition and subsequently measured at the lower of the book value and the market value. Gains or losses from sales of trading securities are recognized in the interim consolidated income statement.

Interest and dividends derived from securities held for trading are recognized on a cash basis in the interim consolidated income statement upon actual receipt.

Provision for impairment of securities held for trading is recorded when their book value is higher than their market value as stipulated in Circular No. 228/2009/TT-BTC ("Circular 228") dated 07 December 2009 issued by the Ministry of Finance and Circular No. 89/2013/TT-BTC ("Circular 89") dated 28 June 2013. In case the market values of the securities cannot be determined, no provision is made. Provision for impairment is recognized in the interim consolidated income statement as "*Net gain/(loss) from securities held for trading*".

Provision for credit losses of corporate bonds, which are not listed on the stock market or not registered on the unlisted public companies market, is made in accordance with Circular 02 and Circular 09 as described in Note 4.5.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Investment securities

Investment securities are classified into two categories: available-for-sale and held-to-maturity investment securities. The Bank classifies investment securities on their purchase dates. In accordance with Official Letter No. 2601/NHNN-TCKT dated 14 April 2009 issued by the SBV, the Bank is allowed to reclassify investment securities no more than one time after the purchase date.

4.7.1 Available-for-sale securities

Available-for-sale securities include debt and equity securities that are acquired by the Bank for the investment and available-for-sale purposes, not regularly traded but can be sold when there is a benefit. For equity securities, the Bank is also neither the founder shareholder nor the strategic partner and does not have the ability to make certain influence in establishing and making the financial and operating policies of the investees through a written agreement on assignment of its personnel to the Board of Directors/Management.

Available-for-sale equity securities are initially recognized at cost at the purchase date and continuously presented at cost in subsequent periods.

Available-for-sale debt securities are recognized at par value at the purchase date. Accrued interest (for debt securities with interest payment in arrears) and deferred interest (for debt securities with interest payment in advance) is recognized in a separate account. Discount/premium, which is the difference between the cost and the amount being the par value plus (+) accrued interest (if any) or minus (-) deferred interest (if any) is also recognized in a separate account.

In subsequent periods, these securities are continuously recorded at par value, and the discount/premium (if any) is amortized to the interim consolidated income statement on a straight-line basis over the remaining term of securities. The interest received in arrears is recorded as follows: Cumulative interest incurred before the purchasing date is recorded as a decrease in the accrued interest; cumulative interest incurred after the purchasing date is recognized as income based on the accumulated method. The interest received in advance is amortized into the securities investment interest income on a straight-line basis over the term of securities investment.

Available-for-sale securities are subject to impairment review on a periodical basis.

Provision for diminution in value of securities is made when the carrying value is higher than the market value in compliance with Circular 228 and Circular 89. In case market prices of securities are not available or cannot be determined reliably, no provision is required. Provision is recognized in the "*Net gain/(loss) from investment securities*" account of the interim consolidated income statement.

Provision for credit losses of corporate bonds which are not listed on the stock market or not registered on the unlisted public companies market is made in accordance with Circular 02 as described in *Note 4.5*

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 *Investment securities* (continued)

4.7.2 *Held-to-maturity investment securities*

Held-to-maturity investment securities include special bonds issued by Vietnam Asset Management Company ("VAMC") and other held-to-maturity securities.

Special bonds issued by VAMC

Special bonds issued by VAMC are fixed-term valuable papers used to purchase bad debts of the Bank. These special bonds are initially recognized at face value at the date of transaction and subsequently carried at the face value during the holding period. Face value of the bonds equals the outstanding balance of the sold debts less their unused specific allowance.

During the holding period, the Bank annually calculates and makes allowance in accordance with Circular No. 14/2015/TT-NHNN dated 28 August 2015 issued by the SBV amending and supplementing some articles of Circular No. 19/2013/TT-NHNN stipulating purchase, sale and bad debt written-off of VAMC.

In accordance with Circular No. 14/2015/TT-NHNN, each year within 5 consecutive working days prior to the maturity date of special bonds, the Bank is obliged to fully make specific provision for each special bond using the below formula:

$$X_{(m)} = \frac{Y}{n} \times m - (Z_m + X_{m-1})$$

In which:

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

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

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

Other held-to-maturity securities

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

Held-to-maturity securities are recorded and measured identical to debt securities available-for-sale and presented at Note 4.7.1.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 *Joint venture*

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.

4.9 *Other long-term investments*

Other long-term investments are investments in other entities in which the Bank holds less than 11% of voting rights and the Bank is the founding shareholder; or strategic partner; or the Bank can have certain influence on the entity's financial and operational policies under written agreement on delegating its representatives to take part in the Board of Director/Management. These investments are initially recorded at cost at the investment date.

For securities which are not listed but are registered for trading on unlisted public company market (UpCom), provision for diminution in value is made when their registered price for trading is lower than the carrying value of the securities at the end of accounting period.

In other cases, provision for diminution in the value of investment is made when the investee suffers loss, except that such loss had been forecasted in the investee's business plan before the investment was made. Provision for diminution in the value of investment is made using the below formula:

$$\text{Provision for diminution in value of each investment} = \left(\text{Total invested amount of all parties in the entity} - \text{Owners' equity of the entity} \right) \times \frac{\text{Invested amount of each party}}{\text{Total invested amount of all parties in the entity}}$$

Provision is reversed when the recoverable amount of the investment increases after the provision is made. Provision is reversed up to the gross value of the investment before the provision is made.

4.10 *Re-purchase and re-sale contracts*

Securities sold under agreements to repurchase at a specific date in the future (repos) are still recognized in the interim consolidated financial statements. The corresponding cash received from these agreements is recognized in the interim consolidated balance sheet as a liability and the difference between the sale price and repurchase price is amortized in the consolidated income statement over the term of the agreement using the straight-line method based on the interest rate stipulated in the contract.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Fixed assets

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

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

Cost related to additions, improvements and renewals are capitalized while expenditures for maintenance and repairs are charged to the interim consolidated income statement.

When assets are sold or liquidated, their cost and accumulated depreciation are deducted from the interim consolidated balance sheet item and any gains or losses resulting from their disposal are recorded to the interim consolidated income statement.

4.12 Depreciation and amortization

Depreciation and amortization of fixed assets is calculated on a straight-line basis over the estimated useful lives of these assets as follows:

Buildings and structure	5 - 40 years
Machine and equipment	3 - 7 years
Transportation vehicles	6 - 7 years
Other tangible fixed assets	4 years
Land use rights (*)	Upon lease term
Computer software	3 - 7 years

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

4.13 Receivables

4.13.1 Receivables classified as credit bearing assets

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

4.13.2 Other receivables

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

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

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

<u>Overdue status</u>	<u>Allowance rate</u>
From over six months up to one year	30%
From one to under two years	50%
From two to under three years	70%
From three years and above	100%

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Prepaid expenses and deferred expenses

Prepaid expenses are reported as short-term or long-term prepaid expenses on the interim consolidated balance sheet and amortized over the period for which the amount is paid or the period in which economic benefit is generated in relation to these expenses.

4.15 Leasing

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

The Bank as lessor

Amounts due from lessees under finance leases are recorded as loan to customer in the interim consolidated balance sheet at the amount of the Bank's net investment in the leases. Financial leases are recorded as principal of loan to customer and income from these are recognised as "Interest and similar income". Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

Operating lease assets are recorded on the interim consolidated balance sheet. 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.

The Bank as lessee

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

4.16 Recognition of income and expense

4.16.1 Interest income and expenses

Interest income and expenses are recognized in the interim consolidated income statement on an accrual basis using the nominal interest rates. The recognition of accrued interest income of a loan is suspended when such loan is classified in groups 2 to 5 in compliance with Circular 02. Suspended interest income is reversed and monitored off-balance sheet and recognized in the interim consolidated income statement upon actual receipt.

Fees and commissions are recognized on an accrual basis. Fee from guarantee, letter of credit, investment activities (bonds, etc.) are recognized on an accrual/amortization basis.

4.16.2 Income from securities trading

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

4.16.3 Dividends

Dividends received in cash from investment activities are recognized in the interim consolidated income statement when the Bank's rights to receive payment are established. Dividends received in form of shares and bonus shares are recognized as an increase in income and value of investment according to Circular No. 220/2013/TT-BTC dated 31 December 2013.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Recognition of income and expense (continued)

4.16.4 Income and expense from non-life insurance activities

Gross written premiums are recognized in accordance with Circular No. 125/2012/TT-BTC dated 30 July 2012 ("Circular 125") providing guidance on the financial regime applicable to insurance, reinsurance, insurance brokerage companies and foreign non-life insurance company branches and Circular No. 194/2014/TT-BTC ("Circular 194") amending and supplementing a number of articles of Circular No. 124/2012/TT-BTC ("Circular 124") dated 30 July 2012, and Circular 125.

