

ANNUAL REPORT 2017

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2017 AUDITED CONSOLIDATED FINANCIAL STATEMENTS

MESSAGE FROM THE CHAIRMAN



Dear Shareholders,

2017 was a successful year for Vietnamese economy. For the first time in many years, the socio-economic indexes of Vietnam have achieved and exceeded the objectives: economic growth reached 6.81%; income per capita rose by USD 170 compared to the figure of 2016; foreign direct investments reached the highest peak of the last ten years; import-export turnover also set a record with a trade surplus of USD 2.67 billion. The finance & banking sector in particular also witnessed essential achievements: successful control over inflation; lower interest rates in the context of rapidly increased total outstanding loans; high reserves of foreign currencies, helping the State Bank of Vietnam to flexibly monitor the exchange rates, setting the ground for Vietnam to achieve a higher credit rating in the future; improvements in resolving bad debts, enhancing the credit flows within the economy.

VietinBank proudly contributes to this success. With a pivotal position and pioneering responsibility, VietinBank not only remained itself as the leading bank of Vietnam, but also thrived on to be the sturdy pillar to maintain the stable foundation for finance and banking activities. We directly involved in restructuring the credit institutions system; and continued to expand and integrate regionally and internationally.

At the end of the fiscal year 2017, VietinBank maintained the position as one of leading commercial banks in terms of total assets and equity. The total asset as of 31/12/2017 was approximately VND 1,100 trillion, representing an increase of 15.4% compared to that of 2016, achieving 101% the objective set at General Meeting of Shareholder; profit before tax was VND 9.2 trillion; total funding increased by 16.2%, total loan outstanding grew by 18% compared to the figures of 2016, the non-performing loans over total outstanding loans ratio was kept at 1.07%. ROA and ROE were 0.9% and 12.02% respectively. Additionally, VietinBank continued to strengthen our operational network with 155 domestic branches, nearly 1,000 transaction offices. Regarding the international market, VietinBank is integrating rapidly with the presence of 02 branches in Germany, 01 wholly-owned subsidiary in Laos and 01 representative office in Myanmar.

2017 also witnessed the successful transformation of the new CoreBanking system and 11 IT projects, making VietinBank to be the first bank in Vietnam having advanced technology infrastructure that complies with the regional and international standards.

The outstanding success of VietinBank in 2017 has been well recognized and praised by domestics and international organizations. VietinBank was listed in Forbes Global 2000 (Top 2000 biggest enterprises in the world) awarded by Forbes for the sixth consecutive times; VietinBank is also the highest ranked Vietnamese bank listed in "Top 1000 international banks" by The Banker. Particularly, VietinBank for the fifth time was listed in Top 500 most valuable bank brands with a brand value of USD 252 million, brand power rated A+ according to Brand Finance. In 2017, the two rating companies, namely Fitch and Moody, raised VietinBank's outlook from "Stable" to "Positive". The achievements in 2017 reflected the determination of more than 23,000 officers and employees of VietinBank.

VietinBank is striving towards regional standard and international integration with the ambition of becoming the leading Banking - Finance Corporation in Vietnam and in the region. Entering 2018, VietinBank shall strictly follow the issued mid-term plan of transforming business structure, growing selectively, and growing along with efficiency. Accordingly, VietinBank shall improve financial capabilities, financial management, competitiveness; reinforce the position of the market leader; enhance the IT capabilities; integrate; promote the development of modern products, services; apply advanced models of modern banking in structuring and managing the organization, and at the same time fulfill the corporate social responsibilities.

On behalf of VietinBank's Board of Directors, I would like to sincerely thank the Board of Management and more than 23,000 officers and employees who are devoting themselves to the success of VietinBank. Particularly, I would like to express my deep gratitude to the clients, shareholders who always believe in and accompany VietinBank along 29 years of establishment and development. Once again, I reaffirm VietinBank's commitment in building a sustainable and prosperous future for VietinBank.

Alternate Member of Central Committee of the Communist Party of Vietnam, Member of the National Assembly, Chairman of the Board

A handwritten signature in blue ink, appearing to read 'Thang', written over a horizontal line.

Nguyen Van Thang

VIETINBANK AT
A GLANCE

1 VIETINBANK AT A GLANCE

Registered name in Vietnamese:

NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN CÔNG THƯƠNG VIỆT NAM

Registered name in English:

VIETNAM JOINT STOCK COMMERCIAL BANK FOR INDUSTRY AND TRADE

Trading name:

VietinBank

Banking License:

No. 142/GP-NHNN dated 03/07/2009 by the State Bank of Vietnam

Certificate of Business Registration:

No.0100111948 by Hanoi Department of Planning and Investment for the first issuance on 03/07/2009, registered for the 10th amendment on 29/04/2014

Chartered Capital:

VND 37,234,045,560,000

Shareholders' Equity:

VND 63.765.283.000.000 (as at 31/12/2017)

Head Office:

108 Tran Hung Dao Street, Hoan Kiem District,
Hanoi, Vietnam

Tel: +84 24 39421030

Fax: +84 24 39421032

Website: www.vietinbank.vn

Securities Code: CTG

HISTORY OF THE BANK

DATE OF INCORPORATION:

VietinBank was established on 26/03/1988 after its separation from the State Bank of Vietnam in accordance with Decree No.53/HDBT by the Ministers Council.

LISTING:

VietinBank stock has been officially traded on Ho Chi Minh City Stock Exchange (HOSE) since 16/07/2009.

- Type of share: Ordinary shares
- Securities Code: CTG
- Par value per share: VND 10,000
- Total number of shares: 3,723,404,556 shares (as at 31/12/2017)

29 YEARS OF INCORPORATION AND DEVELOPMENT

Phase I: 1988 - 2000

Established and transformed into a two-tier bank, officially put Vietnam JSC Bank for Industry and Trade into operation.

Phase II: 2001 - 2008

Successfully implemented the organizational restructuring project, targeting debt settlement, organization model, general policies & mechanisms, and business operation.

Phase III: 2009 to present

Successfully implemented equitization, robust reform, modernization, standardization of all aspects of banking activities. Organization and corporate governance models have been transformed towards international practices.



KEY FINANCIAL INDICATORS

Indicator	Unit	31/12/2017	31/12/2016	31/12/2015	31/12/2014	31/12/2013
Total assets	VND billion	1,095,061	948,568	779,483	661,242	576,368
Shareholders' Equity	VND billion	63,765	60,307	56,110	55,259	54,075
Charter capital	VND billion	37,234	37,234	37,234	37,234	37,234
Total Funding	VND billion	1,011,314	870,163	711,785	595,096	511,670
Gross Loans	VND billion	840,156	712,642	609,652	542,674	460,079
Net profit from operating activities before provisions	VND billion	17,550	13,512	12,024	11,226	11,874
Provisions for credit losses	VND billion	(8,344)	(5,059)	(4,679)	(3,923)	(4,123)
Profit before tax	VND billion	9,206	8,454	7,345	7,303	7,751
Corporate Income Tax	VND billion	(1,747)	(1,689)	(1,629)	(1,576)	(1,943)
Profit after tax	VND billion	7,459	6,765	5,717	5,727	5,808
ROA	%	0.9%	1.0%	1.0%	1.2%	1.4%
ROE	%	12.02%	11.6%	10.3%	10.5%	13.7%
NPL/ Gross Loans	%	1.07%	0.93%	0.81%	0.90%	0.82%

2017 AWARDS AND ACCOLADES

Forbes

1. Forbes Global 2000

VietinBank was named in Forbes Global 2000 (top 2000 world's largest public company) for the sixth consecutive year, and held position No. 1 Bank in Vietnam. In 2017, VietinBank ranked 1,633th with revenue of USD 2.7 billion and market value of USD 3 billion, a remarkable improvement of 175 spots since last year.

The Banker

GLOBAL FINANCIAL INTELLIGENCE SINCE 1926

2. Top 1000 World Banks

Top 1000 World Banks 2017 is ranked on the basis of total assets, pre-tax profit, and Tier 1 capital by the Banker. With the superiority, VietinBank ranked 376th, moved up 6 places and reached the highest rank among Vietnamese Banks.

Brand Finance®

3. The world's Top 500's most valuable banking brands

The fifth time, VietinBank was named in the top 500 most valuable brand names in the world with brand value of USD 252 million, A+ brand strength; and Top 50 Most Valuable Brands in Vietnam by Brand Finance.



4. Vietnam Strong Brand Award

The 13th consecutive year, VietinBank received Vietnam Strong Brand Award as well as held the leading position. The award aims to recognize, motivate and encourage enterprises with outstanding achievements in production and business activities, high growth rates and large contributions to the country. At the same time, this year, the award also records and appreciates enterprises which are interested in applying environmental protection solutions, care for the interests of workers, and make efforts for the development of the community, especially enterprises which pioneer to approach development trend of the 4.0 industrial revolution.



5. Top 500 largest enterprises Vietnam - VNR500

VietinBank continued to be listed in the VNR500 by Vietnam Report in cooperation with VietnamNet and other media organizations. It is also ranked the highest bank in the Top 10 of Profit 500 (Top 500 Enterprises with highest profit). According to VNR, VietinBank is also in the top 10 prestigious listed Enterprises in 2017 - Blue chip codes for CTG stock.

THE ASIAN BANKER

6. Awards on IT

In 2017, VietinBank has successfully transformed Core Banking - the largest and most complex project in the banking industry up to date. As a mark in terms of IT, in 2017, VietinBank received the prestigious award from The Asian Banker for the Best Core Banking Project, Best Data Analysis Project, Best mobile banking in Vietnam. BankPay and Online Payment Service (eGPS) were honored at Sao Khue Award.



7. Prestigious Retail Awards

VietinBank was awarded the "Best Retail Bank in Vietnam in 2017" for the 2nd in a row by Global Banking & Finance Review Magazine, together with numerous of prestigious awards: Best credit card service in Vietnam by International Finance Magazine; Best electronic bank of 2017 by the Vietnam Bankers Association (VNBA) in cooperation with IDG International Data Group.

VISA

8. Awards by the International Card Organizations

VietinBank simultaneously received 4 awards from JCB: the leading bank in card payment, the leading bank in card usage, number of cards issued, and the number of new products. At the same time, VietinBank is also granted 4 prizes by Visa: Top foreign payment bank, Top card payment bank, Pioneer bank for Samsung Pay, Pioneer Bank for Tap to pay contactless payment technology.



9. SME Bank of the year

SME Bank of the Year awarded by the Asian Banker Magazine reflects the understanding of VietinBank about the SME segment, the high and sustainable growth of SME segment in terms of outstanding loans, fund, and number of customers (growth rate from 20-25% per year). In addition, a number of pioneering activities, suitable for SME segment, have been implemented such as establishment of SME Club, credit program by sectors and capital rotation period, distribution chain finance.

Previously in October 2017, VietinBank was honored to be awarded Vietnam's fastest SME- growing Bank in 2017 by the prestigious Global Banking & Finance Review Magazine.



10. Best Trade Finance Bank in Vietnam

In 2017, VietinBank's international payment and trade finance activities achieved outstanding results and won many prestigious awards such as Best Trade Finance Bank in Vietnam (by The Asian Banker), Excellent Trade Finance Bank 2017 - Trade Award 2017 (by Commerzbank - Germany), Vietnam's best working capital trade finance bank 2017 for small and medium enterprises segment (by The Asset magazine), Well Fargo Operational Excellence Award 2017 (by Wells Fargo), Best MT103 quality payment and Best MT202 quality bank 2017 (by JP Morgan Chase).

2 SCOPE OF BUSINESS AND BRANCH NETWORK



SCOPE OF BUSINESS

The principal activities of VietinBank are to carry out banking transactions including mobilizing short-term, medium-term and long-term funds from organizations and individuals; providing short-term, medium-term and long-term loans to organizations and individuals based on VietinBank's fund sources; paying between organizations and individuals; conducting foreign currency transactions, international trade finance services, discounting commercial papers, bonds and other valuable papers, and other banking services licensed by the State Bank of Vietnam.

BRANCH NETWORK

Our branch network is comprised of: Head Office located at 108 Tran Hung Dao Street, Hoan Kiem District, Hanoi, 155 local branches in 63 cities and provinces across the country, 02 Representative Offices in Ho Chi Minh City and Da Nang, 01 Trade Finance Center, 05 Cash Management Centers, 03 Units (Card Center, IT Center, Human Resource Development and Training School), and 958 transaction offices. VietinBank has 02 foreign branches in Germany, 01 Representative Office in Myanmar, 01 Subsidiary in Laos (with 01 Head office, 01 Branch in Champasak, 01 Transaction office in Vientiane). In addition to the extensive network, VietinBank has established correspondent relationship with over 1,000 financial institutions of more than 90 countries and territories worldwide.

VISION, MISSION, CORE VALUES, BUSINESS PHILOSOPHY

VISION

To become a leading Financial and Banking Group in Vietnam and in region, a modern, versatile and highly effective bank.

MISSION

To be the No. 1 bank in the banking system of Vietnam, providing modern, utility finance and banking products and services that conform to international standards.

CORE VALUES

Customer Orientation: "Serving the customer is at the heart of our business. VietinBank is committed to providing products and services with a consistent service style; a unique VietinBank that meets all adequate needs of customers."

Perfection Orientation: "VietinBank utilizes internal strength and resources to innovate continuously towards perfection."

Dynamism, innovation, professionalism, and modernity: "Leaders, officers and employees of VietinBank always show dynamism, innovation, professionalism, devotion, transparency and modernity in all transactions and relationships with customers, partners and colleagues".

Honesty, integrity, transparency, and occupational ethics: "Leaders, officers and employees of VietinBank always think and act on the basis of ensuring fairness, integrity, transparency and responsibility."

Respect: "Respect, share and care for customers, partners, leaders and colleagues".

Protection and development of the brand: "Leaders, officers and employees protect the prestige and brand of VietinBank as protecting their own honor and dignity."

Sustainable development and social responsibility: "Innovation and creativity are the driving force; Growth, development, secure, efficient and sustainable business are the goal. Performing social responsibility is the honor and pride of VietinBank".

BUSINESS PHILOSOPHY

Secure, efficient and sustainable;

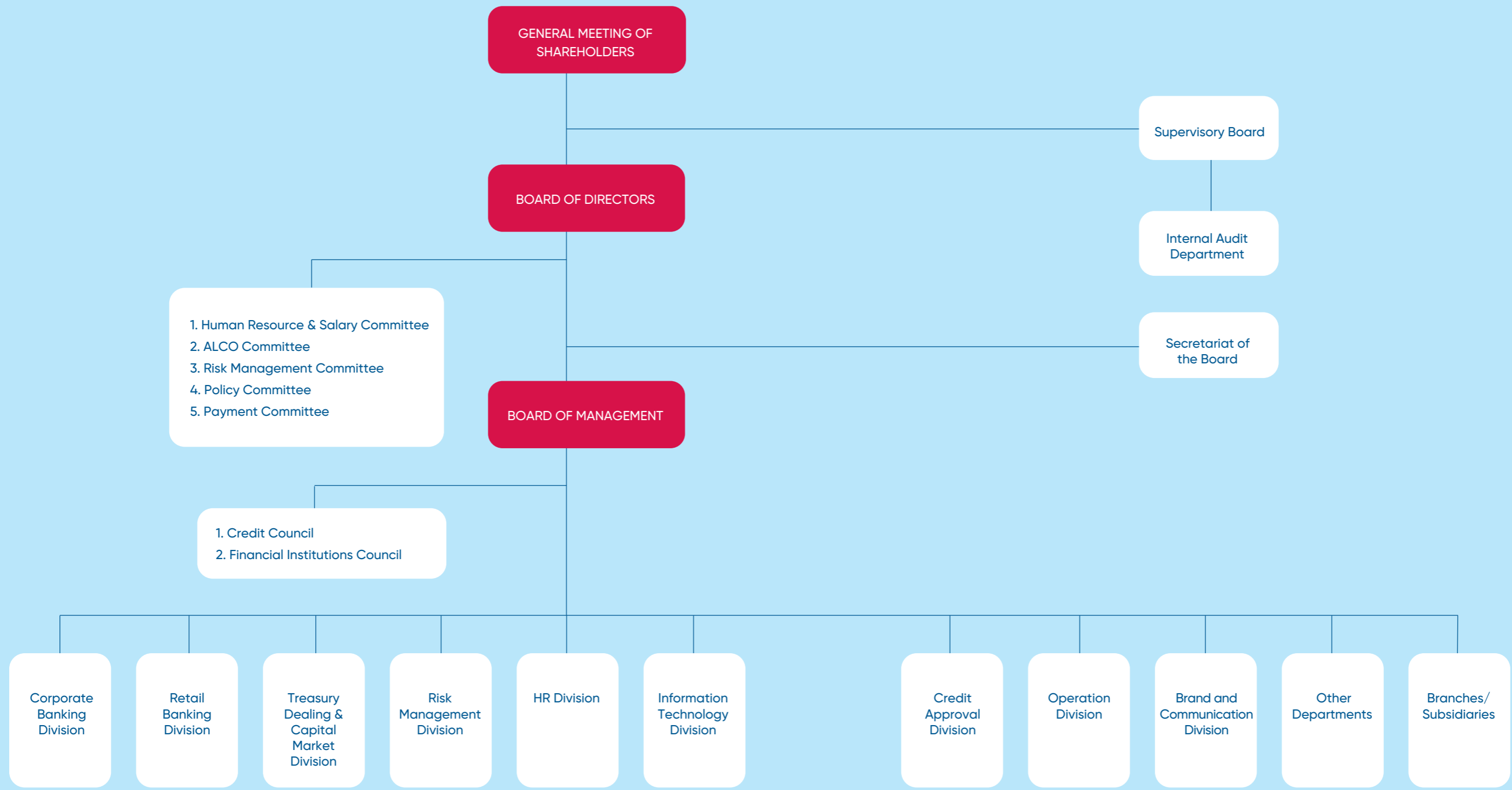
Loyal, dedicated, united, innovative, intellectual, disciplined;

The success of customers is the success of VietinBank.

Mô hình quản trị, cơ cấu bộ máy quản lý

3 GOVERNANCE MODEL & STRUCTURE





SUBSIDIARIES AND ASSOCIATED COMPANIES

No.	Company Name	Address	Scope of operation	Percentage of ownership by VietinBank
1	VietinBank Leasing Company Ltd.	16 Phan Dinh Phung Street, Ba Dinh District, Ha Noi	Leasing	100%
2	VietinBank Securities Joint Stock Company	306 Ba Trieu Street, Hai Ba Trung District, Ha Noi	Capital Market	76%
3	VietinBank Debt Management and Asset Exploitation Company Ltd.	76 Nguyen Van Cu Street, District 1, HCMC.	Asset Management	100%
4	VietinBank Insurance Company Ltd.	126 Doi Can Street, Ba Dinh District, Hanoi	Non-life Insurance	97.83%
5	VietinBank Gold and Jewelry Trading Company Ltd.	114 Mai Hac De Street, Hai Ba Trung District, Hanoi	Gold and Gemstones Manufacturing and Trading	100%
6	VietinBank Fund Management Company Ltd.	34 Cua Nam Street, Hoan Kiem District, Hanoi	Fund Management	100%
7	VietinBank Global Money Transfer Company Ltd.	126 Doi Can Street, Ba Dinh District, Ha Noi	Monetary Intermediation	100%
8	VietinBank Lao Limited	No 029 Khounboulom, Vatchan, Chanthabouly District, Viengchan, Laos	Banking & Finance	100%
9	Indovina Bank	97A Nguyen Van Troi Street, Phu Nhuan District, TPHCM	Banking & Finance	50%

4 DEVELOPMENT ORIENTATION

2018 Targets

Stepping into 2018, VietinBank focuses on human resources to develop business in depth: business restructuring, selective growth, growth associated with efficiency. VietinBank will also strongly improve service quality, develop modern services and products, accelerate service income and non-interest income, and improve income structure. VietinBank has been implementing effectively restructuring project for the period 2016-2020, standardizing operations comprehensively, developing infrastructure, modernizing information technology, and enhancing risk and operational management capacity following international practices and standards, affirming the leading position in the market.

Medium and Long – term Development Strategy

The medium and long term goal of VietinBank is to become large-scale financial group with the best performance in the Vietnamese banking system by 2020. VietinBank has identified key strategies in the next period: selective, effective and sustainable growth, customer structure transition, automatic services with high utilities, service quality enhancement; non-credit service, and modern technology payment service to enhance the efficiency of banking operations, subsidiaries, and associates, and improve labor productivity, cost-effective governance.

Objectives for corporate environment, society and community sustainability

As a leading bank in Vietnam, VietinBank does not merely pursue its business and profit targets but also aims at a greater objective which is, together with the Communist Party and the Government, contributing to the socio-economic growth, social security environment improvement, and sustainable poverty reduction. Besides, VietinBank shall improve its financial capacity, human resource, technology... to meet the goals of sustainable development of the bank as well as the society. In 2018, VietinBank will continue to be the leading bank in carrying out its obligations to the community, implementing social security projects, reflecting the true expression of our philosophy "Improving the values of life".

5 RISK FACTORS

a. Credit Risk

In 2018, Vietnam's economy is forecasted to continue the recovery momentum of previous years, demands for new investment/business expansion continues to increase. However, financial health and competitiveness of enterprises are limited, especially for small and medium enterprises. Moreover, in the context of political instability of the global economy and the tendency to protect domestic production of some developed countries, export activities and FDI inflows may be impeded. In face of the challenges, VietinBank will continue to focus on credit risk management, through the structure of credit portfolio, and evaluation, screening and supervision of customers.

In addition, the State Bank of Vietnam (SBV) issued Circular No. 41/2016/TT-NHNN regulating capital adequacy ratio according to Basel II (standard method) and Circular 19/2017/TT-NHNN on amending and supplementing Circular No. 36/2014/TT-NHNN regulating prudential ratios and limits for operations of credit institutions, requiring VietinBank to continue to consolidate its calculation data of risk-weighted assets and orient structure of credit portfolio, ensuring business performance optimization on the basis of cost reduction and effective use of capital.

b. Market Risk

Vietnam's economy in 2017 has recorded many achievements; this is the premise for many experts and organizations to expect a stable growth in 2018. However, challenges still remain, especially in 2018, Vietnam will fulfill commitments of WTO and ASEAN trade agreement, which will open up many opportunities and challenges for the economy. When tariff barriers are erased, Vietnamese goods are easily accessible to foreign markets and also foreign goods penetrate into Vietnam. However, the tendency of US trade and bilateral trade protection which are becoming more popular is also a challenge for Vietnam's exports. Inflation in 2018 is forecasted to remain below 4% when domestic and foreign pressure is not too great. Remarkable amount of FDI into Vietnam in 2017 was a positive signal but also a challenge for 2018 if these capital flows reverse due to the fluctuation in economic and political situation of some countries.

Risks from international market still exist when US President Donald Trump is in the early stages of implementing the "America first" policy, the United Kingdom is negotiating "Brexit" in a weaker side; China's economic structure continues to change. Monetary policies in other countries are more unpredictable. Expected in 2018, FED will continue to raise interest rates but at a more cautious level. Bank of Japan may introduce more balanced monetary policy when inflation is on the right track, Central Bank of the Republic of China has begun to tighten its policy following FED but in a smaller level.

With banking system, continuously high credit growth also puts pressure on the whole system, especially when the roadmap for applying Circular 41 on capital adequacy ratio based on Basel II is approaching. Banks, in addition to continue to accelerate their business to meet with credit growth, still need to step up their restructuring to meet higher demands when entering into the world market. This is the very near pressure that banks must prepare.

Facing such challenges, VietinBank continues to focus on market risk management from the overall to transaction level, continually improves its policies, organizational structures, systems and tools to ensure risks control, safe and effective business.

c. Operational Risk

External fraud - Robbery: Recent time, VietinBank system has recorded many bank robberies, perpetrators have been increasingly active, reckless, with sophisticated tricks, and the amount of money robbery is growing. In addition, the cause of the incident also comes from bank officials/leaders lack of vigilance. Facing this situation, VietinBank actively identifies and regularly reviews the level of security and safety in the whole system, and instructs units to develop and rehearse anti-robbery plans to respond actively to complicated situations that may occur.

Many legal violations in the monetary and banking sector have arisen:

As mentioned in Direction No. 07/CT-NHNN dated 11/10/2017 by the State Bank of Vietnam, legal violations in banking operations are increasingly common, occurring in many banks in all primary operations such as: credit granting, debt restructuring, debt classification, provisioning, fund mobilization/deposits, corporate governance, internal control.... The main reason is the complicated social situation, particularly degeneration of morality, intentional violation of officials and leaders of credit institutions. Facing these challenges, VietinBank focuses on improving risk management and internal controlling system to reduce risks and detect risks soonest.

2017
PERFORMANCE
REVIEW

1

BUSINESS OPERATION OVERVIEW

1.1. Business results 2017

In 2017, VietinBank's operational scale and performance continued to improve, successfully met the objectives set at General Meeting of Shareholders (GMS). In addition, the working conditions, living standards and mental health of employees were also improved. Shareholders' benefits were also ensured.

- **Total assets in 2017** increased by 15.4% compared to that 2016, reached VND 1,100 trillion, met 101% of the target set at GMS and helped to maintain VietinBank's leading position among all the commercial banks.
- **Fund Mobilization:** in 2017, VietinBank had been active in fund mobilizing activities, taking advantages of abundant capital sources in both Vietnam Dong and foreign currencies at a reasonable cost. Total funding as at December 31, 2017 was over VND 1,000 trillion, representing a 16.4% increase compared to that of 2016, reaching 102% of the plan at GMS. The proportion of funding from customer deposits in total funding grew by 15%.
- **Lending activities:** as a large commercial bank and a pillar of the national economy, VietinBank's adequate and timely fund provision for the economy plays an important role in boosting the productions of companies, encouraging customer consumptions and supporting the sustainable growth of the economy. VietinBank's total credit exposure as at 31/12/2017 was VND 840 trillion, an increase of 18% compared to that of 2016.
- **Investment:** in addition to the traditional lending and funding activities, VietinBank also focuses on diversifying products and services, developing modern investment products, maintaining the role of the market leader with a total investment of VND 240 trillion.
- **FOREX Trading:** FOREX trading activities maintains a steady growth rate with positive outcomes: turnover generated from FX trading on primary market of VietinBank in 2017 increased by 17% compared to that of 2016, which helped the bank maintain the role of one of the market leaders and contribute to the stability of the Forex market.
- **Business results of subsidiaries:** Subsidiaries and foreign branches achieved strong growth compared to the previous year. A total earnings before tax was VND 560 million, representing a 39% increase compared to that of 2016.

1.2 Performance vs. Objectives

Unit: VND billion

Indicators	31/12/2016	31/12/2017	Compared to 31/12/2016		Plan set at GMS 2017	Percentage of Plan completed
			+/- tỷ đồng	+/- %		
Total asset	948,568	1,095,061	146,493	15.4%	1,081,634	101%
Total funding	870,163	1,011,314	141,151	16.2%	996,482	102%
Gross loans	712,642	840,156	127,514	18%	826,865	101%
NPLs/Gross loans	0.93%	1.07%			<3%	Achieved
Profit before tax	8,454	9,206	752	8.9%	8,800	105%
ROA	1.0%	0.9%			0.8% - 1.2%	Achieved
ROE	11.8%	12.02%			10.0% - 11.0%	Achieved

2 ORGANIZATION AND HUMAN RESOURCE

BOARD OF MANAGEMENT

No.	Full name	Position
1	Mr. Le Duc Tho	General Director
2	Mr. Hiroshi Yamaguchi	Deputy General Director (appointed on 15/5/2017)
3	Mr. Tran Minh Binh	Deputy General Director
4	Mr. Nguyen Hoang Dung	Deputy General Director
5	Mr. Nguyen Duc Thanh	Deputy General Director
6	Mr. Tran Cong Quynh Lan	Deputy General Director
7	Mr. Nguyen Dinh Vinh	Deputy General Director
8	Ms. Le Nhu Hoa	Deputy General Director
9	Mr. Hiroyuki Nagata	Deputy General Director (resigned since 15/5/2017)
10	Ms. Bui Nhu Y	Deputy General Director (retired since 1/5/2017)
11	Mr. Nguyen Hai Hung	Chief Accountant



3 PROJECT INVESTMENT AND IMPLEMENTATION

a. Major investments

Major investment in 2017 (including financial investments and project investments), status of major projects: none.

b. Subsidiaries, associated companies

VietinBank Fund Management Company Ltd.

