



VietinBank 

ANNUAL | **2018**
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**2018 AUDITED CONSOLIDATED FINANCIAL
STATEMENTS**

MESSAGE FROM THE CHAIRMAN

Dear Shareholders, Customers and Partners,

In 2018, the Government led and directed to focus on timely, synchronous and effective implementation of solutions to improve the business investment environment, improve competitiveness and create favorable conditions for development of businesses, promoting innovation. Vietnam's economy achieved positive and comprehensive growth achievements with outstanding result: GDP growth rate reached 7.08%, the highest increase within the last 10 years. The State Bank of Vietnam (SBV) has drastically directed, coordinated monetary policy, harmonized and coordinated active monetary policies with tight and prudent fiscal policies, which has contributed to strengthening macroeconomic stability, controlling inflation, stabilizing exchange rates and interest rates while credit was effectively allocated to manufacturing sectors, priority areas, hence boosting efficient economic growth.

For VietinBank, 2018 marked an important milestone as the Bank celebrated 30 years in its history of development. With its achievements, outstanding efforts and important contributions, VietinBank was honored by the Party and the State with the First-class Labor Medal (2nd time) and the Emulation Flag of the Government. Besides, in 2018, VietinBank also won many big awards voted and awarded by prestigious domestic and foreign organizations.

Closely following the orientation and direction of the Government, the SBV, VietinBank implemented synchronously and drastically business solutions, reformed the direction of management, focused on applying modern technology in business development and governance, contributed to improving labor productivity and service



Mr. Le Duc Tho - Chairman of VietinBank

quality; simplified processes and procedures, facilitated maximum support for businesses and individuals to access conveniently and fully banking services. Business performance of the whole system achieved positive results, the quality of growth was well managed, the credit structure was strongly shifted to the production and business sectors and the sectors and industries prioritized by the Government. Business model continues to be strongly transformed towards improving service quality and developing effectively. VietinBank has developed, having been approved by the SBV and is actively implementing the Restructuring Plan in

association with bad debt handling in the period of 2016 – 2020, which has reoriented the development strategy comprehensively, improved the operational efficiency and competitiveness of VietinBank in the period from now to 2020 and after 2020, to ensure the effective, safe and sustainable development of VietinBank.

In 2019, in the context of many advantages intertwined with difficulties and challenges, closely following the objectives of mid-term business plan and restructuring plan associated with handling bad debts in the period of 2016 – 2020 and being in line with the development strategy, VietinBank continues to innovate, create, grasp market opportunities, and transform strongly its business models from large-scale growth to improvement and development of service quality and business efficiency on the basis of modern and multi-service banking platform, improving financial management capacity, reforming the management system in line with international practices and standards advanced, improving quality of risk management, ensuring good control of growth quality. Some key targets in business operation in 2019 are as follows: (i) To effectively implement the action plan in the restructuring plan associated with handling of bad debts in the period of 2016–2020, thoroughly handle outstanding problems; (ii) To focus on improving efficiency, maintaining reasonable growth rates associated with good growth quality management; (iii) To improve the quality of services, to develop a variety of modern products and services, to constantly improve, streamline, modernize the process of providing products and services to create favorable conditions for customers to access comprehensive banking products and services; (iv) To continue to implement synchronously and strongly

solutions to increase equity; restructure the risk portfolio of assets; (v) To promote debt recovery to handle risks, bad debts, VAMC debt sales, improving asset quality; (vi) To promote the tradition, maintaining the role of a key state-owned commercial bank, a pillar of the economy; continue to well implement social security activities, contribute to the community.

With resources and traditions established during its development; clear development orientation, plans and solutions; concurrently with plans to develop platform and create fundamental elements for sustainable development; I believe VietinBank will successfully implement the business objectives and targets for 2019, its mid-term business plans and restructuring plan for the period 2016–2020, which will successfully implement VietinBank's development strategy.

On behalf of the Board of Directors (BoD), I wish to express my sincere gratitude to the Executive Board and our devoted employees for their continuous dedication and invaluable contributions. I also would like to take the opportunity to present our deep appreciation to our valued shareholders, customers and partners for their trust and confidence in VietinBank over our history of 30 years. I sincerely hope for your continued companion and partnership in creating a sustainable and prosperous future for VietinBank!

Respectfully yours,

Chairman of the Board



Le Duc Tho



HANOI, VIETNAM

Officially operated on July 8, 1988, Vietnam Bank for Industry and Trade (now Vietnam Joint Stock Commercial Bank for Industry and Trade - VietinBank) is a specialized bank in the field of industry and trade. After 30 years of establishment, innovation and development, VietinBank has become the leading brand in the finance and banking sector in Vietnam with a nationwide network including Head Office, 2 representative offices, 7 subsidiaries, 9 non-business units, 155 branches and nearly 1,000 transaction offices in 63 provinces/cities across the country. On the international market, VietinBank is strongly integrated with the presence of two branches in Germany, one 100% subsidiary bank in Laos and one representative office in Myanmar.

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VIETINBANK AT A GLANCE

- General Information
- Scope of Business and Branch Network
 - Governance Model and Structure
- Organization and Human Resources
 - Development Plan
 - Risk Factors



GENERAL INFORMATION

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

Transaction name: VietinBank

SWIFT code: ICBVNVX

Banking License:

No. 142/GP-NHNN dated 3/7/2009 by the State Bank of Vietnam

Certificate of Business Registration:

No.: 0100111948

First issuance by Hanoi Department of Planning and Investment on 3/7/2009

Registered for the 11th amendment on 1/11/2018

Chartered Capital:

VND 37,234,045,560,000

Shareholders' Equity:

VND 67,455,517,000,000 (as at 31/12/2018)

Head Office:

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

Tel: +84 24 3942 1030

Fax: +84 24 3942 1032

Website: www.vietinbank.vn

Independent auditor:

Ernst & Young Vietnam Limited

Securities Code CTG

Par value per share: VND 10,000/share

Total number of shares: 3,723,404,556 shares

CREDIT RATINGS

	Short term	Long term	Outlook	Date
FitchRatings	B	BB-	Stable	20/3/2019
MOODY'S		Ba3	Stable	14/11/2018
CI CAPITAL intelligence	B	BB-	Stable	7/8/2018

PHASE I

July 1988 - 2000

Established and transformed from a single-tier bank into a two-tier financial institution, officially put Vietnam - Bank for Industry and Trade (Incombank) into operation.

26/3/1988

Incombank was established after its separation from the SBV in accordance with Decree No.53/HDBT by the Ministers Council.

1990

Indovina Bank - the first joint venture bank between Incombank and a foreign banking partner began its business operation in Vietnam.

2000

Operation network was expanded and being the first local bank to launch official website.

PHASE II

2001 - 2008

Successfully implemented restructuring project that targeting debts settlement, organization model, business policies, mechanisms and operations.

2003-2006

Implemented INCAS Core Banking System sponsored by the World Bank.

04/2008

Launched new brand identity - VietinBank.

09/2008

VietinBank Training Center was upgraded to VietinBank School of Human Resources Training and Development.

25/12/2008

VietinBank successfully launched its IPO.

PHASE III

2009 - 2013

Successfully completed equitization process and conducted a complete system innovation towards modernization and standardization in all aspects of banking activities.

16/7/2009

VietinBank stock was officially listed and traded on Ho Chi Minh City Stock Exchange (HOSE) with stock code CTG.

09/2011

German branch was opened in Frankfurt, Germany.

2011

Sold 10% of stake to foreign strategic partner - IFC, making VietinBank the first local bank that had a strategic foreign partner.

02/2012

Vientiane branch was opened in Laos PDR.

05/2013

Sold 20% of stake to foreign strategic investor - MUFG Bank, bringing VietinBank the number one state-owned commercial bank with the strongest shareholder structure in Vietnam.

PHASE IV

2014 - Present

Focus on building and implementing strategic management with technological breakthroughs, continue to innovate banking activities comprehensively, boost business growth associated with efficiency, safety and sustainability.

2014

The first General Meeting of Shareholders (GMS) for the term of 2014-2019 was successfully held.

2017

Successfully transformed SUNSHINE Core Banking system - the most innovative technology platform owned in the local banking industry.

2018

Strengthened regional cooperation and international integration; VietinBank brand value was continuously enhanced during 2015-2018 period.



KEY FINANCIAL INDICATORS 2014 - 2018

Indicator	Unit	31/12/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014
BUSINESS OPERATIONS						
Total assets	VND billion	1,164,435	1,095,061	948,568	779,483	661,242
Shareholders' Equity	VND billion	67,455	63,765	60,307	56,110	55,259
Charter capital	VND billion	37,234	37,234	37,234	37,234	37,234
Customers deposit	VND billion	825,816	752,935	655,060	492,960	424,181
Credit Exposure	VND billion	888,216	837,180	706,876	591,110	477,326
Net fee & commission income	VND billion	5,954	4,302	3,334	2,651	2,117
Net operating income	VND billion	28,738	32,620	26,361	22,744	21,031
Operating expenses	VND billion	(14,256)	(15,070)	(12,849)	(10,719)	(9,804)
Net profit from operating activities before credit provisions	VND billion	14,482	17,550	13,512	12,024	11,226
Provisions for credit losses	VND billion	(7,751)	(8,344)	(5,059)	(4,679)	(3,923)
Profit before tax	VND billion	6,730	9,206	8,454	7,345	7,303
Income Tax Expense	VND billion	(1,314)	(1,747)	(1,689)	(1,629)	(1,576)
Profit after tax	VND billion	5,416	7,459	6,765	5,717	5,727
PROFITABILITY RATIO						
ROA	%	0.6%	0.9%	1.0%	1.0%	1.2%
ROE	%	8.3%	12.0%	11.6%	10.3%	10.5%
CAPITAL ADEQUACY & ASSET QUALITY						
NPL ratio	%	1.60%	1.13%	0.93%	0.81%	0.90%
Capital Adequacy Ratio (CAR)	%	> 9%	> 9%	> 9%	> 9%	> 9%
SHARES						
No. of ordinary shares	shares	3,723,404,556	3,723,404,556	3,723,404,556	3,723,404,556	3,723,404,556
Value per share (as of end of 2018)	VND	19,300	24,200	15,050	18,600	13,800
Market Capitalization	VND billion	71,862	90,106	56,037	69,255	51,383
EPS	VND	1,454	1,546	1,432	1,208	1,266
P/E	time	13.27	15.65	10.51	15.40	10.90

2018 AWARDS AND ACCOLADES

AWARDS AND ACCOLADES OF VIETINBANK



FIRST-CLASS LABOUR MEDAL (FOR THE SECOND TIME) AND GOVERNMENT'S EMULATION FLAG

VietinBank was awarded First-class Labour Medal (for the second time) and Government's Emulation Flag on its 30th anniversary. This is the official recognition from the Government and the Party for VietinBank's great achievements, efforts and contributions during its 30 years of development.



TOP 400 MOST VALUABLE BANK BRANDS WORLDWIDE

Being ranked 310th on Brand Finance's list in 2018, VietinBank was recognized amongst the Top 400 most valuable Bank Brands in the world, fortifying its position in the Top 500 for the 6th consecutive year. The remarkable leap for 98 ranks in 2018 put VietinBank amongst the top 3 banks with the most rapid improvement. Additionally, VietinBank's brand value increased sharply by 51.3% to reach USD 381 million, with Brand Power rated AA-.

Regionally, VietinBank ranks 24th on the list of top banks in ASEAN. In Vietnam, VietinBank maintains its leading position in the listed banks and is one of the top 10 most valuable brands in Vietnam.



TOP 2000 LARGEST ENTERPRISES WORLDWIDE

For the 7th consecutive year, VietinBank has been listed on Forbes Global 2000 (Top 2000 largest enterprises worldwide) compiled by Forbes. Forbes also recognized VietinBank's revenue of USD 3.4 billion and market value of USD 4.8 billion.



VIETNAM VALUE

VietinBank's products and services were recognized as Vietnam Value for the 5th consecutive year. This is a prestigious and noble award that the Prime Minister assigned the Vietnam Value Council and the Secretariat Board to Vietnam Value in collaboration with Trade Promotion Department (Ministry of Industry and Trade) to organize. Vietnam Value is the only program of the Government of Vietnam to promote national image through product and service brands.



VIETNAM EXCELLENT BRAND

This marked the 14th consecutive year VietinBank being awarded the prize of "Vietnam Excellent Brand" as well as its leading position among the awarded enterprises. The program aims to recognize, encourage and support businesses with outstanding achievements in production, business, high growth rates and great contributions to the country.

AWARDS AND ACCOLADES FOR BUSINESS PRACTICES



NATIONAL GOLD PRIZE FOR SERVICE QUALITY AND BEST IN CLASS PRIZE AWARDED BY ASIA-PACIFIC QUALITY ORGANIZATION (APQO)

VietinBank is the only bank in Vietnam that has been awarded the National Gold Prize for large service enterprises. This is a prestigious national prize awarded by the Prime Minister to recognize the outstanding enterprises and encourage the development of Vietnamese enterprises for Vietnam's regional and global business integration.

The National Gold Prize for service quality and Best in Class Prize by APQO shows that VietinBank's vision and business practices are heading in the right direction, complying with international standards and practices, which will help the Bank develop further.

Specially, in terms of improving service quality, VietinBank has also been awarded the prize of "Leading Customer Service Center in Vietnam 2018" by Global Banking & Finance Review.



