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

(Incorporated in the Socialist Republic of Vietnam)

**REVIEWED CONSOLIDATED
FINANCIAL STATEMENTS**

For the period from 01 January 2015 to 30 June 2015

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

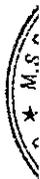


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STATEMENT OF THE BOARD OF MANAGEMENT

The Board of Management of Vietnam Joint Stock Commercial Bank for Industry and Trade (the "Bank") presents this report together with consolidated financial statements of the Bank and its subsidiaries for the period from 01 January 2015 to 30 June 2015.

BOARDS OF DIRECTORS AND MANAGEMENT

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

Board of Directors

Mr. Nguyen Van Thang	Chairman
Mr. Le Duc Tho	Member
Ms. Nguyen Hong Van	Member
Mr. Michael Knight Ipson	Member
Mr. Cat Quang Duong	Member
Mr. Pham Huy Thong	Member (resigned on 07 July 2015)
Mr. Hiroyuki Nagata	Member
Mr. Go Watanabe	Member
Mr. Phung Khac Ke	Member
Ms. Tran Thu Huyen	Member

Board of Management

Mr. Le Duc Tho	General Director
Mr. Tran Minh Binh	Deputy General Director
Mr. Nguyen Van Du	Deputy General Director
Ms. Bui Nhu Y	Deputy General Director
Mr. Nguyen Hoang Dung	Deputy General Director
Mr. Pham Huy Thong	Deputy General Director (resigned on 07 July 2015)
Mr. Nguyen Duc Thanh	Deputy General Director
Mr. Hiroyuki Nagata	Deputy General Director
Mr. Tran Cong Quynh Lan	Deputy General Director (appointed on 05 March 2015)
Mr. Nguyen Dinh Vinh	Deputy General Director (appointed on 31 July 2015)
Mr. Nguyen Hai Hung	Chief Accountant

Person authorized to sign the financial statements

Mr. Tran Minh Binh	(According to Authorization Letter No. 786 /UQ-HDQT-NHCT18 dated 06 August 2015 of the Chairman)
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STATEMENT OF THE BOARD OF MANAGEMENT (Continued)

BOARD OF MANAGEMENT'S STATEMENT OF RESPONSIBILITY

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

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

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

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

For and on behalf of the Board of Management, 



Le Duc Tho
General Director

Hanoi, 27 August 2015

CONSOLIDATED BALANCE SHEET

As at 30 June 2015

FORM B 02a/TCTD-HN
Unit: Million VND

NO. ITEMS	Notes	30/6/2015	31/12/2014
A. ASSETS			
I. Cash, gold and gemstones	5	4,206,148	4,630,740
II. Balances with the State Bank of Vietnam	6	13,645,139	9,876,451
III. Placements with and loans to other credit institutions	7	47,885,834	75,433,624
1. Placements with other credit institutions		45,684,625	67,162,062
2. Loans to other credit institutions		2,201,209	8,271,562
3. Provisions for credit losses		-	-
IV. Trading securities	8	1,326,248	3,647,897
1. Trading securities		1,336,191	3,654,333
2. Provisions for impairment of trading securities		(9,943)	(6,436)
V. Loans to customers		475,529,003	435,523,079
1. Loans to customers	10	480,573,082	439,869,027
2. Provisions for credit losses of loans to customers	11	(5,044,079)	(4,345,948)
VI. Investment securities	12	104,168,763	93,404,410
1. Available-for-sale investment securities		95,771,935	87,338,962
2. Held-to-maturity investment securities		9,413,991	6,708,858
3. Provisions for impairment of investment securities	13	(1,017,163)	(643,410)
VII. Long-term investments	14	3,876,315	3,784,907
1. Investments in joint-ventures		2,918,062	2,843,745
2. Other long-term investments		1,029,326	1,030,326
3. Provisions for impairment of long-term investments		(71,073)	(89,164)
VIII. Fixed assets		8,474,196	8,872,165
1. Tangible fixed assets	15	4,298,929	4,661,630
<i>a. Cost</i>		9,316,662	9,313,732
<i>b. Accumulated depreciation</i>		(5,017,733)	(4,652,102)
2. Intangible assets	16	4,175,267	4,210,535
<i>a. Cost</i>		4,894,038	4,851,812
<i>b. Accumulated amortisation</i>		(718,771)	(641,277)
IX. Other assets		26,634,952	25,958,316
1. Other receivables	17	10,935,283	9,877,588
2. Interest and fee receivables		12,350,592	12,706,283
3. Other assets	18	3,350,323	3,376,800
<i>- In which: Goodwill</i>	19	7,259	8,167
4. Provisions for impairment of other assets		(1,246)	(2,355)
TOTAL ASSETS		685,746,598	661,131,589

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

CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2015

FORM B 02a/TCTD-HN
Unit: Million VND

NO. ITEMS	Notes	30/6/2015	31/12/2014
B. LIABILITIES AND OWNERS' EQUITY			
I. Borrowings from the Government and the SBV	20	1,925,073	4,731,403
II. Deposits and borrowings from other credit institutions	21	103,807,877	103,769,865
1. Deposits from other credit institutions		47,617,793	42,040,236
2. Borrowings from other credit institutions		56,190,084	61,729,629
III. Deposits from customers	22	449,204,510	424,181,174
IV. Derivative financial instruments and other financial liabilities	9	366,275	415,778
V. Grants, trusted funds and borrowings at risk of the credit institution	23	40,695,703	32,021,693
VI. Valuable papers issued	24	9,904,527	5,294,073
VII. Other liabilities		25,247,218	35,479,425
1. Accrued fee and interest expenses		5,198,316	5,749,315
2. Other payables and liabilities	25	19,955,057	29,662,391
3. Other provisions	25	93,845	67,719
TOTAL LIABILITIES		631,151,183	605,893,411
VIII. Capital and reserves	27	54,595,415	55,238,178
1. Contributed capital		46,208,816	46,208,816
<i>a. Charter capital</i>		<i>37,234,046</i>	<i>37,234,046</i>
<i>b. Share premium</i>		<i>8,974,770</i>	<i>8,974,770</i>
2. Reserves		4,256,121	4,250,372
3. Foreign exchange reserves		381,935	338,463
4. Retained earnings		3,516,450	4,215,157
5. Minority interests		232,093	225,370
TOTAL LIABILITIES AND OWNERS' EQUITY		685,746,598	661,131,589

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

CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2015

FORM B02a/TCTD-HN

Unit: Million VND

OFF-CONSOLIDATED BALANCE SHEET ITEMS

NO.	ITEMS	Notes	30/6/2015	31/12/2014 (*)
1.	Credit guarantees	41	7,069,566	2,496,147
2.	Foreign exchange transactions commitments	41	82,054,085	62,361,790
	<i>Buying foreign currency commitments</i>		5,717,867	1,274,173
	<i>Selling foreign currency commitments</i>		5,728,615	1,274,379
	<i>Cross currency swap contracts</i>		70,607,603	59,813,238
3.	Letters of credit	41	34,973,232	29,742,703
4.	Other guarantees	41	22,542,319	21,884,106
5.	Other commitments	41	19,388,099	26,392,728

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

Preparer *th*

Approver

Approver



Le Nhu Hoa
Head of Financial Accounting
Management Department

Nguyen Hai Hung
Chief Accountant

Tran Minh Binh
Deputy General Director

27 August 2015

CONSOLIDATED INCOME STATEMENT

For the period from 01 January 2015 to 30 June 2015

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

NO. ITEMS	Notes	From 01/01/2015	From 01/01/2014
		to 30/6/2015	to 30/6/2014 (*)
1. Interest and similar income	28	20,741,521 ✓	20,747,016 ✓
2. Interest and similar expenses	29	(11,120,972) ✓	(11,875,807) ✓
I. Net interest income		9,620,549 ✓	8,871,209 ✓
3. Income from services		1,218,743 ✓	993,935 ✓
4. Expenses on services		(541,262) ✓	(324,773) ✓
II. Net profit from services	30	677,481 ✓	669,162 ✓
III. Net gain from trading foreign currencies	31	65,003 ✓	194,450 ✓
IV. Net gain from trading securities	32	114,439 ✓	60,364 ✓
V. Net (loss) from investment securities	33	(107,663) ✓	(135,596) ✓
5. Other operating income		1,381,683 ✓	1,007,011 ✓
6. Other operating expenses		(805,305) ✓	(912,473) ✓
VI. Net profit from other activities	34	576,378 ✓	94,538 ✓
VII. Income from capital contribution, equity investments	35	53,368 ✓	95,032 ✓
VIII. Operating expenses	36	(4,584,860) ✓	(4,259,035) ✓
IX. Net profit from operating activities before credit provision expenses		6,414,695 ✓	5,590,124 ✓
X. Provision expenses for credit losses		(2,536,112) ✓	(1,717,455) ✓
XI. Profit before tax		3,878,583 ✓	3,872,669 ✓
7. Current corporate income tax expenses	37	(843,409) ✓	(848,317) ✓
XII. Corporate income tax expenses	37	(843,409) ✓	(848,317) ✓
XIII. Profit after corporate income tax		3,035,174 ✓	3,024,352 ✓
XIV. Minority interests		8,613 ✓	6,538 ✓
XV. Profit attributable to the owners of the Bank		3,026,561 ✓	3,017,814 ✓
XVI. Basic earnings per share (VND)	38	813 ✓	810 ✓

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

Preparer *th*

Approver



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Le Nhu Hoa
Head of Financial Accounting
Management Department

Atuu
Nguyen Hai Hung
Chief Accountant

Tran Minh Binh
Tran Minh Binh
Deputy General Director

27 August 2015

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

CONSOLIDATED CASH FLOW STATEMENT

For the period from 01 January 2015 to 30 June 2015

FORM B 04a/TCTD-HN

Unit: Million VND

NO. ITEMS	From 01/01/2015 to 30/6/2015	From 01/01/2014 to 30/6/2014 (*)
CASH FLOW FROM OPERATING ACTIVITIES		
01. Interest and similar income received	21,156,301	20,502,250
02. Interest and similar expenses paid	(11,719,239)	(11,831,971)
03. Service income received	649,646	667,316
04. Net cash received from trading foreign currencies, gold and securities	788,251	319,865
05. Other expenses	(166,945)	(314,876)
06. Receipts from debts written-off or paid off by risk fund	696,931	599,233
07. Payments to employees and for operating management	(4,600,052)	(4,735,203)
08. Corporate income tax paid	(548,635)	(517,793)
Net cash from operating profit before movements in assets and working capital	6,256,258	4,688,821
<i>Movement in operating assets</i>	(37,825,028)	10,260,747
09. Decrease in deposits at and loans to other credit institutions	6,241,161	13,333,899
10. Decrease/(Increase) in trading securities	1,494,407	(989,989)
11. Decrease in derivatives and others financial assets	-	164,334
12. (Increase) in loans to customers	(43,691,836)	(1,706,133)
13. (Decrease) in provisions for losses	(1,557,284)	(31,609)
14. (Increase) in other operating assets	(311,476)	(509,755)
<i>Movement in operating liabilities</i>	21,880,978	22,865,535
15. (Decrease)/Increase in borrowings from the Government and the State Bank of Vietnam	(2,806,331)	421,864
16. Increase in deposits and borrowings from other credit institutions	38,012	7,923,786
17. Increase in deposits from customers (including State Treasury)	25,023,336	13,193,457
18. Increase/(Decrease) in valuable papers (excluding valuable papers charged to financial activities)	4,610,455	(11,195,928)
19. Increase/(Decrease) in grants, trusted funds and borrowings at risk of the credit institution	8,674,010	(1,033,435)
20. (Decrease)/Increase in derivatives and other financial liabilities	(49,503)	22,389
21. (Decrease)/Increase in other operating liabilities	(13,608,653)	13,533,437
22. Cash outflows from reserves of the credit institution	(348)	(35)
I. Net cash from operating activities	(9,687,792)	37,815,103
CASH FLOWS FROM INVESTING ACTIVITIES		
01. Acquisition of fixed assets	(710,844)	(1,827,888)
02. Proceeds from sales, disposal of fixed assets	8,478	2,361
03. Expenses on sales, disposal of fixed assets	(259)	(102)
04. Investment in other entities	(10,000)	-
05. Proceeds from investments in other entities	11,000	11,000
06. Dividends and profit received from long-term investments and capital contribution	22,524	15,678
II. Net cash (used in) investing activities	(679,101)	(1,798,951)