• **Overview:** VietinBank Fund Management Company is a wholly owned subsidiary of Vietnam Joint Stock Commercial Bank for Industry and Trade, established under License No.50/UBCK-GP dated 26/10/2010 of the State Securities Commission and amended License No.39/GPDC-UBCK dated 30/12/2013. The Company's charter capital is VND 950 billion.

• **Registered Office:** 6th floor, 34 Cua Nam Street, Hoan Kiem District, Hanoi

Tel.: 024.3938.8855

Fax: 024.3938.8500

• **Major Business activities:** Planning and management of securities investment funds, securities investment companies, portfolio management of investment trust, consultancy of securities investment and other services allowed by applicable laws.

• **Business results as of 31/12/2017:** Total assets as of 31/12/2017 were VND 1,062 billion, slightly increased by 1.9% compared to that of the previous year (VND 1.041 billion). Total entrusted assets as of 31/12/2017 were VND 2,945 billion, decreased by VND 244 billion compared to that of 2016 (VND 3,189 billion). Revenues generated from the services Portfolio Management, Fund Management and Investment Consultancy were VND 7.35 billion, VND 0.81 billion and VND 0.22 billion respectively. Revenue generated from investments was VND 103.92 billion. Company's profit before tax in 2017 was VND 75.03 billion, representing an increase of 24.56% compared to that of 2016 (VND 60.23 billion).

VietinBank Joint Stock Insurance Company

• **Overview:** VietinBank Insurance Company Ltd. (trading name: VietinBank Insurance and abbreviation: VBI) was formerly known as a joint-venture between VietinBank and Asia Insurance Singapore. On 17/12/2008, the Ministry of Finance granted Amended License to allow the change of name into VietinBank Insurance Company Ltd as VietinBank acquired the paid-up capital of former foreign partner and became the sole owner. On November 2, 2017, VBI was given permission No. 21/GPĐC23/KDBH from Ministry of Finance on reforming and renaming the company from "VietinBank Insurance Company Ltd" to "VietinBank Joint Stock Insurance Company". The company's chartered capital is VND 500 billion, of which VietinBank accounts for 97.83%.

• **Registered Office:** 10th, 11th floor, 126 Doi Can Street, Ba Dinh District, Hanoi.

Tel.: 024-39425650

Fax: 024-39425646

• Major Business activities:

- Non-life insurance products and services including property insurance, technical insurance, liability insurance, mixture insurance, motor vehicle insurance, marine insurance, general goods insurance, personal insurance;

- Re-insurance;

- Financial investment

• **Business results as of 31/12/2017:** In 2017, insurance business continued to develop and expand. Total premium reached VND 888.7 billion, increased by 33% compared to that of 2016, continue to maintain the strong growth; in which, original premium was VND 889.9 billion, rose by 29% compared to 2016, and reinsurance fee was VND 119.6 billion. Cede fee for the year reached VND 244.2 billion, increased by 8.2% compared to that of 2016; cede commission for the year was VND 76.9 billion, increased by 12.4% compared to that of 2016. With such growth, the market share and brand image of the company continue to be improved and upgraded. Specifically: in 2014, the market share was 0.8%, which grew to 2% in 2015 and reached 2.5% in 2016; the figure stabilized in 2017 at 2.4%. Company's profit before tax in 2017 was VND 84.5 billion, increased by VND 9.3 billion (12.4%) compared to that of 2016.

VietinBank Leasing Company Ltd.

• **Overview:** VietinBank Leasing Company Ltd. is an independent accounting subsidiary of Vietnam Joint Stock Commercial Bank for Industry and Trade, established under Decision no. 53/1998/QĐ-NHNN5 dated on 26/01/1998 of the Governor of the State Bank of Vietnam. Certificate of business registration was granted for the first time by Hanoi Authority for Planning and Investment on 31/08/2009, and was registered to change the 9th time on 26/10/2015. Since 08/2009, the Company was approved by VietinBank and the SBV to change into VietinBank Leasing Company Ltd. The company's current charter capital is VND 1 trillion.

• **Registered Office:** 16 Phan Dinh Phung Street, Ba Dinh District, Hanoi.

Tel.: 024-38233045

Fax: 024-3733579

• **Major Business activities:** Financial leasing for businesses, individuals, families, and other organizations that are lending subjects of credit institutions; Purchase and lease in form of financial leasing; Sell receivables from financial leasing contracts for organizations and individuals; Syndicated financial leasing as prescribed by the State Bank of Vietnam; Asset management services related to financial leasing; Raising capital of organizations; Activities of insurance agents; Other activities as prescribed by law.

• **Business results as of 31/12/2017:** As at 31/12/2017, company's profit before tax was VND 117.2 billion, representing an increase of VND 9.6 billion (8.9%) compared to that of 2016. Company's total asset was VND 2,363.9 billion in 2017, growing by 22.5% compared to 2016. Gross leasing (before provision) was reported at VND 2,297.3 VND, up by 19% compared to the figure of 2016. Asset quality control of the company has also been improved as the NPLs ratio has been continually dropping compared to 2016 to below 2%. Total debt recovery in terms of special-mentioned debt, bad debt and off-balance-sheet debt was VND 28 billion.



VietinBank Securities Joint Stock Company

• **Overview:** VietinBank Securities Joint Stock Company, formerly known as VietinBank Securities Company Ltd., was formed in 09/2000 and among the oldest and most reputable securities in Vietnam. The company operates under Business License No.107/UBCK-GP issued on 01/07/2009 by the State Security Commission and the amended licenses with the most updated being No.44/GPĐC-UBCK issued on 13/09/2017. On 20/06/2017, company's stock was listed and traded at Ho Chi Minh Stock Exchange (HOSE). The company's charter capital as of 31/12/2017 was VND 976 billion, 75.64% of which was accounted for by VietinBank.

• **Registered Office:** 306 Ba Trieu Street, Hai Ba Trung District, Hanoi

Tel.: 024-62780012

Fax: 024-39741760

• **Major Business activities:** Securities business including: brokerage, proprietary trading, underwriting, investment advisory, financial advisory and securities custody.

• **Business results as of 31/12/2017:** In 2017, company's operating revenue was VND 286.8 billion, increased by 22.7% compared to that of 2016, of which, strong growth was recorded in service of guarantee, stock issuance agent, which increased remarkably from VND 2.2 billion in 2016 to VND 13.4 billion in 2017, and in incomes from available-for-sales financial assets, which increased by 64.7% compared to the figure in 2016. However, revenue from financial advisory services decreased in 2017. Overall, company's profit before tax in 2017 was VND 133.6 billion, increasing by 30.7% compared to the level in 2016.



VietinBank Gold and Jewelry Trade Company

• **Overview:** VietinBank Gold and Jewellery Trade Company Ltd. is wholly owned by VietinBank. The company was established under Decision No.1521/QĐ-HĐQT-NHCT1 dated 15/09/2010 by VietinBank Board of Directors and Business Registration issued by Hanoi Authority for Planning and Investment No.0105011873 dated 25/11/2010. The Company's current charter capital is VND 300 billion.

• **Registered Office:** 2nd floor, Hoang Thanh Tower, 114 Mai Hac De Street, Le Dai Hanh Ward, Hai Ba Trung District, Hanoi.

Tel.: 024-39421051

Fax: 024-39393502

• Major Business activities:

- Retail of:

Gold, silver, precious stones and semi-precious stones, jewelry.

Souvenirs, knitting goods, handicraft goods.

Paintings, photos and other artworks (except antiques).

Watches, eyewear (except optical glasses).

- Wholesale of

Metals and metal ores.

Gold, silver and other precious metals.

• **Business results as of 31/12/2017:** In 2017, the company made a good effort in conducting its business activities but the results was limited due to the strategy of market expansion via the store network in large shopping malls. While the profit generated by financial operation was VND 14.75 billion, equalling a slight increase of 5.76% compared to that of 2016, the profit before tax was at a low of VND 7.45 billion, representing a decline of 34% compared to that of 2016 (which was VND 11.28 billion). Gross profit from sales and other services also decreased by 25% in 2017 to hit a low of VND 20.27 billion.



VietinBank Debt Management and Asset Exploitation Company Ltd.

• **Overview:** The company was incorporated under the Business Registration Certificate No.4106000331 dated 07/01/2007 by Ho Chi Minh Authority for Planning and Investment. On 20/07/2010, the Company changed its name into VietinBank Debt and Asset Management One Member Ltd. Company. Since then, the company has been operating under the Business Registration Certificate No. 0302077030 issued by Ho Chi Minh Authority for Planning and Investment with the first registration and third amendment on 11/11/2013. The company's charter capital is VND 120 billion.

• **Registered Office:** 76 Nguyen Van Cu Street, Nguyen Cu Trinh Ward, District 1, Ho Chi Minh City

Tel.: 028-39202020

Fax: 028-39203982

Hanoi Office: 3rd floor, 126 Doi Can Street, Doi Can Ward, Ba Dinh District, Hanoi

Tel: 024-39909090

Fax: 024-37228443

• **Major Business activities:** Receipt and management of mortgage, pledged assets and collateral valuation, etc.

• **Business results as of 31/12/2017:** Operating as a fully owned subsidiary of VietinBank with the main duty of supporting VietinBank's branches in evaluating collateral, contributing to the process of risk management, the performance outcomes of the company is reflected in the business results of VietinBank as a whole; company's gross income in 2017 was VND 39.15 billion, most of which came from collateral evaluating activities; company's total operating expense was VND 31.94 billion, mostly consisting of administration expenses and human resources expenses (which accounted for 13% and 70% of total expense respectively). At 31/12/2017, company's profit before tax was VND 7.21 billion.



VietinBank Global Money Transfer Company Ltd.

• **Overview:** For the purpose of specializing and encouraging the development of personal money transferring service, VietinBank's Board of Director has approved the Project and issued the Decision of Establishing VietinBank Global Money Transfer Company Ltd. The company started its operation on 01/03/2012 with business registration No.0105757686, being the frontline unit in developing the services of overseas remittance and personal money transfer of VietinBank. The company's charter capital at 31/12/2017 was VND 50 billion.

• **Registered Office:** 3rd floor, VietinBank Building, 126 Doi Can Street, Ba Dinh District, Hanoi.

• **Major Business activities:** Monetary intermediation.

• **Business results as of 31/12/2017:** 2017 witnessed the remarkable business results of VietinBank Global Money Transfer Company Ltd., which in turns reinforce VietinBank's international reputation and image. Amount of money transferring in 2017 was USD 1.5 billion, increasing by 6% compared to the figure of 2016; total money transfer fees collected was VND 41.74 billion, representing an increase of 51% compared to that of 2016, in which, VND 25 billion worth of fees collected from money transferring outside Western Union, which increased dramatically by 232% compared to 2016. Income from FX revaluation was VND 11.4 billion. Profit before tax was VND 33.9 billion, increasing 186% compared to that of 2016. Company's ROE and ROA also experienced considerable growth to reach 48% and 17% respectively.



VietinBank Lao Limited

• **Overview:** VietinBank Lao Limited is the first overseas subsidiary and fully funded by VietinBank. The Bank was established on 01/08/2015 under License no 512/ERO dated 27/07/2015. On 31/12/2016, the charter capital of VietinBank Lao Limited was USD 50 million.

• **Registered Office:** No 029 Khounboulom, Vatchan, Chanthabouly District, Viengchan, Laos.

Tel.: +856 21263997

Fax: +856 21261026

• **Major Business activities:** Banking and Finance services

• **Business results as of 31/12/2017:** After 6 years of presence in Laos, VietinBank Lao Ltd. is currently operating effectively and on its mission to affirm its reputation in the neighbouring country. On 31/12/2017, gross loans were USD 203.6 million, increasing by 12% compared to the previous year. Total deposit was USD 244 million, increasing by 54.4% compared to that of 2016. Total assets were USD 315 million, increasing by 42.5%. Profit before tax was USD 4.33 million, achieving 103% target set by VietinBank. Return on equity (ROE) was well-maintained at 5.4%.

Apart from prospective business results, VietinBank Lao Ltd. also focuses on improving human resources and corporate governance with quality and professionalism. Attempting to provide customers with modern products as well as support the development of entrepreneurs and individuals, the contribution of VietinBank Lao Ltd. is expected to promote economic exchange of commerce and investment between the two countries.



Indovina Limited Bank (IVB)

• **Overview:** Indovina Limited Bank (IVB) is the first joint venture bank in Vietnam, established on 21/11/1990 under the License No.135/GP by the State Committee for Cooperation and Investment and later replaced by License No.08/NH-GP dated 29/10/1992 by the State Bank of Vietnam. Shareholders of the Bank are VietinBank and Cathay United Bank of Taiwan (CUB). As of 31/12/2017, IVB's charter capital was USD 193 million, of which each party contributed USD 96.5 million.

• **Registered Office:** 97A Nguyen Van Troi Street, Ward 12, Phu Nhuan District, Ho Chi Minh City

Major Business: Banking

• **Business results as of 31/12/2017:** Total assets as of 31/12/2017 were reported at VND 40,324.2 billion, increasing by 3.6% compared to that of 2016. Of which, gross loans covered VND 21,907.7 billion, accounting for 54.3% of total assets, representing a 31.5% growth compared to 2016 result. The company's total equity was VND 5.4 trillion, slightly increased by 4.4% compared to that of 2016; the charter capital of the company was USD 193 million (equivalent VND 4,328 billion) as of financial year ended 31/12/2017.

Interest income was VND 2,332.9 billion, increased sharply by 32.4% compared to the previous year result while interest expense increased by 30.7%, making the bank's interest income maintain a strong growth of 33.7% to reach 1,281.6 billion at the end of 2017. The bank's profit before tax was VND 663.9 billion rose by 29.2% compared to the level of 2016.

4 2017 FINANCIAL PRESENTATION

Unit: VND billion

Indicators	2017	2016	% change	Notes
Total Assets	1,095,061	948,568	15.4%	
Total Funding	1,011,314	870,163	16.2%	
Gross Loans	840,156	712,642	18%	
Income (Interest income and similar income)	65,277	52,890	23.4%	
Profit before tax	9,206	8,454	8.9%	
Profit after tax	7,459	6,765	10.3%	
ROA	0.9%	0.98%	-	
ROE	12.02%	11.6%	0.42%	

Major financial benchmarks

Indicators	Unit	2017	2016	Notes
1. Capital				
Equity	VND Billion	63,765	60,307	
Charter Capital	VND Billion	37,234	37,234	
2. Business results				
Special mentioned loans	VND Billion	3,627	6,037	
NPLs	VND Billion	9,011	6,982	
Fund utilization indexes				
Loans to deposits ratio (LDR)	%	88.34%	87.96%	
Special mentioned loans/Gross loans	%	0.43%	0.77%	
NPLs/Gross loans	%	1.07%	0.93%	
3. Liquidity				
Liquid reserve ratio	%	14.23%	14.34%	
Ratio of short-time capital used for medium and long term loans	%	35.62%	36.45%	

5 SHAREHOLDERS STRUCTURE, CHANGE IN SHAREHOLDER'S EQUITY

A. Shareholder structure

- Total number of ordinary shares issued: 3,723,404,556
- Total number of outstanding shares: 3,723,404,556
- Treasury shares: 0
- List of shareholders with restricted shares transfer (at 31/12/2017):

	Name of shareholder	ID/ Business License No./ Transaction code	No. of Shares	(%)	No. of shares with restricted transfer
1	State Bank of Viet Nam	15/SL	2,400,204,956	64.46%	2,400,204,956
	Represented by:				
	Mr. Nguyen Van Thang, Chairman of the Board (40%):				
	Mr. Le Duc Tho, Board member & General Director (30%):				
	Mr. Cat Quang Duong, Board member (30%):		720,061,487	19.34%	720,061,487
2	Internal shareholders		259,208	0.01%	259,208
	Board of Directors		259,114	0.01%	259,114
	Supervisory Board		94	0.000003%	94
3	VietinBank Trade Union	310/ToC-CDNH	42,734,749	1.15%	26,800,000
4	Strategic shareholders The Bank of Tokyo-Mitsubishi UFJ, Ltd.	CA6217	734,604,384	19.73%	734,604,384

- Shares listed on international stock exchange:

Issuer:	VietinBank
Type of shares:	Ordinary shares, non-convertible, unsecured
Currencies:	US Dollar (USD)
Volume of listed shares:	USD 250 million
Duration of listing:	05 years from the date of issue
Date of issue:	17/5/2012
Interest rate:	Fixed interest rate of 8.0%per annum
Interest payment term:	every 6 months
Interest payment date:	17/05 and 17/11 each year
Stock Exchange:	Singapore Exchange (SGX)
Regulatory Law:	New York Law
Maturity date:	On 17/05/2017, the shares were matured. VietinBank has fully paid the principals and interests of the shares to the investors and stopped being listed on Singapore Exchange since 8/8/2017.

B. Shareholder structure (as at 31/12/2017):

	Shareholder	Number of shares	Proportion (%)
1	Major shareholders (holding at least 5% of the charter capital)	3,335,673,739	89.59%
1.1	State shareholders (The State Bank of Vietnam)	2,400,204,956	64.46%
1.2	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	734,604,384	19.73%
1.3	IFC Capitalization (Equity) Fund, L.P.	200,864,399	5.39%
2	Other shareholders	387,730,817	10.41%
	Total	3,723,404,556	100%

	Shareholder	Number of shares	Proportion (%)
1	Organizations	3,571,572,920	95.92%
Of which	- State holders (The State Bank of Vietnam)	2,400,204,956	64.46%
	- Other organizations	1,171,367,964	31.46%
2	Individuals	151,831,636	4.08%
	Total	3,723,404,556	100%

	Shareholder	Number of shares	Proportion (%)
1	State holders (The State Bank of Vietnam)	2,400,204,956	64.46%
	Of which:		
	- Mr. Nguyen Van Thang, Chairman of the board, representing 40%:	960,081,982	25.79%
	- Mr. Le Duc Tho, Board Member and General Director, representing 30%:	720,061,487	19.34%
	- Mr. Cat Quang Duong, Board Member representing 30%:	720,061,487	19.34%
2	VietinBank Trade Union	42,734,749	1.15%
3	Other shareholders	1,280,464,851	34.39%
3.1	Local shareholders	163,454,888	4.39%
	- Local organizations	16,415,627	0.44%
	- Local individuals	147,039,261	3.95%
3.2	Foreign shareholders	1,117,009,963	30.00%
	- Foreign organizations	1,112,217,588	29.87%
	- Foreign individuals	4,792,375	0.13%
	Total	3,723,404,556	100%

C. Changes in shareholders' equity: None

D. Treasury share transactions: None

E. Others: None

6 REPORTS ON ENVIRONMENTAL AND SOCIAL IMPACTS

6.1 Report on Corporate Social Responsibility

“Supporting businesses for the wellbeing of community” - VietinBank’s motto over the years

VietinBank has always been a pioneer in carrying out charity and social welfare activities in favor of society’s benefits. We share the responsibilities with the Communist Party, the Government and state provinces that are in need of supports. We understand that engaging ourselves in social welfare activities is not only an important political duty, but truly an enjoyment for VietinBank’s staff and the Executive Management. Social work in poverty reduction and eradication made great contributions in promoting the Bank’s brand name in every corner of the country.



Launching of Hung Nhuong clinic in Ben Tre Province by President of Congress Nguyen Thi Kim Ngan and VietinBank Chairman Nguyen Van Thang



VietinBank Chairman Nguyen Van Thang donated to build Kinder garden school in Ninh Binh Province



VietinBank Deputy General Director Nguyen Dinh Vinh donated Tet gifts to the poor in Cao Bang Province

Social welfare activities

To date, we sponsored nearly VND 6,700 billion, which was taken from the Welfare Fund, a part of the Bank’s annual operating expenses and voluntary contributions of our employees to build over 39 thousand houses for needy families. We constructed nearly 966 bridges and rural roads, 19 water supply systems and reservoirs, supported the poor small-holder farmers with 3,158 cows and buffalos and built 76 disaster prevention infrastructure and community buildings in many state provinces. As part of the implementation of “Vietnam’s marine strategy by 2020” in the spirit of Resolution TW4 to maintain the sacred sovereignty of the country, we funded over VND 131 billion to build 01 cultural center on Nam Yet Island, a multifunctional cultural house on Da Lon B Island, 01 FM station, 04 freshwater pools on Truong Sa Island, 01 memorial monument for Gac Ma Island soldiers and provided other supports to soldiers, fishermen and students on the islands. We are proud to have been a part in maintaining our national security.

In education, VietinBank funded the construction of 620 schools, over 496 classrooms and boarding schools for ethnic students. We also granted over 10,000

scholarships for under-privileged children with good academic records (VND 1 - 3 million/each student); 29,200 pairs of lifesavers were provided to children in riverside communities, as well as other domestic utilities and educational equipment.

In healthcare, VietinBank invested to build 124 healthcare centers, expanded 3 hospitals, 1 clinic and 1 medical college; donated 258 ambulance cars, 02 specialized blood donation vehicles and 37 seven-seat vehicles used exclusively to serve the medical staff rotation according to Project 1816 of the Ministry of Health. Many other medical equipment and supplies including versatile beds, clinic beds, new-born beds, medicine cabinets, bedside cabinets, high frequency ventilators, power generators, endoscopy, ultrasound, X-rays, endoscopic surgical systems and equipment, patient monitoring and other modern medical equipment were provided for central, provincial, district hospitals and commune health stations, to improve the infrastructure and health care conditions for the people. In addition, VietinBank also supported the construction of houses for families of patients at the Hospital of Pediatrics



VietinBank donated 200 houses to the poor in Yen Bai Province



Poverty alleviated as fishermen could access VietinBank fisheries loans



VietinBank donated cattle to the poor households in Ninh Thuan Province

and Cho Ray Hospital in Ho Chi Minh City to provide accommodation for their under-privileged relatives.

In gratitude activity, VietinBank has taken a life care of 300 Vietnamese Heroic Mothers (currently only 54 of them are still alive). We pay regular visits and support seriously wounded veterans in nursing centers with monthly allowances, we also embellish and upgrade a number of martyrs' cemeteries, stone houses, national hero monuments and other historical vestiges etc.... We actively support the Agent Orange victims, disabled children through many volunteer campaigns, other charity programs were also initiated to support the natural disasters victims.

With such achievements in social welfare and gratitude activities, VietinBank was honored to receive various awards from the Government, Ministry of Labor, War Invalids, & Social Welfare, Ministry of Health, Ministry of Education, Vietnam General Confederation of Labor, Ministry of Planning and Investment to recognize our contributions to the society.

(Note: data as at 31/12/2017)

Social welfare activities during the year

In 2017, a total of VND 806 billion was spent for social welfare activities in poor provinces nationwide. We built 4,707 new houses for under-privileged citizens,



Kinder garden Chu Phan (in Me Linh, Hanoi) financed by VietinBank



VietinBank donated 1,000 life jackets to students in Thanh Hoa Province

04 cultural centers, 73 bridges and rural roads and Tet gifts to the disadvantaged residents, etc.

In healthcare, VietinBank has invested to build 17 clinic centers, develop 01 medical examination department and medical equipment. We donated 14 ambulance cars, 01 seven-seat vehicles (according to Project 1816 by Ministry of Health). We also sponsored the program "A heart for the child" to perform heart surgeries for children; and donated charity and nutrition meals.

In education, VietinBank has funded the construction of 56 schools, 02 classrooms, donated 3,000 pairs of lifesavers for children in riverside communities.

VietinBank has funded some constructions of gratitude, given presents to the policy-intent residents on the occasion of July 27th; other donations include: repairing the damaging caused by flood and hurricanes No.10 and No.12 in 2017 in some areas of Vietnam

6.2 Environmental Protection Compliance

a. Number of times the Bank fined for failing to comply with laws and regulations on environment protection: None

b. Total amount fined for failing to comply with laws and regulations on the environment protection: None

6.3 Staff and Labor Policy

a. Number of employees, average wages of workers

The Board of Directors, Board of Management and Supervisory Board are entitled to salaries, bonuses and other benefits under the salary, bonus and other welfare regimes in accordance with the prevailing regulations of the Bank. Of which, remuneration of members of the Board of Directors, Board of Management and Supervisory Board are taken from the general salary budget of the Bank and paid according to roles and responsibilities of each individual associated with level of completion.

Remuneration of the Board of Directors and Supervisory Board in 2017 was 0.35% of profit after tax.

Total number of employees as of 31/12/2017 was 23,784 (including employees of all subsidiaries, business units, representative offices and employees working on temporary basis).



VietinBank Officer advises products and services to customer

b. Labor policies ensuring health, safety and welfare of employees:

VietinBank employees are entitled to the following remuneration mechanisms:

- + Monthly salary is paid based on role and responsibilities of each position, individual capacity and job performance (KPIs);
- + Salary and bonuses are linked with the achievement and performance of agreed upon tasks as well as employees' contribution to final business results of their respective unit. The position and performance-related salary scheme continues to be an important motivation to our employees and helps to improve labor efficiency. 2017 statistics showed an average salary of VND 24.56 million/ employee/month;
- + Each employee is entitled to full insurance benefits under Vietnamese Labor Law which ensures the employees' rights to early retirement, sick leave and maternity leave;
- + Employees are provided with equal opportunities to develop careers by being promoted to senior management positions within VietinBank and are eligible for award consideration.
- + Training is made available to all employees to improve their professional competence;
- + Employees are also eligible for welfare regimes including holiday vacations and labor union benefits in case of sickness, personal and family issues as well as health insurance coverage.
- + Social Security Retirement Benefits are provided to former employees with 2 month's salary before their retirement date. They are also entitled to annual medical regimes and are funded for retirement activities by the Bank;

c. Staff training

- Annual average training hours by number of employees and position.

	System-wide scope		By position					
			Branch Managing Director/ Deputy Managing Director, HO Department Head/ Deputy Head		New employees		Other functional employees	
	Number of training hours	Number of employees	Number of training hours	Number of employees	Number of training hours	Number of employees	Number of training hours	Number of employees
	12,032	22,309	655	962	6,711	2,650	4,666	21,347
Average training hours	0.54		0.68		2.53		0.22	

In 2017, approximately 1,255 classes were organized in many forms such as E-learning, focused class, live-meeting/video conference with a total of 12,032 training hours. The main purpose of these trainings is to raise the capabilities of the employees within VietinBank to meet VietinBank's standards. The courses have been designed to be more practical so that learners can apply the lessons into their work. VietinBank Training School also strives for better educational quality, with the focus on training demands based on career path, self-development track and after-training caring program.

- Training programs by positions:

+ Training programs offered to Branch Managing Director/Deputy Managing Director, HO Department Head/ Deputy Head aimed to enhance senior management skills. A series of management skills training programs were introduced bank-wide for pre-appointed Branch Managing Director/Deputy Managing Director, HO Department Head/ Deputy Head such as negotiating skill, decision-making skill, leadership-pattern change, and power mentoring leaders, etc. Moreover, VietinBank Training School has developed after-training services, including: mind-mapping, providing course documents; knowledge-sharing activities that can be applied to actual work; encouraging the training of trainers at each unit. These services have been adding value to the training courses.

+ The training plans for newly recruited officers (NRO) has been carried out as requested by the divisions, meeting the requirements of VietinBank; specifically, the plan is designed based on 3 positions, including Corporate Clients NRO (11 courses); Retail NRO (19 courses) and Teller NRO (20 courses) to serve a total of 2,650 NROs (recruited at the end of 2016 and within 2017). The advancement of these courses lies in the launch of Real-life perspective program - a place where the heads of departments at Head Office and branches share the experience and consult the learners on matters of credit evaluation, financial statement analysis and investment evaluation etc.

- Training for employments and career development

+ In 2017, VietinBank has organized 1,009 courses in the form of gathered class to enhance the capabilities and skills of employees within VietinBank. In which, enhancing capabilities is on priority; and at the same time, skill developing was also focused in terms of sales, leadership, work efficiency, advanced excel, building slides for presentations, etc.