VARIOUS PRIZES IN RETAIL BANKING

VietinBank has been awarded "Best Retail Bank" in Vietnam for 3 consecutive years by Global Banking & Finance Review and many other well-recognized awards such as: Best Vietnamese Retail Bank by International Finance Magazine; the double prize for "Outstanding Retail Bank 2018" and "Outstanding Digital Bank 2018" awarded by Vietnam Banks Association (VNBA) and International Data Group (IDG).



BEST FOREX SERVICE

VietinBank has been recognized by Global Finance as the bank with "Best Forex Service in Vietnam 2018". The award demonstrates the innovations and strong growth in foreign exchange activities with the orientation of enhancing VietinBank's position in the foreign exchange market and many synchronous and efficient business solutions.

THE ASIAN BANKER

BEST TRADE FINANCE SERVICE

In 2018, VietinBank's International Payment and Trade Finance activities had many achievements, reflected in many awards: Best Trade Finance Service Provider (by Global Finance); Best Trade Finance Bank 2018 (by the Asian Banker); Outstanding International Payment Service (Bank of New York Mellon); Bank with outstanding quality in processing International Payment and Trade Finance Remittance 2018 (JP Morgan Chase).

**VIETNAM
HR AWARDS**

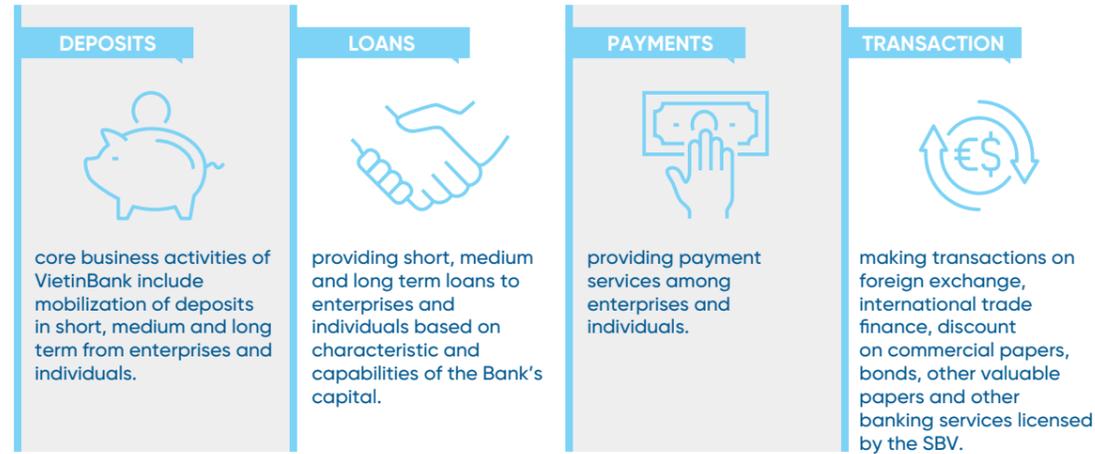
EFFECTIVE PAYMENT AND REWARDING POLICY

Under Vietnam HR Awards organized by TalentNet and The Labor – Society Newspaper under the approval of The Ministry of Labours, Invalids and Social Affairs, VietinBank was awarded the Prize for Enterprise with Effective Payment and Rewarding Policy. The bank was one of the three enterprises being awarded such prize and was the only awarded state-owned enterprise in the large enterprises category.

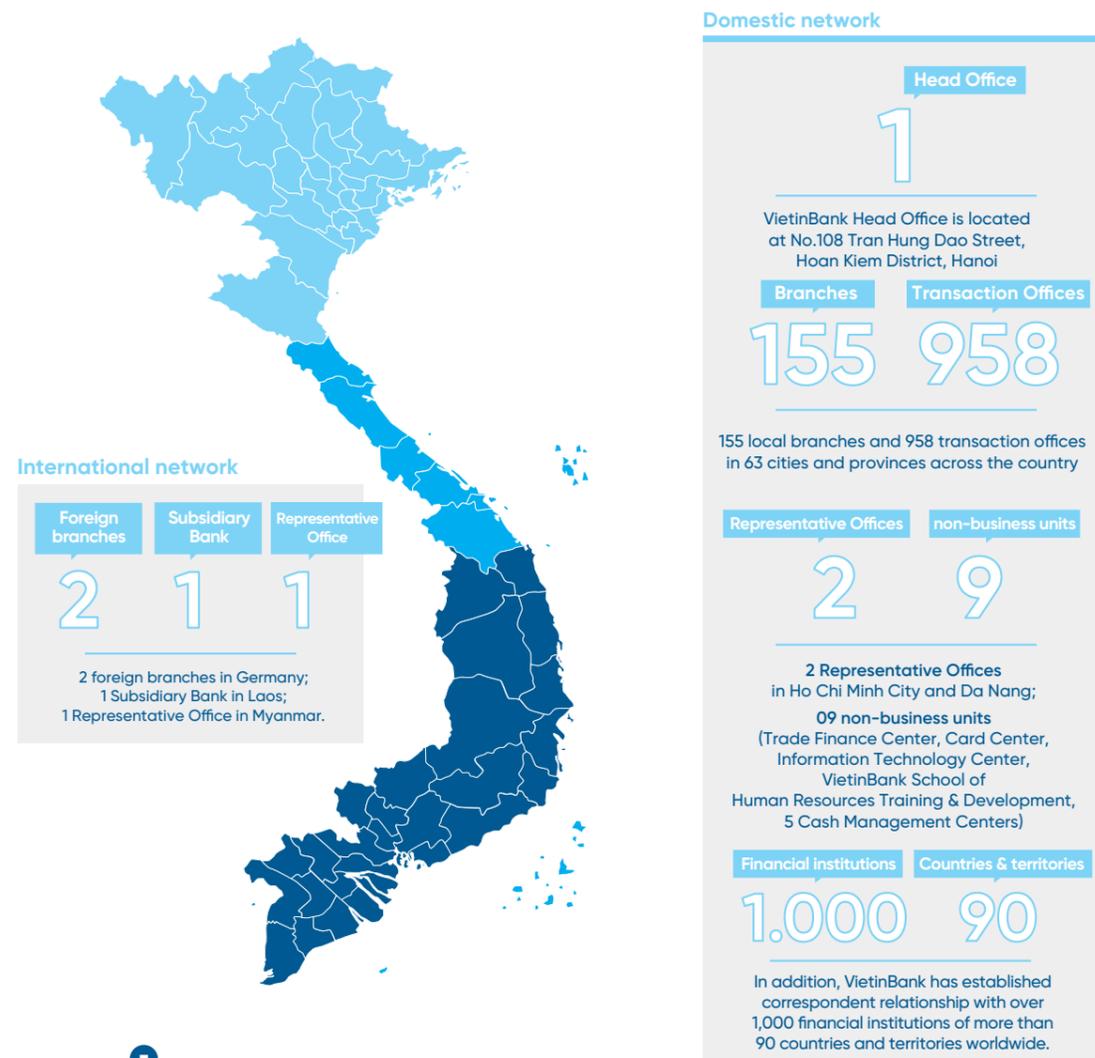


2. SCOPE OF BUSINESS AND BRANCH NETWORK

SCOPE OF BUSINESS



BRANCH NETWORK



MISSION, VISION, CORE VALUES, BUSINESS PHILOSOPHY

MISSION

To be No.1 bank in Vietnam banking system, providing modern financial and banking products and services with full utilities and meeting international standards.

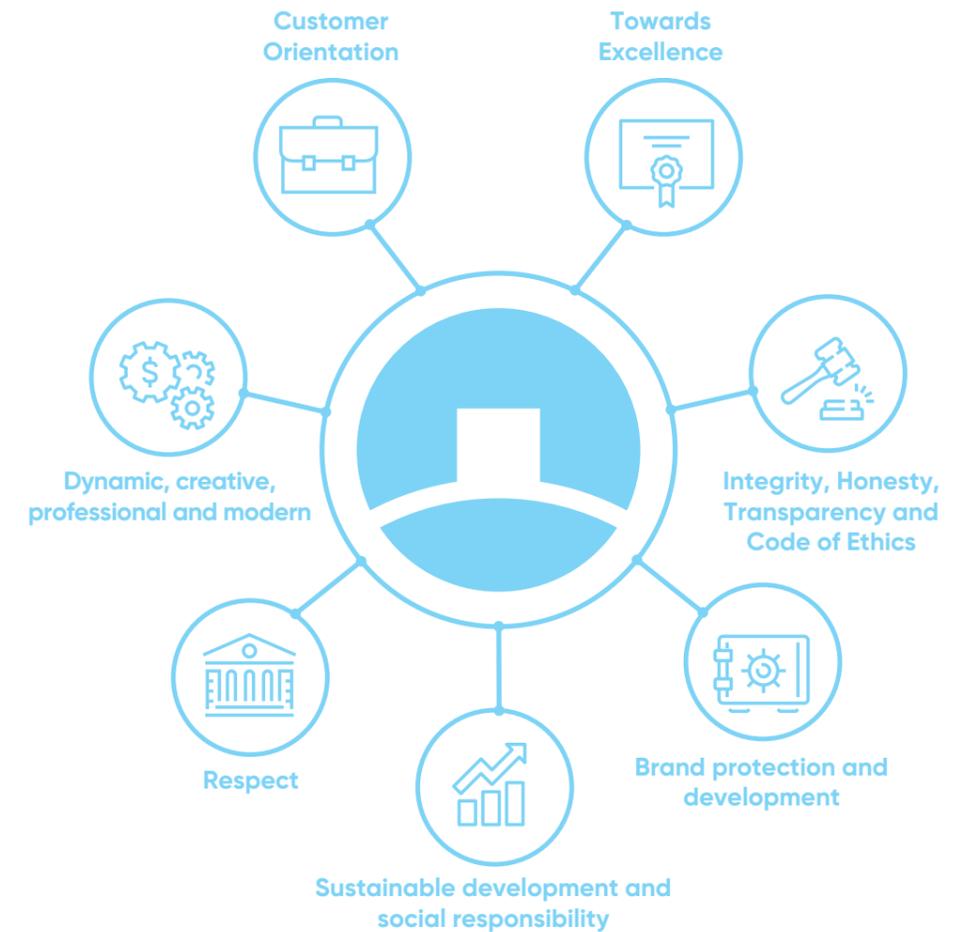
VISION

To become a leading bank in Vietnam and a regional player, being modern and multi-functional that conforms to international standards.

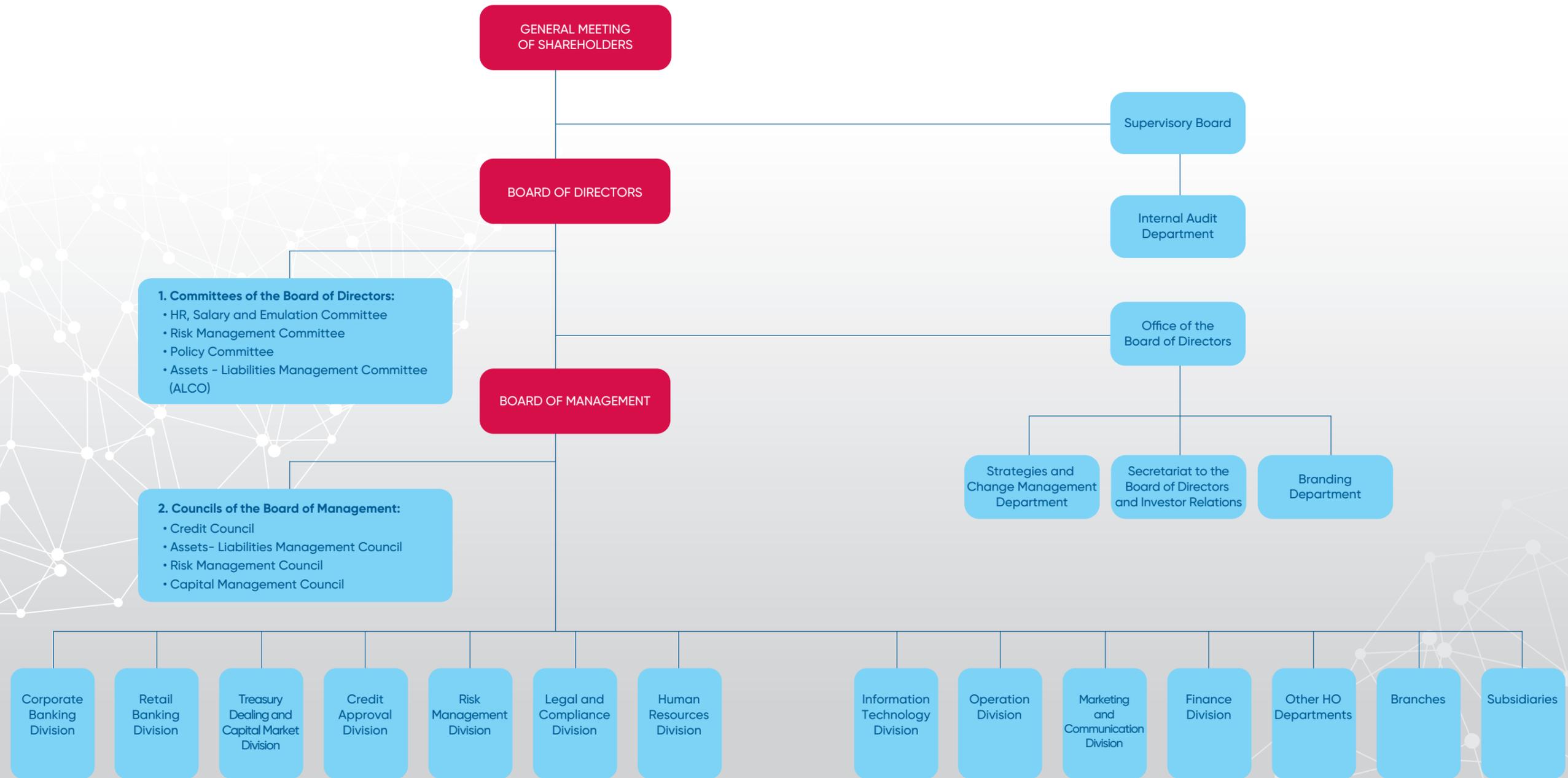
BUSINESS PHILOSOPHY

- Safe, effective and sustainable.
- Loyal, dedicated, united, innovative, wise and disciplined.
- The prosperity of VietinBank's customers is our ultimate success.