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

CONSOLIDATED CASH FLOW STATEMENT (Continued)

For the period from 01 January 2015 to 30 June 2015

FORM B 04a/TCTD
 Unit: Million VND

NO. ITEMS	From 01/01/2015 to 30/6/2015	From 01/01/2014 to 30/6/2014 (*)
CASH FLOWS FROM FINANCING ACTIVITIES		
01. Dividends paid	-	(3,723,405)
III. Net cash (used in) financing activities	-	(3,723,405)
IV. Net (decrease)/increase in cash and cash equivalents	(10,366,893)	32,292,747
V. Cash and cash equivalents at the beginning of the period	87,064,648	74,215,984
VI. Effects of changes in foreign exchange rates	13,600	(954)
VII. Cash and cash equivalents at the end of the period (Note 39)	76,711,355	106,507,777

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

Preparer *th*

Approver

Approver

Le Nhu Hoa

Nguyen Hai Hung



Le Nhu Hoa
 Head of Financial Accounting
 Management Department

Nguyen Hai Hung
 Chief Accountant

Tran Minh Binh
 Deputy General Director

27 August 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FORM B 05a/TCTD-HN

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

1. GENERAL INFORMATION

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

Establishment and operation

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

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

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

Charter capital

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

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

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

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

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

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

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

Accordingly, as at 30 June 2015, the Bank’s charter capital is VND 37,234,046 million.

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

1. GENERAL INFORMATION (Continued)

The branch network

The Head Office of the Bank is located at 108 Tran Hung Dao Street, Hoan Kiem District, Hanoi, Vietnam. As at 30 June 2015, the Bank has one (01) Head Office, one (01) Main Operation Center, three (03) administrative units, two (02) local representative offices, one (01) overseas representative office in Myanmar and one hundred and fifty two (152) branches (including 03 overseas branches).

Subsidiaries

As at 30 June 2015, the Bank has seven (7) subsidiaries as follows:

No.	Name	Established in accordance with Decision No.	Business sector	% of ownership held by the Bank
1	Vietinbank Leasing Company Ltd.	0101047075/GP dated 10 March 2011 by Hanoi Authority for Planning and Investment	Banking and finance	100%
2	Vietinbank Securities Joint Stock Company	107/UBCK-GP dated 01 July 2009 by State Securities Commission of Vietnam (SSC)	Capital market	76%
3	Vietinbank Debt Management and Asset Exploitation Company Ltd.	0302077030/GP dated 20 July 2010 by Department of Planning and Investment of Ho Chi Minh City	Asset management	100%
4	Vietinbank Insurance Company Ltd.	21/GPDC6/KDBH dated 04 April 2009 by the Ministry of Finance	Non-life insurance	100%
5	Vietinbank Gold and Jewellery Trading Company Ltd.	0105011873/GP dated 25 November 2010 by Hanoi Authority for Planning and Investment	Gold and gemstones manufacturing, processing and trading	100%
6	Vietinbank Fund Management Company Ltd.	50/UBCK-GP dated 26 October 2010 and 05/GPDC-UBCK dated 23 March 2011 by State Securities Commission of Vietnam (SSC)	Fund management	100%
7	Vietinbank Global Money Transfer Company Ltd.	0105757686 dated 03 January 2012 by Hanoi Authority for Planning and Investment	Money transfer intermediary	100%

Employees

The total number of employees of the Bank as at 30 June 2015 is 19,833 (as at 31 December 2014: 19,787).

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

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

The accompanying consolidated financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, accounting regime applicable to credit institutions in Vietnam and legal regulations relating to financial reporting. However, due to the Bank's large scale of operations, for the purpose of preparing these consolidated financial statements, the figures are rounded to and presented in millions of Vietnam Dong (million VND). This presentation does not materially impact the consolidated financial statements in terms of the financial position, results of operations and the cash flows of the Bank and its subsidiaries. With regards to the basic earnings per share item, the Bank presented the figures in unit as shown in Note 38.

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

Financial year

The Bank's financial year begins on 01 January and ends on 31 December. These consolidated financial statements are prepared for the period from 01 January 2015 to 30 June 2015.

3. APPLICATION OF NEW ISSUED GUIDANCE

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

On 21 January 2013, the State Bank of Vietnam ("SBV") issued Circular No. 02/2013/TT-NHNN ("Circular 02") on classification of assets, provisioning and use of provisions against credit risks in the banking activity by credit institutions and branches of foreign banks. The Circular replaces Directive No. 05/2005/CT-NHNN dated 26 April 2005 of the State Bank Governor on classification of debts and provisioning against credit risks under Decision No. 493/2005/QD-NHNN ("Decision 493") dated 22 April 2005 of the State Bank Governor; Decision No. 780/QD-NHNN ("Decision 780") dated 23 April 2012 of the State Bank Governor on classification of re-scheduled loans; Decision No. 493/2005/QD-NHNN dated 22 April 2005 of the Governor promulgating regulations on classification of debts, provisioning and use of provisions against credit risks in the banking activity by credit institutions; Decision No. 18/2007/QD-NHNN ("Decision 18") dated 25 April 2007 of the State Bank Governor amending and supplementing a number of articles of Regulations on classification of debts, provisioning and use of provisions against credit risks in the banking activity by credit institutions regulated in Decision No. 493/2005/QD-NHNN dated 22 April 2005. On 18 March 2014, the SBV issued Circular No. 09/2014/TT-NHNN ("Circular 09") amending and supplementing a number of articles of Circular No. 02/2013/TT-NHNN above. Circular 02 takes effect from 01 June 2014 with certain articles taking effect after 01 January 2015, details are as follows:

Within up to 05 (five) days since Credit Information Center of Vietnam (CIC) generated the customer list as prescribed, credit institutions, foreign bank branches have to suggest CIC on providing the list, utilise the customer group categorized by CIC to adjust loan classification results, off-balance sheet commitments on the principle: if the debt and the off-balance sheet commitments to customers are classified to lower risk level than the list provided by CIC, the credit institutions and branches of foreign banks will have to adjust loan classification results, off-balance sheet commitments according to the loan group classified by CIC; set up sufficient provision and use of provision against credit risks in accordance with regulations.

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

3. APPLICATION OF NEW ISSUED GUIDANCE (Continued)

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

Effect of applying customer group classified by CIC to adjust loan classification results, off-balance sheet commitments and set up sufficient provision under these Circulars for some main items on the consolidated financial statements of the Bank for the period from 01 January 2015 until 30 June 2015 are as follows:

Items	According to loan classification and provision-making effective before 01 January 2015	According to loan classification and provision-making effective after 01 January 2015	Effect of applying the classification results using customer group classified by CIC
Loans to customers	Loan classification and provision making according to Circular 02 & Circular 09.	Use of customer group classified by CIC to adjust loan classification results and set up sufficient provision if the current customer group has lower risk level than that classified by CIC.	Loans to customers which are classified to lower risk level than the list provided by CIC will have to be reclassified and set up sufficient provision.
Off-balance sheet commitments	Classification according to Circular 02 and for activity management and supervision but no provision-making	Use of customer group classified by CIC to adjust off-balance sheet commitments classification results for management and supervision of the quality of credit activities if the current customer group has lower risk level than that classified by CIC.	Off-balance sheet commitments which are classified to lower risk level than the list provided by CIC will have to be reclassified for quality management and supervision of credit activities. However, there is no requirement of provision-making for off-balance sheet commitments.
Provision expenses for credit losses	Provision expenses for credit losses of loans to customers according to Circular 02 and Circular 09.	Provisions expenses for credit losses of loans to customers basing on debt classification after adjustments per customer group classified by CIC if the current customer group has lower risk level than that classified by CIC.	Provision expenses for credit losses of loans to customers are set up base on the customer group having the highest risk level as provided by CIC.

Regulation on repayment rescheduling and debt group maintaining in Paragraph 3a, Article 10 of Circular 02 has officially expired from 01 April 2015. Accordingly, the Bank is not allowed to reschedule the term of repayment period and maintaining debt group stipulated in Paragraph 3a of Article 10.

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

3. APPLICATION OF NEW ISSUED GUIDANCE (Continued)

Circular No. 202/2014/TT-BTC

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

Circular No. 49/2014/TT-NHNN

On 31 December 2014, the State Bank issued Circular No. 49/2014/TT-NHNN ("Circular 49") amending and supplementing some articles of the financial reporting regime for credit institutions issued, together with Decision No. 16/2007/QD-NHNN dated 18 April 2007 ("Decision 16") and the account system of credit institutions, issued together with Decision No. 479/2004/QD-NHNN of 29 April 2004 by the Governor of the State Bank. This Circular takes effect from 15 February 2015. The Bank has adopted the Circular 49 for these consolidated financial statements for the period from 01 January 2015 to 30 June 2015.

Effect of applying the Circular to some main items on the consolidated financial statements for the period from 01 January 2015 to 30 June 2015 are as follows:

Items	According to former financial reporting regime	According to new financial reporting regime	Effect of applying Circular 49
Loan purchasing	Not required to be presented on Balance sheet.	Required to be presented on Balance sheet.	Record loan purchasing's balance in VND (account 371) and loan purchasing's balance in foreign currency (account 372) according to the guidance in Circular 49.
Provision for loan purchasing risk	Not required to be presented on Balance sheet.	Required to be presented on Balance sheet.	Provision for loan purchasing risk is recorded into account 379 according to the guidance in Circular 49.
Interest and similar income	Do not include Income from guarantee activities.	Include Income from guarantee activities.	Reclassification of Income from guarantee activities from Income from services to Interest and similar income according to the guidance in Circular 49.
Income from services	Include Income from guarantee activities.	Do not include Income from guarantee activities.	Reclassification of Income from guarantee activities from Income from services to Interest and similar income according to the guidance in Circular 49.