+ Typical training programs included Sales Movement - training course for Retail Division which was designed by specialized topics and practical experiences. More than 30 courses have been organized as assigned plan, schedule and requirements in terms of forms of training and quality and received positive feedback from employees and managers of Retail Division and branches. In addition, VietinBank Training School has also successfully organized training courses in Risk Management at groups of branches, Information Technology, Vision FX, Crystal Report, etc. so that the employees can access and adapt the modern technologies of VietinBank



REPORT OF
THE BOARD OF
MANAGEMENT

1

ASSESSMENT ON 2017 PERFORMANCE

1.1. 2017 Macroeconomic and banking sector

In 2017, the Government has continued to affirm its creation role, be drastic and creative in macro-economic management, strongly improve the business investment environment, encourage the development of the private sector in association with promoting Start-up business, innovate as well as raise the efficiency and capability of state enterprises, in order to achieve sustainable economic growth. The Government has also created a solid foundation of growth by promoting the improvement of the business investment environment, enhancing the competitiveness, reforming administrative procedures and creating incentives for domestic enterprises to develop and attract foreign investment. Strong reformed policies have helped the economy achieve the highest growth rate of 6.81% since 2011, with the inflation rate under control at 3.53%, lower than the target of 4% assigned by the National Assembly.

Banking operation in 2017 has strongly supported for the economic growth. The liquidity of the banking system is ensured, interest rates are stable and supportive for sustainable growth. Foreign exchange reserves hit a record of USD 53 billion, contributing to macroeconomic stability. Credit growth has reached 18.17%; credit structure has been evolved positively, business production priority sectors have been focused. Moody has lifted the outlook for Vietnam's banking system to "positive". In addition, due to the positivity and initiative of SBV and the Banking sector, the national Assembly and the Government have approved many legal frameworks to speed up the process of restructuring and dealing bad debts such as the 2016 – 2020 Restructuring and dealing with bad debts Plan, Resolution 42 on piloting bad debts resolution, Amendment and supplement of Credit institution Laws. These are significant changes that contribute to the healthiness, competitiveness and efficiency of banks in the coming time.

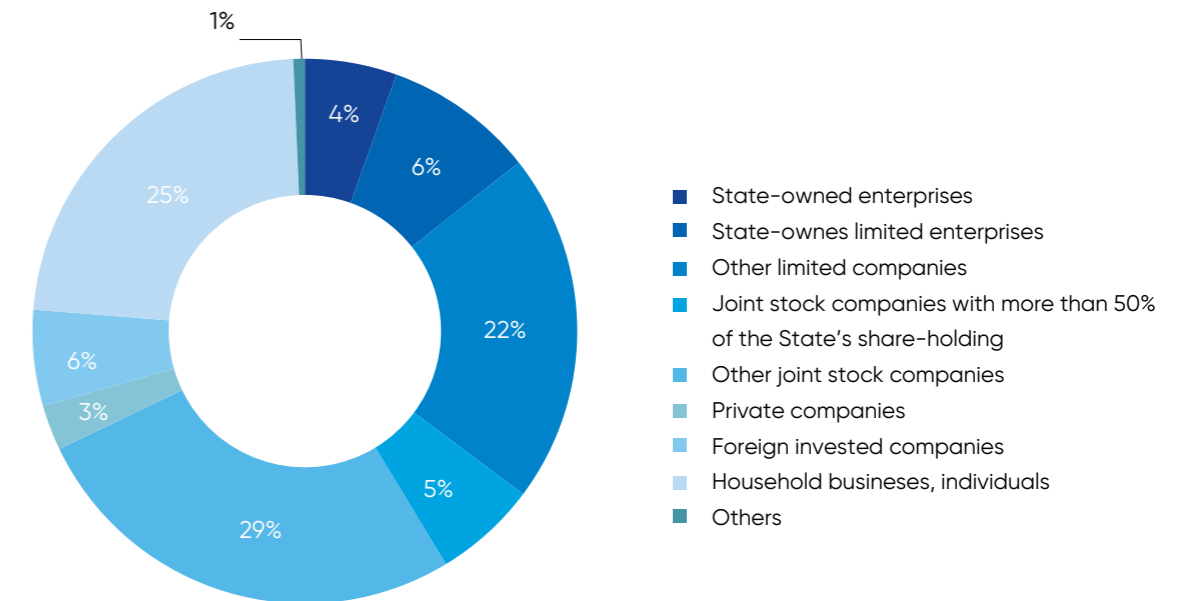
In that context, following closely the Party's orientation, the Government and the State Bank's management, as well as market development and forecasts, VietinBank's Board of Directors has actively, drastically, flexibly and creatively managed and implemented the medium-term business plan for the period 2015-2017. In 2017, the whole VietinBank system has implemented synchronously, strongly business solutions on the basis of sticking to the theme of medium-term business plan. VietinBank's business activities have been remarkably transformed; new business solutions are practical and make full use of market opportunities to promote strong, sustainable and effective growth from the beginning of the year, creating a solid premise for the comprehensive development, breakthrough in business activities in the coming years.

1.2. Impressive growth along with quality enhancement and positively credit structure transition

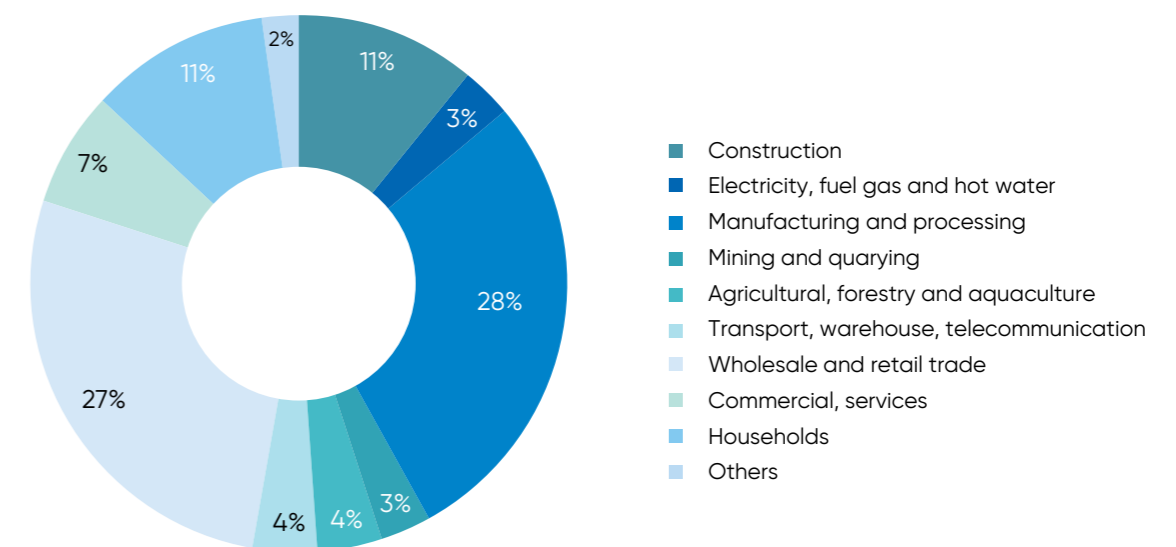
Total asset as of 31/12/2017 reached nearly VND 1,100 trillion, an increase of 15.4% compared to that of 2016. In which:

Lending activities: as of 31/12/2017, outstanding balance was VND 840 trillion, rose 18% compared to the beginning of the year, reached 101.6% plan set at General Meeting of Shareholders. Loan structure is positively shifting toward production and business sectors, which are prioritized and encouraged by the Government. Loan quality is strictly managed, in compliance with the law, regulation and SBV's safety limits. As of 31/12/2017, VietinBank's NPL has been controlled at low level, accounting for 1.07% of outstanding loans.

2017 Loan book by business type

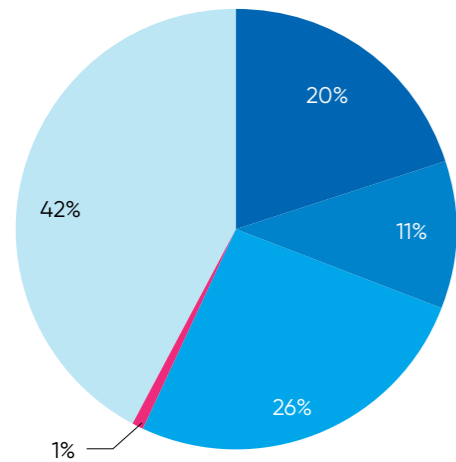


2017 Loan book by industry



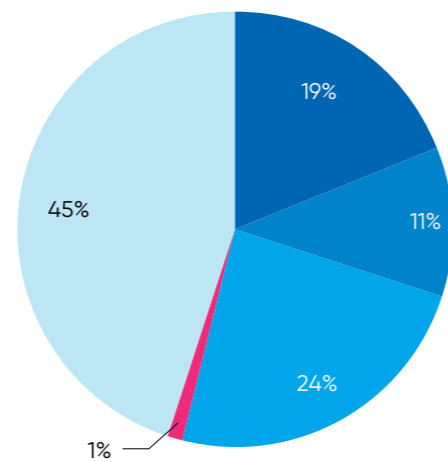
Well-diversified investment portfolio towards profitability enhancement. VietinBank focuses on diversifying its business, promoting modern investment products, continues to be the market maker. Total investment portfolio reached VND 240 trillion; rose by 6.6% compared to that of 2016.

2016 investment portfolio



- Debt securities issued by business entities (excluding VAMC)
- Debt securities issued by credit institutions
- Government bonds
- Equity securities
- Deposits from and advances to other credit institutions

2017 investment portfolio

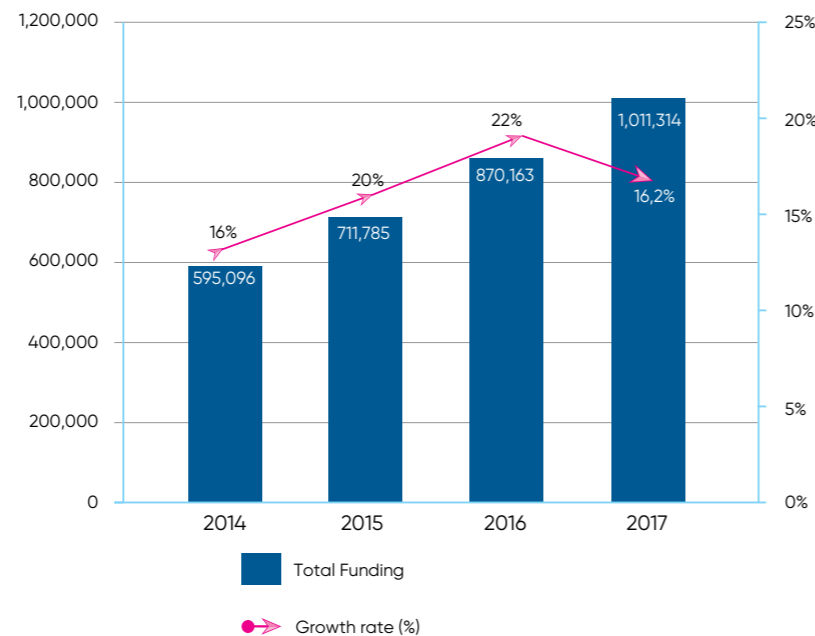


- Debt securities issued by business entities (excluding VAMC)
- Debt securities issued by credit institutions
- Government bonds
- Equity securities
- Deposits from and advances to other credit institutions



1.3. Funding growth is in line with demand, funding structure is diversified

As of 31/12/2017, total funding was over VND 1 million billion, rose by 16.2% compared to the previous year and reached 101.5 % of the target set at 2017 General Shareholder Meeting. Of which, deposit from corporate clients increased by 17% while deposits from individual customers increased by 15.5%. VietinBank always proactively exploits abundant capital in both VND and foreign currencies with reasonable expenses, which promotes the growth of non-term capital source and the source of capital from retail.



1.4. Promote growth from service activities, improve operational efficiency

In 2017, VietinBank has positively introduced non-credit products and services, modern payment solutions, contributing to implementation of the Government and the SBV's policy on developing non-cash payment. Total non-interest income in 2017 increased by 32% compared to the previous year; of which, service income rose by 29%.

Payment services have been strongly developed as the solid foundation for business strategies. VietinBank has gradually deployed payment platform, developed a variety of payment services and modern distribution channels, promoted cross-selling, and provided more high-tech products and services to meet the increasing demand of customers. In 2017, following orientation of the Government to accelerate the reform of administrative procedures, improve the business environment and enhance competitiveness, VietinBank actively coordinated with other provinces to provide online public services, bringing high efficiency in approaching, attracting and sustainably connecting with customers. VietinBank also cooperated with the Ministry of Finance and the State Securities Commission to develop and implement a settlement solution for derivative transactions (VietinBank is honored to be the only bank licensed by the State Securities Commission). This is an important foundation contributing to the diversification of VietinBank's activities.

Card activities and e-banking services continue to grow remarkably. VietinBank received the prestigious "Best E-banking Bank in 2017" award thanks to multi-device, fast, secured, electronic payment methods, increasing interaction with customers. Card products are integrated with modern payment applications and security is enhanced.

FOREX Trading is growing, maintains the second position in terms of market share. VietinBank was awarded as “Best Foreign Exchange Provider in Vietnam” by Global Finance magazine. VietinBank’s forex trading in the primary market and the interbank market accounted for 13-15% of the total market.

Trade Finance and International Payment: VietinBank has developed new products for international payment, trade finance through the design, improvement and supply of specialized products (supply chain financing, factoring ...) for each sector/ customer, and upgraded the technical system to best serve the needs of customers. As a result, fee revenue is increased by 22% compared to 2016. In 2017, VietinBank was honored to receive the “Best Commercial Bank in Vietnam” award by The Asian Banker Magazine and “Best Commercial Bank in Vietnam” award by The Asset Triple A Magazine, raising the profile of VietinBank in the region

Investment banking has been boosted to meet the needs of enterprises in the field of equitization consultancy, capital divestiture, corporate finance restructuring, linking business between domestic and international enterprises, enhancing the prestige and image of Vietnam.

1.5. Positive business results achieved by subsidiaries and affiliates

Subsidiaries and overseas branches: In 2017, strong growth was reported with profit before tax of VND 560 billion, rose by 39% compared to that of 2016. Subsidiaries investment activities not only help VietinBank to provide customers with a range of financial products and services, but also contribute to the consolidated profit of VietinBank as the subsidiaries’ business outcomes have remarkably grown over the previous year.

Investment in joint ventures and affiliates of VietinBank are long-term safe investments. Majority of our investments result in constant dividends over the years. The enterprises that VietinBank have invested in are the leading local ones with strong financial health and solid business performance.

1.6. Remaining to be a high performance bank

Profit before tax as of financial year ended 31/12/2017 was VND 9,206 billion, reached 105% of the target set at 2017 General Shareholder Meeting. Of which, positive changes were recorded in service income with an increase of 29% against 2016. Profitability ratios such as ROE and ROA respectively hit 12% and 0.9%, met the targets set at 2017 Shareholder General Meeting.

Performance of our subsidiaries and foreign branches continued to grow strongly and VietinBank was proud to be the leading bank contributing to the State Budget.





2 FINANCIAL SITUATION

2.1. Assets

- **Total Assets** as of 31/12/2017 reached VND 1.1 million billion, an increase of 15.4%, equivalent to 101% of the 2017 General Meeting of Shareholders' plan.
- **Balances with the State Bank of Vietnam**, as of 31/12/2017, had increased 53.7% compared to the beginning of the year. VietinBank has fully complied with the State Bank of Vietnam's regulations in terms of compulsory reserves.
- **Placement with and loans to other credit institutions**, as of 31/12/2017, reached VND 107.5 trillion, rose 13.8% compared to that of 2016.
- **Securities investments** had reduced by VND 6.4 trillion, since in 2017 VietinBank has bought VND 6.7 trillion VAMC bond by its own financial resources.
- **Loans to customers:** In line with the recovery of economy, production and trading activities, VietinBank's outstanding loans in 2017 had grown impressively with an increase of 19.4%; Gross loans/Total Assets ratio was kept at 72%. The growth of outstanding loans focused on the individual customers segment and sectors encouraged by the Government as outlined in the business strategy of the Board of Directors. Along with outstanding loans growth, interest income had grown up by 22% compared to that of 2016.
- **Asset quality** was strictly controlled and complied with loan classification requirements of the State Bank of Vietnam. VietinBank continued to maintain the best asset quality with non-performing loans ratio of 1.07%.

2.2. Liabilities

- **Total Liabilities:** as of 31/12/2017 reached VND 1,030 trillion, up 16.1% compared to 2016.
- **Deposits and Borrowings from other credit institutions:** as of 31/12/2017 reached VND 115 trillion, rose by 35.2% compared to 2016.
- **Customer deposits:** as of 31/12/2017, reached VND 753 trillion, increased by 15% compared to 2016.
- **Shareholders' equity:** reached VND 63.685 trillion, grown by 5.7%. Chartered capital has remained at VND 37.234 trillion. VietinBank continued to have highest equity and charter equity in Vietnam.

3 RENOVATION, IMPROVEMENT IN ORGANIZATION STRUCTURE, BUSINESS MANAGEMENT

In 2017, in the context of global economic turbulence, domestic economy and the banking sector face many difficulties, and challenges from outside and inside, closely following the orientation of the Party, the Government, the State Bank, market forecasts in 2017, the Board of Directors of VietinBank has been initiative, drastic, flexible and creative in executing and implementing medium-term business activities for the period of 2015 - 2017. Business activities in 2017 have changed positively, with innovative and, highly practical business measures, making full use of market opportunities to promote strong, sustainable and effective growth from the beginning of the year.

3.1. Leading in implementing policies and orientation of the Government

- Proactively implement the policy of reducing lending interest rate for production sector and five priority sectors to meet customers' needs, especially small and medium enterprises, households, FDI enterprises and large enterprises. Credits growth for priority sectors in 2017 was over 30%, higher than the overall credit growth of the entire system, accounting for about 60% of total outstanding loans. In 2017, VietinBank has reduced interest rates three times, including reduction of 0.5% interest rate for five priority sectors.
- VietinBank was also the leading bank to connect banks with corporates through business promotion in locals, preferential interest rates, which are appreciated by the locals and the State Bank of the provinces/cities.

3.2. Strengthening, improving financial capacity

- In 2017, VietinBank's strategy was to grow on average scale, requiring branches to grow quickly and strongly from the beginning of the year and increase steadily throughout the year instead of focusing at the end of the period. VietinBank has promoted business restructuring, including customer, sectors and economic areas. In specific, VietinBank has focused on retail and small and medium enterprises. As a result, the customer structure has shifted significantly from the 70% dependence on large clients in the period before 2014 to only 44% at the end of 2017. Income structure continues to improve compared to 2016, non-interest income accounted for 19% of total income.

3.3. Aggressive in asset quality and NPLs control:

- Apart from enhancing the development of business activities, VietinBank focused on growing sustainably, selectively with regards to efficiency and quality. The bank also maintained close control over loan quality, minimized the level of bad debts generated, maintained the high level of asset quality with the NPL ratio kept under 1.2%.
- Setting resolving bad debts and debts sold to VAMC as a primary goal of 2017, VietinBank had carried out many solutions concurrently and intensively since the beginning of the year, effectively adapted Resolution 42 in bad debts and collateral settlement. Total value collected from risk handling and debts sold to VAMC rose by 35% compared to that of 2016, reaching VND 3,800 billion. At the same time, in 2017, VietinBank also resolved nearly VND 7,000 billion worth of debts sold to VAMC with its financial resources and application of debt recovery measures. With this achievement, VietinBank has fulfilled the object 3 years prior to the expected schedule.



- Risk management activities were enhanced and synchronized throughout VietinBank's system, which has resulted in remarkable changes. The model with three-round of control was effectively put into practice, ensuring the business activities in line with business strategies. The culture of risk management and commitment awareness were promoted throughout VietinBank's system. VietinBank also prepared the necessary factors to make sure that its schedule of adapting Basel II's standards matched the requirements of the State Bank of Vietnam.

3.4. Concurrently carry out measures to improve financial capabilities

- In 2017, VietinBank successfully issued VND 4,200 billion worth of subordinated bonds to the market. The successful issuance of the largest volume ever of commercial bank's subordinated bonds proved VietinBank's reputation and market position, and also reflected VietinBank's effort in capital-raising. Additionally, VietinBank was carrying out measures to optimize the capital utilizing efficiency such as restructuring the risk weighted asset portfolio, the investments portfolio; restructuring the bank's equity to improve the financial capabilities, serving the purpose of sustainable development.

3.5. Adapt the advanced technology platform to develop products and services that best satisfy clients' demands and improve managing capabilities of the bank

- In 2017, VietinBank successfully transformed its CoreBanking system – the largest and most complex project in the banking sector until now. The successful implementation of the Core marked an essential improvement that raised the position of the bank, met the technology's demands for long-lasting and sustainable development. Shortly after the deployment of the new CoreBanking system, the innovating activities in IT were enhanced, which helped to

4

2018 DEVELOPMENT PLAN

raise the effectiveness of distribution channels, to develop new products, services, applications that served customers' demands with high level of security and protection. The bank's competitiveness was also improved, along with the operation management, risk management and productivity of the whole system.

3.6. Focus on human resources, training activities, optimize the operational model, improve the process, enhance productivity to promote business activities

- Optimize the operational model: VietinBank continued to build the model of united service divisions, which is applied from the head office to every department in VietinBank's system to enhance the capabilities of administration management, risk management, specialize the business activities in accordance with international regulations. In 2017, VietinBank established the Credit Approval Division, Brand & Communication Division; completed the organizational model, functions and duties of departments within each division.
- Improve the process, enhance productivity: VietinBank researched and put into practice the projects of enhancing productivity, optimizing the processes, setting up authority for head office and the departments, reviewing the human resource's quality and demand of each unit to relocate human resources accordingly.
- Human resources, training: VietinBank has completed the Survey of Employee Satisfaction; identified talents (Top 500) who are potential to take leadership position in the future for training, and retention. The training has many innovations to diversity, update, and meet the practical work's demand. VietinBank has also applied many preferential policies for senior executives, talents, senior staffs and staff to acknowledge the contributions of employees, improve the level of satisfaction and cohesion of workers.

3.7. Upgrade service quality to meet ISO 9001-2015 standard, introduce the VietinBank's Brand Identity 2017

These activities increased the customer's trust, ensured the consistence in branding activities, created image of a trustworthy commercial bank that is helpful to clients, investors, the public and market.

3.8. Continue to take the lead in social welfare activities, fulfill corporate social responsibility, contribute to enhance the image and position of VietinBank

VietinBank effectively implemented the guidelines, policies of the Party and the Government in terms of erasing hunger, reducing poverty, recovering from natural disasters, supporting the development of healthcare, education via charity & social welfare programs throughout the country. Particularly, VietinBank actively supported the recovery from damage caused by flood and hurricane at north-western and central Vietnam. The bank also focused on actions of gratitude towards heroic martyrs, policy families, and contributors to the revolution.

In 2018, although the domestics and global economies are expected to face many challenges, the overall trend is believed to be more positive than that of 2017. Macro economy shall remain stable with inflation rate kept at below 4%, economic growth is expected to be about 6.7%, supporting the activities of domestic enterprises and attracting foreign investments; the customers' demands would also increase with preference towards modernized products and services with high utilities, giving more developing opportunities to the banks, especially in retail banking, transaction banking, and investment banking.

Pursuant to the director of the Government, the State Bank of Vietnam, in light of the movements of the macro economy, taking advantage of the potential for development in banking & finance industry, with the greatest effort and determination, VietinBank as a whole shall follow strictly the established objectives, specialize business activities, transform the business structure, and grow selectively and efficiently. The bank shall also rapidly improve service quality, develop advanced products and services, increase service incomes and non-interest incomes to improve income portfolio. VietinBank would effectively implement restructuring project for the period 2016 - 2020 with emphasis on raising financial capability, enhancing debts settlement, transparentizing balance sheet, continuously striving to standardize every aspect of operation, developing infrastructure, modernizing information technologies, increasing risk management capability, administration management capability in accordance with the international standards and regulations, reinforcing the leading position of VietinBank in the market.

4.1. Business activities

- VietinBank shall intensively implement measures to promote business activities since the beginning of the year in accordance with mid-term business plan, embed growth with efficiency, towards stable, sustainable, and selective development, maintaining the role of the leading State-owned commercial bank, the pillar in supplying and providing banking services for the economy. VietinBank shall transform the business structure, with the private sector being the main force of development for the economy, and focus SMEs banking and Retail banking. The bank shall also selectively maintain the market shares in the sector of public enterprises, accompany and support the development of these enterprises. VietinBank shall continue to maintain the position of the top bank in serving large corporate clients. The bank shall grow rapidly with focuses, effectiveness and security in the sector of FDI enterprises. Manufacturing and other areas prioritized by the Government shall also be emphasized by VietinBank.
- Growing financial capabilities and charter capital: VietinBank shall strictly follow the schedule of raising capital submitted to the State Bank of Vietnam and carry out measures to raise financial capabilities such as restructuring risk-weighted asset portfolio based on setting risk-weighted asset limits for each segment, encouraging the development of sectors with low risk indexes and improve the guarantee measures for credit loans, closely monitoring credit portfolio, limiting credit growth in high-risk area like real estate, stock investment etc., withdrawing capital from low-return investments.

4.2. Risk management

- The bank shall strive to improve risk management capability, especially for the new technology risks. The supervision activities shall be emphasized throughout the whole system. VietinBank will improve the efficiency of three-round controlling system and enhance awareness and culture of compliance. VietinBank shall actively seek to detect the signs of risk to issue early warning, prevent and come up with the solution in time. Transaction supervision, branch supervision shall be focused with the premise of detecting risks early. Loan pricing, interest rate shall be determined based on clients' risk level. VietinBank shall actively review all process, procedures, internal policies to make sure there would be no flaw to be exploited. Internal control shall also be emphasized, penalties shall be applied upon violations.
- VietinBank shall implement the Basel II in accordance with the schedule given by the State Bank of Vietnam.
- The bank shall strictly follow the guideline and directions of the State Bank of Vietnam, effectively adapt Resolution 42 and supporting policies to resolve difficulties in solving bad debt and debts sold to VAMC.

4.3. Supporting activities

- Strongly develop products and services of payment banking and investment banking, attracting CASA, contributing to the fast shifting and diversification of income structure. We diversify sales channels, renew sales methods, improve service quality, promote cross-selling in batch, increase fee and improve income structure. VietinBank shall develop specialized products, mechanisms and policies suitable to each industry, geographical area and customer segment, upgrade modern sales channels, strengthen cooperation with Fintech companies in the field of payment, artificial intelligence and application of new technologies.
- Continue to improve labor productivity, service quality; increase customer satisfaction. We reform procedures, and documents, reduce operating time, minimize time for handling each transaction, prioritize customer service, and improve service quality. Procedure reform should ensure parallelism, balance between increased productivity, better management of operating costs, increased efficiency and reduction of operational risk, and operational safety.

4.4. Bank modernization

The Bank shall apply advanced features of the new CoreBanking system to improve the efficiency of distribution channels, develop service products, meet the demand of business and improve governance and risk management capacities and increase productivity throughout the system.

4.5. Human resources

VietinBank shall implement the project on raising labor productivity, quality of human resources, and ensures high labor incomes. We consolidate network, review and reallocate reasonably network units, continuously improve operational efficiency. VietinBank continues to transform the organization model of the Head Office, and consolidates the model at the branch. The medium-term human resource plan will be implemented in association with the medium-term business plan.

4.6. Communication

VietinBank shall implement a proactive, practical, effective communication strategy associated with the bank's business; actively coordinates with media agencies, communication units in the industry to advertise macro management policies, currency policies, and VietinBank's operation to strengthen the support of individuals, and enterprises to the banking sector in general and VietinBank in particular.

4.7. Social welfare

VietinBank remains to promote its role and responsibility as a leading bank in implementing social welfare and sharing with the community in poverty alleviation, sustainable development in accordance with the policy of the Party and State.

2018 is also the 30th anniversary of VietinBank, the Board of Directors and all staffs of VietinBank will continue to promote achievements, overcome difficulties, constraints, determine and focus in achieving excellent goals, in order to affirm VietinBank's leading position and contribute to the development of the banking sector and social economic development of the country.