CORE VALUES



3. GOVERNANCE MODEL & STRUCTURE



4. ORGANIZATION AND HUMAN RESOURCES

4.1. BOARD OF DIRECTORS

The BoD is the governing body of VietinBank, having full discretion on behalf of VietinBank to make decisions and demonstrate VietinBank's rights and obligations, except for issues under the authority of the GMS.



Mr. LE DUC THO

Chairman

Born in 1970.

Ph.D. in Economics.

Joined VietinBank since 1991.

Appointed as Chairman of VietinBank on 31/10/2018.

Currently a Member of the Party Executive Committee - Communist Party of State Enterprises, Party Committee Secretary, Chairman of VietinBank.

Former positions: Deputy Head of Business Department - VietinBank Phu Tho branch; Deputy Director of VietinBank ALCO Department, Deputy Director of VietinBank ALCO and Investment Department, Director of VietinBank Investment Department, Deputy General Director of VietinBank; Chief of the Office of the SBV; Board Member and General Director of VietinBank.





Mr. TRAN MINH BINH

Board Member and General Director

Born in 1974.

Master in Business Administration.

Joined VietinBank since 1999.

Appointed as Board Member and General Director of VietinBank on 8/12/2018.

Currently a Member of Inspection Committee – Communist Party of State Enterprises, Deputy Secretary of VietinBank Party Committee, Head of Inspection Committee of VietinBank Party Committee, Board Member and General Director of VietinBank.

Former positions: Deputy Head of Cards Department, Director of Cards Center, Director of Investment Department; Director of VietinBank Nguyen Trai Branch; Deputy Director, Director of VietinBank Hanoi Branch; Director of Treasury and Capital Market Division cum Chairman of VietinBank Laos Limited; Deputy General Director cum Director of Treasury and Capital Market Division cum Director of Credit Appraisal Division; Acting General Director of VietinBank.



Mr. CAT QUANG DUONG

Board Member

Born in 1959.

Master in Banking – Finance.

Appointed as Board Member of VietinBank in 2/2012 (part-time). Full-time Board Member of VietinBank since 1/1/2017.

Former positions: Deputy Head of Department under Credit Division of the SBV; Head of Department under Credit Division of the SBV; Deputy Director of Credit Division of the SBV; Member in charge of the BoD of VietinBank (from 23/7/2018 to 30/10/2018).



Ms. TRAN THU HUYEN

Board Member

Born in 1977.

Master in Business Administration.

Joined VietinBank since 2001.

Appointed as Board Member of VietinBank in July 2014.

Currently a Member of Standing Committee – VietinBank Communist Party, Board Member cum Director of Human Resources Division of VietinBank.

Former positions: Deputy Director, Director of Human Resources Department of VietinBank.



Mr. PHUNG KHAC KE

Independent Board Member

Born in 1948.

Ph.D. in Economics.

Independent Board Member of VietinBank since July 2014.

Former positions: Deputy Head of Department under Economics and Planning Division – SBV; Deputy Chief of the Office – SBV; Director of Credit Division – SBV; General Director of VietinBank; Deputy Governor of the SBV; Independent Board Member of Vietnam Prosperity Joint Stock Commercial Bank.



Mr. HIROSHI YAMAGUCHI

Board Member and Deputy General Director

Born in 1966, Japanese nationality

Bachelor in Economics.

Appointed as Board Member of VietinBank on 17/4/2017, cum Deputy General Director of VietinBank from 15/5/2017.

Former positions: Manager, Industry Research Group of Bank of Tokyo-Mitsubishi, Tokyo; Manager, Research Division Hong Kong Office, Bank of Tokyo-Mitsubishi UFJ Hong Kong; Manager, Corporate Banking Division No.6/ Corporate Banking Credit Division of Bank of Tokyo-Mitsubishi, Japan; Senior manager, Corporate Banking Division No.3, Bank of Tokyo-Mitsubishi UFJ in Japan; Managing Director/ Deputy General Manager, Asian Corporate Banking Division, Bank of Tokyo-Mitsubishi UFJ, New York; Deputy General Manager, Corporate Banking Division No.3 of Bank of Tokyo-Mitsubishi UFJ in Japan.

Mr. HIDEAKI TAKASE

Board Member

Born in 1968, Japanese nationality.

Master in Business Administration.

Appointed as Board Member of VietinBank on 21/4/2018.

Currently Board Member of VietinBank, concurrently an Executive Officer and Managing Director, Global Commercial Banking Planning Division of MUFG Bank in Japan.

Former positions: Chief Manager, Corporate Planning Division; Deputy General Manager, Corporate Planning Division of Bank of Tokyo-Mitsubishi UFJ in Japan; Head of Asian Corporate Banking of MUFG Union Bank in the US, Executive Officer & General Manager, Global Planning Division of Bank of Tokyo-Mitsubishi UFJ in Japan.

CHANGES IN BOARD MEMBERS DURING THE YEAR 2018

No.	FULL NAME	TITLE	Date of appointment/resignation
1	Mr. Le Duc Tho	Chairman	Appointed as Chairman of the BoD under Resolution No. 568/NQ-HDQT-NHCT1.2 dated 31/10/2018
2	Mr. Tran Minh Binh	Board Member and General Director	Appointed as Member of the BoD under Resolution of Extraordinary GMS No. 19/NQ-DHDCD dated 8/12/2018.
3	Mr. Hideaki Takase	Board Member	Appointed as Member of the BoD under Resolution of Annual GMS No. 18/NQ- DHDCD dated 21/4/2018
4	Mr. Nguyen Van Thang	Former Chairman	Resigned from the BoD from 13/7/2018.
5	Ms. Nguyen Hong Van	Former Board Member	Resigned from the BoD under Resolution of Extraordinary GMS No.19/NQ- DHDCD dated 8/12/2018.
6	Mr. Yotaro Agari	Former Board Member	Resigned from the BoD under Resolution of Annual GMS No.18/NQ- DHDCD dated 21/4/2018.

4.2. SUPERVISORY BOARD

The Supervisory Board is the agency on behalf of shareholders to supervise the operation and compliance with the Law and VietinBank's Charter in the management and administration of VietinBank; being responsible before the Law, the GMS in implementing the rights and duties assigned. During the implementation, the Supervisory Board may use the rights in accordance with the Law and VietinBank's Charter. The Supervisory Board has the role of implementing internal audit, controlling and evaluating the compliance with the provisions of the Law, internal regulations, VietinBank's Charter and resolutions and decisions of the GMS and the BoD.

MEMBERS OF SUPERVISORY BOARD

NO	Full name	Position	No. of shares	Percentage (%)
1	Mr. Nguyen The Huan	Head of Supervisory Board	0	0%
2	Ms. Pham Thi Thom	Member of Supervisory Board	0	0%
3	Mr. Tran Minh Duc	Member of Supervisory Board	0	0%



Mr. NGUYEN THE HUAN

Head of Supervisory Board

Born in 1974.

Bachelor in Law, Language and Finance - Banking.

Joined VietinBank since 1995.

Appointed as Member of Supervisory Board in 4/2015.

Currently a Member of the Party Executive Committee of VietinBank, Head of Supervisory Board.

Former positions: Deputy Head of Corporate Banking Department - VietinBank Ba Dinh Branch; Head of Corporate Banking Department - VietinBank Ba Dinh Branch; Deputy Director of ISO Management Department; Deputy Director of Retail Banking Department, Deputy Director of VietinBank Bac Giang Branch; Deputy Director of Internal Control Department - VietinBank Head Office; Deputy Director of Internal Audit Department - VietinBank Head Office.



Ms. PHAM THI THOM

Member of Supervisory Board

Born in 1969.

Master in Banking and Finance.

Appointed as Member of Supervisory Board in 7/2009 and reappointed in 4/2014 (term 2014-2019).

Currently Director of Policy Department under Accounting and Finance Division of the SBV cum Member of VietinBank Supervisory Board.

Former positions: Deputy Director, then Director of Accounting Department of Agribank Hanoi Branch, Deputy Director, then Director of Policy Department under Accounting and Finance Division of the SBV.

Mr. TRAN MINH DUC

Member of Supervisory Board

Born in 1977.

Bachelor in Law.

Joined VietinBank since 2000.

Appointed as Member of Supervisory Board in 4/2015.

Former positions: Deputy Head of Risk and NPL Management Department - VietinBank Ba Dinh Branch; Deputy Director of Legal Department, Deputy Director in charge of Legal Department of VietinBank Head Office.

CHANGES IN MEMBER OF SUPERVISORY BOARD DURING THE YEAR 2018

In 2018, Ms. Pham Thi Hong Phuong resigned from the position of a Member of the Supervisory Board for the term of 2014-2019 under Resolution of Extraordinary GMS No. 19/NQ-DHDCD dated 08/12/2018 due to retirement.

4.3. BOARD OF MANAGEMENT

The Board of Management (BoM) is responsible for managing VietinBank's day-to-day affairs in accordance with VietinBank's Charter and the Regulations on Organization and Operation of the BoM. The BoM is under the direct, comprehensive management and supervision of the BoD.

MEMBERS OF THE BOARD OF MANAGEMENT

NO.	Full name	Title	% of shares owned
1	Mr. Tran Minh Binh	General Director (assigned from 8/12/2018)	0.0001%
2	Mr. Hiroshi Yamaguchi	Deputy General Director	0%
3	Ms. Nguyen Hong Van	Deputy General Director (assigned from 8/12/2018) and Director of Financial Division	0.0001%
4	Mr. Nguyen Hoang Dung	Deputy General Director	0.00003%
5	Mr. Nguyen Duc Thanh	Deputy General Director	0%
6	Mr. Tran Cong Quynh Lan	Deputy General Director	0%
7	Mr. Nguyen Dinh Vinh	Deputy General Director	0%
8	Ms. Le Nhu Hoa	Deputy General Director	0.0007%
9	Mr. Nguyen Hai Hung	Chief Accountant	0.0005%

CHANGES IN THE BOARD OF MANAGEMENT DURING THE YEAR 2018

FULL NAME	Title	Date of appointment/resignation
1. Mr. Le Duc Tho	Former General Director	Resigned from 31/10/2018
2. Mr. Tran Minh Binh	General Director	Appointed on 8/12/2018
3. Ms. Nguyen Hong Van	Deputy General Director	Appointed on 8/12/2018

Mr. TRAN MINH BINH

Board Member and General Director

Born in 1974

Master in Business Administration

Joined VietinBank since 1999

Appointed as Board Member and General Director of VietinBank on 8/12/2018.

Currently a Member of Inspection Committee – Communist Party of State Enterprise, Deputy Secretary of VietinBank Party Committee, Head of Inspection Committee of VietinBank Party Committee, Board Member and General Director of VietinBank.

Former positions: Deputy Head of Cards Department, Director of Cards Center, Director of Investment Department; Director of VietinBank Nguyen Trai Branch; Deputy Director, Director of VietinBank Hanoi Branch; Director of Treasury and Capital Market Division cum Chairman of VietinBank Laos Limited; Deputy General Director cum Director of Treasury and Capital Market Division cum Director of Credit Appraisal Division; Acting General Director of VietinBank.





Mr. HIROSHI YAMAGUCHI

Board Member and Deputy General Director

Born in 1966, Japanese nationality

Bachelor in Economics

Appointed as Board Member of VietinBank on 17/4/2017, cum Deputy General Director of VietinBank from 15/5/2017.

Former positions: Manager, Industry Research Group of Bank of Tokyo-Mitsubishi, Tokyo; Manager, Research Division Hong Kong Office, Bank of Tokyo-Mitsubishi UFJ Hong Kong; Manager, Corporate Banking Division No.6/Corporate Banking Credit Division of Bank of Tokyo-Mitsubishi, Japan; Senior manager, Corporate Banking Division No.3, Bank of Tokyo-Mitsubishi UFJ in Japan; Managing Director/ Deputy General Manager, Asian Corporate Banking Division, Bank of Tokyo-Mitsubishi UFJ, New York; Deputy General Manager, Corporate Banking Division No.3 of Bank of Tokyo-Mitsubishi UFJ in Japan.



Ms. NGUYEN HONG VAN

Deputy General Director

Born in 1969.

Master in Banking and Finance.

Joined VietinBank since 1990.

Appointed as Deputy General Director of VietinBank on 8/12/2018

Currently Member of VietinBank's Party Executive Committee, Deputy General Director cum Director of Financial Division, Chairman of the BoD of VietinBank Insurance Corporation (VBI) cum Chairman of VietinBank Gold and Jewelry Trading Company.

Former positions: Deputy Director of ALCO Department; Director of ALCO & Treasury Department; Director of Financial Planning & ALCO Supporting Department; Board Member of VietinBank.