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

3. APPLICATION OF NEW ISSUED GUIDANCE (Continued)

Circular No. 49/2014/TT-NHNN (Continued)

Items	According to former financial reporting regime	According to new financial reporting regime	Effect of applying Circular 49
Net gain/loss from investment securities	No detailed guidance on recognition of expense related to provision for special bonds issued by VAMC in the period.	Detailed guidance on recognition of expense related to provision for special bonds issued by VAMC in the period.	Expense related to provision for special bonds issued by VAMC in the period is not included in corresponding provision expense for security trading to deduct (-) when calculating Net gain/loss from trading securities according to the guidance in Circular 49.
Other operating expenses	Do not include loan purchasing expense and expenses on social activities.	Include loan purchasing expense and expenses on social activities.	Reclassify loan purchasing expense from Operating expense to Other operating expenses according to the guidance in Circular 49.
Provision expense for credit losses	No detailed guidance on recognition of expense related to provision for special bonds issued by VAMC in the period.	Detailed guidance on recognition of expense related to provision for special bonds issued by VAMC in the period.	Include expense related to provision for special bonds issued by VAMC in the period according to the guidance in Circular 49.
Off-balance sheet items	Include: - Credit guarantee - Letters of credit - Other guarantees - Financing commitments to customers - Other commitments	Include: - Credit guarantee - Foreign exchange transaction commitments - Foreign exchange buying/selling commitments - Swap commitments - Future commitments - Irrevocable loan commitments - L/C commitments - Other guarantees - Other commitments	Addition of new items: - Foreign exchange transaction commitments - Foreign exchange buying/selling commitments - Swap commitments - Future commitments - Irrevocable loan commitments Removal of items: - Financing commitments to customers.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Estimates

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and enterprises controlled by the Bank (its subsidiaries) on 30 June 2015. Control is achieved where the Bank has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

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

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

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

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Bank's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses incurred in the subsidiary must be allocated in the proportion of the ownership of minority interest, including the extent that the loss is exceed the proportion of minority interest in the net assets of subsidiaries.

Business combinations

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in joint ventures

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

Operating results, assets and liabilities of joint ventures are consolidated in the financial statements under the equity method. Investments in joint ventures are presented in the Balance Sheet at historical cost adjusted for the changes in the Bank's capital contribution to the net assets of joint ventures after the date of acquisition. The losses of joint ventures exceed the Bank's capital in that joint ventures (including any long-term investment that, in substance forming the Bank's net investment in the associate company) is not recorded.

In the event a member company of the Bank has transaction with the Bank's joint ventures, unrealized gain/loss corresponding to capital contribution of the Bank in joint ventures, was excluded from the consolidated financial statements.

Goodwill

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash and cash equivalents on hand, demand deposits, balances with the State Bank of Vietnam, placements with other credit institutions (including demand deposits and term deposits not exceeding three months) and securities which are expected to be realised or matured not exceeding three months from the date of purchase Government treasury bills and other short-term valuable papers eligible for re-discounting with the State Bank of Vietnam.

Loans to customers

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision for credit losses

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision for credit losses (Continued)

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

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

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

General provision is made for credit losses which have not been identified yet during the loan classification. Accordingly, the Bank is required to make and maintain a general provision at 0.75% of total of loan exposures that are classified in groups 1 to 4, except for deposits at domestic credit institutions and Vietnam-based foreign bank branches as provided by law, and deposits at foreign credit institutions, loans, valuable papers repurchased and reverse-repurchased from other credit institutions and foreign bank branches in Vietnam.

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

Investments

Trading securities

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Investment securities

Held-to-maturity investment securities

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

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

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

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

Pursuant to Official Letter No. 8499/NHNN-TCKT dated 14 November 2013 of the State Bank of Vietnam guiding the accounting treatment of the bad debts trading transactions between VAMC and credit institutions, when the Bank involves in bad debts selling transactions to receive special bonds from VAMC and the formal selling procedures are completed, the Bank will record the special bonds received from VAMC on the "Held-to-maturity securities" account.

Periodically, the Bank shall determine and make provision for impairment of those special bonds in accordance with the regulations stipulated in Decree No. 53/2013/ND-CP dated 18 May 2013 of the Government and Circular No. 19/2013/TT-NHNN dated 06 September 2013 of the State Bank of Vietnam. Accordingly, during the term of the special bonds, the Bank shall record the provision for impairment of those special bonds in the operating expenses. Within 05 working days prior to the date corresponding to the maturity date of the special bonds, the Bank shall make specific minimum provision for each special bond calculated on annual basis by the following formula:

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Investment securities (Continued)

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

The special bonds are redeemed in the following cases:

- a) The loan loss provision made for special bonds is not lower than the carrying amount of outstanding principal of the bad debts being recorded by VAMC, including the cases below:
 - (i) VAMC sells bad debts to other organizations and individuals, including the bad debts bought with special bonds to debt-selling credit institutions at market prices or agreed prices;
 - (ii) VAMC converts all bad debts bought into charter capital, share capital of borrowers being companies.
- b) The special bonds are matured: When the special bonds are redeemed and the Bank receives the previously sold debts from VAMC, the Bank might use the provision made annually for special bonds to settle bad debts. The difference between provisions made for special bonds and unrecoverable amount of debts is recorded as "Other operating income" in the consolidated income statement.

Available-for-sale investment securities

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Provisions for impairment of trading securities and investment securities

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

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

Except for the cases above, provisions for impairment of such securities are made in accordance with Official Letter No. 2601/NHNN-TCKT dated 14 April 2009, Circular No. 228/2009/TT-BTC dated 07 December 2009 and Circular No. 89/2013/TT-BTC dated 28 June 2013 amending and supplementing Circular No. 228/2009/TT-BTC issued by the Ministry of Finance. Accordingly, for listed securities, the Bank determined the value of the investments using closing prices in the active market as at the balance sheet date; for unlisted and liquid equity securities, the Bank collected direct quotations from three securities companies having charter capital more than VND 300 billion each at the end of the period to determine the value of the investments. When market price increases, the gain will be offset against, but not exceed the provision made previously. The excessive amount is not recorded as income until the securities are sold.

Other long-term investments

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

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

Recognition

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

Investment securities and other investments are initially recorded at cost. After initial recording, investment securities and other investments are recorded under the above accounting policies. An investment in securities can be reclassified once only (as guided in Dispatch No. 2601/NHNN-TCKT dated 14 April 2009 of the SBV).

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Derecognition

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

Repurchase and Reverse Repurchase Agreements

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

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

Trust activities and trusted funds

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

Tangible fixed assets and depreciation

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tangible fixed assets and depreciation (Continued)

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

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

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

Intangible assets and amortisation

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

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Bank as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Bank's net investment in the finance lease contract. Revenue from financial leases is allocated to the operating periods to ensure that the periodical interest rates on the total balance of net investment in finance lease are fixed.

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

The Bank as lessee

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepayments

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

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

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

Other receivables

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital and reserves

Common stocks

Common stocks are classified as owners' equity.

Share premium

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

Treasury shares

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

Reserves

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and expenses

Interest income

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

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

Borrowing costs

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

Revenue from sales of goods

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

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

Revenue from insurance services

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and expenses (Continued)

Recognition of dividends and profit received

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

Claim settlement expenses of insurance activities

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

Commission expense of insurance activities

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

Income and expense from other services

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

Foreign currencies

According to the Bank's accounting system, all transactions are recorded in the original currency. Income and expense arising in foreign currency during the period are translated into VND at interbank exchange rate quoted by the State Bank of Vietnam for USD and at bank transfer rate for other foreign currencies at the end of the transaction date. Monetary assets, liabilities and the balance of equity reserves at foreign branches denominated in foreign currencies as at the balance sheet date are translated into VND using the above exchange rate as at the balance sheet date (see list of applicable exchange rates of applicable foreign currencies against VND as at 30 June 2015 in Note 53). Foreign exchange differences arising from the translation of monetary assets and liabilities denominated in foreign currencies into VND as at the balance sheet date are recognised in the consolidated income statement.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other provisions

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

Taxation

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

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

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

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

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

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

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

Employee benefits

Post-employment benefits

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Post-employment benefits (Continued)

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

Resignation allowance

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

Unemployment allowance

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

Derivatives

Forward, swap and future contracts

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

Currency option contracts

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

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

Off-balance sheet commitments and guarantees

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

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

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

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

5. CASH, GOLD AND GEMSTONES

	<u>30/6/2015</u>	<u>31/12/2014 (*)</u>
	million VND	million VND
Cash in VND	3,543,760	3,989,948
Cash in foreign currencies	592,643	605,367
Valuable papers in foreign currencies	8,040	1,423
Monetary gold	39,491	12,052
Gold, other precious metal and gemstones	22,214	21,950
	<u>4,206,148</u>	<u>4,630,740</u>

(*) Some items are reclassified for comparison purpose.

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

	<u>30/6/2015</u>	<u>31/12/2014</u>
	million VND	million VND
Current account at the State Bank of Vietnam		
- In VND	10,977,959	7,357,366
- In foreign currencies	2,667,180	2,519,085
	<u>13,645,139</u>	<u>9,876,451</u>

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

Compulsory reserve balances for VND deposits applicable to credit institutions as at 30 June 2015 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, or more than 12 months.

Compulsory reserve balances for deposits in foreign currencies applicable to credit institutions as at 30 June 2015 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, or more than 12 months;
- Compulsory reserve balance is 1% of the balance for deposits in foreign currencies from overseas credit institutions.

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

7. PLACEMENTS WITH AND LOANS TO OTHER CREDIT INSTITUTIONS

	<u>30/6/2015</u>	<u>31/12/2014</u>
	million VND	million VND
Placements with other credit institutions		
Demand deposits	12,617,986	12,926,088
- In VND	7,357,313	6,526,647
- In foreign currencies	5,260,673	6,399,441
Term deposits	33,066,639	54,235,974
- In VND	27,095,048	43,898,000
- In foreign currencies	5,971,591	10,337,974
- Provisions for credit losses	-	-
	<u>45,684,625</u>	<u>67,162,062</u>
Loans to other credit institutions		
- In VND	1,355,962	4,978,432
<i>Include: discounts, rediscounts</i>	855,962	4,878,432
- In foreign currencies	845,247	3,293,130
<i>Include: discounts, rediscounts</i>	-	-
- Provisions for credit losses	-	-
	<u>2,201,209</u>	<u>8,271,562</u>
Placements with and loans to other credit institutions	<u>47,885,834</u>	<u>75,433,624</u>

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

	<u>30/6/2015</u>	<u>31/12/2014</u>
	million VND	million VND
Current loans	35,267,848	62,507,536
Special-mentioned loans	-	-
Sub-standard loans	-	-
Doubtful loans	-	-
Loss loans	-	-
Total	<u>35,267,848</u>	<u>62,507,536</u>

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

	<u>30/6/2015</u>	<u>31/12/2014</u>
	million VND	million VND
Debt securities	1,210,953	3,595,310
- Government bonds	1,210,953	3,595,310
Equity securities	125,238	59,023
- Equity securities issued by other local credit institutions	13,953	14,784
- Equity securities issued by local business entities	111,285	44,239
	<u>1,336,191</u>	<u>3,654,333</u>
Provisions for impairment of trading securities	(9,943)	(6,436)
	<u>1,326,248</u>	<u>3,647,897</u>

Listing status of trading securities

	<u>30/6/2015</u>	<u>31/12/2014</u>
	million VND	million VND
Debt securities		
Government bonds		
- Listed	1,210,953	3,595,310
Equity securities		
Equity securities issued by other local credit institutions		
- Listed	45,297	14,784
- Unlisted	12,815	-
Equity securities issued by local business entities		
- Listed	67,126	21,888
- Unlisted	-	22,351
	<u>1,336,191</u>	<u>3,654,333</u>