5 EXPLANATION OF THE BOARD OF MANAGEMENT FOR AUDITOR'S OPINIONS

None

6 REPORT ON ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

a. Report concerning labor policy

- **Ensure employment for workers:** In 2017, over 23,000 workers in the whole system have been arranged to work in appropriation with the qualifications and ability to work. This activity ensures that all employees in the system are employed and have signed labor contracts under the Labor Law.
- **Salary and allowance:** The salary payment mechanism is linked to the roles and responsibilities of the position, capacity and the performance (KPIs). In 2017, VietinBank was proud to ensure that salary of the next year higher than that of last year. The salary was paid properly and in full to all employees with an average of 24.56 million VND/ person/ month.
- **Social insurance:** All employees are insured under the law and regulations. Their benefits are ensured in cases of sickness, retirement and maternity. In case of retirement, VietinBank coordinates closely with the insurance agency so that the employee can retire at their retirement age with an allowance of 02 months' salary and expenditure allowance for the last 6 months preceding the retirement date.

b. Assessment related to the responsibility of the bank to the local community

"Developing for the interest of the community" has been our motto for years. In addition to strive to accomplish excellently the business tasks assigned by the Party, the Government and the SBV, VietinBank has always been a pioneer in the country to carry out charity and social welfare. VietinBank always realizes that engaging social welfare is not just an important political duty, but also responsibility and happiness. These activities have contributed to promoting VietinBank's brand name across the country.

Up to now, VietinBank has sponsored nearly VND 6,700 billion to support local authorities in social security and gratitude in 63 provinces and cities nationwide. In particular, emphasis was placed on building houses for the poor, building and upgrading schools, health clinics and new rural construction programs as well as supporting local provinces to overcome the consequences of natural disasters....

Many poor localities after the assistance of VietinBank: The cultural and spiritual life of the people has improved significantly; poor people have houses for living, stable life, better conditions for health care, convenient transportation; children have good school facilities to enjoy learning, people affected by natural disasters are also reducing the pain, loss ...

With positive contributions in social welfare and gratitude activities, VietinBank was honored to receive the Certificate of Merit from the Prime Minister, Ministry of Health, Ministry of Education and Training, Ministry of Labor, Invalids and Social Affairs, Society ... and many provinces/cities in recognition of our contributions.



REPORT OF
THE BOARD OF
DIRECTORS

1

ASSESSMENT ON 2017 PERFORMANCE

1.1. Remarkable results have been achieved:

Total assets of VietinBank as of 31/12/2017 has reached VND 1,100 trillion, up 15.4% compared to 2016 and completed 101% of the target set at 2017 General Meeting of Shareholders. VietinBank continues to be one of the leading commercial joint stock banks in term of total asset. Outstanding loans have reached VND 840 trillion, up 18%, of which outstanding loans to the economic sectors reached VND 791 trillion. In 2017, VietinBank has intensively restructured credit for economic development, concentrating on lending to production sectors, priority sectors set by the Government, supporting enterprises to develop sustainably. Credit growth was closely linked to debt quality control, NPL was 1.07%, lower than the industry average.

- **Strong transition of customer segments, income structure improved:** Under the direction of the Board of Directors, VietinBank promoted retail banking, SME banking and FDIs, and selectively develop large enterprises sector. At the same time, we also focused on development of non-credit products, investment banking services, and payment solutions. Of which, payment services were identified as key task. VietinBank is proud to be the leading bank in the development of payment solutions, meeting all payment needs of a safe and effective economy, contributing to promote non-cash payment.



- **Financial capacity enhancement:** The successful issuance of VND 4,200 billion worth of bonds to the public confirms the prestige of VietinBank to investors, demonstrates the remarkable effort of VietinBank in enhancing its financial capacity for sustainable development strategy.

- **VietinBank's results have been recognized and honored with many awards:** On the list of Top 1,000 global banks of The Banker, VietinBank ranked 376, up 6 places compared to 2016 and is the highest ranking bank among the 13 Vietnamese banks on the list; "Best Commercial Bank of Vietnam 2017" by The Asset Triple A; "Bank of the Best Commercial Bank in Vietnam" awarded by Asian Banker; "Vietnam's fastest growing SME Bank 2017"; "Best Retail Bank in Vietnam" by Global Banking & Finance Review. At the same time, VietinBank has the highest credit rating of Moody's, S&P, and Fitch.

1.2 Shareholder equity and investor relation:

Shareholder equity: as of financial year ended 31/12/2017 reached VND 63,765 billion, of which charter capital is maintained at VND 37,234 billion. VietinBank was proud to be the best capitalized bank in the country with strongest capital structure: State Bank of Vietnam holds 64.46%, foreign strategic partners BTMU and IFC hold 19.73% and 8.03% respectively, minority shareholders account for the remaining of 7.78%. Capital adequacy ratios were well-maintained and fully complied with prevailing regulations and requirements.

- **Investor Relation:**

Investor relations were emphasized during the year to ensure its importance in connecting VietinBank's Board of Management with local and foreign investors.

VietinBank successfully held the 2017 General Meeting of Shareholders by adopting important contents as prescribed in the Law as well as paying cash dividends of 7% per share for 2016.

Moreover, Investor Relation team also continues to provide information to local and international investment funds, securities companies and analysts. These activities significantly contributed to our reputation and shareholding value enhancement by timely and transparent information disclosure as well as good relations with the market.

In addition, VietinBank continued to be the bank that publishes sufficient and transparent information in both Vietnamese and English, in compliance with current regulation. Other activities including regular public relations and press release are strongly emphasized in improving VietinBank brand image.

1.3 Governance

- Senior leadership

2017 is the fourth year in the five-year term (2014–2019) of the Board of VietinBank with the members:

- Mr. Nguyen Van Thang – Chairman of the Board of Directors;
- Mr. Le Duc Tho – Member & General Director;
- Mr. Cat Quang Duong – Member;
- Ms. Nguyen Hong Van – Member;
- Ms. Tran Thu Huyen – Member & Director of Human Resource Division;
- Mr. Yotaro Agari – Member
- Mr. Hiroshi Yamaguchi – Member & Deputy General Director (appointed as Member of the Board of Director since 17/04/2017, and as Deputy General Director since 15/5/2017)
- Mr. Phung Khac Ke – Independent Member
- Mr. Hiroyuki Nagata and Mr. Michael Knight Ipson – Former Member (resigned since 17/04/2017)

Members of the Boards were united to successfully complete assigned tasks, continued to promote our internal resources, managed and implemented innovation policies and led VietinBank in fulfilling 2017 business plans.

- Strengthening organizational model and network management

VietinBank developed its network in all provinces and cities nationwide and gradually integrated in the international market.

VietinBank has a domestic network including: Head Office in Hanoi, 155 branches nationwide, 02 representative offices, 01 Trade Finance Center, 05 Cash Management Centers, 03 non-business units (Card Center, Information Technology Center, School of Human Resource Development & Training) and 958 transaction offices.

Foreign network including: 02 branches in Germany, 01 representative office in Myanmar and 01 subsidiary bank in Laos (01 Head Office, 01 branch in Champasak, 01 transaction office in Vientiane)

In 2017, VietinBank has continued to replicate the Cash Management Center Model and consolidate labor at the Cash Management Center in Ho Chi Minh City. VietinBank has researched, reviewed and adjusted the monetary and vault management department and accounting department at some small-scale branches; adjusted the credit support model for corporates, individuals at all branches in the system, in order to streamline the process and enhance labor the productivity.

- Enhance the risk management and implementation of regulations on internal control and audit

Effective internal control system is identified as a key element for sustainable operations by the Board of Directors. A good internal control system is able to ensure the achievement of VietinBank's goals and objectives, long-term profitability goals, and the maintenance of financial and managerial report. A sufficient internal control system also helps to ensure the Bank's compliance with laws and regulations as well as adherence to internal policies, rules and procedures, reducing the risk of unexpected losses as well as negative impacts on our reputation.

With that awareness, risk management is focused, ensuring the implementation of regulations on internal

control and audit in accordance with contents of Circular 44/2011/TT-NHNN.

+ Internal Control: The Board of Directors has implemented the following contents:

(i) Approve and periodically review, reassess business strategy and major, important policies to ensure that risks affecting the bank's goals and achievements are identified, monitored continuously and controlled effectively and timely; (ii) Periodically review and reassess the internal control system including: risk identification, evaluation, prevention and management through Risk Management Committee; (iii) Maintain efficient internal control system through Risk Management Committee / Policy Committee / Product Committee / Payment Committee ..., through early identification/ warning system; and regularly and irregularly reports; (iv) Apply three-round risk management model: Round 1 (Branches); Round 2 (departments in Risk Management Division) and Round 3 (Internal Audit), creating overall strength, enhancing productivity, quality and efficiency of risk management; (v) Streamline procedures, forms and systems to facilitate customer convenience, set up tight and effective controls in all procedures; (vi) Successfully replace the Core Banking system, meeting the objectives of modernization, standardization, labor productivity improvement, minimizing operational risk,; (vii) Timely supervise and urge the implementation of the SBV's guidance and requirements on the internal control system; Create reports to the SBV about credit, investment, deposit, operational risk control activities.

+ Internal Audit: The internal audit is organized and operated in accordance with the regulations, under the direct guidance of the Board of Supervisors, to independently evaluate the suitability, effectiveness and efficiency of the internal control system at the operational level and at units.

- In 2017, VietinBank will continue to implement the three-round control model in risk management. Accordingly, internal audit plays the role in the third round which independently and objectively audit and evaluate important and strategic issues. Internal Audit Unit has identified key banking activities through audit process. Evaluation results of round 1, 1.5 and 2 will be utilized and combined with the independent assessment results during auditing process to give recommendation and proposal to minimize the risk but still reduce the overlap in auditing activities.

- The method of auditing was renewed, deployed vertically, changed from assessment on compliance to assessment on suitability and efficiency (of documents and policies, organizational model, the manual and automatic controls) of each auditing activities; The annual internal audit plan is developed and implemented on the basis of risk orientation. The results of the internal audits and recommendations of the Internal Audit Unit to improve internal control system are reported to the Board of Supervisors, the Board of Directors, the General Director and the Inspection and Supervision Agency of the SBV (critical violations in the whole system shall be reviewed and appraised by the internal audit unit and reported to the Supervision Board, the Board of Directors, General Director and Inspection and Supervision Agency quarterly).

- In order to fit the vertical audit method from the Head Office to the Branch, the internal audit unit has transformed its organizational structure in the orientation of centralizing internal audit operations in Head office, terminating operations of 02 regional offices in the Middle and South. Since then, the specialized audit teams have been created to supervise the quality of internal audit teams.

- In 2017, VietinBank issued Code of Auditors' ethics, guidance to assess audit quality to specialize principles of internal auditors, prevent conflicts of interest and increase audit quality.

- Developing advanced information technology platform

In 2017, VietinBank has successfully implemented two major strategic projects, Core Banking and Data Warehouse. The successful implementation of Core Banking project has upgraded VietinBank's IT system to the next level, not only by supporting the business activities but also by helping to increase the productivity via automated processes, automatic data-checking rules, improvement of batch-processing functions, etc., which accordingly reduced the pressure put on the tellers, increased customer satisfaction and ultimately enhanced VietinBank's competitiveness against other banks. With these outstanding features, VietinBank was awarded the prize for "Best Core Banking Project" by The Asian Banker at Vietnam Country Awards 2018. The Data Warehouse after launching has centralized all data sources, making it easier to generate management reports; the system with open and highly flexible design has well facilitated the management reporting system, improved the customer analyzing and cross-selling capabilities, which contributed greatly to the Board of Directors' decision-making process. The award for "Best Data Analysis Project" was the recognition The Asian Banker for the success of this project.

Apart from the two strategic projects, in 2017, VietinBank has continued to expand its linkages with third parties, launched new technology projects like QR code, which helped to diversify the product portfolio, enhance customers' experience, attract new clients and reinforce the brand loyalty of existing ones. The applications on Mobile Banking have also been developed and improved continuously, bringing convenience to the individual customers and attracting new ones.

Corporate clients have also been a priority with the development of specialized services such as cash flow management system, assistance in capital management and allocation, which has attracted many new clients and their sources of deposits. The cash flow management application after launching has helped VietinBank win the prize for "Bank with best cash management flow service", which was awarded at the end of 2017 by Asia Money - a leading magazine in Asian in economy and finance.

As part of the series of projects to meet the Basel II standard, the application of "Daily Liquidity Management" after launching has helped the bank to improve the efficiency in capital utilization by greatly lowering the Nostro account balances and average reserves while still managing to maintain liquidity, making VietinBank the first bank to adapt the standards of Basel II in daily liquidity management.

In 2017, VietinBank IT Center has also set up two research groups focusing on Fintech and Big Data, which are two new technologies that have been widely adapted throughout the world during recent years. In 2017, VietinBank was the first bank in Vietnam to offer a centralized non-internet service portal at <https://developer.VietinBank.vn/vtb/public> to its partners (12 APIs for e-wallet partners and 27 APIs for internal banking systems and utilities). Different partners can share these services to connect to VietinBank's systems. This system has increased its utilities, payment channels for clients (via e-wallet partners like Momo, Zalo, etc.), which accordingly attracted more clients and increased the incomes from service fees as well as the deposits from partners (on average, each partner puts a deposit of VND 50 billion at VietinBank).

In addition to the investment in client-oriented applications, the IT system has also focused on increasing tellers' utilities, supporting RMs in approaching and managing clients.

Supervision and security of information within the bank has also been emphasized. The IP camera system with more than 1,000 cameras and 47 storage cabinets has been installed at branches' transaction offices to enhance the monitoring the operation of branches/transaction offices, support the security and safety checking activities. At VietinBank's IT Centre, security systems are frequently maintained and improved, the applications are meticulously tested and protected before being put into practice to meet the security and safety standards in transactions, increase customers' trust and ensure the safety and security for the bank's activities.

In 2017, as part of the plan of developing Private Cloud, VietinBank IT Center has completed the following supporting modules:

- Automating the process of server configuring;
- Monitoring resources with detailed analysis reports;
- Calculating expenses

The deployment of these modules is a fundamental change in VietinBank's infrastructure virtualization strategy, making it possible to utilize and optimize the available resources and reduce the cost of new investments.

2 BOARD OF DIRECTORS' ASSESSMENT ON PERFORMANCE OF THE BOARD OF MANAGEMENT

The Board of Directors always concentrates on monitoring the operation of the Board of Management in accordance with Internal Control Procedure, Principles of the Board of Management. The General Director is also a member of the Board of Director, which ensure the supervision of the Board of Director over the operation of the Board of Management.

At the monthly meetings of the Board of Directors, the General Director provided reports on every aspect of VietinBank's operation as well as the results of implementing the Resolutions issued by the General Meeting of Shareholders, the Decisions and Resolutions made by the Board of Directors, and discussed several essential issues, which were directly related to the business activities of VietinBank.

The Board of Directors also assigned the Board of Management to closely follow the macroeconomic and market movements to flexibly implement the main objectives in order to successfully implement the business plan of 2017 assigned by the General Meeting of Shareholders.

3 FUTURE PLANS, ORIENTATIONS OF THE BOARD OF DIRECTORS

In 2018, although the international and domestic economies are expected to face many challenges, the overall trend is still more positive compared to 2017. In 2018, the Government will continue to focus on implementing policies to encourage actual changes, improve productivity, quality, efficiency and competitiveness, and promote innovation and administrative reform. The Government will continue striving to stabilize the macro economy, keeping the inflation rate below 4% and the economic growth rate at approximately 6.7%. The development of domestic enterprises and investments from overseas will be facilitated. The State Bank will continue to flexibly monitor the monetary policies to stabilize the monetary supply and market, ensure the systematic liquidity, and efficiently provide capital for the economy.

Following the directions of the Government and the State Bank of Vietnam, with regards to the macro economy, VietinBank will take advantage of potential development of banking and finance sector, and promote the Communist Party's leading role in every aspect of the banking sector. Year 2018 is also 30th anniversary of VietinBank, the Board of Directors has addressed the 05 main missions: (i) Developing business activities sharply and sustainably; (ii) Growing efficiently and controlling closely asset quality, resolving all NPLs sold to VAMC within 2018; (iii) Developing advanced products and services, especially transaction banking services; (iv) Standardizing every aspect of operation, improving financial capabilities,

risk management, developing infrastructure, modernizing information system to meet international standards; (v) Managing costs, improving the operation efficiency of the organization, providing the strong foundation to serve the goal of meeting regional standards in 2020.

The Board of Directors and all personnel of VietinBank shall continue to promote achieved results, overcome obstacles and difficulties, determine to achieve the objectives, reinforce the image of VietinBank as a large, leading commercial bank, contributing greatly to the development of banking sector and socio-economy of the country.

In 2018, total asset is expected to grow by 10-12%, total funding is expected to grow by 10-14%, and gross loans are expected to grow by 14% (the specific targets are pursuant to the approval of State Bank of Vietnam).

Indexes of business performance are followed by approval of 2017 General Meeting of Shareholders.



CORPORATE
GOVERNANCE

1 BOARD OF DIRECTORS



Mr. NGUYEN VAN THANG Chairman

Mr. Nguyen Van Thang, born in 1973, holds PhD in Economics, was appointed Chairman of the Board in 04/2014.

He is currently Alternate Member of Central Committee XII - Communist Party of Vietnam, Member - National Assembly XIV, Member - Standing Party Committee - Communist Party of State Enterprises, Secretary - VietinBank Communist Party and Chairman of the Board of Directors of Vietnam Joint Stock Commercial Bank for Industry and Trade.

Joined VietinBank in 1996, Mr. Nguyen Van Thang has served in several senior capacities including Assistant to the General Director, Deputy Chief of Office, Deputy Director - Corporate Department, Director - Corporate Department, Managing Director - VietinBank Hanoi Branch, Member - Board of Directors & Acting General Director, Member - Board of Directors & General Director before being appointed as Chairman of the Board.



Mr. LE DUC THO Member & General Director

Mr. Le Duc Tho, born in 1970, Ph.D. in Economics, was appointed to serve as member of the Board and General Director in 04/2014.

He is currently Deputy Secretary of VietinBank Communist Party, Member of the Board of Directors & General Director of Vietnam Joint Stock Commercial Bank for Industry and Trade.

Joined VietinBank in 1991, Mr. Le Duc Tho has served the following positions: Team Lead - Credit Approval - VietinBank Vinh Phu Branch; Deputy Head of Business Department - VietinBank Phu Tho branch; Deputy Director - ALCO Department; Deputy Director - ALCO & Treasury Department, Director - Treasury Department, Deputy General Director. Prior to his appointment as General Director of the Bank, he also served as Chief of Office at the State Bank of Vietnam.



Mr. CAT QUANG DUONG Member

Mr. Cat Quang Duong was born in 1959. He holds a Master in Banking and Finance. In 02/2012, he was appointed to serve as Member of the Board of Directors. In 01/01/2017, he was appointed as specialized Member of the Board of Directors.

Throughout his career as a banker, Mr. Cat Quang Duong has served as Deputy Director - Credit Department, Director - Credit Department and concurrently Deputy Director - Credit Division - State Bank of Vietnam.

BOARD OF DIRECTORS



Ms. NGUYEN HONG VAN
Member

Ms. Nguyen Hong Van was born in 1969. She holds a Master in Banking and Finance. She was appointed to serve as Member of the Board in 09/2008.

She is currently Member of Executive Committee - VietinBank Communist Party and Member of the Board of Directors.

She started her career at VietinBank in 1990 and has served in various senior capacities including Deputy Director - ALCO Department, Director - ALCO & Treasury Department, Director - Financial Planning & Alco Supporting Department.



Ms. TRAN THU HUYEN
Member

Ms. Tran Thu Huyen, born in 1977, holds a Master in Business Administration.

She is currently Member of Standing Committee - VietinBank Communist Party, Member of the Board of Directors and Director - Human Resource Division of Vietnam Joint Stock Commercial Bank for Industry and Trade.

Since her joining VietinBank in 2001, she has been in various positions: Deputy Director - Human Resources Department; Director - Human Resources Department before being appointed to serve as Member of the Board.



Mr. PHUNG KHAC KE
Member

Mr. Phung Khac Ke, born in 1948, holds a PhD in Economics, was appointed to the Board of Directors in 07/2014.

He is currently Independent Member of the Board.

In his long career as a banker, he has held various positions including Deputy Director - Economics and Planning Division - State Bank of Vietnam; Deputy Chief of the Office - State Bank of Vietnam; Director - Credit Division - State Bank of Vietnam; General Director of VietinBank; Deputy Governor - State Bank of Vietnam. Prior to his appointment as Independent Board Member at VietinBank, Mr. Phung Khac Ke also served as Independent Member of Board of Directors of Vietnam Prosperity Joint Stock Commercial Bank.



Mr. HIROSHI YAMAGUCHI
Member & Deputy General Director

Mr. Hiroshi Yamaguchi was born in 1963, Japanese nationality, holds a Bachelor in Economics. He was appointed to serve as member of the Board of Director from 17/4/2017 and Deputy General Director from 15/5/2017.

Before joining VietinBank in 2017, he has served in various positions including: Head of Industry Research Department, BTMU, Tokyo; Head of Research Department, BTMU, Hong Kong; Head of Corporate Banking Department No. 6/ Head of Credit Corporate Banking/Head of Corporate Banking Department No. 3, BTMU, Tokyo; Head of Operating Department/ Deputy Head of Asia Corporate Banking, BTMU, New York; Deputy Manager of Corporate Banking Department No. 3, BTMU, Tokyo.

BOARD OF DIRECTORS



MR. YOTARO AGARI
Member

Mr. Yotaro Agari was born in 1967, he holds a Master in Management. He was appointed as a Board member in 04/2016.

Before joining VietinBank, Mr. Yotaro Agari held several positions at Goldman Sachs Japan including Vice President, Co-Head of Financial Institutions Group, Managing Director, Co-Head of Financial Institutions Group. At The Bank of Tokyo-Mitsubishi UFJ, Mr. Yotaro Agari served in various capacities including Deputy General Manager and Chief Manager of Global Planning Division. From May 2015 to present, he has been serving as General Manager in charge of Planning Division for Asia and Oceania of The Bank of Tokyo-Mitsubishi UFJ.



Mr. HIROYUKI NAGATA
Former Member & Deputy General Director

Mr. Hiroyuki Nagata, born in 1963 in Japan, holds a Bachelor in Economics. He was appointed to serve as member of the Board of Director and Deputy General Director in 07/2013. He has resigned from the Board since 17/04/2017, and his position as Deputy General Director since 15/05/2017.

Before joining VietinBank in 2013, he has served in various positions including Assistant to Director, BTMU, Bangkok branch; Head of Japanese Corporate Banking Department; Chief Manager of Corporate Banking Division No. 4, Corporate Banking Group No. 1; Chief Manager of Corporate Banking Credit Division, General Manager of Corporate Banking Division No. 3 - Corporate Banking Group No. 1, BTMU, Tokyo.



Mr. MICHAEL KNIGHT IPSON
Former Member

Mr. Michael Knight Ipson, born in 1947 in the United States, holds a Master in Business Administration. He was appointed to serve as a member of the Board in 07/2014. He has resigned from the Board since 17/4/2017.

Mr. Michael Knight Ipson has served various senior capacities including Vice President overseeing correspondent relationship between Chinese banks and enterprises in Hong Kong, Assistant to the Regional Manager for China, Hong Kong and Taiwan; Chief Representative for Chemical Bank in China; Managing Director of Chemical Bank Hong Kong Branch and Chief Executive Officer of Chemical Asia Limited, Member of Chemical Bank's Global Credit Committee; Chief Executive, IBA Credit Chairman; Senior Specialist of IFC- Beijing; IFC's Country Manager for China and Mongolia ; IFC's Consultant on East Asia banking business (IFC - Washington, DC).

a. Members and Structure of the Board

• Share ownership of Board members

NO.	Full name - Position	Number of shares	Percentage (%)
1	Mr. Nguyen Van Thang – Chairman	960,298,090	25.79086%
-	<i>Individual representative</i>	216,108	0.00580%
-	<i>State capital representative</i>	960,081,982	25.78506%
2	Mr. Le Duc Tho – Member & General Director	720,099,014	19.33980%
-	<i>Individual representative</i>	37,527	0.00101%
-	<i>State capital representative</i>	720,061,487	19.33879%
3	Mr. Cat Quang Duong – Member	720,061,487	19.33879%
-	<i>Individual representative</i>	0	0%
-	<i>State capital representative</i>	720,061,487	19.33879%
4	Ms. Nguyen Hong Van – Member	4,050	0.00011%
5	Ms. Tran Thu Huyen – Member	1,429	0.00004%
6	Mr. Phung Khac Ke – Member	0	0%
7	Mr. Yotaro Agari – Member	0	0%
8	Mr. Hiroshi Yamaguchi – Member & Deputy General Director	0	0%
	Total	2,400,464,070	64.47%

• Number of Independent Board Members:

01 independent member – Mr. Phung Khac Ke

• Changes in members of the Board during the year

NO.	Full name	Position	Date of appointment/ resignation
1	Mr. Hiroyuki Nagata	Former member	Resigned from the Board under Resolution of Annual General Meeting of Shareholders No. 17/ NQ-DHDCD dated 17/04/2017
2	Mr. Michael Knight Ipson	Former member	Resigned from the Board under Resolution of Annual General Meeting of Shareholders No. 17/ NQ-DHDCD dated 17/04/2017
2	Mr. Hiroshi Yamaguchi	Member	Appointed to the Board under Resolution of Annual General Meeting of Shareholders No. 17/ NQ-DHDCD dated 17/04/2017

• Titles of Board members outside VietinBank:

NO	Full name	Titles outside VietinBank
1	Ms. Nguyen Hong Van - Member	<ul style="list-style-type: none"> - Chairman, VietinBank Insurance Company Ltd. - Chairman, VietinBank Gold and Jewelry Trading Company
2	Mr. Yotaro Agari - Member	<ul style="list-style-type: none"> - General Manager, Planning Division for Asia & Oceania, The Bank of Tokyo-Mitsubishi UFJ, Ltd - Senior Manager, Mitsubishi UFJ Financial Group, Inc - Board Member, Ayudhya Public Company Limited, Thailand.

b. Board of Directors Committees

Currently, there are five (05) committees under the Board of Directors, namely Human Resource and Remuneration Committee, Risk Management Committee, Policy Committee, Asset Liability Management Committee (ALCO); Payment Committee.

Each committee operates under a particular organizational and operational set of regulations issued by the Board of Directors.

• **Human Resource and Remuneration Committee** advises the Board of Directors on organizational structure, personnel management policies, performance evaluation and remuneration policies; supports the Board of Directors on re-evaluation of personnel under the Board of Directors' management authority; monitors and controls all aspects of staff management, competence, successor planning, personnel risk in line with VietinBank's business orientation and plans in each period.

Members of Human Resource and Remuneration Committee include:

- + Mr. Nguyen Van Thang – Chairman of the Board of Directors: Head of the Committee;
- + Ms. Tran Thu Huyen – Member of the Board of Directors and Director of Human Resource Division: Deputy Head;
- + Mr. Le Duc Tho – Member of the Board of Directors and General Director: Member.

• **Risk Management Committee** advises the Board of Directors on issues related to risk appetite for each period; sets up risk management mechanisms and policies and risk management orientation related to credit, investment, market, operations and other risks; advises the Board of Directors on approving investments, related transactions, management policy, risk handling plan within the scope of functions and responsibilities assigned by the Board.

Members of Risk Management Committee include:

- + Mr. Nguyen Van Thang – Chairman of the Board of Directors: Head of the Committee;
- + Mr. Le Duc Tho – Member of the Board of Directors and General Director: Deputy Head;
- + Mr. Phung Khac Ke – Independent Member of the Board of Directors: Member;
- + Ms. Tran Thu Huyen – Member of the Board of Directors and Director of HR Division: Member;
- + Mr. Tran Minh Binh – Deputy General Director: Member;
- + Ms. Le Anh Ha – Deputy Director of Risk Management Division: Member.

• **Policy Committee** advises and supports the Board of Directors on policies for the Board of Directors in ensuring the suitability, adequacy, uniformity, and validity of policies and regulations in VietinBank's core business lines; advises the Board on issues related to policies development; researches and reviews policies, procedures which prescribed in main operational activities of VietinBank issued by the Board of Directors to ensure consistency, adequacy, compliance with the law, practical operations of VietinBank; proposes to the Board of Directors policies, regulations that should be supplemented, replaced or amended in line with actual situations as well as orientations of VietinBank and in accordance with amendments of the law.