Mr. NGUYEN HOANG DUNG

Deputy General Director

Born in 1962.

Master in Economics.

Joined VietinBank since 12/1988.

Appointed as Deputy General Director in 3/2011.

Currently a Member of the Party Standing Committee of Banking Division in Ho Chi Minh city, VietinBank's Deputy General Director.

Former positions: Deputy Head of Supervisory Department, Assistant to Director, Director of Human Resource and Admin Department – VietinBank Minh Hai Branch; Director of Sales Department, Director of the City Transaction Office, Deputy Director, Director of VietinBank Ca Mau Branch.



Mr. NGUYEN DUC THANH

Deputy General Director

Born in 1970.

Master in Economics.

Joined VietinBank since 2/2010.

Appointed as Deputy General Director in 8/2012.

Currently Deputy General Director cum Director of Treasury and Capital Market Division cum Chairman of VietinBank Laos Limited.

Former positions: Commercial Attaché – Embassy of Vietnam in the Arab Republic of Egypt; Deputy Director & Secretary to the Minister of Trade, Deputy Director of Department of Competition Management cum Secretary to the Minister of Trade, Deputy Director of Department of Competition Management – Ministry of Industry and Trade; Director of Financial Institutions Department – VietinBank Head Office, Co-Director of VietinBank German Branch.



Mr. TRAN CONG QUYNH LAN

Deputy General Director

Born in 1979.

Master in Informatics.

Joined VietinBank since 5/2012.

Appointed as Deputy General Director in 3/2015.

Currently Deputy General Director cum Director of Information Technology Division of VietinBank.

Former positions: Assistant to Director of OCBC Singapore, Assistant to Vice President of OCBC Singapore, Vice President - Information Technology - Retail Banking and Director of Electronic Distribution Channels & Investment - OCBC Singapore; Director of Information Technology Center of VietinBank.



Mr. NGUYEN DINH VINH

Deputy General Director

Born in 1980.

Master in Business Administration.

Joined VietinBank since 2002.

Appointed as Deputy General Director in 7/2015.

Currently a Member of VietinBank's Party Standing Committee, Chairman of VietinBank Trade Union, Deputy General Director cum Director of Risk Management Division; Chairman of VietinBank Global Money Transfer Company Ltd.

Former positions: Deputy Director, then Deputy Director in charge of Corporate Department at VietinBank Head Office; Deputy Director of VietinBank Quang Trung Branch, Director of VietinBank Hai Duong Branch; Director of NPL Management Department at VietinBank Head Office; Director of VietinBank Hanoi Branch.



Ms. LE NHU HOA

Deputy General Director

Born in 1969.

Master in Finance, Banking and Insurance.

Joined VietinBank since 1990.

Appointed as General Director in 8/2016.

Currently a Member of VietinBank's Party Executive Committee cum Deputy General Director.

Former positions: Deputy Head of Financial Accounting Department, Head of Financial Accounting Department, Head of Transaction Accounting, Deputy Head of Sales Department of VietinBank Phuc Yen Branch; Head of Admin and Human Resource Department - VietinBank Hanoi Branch; Deputy Director of VietinBank Hanoi Branch; Director of Financial Accounting Department - VietinBank Head Office.



Mr. NGUYEN HAI HUNG

Chief Accountant

Born in 1972.

Bachelor in Economics.

Joined VietinBank since 1991.

Appointed as Chief Accountant of VietinBank in 6/2011.

Former positions: Deputy Director, Director of Accounting and Payment Department - VietinBank Head Office.



5. . DEVELOPMENT PLAN



2019 TARGETS

Entering 2019, VietinBank will continue to maintain appropriate growth and sustainable development, focus our resources to promote business plan depth-wise, breakthrough growth in efficiency via the sound management of growth quality; actively carry out the transition of business model and income structure; improve service quality, develop modern products and services, increase earnings on services and non-interest income, improve income structure. An emphasis will also be placed on leveraging operating costs, improving cost efficiency; accelerating bad debts recovery, risk management, improving assets quality; comprehensively deploy solutions to enhance financial capacity and increase owner's equity. We will target to effectively deliver our restructuring plan in association with handling of bad debts for 2016 – 2020 period, constantly standardize all aspects of our operation, develop infrastructure, modernize information technology, improve risk management capacity, carry out corporate governance according to international standards and practices.



MEDIUM AND LONG-TERM DEVELOPMENT STRATEGY

Our strategic goal for the medium and long-term remains to become a large bank with highest efficiency in the local banking sector by 2020. VietinBank sets our strategic targets in the future is to grow our business in the manner of selection, efficiency and sustainability. Strong transition of customer structure and income structure shall be other areas to concentrate as well. We also understand that the automation of our products and services together with improving service quality are very important as we are gradually shifting towards non-credit services. We shall further expand our suite of services, especially in payment solutions through renovated technology platform. We will enhance our financial capacity, improve business performance across the VietinBank group by disciplined cost control and improved labour productivity.



SUSTAINABLE DEVELOPMENT GOALS

Proud to be the leading bank in Vietnam, apart from focusing on performance improvement and profit enhancement, VietinBank actively attributes ourselves to the socio-economic development; VietinBank will continue to share responsibilities with the Party and the Government in social work in support of rapid and steady poverty alleviation and eradication. We will continue to enhance our financial capacity, human resources, technology... to ensure sustainable development of VietinBank and the society in the future. In 2019, VietinBank will make our best efforts to share the responsibility with the community, deploy social welfare projects, and affirm our business philosophy "Improving the value of life".



6. RISK FACTORS



BUSINESS ENVIRONMENT RISK

In 2018, Vietnam economy witnessed the growth of 7.08%, the highest level since 2008, and the inflation being controlled under 4% target. These were evidences for the timely and efficiency of various measures enforced by the Government and unwavering efforts of all sectors and localities. As addressed by the National Financial Supervisory Commission, the large proportion of such growth was made up by manufacturing industry, service industry, agroforestry and seafood industries with contribution of 2.5% from manufacturing industry and 2.75% from service industry respectively. Vietnam economic growth has been quality-driven and become less dependent on credit growth.

The year 2019 will open more opportunities for Vietnam economy. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) took effect in January 2019 and the EU-Vietnam Free Trade Agreement (EVFTA) will potentially be approved by the EU this year. These agreements will facilitate the movements of products made in Vietnam, improve the renovation of Vietnam economic environment, open the market and attract quality foreign investments into Vietnam.

The opportunities for Vietnam economy are parallel with challenges. From local point of view, the Debt/ GDP ratio remains above the recommended level 130% (2017: 141.85% according to World Bank); meanwhile, annual credit growth being anticipated at double digits poses challenges to sustainable economic growth. In addition, major export products of the country might be under pressure as origin investigation will be required according to free trade agreements. Moreover, the impressive Vietnam trade surplus has been largely contributed by companies with foreign investments. In recent years, the SBV's foreign exchange reserves have been strongly supplemented by foreign indirect investments, especially those that engaged actively in the

privatization of large corporates and trade surplus; however, the reserves fluctuated around recommended level of three-month import.

The international market has great volatility events, increasing challenges for a large open economy like Vietnam, in particular: slowing-down global economic growth together with global trade tensions clearly impact the economies of countries and regions; China and Europe's economy are bleak; Brexit has not found a way out before historical threshold and the pace of increase in USD basic interest rate has gone down.

From Vietnam banking viewpoint, the implementation of Circular 41/2016/TT-NHNN dated 30/12/2016 with reference to capital ratio under Basel II will put Vietnam banking sector under certain pressure. Local banks are expected to grow their business sustainably, refrain from incurring bad debts along with controlling credit quality to meet regulated capital requirements.



CREDIT RISK

In 2019, credit needs for new investment and/or expansion of business will continue to grow stronger. However, the financial strength and competition capacity of enterprises remain weak, especially small and medium enterprises. Facing economic challenges, VietinBank will place our emphasis on credit risk management as a whole portfolio as well as at transaction level, consolidate the data for the computation of the risk weighted asset (RWA) and restructure our credit portfolio towards reducing concentration risk, optimize business performance on the basis of leveraging owner's equity and reducing our cost of funding. Targeting sustainable credit growth, VietinBank will strictly control our exposure to high risk industries by setting up credit risk limit, assisting our branches in their customer acquisition and maintaining good customer base, applying new set of rules in customer KYC to improve our portfolio quality. Concurrently, we are strengthening our IT

capabilities by stepping up our investment to improve technology platform and ensure the management of our credit portfolio, provide early warnings of customers with potential risk, automate credit risk supervision at branch level, reduce data processing time and enhance management information quality.



MARKET RISK

The local financial market witnessed significant changes in 2018 as successful execution of flexible monitoring of the SBV was carried out. Remarkable results were achieved in controlling inflation rate, interest rate (in which, interest rates were reduced for key sectors) and ensuring high liquidity to meet funding demand of economy. Exchange rates and foreign exchange market were kept stable, demand and supply were met by new foreign exchange rate policy. As 2019 progresses, the exchange rate for USD/VND will continue to face uncertainty. The US Federal Reserve (FED) interest rate is anticipated to hike, even with lower pace, other central banks may apply stimulus packages to address global economic weighed down by slowing growth. In addition, the Trade War and weakening Chinese economy has resulted in this country's expansionary fiscal policy. In the event CNY supply surges, CNY shall become depreciated and USD/VND exchange rate will increase. The fact that the US will continue to increase USD rate while CNY is forecast to be devalued over the time will place higher pressure on local interest rate for the purpose of macro-economy stability. Inflation rate in 2019 will also be another factor to exert the influence on interest rate in the context of fluctuated oil prices which may result in higher inflation, hence rising pressure on interest rate.

Confronted by such high market volatility, VietinBank has adopted comprehensive and appropriate market risk policy in compliance with international standards. The market risk originated from adverse movement of interest rate, exchange rate, security price and commodity price; among these, the major factor is monetary

risk that affects foreign currency position held by VietinBank; interest rate risk affects the value of valuable paper, financial instruments, and interest rate derivatives on banking book. To control such risks, VietinBank has adopted the central management at the Head Office via the Treasury Dealing Department as coordinator and Market Risk Management Department as an independent supervisory unit. VietinBank issued internal regulation and procedure for market risk management, limits and risk appetite for each position (foreign exchange position, trading valuable paper position...), Value at Risk (VAR), stop loss level... Trading activities are conducted and controlled from front office to back office via the Treasury MX3 system. Accordingly, risk status and the execution of each limit is monitored on daily basis; daily report on risk measurement and supervision is ensured to show full and comprehensive profit at market value. The supervision on authorization in treasury dealing is ensured and timely reports for executive management's review are regularly provided to support the process of decision making to safeguard business performance of the Bank.

Interest rate risk on banking book derives from adverse movements of interest rate against income, the value of assets and liabilities and off-balance sheet commitments of VietinBank. Similar to market risk, VietinBank has deployed central management for interest rate risk at the Head Office via the Treasury and Financial Planning Management Department and Market Risk Management Department as an independent supervisory unit. We also issued new sets of regulation and procedures on interest rate risk management on banking book to manage interest rate gap for the required renew period. Limit for change in net interest income and change in economic value of owner's equity was established as well as exercising appropriate derivatives as soft tools to manage risk at portfolio level. At transaction level, VietinBank applied hedging tools for interest rate risk in our credit agreements to protect ourselves against market volatility and defined lending interest rates appropriately to reflect our practical cost of capital. Also, we set up and operated the ALM system at transaction level in compliance with international standard that automatically provided reports on interest rate gap for required review period and regular analysis on the movement of the interest rate so as to support the proactive and efficient risk management.



OPERATIONAL RISK

Fraud in the banking sector: In the past few years, local banking sector witnessed increasing number of internal and external banking frauds, in which certain individuals and institutions have studied the regulation/procedures of banking operation to take advantage of weaknesses in deposit/lending/mortgage/guarantee activities and plunder assets from banks and their customers. Some of the reasons behind, in fact, rooted from subjective mistakes, ignorance of the bank staff and overconfidence of customers. Understanding banking frauds are becoming increasingly sophisticated in the future, VietinBank will continue to focus on the consolidation of organizational structure, improve risk management capabilities and internal control system efficiency to meet the requirements of Circular 13/2018/TT-NHNN dated 18/5/2018 (Circular 13) on credit institutions' internal control as well as administration requirements in accordance with international standards and best practice. Communication with our customers is also improved to give them early warnings of suspicious transactions.

Information confidentiality: Customer information is normally collected by the individuals/institutions to conduct research on consumption behaviors, develop customer profile for revenue increase and cross sale activities. Some bank staffs share these information, even sensitive information such as the deposit balance, user, password... with their friends, relatives and even buy and sell publically customer information without realizing their violation of Decree 117/2018/ND-CP on the customer information confidentiality, posing threats of legal, compliance risk as well as reputation risk to the bank. In response to such risks, VietinBank developed our methodology and specific system to prevent information leakage, delivered communications and training courses to raise staff awareness in order to protect VietinBank's reputation and our customers' assets.



LIQUIDITY RISK

Liquidity risk is defined as the risk incurred in fulfilling payment obligations of financial liabilities. Liquidity risk is assessed from two aspects: (i) Funding liquidity risk is the risk that a bank will be unable to pay its debts when they fall due and (ii) Market liquidity risk is the risk that a bank fails to sell their assets at fair values due to market illiquidity and corruption.