9. DERIVATIVE FINANCIAL INSTRUMENTS AND OTHER FINANCIAL ASSETS/LIABILITIES

	Net book value	
	(at the exchange rate as at the reporting date)	
	<u>Assets</u>	<u>Liabilities</u>
	million VND	million VND
As at 30/6/2015		
Currency derivative financial instruments	-	366,275
Forward contracts	-	313,050
Swap contracts	-	53,225
As at 31/12/2014		
Currency derivative financial instruments	-	415,778
Forward contracts	-	428,012
Swap contracts	-	(12,234)

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

	<u>30/6/2015</u>	<u>31/12/2014</u>
	million VND	million VND
Loans to local business entities and individuals	474,329,366	434,346,458
Discounting promissory notes and valuable papers	628,574	516,404
Finance leases	1,470,238	1,443,362
Payments made on behalf of customers	52,399	36,218
Loans by grants, investment trusts	904,278	1,081,585
Loans to foreign organisations and individuals	3,120,341	2,445,000
Frozen loans and loans pending for resolution	67,886	-
	<u>480,573,082</u>	<u>439,869,027</u>

Analysis of loan balances by quality

	<u>30/6/2015</u>	<u>31/12/2014</u>
	million VND	million VND
Current loans	469,779,415	431,193,296
Special-mentioned loans	3,815,581	3,770,580
Sub-standard loans	1,226,431	351,923
Doubtful loans	1,828,487	2,468,319
Loss loans	3,923,168	2,084,909
	<u>480,573,082</u>	<u>439,869,027</u>

Analysis of loan balances by term

	<u>30/6/2015</u>	<u>31/12/2014</u>
	million VND	million VND
Short-term loans	278,501,598	263,705,167
Medium-term loans	48,302,534	39,684,156
Long-term loans	153,768,950	136,479,704
	<u>480,573,082</u>	<u>439,869,027</u>

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

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

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

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

Analysis of loan balances by type of business entity

	<u>30/6/2015</u>	<u>31/12/2014</u>
	million VND	million VND
State-owned enterprises	37,144,577	33,731,720
State-owned one-member limited enterprises	66,700,687	70,040,919
Two or more member limited liability enterprises with more than 50% of the State's share holding	3,142,436	2,599,293
Other limited companies	85,219,390	77,029,722
Joint stock companies with more than 50% of the State's share-holding	37,271,222	33,778,763
Other joint stock companies	124,031,777	112,903,580
Partnership companies	68,785	39,479
Private companies	14,060,537	13,672,192
Foreign invested enterprises	22,193,115	19,387,693
Cooperatives, cooperative unions	1,785,922	1,784,852
Household businesses, individuals	87,655,062	73,924,911
Administrative units, the Party, unions and associations	1,290,477	975,903
Others	9,095	-
	<u>480,573,082</u>	<u>439,869,027</u>

Analysis of loan balances by industry

	<u>30/6/2015</u>	<u>31/12/2014</u>
	million VND	million VND
Agricultural, forestry and aquaculture	17,229,840	14,810,445
Mining and quarrying	23,728,724	24,290,297
Manufacturing and processing	146,079,375	145,565,255
Electricity, fuel gas and hot water	27,999,471	27,936,030
Water supplying, garbage and sewage treatment and management	1,191,642	1,012,271
Construction	44,879,416	37,885,479
Wholesale and retail trade; repair of motor vehicles, motor cycles	143,693,075	126,330,108
Transport, warehouse	6,447,315	7,376,150
Hospitality services	3,377,260	3,231,545
Information and communications	1,559,451	1,400,003
Financial, banking and insurance activities	181,167	69,581
Real estate	33,756,528	27,200,777
Profession, science and technology	63,353	74,400
Administrative activities and supporting services	484,303	451,464
Education and training	604,044	707,717
Health care and social work	1,967,205	1,985,292
Other service activities	9,150,173	7,600,063
Households	17,361,390	11,128,888
International organisations and bodies	469,286	602,559
Others	350,064	210,703
	<u>480,573,082</u>	<u>439,869,027</u>

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

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

11. PROVISIONS FOR CREDIT LOSSES OF LOANS TO CUSTOMERS

Movement in provision for credit losses of loans to customers for the period from 01 January 2015 to 30 June 2015 are as follows:

	<u>General provision</u>	<u>Specific provision</u>	<u>Total</u>
	million VND	million VND	million VND
As at 01/01/2015	3,159,793	1,186,155	4,345,948
Provision charged for the period	421,730	1,833,685	2,255,415
Provision utilised for the period	-	(1,557,284)	(1,557,284)
As at 30/6/2015	3,581,523	1,462,556	5,044,079

As at 30 June 2015, the Bank reclassified debt securities issued by unlisted local business entities in accordance with Article 10 of Circular 02, Circular 09 and policies on loan classification and credit loss provisioning of the Bank. Provision for credit losses debt securities was set up base on loan classification results as at 30 June 2015. Provision for credit losses of loans at overseas branches is made in accordance with prevailing regulations in their local jurisdictions.

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

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

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

12. INVESTMENT SECURITIES

	30/6/2015	31/12/2014
	million VND	million VND
Available-for-sale investment securities	95,771,935	87,338,962
<i>Debt securities</i>	<i>95,727,912</i>	<i>87,294,939</i>
- Government bonds (*)	41,815,384	41,999,430
- Debt securities issued by other local credit institutions	9,328,484	8,225,653
- Debt securities issued by local business entities	44,584,044	37,069,856
<i>Equity securities</i>	<i>44,023</i>	<i>44,023</i>
- Equity securities issued by local business entities	44,023	44,023
Provisions for impairment of available-for-sale investment securities	(349,312)	(256,257)
	95,422,623	87,082,705
Held-to-maturity investment securities	9,413,991	6,708,858
Government bonds	2,200,000	2,200,000
Debt securities issued by local business entities	7,213,991	4,508,858
Provisions for impairment of held-to-maturity investment securities	(667,851)	(387,153)
	8,746,140	6,321,705
	104,168,763	93,404,410

(*) As at 30 June 2015, the Bank pledged a number of Government bonds with value of VND 174,183 million in order to guarantee the borrowings from other credit institution (see Note 21) (31 December 2014: VND 1,126,088 million).

In the 6-month period from 01 January 2015 to 30 June 2015, Bank does not reclassify available-for-sale investment securities.

Analysis on securities quality classified as credit risk assets

	30/6/2015	31/12/2014
	million VND	million VND
Current loans	44,670,792	36,656,604
Special-mentioned loans	-	-
Sub-standard loans	-	-
Doubtful loans	-	-
Loss loans	-	-
Total	44,670,792	36,656,604

As at 30 June 2015, the Bank reclassified debt securities issued by business entities ("BE") which are unlisted in accordance with Article 10 of Circular 02 and Circular 09 (not including special bonds issued by VAMC). Provision for debt securities was set up based on loan classification results as at 30 June 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05a/TCTD-HN
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13. PROVISION FOR IMPAIRMENT OF INVESTMENT SECURITIES

Movement in provision for impairment of investment securities for the period from 01 January 2015 to 30 June 2015 is as follow:

	Provision for available-for-sale investment securities		Provision for held-to-maturity investment securities		Total
	Debt securities issued by unlisted business entities	Equity securities	Debt securities issued by unlisted business entities	Other debt securities	
	million VND	million VND	million VND	million VND	
As at 01/01/2015	240,267	15,990	387,153	-	643,410
Provision charged for the period	91,907	8,160	280,698	-	380,765
Other adjustments	-	(7,012)	-	-	(7,012)
As at 30/6/2015	332,174	17,138	667,851	-	1,017,163

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

Movement in provision for impairment of debt securities of unlisted business entities for the period from 01 January 2015 to 30 June 2015 is as follows:

	General provision	Specific provision	Diminution provision	Total
	million VND	million VND	million VND	million VND
As at 01/01/2015	243,167	384,253	-	627,420
Provision charged for the period	91,907	280,698	-	372,605
As at 30/6/2015	335,074	664,951	-	1,000,025

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

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

14. LONG-TERM INVESTMENTS, CAPITAL CONTRIBUTION

	30/6/2015	31/12/2014
	million VND	million VND
Investments in joint ventures	2,918,062	2,843,745
Other long-term investments	1,029,326	1,030,326
Provisions for impairment of long-term investments	(71,073)	(89,164)
	3,876,315	3,784,907

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

Investments in joint ventures

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

	30/6/2015		31/12/2014			
	Cost in original currency	Cost equivalent million VND	Net value of investment using equity method million VND	Proportion of ownership interest %	Net value of investment using equity method million VND	Proportion of ownership interest %
Indovina Bank Ltd.	96,500,000	1,688,788	2,542,832	50	1,688,788	2,420,666
Vietinbank Aviva Life Insurance Company Limited	Non-applicable	400,000	375,230	50	400,000	423,079
		<u>2,088,788</u>	<u>2,918,062</u>		<u>2,088,788</u>	<u>2,843,745</u>

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

Since its establishment, the charter capital of Indovina Bank Ltd. has been increased several times under the approval of the SBV, while the proportions of ownership interest of the joint venture partners remains unchanged. As at 30 June 2015, Indovina Bank Ltd.'s charter capital was USD 193,000,000.

Vietinbank Aviva Life Insurance Company Limited was established in Vietnam with Head Office located in Hanoi; its principal activities are providing life insurance service, health insurance service, reinsurance service and invest in some sectors such as bonds, securities, real estate, capital contributions, etc. This company is the joint venture between the Bank and a company incorporated in the United Kingdom - Aviva International Holdings Limited. The joint venture received Establishment and Operation License No. 64 GP/KDBH dated 29 July 2011 issued by the Ministry of Finance for the operating period of 50 years with the initial charter capital of VND 800 billion.

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

15. TANGIBLE FIXED ASSETS

Movement of tangible fixed assets for the period from 01 January 2015 to 30 June 2015 is as follows:

	Buildings, structures	Machinery, equipment	Motor vehicles	Others	Total
	million VND	million VND	million VND	million VND	million VND
Cost					
As at 01/01/2015	4,173,165	4,072,663	877,566	190,338	9,313,732
Acquisitions during the period	2,183	3,846	17,091	862	23,982
Transfer from construction in progress	14,630	170	2,441	692	17,933
Other additions	90	14,112	277	100	14,579
Disposals	(863)	(4,642)	(1,757)	(739)	(8,001)
Reclassification	4,492	43,813	3,706	(47,518)	4,493
Other decreases	(48,515)	(969)	(237)	(335)	(50,056)
As at 30/6/2015	4,145,182	4,128,993	899,087	143,400	9,316,662
Accumulated depreciation					
As at 01/01/2015	964,640	2,991,802	577,277	118,383	4,652,102
Charge for the period	105,090	213,416	51,328	11,352	381,186
Other additions	173	575	59	46	853
Disposals	(756)	(4,641)	(1,602)	(739)	(7,738)
Reclassification	-	25,490	1,584	(27,074)	-
Other decreases	(7,238)	(888)	(118)	(426)	(8,670)
As at 30/6/2015	1,061,909	3,225,754	628,528	101,542	5,017,733
Net book value					
As at 30/6/2015	3,083,273	903,239	270,559	41,858	4,298,929
As at 31/12/2014	3,208,525	1,080,861	300,289	71,955	4,661,630

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

15. TANGIBLE FIXED ASSETS (Continued)

Movement of tangible fixed assets for the period from 01 January 2014 to 30 June 2014 is as follows:

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

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

16. INTANGIBLE ASSETS

Movement of intangible assets for the period from 01 January 2015 to 30 June 2015 is as follows:

	<u>Land use rights</u> million VND	<u>Computer software</u> million VND	<u>Others</u> million VND	<u>Total</u> million VND
Cost				
As at 01/01/2015	3,984,153	867,529	130	4,851,812
Acquisitions during the period	40,933	534	-	41,467
Other additions	3,121	2,569	-	5,690
Reclassification	28,775	(33,268)	-	(4,493)
Other decreases	-	(438)	-	(438)
As at 30/6/2015	4,056,982	836,926	130	4,894,038
Accumulated amortisation				
As at 01/01/2015	144,679	496,507	91	641,277
Charge for the period	21,008	56,728	11	77,747
Other decreases	-	(253)	-	(253)
As at 30/6/2015	165,687	552,982	102	718,771
Net book value				
As at 30/6/2015	3,891,295	283,944	28	4,175,267
As at 31/12/2014	3,839,474	371,022	39	4,210,535

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

16. INTANGIBLE ASSETS (Continued)

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

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

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

17. OTHER RECEIVABLES

	<u>30/6/2015</u>	<u>31/12/2014</u>
	million VND	million VND
Construction in progress	4,505,504	3,998,655
Purchases and major repair of fixed assets	2,674,048	2,533,945
External receivables	3,112,588	2,910,703
Internal receivables	643,143	434,285
	<u>10,935,283</u>	<u>9,877,588</u>

Construction in progress

	<u>30/6/2015</u>	<u>31/12/2014</u>
	million VND	million VND
Constructions in the Northern area	3,755,558	3,376,332
Constructions in the Central area	411,087	351,725
Constructions in the Southern area	338,859	270,598
	<u>4,505,504</u>	<u>3,998,655</u>

As at 30 June 2015, the Bank does not have other assets classified as assets with credit risk.