Specifically, gross written premium is recognized as revenue when the following conditions are met: (1) the insurance contract has been entered into by the insurer and policy holders; and (2) the premium has been paid by policy holders or (3) there is an agreement between the Company and policy holders for delayed payment of insurance premium. If the Company and its customers mutually agree a method of insurance premium payment on an instalment basis, only the insurance premium which is due in accordance with the instalment contract shall be taken to revenue for the period. Premium payment period shall not exceed 30 days from policy inception date. For instalment contracts, VietinBank Insurance Company Ltd is required to record revenue from insurance premium of the first instalment as of the insurance contract's effective date and record revenue from premium of the following instalments only when the policyholders make full premium payment under the agreement of the contract. If policyholder cannot make full premium payment as agreed in the contracts, insurance contract shall be automatically terminated after contractual premium payment date.

Prepaid premium before due date is recorded as "*Deferred income*" in the interim consolidated balance sheet.

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

4.16.5 Income from other services

When the result of the contract is definitely determined, income is recognized based on the completion of work or service. If the result of the contract is not determined, income is only recognized to the extent of recoverable amount of expenses incurred.

4.16.6 Recognition of receivables not yet collected

According to Circular No. 05/2013/TT-BTC dated 9 January 2013 issued by the Ministry of Finance, receivables from accrued income but not yet collected at the due date are recorded as reduction in revenue if the income has been accrued in the same accounting period or recorded as expense if the income has been accrued in different accounting periods and monitored in off-balance sheet. Upon actual receipt of these receivables, the Bank recognized in income from operating activities in the interim consolidated income statement.

4.16.7 Claim settlement expenses of non-life insurance activities

Claim expense is recognized at the point of time when the claim documents are completed and approved by authorized persons. In case that the final claim amount has not been finalized but VietinBank Insurance Company Ltd is certain that the loss is within its insured liabilities and has paid an advance to the customer as per their request, such advance would also be recognized as claim expense. Any claim that is not yet approved by authorized persons is considered as an outstanding claim and included in claim reserve.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 *Recognition of income and expense* (continued)

4.16.8 *Commission expenses for non-life insurance activities*

Commission is calculated as percentage of direct premiums for specific line of insurance as stipulated in Circular No. 124/2012/TT-BTC dated 30 July 2012 issued by the Ministry of Finance. Commission expense is allocated and recognized in the consolidated income statement for direct premiums earned during the period.

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

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

4.18 *Foreign currency transactions*

All transactions are recorded in original currencies. Monetary assets and liabilities denominated in foreign currencies are translated into VND using exchange rates ruling at the interim consolidated balance sheet date (*Note 49*). Income and expenses arising in foreign currencies during the period are converted into VND at rates ruling at the transaction dates. Foreign exchange differences arising from the translation of monetary assets and liabilities are recognized and monitored in the "Foreign exchange differences" under "Owners' equity" in the interim consolidated balance sheet and will be transferred to the interim consolidated income statement.

4.19 *Payables and accruals*

Payables and accruals are recognized for amounts to be paid in the future for goods and services received, whether or not billed to the Bank.

4.20 *Technical reserves for non-life insurance*

The technical reserves of VietinBank Insurance Company Ltd include (i) unearned premium reserve, (ii) claims reserve and (iii) catastrophe reserve. The reserving methodologies are based on Circular No. 125/2012/TT-BTC dated 30 July 2012 issued by the Ministry of Finance as follows:

(i) Unearned premium reserve

VietinBank Insurance Company Ltd applied the daily basis to calculate unearned premium reserve for all types of insurance and reinsurance businesses, following the formula:

$$\text{Unearned premiums reserves} = \frac{\text{Retained premiums} \times \text{Remaining days of insurance policy}}{\text{Number of coverage days}}$$

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Technical reserves for non-life insurance (continued)

(ii) Claim reserves

Claim reserve includes the reserve for outstanding claims and for claims incurred but not reported.

- ▶ Outstanding claim reserve is established based on the estimated claim payments for each claim for which the insurer is liable, which is either notified to the insurer or requested for payment but is still unresolved at the end of the period; and
- ▶ Reserve for incurred but not reported claims for which the insurer is liable ("IBNR") is established based on the formula in Circular No. 125/2012/TT-BTC issued by the Ministry of Finance on 30 July 2012.

Although Circular 125 has formulated a formula to calculate IBNR for a financial year, there is no guidance available for establishing IBNR when preparing the interim consolidated financial statements.

4.21 Corporate income taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be paid to (or recovered from) the taxation authorities - using the tax rates and tax laws are applied and enacted at the interim consolidated balance sheet date.

Current income tax is charged or credited to the interim consolidated income statement except when it relates to items recognized directly to equity, in this case the current income tax is also recognized in equity.

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Bank to offset current tax assets against current tax liabilities and when the Bank intends to settle its current tax assets and liabilities on a net basis.

The Bank's tax reports are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions that is susceptible to various interpretations, amounts reported in the interim consolidated financial statements could be changed at a later date upon final determination of the tax authorities.

Deferred tax

Deferred tax is provided on temporary differences at the interim consolidated balance sheet date between the tax base of assets and liabilities and their carrying amount for the financial reporting purposes.

Deferred tax payable is recognized for temporary taxable differences.

Deferred corporate income tax assets are recognized for deductible temporary differences, deductible amounts carried over to subsequent periods of taxable losses, and unused tax credits when it is probable that there will be sufficient future taxable profit to use deductible temporary differences, taxable losses and tax credits. Deferred tax assets and deferred tax payable are determined on the basis of expected tax rates applied for the six-month accounting period when the assets are recovered or liabilities are settled and on basis of effective an applicable tax rates and tax laws at the end of accounting period.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.22 *Classification for off-balance-sheet commitments*

According to Circular 02, credit institutions should classify guarantees, payment acceptances and irrevocable loan commitments with specific effective date (generally called "*off-balance sheet commitments*") in compliance with Article 10, Circular 02 for management and monitoring of credit quality. Off-balance sheet commitments are classified into groups which are *Current, Special Mention, Substandard, Doubtful* and *Loss* based on the overdue status and other qualitative factors.

4.23 *Derivatives*

The Bank involves in currency forward contracts and currency swap contracts to facilitate customers to transfer, modify or minimize foreign exchange risk or other market risks, and also for the business purpose of the Bank.

Currency forward contracts

The currency forward contracts are commitments to settle in cash on a pre-determined future date based on the difference between pre-determined exchange rates, calculated on the notional amount. The currency forward contracts are recognized at nominal value at the transaction date and are revalued for the reporting purpose at the exchange rate at the reporting date. Gains or losses realized or unrealized are recognized in the "*Foreign exchange differences*" under "*Owners' equity*" in the interim consolidated balance sheet and will be transferred to the interim consolidated income statement at the end of the financial period.

Swap contracts

The swap contracts are commitments to settle in cash on a pre-determined future date based on the difference between pre-determined exchange rates calculated on the notional principal amount or commitments to settle interest based on a floating rate or a fixed rate calculated on the notional amount and in a given period.

The currency swap contracts are revalued periodically. Gains or losses realized or unrealized are recognized in the "*Foreign exchange differences*" under "*Owners' equity*" in the interim consolidated balance sheet and will be transferred to the interim consolidated income statement at the end of the financial period.

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

4.24 *Employee benefits*

4.24.1 *Post - employment benefits*

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.24 *Employee benefits* (continued)

4.24.2 *Voluntary resignation benefits*

The Bank has the obligation, under Section 48 of the Vietnam Labour Code 10/2012/QH13 effective from 1 May 2013, to pay allowance arising from voluntary resignation and fully meet the elements in accordance with the law of employees, equal to one-half month's salary for each year of employment up to 31 December 2008 plus salary allowances (if any). From 1 January 2009, the average monthly salary used in this calculation is the average monthly salary of the latest six-month period up to the resignation date.

4.24.3 *Unemployment insurance*

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

4.25 *Capital and reserves*

4.25.1 *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares are recognized as a deduction from share premium in equity.

4.25.2 *Share premium*

On receipt of capital from shareholders, the difference between the issuance price and the par value of the shares is recorded as share premium in equity.

4.25.3 *Reserves*

(i) *Bank's reserves*

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

- ▶ Supplementary charter capital reserve: 5% of net profit after tax and does not exceed charter capital;
- ▶ Financial reserve: 10% of net profit after tax and does not exceed 25% of charter capital;
- ▶ Bonus to the Board of Management, bonus and welfare funds are appropriated according to the decision approved in the General Meeting of Shareholders;
- ▶ Other reserves: are to be made upon the current regulations and decisions of the Annual General Shareholders' Meeting.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.25 Capital and reserves (continued)

4.25.3 Reserves (continued)

(ii) Subsidiaries' reserves

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

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

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

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

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

These reserves will be appropriated at the end of the accounting period.