Members of Policy Committee include:

- + Mr. Nguyen Van Thang – Chairman of the Board of Directors: Head of the Committee;
- + Ms. Nguyen Hong Van – Member of the Board of Directors: Standing Committee Head;
- + Legal Department, Credit and Investment Policy Department, Accounting Policy Department, Marketing and R&D Department – Corporate Banking Division, Credit Products Development Department – Retail Banking Division, Fee and Mobilization Products Department – Retail Banking Division, Internal Control Department, HR Planning and Policy Department: Member.

• **ALCO committee** advises the Board of Directors on the scale, structure and growth of liabilities and assets of VietinBank in line with the operation scale and development strategies of VietinBank for each period; builds development strategy of VietinBank and assigns business plan on scale, structure and growth rate of assets and liabilities; assesses efficiency and scale of assets and liabilities of VietinBank in each period; reviews and ensures safe rates and limits of business operations under regulations.

Members of ALCO Committee include:

- + Mr. Le Duc Tho – Member of the Board of Directors and General Director: Head of the Committee;
- + Mr. Tran Minh Binh – Deputy General Director: Member;
- + Mr. Nguyen Dinh Vinh – Deputy General Director: Member;
- + Large Corporate Department – Corporate Banking Division, SMEs Department – Corporate Banking Division, FDI Department – Corporate Banking Division, Marketing and R&D Department – Corporate Banking Division, Business Development Department – Retail Banking Division, Credit Products Development Department – Retail Banking Division, Fee and Mobilization Products Department – Retail Banking Division, Treasury Dealing Department, Capital Market Department, Sales and Business Development Department, Treasury & Financial Planning Management Department, Market Risk Management Department, Financial Institutions Department, Trade Finance Center: Member

• **Payment Committee** studies policies, monitors movements of market and competitors related to payment activities; orients strategies of VietinBank's payment activities; reviews innovating ideas of units in order to come up with unified solutions, coordinates among related units; monitors and evaluates payment activities.

Member of Payment Committee include:

- + Mr. Nguyen Van Thang – Chairman of the Board of Directors: Head of the Committee;
- + Mr. Le Duc Tho – Member of the Board of Directors and General Director: Standing Deputy Head;
- + Mr. Nguyen Dinh Vinh – Deputy General Director: Deputy Head;
- + Mr. Tran Cong Quynh Lan – Deputy General Director and Director of IT Center: Deputy Head;
- + Ms. Tran Minh Duc – Director of Operation Division: Deputy Head;
- + Mr. Phung Duy Khuong – Director of Retail Banking Division: Member;
- + The Secretary of the Board, Payment Center, Trade Finance Center, Financial Institutions Department: Member.

c. Board Meetings

In 2017, the Board of Directors held 11 periodic meetings to evaluate business results, provided directions for operations as well as exchanged other contents. In addition, the Board of Directors and the Standing Board of Directors also addressed other issues via written comments (178 times). Details of Board meetings are as follows:

No	Name of Board member	Title	No. of meeting attended	Percentage	Reasons for absence
1	Mr. Nguyen Van Thang	Chairman	189/189	100%	
2	Mr. Le Duc Tho	Member & General Director	189/189	100%	
3	Mr. Cat Quang Duong	Member	134/135	99%	Absent on Board meeting in 08/2017 due to business trip
4	Ms. Tran Thu Huyen	Member	47/48	98%	Absent on Board meeting in 08/2017 due to business trip
5	Ms. Nguyen Hong Van	Member	81/81	100%	
6	Mr. Phung Khac Ke	Member	38/38	100%	
7	Mr. Hiroyuki Nagata	Member & Deputy General Director	11/38	29%	Absent on Board meeting in 02, 04/2017 due to business trip Did not participate in opinion collecting activity in written form from 17/4/2017 (no longer Board member)
8	Mr. Hiroshi Yamaguchi	Member & Deputy General Director	23/38	61%	Absent on Board meeting in 05, 07/2017 due to business trip Participate in opinion collecting activity in written form 17/4/2017 (start his Board member term)
9	Mr. Michael Knight Ipson	Member	11/33	33%	Did not participate in opinion collecting activity in written form from 17/4/2017 (no longer Board member)
10	Mr. Yotaro Agari	Member	33/33	100%	

Note:

- The Chairman and the General Director & board member: attendance rate was counted by (i) all meetings of the Board of Directors; (ii) written opinions of the Board of Directors and (iii) written opinions of the Standing Board of Directors.
- Board members Mr. Cat Quang Duong, Ms. Tran Thu Huyen, and Ms. Nguyen Hong Van: attendance rate was counted by (i) all meetings of the Board of Directors; (ii) written opinions of the Board of Directors and (iii) written opinions of the Standing Board of Directors (according to their assigned functions and responsibilities).
- Board members Mr. Phung Khac Ke, Mr. Hiroyuki Nagata, Mr. Hiroshi Yamaguchi: attendance rate was counted by (i) all meetings of the Board of Directors; (ii) written opinions of the Board of Directors.
- Board members Mr. Michael Knight Ipson, Mr. Yotaro Agari: non-resident Board members, attendance rate was counted by (i) a number of the Board of Directors meetings; (ii) written opinions of the Board of Directors.

d. Duties of Independent Board Member

Comply with the provisions of applicable Charter and Law.

e. Activities of Board of Directors Committees

In 2017, these committees coordinated with relevant departments and units to review, complete, revise and issue regulations, processes & rules related to risk management, human resource, remuneration, investment, capital contribution, etc.; advise and propose to the Board of Directors about strategies, policies on risk management, measures to prevent risks on various aspects; implement initiatives to gradually apply Basel II according to the roadmap; review human resources under the Board of Directors' authority to improve quality of personnel management; and advise the Board of Directors on making strategy for VietinBank's operation and development in the coming time.

f. Members of the Board of Directors holding corporate governance certificates, participating in courses on corporate governance 2017

At VietinBank, we determine corporate governance is pivotal in business performance as well as in maintaining a sustainable development. Accordingly, the Board of Directors provided with in-depth training courses associated with banking governance both at home and abroad.

In addition, VietinBank Management Team regularly sends specialized staffs to attend training courses on corporate governance organized by State Securities Commission, Ho Chi Minh City Stock Exchange in coordination with prestigious training organizations.

In the coming time, VietinBank will continue to research corporate governance courses for Management Team of VietinBank hold by State Securities Committee and prestigious international training organizations. These courses will focus on improving knowledge about management, strategies building, aiming at building VietinBank as one of the leading banks in Vietnam with safe and sustainable development, international integration.

2 BOARD OF MANAGEMENT

Mr. LE DUC THO

Member of the Board & General Director

Mr. Le Duc Tho, born in 1970, Ph.D. in Economics, was appointed to serve as member of the Board and General Director in 04/2014.

He is currently Deputy Secretary - VietinBank Communist Party, Member - Board of Directors & General Director of Vietnam Joint Stock Commercial Bank for Industry and Trade.

Joined VietinBank in 1991, Mr. Le Duc Tho has served the following positions: Team Lead - Credit Approval - VietinBank Vinh Phu Branch; Deputy Head of Business Department - VietinBank Phu Tho branch; Deputy Director - ALCO Department; Deputy Director - ALCO & Treasury Department, Director - Treasury Department, Deputy General Director. Prior to his appointment as General Director of the Bank, he also served as Chief of Office at the State Bank of Vietnam.



BOARD OF MANAGEMENT

**Mr. HIROSHI YAMAGUCHI****Member & Deputy General Director**

Mr. Hiroshi Yamaguchi was born in 1966 in Japan, holds a Bachelor in Economics. He was appointed to serve as member of the Board of Director on 17/4/2017 and Deputy General Director on 15/5/2017.

Before joining VietinBank in 2017, he has served in various positions including: Head of Industry Research Department, BTMU, Tokyo; Head of Research Department, BTMU, Hong Kong; Head of Corporate Banking Department No. 6/ Head of Credit Corporate Banking/Head of Corporate Banking Department No. 3, BTMU, Tokyo; Head of Operating Department/ Deputy Head of Asia Corporate Banking, BTMU, New York; Deputy Manager of Corporate Banking Department No. 3, BTMU, Tokyo.

**Mr. TRAN MINH BINH****Deputy General Director**

Mr. Tran Minh Binh, born in 1974, holds a Master in Business Administration. He was appointed to serve as Deputy General Director in 05/2014.

He is currently Member of Inspection Committee - Communist Party of State Enterprise, Member of VietinBank Standing Communist Party, Chairman of Inspection Committee - VietinBank Communist Party, Deputy General Director, Director - Treasury and Capital Market Division, Director - Credit Appraisal Division.

He has been with VietinBank since 1999 and has held many senior positions: Assistant to General Director; Deputy Director - Cards Department; Director - Cards Center; Director - Investment Department; Managing Director - VietinBank Nguyen Trai Branch; Deputy Managing Director, Managing Director - VietinBank Hanoi Branch.

**Mr. NGUYEN HOANG DUNG****Deputy General Director**

Mr. Nguyen Hoang Dung, born in 1962, holds a Master in Economics. He was appointed to serve as Deputy General Director in 03/2011.

He is currently Member of VietinBank Standing Communist Party and Deputy General Director of Vietnam Joint Stock Commercial Bank for Industry and Trade.

Joined VietinBank since the beginning of the Bank's operation, Mr. Nguyen Hoang Dung has held various senior positions including Deputy Director - Supervisory Department, Assistant to Director, Director - Human Resource & Admin Department - VietinBank Minh Hai Branch; Director - Business Department, Director - Ca Mai Transaction Office, Deputy Managing Director, Managing Director - VietinBank Ca Mau Branch.

**Mr. NGUYEN DUC THANH****Deputy General Director**

Mr. Nguyen Duc Thanh, born in 1970, holds a Master in Economics. He was appointed to serve as Deputy General Director in 08/2012.

Prior to his appointment as Deputy General Director, he has held several senior positions including Commercial Attaché - Embassy of Vietnam in the Arab Republic of Egypt, Deputy Director & Secretary of Minister of Trade, Deputy Director - Department of Competition Management & Secretary of Minister of Trade, Deputy Director - Department of Competition Management - Ministry of Industry and Trade, Started his career at VietinBank in 2010 as Director - VietinBank Financial Institutions Department.

BOARD OF MANAGEMENT



Mr. TRAN CONG QUYNH LAN
Deputy General Director

Mr. Tran Cong Quynh Lan, born in 1979, holds a Master in Information Technology. He was appointed to serve as Deputy General Director in 03/2015.

He is currently Deputy General Director & Director – Information Technology Division of Vietnam Joint Stock Commercial Bank for Industry and Trade.

Prior to joining VietinBank, he has served in several senior positions including Assistant Director – OCBC Singapore, Assistant Vice President – OCBC Singapore, Vice President – Information Technology – Retail Banking, Director – Electronic Distribution Channels & Investment – OCBC Singapore. He started his career at VietinBank in 05/2012 as Director – Information Technology Center.



Mr. NGUYEN DINH VINH
Deputy General Director

Mr. Nguyen Dinh Vinh, born in 1980, holds a Master in Business Administration. He was appointed to serve as Deputy General Director in 07/2015.

He is currently Member – VietinBank Standing Communist Party, Chairman – VietinBank Trade Union and Deputy General Director.

Joined VietinBank in 2002, he has held many senior positions including Deputy Director – Corporate Department – VietinBank Head Office; Director – VietinBank Hai Duong Branch; Director – Non-Performing Loan Management Department – VietinBank Head Office; Managing Director – VietinBank Hanoi Branch.



Ms. LE NHU HOA
Deputy General Director

Ms. Le Nhu Hoa, born in 1969, holds a Master in Banking and Finance. She was appointed to serve as Deputy General Director in 08/2016.

He is currently Member – VietinBank Communist Party and Deputy General Director.

Ms. Le Nhu Hoa joined VietinBank in 1990, during her employment at the Bank, Ms. Le Nhu Hoa has held various senior management positions including Director – Accounting Department – VietinBank Phuc Yen Branch, Director – Admin and Human Resource Department – VietinBank Hanoi Branch, Deputy Managing Director – VietinBank Hanoi Branch, Director – Financial Accounting Department – VietinBank Head Office.



Mr. HIROYUKI NAGATA
Former Member of the Board &
Deputy General Director

Mr. Hiroyuki Nagata, born in 1963, Japanese, holds a Bachelor in Economics. He was appointed to serve as member of the Board of Director and Deputy General Director in 07/2013. He has finished his term at the Board since 17/04/2017, and his position as Deputy General Director since 15/05/2017.

Before joining VietinBank in 2013, he has served in various positions including Assistant to Director, BTMU, Bangkok branch; Head of Japanese Corporate Banking Department; Chief Manager of Corporate Banking Division No. 4, Corporate Banking Group No. 1; Chief Manager of Corporate Banking Credit Division, General Manager of Corporate Banking Division No. 3 – Corporate Banking Group No. 1, BTMU, Tokyo.

BOARD OF MANAGEMENT



Ms. BUI NHU Y

Former Deputy General Director

Ms. Bui Nhu Y, born in 1962, holds a Master of Economics. She was appointed to serve as Deputy General Director in 08/2008. She retired on 1/5/2017.

Ms. Bui Nhu Y joined VietinBank in 1990, she has held various senior management positions including Deputy Director - Investment Project Management Department, Deputy Director - Project management and medium-term Credit Department, Director - Credit Management Department, Director - Credit Policy Department and Director - Corporate Banking Department.



Mr. NGUYEN HAI HUNG

Chief Accountant

Mr. Nguyen Hai Hung, born in 1972, holds a Bachelor in Economics. He was appointed to serve as Chief Accountant in 06/2011.

Joined VietinBank since 1991, Mr. Nguyen Hai Hung has held many senior positions such as Deputy Director, Director - Accounting and Payment Department - VietinBank Head Office.

Changes in members of the Board of Management

No.	Full name	Position	Date of appointment/resignation
1	Mr. Hiroyuki Nagata	Deputy General Director	Date of resignation: 15/5/2017
2	Mr. Hiroshi Yamaguchi	Deputy General Director	Date of appointment: 15/5/2017
3	Ms. Bui Nhu Y	Deputy General Director	Date of retirement: 1/5/2017

Number of staff and Summary of Employee Policy

Total number of employees as of 31/12/2017 was 23,784 (including employees of all subsidiaries, business units, representative offices and employees working on temporary basis).

VietinBank employees are entitled to the following remuneration mechanisms:

- Monthly salary is paid based on role and responsibilities of each position, individual capacity and job performance (KPIs);
- Salary and bonuses are linked with the achievement and performance of agreed upon tasks as well as employees' contribution to final business results of their respective unit. The position and performance-related salary scheme continues to be an important motivation to our employees and helps to improve labor efficiency. 2017 statistics showed an average salary of VND 24.56 million/employee/month;
- Each employee is entitled to full insurance benefits under Vietnamese Labor Law which ensures the employees' rights to early retirement, sick leave and maternity leave;
- Employees are provided with equal opportunities to develop careers by being promoted to senior management positions within VietinBank and are eligible for award consideration.
- Training is made available to all employees to improve their professional competence;
- Employees are also eligible for welfare regimes including holiday vacations and labor union benefits in case of sickness, personal and family issues as well as health insurance coverage.
- Social Security Retirement Benefits are provided to former employees with 2 month's salary before their retirement date. They are also entitled to annual medical regimes and are funded for retirement activities by the Bank;

3 SUPERVISORY BOARD

a. List of members and structure of Supervisory Board



Mr. NGUYEN THE HUAN
Head of Supervisory Board

Mr. Nguyen The Huan, born in 1974, holds a Bachelor in Law, Language and Finance. He was appointed to the Supervisory Board in 04/2015.

He is currently Member of VietinBank Communist Party and Head of Supervisory Board.

Joined VietinBank in 1995, Mr. Nguyen The Huan has held a number of senior positions including Deputy Director – Customer Department No.1 – VietinBank Ba Dinh Branch; Director – Corporate Banking Department – VietinBank Ba Dinh Branch; Deputy Director – ISO Management Department – VietinBank Bac Giang Branch; Deputy Director – Retail Banking Department, VietinBank Bac Giang Branch; Deputy Managing Director – VietinBank Bac Giang Branch; Deputy Director – Internal Control Department – VietinBank Head Office; Deputy Director – Internal Audit Department – VietinBank Head Office



Ms. PHAM THI THOM
Member

Ms. Pham Thi Thom, born in 1969, holds a Master in Banking and Finance. She was appointed to serve as member of Supervisory Board in 07/2009 and reappointed in 04/2014 (2014–2019).

She is currently Director – Policy Department – Accounting and Finance Division – State Bank of Vietnam and Member of VietinBank Supervisory Board.

Before being appointed to the current positions, she has served as Deputy Director & Director – Accounting Department – Agribank Hanoi Branch, Deputy Director – Policy Department – Accounting and Finance Division – State Bank of Vietnam.



Mr. TRAN MINH DUC
Member

Mr. Tran Minh Duc, born in 1977, holds a Bachelor in Law. He was appointed to serve as Member of VietinBank Supervisory Board in 04/2015.

Mr. Tran Minh Duc has been working at VietinBank since 2000. Prior to his appointment as Member of the Supervisory Board, Mr. Tran Minh Duc was in charge of the following positions: Deputy Head – Risk and Bad Debt Management Department – VietinBank Ba Dinh Branch; Deputy Director – Legal Department and Acting Director – Legal Department – VietinBank Head Office



Ms. PHAM THI HONG PHUONG
Member

Ms. Pham Thi Hong Phuong, born in 1963, holds a Master in Banking and Finance. She was appointed to serve as Member of VietinBank Supervisory Board in 04/2015.

Ms. Pham Thi Hong Phuong has been working at VietinBank since 1991. Prior to her appointment as Member of Supervisory Board, she served as Deputy Managing Director – VietinBank Hanoi Branch and General Director – VietinBank Gold and Jewelry Trading Company Ltd

- **Share ownership of Supervisory Board members**

v	Full name	Title	No. of shares	Percentage (%)
1	Nguyen The Huan	Head of Supervisory Board	0	0%
2	Pham Thi Thom	Member	0	0%
3	Tran Minh Duc	Member	0	0%
4	Pham Thi Hong Phuong	Member	94	0.000003%
Total			94	0.000003%

- **Changes in members of Supervisory Board during the year: None**

b. Duties of the Supervisory Board

During the year, Supervisory Board performed specific functions according to Organizational and Operational Charter of VietinBank Supervisory Board as well as directed activities of the Supervisory Board in accordance with the 2017 General Meeting of Shareholders, including the following duties:

- **Monitoring the Bank's overall business operations and its compliance with provisions of the law and Charter in banking governance and management as well as implementing resolutions assigned by General Meeting of Shareholders**

In 2017, VietinBank Supervisory Board performed its roles through the following activities:

- i. **Periodically monitoring and updating VietinBank's information and business activities from time to time and taking part in meetings of the Board of Directors and the Board of Management:**

Through the internal management reports and the independent reports of the members of the Supervisory Board and the Internal Audit Department, the Board of Supervisors continuously supervised the performance of VietinBank's business activities. Regularly or irregularly, representatives of the Board of Supervisors attended all meetings of the Board of Directors and executive committee meetings to capture information, exchange, discuss about objectives, limitation, and potential risk in business activities of VietinBank and give specific recommendations to the Board of Directors and General Director.

- ii. **Reviewing policies and resolutions of the Board of Directors:**

The Supervisory Board appointed its members to review policy documents issued by the Board of Directors and the General Director as well as various resolutions of the Board based on each business segment of VietinBank. After thorough reviewing, The Supervisory Board stated that all policy documents, resolutions of the Board were appropriately set out according to VietinBank's regulation and Charter and met the requirements assigned at the General Meeting of Shareholders.

- iii. **Reviewed supervising reports, audit reports of Internal Audit Division:**

Through the periodical supervision reports on main business activities of VietinBank and the internal audit reports of business units produced by Internal Audit Division, all issues and recommendations were noted in the Supervisory Board's report to the Chairman and the General Director.

- **Appraising financial statements**

The Supervisory Board performed functions and tasks prescribed in the VietinBank Charter, Regulation on organization and operation of the Supervisory Board, in 2017, the Supervisory Board has set up Financial Statement Appraisal Team to appraise financial statements 2016 and QII/2017. The results of the appraisal have been sent to the Board of Directors and the Board of Management for timely approval at the Annual General Meeting of Shareholder as well as for disclosure of information in accordance with law and regulations.

- **Updating list of related parties**

Related parties of members of the Board of Directors, Supervisory Board, Board of Management and other shareholders holding at least 5% shares of the Bank were regularly updated by the Supervisory Board according to rules and regulations via information exchanges with the Secretariat to the Board of Directors. It shows that list of related parties of VietinBank in 2017 has some changes due to the change of members of the Board of Directors and the Board of Management who are the capital representative of 02 Strategic Partners - BTMU and IFC. In addition, a member of the Board of Management - Deputy General Director Bui Nhu Y retired under the regime.

- **Directing and supervising of Internal Audit**

In 2017, the Supervisory Board regularly directed activities of Internal Audit according to their functions and responsibilities assigned by the State Bank of Vietnam and VietinBank; the Supervisory Board directed and supervised Internal Audit Department according to planned agenda and assigned workload. Performance and audit results of Internal Audit were evaluated at periodic meetings of the Supervisory Board. Audit results and recommendations of Internal Audit department were promptly delivered to the Board of Directors, Board of Management as well as relevant departments for review, necessary adjustments and improvement in compliance with applicable regulations and the Bank's operation.

4 TRANSACTIONS, REMUNERATION AND INTERESTS OF THE BOARD OF DIRECTORS, BOARD OF MANAGEMENT AND SUPERVISORY BOARD

- **Salary, bonuses and other remuneration:**

Remuneration policy for Board of Directors, Board of Management and Supervisory Board aligns with VietinBank's current regulations and instructions. In which, the members' salary is a component of VietinBank's general salary budget, and reflects their performance and achievement of agreed upon tasks.

In 2017, calculation of the remuneration of the Board of Supervisory Board was 0.35% of profit after tax.

- **Transactions of internal shareholders:** None

- **Contracts or transactions with internal shareholders:** None

- **Implementation of regulations on corporate governance:** VietinBank fully complies with applicable rules and regulations on corporate governance.

**AUDITED
CONSOLIDATED
FINANCIAL
STATEMENTS**

For the year ended 31 December 2017

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

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1 STATEMENT OF THE BOARD OF MANAGEMENT

The Board of Management of Vietnam Joint Stock Commercial Bank for Industry and Trade ("the Bank") presents this report together with the consolidated financial statements of the Bank and its subsidiaries for the year ended 31 December 2017.

BOARD OF DIRECTORS

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

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

BOARD OF MANAGEMENT AND CHIEF ACCOUNTANT

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

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

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Bank's Board of Management is responsible for the consolidated financial statements which give a true and fair view of the consolidated financial position of the Bank and its subsidiaries and of the consolidated results of their operations and their consolidated cash flows for the year. 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 standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Board of Management of the Bank is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the consolidated financial position of the Bank and its subsidiaries and ensuring that the accounting records comply with the applied accounting system. The Board of Management is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

For and on behalf of the Board of Management

MR. LE DUC THO
General Director

Hanoi, Vietnam
28 March 2018

2 INDEPENDENT AUDITORS' REPORT

Reference: 60755043/19145213-HN

To: The Shareholders of

Vietnam Joint Stock Commercial Bank for Industry and Trade

We have audited the accompanying consolidated financial statements of Vietnam Joint Stock Commercial Bank for Industry and Trade ("the Bank") and its subsidiaries, as prepared on 28 March 2018 and set out on pages 6 to 78, which comprise the consolidated balance sheet as at 31 December 2017, the consolidated income statement and the consolidated cash flow statement for the year then ended and the notes thereto.

Management's responsibility

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's and its subsidiaries' preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and its subsidiaries' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2017, and of the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other statutory requirements relevant to preparation and presentation of the consolidated financial statements.

Emphasis of matter

We draw attention to Note 38.1 – Contingent liabilities of the consolidated financial statements. As at 31 December 2017, the Bank is a party to the case of Huynh Thi Huyen Nhu and Vo Anh Tuan – former

employees of Ho Chi Minh City Branch and Nha Be Branch of the Bank.

The case has been under re-investigation, prosecution and trial in accordance with the provisions of law. Hence, the responsibilities and legal obligations of the parties concerned shall be defined only when the re-investigation and trial are completed with effective judgment and verdict.

Our audit opinion on the consolidated financial statements is not modified in respect of this matter.

Other matter

The consolidated financial statements of the Bank for the year ended 31 December 2016 were audited by another audit firm which expressed an unmodified opinion on 30 March 2017 with an emphasis of matter related to the above-mentioned case of Huynh Thi Huyen Nhu.