18. OTHER ASSETS

	<u>30/6/2015</u>	<u>31/12/2014</u>
	million VND	million VND
Materials and tools	124,000	159,207
Prepaid expenses (*)	3,217,186	3,207,430
Goodwill (Note 19)	7,259	8,167
Other assets	1,878	1,996
	<u>3,350,323</u>	<u>3,376,800</u>

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

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

19. GOODWILL

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

	From 01/01/2015 to 30/6/2015	From 01/01/2014 to 30/6/2014
	million VND	million VND
Total goodwill	18,149	18,149
Amortisation period	10 years	10 years
Accumulated amortised goodwill at the beginning of the period	(9,982)	(8,167)
Goodwill not yet amortised at the beginning of the period	8,167	9,982
Goodwill decrease during the period	(908)	(908)
- Amortised for the period	(908)	(908)
Total goodwill not yet amortised at the end of the period	7,259	9,074

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

	30/6/2015	31/12/2014
	million VND	million VND
Borrowings from the SBV	1,924,933	4,731,118
Borrowings for grants to State-owned enterprises	12,472	12,472
Loans under credit contracts	1,902,173	1,204,134
Discounting and rediscounting valuable papers	-	3,499,384
Other borrowings	10,288	15,128
Current accounts held by the State Treasury	140	285
- In VND	135	281
- In USD	5	4
	1,925,073	4,731,403

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

21. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

Placement of other credit institutions

	<u>30/6/2015</u>	<u>31/12/2014</u>
	million VND	million VND
Demand deposits	1,942,589	1,527,952
- In VND	843,209	840,325
- In foreign currencies	1,099,380	687,627
Term deposits	45,675,204	40,512,284
- In VND	35,251,577	31,793,234
- In foreign currencies	10,423,627	8,719,050
	<u>47,617,793</u>	<u>42,040,236</u>

Borrowings from other credit institutions

	<u>30/6/2015</u>	<u>31/12/2014</u>
	million VND	million VND
- In VND	3,695,390	13,745,375
<i>In which: Discounting, rediscounting borrowings (*)</i>	<i>195,390</i>	<i>1,282,375</i>
- In foreign currencies	52,494,694	47,984,254
	<u>56,190,084</u>	<u>61,729,629</u>

(*) The borrowings are guaranteed by Government bonds (see Note 12).

During the period from 01 January 2015 to 30 June 2015, the Bank does not involve in any loss or contract violation loan .

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

22. DEPOSITS FROM CUSTOMERS

	<u>30/6/2015</u>	<u>31/12/2014</u>
	million VND	million VND
Demand deposits	63,014,193	62,210,531
- Demand deposits in VND	52,831,564	52,459,324
- Demand deposits in foreign currencies	10,182,629	9,751,207
Term deposits	371,264,779	347,134,294
- Term deposits in VND	343,688,023	321,533,862
- Term deposits in foreign currencies	27,576,756	25,600,432
Deposits for specific purpose	2,479,577	2,164,979
- Deposits for specific purpose in VND	1,119,713	851,876
- Deposits for specific purpose in foreign currencies	1,359,864	1,313,103
Margin deposits	12,445,961	12,671,370
- Margin deposits in VND	10,633,633	10,703,464
- Margin deposits in foreign currencies	1,812,328	1,967,906
	<u>449,204,510</u>	<u>424,181,174</u>

Analysis of deposits from customers by type of business

	<u>30/6/2015</u>	<u>31/12/2014</u>
	million VND	million VND
State-owned enterprises	45,294,567	46,235,872
State-owned one-member limited enterprises	40,845,984	39,797,204
Two or more member limited liability enterprises with more than 50% of the State's share-holding	744,328	670,143
Other limited companies	11,473,001	11,197,025
Joint stock companies with more than 50% of the State's share-holding	22,342,453	23,644,871
Other joint stock companies	18,328,950	18,220,195
Partnership companies	78,869	35,901
Private companies	957,732	948,468
Foreign invested enterprises	22,914,944	20,254,848
Cooperatives, cooperative unions	346,722	320,069
Household businesses, individuals	259,350,691	236,752,269
Administrative units, the Party, unions and associations	17,369,482	15,593,202
Others	9,156,787	10,511,107
	<u>449,204,510</u>	<u>424,181,174</u>

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

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

	<u>30/6/2015</u>	<u>31/12/2014</u>
	million VND	million VND
Funds received from other organisations and individuals in VND	32,192,213	23,557,782
Funds received from other organisations and individuals in foreign currencies	4,207,956	4,128,638
Funds received from international organisations in VND	654,280	733,044
Funds received from international organisations in foreign currencies	3,641,254	3,602,229
	<u>40,695,703</u>	<u>32,021,693</u>

24. VALUABLE PAPERS

	<u>30/6/2015</u>	<u>31/12/2014</u>
	million VND	million VND
Valuable papers in VND	4,504,320	4,430
Par value	4,504,320	4,430
Valuable papers in foreign currencies	5,400,207	5,289,643
Par value	5,420,756	5,315,102
Discount	(20,549)	(25,459)
	<u>9,904,527</u>	<u>5,294,073</u>

Details of valuable papers by term

	<u>Bill</u>	<u>Bearer bonds</u>	<u>Certificate of deposit</u>	<u>Total</u>
	million VND	million VND	million VND	million VND
As at 30/6/2015				
<i>Under 12 months</i>				
Par value	624	-	959	1,583
<i>From 12 months to under 5 years</i>				
Par value	-	5,418,420	5,073	5,423,493
Discount	-	(20,549)	-	(20,549)
<i>Over 5 years</i>				
Par value	-	4,500,000	-	4,500,000
	<u>624</u>	<u>9,897,871</u>	<u>6,032</u>	<u>9,904,527</u>
As at 31/12/2014				
<i>Under 12 months</i>				
Par value	644	-	982	1,626
<i>From 12 months to under 5 years</i>				
Par value	-	5,311,670	6,235	5,317,905
Discount	-	(25,458)	-	(25,458)
	<u>644</u>	<u>5,286,212</u>	<u>7,217</u>	<u>5,294,073</u>

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

25. OTHER PAYABLES

	<u>30/6/2015</u>	<u>31/12/2014 (*)</u>
	million VND	million VND
Internal payables	1,357,580	1,773,596
External payables	18,030,780	26,763,755
Other provisions	93,845	67,719
Bonus and welfare funds	566,697	1,125,040
	<u>20,048,902</u>	<u>29,730,110</u>

(*) Some items are reclassified for comparison purpose.

Details of external payables

	<u>30/6/2015</u>	<u>31/12/2014</u>
	million VND	million VND
Payments/receipts on behalf of other organisations	8,851,493	24,681,794
Amount due to customers and deferred payment	157,167	315,624
Corporate income tax payables	531,189	155,915
Other pending payments	2,743,533	631,128
Dividends payable	3,723,484	-
Fund transfer	967,310	-
Others payables relating to securities activities	241,312	180,389
Others tax payables	70,273	234,331
Payables for insurance of deposits	85,000	82,539
Payables to the SBV from recovery of written-off bad debts	77,677	75,614
Payables relating to trade finance activities	7,863	10,085
Other payables to other organisations	66,722	12,692
Money transfer payables	125,780	149,019
Payables to building constructors	92,164	107,063
Other payables	289,813	127,562
	<u>18,030,780</u>	<u>26,763,755</u>

26. THE BANK'S OBLIGATIONS TO THE STATE BUDGET

	Movement from 01/01/2015 to 30/6/2015			
	<u>Opening balance</u>	<u>Payables</u>	<u>Paid</u>	
	million VND	million VND	million VND	million VND
Value added tax	161,862	95,181	239,273	17,770
Corporate income tax	155,643	924,181	548,635	531,189
Other taxes	66,568	254,243	277,784	43,027
	<u>384,073</u>	<u>1,273,605</u>	<u>1,065,692</u>	<u>591,986</u>

VIETNAM JOINT STOCK COMMERCIAL BANK FOR INDUSTRY AND TRADE

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

Consolidated financial statements
For the period from 01 January 2015 to 30 June 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

FORM B 05a/TCTD-HN

27. CAPITAL AND RESERVES

The movement of major items in owners' equity:

	Charter capital	Share premium	Foreign exchange reserves	Investment and development fund	Financial reserve fund	Capital supplementary reserve	Retained earnings	Minority interest	Total
	million VND	million VND	million VND	million VND	million VND	million VND	million VND	million VND	million VND
As at 01/01/2015	37,234,046	8,974,770	338,463	-	2,892,271	1,358,101	4,215,157	225,370	55,238,178
Profit for the period	-	-	-	-	-	-	3,026,561	8,613	3,035,174
Dividend payment of 2014	-	-	-	-	-	-	(3,723,405)	-	(3,723,405)
Appropriation to reserves for the previous year	-	-	-	-	2,751	2,691	(10,737)	(1,710)	(7,005)
Increase due to financial statements translation for consolidation purpose	-	-	43,472	-	-	-	-	-	43,472
Reserves utilization	-	-	-	-	(348)	-	-	-	(348)
Fund transferred	-	-	-	3,729	(3,729)	-	-	-	-
Others	-	-	-	-	655	-	8,874	(180)	9,349
As at 30/6/2015	37,234,046	8,974,770	381,935	3,729	2,891,600	1,360,792	3,516,450	232,093	54,595,415

As at 30 June 2015, the Bank made temporary appropriation to reserves and profit distribution based on the operating result in 2014.

The resolution dated 10 June 2015 issued by the Board of Directors approved 2014 cash dividend as payment with the rate of 10% per share, equivalent to VND 1,000 per ordinary share.