4.26 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the interim consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset financial assets against financial liabilities or vice-versa, and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4.27 Business combinations and goodwill

Business combinations are accounted for using the purchase method. The cost of a business combination is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of Business combination plus any costs directly attributable to the business combination. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of business combination.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost the business combination over the Bank's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of a business combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the interim consolidated income statement. After initial recognition, goodwill is measured at cost less any accumulated amortization. Goodwill is amortized ten (10) years on a straight-line basis.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

5. CASH, GOLD AND GEMSTONES

	<i>30 June 2017</i>	<i>31 December 2016</i>
	<i>VND million</i>	<i>VND million</i>
Cash on hand in VND	5,499,437	4,509,334
Cash on hand in foreign currencies	796,796	649,086
Valuable papers in foreign currencies	28,022	-
Monetary gold	32,868	5,784
Non-monetary gold	-	1,181
Other gemstones	22,920	21,747
	6,380,043	5,187,132

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

	<i>30 June 2017</i>	<i>31 December 2016</i>
	<i>VND million</i>	<i>VND million</i>
Balance with the SBV		
- In VND	13,065,271	10,410,791
- In foreign currencies	3,144,936	3,091,803
	16,210,207	13,502,594

Balances with the SBV include current account and compulsory reserves. In accordance with regulations of the SBV, the Bank must maintain a certain reserve with the SBV in form of compulsory reserves. As at 30 June 2017, compulsory reserves in VND and in foreign currencies bear interest rate of 1.20% per annum and 0% per annum, respectively.

Compulsory reserve balances for deposits in VND applicable to credit institutions as at 30 June 2017 are as follows:

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

Compulsory reserve balances for deposits in foreign currencies applicable to credit institutions as at 30 June 2017 are as follows:

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

7. PLACEMENTS WITH AND LOANS TO OTHER CREDIT INSTITUTIONS

	30 June 2017 VND million	31 December 2016 VND million
Placements with other credit institutions		
Current accounts	50,775,906	40,154,261
- In VND	45,361,149	31,149,125
- In foreign currencies	5,414,757	9,005,136
Term deposits	53,242,861	50,877,567
- In VND	40,010,711	32,719,580
- In foreign currencies	13,232,150	18,157,987
	104,018,767	91,031,828
Loans to other credit institutions		
In VND	2,874,891	2,783,763
In foreign currencies	886,024	653,690
	3,760,915	3,437,453
Provision for credit losses	-	-
	107,779,682	94,469,281

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

	30 June 2017 VND million	31 December 2016 VND million
Current	57,003,776	54,315,020

8. SECURITIES HELD FOR TRADING

	30 June 2017 VND million	31 December 2016 VND million
Debt securities	9,436,163	1,502,806
Government bonds	9,436,163	1,502,806
Equity securities	454,681	471,864
Equity securities issued by local credit institutions	1,757	1,767
Equity securities issued by local economic entities	452,924	470,097
	9,890,844	1,974,670
Provision for securities held for trading	(72,209)	(79,980)
	9,818,635	1,894,690

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

9. DERIVATIVES AND OTHER FINANCIAL ASSETS

	30 June 2017 VND million	31 December 2016 VND million
Derivative financial instruments	345,278	628,437
Foreign exchange forward contracts	59,318	184,888
Foreign exchange swap contracts	285,960	443,549
Other derivative financial instruments	66,294	54,253
	411,572	682,690

10. LOANS TO CUSTOMERS

	30 June 2017 VND million	31 December 2016 VND million
Loans to local economic entities and individuals	719,059,351	652,250,039
Discounted bills and valuable papers	1,178,047	1,193,140
Financial lease	2,096,970	1,929,817
Payments on behalf of customers	32,956	32,956
Loans financed by entrusted funds	609,615	682,632
Loans to foreign economic entities and individuals	7,073,377	5,899,213
	730,050,316	661,987,797

10.1 Analysis of loan portfolio by quality

	30 June 2017 VND million	31 December 2016 VND million
Current	717,939,382	649,686,016
Special mention	3,590,682	5,558,981
Substandard	832,966	2,111,187
Doubtful	4,224,353	811,972
Loss	3,462,933	3,819,641
	730,050,316	661,987,797

10.2 Analysis of loan portfolio by original maturity

	30 June 2017 VND million	31 December 2016 VND million
Short term loans	419,804,780	374,736,785
Medium term loans	73,319,214	73,115,713
Long term loans	236,926,322	214,135,299
	730,050,316	661,987,797

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

11. PROVISION FOR CREDIT LOSSES ON LOANS TO CUSTOMERS

Changes in provision for credit losses on loans to customers during the six-month period ended 30 June 2017 are as follows:

	<i>General provision VND million</i>	<i>Specific provision VND million</i>	<i>Total VND million</i>
Opening balance as at 1 January 2017	4,894,205	1,967,861	6,862,066
Provision charged in the period	651,588	1,628,738	2,280,326
Provision used to write-off bad debts	-	(1,059,257)	(1,059,257)
Closing balance as at 30 June 2017	5,545,793	2,537,342	8,083,135

Changes in provision for credit losses on loans to customers during the six-month period ended 30 June 2016 are as follows:

	<i>General provision VND million</i>	<i>Specific provision VND million</i>	<i>Total VND million</i>
Opening balance as at 1 January 2016	3,815,343	734,368	4,549,711
Provision charged in the period	641,160	851,000	1,492,160
Provision used to write-off bad debts	-	(5,847)	(5,847)
Closing balance as at 30 June 2016	4,456,503	1,579,521	6,036,024

12. INVESTMENT SECURITIES

12.1 Available-for-sale securities

	<i>30 June 2017 VND million</i>	<i>31 December 2016 VND million</i>
Debt securities	123,058,959	124,945,799
Government bonds	50,772,069	55,310,868
Bonds issued by other local entities	72,286,890	69,634,931
Equity securities	519,065	628,095
Equity securities issued by local economic entities	519,065	628,095
Provision for available-for-sale securities	(444,856)	(472,121)
In which:		
<i>Provision for diminution in value</i>	<i>(107,134)</i>	<i>(164,496)</i>
<i>General provision</i>	<i>(337,722)</i>	<i>(307,625)</i>
<i>Specific provision</i>	<i>-</i>	<i>-</i>
	123,133,168	125,101,773

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

12. INVESTMENT SECURITIES (continued)

12.2 Held-to-maturity securities

	30 June 2017 VND million	31 December 2016 VND million
Debt securities	11,041,106	11,743,021
Government bonds	2,200,000	2,200,000
Bonds issued by other local credit institutions	45,000	-
Bonds issued by local economic entities	8,796,106	9,543,021
Provision for held-to-maturity securities	(4,743,301)	(2,618,108)
General provision	(2,901)	(2,901)
Specific provision	(4,740,400)	(2,615,207)
	6,297,805	9,124,913

12.3 Provision for investment securities

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

	Available-for- sale securities VND million	Held-to- maturity securities VND million	Total VND million
Opening balance	472,121	2,618,108	3,090,229
Provision (reversed)/charged in the period	(27,265)	2,563,183	2,535,918
Provision used to write-off bad debts	-	(437,990)	(437,990)
Closing balance	444,856	4,743,301	5,188,157

12.4 Unlisted corporate bonds are classified and made provision according to Circular 02

The Bank classified debts as at 30 June 2017 and make corresponding provision for unlisted corporate bonds in accordance with Circular 02 and Circular 09. Accordingly, provision for credit losses as at 30 June 2017 is made based on unlisted corporate bonds classification result at 30 June 2017.