Liquidity risk at VietinBank is centrally managed at the Head Office via the Treasury and Financial Planning Management Department and Market Risk Management Department as an independent supervisory unit. We place a strong emphasis on maintaining an appropriate level of highly liquid assets depending on market conditions to meet payment obligations; we also set up specific funding strategies to ensure the diversification of fund raising channels with suitable duration. We also established set of indicators for solvency including lending to deposit ratio, short term borrowings to long term lending ... to control liquidity risk. The ALM system was built in compliance with international standard to provide auto reports on the balance of funding and cash flows to calculate daily liquidity status, analysis and forecast on future liquidity. The liquidity risk was also closely monitored by type of currency (VND, USD, other foreign currencies in USD equivalent) on the basis of analyzing liquidity demand, source of liquidity business operation, structure of assets/payables and cash flows of every item recorded in the balance sheet and off-balance sheet as well as the possibility to access the market liquidity at each point in time. At VietinBank, we constantly enhance our risk management processes, including stress testing to evaluate our competency to fulfill payment obligation and commitment, making liquidity provision plan and transaction limit with other credit institutions for backup purposes.



INFORMATION TECHNOLOGY SYSTEM RISK

In 2018, Vietnam banking system recorded several deliberate attacks such as the cyber-attack of SWIFT network, Internet Banking, Mobile Banking or the spread of malware to banks' computers for data encoding... Some of these attacks have caused heavy damages to the local banking system. Not only committing malicious activities on digital systems and networks of financial institutions, cybercriminals also attack companies and institutions with large network and technology applications, which indirectly affects commercial banks. Increased and diverse forms of external attacks, sophisticated tricks and large amounts of appropriation, affected the organization's brand and reputation. VietinBank is expanding its IT system, deploying more products and services on IT platform, connecting with systems of more partners. Therefore, the risk of IT systems is also likely to increase such as external attack risks, system availability risks...

Understanding these issues are becoming increasingly sophisticated, VietinBank will continue to implement various synchronous measures to enhance its IT and system security, including:

- Deploy solutions to ensure the availability and readiness of IT systems, at the same time rehearsing system transfer, recovering and ensuring data safety from main data center to the disaster recovery center.
- Deploy various projects to meet international security standards.
- Update and execute new sets of procedures to ensure system safety.
- Conduct research with trusted IT partners and testing of various supervision system to prevent potential attacks and ensure system readiness.
- Regular communication with customers on IT risks in banking services as well as provide security awareness training to our people.





DA NANG, VIETNAM

In 2018, VietinBank ranked in the Top 400 World's most valuable Banking Brands for the third time according to the Global Rankings introduced by Brand Finance and continued staying in the Top 500 World's most valuable Banking Brands for the 6th time.

Photo Shutterstock

02

2018 BUSINESS PERFORMANCE REVIEW

- 2018 Performance Review
- Investment Activities & Project Implementation
- 2018 Financial Presentation
- Shareholders Structure, Changes in Shareholder's Equity

1. 2018 PERFORMANCE REVIEW

1.1. 2018 BUSINESS PERFORMANCE

Closely followed the orientation approved by the GMS, VietinBank BoD were flexible in their management and forceful in the implementation of mixed business solutions from the beginning of the year to achieve sustainable growth. The successful execution of our corporate strategy was reflected in 2018 business performance as most business objectives assigned by the GMS were fulfilled. However, that VietinBank's capital raising plan has not been approved by the SBV undermined our growth potential. VietinBank's key performance at the end of the year is as follow:

- Our total assets as of 31/12/2018 reached more than VND 1,160 trillion, a growth rate of 6.3% against 2017, met target set at 2018 GMS. Although our capital raising plan not being approved undermined our operational scale in the last few months of the year, VietinBank managed to meet essential funding needs through comprehensive execution of management strategies to grow from the beginning of the year. In spite of the fact that credit growth rate for the year increased only by 6.1%, below the GMS's plan, our average loan balance increased by nearly 18%, fulfilling the efficiency target. The structure of outstanding loans shifted positively towards an appropriate level in terms of currencies and customer segments, in particular: the average VND loans balance increased by 18% as compared to that of 2017, the average outstanding loans of retail customers and SMEs increased 31% and 29.5% respectively. Credit granting policies were directed towards feasible projects with good credit ratings and high profitability as well as projects of key economic sectors that were highly encouraged by the Government. Lending activities in higher risk areas was firmly controlled. Our result of 1.6% in NPLs ratio met the target set by the 2018 GMS.
- Funding raised from economic institutions and residents by 31/12/2018 reached nearly VND 826 trillion, an increase of 9.7% compared to that of 2017, fulfilled set target by the GMS. The successful execution of synchronous fund raising solutions with focused on attracting deposits from residential customers, especially promoting the low-cost funding and CASA contributed to our liquidity and business efficiency.
- Business efficiency was therefore assured as separated profit before tax for the year was VND 6,365 billion, completed 102.7% of target set by the GMS. Consolidated profit before tax reached VND 6,730 billion, registered 100.4% of objective set by the GMS. Business activities were closely lined up with orientation from the beginning of the year; income structure was positively shifted and diversified. Service quality was enhanced to give our customers better banking experience. Total fee income of the Bank achieved positive results as nearly VND 6 trillion was recorded, up 38.4% compared to that of the previous year. We strengthened development of chain services, promoted cross-selling while staying firmly focused on digital innovation by cooperating with Fintech companies. The simplification of procedures and documentation as well as quality improvement of products and services was also emphasized on to facilitate businesses and individual customers' access to safe, modern and high quality banking services.
- Business operation was sustainably and effectively developed, ensuring full and strict compliance with prudential regulation by the SBV.

1.2. PERFORMANCE VS OBJECTIVES

Unit: VND billion

Indicator (consolidated)	31/12/2017	31/12/2018	31/12/2018 vs 31/12/2017		2018 GMS target	Percentage achieved vs. 2018 objectives
			+/-	+/- %		
Total assets	1,095,061	1,164,435	69,374	6.3%	Increase by 6%-8%	Achieved
Credit exposure	837,180	888,216	51,035	6.1%	Increase by 8%-9%	Not yet achieved
Fund mobilized from economic entities and individuals	752,935	825,816	72,881	9.7%	9%-10%	Achieved
NPL/credit exposure	1.13%	1.60%			<3%	Achieved
Unconsolidated Profit before tax	8,350	6,365	-1,985	-23.8%	6,200	102.7%
Consolidated Profit before tax	9,206	6,730	-2,476	-26.9%	6,700	100.4%



2. INVESTMENT ACTIVITIES AND PROJECT IMPLEMENTATION

2.1. MAJOR INVESTMENTS

During 2018, VietinBank did not undertake any major investments including financial and project investments.

2.2. BUSINESS PERFORMANCE OF SUBSIDIARIES AND AFFILIATED COMPANIES

VietinBank Insurance Joint Stock Corporation



Abbreviation

VBI

Registered Office

10th, 11th floor, 126 Doi Can Street, Ba Dinh District, Hanoi

Contact

Tel: +84 24 3942 5650
Fax: +84 24 3942 5646

Business license

21/GPĐC23/KDBH

Business activities

Non-life insurance

Charter capital (31/12/2018)

VND 500 billion

VietinBank's ownership

97.83%

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 2/11/2017, the Ministry of Finance granted Amended License to allow the change of name into VietinBank Insurance Joint Stock Corporation.

The company operates in the areas of non-life insurance, re-insurance and financial investment.

Business results as of 31/12/2018: In 2018, insurance business of VBI continued to expand significantly. Total premium reached VND 1,252 billion, a remarkable increase of 41% compared to 2017 – being the 5th year that the company maintained exceptional growth. In particular, the original insurance premium reached VND 1,476 billion, an increase of 66% compared to that of 2017; revenue from re-admission fee was VND 143 billion; revenue from reinsurance premium was VND 274 billion, up 18% compared to 2017 result and re-commission revenue reached VND 75 billion. Strong growth in revenue contributed to the company's significant market share and reputation improvement as well. In particular, market share of the company continuously expanded from 0.8% in 2014 to 2.5% in 2016 and this figure increased significantly by 3% in 2018. Profit before tax was VND 102 billion, a strong increase of 20.7% compared to that of 2017.



Management and employees of VietinBank Insurance



Abbreviation

VietinBank Capital

Registered Office

6th floor, 34 Cua Nam Street, Hoan Kiem District, Hanoi

Contact

Tel: +84 24 3938 8855
Fax: +84 24 3938 8500

Business license

50/UBCK-GP issued by SSC dated 26/10/2010

Business activities

Fund management

Charter capital (31/12/2018)

VND 950 billion

VietinBank's ownership

100%

VietinBank Fund Management Company Ltd

VietinBank Capital was established under License No.50/UBCK-GP dated 26/10/2010 of the State Securities Commission and amended License No.01/GPDC-UBCK dated 8/1/2019.

The company operates in the areas of fund management and conducts activities such as: 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 31/12/2018: Total assets reached VND 1,079 billion, a slight increase of 1.67% compared to that of the previous year. In 2018, total revenue reached VND 86.19 billion. Profit before tax in 2018 reached VND 83.4 billion, up 11.16% compared to that of 2017.

As of 31/12/2018, the company was managing 02 investment funds, including 01 open fund – VTBF Bond Fund with capital investment of VND 84 billion and a closed fund – VietinBank Value Discovery Investment Fund with capital investment of VND 100 billion.



Management and employees of VietinBank Capital



VietinBank Securities Joint Stock Company Ltd.

Abbreviation

VietinBank Securities

Registered Office

306 Ba Trieu Street, Hai Ba Trung District, Hanoi

Contact

Tel: +84 24 6278 0012
Fax: +84 24 3974 1760

Business license

107/UBCK-GP issued by the SSC dated 1/7/2009 and Amended Licenses

Business activities

Securities

Charter capital (31/12/2018)

VND 1,064 billion

VietinBank's ownership

75.61%

VietinBank Securities was established in 9/2000 as one of the oldest and most reputable securities firms in Vietnam. The company operated under Business License No.107/UBCK-GP dated 1/7/2009 issued by the State Securities Commission and the amended licenses No.37/GPDC-UBCK dated 21/8/2015, No.50/GPDC-UBCK dated 30/10/2015 and No.44/GPDC-UBCK dated 13/9/2017; and additional amended licenses No. 82/GPDC-UBCK dated 15/10/2018.

The company operates in the areas of: brokerage, proprietary trading, underwriting, and investment advisory, financial advisory and securities custody.

Business results as of 31/12/2018:

In 2018, the company's revenue was reported at VND 652.58 billion, a strong increase of 128% compared to that of 2017, of which, strong growth was recorded in securities investment and capital investment with an increase of 386% compared to 2017.

Other revenues generated from brokerage activities and other operating revenues (margin activity, depository activity, acting as the agent for bond depository and registration, agent for bond payment) also increased significantly; brokerage revenue was 140% and other operating revenue was 130% in comparison with 2017 result. Other segments also witnessed significant growth compared to last year result. Profit before tax for the year reached VND 181.84 billion, up 36% compared to the previous year.



Management and employees of VietinBank Securities



VietinBank Leasing Company Ltd.

Abbreviation

VietinBank Leasing

Registered Office

16 Phan Dinh Phung Street, Ba Dinh District, Hanoi

Contact

Tel: +84 24 3823 3045
Fax: +84 24 3733 3579

Business license

Certificate of business registration No. 0101047075 dated 31/8/2009 granted for the first time by Hanoi Planning and Investment Department, amended 9th registration dated 26/10/2015

Business activities

Financial leasing

Charter capital (31/12/2018)

VND 1,000 billion

VietinBank's ownership

100%

VietinBank Leasing is a 100% subsidiary of VietinBank, established under Decision No. 53/1998/QĐ-NHNN5 dated 26/1/1998 by the Governor of the SBV.

The company operates in the area of financial leasing for businesses, individuals, families, and other organizations that are lending subjects of credit institutions.

Business results as of 31/12/2018:

Total assets of the company reached VND 2,852.1 billion, up 20.6% compared to 31/12/2017. Gross leasing balance (before provision) as of 31/12/2018 stood at VND 2,486.9 billion, up 8.3% compared to the year before and ranked second in terms of market share in local leasing activities.

Asset quality of the company was remarkably enhanced as NPL ratio fell below 0.31%; Group 2 debt, bad debt and off-balance sheet items were recovered at VND 24.2 billion. Profit before tax of the company was VND 131.6 billion, an increase of 12.8% compared to 2017.



Management and employees of VietinBank Leasing

Abbreviation

VietinBank Gold & Jewellery

Registered Office

Floor 2, Hoang Thanh Tower, 114 Mai Hac De, Le Dai Hanh ward, Hai Ba Trung District, Hanoi

Contact

Tel: +84 024 3942 1051
Fax: +84 024 3939 3502

Business license

No. 0105011873 dated 25/11/2010 granted for the first time by Hanoi Planning and Investment Department.

Business activities

Trading and manufacturing and processing of gold, gemstones and jewellery

Charter capital (31/12/2018)

VND 300 billion

VietinBank's ownership

100%

VietinBank Gold and Jewellery Trading Company Ltd.

VietinBank Gold & Jewellery is wholly owned by VietinBank. The company was established under Decision No.1521/QD-HDQT-NHCT1 dated 15/09/2010 by VietinBank BoD.

The company operates in the area of gold, silver, precious stones trading.

Business results as of 31/12/2018:

In 2018, VietinBank Gold & Jewellery made great efforts in deploying business activities, however, business results did not significantly improve due to the fact that gold bar policy continued to be discouraged, gold price was less variable; Diamond business was aggressively competed by a large number of domestic and foreign companies. Gold jewellery business witnessed positive changes with the expansion of number of stores in luxury trade centers, connecting well-known partners and introducing unique and high-end products to new customers.