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

27. CAPITAL AND RESERVES (Continued)

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

	30/6/2015		31/12/2014	
	Total shares (units)	Ordinary shares (million VND)	Total shares (units)	Ordinary shares (million VND)
Capital of the Government	2,400,204,956	24,002,050	2,400,204,956	24,002,050
Contributed capital (shareholders, members)	1,323,199,600	13,231,996	1,323,199,600	13,231,996
Share premium	non-applicable	8,974,770	non-applicable	8,974,770
	3,723,404,556	46,208,816	3,723,404,556	46,208,816

Details of the Bank's shares are as follows:

	30/6/2015	31/12/2014
Number of registered shares for issue (unit)	3,723,404,556	3,723,404,556
Number of shares in circulation (unit)	3,723,404,556	3,723,404,556
- Ordinary shares (unit)	3,723,404,556	3,723,404,556
Par value of shares (VND)	10,000	10,000

28. INTEREST AND SIMILAR INCOME

	From 01/01/2015 to 30/6/2015 million VND	From 01/01/2014 to 30/6/2014 (*) million VND
Interest from deposits	780,711	1,033,118
Interest from loans to customers	15,365,006	15,106,980
Interest from debt securities	4,118,253	4,362,321
Income from guarantee services	325,501	151,902
Interest from finance leases	77,981	91,333
Other income from credit activities	74,069	1,362
	20,741,521	20,747,016

(*) Some items are reclassified for comparison purpose.

29. INTEREST AND SIMILAR EXPENSES

	From 01/01/2015 to 30/6/2015 million VND	From 01/01/2014 to 30/6/2014 million VND
Interest expense on deposits	9,689,518	10,305,299
Interest expense on borrowings	1,136,632	1,233,975
Interest expense on valuable papers issued	236,876	335,813
Expense on other credit activities	57,946	720
	11,120,972	11,875,807

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

30. NET GAIN FROM SERVICES

	From 01/01/2015 to 30/6/2015	From 01/01/2014 to 30/6/2014 (*)
	million VND	million VND
Income from services	1,218,743	993,935
Income from remittance services	610,020	568,266
Income from trust and agency services	21,610	9,492
Others	587,113	416,177
Expense on services	541,262	324,773
Expense on remittance services	46,800	44,247
Expense from treasury services	72,967	71,381
Expense from trust and agency services	2,077	6,771
Others	419,418	202,374
Net gain from services	677,481	669,162

(*) Some items are reclassified for comparison purpose.

31. NET GAIN FROM TRADING FOREIGN CURRENCIES

	From 01/01/2015 to 30/6/2015	From 01/01/2014 to 30/6/2014
	million VND	million VND
Income from trading foreign currencies	1,691,865	1,393,169
- Income from spot trading foreign currencies	1,024,786	363,081
- Income from trading gold	277,173	811,525
- Income from trading derivative financial instruments	389,906	218,563
- Expense from trading foreign currencies	1,626,862	1,198,719
- Expenses from spot trading foreign currencies	350,052	76,386
- Expenses from trading gold	274,448	808,458
- Expense from trading derivative financial instruments	1,002,362	313,875
Net gain from trading foreign currencies	65,003	194,450

32. NET GAIN FROM TRADING SECURITIES

	From 01/01/2015 to 30/6/2015	From 01/01/2014 to 30/6/2014
	million VND	million VND
Income from trading of securities held for trading	118,363	63,657
Expense from trading of securities held for trading	(417)	(2,433)
Provision charged for impairment of securities held for trading	(3,507)	(860)
Net gain from trading securities	114,439	60,364

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

33. NET (LOSS) FROM TRADING INVESTMENT SECURITIES

	From 01/01/2015 to 30/6/2015	From 01/01/2014 to 30/6/2014
	million VND	million VND
Expense from trading investment securities	(7,596)	(14,680)
Provision (charged) for impairment investment securities	(100,067)	(120,916)
Net (loss) from investment securities	(107,663)	(135,596)

34. NET PROFIT FROM OTHER ACTIVITIES

	From 01/01/2015 to 30/6/2015	From 01/01/2014 to 30/6/2014
	million VND	million VND
Other operating income	1,381,683	1,007,011
Income from recovery of bad debts	697,089	599,233
Income from disposals of assets	9,052	261,915
Income from other derivatives	515,456	86,545
Other income	160,086	59,318
Other operating expenses	805,305	912,473
Expenses from other derivatives	527,762	94,609
Expenses from disposals of assets	259	259,656
Other expenses	277,284	558,208
Net gain from other activities	576,378	94,538

35. INCOME FROM CAPITAL CONTRIBUTION, EQUITY INVESTMENTS

	From 01/01/2015 to 30/6/2015	From 01/01/2014 to 30/6/2014 (*)
	million VND	million VND
Dividends received in cash from capital contribution, equity investments	22,523	15,678
- from equity securities	1,103	3,810
- from capital contribution, long-term investments	21,420	11,868
Share from net profit under equity method of investments in joint ventures	30,845	79,354
	53,368	95,032

(*) Some items are reclassified for comparison purpose.

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

36. OPERATING EXPENSES

	From 01/01/2015 to 30/6/2015 million VND	From 01/01/2014 to 30/6/2014 million VND
Taxes, fees and charges	33,028	19,317
Staff cost		
- Salaries and allowances	2,173,175	1,857,878
- Salary-based expenses	130,562	125,037
- Other benefits	10,866	27,915
- Other expenses	106,247	85,010
Expenses for fixed assets		
- Depreciation and amortisation expense	459,653	477,612
- Others	446,171	451,248
Expenses for operating management		
- Per diem	57,350	61,274
- Expense for union activities	8,780	4,623
- Others	956,276	982,611
Insurance premium for customers' deposits	170,625	148,515
Other provision expenses	32,127	17,995
	4,584,860	4,259,035

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

37. CORPORATE INCOME TAX ("CIT") EXPENSES

	From 01/01/2015 to 30/6/2015	From 01/01/2014 to 30/06/2014
	million VND	million VND
Profit before tax	3,878,583	3,872,669
<i>Adjustments for:</i>		
- Non-taxable dividend income	(10,203)	(15,678)
- Profit before tax of subsidiaries	(167,929)	(123,974)
- Income from increase in interest in joint ventures	(30,845)	(79,354)
- Others	(8,096)	48,026
Taxable income of the Holding Bank	3,661,510	3,701,689
CIT expense of the Holding Bank base on local taxable income	805,532	814,371
CIT expense of the Holding Bank base on overseas taxable income	3,680	5,400
CIT expense of subsidiaries	34,197	28,546
CIT expense based on the taxable income	843,409	848,317

The Bank has temporarily calculated the corporate income tax expenses according to the current regulations. Finalised corporate income tax expense will be determined at the end of the financial year.

38. BASIC EARNINGS PER SHARE (EPS)

	From 01/01/2015 to 30/6/2015	From 01/01/2014 to 30/6/2014
Earnings for the purpose of calculating basic EPS (million VND)	3,026,561	3,017,814
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (shares)	3,723,404,556	3,723,404,556
Basic earnings per share (VND)	813	810

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

39. CASH AND CASH EQUIVALENTS

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

	<u>30/6/2015</u>	<u>31/12/2014</u>
	million VND	million VND
Cash, gold and gemstones (*)	4,206,148	4,630,740
Balances with the State Bank of Vietnam (*)	13,645,139	9,876,451
Current deposits at other credit institutions (*)	12,617,986	12,926,088
Placements with other credit institutions with terms of not exceeding 3 months	32,632,843	53,631,369
Securities with term of not exceeding 3 months from the date of purchase	13,609,239	6,000,000
	<u>76,711,355</u>	<u>87,064,648</u>

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

40. VALUABLE PAPERS AND ASSETS AS COLLATERALS, MORTGAGES AND DISCOUNTING, REDISCOUNTING

Valuable papers and assets as collaterals, mortgages and discounting:

	Carrying value at balance sheet date (million VND)	
	<u>30/6/2015</u>	<u>31/12/2014</u>
Real estate	522,045,585	479,034,313
Movable assets	32,866,525	29,518,139
Valuable papers	94,902,055	64,205,314
Other assets	284,762,608	266,837,457
	<u>934,576,773</u>	<u>839,595,223</u>

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

As at 30 June 2015, the Bank did not hold any collateral which the Bank is permitted to sell or re-pledge for a third party in the absence of default by the customer (owner of the collaterals) who are able to pay off the debt according to the law.

41. CONTINGENT LIABILITIES AND COMMITMENTS

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

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

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

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

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

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

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

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

Details of contingent liabilities and commitments as at 30 June 2015:

	<u>30/6/2015</u>	<u>31/12/2014</u>
	million VND	million VND
Contingent liabilities	64,585,117	54,122,956
Credit guarantees	7,069,566	2,496,147
Letters of Credit	34,973,232	29,742,703
Other guarantees	22,542,319	21,884,106
Commitments	101,442,184	88,754,518
Foreign exchange transactions commitments	82,054,085	62,361,790
Other commitments	19,388,099	26,392,728

As at 30 June 2015, the Bank classified contingent liabilities based on quality of loans under Article 10 of Circular 02 and Circular 09.

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

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

Significant transactions with related parties for the period from 01 January 2015 to 30 June 2015 are as follows:

Related parties	Relationship	Transactions	From 01/01/2015 to 30/6/2015 million VND
The State Bank of Vietnam	Direct owner	Increase in deposits	3,768,688
The State Bank of Vietnam	Direct owner	Decrease in borrowings	(2,806,185)
Indovina Bank Ltd.	Joint Venture	Increase in placements with Indovina	2,000,000
Indovina Bank Ltd.	Joint Venture	Increase in deposits from Indovina	1,492,771
Vietinbank Aviva Life Insurance Company Ltd.	Joint Venture	Decrease in deposits from Aviva	(5,639)

Significant balances with related parties as at 30 June 2015 are as follows:

Related parties	Relationship	Transactions	Receivables million VND	Payables million VND
The State Bank of Vietnam	Direct owner	Demand deposits and compulsory reserves	13,645,139	-
The State Bank of Vietnam	Direct owner	Borrowings	-	1,924,933
Indovina Bank Ltd.	Joint Venture	Deposits	2,000,000	4,867,432
Vietinbank Aviva Life Insurance Company Ltd.	Joint Venture	Deposits	-	115,353

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05a/TCTD-HN
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43. GEOGRAPHICAL STRUCTURE OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS

As at 30 June 2015

	Total loan balance	Total placements (assets)	Total deposits (liabilities)	Credit commitments	Derivatives (Difference between debit - credit)	Trading and investment securities (Difference between debit - credit)
	million VND	million VND	million VND	million VND	million VND	million VND
Domestic	480,109,082	57,214,036	495,279,899	64,427,527	(366,275)	106,522,117
Overseas	2,665,209	2,115,728	1,542,544	157,590	-	-
	482,774,291	59,329,764	496,822,443	64,585,117	(366,275)	106,522,117

44. SEGMENT REPORT

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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44. SEGMENT REPORT (Continued)