Ernst & Young Vietnam Limited



Dang Phuong Ha

Deputy General Director

Audit Practicing Registration

Certificate No. 2400-2018-004-1

Hanoi, Vietnam

28 March 2018

Hoang Thi Hong Minh

Auditor

Audit Practicing Registration

Certificate No. 0761-2018-004-1

3 CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Notes	31 December 2017 (VND million)	31 December 2016 (VND million)
ASSETS			
Cash, gold and gemstones	5	5.979.833	5.187.132
Balances with the State Bank of Vietnam	6	20.756.531	13.502.594
Placements with and loans to other credit institutions	7	107.510.487	94.469.281
Placements with other credit institutions		101.938.284	91.031.828
Loans to other credit institutions		5.572.203	3.437.453
Provision for credit losses on loans to other credit institutions		-	-
Securities held for trading	8	3.528.982	1.894.690
Securities held for trading		3.602.443	1.974.670
Provision for securities held for trading		(73.461)	(79.980)
Derivatives and other financial assets	9	528.762	682.690
Loans to customers		782.385.236	655.089.226
Loans to customers	10	790.688.059	661.987.797
Provision for credit losses on loans to customers	11	(8.302.823)	(6.898.571)
Investment securities	12	128.392.765	134.226.686
Available-for-sale securities	12.1	125.759.661	125.573.894
Held-to-maturity investments	12.2	5.133.392	11.743.021
Provision for investment securities	12.4	(2.500.288)	(3.090.229)
Long-term investments	13	3.114.101	3.202.637
Investments in joint ventures	13.1	2.704.255	2.774.766
Other long-term investments		412.645	430.445
Provision for long-term investments		(2.799)	(2.574)
Fixed assets		11.436.527	10.623.575
Tangible fixed assets	14	6.386.736	6.422.388
Cost		13.310.305	12.538.577
Accumulated depreciation		(6.923.569)	(6.116.189)
Intangible fixed assets	15	5.049.791	4.201.187
Cost		6.320.043	5.144.462
Accumulated amortization		(1.270.252)	(943.275)
Other assets		31.427.618	29.688.994
Receivables	16.1	13.714.382	12.573.436
Accrued interest and fee receivables		14.523.919	14.106.717
Other assets	16.2	3.197.133	3.010.388
In which: Goodwill	17	2.722	4.537
Provision for other assets		(7.816)	(1.547)
TOTAL ASSETS		1.095.060.842	948.567.505

CONSOLIDATED BALANCE SHEET (continued)

As at 31 December 2017

	Notes	31 December 2017 (VND million)	31 December 2016 (VND million)
LIABILITIES			
Due to the State Bank of Vietnam	18	15.206.899	4.808.417
Deposits and borrowings from other credit institutions	19	115.158.765	85.151.867
Deposits from other credit institutions	19.1	68.526.012	41.346.232
Borrowings from other credit institutions	19.2	46.632.753	43.805.635
Customer deposits	20	752.935.338	655.060.148
Other borrowed and entrusted funds	21	6.364.158	6.075.468
Valuable papers issued	22	22.501.773	23.849.453
Other liabilities	23	119.128.626	113.315.388
Interest and fee payables		12.357.877	9.944.825
Other payables	23.1	106.429.185	103.133.103
Other provision		341.564	237.460
TOTAL LIABILITIES		1.031.295.559	888.260.741
OWNERS' EQUITY			
Capital		46.208.756	46.208.767
- Charter capital		37.234.046	37.234.046
- Share premium		8.974.710	8.974.721
Reserves		7.476.339	6.366.898
Foreign exchange differences		550.601	480.011
Undistributed profits		9.233.969	6.990.755
Non-controlling interests		295.618	260.333
TOTAL OWNERS' EQUITY	25	63.765.283	60.306.764
TOTAL LIABILITIES AND OWNERS' EQUITY		1.095.060.842	948.567.505

CONSOLIDATED BALANCE SHEET (continued)

As at 31 December 2017

OFF-BALANCE SHEET ITEMS

	31 December 2017 (VND million)	31 December 2016 (VND million)
Credit guarantees	3.383.765	2.349.067
Foreign exchange commitments	195.261.549	133.764.643
- Foreign exchange commitments - buy	4.202.387	509.340
- Foreign exchange commitments - sell	4.411.779	743.152
- Cross currency swap contracts	186.647.383	132.512.151
Letters of credit	55.316.608	42.320.738
Other guarantees	54.223.212	46.360.864
Other commitments	28.719.395	28.605.438

Prepared by



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

Reviewed by



Mr. Nguyen Hai Hung
Chief Accountant

Approved by



Ms. Le Nhu Hoa
Deputy General Director

Hanoi, Vietnam

28 March 2018

4 CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Notes	2017 (VND million)	2016 (VND million)
Interest and similar income		65.277.199	52.889.585
Interest and similar expenses	27	(38.204.212)	(30.585.706)
Net interest and similar income		27.072.987	22.303.879
Fee and commission income		4.302.331	3.334.497
Fee and commission expenses		(2.447.131)	(1.636.472)
Net fee and commission income	28	1.855.200	1.698.025
Net gain from trading of foreign currencies	29	709.966	685.139
Net gain from securities held for trading	30	324.668	183.919
Net (loss)/gain from investment securities	31	(80.869)	40.955
Other income		3.233.912	2.546.328
Other expenses		(1.239.040)	(1.247.565)
Net gain from other activities	32	1.994.872	1.298.763
Income from investments in other entities	33	743.046	150.475
TOTAL OPERATING EXPENSES	34	(15.069.777)	(12.848.843)
Net profit before provision for credit losses		17.550.093	13.512.312
Provision expense for credit losses		(8.343.899)	(5.058.609)
PROFIT BEFORE TAX		9.206.194	8.453.703
Current corporate income tax expense	24.1	(1.747.409)	(1.688.781)
Deferred corporate income tax income		117	289
Corporate income tax expense		(1.747.292)	(1.688.492)

PROFIT AFTER TAX		7.458.902	6.765.211
Non-controlling interests		26.539	19.984
Owners' net profit		7.432.363	6.745.227
Basic earnings per share (VND/share)	25.3	1.546	1.432

Prepared by



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

Hanoi, Vietnam

28 March 2018

Reviewed by



Mr. Nguyen Hai Hung
Chief Accountant

Approved by



Ms. Le Nhu Hoa
Deputy General Director

5 CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2017

	Notes	2017 (VND million)	2016 (VND million)
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and similar receipts		64.942.556	51.622.581
Interest and similar payments		(35.767.979)	(26.632.017)
Net fee and commission receipts		2.841.199	1.745.205
Net receipts from dealing in foreign currencies, gold and securities trading activities		1.824.454	2.859.345
Other expense		(842.441)	(650.253)
Recoveries from bad debts written-off previously		2.289.247	1.814.476
Payments for operating and salary expenses		(13.276.456)	(11.243.918)
Corporate income tax paid in the year	24.1	(1.793.430)	(1.660.986)
Net cash flows from operating profit before changes in operating assets and liabilities		20.217.150	17.854.433
Changes in operating assets		(136.128.883)	(139.525.898)
Increase in deposits at and loans to other credit institutions		(1.895.466)	(2.224.254)
Decrease/(increase) in trading securities		3.496.089	(9.726.307)
Decrease/(increase) in derivatives and other financial assets		153.928	(682.690)
Increase in loans to customers		(121.036.561)	(123.541.758)
Decrease in utilization of provision to write off loans to customers, securities, long-term investments and other receivables		(7.663.701)	(1.482.318)
Increase in other assets		(9.183.172)	(1.868.571)
Changes in operating liabilities		139.860.930	156.101.473
Increase/(decrease) in due to the SBV and the Government		10.398.482	(8.418.698)
Increase/(decrease) in deposits and borrowings from other credit institutions		30.006.898	(14.017.349)
Increase in customers deposits (including deposits from State Treasury)		97.875.190	162.100.084
(Decrease)/increase in valuable papers issued (except for valuable papers issued for financing activities)		(1.347.680)	2.988.956

Increase/(decrease) in other borrowed and entrusted funds		288.690	(48.161.779)
Decrease in derivatives and other financial liabilities		-	(117.619)
Increase in other liabilities		2.639.973	61.730.621
Payments from credit institution's fund		(623)	(2.743)
Net cash flows from operating activities		23.949.197	34.430.008
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(1.784.649)	(1.852.272)
Proceeds from disposal of fixed assets		43.701	13.348
Payments for disposal of fixed assets		(5.277)	(8.573)
Payments for investments in other entities		-	(24.000)
Proceeds from investments in other entities		600.000	219.588
Dividends and profits received from long-term investments and capital contribution		231.582	112.602
Net cash flows used in investing activities		(914.643)	(1.539.307)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend payment to shareholders		(5.212.766)	-
Cash flows used in financing activities		(5.212.766)	-
Net cash flows in the year		17.821.788	32.890.701
Cash and cash equivalents at the beginning of the year		113.814.949	80.882.722
Adjustment due to exchange rate differences		70.590	41.526
Cash and cash equivalents at the end of the year	35	131.707.327	113.814.949

Prepared by

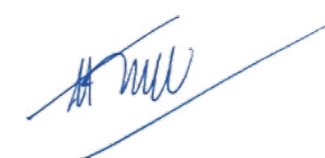


Ms. Nguyen Thi Minh Ngoc
Deputy Head of Financial
Accounting Management
Department

Hanoi, Vietnam

28 March 2018

Reviewed by



Mr. Nguyen Hai Hung
Chief Accountant

Approved by



Ms. Le Nhu Hoa
Deputy General Director

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2017 and for the year then ended

1. GENERAL INFORMATION

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

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

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

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

Charter capital

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

Location

The Bank's Head Office is located at 108 Tran Hung Dao Street, Hoan Kiem District, Hanoi, Vietnam. As at 31 December 2017, the Bank has one (1) Head Office; one (1) Trade finance centre; three (3) Administrative units; five (5) Cash management centres; two (2) Local representative offices; one (1) overseas representative office in Myanmar; one-hundred and fifty seven (157) branches (including two (2) overseas branches); seven (7) subsidiaries and one (1) subsidiary bank.

Employees

The Bank has 23,784 employees as at 31 December 2017 (31 December 2016: 22,957 employees).

Subsidiaries

As at 31 December 2017, the Bank has seven (7) directly owned subsidiary companies and one (1) subsidiary bank as follows:

Subsidiaries	Operating Licence	Nature of Business	Ownership
VietinBank Leasing Company Ltd	Business Registration No. 0101047075/GP dated 10 March 2011 granted by Hanoi Authority for Planning and Investment	Finance and banking	100%
VietinBank Securities JSC	Establishment and Operating License No. 107/UBCK - GP dated 1 July 2009 granted by State Securities Commission	Security market	75.6%
VietinBank Debt Management and Asset Exploitation Company Ltd	Business Registration No. 0302077030/GP dated 20 July 2010 granted by Department of Planning and Investment of Ho Chi Minh City	Asset management	100%
VietinBank Insurance Joint Stock Corporation	Establishment and Operating License No. 21/GP-KDBH dated 12 December 2002 granted by the Ministry of Finance and Amended License No. 21/GPDC23/KDBH dated 2 November 2017 granted by the Ministry of Finance	Non-life insurance	97.8%
VietinBank Gold & Jewellery Trading Company Ltd	Business Registration No. 0105011873/GP dated 25 November 2010 granted by Hanoi Authority for Planning and Investment	Gold, gold manipulation	100%
VietinBank Fund Management Company Ltd	Establishment and Operating License No. 50/UBCK-GP dated 26 October 2010 granted by State Security Commission and No. 05/GPDC-UBCK dated 23 March 2011	Fund management	100%
VietinBank Global Money Transfer Company Ltd	Business Registration No. 0105757686 dated 3 January 2012 granted by Hanoi Planning and Investment Department	Monetary transfer intermediary	100%
VietinBank Lao Limited	Business Registration No. 068/NHCHDCNDL dated 8 July 2015 granted by Lao DPR Central Bank	Finance and Banking	100%

2. ACCOUNTING PERIOD AND ACCOUNTING CURRENCY

2.1 Accounting period

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

2.2 Accounting currency

Currency used in preparation of financial statement of the Bank is Vietnam dong ("VND"). For the purpose of preparing consolidated financial statements as at 31 December 2017, all amounts are rounded to the nearest million and presented in VND million. The presentation makes no impact on readers' view of consolidated financial position, consolidated income statement and consolidated cash flows.

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM

3.1 Statement of compliance

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

3.2 Accounting standards and system

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

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

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

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

3.3 Assumptions and uses of estimates

The preparation of the consolidated financial statements requires the Board of Management of the Bank make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the income, expenses and the resultant provisions. The actual results may differ from such estimates and assumptions.

3.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries for the year ended 31 December 2017.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Changes in accounting policies and disclosures

The accounting policies adopted by the Bank in preparation of the consolidated financial statements are consistent with those followed in the preparation of the Bank's consolidated financial statements for the year ended 31 December 2016, except for the following change in the accounting policies:

- Decree No. 93/2017/ND-CP on financial regime applicable to credit institutions, foreign bank branches and financial supervision and evaluation of efficiency of State capital investment at credit institutions with State owning 100% of charter capital and State-owned credit institutions.
- On 7 August 2017, the Government promulgated Decree No. 93/2017/ND-CP on the financial regime applicable to credit institutions, foreign bank branches, and financial supervision and efficiency evaluation of State capital investment in credit institutions with State owning 100% of charter capital and State-owned credit institutions ("Decree 93"). Decree 93 replaces Decree No. 57/2012/ND-CP dated 20 July 2012 of the Government, and takes effect on 25 September 2017, except for regulations on the efficiency evaluation of State investment in joint-stock credit institutions with State owning over 50% of charter capital.
- Decree 93 supplements the regulations on capital adequacy, income, expenses, accounting currency and the distribution order of profit after corporate income tax.
- Circular No. 39/2016/TT-NHNN on lending activities to customers of credit institutions and foreign bank branches.
- On 30 December 2016, the SBV issued Circular No. 39/2016/TT-NHNN on lending activities to customers of credit institutions and foreign bank branches, which has taken effect since 15 March 2017.



4.2 Standards issued but not yet effective

On 29 December 2017, the SBV issued Circular No. 22/2017/TT-NHNN amending and supplementing a number of articles of Chart of account system applicable to credit institutions issued in connection with Decision No. 479/2004/QĐ-NHNN dated 29 April 2004 and the financial reporting regime applicable to credit institutions required under Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 by the Governor of the SBV ("Circular 22").

The main changes in Circular 22 are as below:

- Amending and supplementing the guidance on the accounting treatment for foreign exchange and gold transactions;
- Amending a number of accounts in the Chart of account system applicable to credit institutions;
- Amending the guidance on the accounting treatment for some accounts in the Chart of account system applicable to credit institutions; and
- Amending and supplementing the guidance on the financial reporting regime applicable to credit institutions.

Circular 22 will take effect on 1 April 2018.

4.3 Cash and cash equivalents

Cash and cash equivalents comprise cash, current accounts at the SBV, Government bills and other short-term valuable papers which can be rediscount with the SBV, securities, current deposits, placements with and loan to other credit institutions with an original maturity of three months or less from the transaction

date, high liquidity, which are readily convertible into certain amounts of cash and that are subject to an insignificant risk of change in value at the date of these consolidated financial statements.

4.4 Placements with and loans to other credit institutions

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

Placements with and loans to other credit institutions are classified and provided for allowance in accordance with Circular No. 02/2013/TT-NHNN dated 21 January 2013 ("Circular 02") regulating classification of assets, levels and method of setting up of risk provisions, and use of provisions against credit risks in the banking activity of credit institutions, foreign banks' branches and Circular No. 09/2014/TT-NHNN dated 18 March 2014 ("Circular 09") amending, supplementing a number of Articles of the Circular 02.

Accordingly, the Bank makes a specific provision for placements with (except for current accounts) and loans to other credit institutions according to the method as described in Note 4.6.

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

4.5 Loans to customers

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

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

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

Loan classification and provision for credit losses are made according to Circular 02 and Circular 09 as presented in Note 4.6.

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

Loan classification

The classification of placements with and loans to other credit institutions, direct and entrusted investments in unlisted corporate bonds, loans to customers and entrustments for credit granting (collectively called "debts") is made using both the quantitative and qualitative methods as regulated under Article 10 and Article 11 of Circular 02. In case the classification results under Articles 10 and 11 are not the same, the debts must be classified into the higher risk group.

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

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

Specific provision

Specific provision as at 31 December 2017 is made based on the principal balance less discounted value of collateral multiplied by provision rates which are determined based on the loan classification results as at 30 November 2017.

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

Group	Loan classification using the quantitative method	Loan classification using the qualitative method	Provision rate	
1	Current	(a) Standard debts are assessed as fully and timely recoverable for both principals and interests; or (b) Debts are overdue for a period of less than 10 days and assessed as fully recoverable for both overdue principals and interests, and fully and timely recoverable for both remaining principals and interests.	Debts are assessed as fully and timely recoverable for both principals and interests.	0%
2	Special Mention	(a) Debts are overdue for a period between 10 days and 90 days; or (b) Debts which the repayment terms are restructured for the first time.	Debts are assessed as fully recoverable for both principals and interests but there is a sign that customers decline ability to pay for the debt.	5%
3	Sub-standard	(a) Debts are overdue for a period between 91 days and 180 days; or (b) Debts which the repayment terms are extended for the first time; or (c) Debts which interests are exempted or reduced because customers do not have sufficient capability to repay all interests under credit contracts; or (d) Debts under one of the following cases which have not been recovered in less than 30 days from the date of the recovery decision: - Debts made in compliance with Clause 1, 3, 4, 5, 6 under Article 126 of Law on Credit Institutions; or - Debts made in compliance with Clause 1, 2, 3, 4 under Article 127 of Law on Credit Institutions; or - Debts made in compliance with Clauses 1, 2, 5 under Article 128 of Law on Credit Institutions. (e) Debts are required to be recovered according to regulatory inspection conclusions.	Debts are assessed as not fully recoverable for both principals and interests when due, have possibility to make losses.	20%
4	Doubtful	(a) Debts are overdue for a period of between 181 days and 360 days; or (b) Debts which the repayment terms are restructured for the first time but still overdue for a period of less than 90 days under that restructured repayment term; or (c) Debts which the repayment terms are restructured for the second time; or	Debts are assessed as having ability to make high losses.	50%

		(d) Debts are specified in point (d) of Loan group 3 and overdue for a period of between 30 days and 60 days after decisions of recovery have been issued; or (e) Debts are required to be recovered according to regulatory inspection conclusions but still outstanding with an overdue period up to 60 days since the recovery date as required by regulatory inspection conclusions.		
5	Loss	(a) Debts are overdue for a period of more than 360 days; or (b) Debts which the repayment terms are restructured for the first time but still overdue for a period of 90 days or more under that first restructured repayment term; or (c) Debts which the repayment terms are restructured for the second time but still overdue under that second restructured repayment term; or (d) Debts which the repayment terms are restructured for the third time or more, regardless of being overdue or not; or (e) Debts are specified in point (d) of Loan group 3 and overdue for a period of more than 60 days after decisions on recovery have been issued; or (f) Debts are required to be recovered under regulatory inspection conclusions but still outstanding with an overdue period of more than 60 days since the recovery date as required by regulatory inspection conclusions; or (g) Debts of credit institutions under special control as announced by the SBV, or debts of foreign bank branches which capital and assets are blocked.	Debts are assessed as not recoverable, capital loss.	100%

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

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

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

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

General provision

General provision as at 31 December 2017 is made at 0.75% of total outstanding loans excluding placements with and loans to other credit institutions and loans classified as loss (group 5) as at 30 November 2017.

Write-off bad debts

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

4.7 Securities held for trading

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

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

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

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

Provision for credit losses of corporate bonds, which are not listed on the stock market or not registered on the unlisted public companies market, is made in accordance with Circular 02 and Circular 09 as described in Note 4.6.

4.8 Investment securities

Investment securities are classified into two categories: available-for-sale and held-to-maturity investment securities. The Bank classifies investment securities on their purchase dates. In accordance with

Official Letter No. 2601/NHNN-TCKT dated 14 April 2009 issued by the SBV, the Bank is allowed to reclassify investment securities no more than one time after the purchase date.

4.8.1 Available-for-sale securities

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

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

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

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

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

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

Provision for credit losses of corporate bonds which are not listed on the stock market or not registered on the unlisted public companies market is made in accordance with Circular 02 as described in Note 4.6.

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

4.8.2 Held-to-maturity investment securities

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

Special bonds issued by VAMC

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

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

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

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

In which:

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

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

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

Other held-to-maturity securities

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

Held-to-maturity securities are recorded and measured identical to debt securities available-for-sale and presented at Note 4.8.1.

4.9 Joint venture

Investments in joint ventures whereby the Bank is subject to joint control are initially stated at cost.

Distributions from net accumulated profit of joint ventures after the date on which control is transferred to the Bank is recognized in the consolidated income statement. Other distributions are considered as recoveries of investments and deducted from the investment value.

4.10 Other long-term investments

Other long-term investments are investments in other entities in which the Bank holds less than 11% of voting rights. These investments are initially recorded at cost at the investment date.

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

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

$$\begin{array}{c} \text{Provision for} \\ \text{diminution in} \\ \text{value of each} \\ \text{investment} \end{array} = \begin{array}{c} \text{Total invested} \\ \text{amount of all parties} \\ \text{in the entity} \end{array} - \begin{array}{c} \text{Owners' equity} \\ \text{of the entity} \end{array} \times \frac{\begin{array}{c} \text{Invested amount of} \\ \text{each party} \end{array}}{\begin{array}{c} \text{Total invested} \\ \text{amount of all parties} \\ \text{in the entity} \end{array}}$$

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

4.11 Re-purchase and re-sale contracts

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

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



4.12 Fixed assets

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

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

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

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

4.13 Depreciation and amortization

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

Buildings and structure	05 – 40 years
Machine and equipment	03 – 07 years
Transportation vehicles	06 – 07 years
Other tangible fixed assets	04 years
Land use rights (*)	Upon lease term
Computer software	03 – 08 years

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

4.14 Receivables

4.14.1 Receivables classified as credit bearing assets

Receivables classified as credit bearing assets are recognized at cost. Doubtful receivables are classified and provided for allowance by the Bank in accordance with the regulations on recognition and use of provision to write off the credit risk as presented in Note 4.6.

4.14.2 Other receivables

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

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

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

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

4.15 Prepaid expenses and deferred expenses

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

4.16 Leasing

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

The Bank as lessor

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

Operating lease assets are recorded on the consolidated balance sheet. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred for obtaining income from the operating lease are recognized as expenses in the period.

The Bank as lessee

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

4.17 Recognition of income and expense**4.17.1 Interest income and expenses**

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

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

4.17.2 Income from securities trading

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

4.17.3 Dividends

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

4.17.4 Income and expense from non-life insurance activities

Gross written premiums are recognized in accordance with Circular No. 50/2017/TT-BTC dated 1 July 2017 ("Circular 50") providing guidance on the financial regime applicable to insurance, reinsurance, insurance brokerage companies and foreign non-life insurance company branches.

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

Prepaid premium before due date is recorded as "Short term unearned revenue" in the consolidated balance sheet.

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

4.17.5 Income from other services

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

4.17.6 Recognition of receivables not yet collected

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

4.17.7 Claim settlement expenses of non-life insurance activities

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

4.17.8 Commission expenses for non-life insurance activities

Commission is calculated as percentage of direct premiums for specific line of insurance as stipulated in Circular No. 50/2017/TT-BTC dated 1 July 2017 issued by the Ministry of Finance. Commission expense is allocated and recognized in the consolidated income statement for direct premiums earned during the year.

4.18 Deposits from other credit institutions, customers and valuable papers issued

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

4.19 Foreign currency transactions

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

4.20 Payables and accruals

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

4.21 Technical reserves for non-life insurance

The technical reserves of Vietinbank Insurance Joint Stock Corporation include (i) unearned premium reserve, (ii) claims reserve and (iii) catastrophe reserve. The reserving methodologies are based on Circular No. 50/2017/TT-BTC dated 1 July 2017 issued by the Ministry of Finance.

Details of the reserving methodologies are as follows:

(i) Unearned premium reserve

Unearned premium reserve is calculated as a percentage of the total premium or by the coefficient of the policy term, specifically:

- For cargo insurance with a term of less than 1 year, unearned premium reserve is made at 25% of the retained premium. For other insurance, the rate is 50%.
- For other insurance lines and line of insurance of cargo delivered by road, water, inland water, railway and airway with a term of more than 1 year, unearned premium reserve is calculated based on the 1/8 method. This method assumes that premiums for all insurance contracts issued in a quarter equally spread along the quarter. In other word, all insurance contracts of a particular quarter are assumed to be effective at that mid-quarter. Unearned premium reserve is calculated based on the following formula:

$$\text{Unearned premium reserve} = \text{Premiums} \times \text{Unearned premium rate}$$

Gross and assumed unearned premium reserve is presented as liabilities; Unearned premium reserve of outward reinsurance is presented as reinsurance asset.

(ii) Claim reserve

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

- Outstanding claim reserve is established based on the estimated claim payments for each claim for which the insurer is liable, which is either notified to the insurer or requested for payment but is still unresolved at the end of the fiscal year after deducting the amount recoverable from reinsurers; and
- Reserve for incurred but not reported claims for which the insurer is liable (IBNR) is established for each insurance operation as per formula below:

$$\begin{aligned} & \text{Reserve for payment of losses which have incurred but not yet reported for the current fiscal year} \\ & = \frac{\text{Total indemnity for claims incurred but not reported at the end of the last three years}}{\text{Total indemnity for losses arising in the last three years}} \times \text{Indemnity for losses arising in the current fiscal year} \\ & \times \frac{\text{Net operating revenue of current fiscal year}}{\text{Net operating revenue of the previous fiscal year}} \times \frac{\text{Average delay in claim intimation of current fiscal year}}{\text{Average delay in claim intimation of previous fiscal year}} \end{aligned}$$

Where:

- Indemnity that has occurred in a fiscal year includes indemnity that has been paid in the year plus increase/decrease in claims reserve for covered losses but have not been resolved at the end of fiscal year.
- Average deferred time of claims refers to average time that starts from the occurrence of loss and finishes when the non-life insurer, foreign branch, or reinsurer receives the report of loss or claim (expressed as days).



(iii) Catastrophe reserve

Catastrophe reserve is accrued annually until such reserve reaches 100% of the retained premiums of the current fiscal year and is made based on retained premiums according to Circular 50.

On 28 December 2005, the Ministry of Finance issued Decision No. 100/2005/QĐ-BTC governing the publication of four new accounting standards, one of which is Vietnamese Accounting Standard ("VAS") 19 – Insurance Contract. Following the issuance of this Standard, starting from January 2006, the provision of catastrophe reserve is no longer required since it represents "possible claims under contracts that are not in existence at the reporting date". However, since the Ministry of Finance has not issued detailed guidance for the implementation of VAS 19 and in accordance with the provision set out in Decree 73/2016/ND-CP issued by the Government of Vietnam on 1 July 2016 on the details of the implementation of the Law on Insurance Business and amendments to certain articles of the Law on Insurance Business, the Corporation has elected to adopt the policy of providing for the catastrophe reserve at 1% of total retained premiums for the year 2017.

4.22 Corporate income taxes**Current income tax**

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

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

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

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

Deferred tax

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

Deferred tax payables are recognized for temporary taxable differences.

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

4.23 Classification for off-balance-sheet commitments

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

4.24 Derivatives

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

Currency forward contracts

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

Swap contracts

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

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

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

4.25 Employee benefits**Post - employment benefits**

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

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).

Voluntary resignation benefits

The Bank has the obligation, under Section 48 of the Vietnam Labour Code 10/2012/QH13 effective from 1 May 2013, to pay allowance arising from voluntary resignation and fully meet the elements in accordance with the law of employees, equal to one-half month's salary for each year of employment up to 31 December 2008.

Unemployment insurance

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

4.26 Capital and reserves

Ordinary shares

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

Share premium

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

Reserves

(i) Bank's reserves

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

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

(ii) Subsidiaries' reserves

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

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

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

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

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

These reserves will be appropriated at the end of the year.

4.27 Offsetting

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

4.28 Business combinations and goodwill

Business combinations are accounted for using the purchase method. The cost of a business combination is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed

at the date of Business combination plus any costs directly attributable to the business combination. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of business combination.

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

5. CASH, GOLD AND GEMSTONES

	31 December 2017 (VND million)	31 December 2016 (VND million)
Cash on hand in VND	5.201.870	4.509.334
Cash on hand in foreign currencies	729.977	649.086
Valuable papers in foreign currencies	-	-
Monetary gold	25.941	5.784
Non-monetary gold	-	1.181
Other gemstones	22.045	21.747
	5.979.833	5.187.132

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

	31 December 2017 (VND million)	31 December 2016 (VND million)
Balance with the SBV		
- In VND	17.620.706	10.410.791
- In foreign currencies	3.135.825	3.091.803
	20.756.531	13.502.594

Balances with the SBV include current account and compulsory reserves. In accordance with regulations of the SBV, the Bank must maintain a certain reserve with the SBV in form of compulsory reserves. As at 31 December 2017, compulsory reserves in VND and in foreign currencies bear interest rate of 1.20% per annum and 0% per annum, respectively.

Compulsory reserve balances for deposits in VND applicable to credit institutions as at 31 December 2017 are as follows:

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

- Compulsory reserve balance is 1% of the preceding month's average balance for deposits in VND with terms of 12 months or more.