Profit before tax in 2018 reached VND 10.6 billion, up 42.9% compared to 2017.



Management and employees of VietinBank Gold & Jewellery

Abbreviation

VietinBank AMC

Registered Office

76 Nguyen Van Cu Street, Nguyen Cu Trinh Ward, District 1, Ho Chi Minh City

Contact

Tel: +84 28 3920 2020
Fax: +84 28 3920 3982

Business license

No. 0302077030 issued by Ho Chi Minh Authority for Planning and Investment

Business activities

Asset management

Charter capital (31/12/2018)

VND 120 billion

VietinBank's ownership

100%

VietinBank Debt and Asset Management Company Ltd.

VietinBank AMC is a 100% subsidiary of VietinBank. The company was incorporated under the Business Registration Certificate No.4106000331 dated 17/1/2007 by Ho Chi Minh Authority for Planning and Investment. On 20/7/2010, the Company changed its name into VietinBank Debt and Asset Management Company Ltd. 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 major business activities include receipt and management of mortgage, pledged assets and collateral valuation, etc.

Business results as of 31/12/2018:

Operated as an independent business unit under VietinBank, the primary duty of the company is to support VietinBank's branches in evaluating collaterals. The company's functions contribute significantly in the Bank risk management activities. VietinBank AMC's efficiency was strongly reflected in VietinBank's final-year results. At the end of 2018, VietinBank AMC's total revenue was VND 34.51 billion in which asset evaluation activities contributed mostly to its revenue, reached VND 30.3 billion, increased by 33% compared to 2017 results. Other income which is mainly deposit interest is VND 4.07 billion. The total cost in 2018 is VND 34.47 billion, in which the employee cost increased strongly by 14.6 billion VND compared to 2017.



Management and employees of VietinBank AMC



VietinBank Global Money Transfer Company Ltd.

Abbreviation

VietinBank Money Transfer

Registered Office

3rd floor, VietinBank Building, 126 Doi Can Street, Ba Dinh District, Hanoi.

Contact

Tel: +84 24 3942 8690
+84 24 3942 8691
Fax: +84 24 3942 8693

Business license

No. 0105757686 issued by Hanoi Authority for Planning and Investment on 3/1/2012

Business activities

Monetary intermediation

Charter capital (31/12/2018)

VND 50 billion

VietinBank's ownership

100%

VietinBank Money Transfer was established as a full subsidiary of VietinBank in order to professionalize operations and create a driving force for the development of personal money transfer services. From 1/3/2012, VietinBank Money Transfer officially came into operation as a focal point for developing overseas remittance service and personal money transfer service of VietinBank system.

Business results as of 31/12/2018: In 2018, VietinBank Global Money Transfer Company achieved good outcomes which affirmed VietinBank's reputation on international market. Despite tough competition from local commercial banks, money transfer revenue of the company increased remarkably 35%, especially remittance fees which achieved impressive growth of 65%. Profit before tax was VND 55.9 billion, increased by 64% compared to 2017 result. Return on equity (ROE) and return on assets (ROA) were reported respectively at 43.3% and 9.4%.



Management and employees of VietinBank Money Transfer



VietinBank Laos Limited

Abbreviation

VietinBank Laos

Registered Office

No 029 Khounboulom, Vatchan, Chanthabouly District, Vientiane, Laos

Contact

Tel: +856 2126 3997
Fax: +856 2126 1026

Business license

No 512/ERO dated 27/07/2015

Business activities

Banking and Finance services, Asset management

Charter capital (31/12/2018)

USD 50 million

VietinBank's ownership

100%

VietinBank Laos is the first overseas subsidiary and fully owned by VietinBank. The Bank was established on 1/8/2015 under License no 512/ERO dated 27/7/2015.

Business results as of 31/12/2018 (unaudited):

After 7 years of presence in Laos, VietinBank Lao Ltd. is currently operating effectively and on its mission to affirm its reputation in the neighboring country. On 31/12/2018, gross loans were USD 249.26 million, increased 22% compared to last year. Total deposit was USD 298.73 million, up 23%. Total assets were USD 358.32 million, increased by 14%. Profit before tax was USD 5.87 million, achieving 104% of target set by VietinBank. Return on equity (ROE) was well-maintained at 7.29%.

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.



Management and employees of VietinBank Laos



Indovina Limited Bank (IVB)

Abbreviation

IVB

Registered Office

97A Nguyen Van Troi Street, Ward 12, Phu Nhuan District, Ho Chi Minh City

Contact

Tel: +84 28 3942 1042
Fax: +84 28 3942 1043

Business license

No.08/NH-GP dated 29/10/1992 by the SBV

Business activities

Banking

Charter capital (31/12/2018)

USD 193 million

VietinBank's ownership

50%

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 SBV. Shareholders of the Bank are VietinBank and Cathay United Bank of Taiwan (CUB).

Business results as of 31/12/2018: Total assets were reported at VND 48,800 billion, up 21% as compared to that of 2017. In which, gross loans were VND 27,503 billion, accounted for 56.32% of total assets, up 22.9% as compared to 2017 result, while NPLs ratio was kept at 0.86%. The Bank's total income in 2018 reached VND 1,441 billion, of which: net interest income reached VND 1,396.68 billion, an increase of 9% compared to 2017; net revenue from service activities reached VND 40.78 billion, an increase of 20% compared to 2017; Net revenue from trading securities and investment securities reached VND 35.78 billion, down 85% compared to 2017 due to the provision for bond investments. Total operating cost in 2018 is VND 496 billion, up 7.76% compared to 2017. The pre-tax profit of 2018 reached VND 819.96 billion, an increase of 23.5% compared to 2017.



IVB transaction office

3. 2018 FINANCIAL PRESENTATION

Unit: VND billion

Indicators	2018	2017	% Change
Total Assets	1,164,435	1,095,061	6.3%
Deposits from economic entities and individuals	825,816	752,935	9.7%
Credit Exposure	888,216	837,180	6.1%
Interest income and similar income	74,176	65,277	13.63%
Profit before tax	6,730	9,206	-26.9%
Profit after tax	5,416	7,459	-27.4%

MAJOR FINANCIAL INDICATORS

Indicators	Unit	2018	2017
1. Capital			
Charter capital	VND billion	37,234	37,234
Shareholders' Equity	VND billion	67,456	63,765
Total Assets	VND billion	1,164,435	1,095,061
Capital adequacy ratio	%	> 9%	> 9%
2. Business Performance			
Special mentioned loans	VND billion	5,800	3,627
NPLs	VND billion	14,172	9,492
Loans to Deposits Ratio (LDR)	%	87.96%	88.34%
Special mentioned loans/ Gross loans	%	0.65%	0.43%
NPLs/ Gross loans	%	1.60%	1.13%
3. Liquidity			
Liquid reserve ratio	%	13.39%	14.23%
Ratio of short-time capital used for medium and long term loans	%	32.99%	35.62%

4. SHAREHOLDERS STRUCTURE, CHANGE IN SHAREHOLDER'S EQUITY

4.1. SHARES

- 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: (as of 31/12/2018):

No.	Name of shareholder	ID/ Business License No./ Transaction code	No. of Shares	(%)	No. of shares with restricted transfer
1	State Bank of Viet Nam Represented by:	15/SL	2,400,204,956	64.46%	2,400,204,956
	- Mr. Le Duc Tho, Chairman of the Board (40%):		960,081,982	25.78%	960,081,982
	- Mr. Tran Minh Binh, Board member & General Director (30%):		720,061,487	19.34%	720,061,487
	- Mr. Cat Quang Duong, Board member (30%):		720,061,487	19.34%	720,061,487
2	Internal shareholders		93,415	0.0025%	41,361
	- Board of Directors		41,361	0.0011%	41,361
	- Supervisory Board		0	0%	0
	- Board of Management		52,054	0.0014%	0
3	VietinBank Trade Union	310/ToC-CĐNH	42,734,749	1.15%	26,800,000
4	Strategic shareholders The Bank of Tokyo-Mitsubishi UFJ, Ltd.	CA6217	734,604,384	19.73%	0

4.2. SHAREHOLDER STRUCTURE AS AT 31/12/2018

No.	Shareholders structure (by ownership ratio)	Number of shares	Ownership Percentage (%)
1	Major shareholders (holding 5% or more of the charter capital)	3,335,673,739	89.59%
1.1	State Bank of Vietnam	2,400,204,956	64.46%
1.2	MUFG Bank, 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%

No.	Shareholder structure (by type: organization/individual)	Number of shares	Ownership Percentage (%)
1	Organizations	3,561,456,769	95.65%
	In which:		
	- State Bank of Vietnam	2,400,204,956	64.46%
	- Other organizations	1,161,251,813	31.19%
2	Individuals	161,947,787	4.35%
	TOTAL	3,723,404,556	100%

No.	Shareholder structure (by type: domestic/foreign)	Number of shares	Ownership Percentage (%)
1	State Bank of Viet Nam Represented by:	2,400,204,956	64.46%
	- Mr. Le Duc Tho, Chairman of the Board (40%):	960,081,982	25.78%
	- Mr. Tran Minh Binh, Board member & General Director (30%):	720,061,487	19.34%
	- Mr. Cat Quang Duong, Board member (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	179,806,848	4.83%
	- Local organizations	22,757,836	0.61%
	- Local individuals	157,049,012	4.22%
3.2	Foreign shareholders	1,100,658,003	29.56%
	- Foreign organizations	1,095,759,228	29.43%
	- Foreign individuals	4,898,775	0.13%
	TOTAL	3,723,404,556	100%

4.3. CHANGES IN SHAREHOLDERS' EQUITY: NONE

4.4. TREASURY SHARE TRANSACTIONS: NONE

4.5. OTHERS: NONE



HO CHI MINH CITY, VIETNAM

VietinBank is a leading commercial bank, actively mobilizing capital to meet the demand for loans and investments of the economy. With the success of its equitization process and selection of foreign strategic shareholders, VietinBank is considered to have the strongest shareholder structure in Vietnamese banking system.

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03

REPORT OF THE BOARD OF MANAGEMENT

- Assessment on 2018 performance
- Orientation, missions and business plan for 2019



REPORT OF THE BOARD OF MANAGEMENT

In 2018, the domestic economy faced many challenges in the context of a slowing global economy along with complicated developments of trade war between major economies; commodity prices, stock markets and world currencies fluctuated strongly. In this context, the Government has implemented drastically and synchronously solutions to improve the business environment, promote innovation, create and maximize economic development resources, especially private sector, creating strong internal resources for socio-economic development. As a result, economic growth reached 7.08%, the highest level in 10 years while macroeconomic stability was ensured, inflation was controlled under 4%, export surplus is recorded, and foreign exchange reserve was improved.

The financial and monetary market in 2018 continued to be stable, supporting economic growth. With synchronous and flexible operating solutions of the SBV, interest rates, exchange rates in general did not witness any big changes, liquidity of the banking system was guaranteed. Credit was managed tightly with an increase of about 14%, focusing on manufacturing, businesses and priority industries of the Government. SBV continued to implement restructuring solutions associated with handling bad debts in the period of 2016-2020 to help improve risk management standards, asset quality management and to

enhance safety and operational efficiency of credit institutions.

Following closely the management of the Government and the SBV, VietinBank's management implemented restructuring, innovations and drastic measures in operating and directing the entire system under VietinBank's restructuring plan for the period of 2016-2020 and medium-term business plan for the period of 2018 - 2020. Business activities grew safely and sustainably, focusing on improving the efficiency of resource utility, strongly shifting revenue structure, developing diversified products and services and increasing non-interest income. Along with promoting business activities, organizational structure was improved and streamlined, productivity was enhanced. Corporate governance and risk management were gradually standardized following international practices and in compliance with the SBV's regulations, creating a foundation to promote VietinBank's strong development in the future. However, the implementation of measures according to the restructuring roadmap, including the sale of outstanding loans to VAMC together with the unapproved plan to increase capital in 2018 greatly affected VietinBank's growth potential in 2018. Specifically, VietinBank's implementation of business plan targets for 2018 has been presented in detail on the page 43.

1. ASSESSMENT ON 2018 PERFORMANCE

1.1. GROWTH IN SCALE ALONG WITH QUALITY CONTROL OF GROWTH, CREDIT STRUCTURE SHIFTS TO POSITIVE DIRECTION

In 2018, VietinBank's restructuring plan in association with bad debt settlement for 2016-2020 period was approved by the SBV. Major solutions of this restructuring plan have served as guiding beacon for all business lines of VietinBank for the period from 2018 to 2020. Certain key areas that require prioritization of resource allocation include operational improvements towards higher capital adequacy standards, better quality of assets and optimal asset utilization for safe and sustainable growth. The effective implementation of the restructuring plan had certain impact on credit growth and profit of 2018 as in the end of December 2018, VietinBank sold some debts to VAMC which resulted in a credit downsize of more than VND 13 trillion. However, this proactive approach to adopting Basel II's higher standards in credit quality with the intention to clean the balance sheet would set the cornerstone for a strong momentum of more efficient and sustainable business growth of VietinBank in the coming years.

Moreover, as VietinBank's capital increase plan did not get approved in 2018, the room for credit growth of VietinBank was also limited. Though credit exposure was made to grow since the beginning of the year, e.g. average outstanding loans rose by 17.6% YoY 2017, the selling of some debts to VAMC as part of the restructuring implementation and the required control of credit growth in the last months of 2018 have restrained the growth of credit exposure as of 31/12/2018 at VND 888 trillion, equivalent to an increase of 6.1% YoY 2017.