The classification and provision for credit losses of unlisted corporate bonds in accordance with Circular 02 and Circular 09 as at 30 June 2017 are as follows:

Classification	Face value of bonds VND million	Specific provision VND million	General provision VND million	Total VND million
Standard	44,378,268	-	332,837	332,837
Special mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	400,000	-	-	-
	44,778,268	-	332,837	332,837

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

13. LONG-TERM INVESTMENTS

Analysis by type of investments

	30 June 2017 VND million	31 December 2016 VND million
Investments in joint ventures (Note 13.1)	2,751,448	2,774,766
Other long-term investments	430,445	430,445
Provision for long-term investments	(2,799)	(2,574)
	3,179,094	3,202,637

13.1 Investments in joint ventures

	30 June 2017			31 December 2016		
	Cost VND million	Carrying value (equity method) VND million	% owned	Cost VND million	Carrying value (equity method) VND million	% owned
Indovina Bank Ltd	1,688,788	2,751,448	50%	1,688,788	2,590,905	50%
Vietinbank Aviva Life Insurance Company Ltd	-	-	-	400,000	183,861	50%
	1,688,788	2,751,448		2,088,788	2,774,766	

Indovina Bank Ltd was established in Vietnam with Head Office located in Ho Chi Minh City; its main activity is providing banking services. This is a joint venture between the Bank and Cathay United Bank, a bank established in Taiwan. Indovina Bank Ltd was granted Operating License No. 08/NH-GP dated 29 October 1992 and its amendments issued by the SBV for the operating period of 40 years with the initial charter capital of USD10,000,000. Since its establishment, the charter capital of Indovina Bank Ltd. has been increased several times under the approval of the SBV, while the proportions of ownership in the joint venture remain unchanged. As at 30 June 2017, the charter capital of Indovina Bank Ltd was USD193 million.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

14. TANGIBLE FIXED ASSETS

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

Cost	Building & construction VND million	Machines & equipment VND million	Transportation vehicles VND million	Other tangible fixed assets VND million	Total VND million
Opening balance	6,720,364	4,431,244	1,174,942	211,779	12,538,329
Additions	-	10,936	10,511	2,636	24,083
Transfer from construction in progress	942	-	-	-	942
Reclassification	(765)	418	-	(386)	(733)
Other increases	10,494	75,846	1,177	3,927	91,444
Disposals	(1,322)	(1,466)	(1,305)	(127)	(4,220)
Other decreases	-	(502)	-	-	(502)
Closing balance	6,729,713	4,516,476	1,185,325	217,829	12,649,343
Accumulated depreciation					
Opening balance	1,442,214	3,771,849	776,611	125,184	6,115,858
Depreciation during the period	144,019	182,255	58,429	16,945	401,648
Reclassification	-	386	-	(386)	-
Other increases	2,168	2,136	1,004	140	5,448
Disposals	(280)	(1,466)	(1,305)	(127)	(3,178)
Other decreases	(311)	(535)	(532)	(20)	(1,398)
Closing balance	1,587,810	3,954,625	834,207	141,736	6,518,378
Net book value					
Opening balance	5,278,150	659,395	398,331	86,595	6,422,471
Closing balance	5,141,903	561,851	351,118	76,093	6,130,965

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

15. INTANGIBLE FIXED ASSETS

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

	<i>Land use rights</i> VND million	<i>Other intangible</i> <i>fixed assets</i> VND million	<i>Total</i> VND million
Cost			
Opening balance	4,253,437	888,254	5,141,691
Additions	-	2,484	2,484
Reclassification	765	-	765
Other increases	8,784	94,776	103,560
Disposals	(910)	-	(910)
Closing balance	<u>4,262,076</u>	<u>985,514</u>	<u>5,247,590</u>
Accumulated depreciation			
Opening balance	216,555	732,289	948,844
Depreciation during the period	18,581	134,451	153,032
Other increases	-	508	508
Closing balance	<u>235,136</u>	<u>867,248</u>	<u>1,102,384</u>
Net book value			
Opening balance	<u>4,036,882</u>	<u>155,965</u>	<u>4,192,847</u>
Closing balance	<u>4,026,940</u>	<u>118,266</u>	<u>4,145,206</u>

16. OTHER ASSETS

16.1 Receivables

	<i>30 June 2017</i> VND million	<i>31 December 2016</i> VND million
Construction in progress (i)	5,663,610	5,258,628
Fixed assets in purchase or under repairing	2,033,201	1,878,792
External receivables	3,627,302	4,471,507
Internal receivables	554,502	964,001
	<u>11,878,615</u>	<u>12,572,928</u>

(i) Construction in progress

	<i>30 June 2017</i> VND million	<i>31 December 2016</i> VND million
Constructions in the North	5,028,018	4,954,640
Constructions in the Central	438,461	132,063
Constructions in the South	197,131	171,925
	<u>5,663,610</u>	<u>5,258,628</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

16. OTHER ASSETS (continued)

16.2 Other assets

	<i>30 June 2017</i> <i>VND million</i>	<i>31 December 2016</i> <i>VND million</i>
Materials	161,564	161,463
Prepaid expenses	3,047,653	2,844,929
Goodwill (Note 17)	3,630	4,537
Other assets	10,496	2,124
	3,223,343	3,013,053

17. GOODWILL

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

	<i>30 June 2017</i> <i>VND million</i>	<i>31 December 2016</i> <i>VND million</i>
Total value of goodwill	18,149	18,149
Amortized period	10 years	10 years
Value of accumulated amortized goodwill at the beginning of the period	(13,611)	(11,797)
Value of unamortized goodwill at the beginning of the period	4,538	6,352
Decrease in goodwill during the period	(908)	(1,815)
Goodwill amortized during the period	(908)	(1,815)
Total value of unamortized goodwill at the end of the period	3,630	4,537

18. DUE TO THE STATE BANK OF VIETNAM

	<i>30 June 2017</i> <i>VND million</i>	<i>31 December 2016</i> <i>VND million</i>
Borrowings from the SBV	4,508,550	4,808,227
Borrowings based on the credit files	4,490,447	4,797,369
Borrowings to support State-owned enterprises	18,103	10,858
Deposits from the State Treasury	21,262,275	190
In VND	21,262,188	185
In foreign currencies	87	5
	25,770,825	4,808,417

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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19. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

19.1 Deposits from other credit institutions

	30 June 2017 VND million	31 December 2016 VND million
Demand deposits	35,346,497	23,986,765
In VND	34,615,439	22,675,898
In foreign currencies	731,058	1,310,867
Term deposits	36,202,803	17,359,467
In VND	32,060,456	11,253,000
In foreign currencies	4,142,347	6,106,467
	71,549,300	41,346,232

19.2 Borrowings from other credit institutions

	30 June 2017 VND million	31 December 2016 VND million
In VND	6,618,654	11,980,000
- In which: discount and rediscount of valuable papers	3,047,711	-
In foreign currencies	41,055,216	31,825,635
	47,673,870	43,805,635

20. CUSTOMER DEPOSITS

	30 June 2017 VND million	31 December 2016 VND million
Demand deposits	98,384,867	86,007,168
- Demand deposits in VND	83,062,752	72,366,017
- Demand deposits in foreign currencies	15,322,115	13,641,151
Term deposits	587,658,405	548,031,303
- Term deposits in VND	559,432,455	518,598,290
- Term deposits in foreign currencies	28,225,950	29,433,013
Deposits for specific purpose	4,155,663	4,777,797
- Deposits for specific purpose in VND	2,725,191	2,902,435
- Deposits for specific purpose in foreign currencies	1,430,472	1,875,362
Margin deposits	2,731,806	16,243,880
- Margin deposits in VND	2,162,367	15,738,389
- Margin deposits in foreign currencies	569,439	505,491
	692,930,741	655,060,148

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

21. OTHER BORROWED AND ENTRUSTED FUNDS

	30 June 2017 VND million	31 December 2016 VND million
Funds received in VND	952,768	808,445
Funds received in foreign currencies	5,552,919	5,267,023
	6,505,687	6,075,468

22. VALUABLE PAPERS ISSUED

	30 June 2017 VND million	31 December 2016 VND million
In VND	18,301,824	18,313,003
Par value	18,301,824	18,313,003
In foreign currencies	848	5,536,450
Par value	848	5,540,615
Discounted value	-	(4,165)
	18,302,672	23,849,453

Details of the term of valuable papers issued at the end of the period are as follows:

	Bills of exchange VND million	Bearer bonds VND million	Book-entry bonds VND million	Certificates of deposits VND million	Total VND million
Less than 12 months	219	-	-	-	219
- In VND	219	-	-	-	219
From 12 months to 5 years	-	166	2,000,000	2,287	2,002,453
- In VND	-	166	2,000,000	1,439	2,001,605
- In foreign currencies	-	-	-	848	848
Over 5 years	-	-	16,300,000	-	16,300,000
- In VND	-	-	16,300,000	-	16,300,000
Closing balance	219	166	18,300,000	2,287	18,302,672

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended**23. OTHER LIABILITIES****23.1 Other payables**

	<i>30 June 2017</i> <i>VND million</i>	<i>31 December 2016</i> <i>VND million</i>
Internal payables	2,642,828	2,664,669
External payables (*)	98,310,199	100,178,366
Bonus, welfare funds	721,280	328,947
	101,674,307	103,171,982

(*) Details of external payables are as follows:

	<i>30 June 2017</i> <i>VND million</i>	<i>31 December 2016</i> <i>VND million</i>
Collection, payment on behalf of other organisations	90,717,614	95,217,477
Amount kept for customers and awaiting settlement	343,342	246,723
Other items awaiting payment	3,262,285	874,572
Other payables related to securities operation	268,428	224,709
Tax and fee payables	193,459	320,343
Payables to SBV due to the collection of written-off debts	85,011	85,290
Payables related to trade finance activities	51,980	6,000
Money transfer payable	545,990	147,345
Dividend payable	2,606,383	2,606,383
Other payables	235,707	449,524
	98,310,199	100,178,366

24. TAX AND OTHER OBLIGATIONS TO THE STATE BUDGET

	<i>Opening balance</i> <i>VND million</i>	<i>Movements during the period</i>		<i>Closing balance</i> <i>VND million</i>
		<i>Payables</i> <i>VND million</i>	<i>Paid</i> <i>VND million</i>	
Value added tax	30,033	137,818	(143,690)	24,161
Corporate income tax	200,743	892,649	(1,009,362)	84,030
Other taxes	79,635	647,463	(648,438)	78,660
	310,411	1,677,930	(1,801,490)	186,851

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

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

24.1 Current corporate income tax

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

The Bank's tax reports are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amount reported in the interim consolidated financial statements could be changed at a later date upon final determination of the tax authorities.