Compulsory reserve balances for deposits in foreign currencies applicable to credit institutions as at 31 December 2017 are as follows:

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

7. PLACEMENTS WITH AND LOANS TO OTHER CREDIT INSTITUTIONS

	31 December 2017 (VND million)	31 December 2016 (VND million)
Placements with other credit institutions		
Current accounts	52.109.399	40.154.261
- In VND	47.518.499	31.149.125
- In foreign currencies	4.590.900	9.005.136
Term deposits	49.828.885	50.877.567
- In VND	26.447.643	32.719.580
- In foreign currencies	23.381.242	18.157.987
	101.938.284	91.031.828
Loans to other credit institutions		
- In VND	4.944.303	2.783.762
- In foreign currencies	627.900	653.691
	5.572.203	3.437.453
Provision for credit losses	-	-
	107.510.487	94.469.281

PLACEMENTS WITH AND LOANS TO OTHER CREDIT INSTITUTIONS BY LOAN GROUP ARE AS FOLLOWS:

	31 December 2017 (VND million)	31 December 2016 (VND million)
Current	55.401.088	54.315.020

8. SECURITIES HELD FOR TRADING

	31 December 2017 (VND million)	31 December 2016 (VND million)
Debt securities	2.910.939	1.502.806
Government bonds	2.907.488	1.502.806
Bonds issued by other domestic economic entities	3.451	-
Equity securities	671.504	471.864
Equity securities issued by other domestic credit institutions	10	1.767
Equity securities issued by other domestic economic entities	671.494	470.097
Other trading securities	20.000	-
Fund certificates	20.000	-
	3.602.443	1.974.670
Provision for securities held for trading	(73.461)	(79.980)
	3.528.982	1.894.690

SECURITIES HELD FOR TRADING BY LISTING STATUS

	31 December 2017 (VND million)	31 December 2016 (VND million)
Debt securities	2.910.939	1.502.806
Listed	2.910.939	1.502.806
Unlisted	-	-
Equity securities	671.504	471.864
Listed	310.642	57.810
Unlisted	360.862	414.054
Other trading securities	20.000	-
Listed	-	-
Unlisted	20.000	-
	3.602.443	1.974.670

9. DERIVATIVES AND OTHER FINANCIAL ASSETS

	31 December 2017 (VND million)	31 December 2016 (VND million)
Derivative financial instruments	462.559	628.437
Foreign exchange forward contracts	35.489	184.888
Foreign exchange swap contracts	427.070	443.549
Commodity option contracts	10.764	-
Other derivative financial instruments	55.439	54.253
	528.762	682.690

10. LOANS TO CUSTOMERS

	31 December 2017 (VND million)	31 December 2016 (VND million)
Loans to domestic economic entities and individuals	778.247.588	652.250.039
Discounted bills and valuable papers	1.364.879	1.193.140
Financial lease	2.297.299	1.929.817
Payments on behalf of customers	71.899	32.956
Loans financed by entrusted funds	547.321	682.632
Loans to foreign economic entities and individuals	8.159.073	5.899.213
	790.688.059	661.987.797

10.1 ANALYSIS OF LOAN PORTFOLIO BY QUALITY

	31 December 2017 (VND million)	31 December 2016 (VND million)
Current	778.049.805	648.968.336
Special mention	3.627.123	6.037.104
Substandard	1.243.379	2.350.744
Doubtful	2.550.738	811.889
Loss	5.217.014	3.819.724
	790.688.059	661.987.797

10.2 ANALYSIS OF LOAN PORTFOLIO BY ORIGINAL MATURITY

	31 December 2017 (VND million)	31 December 2016 (VND million)
Short term loans	448.913.060	374.736.785
Medium term loans	76.808.731	73.115.713
Long term loans	264.966.268	214.135.299
	790.688.059	661.987.797

10.3 ANALYSIS OF LOAN PORTFOLIO BY OWNERSHIP AND TYPES OF CUSTOMERS

	31 December 2017 (VND million)	%	31 December 2016 (VND million)	%
State-owned companies	30.642.778	3,88	36.108.050	5,45
One-member limited liability companies with 100% State ownership	51.982.101	6,57	59.059.510	8,92
Two or more member limited liability companies with over 50% State ownership or being controlled by the State	7.321.453	0,93	5.578.225	0,84
Other limited liability companies	168.898.190	21,36	132.337.779	19,99
Joint stock companies with over 50% State ownership or being controlled by the State	39.887.528	5,04	40.569.939	6,13
Other joint-stock companies	228.977.373	28,96	175.651.457	26,54
Partnership companies	67.494	0,01	31.921	0,00
Private enterprises	14.515.648	1,84	17.805.279	2,69
Foreign invested enterprises	47.013.578	5,95	37.704.068	5,70
Co-operatives and unions of co-operative	1.317.511	0,17	1.075.014	0,16
Household business and individuals	196.444.680	24,84	152.700.606	23,07
Operation administration entity, the Party, unions and associations	2.792.703	0,35	3.352.178	0,51
Others	827.022	0,10	13.771	0,00
	790.688.059	100	661.987.797	100

10.4 ANALYSIS OF LOAN PORTFOLIO BY SECTORS

	31 December 2017 (VND million)	%	31 December 2016 (VND million)	%
Construction	84.586.370	10,70	63.082.118	9,53
Electricity, petroleum and steam	23.950.207	3,03	32.131.389	4,85
Production and processing	222.476.492	28,13	196.735.423	29,73
Mining	27.733.755	3,51	20.716.612	3,13
Agricultural, forestry and aquaculture	31.457.587	3,98	30.779.162	4,65
Transportation, logistics and information	32.350.775	4,09	13.819.478	2,09
Wholesale and retail trade, repair of motor vehicles, motor cycles and personal goods	213.086.772	26,95	179.731.946	27,15
Trading and services	56.164.741	7,10	65.035.819	9,82
Households services, production of material products and services used by households	85.067.043	10,76	50.066.963	7,56
Other activities	13.814.317	1,75	9.888.887	1,49
	790.688.059	100	661.987.797	100

11. PROVISION FOR CREDIT LOSSES ON LOANS TO CUSTOMERS

Movement of provision for credit losses on loans to customers during the year ended 31 December 2017 are as follows:

	General provision (VND million)	Specific provision (VND million)	Total (VND million)
Opening balance as at 1 January 2017	4.894.202	2.004.369	6.898.571
Provision charged in the year	1.050.556	2.564.001	3.614.557
Provision used to write-off bad debts	-	(2.210.305)	(2.210.305)
Closing balance as at 31 December 2017	5.944.758	2.358.065	8.302.823

Movement of provision for credit losses on loans to customers during the year ended 31 December 2016 are as follows:

	General provision (VND million)	Specific provision (VND million)	Total (VND million)
Opening balance as at 1 January 2016	3.815.343	734.368	4.549.711
Provision charged in the year	1.078.859	1.941.080	3.019.939
Provision used to write-off bad debts	-	(671.079)	(671.079)
Closing balance as at 31 December 2016	4.894.202	2.004.369	6.898.571

12. INVESTMENT SECURITIES

12.1 AVAILABLE-FOR-SALE SECURITIES

	31 December 2017 (VND million)	31 December 2016 (VND million)
Debt securities	125.287.262	124.945.799
Government bonds	52.508.513	55.310.868
Bonds issued by domestic credit institutions	26.696.702	25.133.435
Bonds issued by domestic economic entities	46.082.047	44.501.496
Equity securities	472.399	628.095
Equity securities issued by domestic economic entities	472.399	628.095
Provision for available-for-sale securities	(606.234)	(472.121)
In which:		
Provision for diminution in value	(120.039)	(164.496)
General provision	(486.195)	(307.625)
Specific provision	-	-
	125.153.427	125.101.773

12.2 HELD-TO-MATURITY SECURITIES

12.2.1 Held-to-maturity securities (not including special bonds issued by VAMC)

	31 December 2017 (VND million)	31 December 2016 (VND million)
Debt securities	2.661.748	2.586.748
Government bonds	2.200.000	2.200.000
Bonds issued by domestic credit institutions	55.000	-
Bonds issued by domestic economic entities	406.748	386.748
Provision for held-to-maturity securities	(2.901)	(2.901)
General provision	(2.901)	(2.901)
Specific provision	-	-
	2.658.847	2.583.847

12.2.2 Special bonds issued by VAMC

	31 December 2017 (VND million)	31 December 2016 (VND million)
Special bonds	2.471.644	9.156.273
Provision for special bonds	(1.891.153)	(2.615.207)
	580.491	6.541.066

12.3 ANALYSIS BY QUALITY OF INVESTMENT SECURITIES CLASSIFIED AS CREDIT RISK BEARING ASSETS

	31 December 2017 (VND million)	31 December 2016 (VND million)
Current	64.933.530	65.162.357
Special mention	-	-
Substandard	-	-
Doubtful	240.850	-
Loss	240.000	-
	65.414.380	65.162.357

12.4 PROVISION FOR INVESTMENT SECURITIES

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

	Available-for-sale securities (VND million)	Held-to-maturity securities (VND million)	Total (VND million)
Opening balance	472.121	2.618.108	3.090.229
Provision charged in the year	134.113	4.729.342	4.863.455
Provision used to write-off bad debts	-	(5.453.396)	(5.453.396)
Closing balance	606.234	1.894.054	2.500.288

13. LONG-TERM INVESTMENTS

Analysis by type of investments

	31 December 2017 (VND million)	31 December 2016 (VND million)
Investments in joint ventures (Note 13.1)	2.704.255	2.774.766
Other long-term investments	412.645	430.445
Provision for long-term investments	(2.799)	(2.574)
	3.114.101	3.202.637

13.1 INVESTMENTS IN JOINT VENTURES

	31 December 2017			31 December 2016		
	Cost VND million	Carrying value (equity method) VND million	% owned	Cost VND million	Carrying value (equity method) VND million	% owned
Indovina Bank Ltd	1.688.788	2.704.255	50%	1.688.788	2.590.905	50%
Vietinbank Aviva Life Insurance Company Ltd	-	-	-	400.000	183.861	50%
	1.688.788	2.704.255		2.088.788	2.774.766	



Indovina Bank Ltd was established in Vietnam with Head Office located in Ho Chi Minh City, its main activity is providing banking services. This is a joint venture between the Bank and Cathay United Bank, a bank established in Taiwan. Indovina Bank Ltd was granted Operating License No. 08/NH-GP dated 29 October 1992 and its amendments issued by the SBV for the operating period of 40 years with the initial charter capital of USD10,000,000. Since its establishment, the charter capital of Indovina Bank Ltd. has been increased several times under the approval of the SBV, while the proportions of ownership in the joint venture remain unchanged. As at 31 December 2017, the charter capital of Indovina Bank Ltd was USD193 million.

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

14. TANGIBLE FIXED ASSETS

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

	Building & construction (VND million)	Machines & equipment (VND million)	Transportation vehicles (VND million)	Other tangible fixed assets (VND million)	Total (VND million)
Cost					
Opening balance	6.720.364	4.431.363	1.174.942	211.908	12.538.577
Additions	-	131.550	62.125	22.138	215.813
Transfer from construction in progress	276.485	4.101	3.409	3.721	287.716
Reclassification	-	751	462	(1.213)	-
Other increases	98.153	211.679	8.239	20.585	338.656
Disposals	(5.790)	(19.631)	(13.140)	(1.743)	(40.304)
Other decreases	(29.681)	-	(345)	(127)	(30.153)
Closing balance	7.059.531	4.759.813	1.235.692	255.269	13.310.305
Accumulated depreciation					
Opening balance	1.442.214	3.771.849	776.611	125.515	6.116.189
Depreciation during the year	289.431	383.191	118.236	42.698	833.556
Reclassification	-	148	461	(609)	-
Other increases	4.116	4.097	2.344	500	11.057
Disposals	(2.709)	(18.918)	(12.361)	(1.729)	(35.717)
Other decreases	(843)	(32)	(135)	(506)	(1.516)
Closing balance	1.732.209	4.140.335	885.156	165.869	6.923.569
Net book value					
Opening balance	5.278.150	659.514	398.331	86.393	6.422.388
Closing balance	5.327.322	619.478	350.536	89.400	6.386.736

15. INTANGIBLE FIXED ASSETS

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

	Land use rights (VND million)	Other intangible fixed assets (VND million)	Total (VND million)
Cost			
Opening balance	4.256.208	888.254	5.144.462
Additions	5.506	925.160	930.666
Other increases	236.579	11.010	247.589
Other decreases	(1.764)	-	(1.764)
Disposals	(910)	-	(910)
Closing balance	4.495.619	1.824.424	6.320.043
Accumulated amortization			
Opening balance	216.044	727.231	943.275
Amortization during the year	42.407	283.950	326.357
Other increases	196	817	1.013
Other decreases	(393)	-	(393)
Closing balance	258.254	1.011.998	1.270.252
Net book value			
Opening balance	4.040.164	161.023	4.201.187
Closing balance	4.237.365	812.426	5.049.791

16. OTHER ASSETS**16.1 RECEIVABLES**

	31 December 2017 (VND million)	31 December 2016 (VND million)
Internal receivables	418.131	964.001
External receivables	6.350.449	4.472.015
Chi phí xây dựng cơ bản dở dang	5.600.517	5.258.628
- Constructions in the North	4.937.812	4.954.640
- Constructions in the Central	472.272	132.063
- Constructions in the South	190.433	171.925
Fixed assets in purchase or repairing	1.345.285	1.878.792
	13.714.382	12.573.436

16.2 OTHER ASSETS

	31 December 2017 (VND million)	31 December 2016 (VND million)
Materials and tools	193.325	161.463
Prepaid expenses	2.990.175	2.842.264
Goodwill (Note 17)	2.722	4.537
Other assets	10.911	2.124
	3.197.133	3.010.388

17. GOODWILL

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

	31 December 2017 (VND million)	31 December 2016 (VND million)
Total value of goodwill	18.149	18.149
Amortized period	10 năm	10 năm
Value of accumulated amortized goodwill at the beginning of the year	(13.612)	(11.797)
Value of unamortized goodwill at the beginning of the year	4.537	6.352
Decrease in goodwill during the year	(1.815)	(1.815)
Goodwill amortized during the year	(1.815)	(1.815)
Total value of unamortized goodwill at the end of the year	2.722	4.537

18. DUE TO THE STATE BANK OF VIETNAM

	31 December 2017 (VND million)	31 December 2016 (VND million)
Borrowings from the SBV	4.107.281	4.808.227
Borrowings based on the credit files	4.100.323	4.797.369
Borrowings to support State-owned enterprises	6.958	10.858
Deposits from the State Treasury	11.099.618	190
In VND	11.098.975	185
In foreign currencies	643	5
	15.206.899	4.808.417

19. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS**19.1 DEPOSITS FROM OTHER CREDIT INSTITUTIONS**

	31 December 2017 (VND million)	31 December 2016 (VND million)
Demand deposits	41.701.970	23.986.765
In VND	38.087.146	22.675.898
In foreign currencies	3.614.824	1.310.867
Term deposits	26.824.042	17.359.467
In VND	19.634.870	11.253.000
In foreign currencies	7.189.172	6.106.467
	68.526.012	41.346.232

19.2 BORROWINGS FROM OTHER CREDIT INSTITUTIONS

	31 December 2017 (VND million)	31 December 2016 (VND million)
In VND	548.900	11.980.000
In foreign currencies	46.083.853	31.825.635
	46.632.753	43.805.635

20. CUSTOMER DEPOSITS

	31 December 2017 (VND million)	31 December 2016 (VND million)
Demand deposits	115.412.491	86.007.168
- Demand deposits in VND	95.909.532	72.366.017
- Demand deposits in foreign currencies	19.502.959	13.641.151
Term deposits	631.943.800	548.031.303
- Term deposits in VND	604.962.495	518.598.290
- Term deposits in foreign currencies	26.981.305	29.433.013
Deposits for specific purpose	3.173.915	4.777.797
- Deposits for specific purpose in VND	1.521.130	2.902.435
- Deposits for specific purpose in foreign currencies	1.652.785	1.875.362
Margin deposits	2.405.132	16.243.880
- Margin deposits in VND	1.961.897	15.738.389
- Margin deposits in foreign currencies	443.235	505.491
	752.935.338	655.060.148

ANALYSIS OF CUSTOMER DEPOSITS BY TYPE OF CUSTOMERS AND BY TYPE OF ENTITIES IS AS FOLLOWS:

	31 December 2017 (VND million)	%	31 December 2016 (VND million)	%
State-owned companies	81.729.855	10,85	91.619.723	13,99
One-member limited liability companies with 100% State ownership	57.852.075	7,68	52.266.511	7,98
Two or more member limited liability companies with over 50% State ownership or being controlled by the State	1.666.059	0,22	994.156	0,15
Other limited liability companies	24.465.024	3,25	19.013.792	2,90
Joint stock companies with over 50% State ownership or controlled by the State	28.278.246	3,76	31.467.920	4,80
Other joint-stock companies	51.315.381	6,82	34.306.646	5,24
Partnership companies	2.411.262	0,32	71.241	0,01
Private enterprises	1.886.742	0,25	2.213.889	0,34
Foreign invested enterprises	48.997.014	6,51	36.464.620	5,57
Co-operatives and unions of co-operative	440.958	0,06	434.301	0,07
Household business and individuals	412.340.160	54,76	348.446.993	53,18
Operation administration entity, the Party, unions and associations	30.928.742	4,11	26.705.147	4,08
Others	10.623.820	1,41	11.055.209	1,69
	752.935.338	100	655.060.148	100

21. OTHER BORROWED AND ENTRUSTED FUNDS

	31 December 2017 (VND million)	31 December 2016 (VND million)
Funds received in VND	827.515	808.445
Funds received in foreign currencies	5.536.643	5.267.023
	6.364.158	6.075.468

22. VALUABLE PAPERS ISSUED

	31 December 2017 (VND million)	31 December 2016 (VND million)
In VND	22.500.925	18.313.003
Par value	22.500.925	18.313.003
In foreign currencies	848	5.536.450
Par value	848	5.540.615
Discounted value	-	(4.165)
	22.501.773	23.849.453

DETAILS OF THE TERM OF VALUABLE PAPERS ISSUED AT THE END OF THE YEAR ARE AS FOLLOWS:

	Bills of exchange (VND million)	Bearer bonds (VND million)	Book-entry bonds (VND million)	Certificates of deposits (VND million)	Total (VND million)
Less than 12 months	219	-	-	-	219
- In VND	219	-	-	-	219
From 12 months to 5 years	-	166	2.000.000	1.388	2.001.554
- In VND	-	166	2.000.000	540	2.000.706
- In foreign currencies	-	-	-	848	848
Over 5 years	-	-	20.500.000	-	20.500.000
- In VND	-	-	20.500.000	-	20.500.000
Closing balance	219	166	22.500.000	1.388	22.501.773

23. OTHER LIABILITIES

23.1 OTHER PAYABLES

	31 December 2017 (VND million)	31 December 2016 (VND million)
Internal payables	3.776.803	2.647.869
External payables (*)	102.252.137	100.156.063
Bonus, welfare funds	400.245	329.171
	106.429.185	103.133.103

(*) Details of external payables are as follows:

	31 December 2017 (VND million)	31 December 2016 (VND million)
Collection, payment on behalf of other organizations	99.146.666	95.217.477
Amount kept for customers and awaiting for settlement	306.586	246.723
Corporate income tax payable	131.590	177.602
Other items awaiting for payment	1.207.851	874.572
Other payables related to securities operation	742.324	224.709
Tax and fee payables	185.067	118.876
Payables to the SBV due to the collection of written-off debts	86.654	85.290
Payables related to trade finance activities	6.526	6.000
Money transfer payable	287.517	147.345
Dividend payable	-	2.606.383
Other payables	151.356	451.086
	102.252.137	100.156.063

24. TAX AND OTHER OBLIGATIONS TO THE STATE BUDGET

	Opening balance (VND million)	Movements during the year		Closing balance (VND million)
		Payables (VND million)	Paid (VND million)	
Value added tax	30.033	315.520	(313.101)	32.452
Corporate income tax	177.602	1.747.418	(1.793.430)	131.590
Other taxes	79.635	824.242	(768.332)	135.545
	287.270	2.887.180	(2.874.863)	299.587

24. 1. CURRENT CORPORATE INCOME TAX

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

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

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

Provision for current income tax expense is computed as follows:

	2017 (VND million)	2016 (VND million)
Profit before tax	9.206.194	8.453.703
Plus/(minus)		
- Non-bearing tax dividend income	(230.387)	(27.436)
- Subsidiaries' profits	(557.308)	(443.130)
- Income from increase in interest at joint venture	(307.164)	(73.325)
- Expenses arising from consolidation	5.666	532
- Others	46.917	88.707
Estimated taxable income	8.163.918	7.999.051
Parent Bank's CIT expenses	1.632.784	1.600.146
Subsidiaries' CIT expenses	114.625	88.635
CIT expenses in the year	1.747.409	1.688.781
CIT payable at the beginning of the year	177.602	155.920
CIT paid during the year	(1.793.430)	(1.660.986)
Adjustment CIT differences of previous year	9	(6.113)
Current income tax payable at the end of the year	131.590	177.602

25. OWNERS' EQUITY AND RESERVES

25.1 STATEMENT OF CHANGES IN EQUITY

Unit: VND million

	Charter capital	Share premium	Capital supplementary reserve	Financial reserve	Investment and development fund	Foreign exchange difference	Undistributed profits	Non-controlling interests	Total
Balance as at 1 January 2016	37,234,046	8,974,732	1,791,882	3,478,726	4,424	441,537	3,942,373	242,426	56,110,146
Net profit for the year	-	-	-	-	-	-	6,837,866	19,984	6,857,850
Appropriation to reserves	-	-	348,373	688,111	10,178	-	(1,046,662)	(2,073)	(2,073)
Dividend payment in the year	-	-	-	-	-	-	(2,606,383)	-	(2,606,383)
Reclassification of funds	-	-	-	(33,702)	33,702	-	-	-	-
Utilization of reserves	-	-	-	(2,743)	-	-	-	-	(2,743)
Capital increase from share issuance of subsidiaries in the year	-	-	50,601	-	-	-	(50,601)	-	-
Increase from transition of financial statements for consolidation purposes	-	-	-	90	-	38,474	-	-	38,564
Other adjustments	-	(11)	-	(2,744)	-	-	(85,838)	(4)	(88,597)
Balance as at 31 December 2016	37,234,046	8,974,721	2,190,856	4,127,738	48,304	480,011	6,990,755	260,333	60,306,764

25. OWNERS' EQUITY AND RESERVES

25.1 STATEMENT OF CHANGES IN EQUITY (continued)

Unit: VND million

	Charter capital	Share premium	Capital supplementary reserve	Financial reserve	Investment and development fund	Foreign exchange difference	Undistributed profits	Non-controlling interests	Total
Balance as at 31 December 2017	37,234,046	8,974,710	2,597,498	4,823,006	55,835	550,601	9,233,969	295,618	63,765,283
Net profit for the year	-	-	-	-	-	-	7,432,363	26,539	7,458,902
Appropriation to reserves	-	-	351,990	695,891	7,531	-	(1,055,413)	(2,124)	(2,125)
Other increase	-	-	-	-	-	-	-	10,874	10,874
Appropriation bonus and welfare funds 2016	-	-	-	-	-	-	(1,412,266)	-	(1,412,266)
Dividend in 2016	-	-	-	-	-	-	(2,606,383)	-	(2,606,383)
Utilization of reserves	-	-	-	(623)	-	-	-	-	(623)
Increase from subsidiaries' share issue	-	-	54,652	-	-	-	(54,652)	-	-
Increase from transition of financial statements for consolidation purposes	-	-	-	-	-	70,590	-	-	70,590
Other adjustments	-	(11)	-	-	-	-	(60,435)	(4)	(60,450)

25. OWNERS' EQUITY AND RESERVES (continued)**25.2 EQUITY**

Details of the Bank's shares are as follows:

	31 December 2017		31 December 2016	
	Shares	VND million	Shares	VND million
Number of registered shares	3.723.404.556	37.234.046	3.723.404.556	37.234.046
Number of shares issued	3.723.404.556	37.234.046	3.723.404.556	37.234.046
- Ordinary shares	3.723.404.556	37.234.046	3.723.404.556	37.234.046
Number of shares circulated	3.723.404.556	37.234.046	3.723.404.556	37.234.046
- Ordinary shares	3.723.404.556	37.234.046	3.723.404.556	37.234.046

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

25.3 BASIC EARNINGS PER SHARE

Profit for calculation of basic earnings per share

	2017 (VND million)	2016 (VND million)
Net profit	7.432.363	6.745.227
Bonus and welfare fund (*)	(1.674.873)	(1.412.266)
Profit attributed to ordinary equity holders	5.757.490	5.332.961

(*) The appropriation for bonus and welfare funds this year is estimated by the Board of Management, the value of which may change as approved by the General Assembly of Shareholders in 2018.

Number of ordinary shares for calculation of basic earnings

	2017 (Shares)	2016 (Shares)
Number of ordinary shares issued at the beginning of the year	3.723.404.556	3.723.404.556
Effect of the number of shares issued in the year	-	-
Weighted average of ordinary shares for calculation of basic earnings per share	3.723.404.556	3.723.404.556

Basic earnings per share

	2017 (VND)	2016 (VND)
Basic earnings per share	1.546	1.432

26. INTEREST AND SIMILAR INCOME

	2017 (VND million)	2016 (VND million)
Interest income from deposits	2.325.479	1.361.746
Interest income from loans to customers	50.436.259	41.472.849
Interest income from debt securities	11.397.746	8.958.339
Income from guarantee activities	554.466	571.482
Income from finance leases	212.982	188.625
Other income from credit activities	350.267	336.544
	65.277.199	52.889.585

27. INTEREST AND SIMILAR EXPENSES

	2017 (VND million)	2016 (VND million)
Interest expenses for deposits	34.666.313	26.394.962
Interest expenses for borrowings	1.884.027	2.675.173
Interest expenses for valuable papers issued	1.544.739	1.405.656
Expense for other credit activities	109.133	109.915
	38.204.212	30.585.706

28. NET FEE AND COMMISSION INCOME

	2017 (VND million)	2016 (VND million)
Fee and commission income	4.302.331	3.334.497
Settlement services	2.016.316	1.618.757
Trust and agency services	51.540	84.960
Other services	2.234.475	1.630.780
Fee and commission expenses	(2.447.131)	(1.636.472)
Settlement services	(1.175.581)	(251.185)
Trustee and agency services	(30.611)	(16.225)
Treasury services	(189.858)	(182.301)
Other services	(1.051.081)	(1.186.761)
Net fee and commission income	1.855.200	1.698.025

29. NET GAIN FROM TRADING OF FOREIGN CURRENCIES

	2017 (VND million)	2016 (VND million)
Income from trading of foreign currencies		
Income from spot foreign currencies trading	850.144	1.872.548
Income from currency derivatives trading	1.080.472	1.152.062
Income from gold trading	553.528	1.171.482
Expenses for trading of foreign currencies		
Expenses for spot foreign currencies trading	(98.252)	(902.248)
Expenses for currency derivatives trading	(1.122.114)	(1.449.273)
Expenses for gold trading	(553.812)	(1.159.432)
Net gain from trading of foreign currencies	709.966	685.139

30. NET GAIN FROM SECURITIES HELD FOR TRADING

	2017 (VND million)	2016 (VND million)
Income from securities held for trading	361.714	225.155
Expenses for securities held for trading	(37.912)	(5.810)
Provision reversed/(charged) for securities held for trading	866	(35.426)
Net gain from securities held for trading	324.668	183.919

31. NET (LOSS)/GAIN FROM INVESTMENT SECURITIES

	2017 (VND million)	2016 (VND million)
Income from trading of investment securities	81.779	63.407
Expenses for trading of investment securities	(28.188)	(4.362)
Provision charged for investment securities	(134.460)	(18.090)
Net (loss)/gain from investment securities	(80.869)	40.955

32. NET GAIN FROM OTHER ACTIVITIES

	2017 (VND million)	2016 (VND million)
Income from other activities		
Income from recovery of bad debts previously written-off	2.654.831	2.056.782
Income from other derivatives	231.010	78.700
Income from transfer, disposal of assets	42.833	57.050
Other income	305.238	353.796
Expenses for other activities		
Expenses for other derivatives	(255.667)	(290.391)
Expenses for transfer, disposal of assets	(5.259)	(47.773)
Other expenses	(978.114)	(909.401)
Net gain from other activities	1.994.872	1.298.763

33. INCOME FROM INVESTMENTS IN OTHER ENTITIES

	2017 (VND million)	2016 (VND million)
Dividend received from equity securities	3.534	10.294
Dividend received from capital contribution	648.488	66.856
Share from net profit under equity method of investments in joint ventures	91.024	73.325
	743.046	150.475

34. TOTAL OPERATING EXPENSES

	2017 (VND million)	2016 (VND million)
Expenses on taxes, fees, charges	35.515	36.675
Personnel expenses		
Salary and allowances	6.919.462	5.826.200
Expenses - based to salary	431.020	347.067
Allowances	32.842	27.283
Other expenses	899.064	744.195
Expenses on assets		
Depreciation and amortisation expenses	1.159.913	915.978
Others	1.471.533	1.227.892
Administrative expenses		
Per-diem	243.992	213.317
Expenses for union activities	45.620	26.667
Other expenses	3.282.684	2.991.924
Insurance premium for customers' deposits	542.652	431.509
Other provision expenses	5.480	60.136
	15.069.777	12.848.843

35. CASH AND CASH EQUIVALENTS

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

	31 December 2017 (VND million)	31 December 2016 (VND million)
Cash and cash equivalents on hand	5.979.833	5.187.132
Balances with the SBV	20.756.531	13.502.594
Current accounts at other credit institutions	52.109.399	40.154.261
Placements with other credit institutions with terms not exceeding 3 months	49.161.564	49.970.962
Securities with maturity or recovery term not exceeding 3 months from the date of purchase	3.700.000	5.000.000
	131.707.327	113.814.949

36. EMPLOYEES' REMUNERATIONS

	2017	2016
I. Total number of employees (persons) (*)	23.784	22.957
II. Employees' remuneration (VND million)		
1. Total salary fund	6.919.462	5.826.200
2. Other remuneration	184.782	168.871
3. Total remuneration (1+2)	7.104.244	5.995.071
4. Average monthly salary (**)	24,56	22,28
5. Average monthly remuneration (**)	25,22	22,93

(*) Data as at 31 December.

(**) Calculated based on the average number of employees in the year.