In the context of limited room for credit growth, VietinBank strongly shifted its business direction towards more efficiency and quality of growth while continued to supply capital to government-priority sectors and key projects of the country. Credit structure shifted in positive direction towards highly efficient exposures, for example, average retail and SME exposures of 2018 rose by 31% and 29.5% respectively YoY 2017. Credit quality was kept under good control in compliance with relevant laws and capital adequacy requirements as regulated by the SBV.

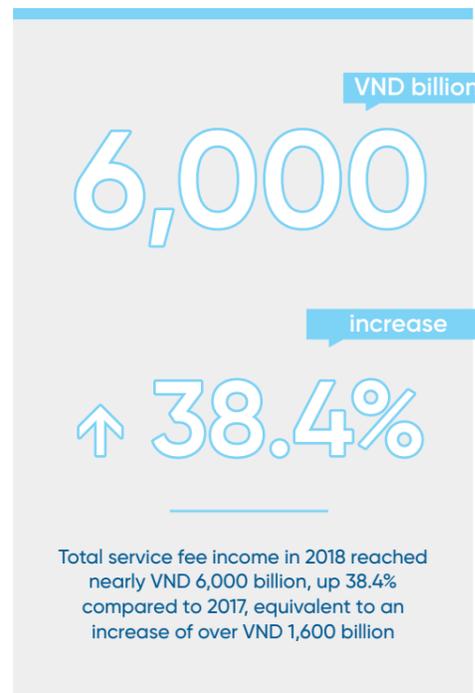
1.2. CONTINUE TO MAINTAIN A PROPER GROWTH RATE OF MOBILIZED FUNDING IN RELATION TO BUSINESS DEMANDS. CAPITAL STRUCTURE WAS DIVERSIFIED



Funding mobilized from economic organizations and individuals by December 31, 2018 reached nearly VND 826,000 billion, an increase of 9.7% compared to 2017, and accomplished the target set by the GMS. VietinBank kept seeking the available funding sources in VND and other foreign currencies with affordable prices, especially growing demand deposits.

In addition, in 2018, VietinBank issued more than VND 4,000 billion in subordinated bonds and restructured its tier-1 and tier-2 capital base which helped strengthen the Bank's financial capacity while the capital increase plan is pending for the Government's approval.

1.3. IN ADDITION TO TRADITIONAL CREDIT AND FUNDING ACTIVITIES, VIETINBANK DEDICATED SUBSTANTIAL EFFORTS TO DIVERSIFYING ITS PRODUCTS AND SERVICES, TOTAL REVENUE FROM SERVICES GREW STRONGLY



Total service fee income in 2018 reached nearly VND 6,000 billion, up 38.4% compared to 2017, equivalent to an increase of over VND 1,600 billion; the proportion of service charge on total income is improved. In addition to drastically improving service quality, VietinBank actively implements modern technology, cooperates with Fintech companies in developing products and services, improving sales skills, developing link chains and increase cross-selling, thereby increase service revenue and non-interest income, hence improving income structure. In 2018, VietinBank is one of the first two banks in Vietnam to achieve SWIFT GPI - SWIFT's Global Payment Innovation Initiative, the first domestic bank to provide Internet Banking services for trade financing (VietinBank Trade Portal). VietinBank has received many prestigious domestic and foreign awards such as "National Quality Gold Award" awarded by the Prime Minister, "Best in Class" award by the Asia Pacific Quality Organization.

1.4. BUSINESS ACTIVITIES OF SUBSIDIARIES, OVERSEAS BRANCHES, AFFILIATE JOINT VENTURES ACHIEVED POSITIVE RESULTS



Business activities of domestic and overseas subsidiaries, overseas branches grew strongly with a total pre-tax profit of VND 713 billion, an increase of 27% compared to 2017. Investments in joint ventures and associates are all safe investments with long-term investment objectives. The businesses in which VietinBank invested are top industry players with strong financial resources and good business performance.

1.5. PERFORMANCE EFFICIENCY WAS GUARANTEED

Unconsolidated pre-tax profit in 2018 reached VND 6,365 billion, reaching 102.7% of the GMS' plan. Consolidated pre-tax profit reached VND 6,730 billion, reaching 100.4% of the plan of the GMS.

2. INNOVATION AND IMPROVEMENT OF BUSINESS ORGANIZATION AND MANAGEMENT

2.1. IMPROVING THE EFFICIENCY OF FINANCIAL MANAGEMENT, IMPROVING LABOR CAPACITY TO ENSURE THE ENTIRE EFFICIENCY

In 2018, VietinBank focused on improving the financial management efficiency of the bank with the establishment of the Finance Division. Operating costs were managed effectively, down 5.4% compared to 2017. Changes in cost management worked together with improving and streamlining processes and policies, improving the quality of personnel and optimally exploiting the preeminent features on the new Core Banking system have contributed to significantly improving the total labor productivity.

business sectors; promulgate and apply the new salary payment regulation, regulate the overall welfare regime for employees throughout the system, stipulate the superior remuneration regime for VietinBank Top 500 officers to attract high quality human resources, improve lives and enhance employee engagement; improve the quality of training with practical requirements; review, reorganize and rearrange the organizational structure according to the results of ORP project, Central Resolution No.18/NQ-TW, and the direction of the SBV to meet the requirements of internal management and streamline the organization structure.

2.2. CONTINUE TO STRENGTHEN PERSONNEL POLICIES AND ORGANIZATION MODEL

In 2018, VietinBank adopted top management changes. Staffing quality was enhanced, particularly the top and middle-level management. Staff rotations and transfers were conducted to motivate staff to dedicate to the development of VietinBank.

2.3. CONTINUOUSLY ENFORCED RISK MANAGEMENT

VietinBank is proactive in preventing internal and external frauds by technological solutions, promoting information security management; continue to modernize tools to support risk management; continue to improve the effectiveness and efficiency of internal control and internal audit activities throughout the system.

VietinBank continued to strengthen and attract high-quality and specific employees for key



2.4. FULLY LEVERAGING THE ESTABLISHED TECHNOLOGY PLATFORMS TO IMPROVE LABOUR PRODUCTIVITY AND RAISE SERVICE QUALITY AND SUPPORT BUSINESS, MANAGEMENT AND GOVERNANCE

VietinBank's data system is stored scientifically and detailed in accordance with international standards of information technology, providing multi-dimensional analysis and management reports, supporting business units to promote cross-selling products, developing new products and services to meet customers' needs to the maximum and at the same time timely serve the operation and business orientation of the BoD of the Bank.

VietinBank strengthened the cooperation with Fintech companies to develop modern products and services, such as connecting businesses on a digital platform, integrating ERP enterprise management on e-banking products; apply biometric technology in identifying and classifying customers...



2.5 CONTINUED CONTRIBUTION TO SOCIAL WELFARE ACTIVITIES, DEMONSTRATING CORPORATE SOCIAL RESPONSIBILITY, ENHANCING VIETINBANK'S POSITION AND BRAND

VietinBank effectively implemented guidelines and policies of the Party and the Government on hunger eradication and poverty alleviation, overcoming consequences of natural disasters, supporting health development and education through charity and social welfare programs; well implement the work of gratitude for the heroic martyrs, families under preferential policy, people with meritorious services to the revolution.

3. EFFECTIVE IMPLEMENTATION OF THE RESTRUCTURING PLAN ASSOCIATED WITH BAD DEBT SETTLEMENT FOR 2016 – 2020 PERIOD

Following the directions of the Government and SBV regarding the comprehensive restructure of organization and operation, VietinBank has concentrated on establishing and completing the Restructuring plan associated with bad debt settlement for 2016 – 2020. On 27/11/2018, SBV issued Decision No. 2337/QĐ-NHNN regarding *Approval for several contents regarding objectives, orientations, measures and roadmap of implementing Restructuring plan associated with bad debt settlement for 2016-2020 period of Vietnam Joint-Stock Commercial Bank for Industry and Trade*. VietinBank established detailed plan and roadmap for implementation system-wide, promptly roll out measures synchronously according to plan, contributing to the restructuring of the economy according to the orientation of the Government and SBV.

Aside from the results achieved in terms of operating efficiency, critically transforming business model from credit-dependable to multi-service business, increasing non-interest income, improving management, governance and financial management capability along with transparency in operations as aforementioned, VietinBank has achieved actual results in implementation process of improving financial capability and asset quality following the roadmap in restructuring proposal as following:

- **Improve financial capability, step-by-step satisfy capital standard of Basel II (standard method) in 2020:** Aside from following upon the capital increase plan which is being submitted to competent authorities for consideration,

VietinBank also implement synchronized measures to improve financial capability, governance and optimize risk amendment efficiency such as the successful issuance of VND 4,000 billion in subordinated bonds to increase tier-2 capital, improving efficiency of investment and capital contribution activities via tight and full control of the operations of subsidiaries/affiliates, expanding the scale of product cross-selling between VietinBank and subsidiaries like promoting Banca-assurance between VietinBank and VietinBank Insurance Company (VBI), facilitate the development into investment banking by cooperating with VietinBank Securities and VietinBank Capital, etc.

- **Regarding control and improve asset quality, increase collection measures for debts, NPLs, debts sold to VAMC and written-off debts:** VietinBank continued to control and improve asset quality, credit quality and prevent NPLs by frequent monitor of credit portfolio, early warning for customers having signs of risk, prioritize to develop credit in sustainable sectors with low risk, tighten requirements for credit grant with high-risk industries in order to optimize capital utilization efficiency. At the same time, VietinBank has established specific plan and roadmap for each customer, portfolio of NPLs, written-off debts and debts with latent risk in order to monitor manufacturing and trading activities, financial situation, debt collection of customers; strongly implement measures in order to improve NPLs and written-off debts collection.



4. ORIENTATION, MISSIONS AND BUSINESS PLAN FOR 2019

In 2019, the world economy is forecasted to grow slowly with risks and challenges from trade wars, unpredictable changes in the financial and monetary markets. In this context, it is forecasted that Vietnam's economy will maintain its growth momentum thanks to stable macro-economic foundation, quality of growth, improved competitiveness and prospects from new trade agreements. Monetary policy continued to be flexibly operated, contributing to growth and controlling inflation by about 4%. Stable macro environment creates favorable conditions for the banking industry, however, in the context of limited growth in scale, it requires the whole system to constantly improve quality, efficiency and ability to respond to changes in the business environment.

Following the direction of the Party and the Government in Resolution No. 01/NQ-CP dated January 1, 2019 on the socio-economic development plan in 2019 and the SBV in Directive 01/CT-NHNN dated January 8, 2019 on organizing the implementation of key tasks and solutions of the banking sector in 2019, the targets of medium-term business plan and the restructuring plan associated

with settlement of bad debts in the period of 2016 - 2020, VietinBank group in 2019 continues to innovate and seize market opportunities, take advantage of business opportunities, focus on effective growth, diversify income structure, enhance collection of written-off and bad debts, undertake cost management in line with business growth rate. The Bank will reform its governance system in line with good international standards and practices, improve the quality of risk management, control the quality of growth and improve business efficiency with the intention to become a best-in-class bank in service quality.

In 2019, VietinBank's business plan continues to depend mainly on the capital raising roadmap submitted to competent authorities. In case VietinBank is permitted to retain the entire profit of 2017 and 2018 and undertakes measures to improve capital adequacy ratios such as divestments from subsidiaries and selling parts of its investment portfolio, etc. in 2019, VietinBank is required to pursue aggressively the achievement of the targets of business plan and some key tasks in 2019.

4.1. BASIC FINANCIAL OBJECTIVES

FINANCIAL INDICATORS (CONSOLIDATED)	2019 TARGET
Total assets	Increase by 2% - 5%
Credit exposure	Increase by 6% - 7%
Funding mobilized from corporate, institutional and individual customers	Increase by 10% - 12%
NPL ratio (on balance sheet)	< 2%
Consolidated Profit before tax	9,500 billion VND (in which, profit before tax reached minimum of 9,000 billion VND)
Unconsolidated, consolidated CAR	In compliance with the SBV-specified ratios
Solvency Ratio	
Ratio of short-term funds used for medium and long-term loans	
Loan to Deposit Ratio	

Note: Details as approved by the GMS 2019 and term 2019-2024

4.2. SPECIFIC OBJECTIVES

4.2.1 Business operations

- **Continue to strengthen financial capacity** by following up with the capital increase plan which is pending for government approval, undertaking measures to raise capital by issuing subordinated bonds and selling subordinated bonds issued by other credit institutions, restructuring the risk-weighted asset portfolio, improving the efficiency of equity investments and restructuring investments in the subsidiaries and affiliates. Divesting from non-core and low-performing businesses. Controlling the size of risk-weighted assets by optimizing credit exposures and asset structure, prioritizing low-risk assets and strengthening service delivery to reduce the pressure of capital increase.
- **Strengthening safe and efficient scale growth in harmony with capital plan to ensure required capital adequacy ratios by assignment of business targets, performance assessment and incentive programs:** Concentrating on growing highly profitable segments such as retail and SME. Maintaining fair share of market and retaining and acquiring more good customers and customers with good potential of multiple buyers and cross-selling in large corporate and FDI customer segments. Raising efficiency across segments to control the size of growth while retaining good customers and supplying capital to proper demands. Besides credit operations, funding mobilization remains a key task with priority given to attracting low-cost funding, CASA deposit to effectively manage cost of funding.
- **Continue to diversify the income structure and raise service fee income:** Strongly developing products and services in transaction banking and investment banking. Reviewing the entire range of products and services to meet customer demands. Concentrating on developing products with high technology content and special features which make the difference. Identifying target customers and innovating customer approaching methods. Promoting cross-selling and up-selling, boosting incentive programs to raise fee income. Continuing to improve, innovate and digitalize product and service delivery processes by simplifying procedures and facilitating customer interactions with the bank. Promoting the application of sales

supporting tools, product and service performance measurement tools and carrying out customer satisfaction surveys to improve customer service quality.