Current corporate income tax payables are determined based on taxable income of the period. Taxable income differs from the one reported in the interim consolidated income statement since taxable income excludes incomes which are taxable or expenses which are deducted in prior periods due to the differences between the Bank's accounting policies and the tax regulations. It also excludes tax exempted income and non-deductible expenses. The current corporate income tax payable of the Bank is calculated based on the statutory tax rates applicable at the period-end.

Provision for current income tax expense is computed as follows:

	<i>For the six-month period ended 30 June 2017 VND million</i>	<i>For the six-month period ended 30 June 2016 VND million</i>
Profit before tax	4,813,629	4,272,944
<i>Plus/(minus)</i>		
- Non-bearing tax dividend income	(14,054)	(5,890)
- Subsidiaries' profits	(312,809)	(209,200)
- Income from increase in interest at joint venture	(344,878)	(2,591)
- Others	6,845	28,561
Estimated taxable income	4,148,733	4,083,824
Parent Bank's CIT expenses	829,747	816,765
Subsidiaries' CIT expenses	62,893	41,497
Total CIT expenses in the period	892,640	858,262
CIT payable at the beginning of the period	200,743	155,920
Adjustment CIT payable in previous periods	9	752
CIT paid during the period	(1,009,362)	(638,234)
Current income tax payable at the end of the period	84,030	376,700

24.2 Deferred income tax

No deferred tax was recognized during the period since there was no temporary material difference between the carrying value and the tax base of assets and liabilities in the interim consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

25. OWNERS' EQUITY AND RESERVES

25.1 Statement of changes in equity

	Charter capital VND million	Share premium VND million	Capital supplementary reserve VND million	Financial reserve VND million	Investment and development fund VND million	Foreign exchange difference VND million	Undistributed profits VND million	Non-controlling interests VND million	Total VND million
Balance as at 1 January 2016	37,234,046	8,974,732	1,791,882	3,478,726	4,424	441,537	3,942,373	242,426	56,110,146
Net profit for the year	-	-	-	-	-	-	6,837,866	19,984	6,857,850
Appropriation to reserves	-	-	348,373	688,111	10,178	-	(1,046,662)	(2,073)	(2,073)
Dividend payment in the year	-	-	-	-	-	-	(2,606,383)	-	(2,606,383)
Reclassification of funds	-	-	-	(33,702)	33,702	-	-	-	-
Utilisation of reserves	-	-	-	(2,743)	-	-	-	-	(2,743)
Capital increase from share issuance of subsidiaries in the year	-	-	50,601	-	-	-	(50,601)	-	-
Increase from translation of financial statements for consolidation purposes	-	-	-	90	-	38,474	-	-	38,564
Others	-	(11)	-	(2,744)	-	-	6,801	(4)	4,042
Balance as at 31 December 2016	37,234,046	8,974,721	2,190,856	4,127,738	48,304	480,011	7,083,394	260,333	60,399,403
Net profit for the period	-	-	-	-	-	-	3,904,471	16,518	3,920,989
Appropriation to reserves	-	-	3,148	3,897	5,596	-	(12,641)	(2,124)	(2,124)
Dividend in 2016 (*)	-	-	-	-	-	-	(2,606,383)	-	(2,606,383)
Utilisation of reserves	-	-	-	(624)	-	-	-	-	(624)
Appropriation of the Parent Bank bonus and welfare funds	-	-	-	-	-	-	(1,412,266)	-	(1,412,266)
Increase from translation of financial statements for consolidation purposes	-	-	-	-	-	80,068	-	-	80,068
Others	-	-	-	-	-	-	(59,003)	-	(59,003)
Balance as at 30 June 2017	37,234,046	8,974,721	2,194,004	4,131,011	53,900	560,079	6,897,572	274,727	60,320,060

(*) The Board of Directors' Resolution No. 17/NQ-HDQT dated 17 April 2017 has approved the dividend payment of 2016 in cash at the rate of 7% per share equivalent to the dividend of VND700 per ordinary share.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

25. OWNERS' EQUITY AND RESERVES (continued)

25.2 Equity

Details of the Bank's shares are as follows:

	30 June 2017		31 December 2016	
	Shares	VND million	Shares	VND million
Number of registered shares	3,723,404,556	37,234,046	3,723,404,556	37,234,046
Number of shares issued	3,723,404,556	37,234,046	3,723,404,556	37,234,046
- Ordinary shares	3,723,404,556	37,234,046	3,723,404,556	37,234,046
Number of shares circulated	3,723,404,556	37,234,046	3,723,404,556	37,234,046
- Ordinary shares	3,723,404,556	37,234,046	3,723,404,556	37,234,046

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

25.3 Basic earnings per share

	For the six-month period ended 30 June 2017	For the six-month period ended 30 June 2016
Net profit (VND million)	3,904,471	3,407,818
Number of ordinary share in circulation (shares)	3,723,404,556	3,723,404,556
Basic earnings per share (VND/share)	1,049	915

26. INTEREST AND SIMILAR INCOME

	For the six-month period ended 30 June 2017 VND million	For the six-month period ended 30 June 2016 VND million
Interest income from deposits	1,270,860	640,396
Interest income from loans to customers	23,647,582	19,841,748
Interest income from debt securities	6,061,641	4,436,978
Income from guarantee activities	297,457	266,463
Income from finance leases	98,800	92,459
Other income from credit activities	178,165	126,347
	31,554,505	25,404,391

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

27. INTEREST AND SIMILAR EXPENSES

	<i>For the six-month period ended 30 June 2017 VND million</i>	<i>For the six-month period ended 30 June 2016 VND million</i>
Interest expenses for deposits	16,058,511	11,738,665
Interest expenses for borrowings	1,111,064	1,725,635
Interest expenses for valuable papers issued	844,246	620,950
Expense for other credit activities	55,763	55,371
	18,069,584	14,140,621

28. NET FEE AND COMMISSION INCOME

	<i>For the six-month period ended 30 June 2017 VND million</i>	<i>For the six-month period ended 30 June 2016 VND million</i>
Fee and commission income	1,866,508	1,573,628
Settlement services	925,057	754,153
Trust and agency services	22,702	21,138
Other services	918,749	798,337
Fee and commission expenses	(957,552)	(768,420)
Settlement services	(350,851)	(58,556)
Trustee and agency services	(17,420)	(3,988)
Treasury services	(76,970)	(85,745)
Other services	(512,311)	(620,131)
Net fee and commission income	908,956	805,208

29. NET GAIN FROM TRADING OF FOREIGN CURRENCIES

	<i>For the six-month period ended 30 June 2017 VND million</i>	<i>For the six-month period ended 30 June 2016 VND million</i>
Income from trading of foreign currencies		
Income from spot foreign currencies trading	1,279,960	957,194
Income from currency derivatives	694,058	564,684
Income from gold trading	295,443	674,376
Expenses for trading of foreign currencies		
Expenses for spot foreign currencies trading	(747,340)	(406,090)
Expenses for currency derivatives	(874,710)	(780,262)
Expenses for gold trading	(294,016)	(666,151)
Net gain from trading of foreign currencies	353,395	343,751

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

30. NET GAIN FROM SECURITIES HELD FOR TRADING

	<i>For the six-month period ended 30 June 2017 VND million</i>	<i>For the six-month period ended 30 June 2016 VND million</i>
Income from securities held for trading	183,867	104,370
Expenses for securities held for trading	(31)	(2,108)
Provision charged for securities held for trading	(5,972)	(42,791)
Net gain from securities held for trading	177,864	59,471