37. COLLATERAL AND MORTGAGES

ASSETS, VALUABLE PAPERS TAKEN FOR MORTGAGE, PLEDGE AND DISCOUNT, REDISCOUNT

	31 December 2017 (VND million)	31 December 2016 (VND million)
Real estates	999.807.889	676.252.304
Movables	94.526.206	54.524.968
Deposits, gold, gemstones and valuable papers	115.556.511	111.143.618
Other assets	544.536.440	406.004.900
	1.754.427.046	1.247.925.790

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 debts according to the law.

As at 31 December 2017, the Bank did not hold any collateral which the Bank is permitted to sell or re-pledge for a third party in the absence of default by the customers (owner of the collaterals) who are able to pay off the debt according to the law.

38. CONTINGENT LIABILITIES AND COMMITMENTS

38.1 CONTINGENT LIABILITIES

As at 31 December 2017, the Bank is a party to the case of Huynh Thi Huyen Nhu and Vo Anh Tuan - former employees of Ho Chi Minh City Branch and Nha Be Branch of the Bank for swindling to appropriate assets.

According to The First Judgment of Criminal Case No. 56/2018/HS-ST dated 9 February 2018 of the People's Court of Ho Chi Minh City, Huynh Thi Huyen Nhu and Vo Anh Tuan have to pay the amount of VND200 billion to Hung Yen Investment and Trading Joint Stock Company and Huynh Thi Huyen Nhu has to pay the amount of VND885 billion to four (4) companies including Saigonbank - Berjaya Securities Joint Stock Company with the amount of VND210 billion, Orient Securities Corporation the amount of VND380 billion, An Loc Investment and Trading JSC with the amount of VND170 billion and Global Insurance Joint Stock Company with the amount of VND125 billion.

Up to the reporting date, the above-mentioned judgment has not yet effective as the appeal of some parties participating in the proceedings. The case has been under re-investigation, prosecution and trial in accordance with the provisions of law. Hence, the responsibilities and legal obligations of the parties concerned shall be defined only when the re-investigation and trial are completed with effective judgment and verdict.

However, based on results of internal reconciliation, review and investigation procedures that have been taken up to the date of this report, the Bank's management believes that the Bank neither is jointly liable for nor incur any financial loss with regards to the illegal actions of these individuals.

38.2 COMMITMENTS

On 22 May 2015, the Bank and Petrolimex Joint Stock Commercial Bank ("PG Bank") signed the Merger Agreement under the Approval of the General Shareholders' Meeting according to Resolution No. 14/NQDHDCD dated 14 April 2015. On 27 April 2016, the Bank and PG Bank signed an amended Merger Agreement replacing the previous Merger Agreement signed on 22 May 2015 under the Approval of the General Shareholders' Meeting according to Resolution No. 15/NQ-DHDCD dated 26 April 2016. Up to the reporting date, the Bank and PG Bank have agreed to suspend the merger. The two banks will report to the competent authority of each party for approval to terminate the merger transaction.

39. RELATED PARTY TRANSACTIONS

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

(a) Directly, or indirectly through one or more intermediaries, the party:

- Controls, is controlled by, or is under common control by the Bank (including parents and subsidiaries);
- Has an interest (owning 5% or more of the charter capital or voting share capital) in the Bank that gives it significant influence over the Bank;
- Has joint control over the Bank.

(b) The party is a joint venture in which the Bank is a venture or an associate (owning over 11% of the charter capital or voting share capital, but is not a subsidiary of the Bank);

(c) The party has a member which is the member of the key management personnel of the Bank;

(d) The party is a close member of the family of any individual referred to in (a) or (c); or

(e) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such company resides with, directly or indirectly, any individual referred to in (c) or (d).

Details of significant balances with related parties as at 31 December 2017 are as follows:

Related organizations

Related parties	Relationship	Transactions	2017 (VND million)	2016 (VND million)
The State Bank of Vietnam	Owner and direct management agency	Deposits of the Bank at the SBV	20.756.531	13.502.594
		Due to the SBV	4.107.281	4.808.227
Indovina Bank Ltd	Joint venture	Deposits of Indovina at the Bank	4.011.620	4.239.457
		Deposits of the Bank at Indovina	4.007.785	4.003.724

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

Related Individual

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

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

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

	Total loans (VND million)	Total deposits (VND million)	Credit commitments (VND million)	Derivative financial instruments (VND million)	Trading and investment of securities (VND million)
Domestic	788.101.190	826.065.823	112.811.787	528.762	134.495.496
Overseas	8.159.072	6.495.145	111.798	-	-
	796.260.262	832.560.968	112.923.585	528.762	134.495.496

41. SEGMENT INFORMATION

41.1 BUSINESS SEGMENT REPORT

Unit: VND million

Items	Banking financial services	Non-banking financial services	Others	Adjustment	Total
I. Income	73,911,898	1,622,751	899,602	49,874	76,484,125
1. Interest income	64,924,829	347,995	103,184	(98,809)	65,277,199
- Interest income from external sources	64,919,990	330,791	97,820	(71,402)	65,277,199
- Interest income from internal sources	4,839	17,204	5,364	(27,407)	-
2. Income from services	3,239,970	1,164,333	33,343	(135,315)	4,302,331
3. Other income	5,747,099	110,423	763,075	283,998	6,904,595
II. Expenses	(57,099,425)	(1,334,387)	(755,222)	255,002	(58,934,032)
1. Interest expenses	(38,241,311)	(48,935)	(12,775)	98,809	(38,204,212)
- External interest expenses	(38,210,798)	(7,731)	(12,769)	27,086	(38,204,212)
- Internal interest expenses	(30,513)	(41,204)	(6)	71,723	-
2. Depreciation and amortization expenses	(1,147,309)	(7,671)	(4,933)	-	(1,159,913)
3. Expenses related to operating business	(17,710,805)	(1,277,781)	(737,514)	156,193	(19,569,907)
Net profit from operating activities before credit provision expenses	16,812,473	288,364	144,380	304,876	17,550,093
Provision expenses for credit losses	(8,324,219)	(6,970)	(6,414)	(6,296)	(8,343,899)
Segment profit before tax	8,488,254	281,394	137,966	298,580	9,206,194
Current corporate income tax expense	(1,664,886)	(57,484)	(25,039)	-	(1,747,409)
Deferred corporate income tax income/(expense)	-	357	(240)	-	117
Segment profit after corporate income tax	6,823,368	224,267	112,687	298,580	7,458,902
III. Assets	1,095,853,341	5,248,992	2,777,487	(8,818,978)	1,095,060,842
1. Cash on hand	5,926,697	3,003	50,133	-	5,979,833
2. Fixed assets	11,313,415	75,293	47,819	-	11,436,527
3. Other assets	1,078,613,229	5,170,696	2,679,535	(8,818,978)	1,077,644,482
IV. Liabilities	1,032,815,905	2,298,910	1,294,555	(5,113,811)	1,031,295,559
1. External liabilities	1,029,239,872	1,718,091	1,275,820	(5,115,272)	1,027,118,511
2. Internal liabilities	3,576,033	580,819	18,735	1,461	4,177,048

41. SEGMENT INFORMATION (continued)

41.2 GEOGRAPHICAL SEGMENT REPORT

Unit: VND million

Items	North	South	Others	Offset	Total
Segment profit before tax	3,261,710	3,964,715	1,979,769	-	9,206,194
Current corporate income tax expense	(1,720,719)	(1,471)	(25,219)	-	(1,747,409)
Deferred corporate income tax income	117	-	-	-	117
Segment profit after corporate income tax	1,541,108	3,963,244	1,954,550	-	7,458,902
Segment assets	655,187,265	337,811,728	110,880,827	(8,818,978)	1,095,060,842
Segment liabilities	596,696,464	332,053,864	107,659,042	(5,113,811)	1,031,295,559

42. FINANCIAL RISK MANAGEMENT POLICIES

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

According to Official Letter No. 1601/NHNN-TTGSNH on the implementation of capital adequacy regulation under Basel II, the Bank is one of the ten selected banks to apply Basel II standards (jointly with Vietcombank, BIDV, MB, Sacombank, Techcombank, VPBank, etc.) and to implement the regulations on capital adequacy ratio under Circular 41 earlier than the whole market. The application of Basel II standards not only meets the requirements of the State Bank of Vietnam under the restructuring plan of the Vietnamese banking sector but is also a prerequisite for integration and expansion of the Bank in the global financial banking industry. The Bank has always played a pioneering role in the modernization of the banking system. In 2017, the Bank has continued to implement sub-projects on fund management, risk management within the Basel II Project in order to comprehensively enhance the risk management system as described in Basel II.

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

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

42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

To manage risk related to financial instruments, the Bank issues regulations, procedures, detailed guidance and internal indicators as well as strictly manages the balance between assets and liabilities, tightly controls the growth in business activities and credit quality; complies with limitation and safety rate for its operation and requirements on risk management as stipulated in Circular 36/2014/TT-NHNN and Circular 06/2016/TT-NHNN and regulations of the State Bank of Vietnam and meets requirements on risk management in accordance with Basel II. Accordingly, risks related to financial instruments are strictly managed as follows:

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

Credit risk management: Management activities of credit risk of the Bank are deployed through standardized models to organize, create and establish risk control limits based on the risk appetite of the Board of Directors, consistent with the business strategy in each period, ensuring secure and sustainable growth targets.

VietinBank credit-oriented documents are elaborated according to the branches, types of customers and products in each customer segment, suitable to geographic, economic, and political and consumer characteristics of each region for the purpose of optimizing the efficiency of the credit portfolio, limiting the growth into groups of industries and customers with high risk.

With the active management of credit portfolio, the Bank has timely identified potential risk customers which might lead to deterioration in the quality of debt, issues related to the risk concentration, collateral assets, etc. to make proactively implement appropriate measures to support the strict management of debt quality and financial planning in accordance with the plan objectives of the Board of Directors.

The IT infrastructure is prioritized for investment, ensuring that credit portfolio management, early warning, branch credit risk monitoring are implemented automatically, minimizing the data processing time and increasing the quality of information.

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 it in credit approval, loan pricing and efficient customer management.

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

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

43. CREDIT RISK

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

Tools that the Bank uses to manage credit risk include:

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

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

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

43.1 ASSESSMENT OF IMPAIRMENT LOSSES

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

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

43.2 SPECIFIC PROVISIONS

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

43.3 GENERAL PROVISIONS

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

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

43. CREDIT RISK (continued)

43.4 MODES OF CREDIT RISK MITIGATION

43.4.1 Collateral

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

43.4.2 Recovered collateral

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

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

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

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

Financial assets which are neither past due nor impaired

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

Financial assets which are past due but not impaired

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

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

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

	Overdue				
	Less than 90 days	91-180 days	181-360 days	Over 360 days	Total
	VND million	VND million	VND million	VND million	VND million
Loans to customers	203.154	51.505	117.372	1.428.485	1.800.516
Available-for-sale securities	-	-	240.850	240.000	480.850
	203.154	51.505	358.222	1.668.485	2.281.366

43. CREDIT RISK (continued)

43.4 MODES OF CREDIT RISK MITIGATION (continued)

43.4.3 Credit bearing assets of the Bank are divided into the following groups: (continued)

Financial assets which are impaired

The maturity of impaired financial assets is presented as follows:

	Overdue				Total
	Less than 90 days	91-180 days	181-360 days	Over 360 days	
	VND million	VND million	VND million	VND million	VND million
Loans to customers	3.423.969	1.191.874	2.433.366	3.788.529	10.837.738

44. MARKET RISK

44.1 INTEREST RATE RISK

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

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

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

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

44. MARKET RISK (continued)

44.1 INTEREST RATE RISK (continued)

The Bank's interest rate risk policies

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

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

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

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

Interest rate risk management

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

Interest rate risk management at portfolio level

- Since 2013, the Bank has issued regulations and procedures for managing interest rate risk on bank book which stipulate the principles for managing interest rate risk on bank book through the process of identification, measurement, control and monitoring of risk aims to ensure a balance between the interest rate risk control/prevention goal and the maximization of net interest income as well as the economic value of equity in the business operations of the Bank.
- The Bank has been implementing the completed systems of the rules, regulations and procedures of interest rate management in the Bank in accordance with international rules and Basel II regulations; implementing interest rate management under "three lines of defence" 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 mobilized and are controlled within established limits by the Bank.

44. MARKET RISK (continued)

44.1 INTEREST RATE RISK (continued)

Interest rate risk management (continued)

Interest rate risk management at transaction level

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

With the experience and sensitivity in managing, the Bank has been cautiously and flexibly managing the deposit and loan interest rate mechanism to ensure the safety and effectiveness of the business operation. As shown in the interest rate re-pricing gap report, the majority of interest bearing assets of the Bank has re-pricing term within 03 months, which is in line with the re-pricing structure of the mobilized funds that have short interest rate re-pricing term.

44. MARKET RISK (continued)

44.1 INTEREST RATE RISK (continued)

Below table shows an analysis of the interest re-pricing period of assets and liabilities of the Bank as at 31 December 2017:

Unit: VND million

Assets	Non-interest bearing	Overdue			Interest re-ricing period					Total
		Over 3 months	Up to 3 months	Up to 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	
Cash, gold and gemstones	5,979,833	-	-	-	-	-	-	-	-	5,979,833
Balances with the SBV	-	-	20,756,531	-	-	-	-	-	-	20,756,531
Placements with and loans to other credit institutions (*)	-	-	101,507,390	3,787,397	1,569,700	646,000	-	-	-	107,510,487
Securities held for trading (*)	-	-	3,602,443	-	-	-	-	-	-	3,602,443
Derivatives and other financial assets	-	-	528,762	-	-	-	-	-	-	528,762
Loans to customers (*)	-	9,011,131	3,627,123	281,588,173	232,787,634	196,312,248	50,304,833	15,799,518	1,257,399	790,688,059
Investment securities (*)	2,944,043	480,850	-	12,930,074	28,511,778	6,602,374	9,792,034	41,477,323	28,154,577	130,893,053
Long-term investments (*)	3,116,900	-	-	-	-	-	-	-	-	3,116,900
Fixed assets and investment properties	11,436,527	-	-	-	-	-	-	-	-	11,436,527
Other assets (*)	31,427,618	7,816	-	-	-	-	-	-	-	31,435,434
Total assets	54,904,921	9,499,797	3,627,123	420,913,373	265,086,809	204,484,322	60,742,867	57,276,841	29,411,976	1,105,948,029

(*): Excluding provision

44. MARKET RISK (continued)

44.1 INTEREST RATE RISK (continued)

Below table shows an analysis of the interest re-ricing period of assets and liabilities of the Bank as at 31 December 2017:

Unit: VND million

Liabilities	Non-interest bearing	Overdue			Interest re-ricing period					Total
		Over 3 months	Up to 3 months	Up to 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	
Due to the SBV	-	-	-	8,266,800	4,076,260	979,053	1,884,786	-	-	15,206,899
Deposits and borrowings from other credit institutions	-	-	-	75,052,598	30,571,661	9,510,114	24,216	176	-	115,158,765
Customer deposits	-	-	-	124,244,182	169,460,152	162,449,734	176,415,566	120,305,321	60,383	752,935,338
Other borrowed and entrusted funds	-	-	-	-	-	3,623,617	-	2,740,541	-	6,364,158
Valuable papers issued	-	-	-	1,773	-	-	4,200,000	18,300,000	-	22,501,773
Other liabilities (*)	118,787,062	-	-	-	-	-	-	-	-	118,787,062
Total liabilities	118,787,062	-	-	207,565,353	204,108,073	176,562,518	182,524,568	141,346,038	60,383	1,030,953,995
Interest sensitivity gap of balance sheet items	(63,882,141)	9,499,797	3,627,123	213,348,020	60,978,736	27,921,804	(121,781,701)	(84,069,197)	29,351,593	74,994,034
Interest sensitivity gap of off-balance sheet items	-	-	-	-	-	-	-	-	-	-
Interest sensitivity gap of on, off-balance sheet items	(63,882,141)	9,499,797	3,627,123	213,348,020	60,978,736	27,921,804	(121,781,701)	(84,069,197)	29,351,593	74,994,034

(*): Excluding provision

44. MARKET RISK (continued)

44.2 CURRENCY RISK

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

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

The Bank is exposed to the following risks:

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

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

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

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

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

For investment activities:

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

For foreign currency trading activities:

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

44. MARKET RISK (continued)

44.2 CURRENCY RISK (continued)

The following table presents assets and liabilities in foreign currencies translated into VND as at 31 December 2017:

	EUR equivalent VND million	USD equivalent VND million	Other currencies equivalent VND million	Total VND million
Assets				
Cash, gold and gemstones	127.689	611.183	39.091	777.963
Balances with the SBV	-	3.135.825	-	3.135.825
Placements with and loans to other credit institutions (*)	1.392.957	26.771.161	435.924	28.600.042
Securities held for trading (*)	-	-	-	-
Derivatives and other financial assets	-	-	-	-
Loans to customers (*)	2.003.428	92.744.443	2.190.282	96.938.153
Investment securities (*)	-	-	-	-
Long-term investments (*)	-	1.688.788	-	1.688.788
Fixed assets and investment properties	75.335	-	-	75.335
Other assets (*)	1.457.082	5.283.591	-	6.740.673
Total assets	5.056.491	130.234.991	2.665.297	137.956.779
Liabilities				
Due from the SBV	-	-	-	-
Deposits and borrowings from other credit institutions	260.257	56.618.398	9.194	56.887.849
Customer deposits	3.263.435	45.160.632	156.217	48.580.284
Other borrowed and entrusted funds	203.000	5.322.649	10.994	5.536.643
Valuable papers issued	-	848	-	848
Other liabilities (*)	2.804.176	1.654.628	-	4.458.804
Owners' equity	-	-	-	-
Total liabilities	6.530.868	108.757.155	176.405	115.464.428
FX position on balance sheet	(1.474.377)	21.477.836	2.488.892	22.492.351
FX position off-balance sheet	-	-	-	-
Net on, off-balance sheet FX position	(1.474.377)	21.477.836	2.488.892	22.492.351

44. MARKET RISK (continued)

44.3 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 since the Bank might be unable to meet its payment obligations when they fall due under both normal and stressed circumstances or when the Bank has to mobilize funds at a higher cost to meet its payment obligations.

The Bank had issued regulations and procedures on the liquidity management which establishes rules of managing the liquidity gap through maturity, liquidity risk ratios, designs stress test scenarios and backup plan to proactively handle measures in facing with the market volatility. To minimize this risk, the 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, the fund balance and liquidity of the Bank is one of the key contents to be discussed. At the same time, compliance with the liquidity risk limits was reviewed and reported at Management risk Committee meeting. Based on analysis and evaluation, ALCO/Risk Committee makes recommendations to the Board of Directors and the Board of Management to best remain the Bank's solvency in a safe and effective way.

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

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

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

44. MARKET RISK (continued)

44.3 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 mobilization and utilization, the Bank makes decisions on appropriate management of capital adequacy.

Based on the projection of capital adequacy, the Treasury and Financial Planning Department in cooperation with 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 and Financial Planning Department in cooperation with the Treasury Dealing Department may decide to sell valuable papers to the SBV in the open market, or to borrow to replenish working capital's deficiency to ensure liquidity position of the whole system.

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

The process of capital adequacy of the Bank is performed in the Core Sunshine system, the interbank payment program CITAD, Asset-Liability management software, liquidity management software, information about large cash flows from business units. Therefore, the Bank actively performs liquidity risk management on a daily basis. Currently, the Bank is promptly completing and developing the procedures as well as applying and upgrading software for risk management in accordance with international standards.

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

The table below presents the analysis of remaining maturity of assets and liabilities of the Bank as at 31 December 2017:

Unit: VND million

	Overdue			Current					Total
	Over 3 months	Up to 3 months	Up to 1 months	From 1 month to 3 months	From 3 months to 12 months	From 1 to 5 years	Over 5 years		
Assets									
Cash, gold and gemstones	-	-	5,979,833	-	-	-	-	5,979,833	
Balances with the SBV	-	-	20,756,531	-	-	-	-	20,756,531	
Placements with and loans to other credit institutions (*)	-	-	101,507,390	3,787,397	2,215,700	-	-	107,510,487	
Securities held for trading (*)	-	-	3,602,443	-	-	-	-	3,602,443	
Derivatives and other financial assets	-	-	528,762	-	-	-	-	528,762	
Loans to customers (*)	9,011,131	3,627,123	60,044,687	160,489,498	264,788,215	114,157,567	178,569,838	790,688,059	
Investment securities (*)	480,850	-	8,118,353	912,490	16,071,040	71,938,242	33,372,078	130,893,053	
Long-term investments (*)	-	-	-	-	-	-	3,116,900	3,116,900	
Fixed assets and investment properties	-	-	-	-	-	-	11,436,527	11,436,527	
Other assets (*)	7,816	-	-	-	-	-	31,427,618	31,435,434	
Total assets	9,499,797	3,627,123	200,537,999	165,189,385	283,074,955	186,095,809	257,922,961	1,105,948,029	
Liabilities									
Due to the SBV	-	-	8,266,800	4,076,260	2,863,839	-	-	15,206,899	
Deposits and borrowings from other credit institutions	-	-	66,599,237	17,088,305	23,339,235	8,003,301	128,687	115,158,765	
Customer deposits	-	-	124,244,181	169,460,152	338,865,301	120,305,321	60,383	752,935,338	
Other borrowed and entrusted funds	-	-	-	-	-	3,363,750	3,000,408	6,364,158	
Valuable papers issued	-	-	1,773	-	-	2,000,000	20,500,000	22,501,773	
Other liabilities (*)	-	-	47,261,791	4,413,115	13,173,024	53,617,457	321,675	118,787,062	
Total liabilities	-	-	246,373,782	195,037,832	378,241,399	187,289,829	24,011,153	1,030,953,995	
Net liquidity gap	9,499,797	3,627,123	(45,835,783)	(29,848,447)	(95,166,444)	(1,194,020)	233,911,808	74,994,034	

(*): Excluding provision

Other market price risk

Except for the assets and liabilities disclosed in the previous section, the Bank does not bear any other market price risks that account for 5% of its net profit or the value of its assets, liabilities accounted for 5% of total assets.

45. ADDITIONAL INFORMATION ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

FINANCIAL ASSETS

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

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

Financial asset at fair value through profit or loss

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

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

Held-to-maturity investments

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

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

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

FINANCIAL ASSETS (continued)

Loans and receivables:

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

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

Available-for-sale financial assets:

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

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

FINANCIAL LIABILITIES

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

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

Financial liability at fair value through profit or loss:

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

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

Financial liabilities at amortized cost:

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

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

OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

The carrying value and fair value of financial assets and financial liabilities of the Bank as at 31 December 2017 are presented as follows:

	Carrying value					Fair value
	Financial assets at fair value through profit and loss	Held-to-maturity	Loans and receivables	Available-for-sale	Other assets and liabilities recorded at amortized cost	
	VND million	VND million	VND million	VND million	VND million	VND million
Cash, gold and gemstones	5,979,833	-	-	-	-	5,979,833
Balances with the SBV	20,756,531	-	-	-	-	20,756,531
Placements with and loans to other credit institutions	-	-	107,510,487	-	-	107,510,487 (*)
Securities held for trading	3,602,443	-	-	-	-	3,602,443 (*)
Derivatives and other financial assets	528,762	-	-	-	-	528,762 (*)
Loans to customers	-	-	790,688,059	-	-	790,688,059 (*)
Available-for-sale securities	-	-	-	125,759,661	-	125,759,661 (*)
Held-to-maturity securities	-	5,133,392	-	-	-	5,133,392 (*)
Other long-term investments	-	-	-	412,645	-	412,645 (*)
Other financial assets	-	-	31,426,766	-	-	31,426,766 (*)
Liabilities	30,867,569	5,133,392	929,625,312	126,172,306	-	1,091,798,579
Due to the SBV	-	-	-	-	15,206,899	15,206,899 (*)
Deposits and loans from other credit institutions	-	-	-	-	115,158,765	115,158,765 (*)
Customer deposits	-	-	-	-	752,935,338	752,935,338 (*)
Other borrowed and entrusted funds	-	-	-	-	6,364,158	6,364,158 (*)
Valuable papers issued	-	-	-	-	22,501,773	22,501,773 (*)
Other financial liabilities	-	-	-	-	118,432,526	118,432,526 (*)
	-	-	-	-	1,030,599,459	1,030,599,459

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

46. RESTATING THE COMPARATIVE FIGURES

On 19 December 2017, the State Auditor issued the audited financial statements of the Bank for the year 2016. Based on that, the beginning balance on the consolidated balance sheet and the consolidated income statement have been adjusted in accordance with the State audit report.

The main adjustments are as follows:

- Consolidated balance sheet: Adjustments relating to loan classification, cost and depreciation of fixed assets, other assets, payables and other liabilities;
- Consolidated income statement: Adjustments relating to provision expenses, operation expenses, interest income and income tax expenses.

a) Impact to consolidated total assets

Items	2016 Restated (As adjusted by State Audit)	2016 Audited (As audited by independent auditor)	Adjustment
Loans to customers	655,089,226	655,125,731	(36,505)
Provision for credit losses on loans to customers	(6,898,571)	(6,862,066)	(36,505)
Fixed assets	10,623,575	10,615,318	8,257
Tangible fixed assets	6,422,388	6,422,471	(83)
Cost	12,538,577	12,538,329	248
Accumulated depreciation	(6,116,189)	(6,115,858)	(331)
Intangible fixed assets	4,201,187	4,192,847	8,340
Cost	5,144,462	5,141,691	2,771
Accumulated amortization	(943,275)	(948,844)	5,569
Other assets	29,688,994	29,792,264	(103,270)
Receivables	12,573,436	12,572,928	508
Accrued interest and fees receivable	14,106,717	14,207,830	(101,113)
Other assets	3,010,388	3,013,053	(2,665)
TOTAL ASSETS	948,567,505	948,699,023	(131,518)

46. RESTATING THE COMPARATIVE FIGURES (continued)**b) Impact to consolidated liabilities and owners' equity**

Items	2016 Restated (As adjusted by State Audit)	2016 Audited (As audited by independent auditor)	Adjustment
Other liabilities	113.315.388	113.354.267	(38.879)
Other payables and liabilities	103.133.103	103.171.982	(38.879)
Total liabilities	888.260.741	888.299.620	(38.879)
Owners' equity	60.306.764	60.399.403	(92.639)
Undistributed profits	6.990.755	7.083.394	(92.639)
TOTAL LIABILITIES AND OWNERS' EQUITY	948.567.505	948.699.023	(131.518)

c) Impact to consolidated income statement

Items	2016 Restated (As adjusted by State Audit)	2016 Audited (As audited by independent auditor)	Adjustment
Interest and similar income	52.889.585	52.990.698	(101.113)
Net interest and similar income	22.303.879	22.404.992	(101.113)
Total operating expenses	(12.848.843)	(12.870.682)	21.839
Net profit before provision for credit losses	13.512.312	13.591.586	(79.274)
Provision expenses for credit losses	(5.058.609)	(5.022.104)	(36.505)
Profit before tax	8.453.703	8.569.482	(115.779)
Current corporate income tax expense	(1.688.781)	(1.711.921)	23.140
Corporate income tax expense	(1.688.492)	(1.711.632)	23.140
Profit after tax	6.765.211	6.857.850	(92.639)

47. EVENTS AFTER THE CONSOLIDATED BALANCE SHEET DATE

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

48. NOTES TO CHANGES IN PROFIT

Net profit after tax of the Bank for the year ended 31 December 2017 increased by VND694 billion (equivalent to 10%) in comparison in 2016, mainly due to the increase in its profit before tax by VND752 billion (equivalent to 9%) for the same period due to the following main items:

Items	Movement	
	Amount VND million	Rate on profit before tax (%)
Income from investments in other entities	592.571	78,75
Net fee and commission income	157.175	20,89
	749.746	99,64

49. EXCHANGE RATES OF SOME FOREIGN CURRENCIES AGAINST VIETNAM DONG AT THE BALANCE SHEET DATE

	31 December 2017	31 December 2016
	VND million	VND million
USD	22.425	22.159
EUR	27.208	23.780
GBP	30.646	27.911
CHF	23.294	22.215
JPY	201,42	193,46
SGD	17.010	15.617
CAD	18.123	16.835
AUD	17.740	16.338
NZD	16.158	15.694
THB	697,45	626,86
SEK	2.765	2.483
NOK	2.766	2.618
DKK	3.654	3.201
HKD	2.906	2.916
CNY	3.486	3.247
KRW	21,30	18,64
LAK	2,90	2,78
MYR	5.327	5.042

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