Business segment report

NO. ITEMS	Business segment report	Banking	Non-banking	Others	Off-set	Total
		financial services million VND	financial services million VND	million VND	million VND	million VND
I. Income		24,413,356	455,925	481,836	(64,563)	25,286,554
1. Interest and similar income		20,583,181	146,388	41,114	(29,162)	20,741,521
- External interest and similar income		20,554,019	146,388	41,114	-	20,741,521
- Internal interest and similar income		29,162	-	-	(29,162)	-
2. Income from services		936,723	278,898	38,513	(35,391)	1,218,743
3. Other income		2,893,452	30,639	402,209	(10)	3,326,290
II. Expenses		(18,173,340)	(331,088)	(431,994)	64,563	(18,871,859)
1. Interest and similar expenses		(11,137,644)	(12,406)	(84)	29,162	(11,120,972)
- External interest and similar expenses		(11,108,482)	(12,406)	(84)	-	(11,120,972)
- Internal interest and similar expenses		(29,162)	-	-	29,162	-
2. Depreciation and amortisation expenses		(454,411)	(2,703)	(2,539)	-	(459,653)
3. Expenses directly related to operating business		(6,581,285)	(315,979)	(429,371)	35,401	(7,291,234)
Net profit from operating activities before credit provision expenses		6,240,016	124,837	49,842	-	6,414,695
Provision expenses for credit losses		(2,524,286)	(12,270)	444	-	(2,536,112)
Segment profit before tax		3,715,730	112,567	50,286	-	3,878,583
Current corporate income tax expense		(810,464)	(23,740)	(9,205)	-	(843,409)
Segment profit after corporate income tax		2,905,266	88,827	41,081	-	3,035,174
III. Assets		685,138,967	3,637,479	1,634,043	(4,663,891)	685,746,598
1. Cash on hand		4,150,089	2,256	53,803	-	4,206,148
2. Fixed assets		8,367,861	58,714	47,621	-	8,474,196
3. Other assets		672,621,017	3,576,509	1,532,619	(4,663,891)	673,066,254
IV. Liabilities		631,057,392	1,073,816	367,187	(1,347,212)	631,151,183
1. External liabilities		629,916,056	867,875	356,884	(1,347,212)	629,793,603
2. Internal liabilities		1,141,336	205,941	10,303	-	1,357,580

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

44. SEGMENT REPORT (Continued)

Geographical segment report

NO. ITEMS	Northern (*)	Southern	Others	Off-set	Total
	million VND	million VND	million VND	million VND	million VND
I. Segment profit before tax	1,710,916	1,631,297	536,370	-	3,878,583
Current corporate income tax expense	(839,492)	(237)	(3,680)	-	(843,409)
II. Segment profit after corporate income tax	871,424	1,631,060	532,690	-	3,035,174
III. Segment assets	438,583,050	203,777,653	47,343,613	(3,957,718)	685,746,598
IV. Segment liabilities	385,915,066	201,503,117	45,080,475	(1,347,475)	631,151,183

(*) As at 30 June 2015, the Head Office at Northern calculated and paid corporate income tax for all Bank's branches.

45. FINANCIAL INSTRUMENTS

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

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

Financial assets

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

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

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

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

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

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

45. FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

• *Held-to-maturity investments:*

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

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

• *Loans and receivables:*

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

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

• *Available-for-sale financial assets:*

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

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

Financial liabilities

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

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

Financial liabilities (Continued)

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

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

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

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

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

• *Financial liabilities at amortised cost:*

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

Offsetting financial assets and financial liabilities

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

The risk management policy related to financial instruments

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

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

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

45. FINANCIAL INSTRUMENTS (Continued)

The risk management policy related to financial instruments (Continued)

During the first 6 months of 2015, the Bank has implemented sub-projects on fund management, risk management within the Basel II Project in order to comprehensively enhance the risk management system as described in Basel II.

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

The activities related to the Bank's financial instruments including foreign exchange trading products, gold trading, cross currency swaps, interest rate swaps etc. mainly serve the demands of corporate customers in the preferential and key sectors and corporate and individual customers that have strong financial conditions. In addition, to ensure management of liquidity risk, interest rate risk as well as profit maximization, in the first 6 months of 2015, the Bank continued to enhance the investment in highly liquid assets such as Government bonds and Government Treasury bills.

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

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

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

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

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

The risk management policy related to financial instruments (Continued)

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

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

Determination of fair value of financial instruments

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

The Bank's financial instruments are detailed as follows:

VIETNAM JOINT STOCK COMMERCIAL BANK FOR INDUSTRY AND TRADE

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45. FINANCIAL INSTRUMENTS (Continued)

	Carrying value		Fair value	
	(Excluding provisions)			
	30/6/2015	31/12/2014	30/6/2015	31/12/2014
	million VND	million VND	million VND	million VND
Financial assets				
Cash on hand, gold and gemstones	4,206,148	4,630,740	4,206,148	4,630,740
Balances with the State Bank of Vietnam	13,645,139	9,876,451	13,645,139	9,876,451
Placements with and loans to other credit institutions	47,885,834	75,433,624	(*)	(*)
Trading securities - Equity securities with market price reference	113,252	37,738	106,547	33,550
Trading securities - Equity securities without market price reference	11,986	21,285	(*)	(*)
Trading securities - Debt securities	1,210,953	3,595,310	(*)	(*)
Loans to customers	480,573,082	439,869,027	(*)	(*)
Investment securities - Equity securities with market price reference	44,023	44,023	26,885	25,132
Investment securities - Debt securities	105,141,903	94,003,797	(*)	(*)
Other long-term investments	1,029,326	1,030,326	(*)	(*)
Other receivables	1,471,648	1,530,566	(*)	(*)
Interest and fee receivables	12,350,592	12,706,283	(*)	(*)
Other assets	1,210	1,210	(*)	(*)
	667,685,096	642,780,380		
Financial liabilities				
Borrowings from the Government and the SBV	1,925,073	4,731,403	(*)	(*)
Deposits and borrowing from other credit institutions	103,807,877	103,769,865	(*)	(*)
Deposits from customers	449,204,510	424,181,174	(*)	(*)
Derivative financial instruments and other financial liabilities	366,275	415,778	(*)	(*)
Grants, trusted funds and borrowings at risk of the credit institution	40,695,703	32,021,693	(*)	(*)
Valuable papers issued	9,904,527	5,294,073	(*)	(*)
Accrued fee and interest expenses	5,198,316	5,749,315	(*)	(*)
Other payables and liabilities	17,841,729	26,250,620	(*)	(*)
	628,944,010	602,413,921		

(*) The Bank has not assessed fair value of financial assets and financial liabilities as at 30 June 2015 because Vietnamese Accounting Standards as well as prevailing regulations have not had specific guidance on the fair value determination of such items.

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45. FINANCIAL INSTRUMENTS (Continued)

Classification of financial assets as at 30 June 2015:

	Financial assets				Total million VND
	Held-for- trading million VND	Held-to- maturity million VND	Loans and receivables million VND	Available-for- sale million VND	
Cash on hand, gold and gemstones	4,206,148	-	-	-	4,206,148
Balances with the State Bank of Vietnam	13,645,139	-	-	-	13,645,139
Placements with and loans to other credit institutions	-	-	47,885,834	-	47,885,834
Trading securities	1,336,191	-	-	-	1,336,191
Loans to customers	-	-	480,573,082	-	480,573,082
Investment securities	-	9,413,991	-	95,771,935	105,185,926
Other long-term investments	-	-	-	1,029,326	1,029,326
Other receivables	-	-	1,471,648	-	1,471,648
Interest and fee receivables	-	-	12,350,592	-	12,350,592
Other assets	-	-	1,210	-	1,210
	19,187,478	9,413,991	542,282,366	96,801,261	667,685,096

Classification of financial liabilities as at 30 June 2015

Except for derivatives financial instruments and other financial liabilities which are classified as held-for-trading, all financial liabilities of the Bank as at 30 June 2015 are classified as financial liabilities measured at amortised cost.

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46. 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 mobilisation and lending;
- Currency risks in investments.

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

In the early of 2015, USD/VND exchange rate was adjusted by +1%, however there was minor movement of foreign exchange supply - demand factors. This has been the cause of the stability of exchange rate during the first 04 months. In the first 6 months of 2015, the rate rose due to the impact of international rise in USD pricing when European Central Bank ("ECB")_deployed the quantitative easing package and expectation of the Federal Reserve System ("FED") rising interest rates in the third quarter of 2015.

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

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

For investment activities:

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

For foreign currency trading activities:

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

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46. CURRENCY RISK (Continued)

Carrying amounts of assets and liabilities by currencies as at 30 June 2015 are as follows:

ITEMS	EUR	USD	Gold,	Other	Total
	equivalent million VND	equivalent million VND	currencies equivalent million VND	currency equivalent million VND	million VND
Assets					
Cash, gold and gemstones	91,990	516,895	3,543,760	53,503	4,206,148
Balances with the State Bank of Vietnam	-	2,667,180	10,977,959	-	13,645,139
Placements with and loans to other credit institutions (*)	1,831,715	9,211,748	35,808,323	1,034,048	47,885,834
Trading securities (*)	-	-	1,336,191	-	1,336,191
Loans to customers (*)	1,752,174	91,324,297	387,042,022	454,589	480,573,082
Investment securities (*)	-	-	105,185,926	-	105,185,926
Capital contribution, long-term investments (*)	-	2,542,832	1,404,556	-	3,947,388
Fixed assets	73,250	-	8,183,850	217,096	8,474,196
Other assets (*)	867,315	2,120,620	23,648,263	-	26,636,198
Total assets	4,616,444	108,383,572	577,130,850	1,759,236	691,890,102
Liabilities and owners' equity					
Borrowings from the Government and the SBV	-	10,288	1,914,785	-	1,925,073
Deposits and borrowings from other credit institutions	491,848	62,865,702	39,790,176	660,151	103,807,877
Deposits from customers	11,185,207	29,591,282	408,272,933	155,088	449,204,510
Derivative financial instruments and other financial liabilities	-	366,275	-	-	366,275
Grants, trusted funds and borrowings at risk of the credit institution	208,744	7,637,964	32,846,493	2,502	40,695,703
Valuable papers issued	-	5,400,207	4,504,320	-	9,904,527
Other liabilities (*)	1,363,023	3,183,945	20,075,390	531,015	25,153,373
Capital and reserves	-	-	54,595,415	-	54,595,415
Total liabilities and owners' equity	13,248,822	109,055,663	561,999,512	1,348,756	685,652,753
Balance sheet currency position	(8,632,378)	(672,091)	15,131,338	410,480	6,237,349
Off-balance sheet currency position	-	-	-	-	-
Total currency position	(8,632,378)	(672,091)	15,131,338	410,480	6,237,349

(*) Excluding risk provision.

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47. INTEREST RATE RISK

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

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

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

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

The Bank's interest rate risk policies

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

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

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

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47. INTEREST RATE RISK (Continued)

The Bank's interest rate risk policies (Continued)

For lending activities: The Bank determines lending interest rate based on the funding cost, management expenses, risk 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 capital structure focuses on the funds with short interest rate re-pricing term, the Bank requires that all loans must be at the floating interest rate, adjusted every one to three months.