31. NET GAIN FROM INVESTMENT SECURITIES

	<i>For the six-month period ended 30 June 2017 VND million</i>	<i>For the six-month period ended 30 June 2016 VND million</i>
Income from trading of investment securities	14,261	1,224
Expenses for trading of investment securities	(1,593)	(2,085)
Provision reversed for investment securities (Note 12.3)	41,006	26,593
Net gain from investment securities	53,674	25,732

32. NET GAIN FROM OTHER ACTIVITIES

	<i>For the six-month period ended 30 June 2017 VND million</i>	<i>For the six-month period ended 30 June 2016 VND million</i>
Income from other activities	1,239,669	1,135,847
Income from recovery of bad debts previously written-off	1,016,955	855,687
Income from other derivatives	84,258	24,568
Income from disposal of fixed assets	39,967	10,857
Other income	98,489	244,735
Expenses for other activities	(446,060)	(709,109)
Expenses for other derivatives	(183,561)	(119,108)
Other expenses	(262,499)	(590,001)
Net gain from other activities	793,609	426,738

33. INCOME FROM INVESTMENTS IN OTHER ENTITIES

	<i>For the six-month period ended 30 June 2017 VND million</i>	<i>For the six-month period ended 30 June 2016 VND million</i>
Dividends received from capital contribution, share purchase	214,016	12,650
- From equity securities	2,270	7,042
- From capital contribution	211,746	5,608
Share from net profit under equity method of investments in joint ventures	344,878	2,591
	558,894	15,241

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

34. TOTAL OPERATING EXPENSES

	<i>For the six-month period ended 30 June 2017 VND million</i>	<i>For the six-month period ended 30 June 2016 VND million</i>
Expenses on taxes, fees	19,311	20,857
Personnel expenses	3,977,736	3,274,154
Salary and allowances	3,316,757	2,844,978
Expenses related to salary	206,297	137,158
Allowances	14,832	11,561
Other expenses	439,850	280,457
Expenses on assets	1,059,960	891,535
Depreciation of fixed assets	554,680	450,486
Other expenses	505,280	441,049
Administrative expenses	1,364,132	1,247,872
Per-diem	85,733	71,536
Social activities of credit institution	13,338	11,702
Other expenses	1,265,061	1,164,634
Insurance fee for customer deposits	255,423	200,774
Provision (reversal)/expense	(2,387)	22,596
	6,674,175	5,657,788

35. CASH AND CASH EQUIVALENTS

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

	<i>30 June 2017 VND million</i>	<i>30 June 2016 VND million</i>
Cash and cash equivalents on hand	6,380,043	5,192,530
Balances with the SBV	16,210,207	20,574,590
Current accounts at other credit institutions	50,775,906	32,731,746
Placements with other credit institutions with original term of three (03) months or less	52,673,327	44,102,153
Investment securities due within three (03) months from acquisition date	-	937,200
	126,039,483	103,538,219

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

36. ASSETS, VALUABLE PAPERS USED FOR MORTGAGE, DISCOUNT AND REDISCOUNT

	30 June 2017 VND million	31 December 2016 VND million
Real estates	786,938,695	676,252,304
Movable property	67,839,116	54,524,968
Deposits, gold, gemstones and valuable papers	113,378,214	111,143,618
Other assets	426,913,631	406,004,900
	1,395,069,656	1,247,925,790

37. CONTINGENT LIABILITIES AND COMMITMENTS

37.1 *Contingent liabilities*

As at 30 June 2017, the Bank is a party to the case of Huynh Thi Huyen Nhu - Former Head of Dien Bien Phu Transaction Office and other former employees of Ho Chi Minh City Branch and Nha Be Branch of the Bank for swindling to appropriate assets.

In June 2017, the People Court of Ho Chi Minh City made decision to return the case and requested additional investigation. The case has been under re-investigation, prosecution and trial in accordance with the provisions of law. Hence, the responsibilities and legal obligations of the parties concerned shall be defined only when the re-investigation and trial are completed with effective judgment and verdict. However, based on the results of the reconciliation, examination and cross-check procedures as well as information about the investigation and prosecution status available to the Bank up to the reporting date, management believes that the Bank will neither has joint liability nor incur any financial loss with regard to the illegal actions of the individuals mentioned above.

37.2 *Commitments*

On 22 May 2015, the Bank and Petrolimex Joint Stock Commercial Bank ("PG Bank") signed the Merger Agreement under the Approval of the General Shareholders' Meeting according to Resolution No. 14/NQDHDCD dated 14 April 2015. On 27 April 2016, the Bank and PG Bank signed an amended Merger Agreement replacing the previous Merger Agreement signed on 22 May 2015 under the Approval of the General Shareholders' Meeting according to Resolution No. 15/NQ-DHDCD dated 26 April 2016. Up to the reporting date, the Bank and PG Bank have been negotiating on the merger transaction and will report to the General Meeting of Shareholders in the next meeting.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

38. RELATED PARTY TRANSACTIONS

During normal business operation, the Bank has undertaken transactions with other parties to which the Bank is related. A party is considered to be related if the party has ability to control or to influence other parties in making decision of financial policies and operational activities. A party is related to the Bank if:

- (a) Directly, or indirectly through one or more intermediaries, the party:
 - ▶ Controls, is controlled by, or is under common control by Bank (including parents and subsidiaries);
 - ▶ Has an interest (owning 5% or more of the charter capital or voting share capital) in the Bank that gives it significant influence over the Bank;
 - ▶ Has joint control over the Bank.
- (b) The party is a joint venture in which the Bank is a venture or an associate (owning over 11% of the charter capital or voting share capital, but is not a subsidiary of the Bank);
- (c) The party has a member which is the member of the key management personnel of the Bank;
- (d) The party is a close member of the family of any individual referred to in (a) or (c); or
- (e) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such company resides with, directly or indirectly, any individual referred to in (c) or (d).

Details of significant balances with related parties as at 30 June 2017 are as follows:

Related organizations

<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Amount VND million</i>
The State Bank of Vietnam	Owner and direct management agency	Deposits of VietinBank at the SBV	16,210,207
		Due to the SBV	(4,508,550)
Indovina Bank Ltd	Joint venture	Deposits of Indovina at VietinBank	(4,083,445)
		Deposits of VietinBank at Indovina	4,005,737

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

Related Individual

<i>Related parties</i>	<i>Transactions</i>
Board of Directors, Supervisory Board and Board of Management (*)	Salaries and remunerations: Payment in accordance with the Bank's internal regulations on salary payment, ensuring the interrelation between managerial level's average salary and staff level's average salary within the banking system.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

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

	<i>Total loans VND million</i>	<i>Total deposits VND million</i>	<i>Credit commitments VND million</i>	<i>Derivative financial instruments VND million</i>	<i>Trading and investment of securities VND million</i>
Domestic	726,737,853	781,245,832	87,839,838	411,572	144,509,974
Overseas	7,073,378	4,496,484	190,482	-	-
	733,811,231	785,742,316	88,030,320	411,572	144,509,974

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

40. SEGMENT INFORMATION

40.1 Business segment report

Unit: VND million

Items	Banking financial services	Non-banking financial services	Others	Off-set	Total
I. Income	36,639,148	675,032	462,160	(89,175)	37,687,165
1. Interest and similar income	31,393,627	155,817	48,112	(43,051)	31,554,505
- Interest and similar income from external sources	31,363,136	146,546	44,823	-	31,554,505
- Interest and similar income from internal sources	30,491	9,271	3,289	(43,051)	-
2. Income from services	1,420,632	462,385	18,320	(34,829)	1,866,508
3. Other income	3,824,889	56,830	395,728	(11,295)	4,266,152
II. Expenses	27,226,261	523,064	369,877	(89,175)	28,030,027
1. Interest and similar expenses	18,088,150	21,002	3,483	(43,051)	18,069,584
- External interest and similar expenses	18,061,780	4,324	3,480	-	18,069,584
- Internal interest and similar expenses	26,370	16,678	3	(43,051)	-
2. Depreciation and amortisation expenses	548,791	3,472	2,417	-	554,680
3. Expenses related to operating business	8,589,320	498,590	363,977	(46,124)	9,405,763
Net profit from operating activities before credit provision expenses	9,412,887	151,968	92,283	-	9,657,138
Provision expenses for credit losses	4,835,856	2,304	5,349	-	4,843,509
Segment profit before tax	4,577,031	149,664	86,934	-	4,813,629
Current corporate income tax expense	847,614	29,958	15,068	-	892,640
Deferred corporate income tax expense	-	-	-	-	-
Segment profit after corporate income tax	3,729,417	119,706	71,866	-	3,920,989
III. Assets					
1. Cash on hand	6,316,881	4,528	58,634	-	6,380,043
2. Fixed assets	10,168,344	58,514	49,313	-	10,276,171
3. Other assets	1,019,297,937	4,813,468	1,784,775	(6,931,850)	1,018,964,330
IV. Liabilities					
1. External liabilities	973,231,040	1,545,815	430,295	(3,270,774)	971,936,376
2. Internal liabilities	2,858,638	485,173	20,297	-	3,364,108

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

40. SEGMENT INFORMATION (continued)

40.2 Geographical segment report

<i>Items</i>	Unit: VND million			<i>Total</i>
	<i>North</i>	<i>South</i>	<i>Others</i>	
Segment profit before tax	2,069,308	1,860,144	884,177	4,813,629
Current corporate income tax expense	(876,350)	(573)	(15,717)	(892,640)
Deferred corporate income tax expense	-	-	-	-
Segment profit after corporate income tax	1,192,958	1,859,571	868,460	3,920,989
Segment assets	625,464,828	312,655,484	97,500,232	1,035,620,544
Segment liabilities	570,130,274	309,789,709	95,380,501	975,300,484

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

41. FINANCIAL RISK MANAGEMENT POLICIES

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

According to Official Letter No. 1601/NHNN-TTGSNH on the implementation of capital adequacy regulation under Basel II, the Bank is one of the ten selected banks to apply Basel II standards (jointly with Vietcombank, BIDV, MB, Sacombank, Techcombank, VPBank, etc.). The application of Basel II standards not only meets the requirements of the State Bank of Vietnam under the restructuring plan of the Vietnamese banking sector but is also a prerequisite for integration and expansion of the Bank in the global financial banking industry. The Bank has always played a pioneering role in the modernization of the banking system. In 2017, the Bank has continued to implement sub-projects on fund management, risk management within the Basel II Project in order to comprehensively enhance the risk management system as described in Basel II.

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

The activities related to the Bank's financial instruments including foreign exchange trading products, gold trading, cross currency swaps, interest rate swaps etc. mainly serve the demands of corporate customers in the preferential and key sectors and corporate and individual customers that have strong financial conditions. In addition, to ensure management of liquidity risk, interest rate risk as well as profit maximization, in 2017, the Bank has enhanced the investment in highly liquid assets such as credit institution bonds with more attractive interest rate but not much riskier than Government bonds and Government Treasury bills as newly invested bonds are guaranteed by the Government.

To manage risk related to financial instruments, the Bank issues regulations, procedures, detailed guidance and internal indicators as well as strictly manages the balance between assets and liabilities, tightly controls the growth in business activities and credit quality; complies with limitation and safety rate for its operation and requirements on risk management as stipulated in Circular 36 and Circular 06 and regulations of the State Bank of Vietnam and meets requirements on risk management in accordance with Basel II. Accordingly, risks related to financial instruments are strictly managed as follows:

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

Credit risk management: Management activities of credit risk of the Bank are deployed through standardized models to organize, create and establish risk control limits based on the risk appetite of the Board of Directors, consistent with the business strategy in each period, ensuring secure and sustainable growth targets. Planning activities are standardized in order to appropriately combine growth and risk management. The mechanism and policies system related to activities of credit risk management is standardized under 5 document levels. The Bank is one of the first banks to implement credit risk measuring models under Basel II standards (according to the statistical analysis method) in replacement to the internal credit ratings system (according to expert method previously) and apply in credit approval, loan pricing and efficient customer management. Information technology infrastructure is a priority of investment, to make sure scoring of credit ratings, loan initialising, collateral management, extraction of credit portfolio management information, early warning are performed automatically, with operational errors, processing time reduced and the quality of information improved.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

41. FINANCIAL RISK MANAGEMENT POLICIES (continued)

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

Management of currency risk: The Bank carries out its policy of managing foreign exchange risk in full concentration. The status of each currency is managed on a daily basis and the hedging strategy is used by the Bank to ensure that the currency's status is maintained within the established limits. The measurement and risk reporting system ensures full and comprehensive disclosure of market value margins, risk measurement and monitoring of authorization mechanisms in treasury dealing. On that basis, currency risk reports are periodically sent to the managers and transaction units to support in decision making process to ensure secure and effective operation.

42. CREDIT RISK

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

Tools that the Bank uses to manage credit risk include:

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

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

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

Assessment of impairment losses

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

42. CREDIT RISK (continued)

Specific provisions

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

General provisions

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

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

Modes of credit risk mitigation

Collateral

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

Recovered collateral

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

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

42. CREDIT RISK (continued)

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

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

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

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

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

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

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

Unit: VND million

	Overdue				Total
	Less than 90 days	91-180 days	181-360 days	Over 360 days	
Loans to customers	293,858	114,274	250,201	1,318,436	1,976,769
Investment securities	-	-	-	400,000	400,000
	293,858	114,274	250,201	1,718,436	2,376,769

► *Financial assets which are overdue and impaired*

The maturity of overdue and impaired financial assets is presented as follow:

Unit: VND million

	Overdue				Total
	Less than 90 days	91-180 days	181-360 days	Over 360 days	
Loans to customers	3,296,825	718,692	3,974,153	2,144,496	10,134,166

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43. INTEREST RATE RISK

Interest rate risk is the possibility of the Bank's income or asset value being affected when market interest rate fluctuates.

Interest rate risk to the Bank possibly derives from investment activities and fund mobilization and lending activities.

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

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

The Bank's interest rate risk policies

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

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

For fund mobilization: interest rate for fund mobilization 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

43. INTEREST RATE RISK (continued)

The Bank's interest rate risk policies (continued)

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

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 "three lines of defense" 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 risk management at transaction level

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

With the experience and sensitivity in managing, the Bank has been cautiously and flexibly managing the deposit and loan interest rate mechanism to ensure the safety and effectiveness of the business operation. As shown in the interest rate re-pricing gap report, the majority of interest bearing assets of the Bank has re-pricing term within 01 month, which is in line with the re-pricing structure of the mobilised funds that have short interest rate re-pricing term.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

43. INTEREST RATE RISK (continued)

Below table shows an analysis of the interest re-pricing period of assets and liabilities of the Bank as at 30 June 2017:

	Overdue VND million	Non-interest bearing VND million	Interest re-pricing period							Total years VND million
			Up to 1 month VND million	From 1 to 3 months VND million	From 3 to 6 months VND million	From 6 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million		
Assets										
Cash, gold and gemstones	-	6,380,043	-	-	-	-	-	-	-	6,380,043
Balances with the SBV	-	-	16,210,207	-	-	-	-	-	-	16,210,207
Placements with and loans to other credit institutions (*)	-	-	82,786,237	11,033,337	775,995	13,184,113	-	-	-	107,779,682
Securities held for trading (*)	-	-	9,890,844	-	-	-	-	-	-	9,890,844
Derivatives and other financial assets	-	-	411,572	-	-	-	-	-	-	411,572
Loans to customers (*)	12,110,934	-	317,847,869	195,831,555	158,178,769	34,778,184	9,654,512	1,648,493	730,050,316	
Investment securities (*)	400,000	519,065	7,221,861	26,039,783	10,914,838	4,869,249	58,817,724	25,836,610	134,619,130	
Long-term investments (*)	-	3,181,893	-	-	-	-	-	-	-	3,181,893
Fixed assets and investment properties	-	10,276,171	-	-	-	-	-	-	-	10,276,171
Other assets (*)	1,895	30,166,986	-	-	-	-	-	-	-	30,168,881
Total assets	12,512,829	50,524,158	434,368,590	232,904,675	169,869,602	52,831,546	68,472,236	27,485,103	1,048,968,739	
Liabilities										
Due to the SBV	-	-	17,476,849	584,422	2,380,258	5,285,537	43,759	-	-	25,770,825
Deposits and borrowings from other credit institutions	-	-	80,445,761	27,112,051	6,325,447	2,615,611	2,724,300	-	-	119,223,170
Customer deposits	-	-	181,334,732	166,096,998	153,729,648	182,429,835	9,336,388	140	-	692,930,741
Derivatives and other financial liabilities	-	-	-	-	-	-	-	-	-	-
Other borrowed and entrusted funds	-	-	-	-	3,706,812	-	-	2,798,875	-	6,505,687
Valuable papers issued	-	-	1,773	452	447	-	-	18,300,000	-	18,302,672
Other liabilities (*)	-	112,331,488	-	-	-	-	-	-	-	112,331,488
Total liabilities	-	112,331,488	279,259,115	193,793,923	166,142,612	190,330,983	33,206,322	140	975,064,583	
Interest sensitivity gap (balance sheet items)	12,512,829	(61,807,330)	155,109,475	39,110,752	3,726,990	(137,499,437)	35,265,914	27,484,963	73,904,156	
Interest sensitivity gap of off-balance sheet items	-	-	-	-	-	-	-	-	-	
Interest sensitivity gap (on, off-balance sheet items)	12,512,829	(61,807,330)	155,109,475	39,110,752	3,726,990	(137,499,437)	35,265,914	27,484,963	73,904,156	

(*): Excluding provision

44. CURRENCY RISK

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

The Bank was incorporated and operates in Vietnam and its reporting currency is Vietnam Dong (VND), while part of the Bank's asset-equity is in foreign currencies (USD, EUR, etc.). Thus, currency risk may arise.