Interest rate risk management

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

Interest rate risk management at portfolio level

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

Interest Rate Management at transaction level

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

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

Interest rate sensitivity

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



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47. INTEREST RATE RISK (Continued)

	Non - interest bearing million VND	Overdue			Current					Total million VND
		Over 3 months	Within 3 months	Within 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	
Assets										
Cash, gold and gemstones	4,206,148	-	-	-	-	-	-	-	-	4,206,148
Balances with the State Bank of Vietnam	-	-	13,645,139	-	-	-	-	-	-	13,645,139
Placements with and loans to other credit institutions (*)	-	-	32,176,591	11,145,396	3,362,835	1,201,012	-	-	-	47,885,834
Trading securities (*)	-	-	1,336,191	-	-	-	-	-	-	1,336,191
Loans to customers (*)	-	6,978,086	3,815,581	96,774,559	42,280,147	2,207,963	2,114,008	-	-	480,573,082
Investment securities (*)	44,023	-	22,614,974	4,207,437	10,518,593	2,103,719	65,215,273	481,907	-	105,185,926
Capital contribution, long-term investments (*)	3,947,388	-	-	-	-	-	-	-	-	3,947,388
Fixed assets	8,474,196	-	-	-	-	-	-	-	-	8,474,196
Other assets (*)	26,636,198	-	-	-	-	-	-	-	-	26,636,198
Total assets	43,307,953	6,978,086	3,815,581	112,127,392	56,161,575	5,512,694	67,329,281	481,907	1,924,933	691,890,102
Liabilities										
Borrowings from the Government and the SBV	-	-	-	140	-	-	-	-	-	1,924,933
Deposits and borrowings from other credit institutions	-	-	-	57,094,332	27,509,087	12,975,985	6,228,473	-	-	103,807,877
Deposits from customers	-	-	-	112,301,128	121,285,218	51,209,314	119,488,400	44,920,450	-	449,204,510
Derivative financial instruments and other financial liabilities	366,275	-	-	-	-	-	-	-	-	366,275
Grants, trusted funds and borrowings at risk of the credit institutions	-	-	-	6,511,312	14,650,453	6,918,270	8,953,055	3,662,613	-	40,695,703
Valuable papers issued	-	-	-	-	4,320	-	-	9,900,207	-	9,904,527
Other liabilities (*)	25,153,373	-	-	-	-	-	-	-	-	25,153,373
Total liabilities	25,519,648	-	-	163,449,078	71,103,569	134,669,928	58,483,270	1,924,933	1,443,026	631,057,338
Balance sheet net interest gap	17,788,305	6,978,086	3,815,581	(51,321,686)	(14,941,994)	(129,157,234)	8,846,011	(1,443,026)	(1,443,026)	60,832,764

(*) Excluding risk provision.



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48. 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. Risk rating is subject to regular assessment.

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

Financial assets overdue but not impaired

The Bank's overdue financial assets that are not impaired include overdue loans with no provision required under Vietnamese Accounting Standards, Accounting regime applicable to credit institutions in Vietnam and legal regulations relating to financial reporting. The aging of such financial assets as at 30 June 2015 is presented below:

	Overdue			
	Within 90 days	91-180 days	181-360 days	Over 360 days
	million VND	million VND	million VND	million VND
Loans to customers	644,939	65,486	85,879	2,375,877

The Bank is currently holding collaterals in the forms of real estate, movable assets, valuable papers and others in kind for the above financial assets. For the purpose of determining whether the assets are impaired and any provision is needed in accordance with Vietnamese Accounting Standards, these assets' values are measured in accordance with Circular 02 and Circular 09 (see Note 40).

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49. LIQUIDITY RISK

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

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

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

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

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

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

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49. LIQUIDITY RISK (Continued)

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

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

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

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

The data in the Liquidity Risk Report as at 30 June 2015 shows that the Bank's funds are fairly plentiful with terms ranging from 01 to 12 months, the longer-term funds are quite limited. This is a common situation of commercial banks in Vietnam. In fact, the Bank still maintains an appropriate rate of short-term funds utilisation for medium and long-term loans within the limit set by the State Bank.

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

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49. LIQUIDITY RISK (Continued)

	Overdue		Current					Total million VND
	Over 03 months	Within 03 months	Within 01 month	From 01 to 03 months	From 03 to 12 months	From 01 to 05 years	Over 05 years	
	million VND	million VND	million VND	million VND	million VND	million VND	million VND	
Assets								
Cash, gold and gemstones	-	-	4,206,148	-	-	-	-	4,206,148
Balances with the State Bank of Vietnam	-	-	13,645,139	-	-	-	-	13,645,139
Placements with and loans to other credit institutions (*)	-	-	32,032,470	11,049,315	4,804,049	-	-	47,885,834
Trading securities (*)	-	-	1,336,191	-	-	-	-	1,336,191
Loans to customers (*)	6,978,086	3,815,581	44,629,044	140,933,825	190,260,663	72,815,809	21,140,074	480,573,082
Investment securities (*)	-	-	22,089,044	1,051,859	14,200,101	66,267,133	1,577,789	105,185,926
Capital contribution, long-term investments (*)	-	-	-	-	-	-	3,947,388	3,947,388
Fixed assets	-	-	-	-	-	-	8,474,196	8,474,196
Other assets (*)	-	-	-	-	-	-	26,636,198	26,636,198
Total assets	6,978,086	3,815,581	117,938,036	153,034,999	209,264,813	139,082,942	61,775,645	691,890,102
Liabilities								
Borrowings from the Government and the SBV	-	-	140	-	-	-	1,924,933	1,925,073
Deposits and borrowings from other credit institutions	-	-	43,599,308	35,294,678	15,571,182	9,342,709	-	103,807,877
Deposits from customers	-	-	112,301,128	121,285,218	170,697,714	44,920,450	-	449,204,510
Derivative financial instruments and other financial liabilities	-	-	366,275	-	-	-	-	366,275
Grants, trusted funds and borrowings at risk of the credit institution	-	-	6,511,312	14,650,453	15,871,324	953,489	2,709,125	40,695,703
Valuable papers issued	-	-	-	4,320	-	-	4,500,000	9,904,527
Other liabilities (*)	-	-	3,134,110	5,746,895	12,517,206	3,755,162	-	25,153,373
Total liabilities	-	-	165,912,273	176,981,564	214,657,426	64,372,017	9,134,058	631,057,338
Net liquidity difference	6,978,086	3,815,581	(47,974,237)	(23,946,565)	(5,392,613)	74,710,925	52,641,587	60,832,764

(*) Excluding risk provision.

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50. CONTINGENT LIABILITIES

As at 30 June 2015, the Bank has legal rights and obligations related to the case of Huynh Thi Huyen Nhu and the other former employees of Ho Chi Minh City branch and Nha Be branch of the Bank. As at the reporting date, the Appeal Court of People's Supreme Court at Ho Chi Minh City ("the Appeal Court") had judged the case on 07 January 2015, sentencing the accused for swindling to appropriate assets and certain other crimes, simultaneously reaching a verdict on judgment against the accused members. In terms of civil responsibilities, Huynh Thi Huyen Nhu was responsible for reimbursement to three (03) banks, four (04) companies and three (03) individuals which were defrauded by her and the Bank neither has compensation obligations, joint liability nor incurs any financial loss with regards to the illegal actions of the accused members mentioned above. The Appeal Court has ceased the first instance judgment in part relating to Huynh Thi Huyen Nhu's illegal actions to five (05) other companies for re-investigation and judgment as regulated by laws. Accordingly, the responsibilities and legal obligations of the parties concerned shall be defined only when the case has been re-investigated and trial with effective judgment and verdict. However, based on the results of the reconciliation procedure, examination and cross-check procedures performed up to the reporting date, the Bank's management believes that the Bank neither has joint liability nor incurs any financial loss with regards to the illegal actions of these accused individual mentioned above.

51. SUBSEQUENT EVENTS

On 17 July 2015, the Bank has made 2014 dividend payment in cash to all shareholders included in the list of securities owners recorded as at 25 June 2015. The dividend payment in cash in 2014 was made in accordance with Resolution No.243/NQ-HDQT-NHCT44 dated 10 June 2014 by the Board of Directors with the rate of 10% per shares equivalent to VND 1,000 per ordinary share.

On 8 July 2015 in Hanoi, the Bank obtained License No.068/NHCHDCNDL by the People's Democratic Republic Bank of Laos on approval of upgrading Laos branch of the Bank to Vietnam Bank for Industry and Trade Limited in Laos with the charter capital of Laos Kip 402,207,224,905, equivalent to VND 1,070,000 million.

52. OTHER COMMITMENT

On 22 May 2015, the Bank and Petrolimex Joint Stock Commercial Bank ("PG Bank") signed the Merger agreement. The merger of PG Bank into the Bank shall be under a stock swap with the ratio of 1: 0.9 (i.e. 1 PGBank share shall be swapped for 0.9 share of the Bank) under approval by the General Shareholders' Meeting according to Resolution No. 14/NQ-HDQT dated 14 April 2015. Accordingly, the Bank will issue 300 million shares, of which 270 million shares will be allocated to PGBank's shareholders to swapped for 300 million shares of PGBank, the remaining 30 million shares will be allocated to the existing shareholders of the Bank. Up to the reporting date, the Bank and PG Bank have been implementing the procedures for the State authorities' approval for the merger.

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

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

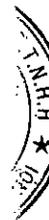
	30/6/2015	31/12/2014
	VND	VND
USD	21,673	21,246
EUR	24,223	25,908
GBP	34,138	33,210
CHF	23,341	21,548
JPY	177.30	178.32
SGD	16,130	16,137
CAD	17,507	18,389
AUD	16,669	17,459
NZD	14,688	16,711
THB	632.92	638.42
SEK	2,633	2,762
NOK	2,762	2,878
DKK	3,247	3,480
HKD	2,800	2,749
CNY	3,491	3,426
KRW	19.46	19.60
LAK	2.67	2.62
MYR	5,751	6,100

54. COMPARATIVE FIGURES

The comparative figures of the consolidated balance sheet are figures in the audited consolidated financial statements for the year ended 31 December 2014. The comparative figures of the consolidated income statement and the consolidated cash flow statement are figures in the reviewed consolidated financial statements for the period from 01 January 2014 to 30 June 2014.

Some figures as at 31 December 2014 are additionally presented under the guidance of Circular 49 as follows:

Off-Consolidated balance sheet items	Presented in the consolidated financial statements for the year ended 31/12/2014	Additionally presented in the consolidated financial statements for the period from 01/01/2015 to 30/6/2015	Reason
		million VND	
Foreign exchange transactions commitments	Not - presented	62,361,790	According to Circular 49
<i>Buying foreign currency commitments</i>	<i>Not - presented</i>	<i>1,274,173</i>	
<i>Selling foreign currency commitments</i>	<i>Not - presented</i>	<i>1,274,379</i>	
<i>Cross currency swap contracts</i>	<i>Not - presented</i>	<i>59,813,238</i>	
<i>Future commitments</i>	<i>Not - presented</i>	-	



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

54. COMPARATIVE FIGURES (Continued)

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

Consolidated income statement items	Presented in the consolidated financial statements for the period from 01/01/2014 to 30/6/2014	Change	Reclassified consolidated financial statements for the period from 01/01/2015 to 30/6/2015
	million VND	million VND	million VND
Interest and similar income	20,595,114 ✓	151,902 ✓	20,747,016 ✓
Income from services	1,145,837 ✓	(151,902) ✓	993,935 ✓

Consolidated cash flow statement items	Presented in the consolidated financial statements for the period from 01/01/2014 to 30/6/2014	Change	Reclassified consolidated financial statements for the period from 01/01/2015 to 30/6/2015
	million VND	million VND	million VND
Interest and similar income received	20,350,348 ✓	151,902 ✓	20,502,250 ✓
Service income received	819,218 ✓	(151,902) ✓	667,316 ✓

Preparer *all*

Approver

Approver





Le Nhu Hoa
 Head of Financial Accounting
 Management Department

Nguyen Hai Hung
 Chief Accountant

Tran Minh Binh
 Deputy General Director

27 August 2015