The Bank is exposed to the following risks:

- Currency risks in foreign currency trading;
- Currency risks in fund mobilization and lending;
- Currency risks in investments.

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

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

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

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

For investment activities:

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

For foreign currency trading activities:

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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44. CURRENCY RISK (continued)

The following table presents assets and liabilities in foreign currencies translated into VND as at 30 June 2017:

	EUR equivalent VND million	USD equivalent VND million	Other currencies equivalent VND million	Total VND million
Assets				
Cash, gold and gemstones	119,387	733,664	27,554	880,605
Balances with the SBV	-	3,144,936	-	3,144,936
Placements with and loans to other credit institutions	1,498,836	17,299,597	734,499	19,532,932
Securities held for trading (*)	-	-	-	-
Derivatives and other financial assets	-	-	-	-
Loans to customers (*)	3,359,204	86,464,706	-	89,823,910
Investment securities (*)	-	-	-	-
Long-term investments (*)	-	1,688,788	-	1,688,788
Fixed assets and investment properties	72,630	-	-	72,630
Other assets (*)	1,334,276	2,767,489	-	4,101,765
Total assets	6,384,333	112,099,180	762,053	119,245,566
Liabilities				
Due from the SBV	-	-	-	-
Deposits and borrowings from other credit institutions	200,704	45,726,621	1,296	45,928,621
Customer deposits	3,251,840	42,171,966	124,170	45,547,976
Other borrowed and entrusted funds	198,648	5,353,183	1,088	5,552,919
Valuable papers issued	-	848	-	848
Other liabilities (*)	2,825,077	3,755,013	-	6,580,090
Owners' equity	-	-	-	-
Total liabilities	6,476,269	97,007,631	126,554	103,610,454
FX position on balance sheet	(91,936)	15,091,549	635,499	15,635,112
FX position off-balance sheet	-	-	-	-
Net on, off-balance sheet FX position	(91,936)	15,091,549	635,499	15,635,112

(*): Excluding provision

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45. 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 minimize 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/Risk Committee makes recommendations to the Board of Directors and the Board of Management to best remain the Bank's solvency in a safe and effective way.

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

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

- Cash, gold and gemstones and balance with the State Bank of Vietnam are classified into maturity up to one month;
- The maturity term of deposits with and loans to other credit institutions and loans to customers, investment securities, borrowings from the Government and the SBV, deposits, loans from other credit institutions, valuable papers issued, other borrowed and entrusted funds are based on the contractual maturity date.
- The maturity date of trading securities are based on contractual maturity date or the maturity date in accordance with the regulation on the maximum holding period of the Bank, whichever comes earlier.
- The maturity term of deposits from customers are determined based on the customer's behavior analysis and the forecast on interest rate policy and other macroeconomic factors.

45. LIQUIDITY RISK (continued)

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

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

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

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

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

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45. LIQUIDITY RISK (continued)

The table below presents the analysis of remaining maturity of assets and liabilities of the Bank as at 30 June 2017:

	Overdue			Current					Total VND million
	Above 3 months VND million	Within 3 months VND million	Up to 1 months VND million	From 1 to 3 months VND million	From 3 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million		
Assets									
Cash, gold and gemstones	-	-	6,380,043	-	-	-	-	6,380,043	
Balances with the SBV	-	-	16,210,207	-	-	-	-	16,210,207	
Placements with and loans to other credit institutions (*)	-	-	94,970,840	11,033,337	1,775,505	-	-	107,779,682	
Securities held for trading (*)	-	-	9,890,844	-	-	-	-	9,890,844	
Derivatives and other financial assets	-	-	411,572	-	-	-	-	411,572	
Loans to customers (*)	8,520,251	3,590,682	61,097,771	146,001,376	246,642,056	109,136,967	155,061,213	730,050,316	
Investment securities (*)	400,000	-	455,646	734,878	11,862,075	89,819,032	31,347,499	134,619,130	
Long-term investments (*)	-	-	-	-	-	-	3,181,893	3,181,893	
Fixed assets and investment properties	-	-	-	-	-	-	10,276,171	10,276,171	
Other assets (*)	1,895	-	-	-	-	-	30,166,986	30,166,986	
Total assets	8,922,146	3,590,682	189,416,923	157,769,591	260,279,636	198,955,999	230,033,762	1,048,968,739	
Liabilities									
Due to the SBV	-	-	17,476,849	584,422	7,665,795	43,759	-	25,770,825	
Deposits and borrowings from other credit institutions	-	-	76,493,487	23,075,693	11,624,860	7,804,820	224,310	119,223,170	
Customer deposits	-	-	99,312,260	166,096,998	336,159,483	91,319,468	42,532	692,930,741	
Other borrowed and entrusted funds	-	-	-	-	-	3,473,200	3,032,487	6,505,687	
Valuable papers issued	-	-	1,773	452	447	2,000,000	16,300,000	18,302,672	
Other liabilities (*)	-	-	39,818,774	4,213,264	12,018,756	56,038,298	242,396	112,331,488	
Total liabilities	-	-	233,103,143	193,970,829	367,469,341	160,679,545	19,841,725	975,064,583	
Net liquidity gap	8,922,146	3,590,682	(43,686,220)	(36,201,238)	(107,189,705)	38,276,454	210,192,037	73,904,156	

(*): Excluding provision

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46. ADDITIONAL INFORMATION ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

Financial assets

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

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

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

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

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

► *Held-to-maturity investments*

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

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

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

Financial assets (continued)

▶ *Loans and receivables:*

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

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

▶ *Available-for-sale financial assets*

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

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

Financial liabilities

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

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

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

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

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

▶ *Financial liabilities at amortized cost:*

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

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

Offsetting of financial assets and financial liabilities

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

The carrying value and fair value of financial assets and financial liabilities of the Bank as at 30 June 2017 are presented as follows:

	Carrying value					Fair value VND million
	Financial assets at fair value through profit and loss VND million	Held-to- maturity VND million	Loans and receivables VND million	Available-for- sale VND million	Other assets and liabilities recorded at amortized cost VND million	
Cash, gold and gemstones	6,380,043	-	-	-	-	6,380,043
Balances with the SBV	16,210,207	-	-	-	-	16,210,207
Placements with and loans to other credit institutions	-	-	107,779,682	-	-	107,779,682
Securities held for trading	9,890,844	-	-	-	-	9,890,844
Derivatives and other financial assets	411,572	-	-	-	-	411,572
Loans to customers	-	-	730,050,316	-	-	730,050,316
Available-for-sale securities	-	-	-	123,578,024	-	123,578,024
Held-to-maturity securities	-	11,041,106	-	-	-	11,041,106
Other long-term investments	-	-	-	430,445	-	430,445
Other financial assets	-	-	30,168,881	-	-	30,168,881
	32,892,666	11,041,106	867,998,879	124,008,469	-	1,035,941,120
Due to the SBV	-	-	-	-	25,770,825	25,770,825
Deposits and loans from other credit institutions	-	-	-	-	119,223,170	119,223,170
Customer deposits	-	-	-	-	692,930,741	692,930,741
Other borrowed and entrusted funds	-	-	-	-	6,505,687	6,505,687
Valuable papers issued	-	-	-	-	18,302,672	18,302,672
Other financial liabilities	-	-	-	-	112,138,029	112,138,029
	-	-	-	-	974,871,124	974,871,124

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

47. EVENTS AFTER THE INTERIM CONSOLIDATED BALANCE SHEET DATE

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

48. NOTES TO CHANGES IN PROFIT

The net profit after tax of the Bank for the six-month period ended 30 June 2017 increased by VND506 billion (equivalent to 14.83%) in comparison with the same period in the year 2016. The increase is mainly contributed by the income from investment in other entities which increased by VND543 billion (equivalent to 12.72%).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period then ended

49. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST VIETNAMESE DONG AT THE END OF THE PERIOD

	30 June 2017 VND million	31 December 2016 VND million
USD	22,431	22,159
EUR	25,913	23,780
GBP	29,513	27,911
CHF	23,728	22,215
JPY	203.00	193.46
SGD	16,521	15,617
CAD	17,518	16,835
AUD	17,474	16,338
NZD	16,661	15,694
THB	669.83	626.86
SEK	2,686	2,483
NOK	2,716	2,618
DKK	3,486	3,201
HKD	2,913	2,916
CNY	3,351	3,247
KRW	20.35	18.64
LAK	2.90	2.78
MYR	5,327	5,042



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