4.2.2 Risk management

- **Restructuring of the Bank in association with recovery and settlement of bad debts, off-balance sheet debts and debts sold to VAMC.** Pushing the recovery and collection of non-performing loans. Developing and executing debt recovery and collection plans, especially large debts. Continuing to enforce Resolution 42/2017/QH14 with regard to recovery and collection of non-performing loans.
- **Raising the role of risk management to protect safety and ensure compliance at VietinBank, business development is accompanied with enhanced risk management.** Effectively and aggressively implement Circular 13 to consolidate the organization of risk management in pursuit of international practices and the SBV requirements. Special attention will be given to risk identification and early warnings and management of current and hidden risks with adverse impact on VietinBank. Monitor the customers' business and identify risks in customers' business to have appropriate credit treatments and prevent risks. Focus on the quality of customer development and credit underwriting, appraisal of business plan/project and customer's debt repayment ability. Attention will be given to credit decision making, inspection and supervision during and after loan disbursements, control of loan utilization for better business discipline. Develop credit appraisal experts for several industries and sectors. Closely track and have actions for those high-risk loans to prevent them from turning to unexpected special-mentioned loans or NPL. Raise the effective functioning of internal control and internal audit departments to ensure safety and compliance at VietinBank.

4.2.3 Cost-effective management

Deliver good performance of financial management, efficiency of investment in capital construction, workforce planning, strict management of operating expenses for supporting business and towards improved labor productivity and saving costs. Raise operating performance of the network, particularly transaction offices.

Have determined action on low-performing transaction offices.

4.2.4 Bank modernization

Complete the IT Strategy during the strongly developed Industrial Revolution 4.0. Fully exploit the outstanding features of the new Core Banking system in improving the efficiency of distribution channels, developing products and services, providing maximum support for business operations, risk management and professional activities and increasing labor productivity of the whole system.

4.2.5 Human resources

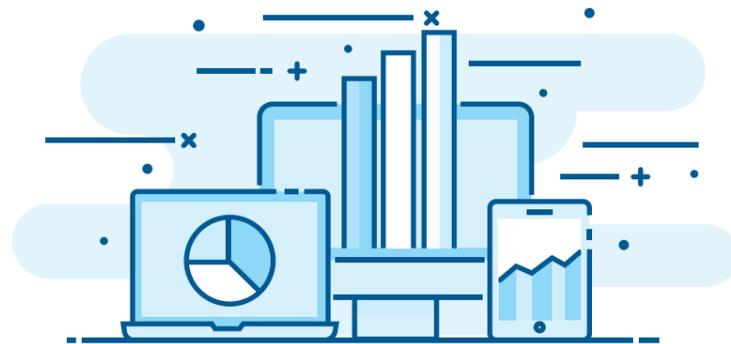
Continue to review and consolidate the operational model, professional divisions from Head Office to the Branch based on the requirements of practical operations and international practices. Streamline and strengthen the operating performance of the network. Carry out HR planning and staff training to develop qualified human resources. Conduct staff assessment to ensure having the right candidates for job positions and making fair appointments. Reform the emulation mechanism by considering performance results of business targets, replacing intermediate targets with efficiency targets and improve labor productivity. Continue to refine the salary policy for the purposes of human resources development and employee motivation.

4.2.6 Communication

Implement active, practical and effective communication strategy associated with the Bank's business activities. Actively coordinate with media agencies and communication agencies in the industry to communicate VietinBank's macro, monetary and operations management policies, enhance the support of people, enterprises for Banking industry and VietinBank.

4.2.7 Social welfares

Continue to play the role as a leading commercial bank of the Banking industry in social welfare programs, joining hands with the society in poverty eradication and sustainable development as outlined by the government and the communist party.



5. EXPLANATION OF THE BOARD OF MANAGEMENT FOR AUDITOR'S OPINION: NONE



Customer transaction at VietinBank



FRANKFURT, GERMANY

On September 6th, 2011, VietinBank opened a branch in Frankfurt, Germany and became the first Vietnamese bank to open a branch in the Europe. On May 28th, 2012, VietinBank opened a branch in Berlin, Germany. Joining the European financial market is a turning point in VietinBank's strategy to expand abroad, marking the development of Vietnam's Finance - Banking Industry in the process of innovation, international economic integration and contribution to building and developing German economy as well as Vietnamese business community in Germany.

Photo Shutterstock

04

EVALUATION OF THE BOARD OF DIRECTORS

- Evaluation of the Board of Directors on the bank's activities
- Evaluation of the Board of Directors on performance of the Board of Management
 - Development orientation of the Board of Directors for 2019

EVALUATION OF THE BOARD OF DIRECTORS

In 2018, the country has undergone positive and comprehensive transformation in socio-economic development, fulfilling 12/12 of set targets, achieving a GDP growth rate of 7.08% (the highest increase since 2008 to date), contributing to achievement of socio-economic development objectives and plans according to the Resolution of the National Assembly.

Under the motto of "Discipline, integrity, action, creativity and efficiency", the Government and the Prime Minister have led and directed ministries, sectors and local authorities for timely implementation with effectiveness and consistency of measures to improve business and investment environment, for better competitiveness, enabling business development, innovation and creativity.

In 2018, the SBV proactively and flexibly governed monetary policy, in leverage of fiscal and other macroeconomic policies for macro-economic stability, controlling inflation (less than 4%) and supporting economic growth. Credit growth was strictly under control; with effective allocation, focusing on production and business areas of priority and incentives. Restructuring of credit institutions associated with handling of bad debts was strongly implemented and

achieved positive results, in accordance with the roadmap. Besides, monetary and banking legal framework was continuously improved by SBV, toward consistency, efficiency and feasibility.

The year of 2018 marked the 30th anniversary of development of Vietnam Joint-Stock Commercial Bank for Industry and Trade (VietinBank) with its important contributions to the country's economy in the national renewal. In 2018, SBV approved of VietinBank's Restructuring Plan associated with handling of bad debts in the period of 2016-2020, toward comprehensive restructuring, improving operational efficiency and competitiveness of the bank until 2020 and post-2020. Following the orientation and direction of the Government, SBV, the BoD of VietinBank has focused on implementing synchronously and drastically business solutions, innovating the direction and administration methods; attaching importance to the application of information technology (IT) in developing business and administration activities; streamlining procedures, paperwork, improving labor productivity; quality of products and services, promoting access of businesses and people to its banking services of convenience, safety and good quality.



1. EVALUATION OF THE BOARD ON THE BANK'S ACTIVITIES

Closely following the orientations approved by the GSM, VietinBank's BoD has directed the drastic implementation of business solutions since the beginning of the year, been flexible in operating direction and promoted strong deployment business solutions aimed at safe, sustainable growth. Business operation in 2018 of the whole VietinBank system made positive changes, achieving most of the business targets assigned by the GSM; However, State authorities' pending approval of plan for capital increase for VietinBank has reduced the Bank's growth size. Specifically, the results of implementing some targets of the GSM in 2018 are as follows:

1.1. RESULTS OF IMPLEMENTATION OF 2018 BUSINESS PLAN

Unit: VND billion

Indicators (Consolidated)	31/12/17	31/12/18	31/12/18 compared to 31/12/17		2018 GSM Target	% achieved vs objectives 2018
			+/-	+/- %		
Total assets	1,095,061	1,164,435	69,374	6.3%	6%-8%	Achieved
Credit exposure	837,180	888,216	51,035	6.1%	8%-9%	Not yet achieved
Fund mobilized from economic entities and individuals	752,935	825,816	72,881	9.7%	9%-10%	Achieved
NPL/credit exposure	1.13%	1.60%			<3%	Achieved
Unconsolidated Profit before tax	8,350	6,365	-1,985	-23.8%	6,200	102.7%
Consolidated Profit before tax	9,206	6,730	-2,476	-26.9%	6,700	100.4%

- VietinBank's total assets as of December 31, 2018 reached more than VND 1.16 million billion, up 6.3% compared to 2017 and fulfilling the target set by the GSM. Although the capital increase plan has not been approved and VietinBank has to reduce the scale in the last months of the year, VietinBank tried to ensure to meet the essential capital needs of businesses and people through comprehensive implementation of measures for credit growth from the beginning of the year. The credit balance at the end of the year increased by 6.1%, failing to achieve the GSM's plan, the average outstanding loan balance in 2018 increased by 17.6%, achieving the target of efficiency. The structure of outstanding loans underwent positive shifts by currencies and customer segments, in particular: the average debt balance in VND increased by 18% compared to 2017, the average outstanding debt in segment of retail customers and SMEs customers increased by 31% and 29.5% respectively. Priority was given for granting credit to customers with feasible business projects/plans and good credit ratings, high profitability, as users to multiple banking products and services; and businesses in priority areas with incentives. Credit grants to high risk areas were strictly under

control. Ratio of NPL to outstanding balance remained steadily at 1.6%, achieving the planned target set by the GMS.

- Fund mobilized from economic entities and individuals as of 31/12/2018 reached nearly VND 826 trillion, an increase of 9.7% compared to 2017, meeting the plan set by the GMS. VietinBank was active in implementation of fund mobilization solutions; focusing on exploiting capital in market 1, especially promoting attracting fund with cheap cost of capital and CASA; ensuring liquidity safety and business efficiency of the bank.
- Operational efficiency was achieved. Separated pre-tax profit in 2018 reached VND 6,365 billion, equivalent to 102.7 % of the plan set by the GMS. Consolidated pre-tax profit reached VND 6,730 billion, reaching 100.4 % of the plan set by the GMS. Business activities were in line with the bank's orientation, toward positive transformation in income structure with diversification, improved service quality of customer-oriented features in line with the development of modern banking on multi-platform service. Total service fee income of VietinBank in 2018 reached nearly VND 6 trillion, an increase of 38.4% compared to 2017. VietinBank strengthened the development of services in the chain of links, promoting cross-selling; focused on IT application, cooperation with Fintech companies; streamlined procedures and paperwork; improved quality of products and services to create optimal conditions for businesses and people to access fully and timely to safe and modern banking services with good quality.
- Business activities grew sustainably, safely and effectively, ensuring compliance with prudent criteria in accordance with SBV's regulations

1.2 CORPORATE GOVERNANCE

1.2.1. Strengthening senior management personnel

In 2018, Members of the BoD of VietinBank included:

- Mr. Le Duc Tho - Chairman of the Board;
- Mr. Tran Minh Binh - Member of the BoD and General Director;
- Mr. Cat Quang Duong - Member of the BoD;

- Ms. Tran Thu Huyen - Member of the BoD and Director of Human Resources Division;
- Mr. Hideaki Takase - Member of the BoD;
- Mr. Hiroshi Yamaguchi - Member of the BoD and Deputy General Director;
- Mr. Phung Khac Ke - Independent Board Member;
- Mr. Nguyen Van Thang - Former Chairman of the Board, resigned from his position on July 13, 2018 to implement staff rotation under Official Letter No. 7143-CV/VPTW dated 12/7/2018 of the Party Central Committee's Office;
- Ms. Nguyen Hong Van - Former Member of the BoD, resigned from the Board on 8/12/2018 to be appointed the position of Deputy General Director and Director of Finance Division.

VietinBank's BoD has worked collectively with unity for administration and management of the bank's operation to achieve to an basic extent the tasks set by the Annual GMS and an extraordinary Meeting in 2018; led the consolidation of the bank's organizational model; built business strategies; improving its mechanisms and policies according to law provisions; effectively used the resources for the bank's operational safety, sustainability and successful implementation of the restructuring plan associated with bad debt handling for the period of 2016-2020 as approved by the SBV.

1.2.2. Consolidating the organization model and network management

In 2018, in order to meet the requirements for improving management capacity, risk control, VietinBank strengthened the model of Risk Management Division, Treasury and Capital Markets Division; Human Resource Division; established the Office of the BoD, Finance Division, Legal and Compliance Division; streamlined and specialized of duties and functions of several departments/units at the Head Office to enhance the effectiveness of coordination among units, towards the practice of international banks. At the same time, job rotation, transfer and appointment of qualified staff for new positions, motivating employees to constantly strive and contribute to the bank's overall development.

The network of VietinBank as of the end of 2018 is as follows: (i) domestically, including: the Head Office in Hanoi, 155 Branches, 02 Representative Offices, 09 Non-business units (Card Center, IT Center, Human Resource Training and Development School, Trade Finance Center, 05 Cash Management Centers) and 958 Transaction Offices; (ii) overseas, including: 02 branches in Germany, 01 representative office in Myanmar and 01 wholly-owned bank in Laos.

1.2.3. Improving risk management and implementation of regulations on internal control, internal audit

Inspection, control and risk management are strengthened. VietinBank defined an effective internal control system as a key factor for sustainable development, ensuring long-term business objectives, helping the bank to comply with the provisions of law and internal regulations, minimizing risks arising in banking operations. Internal inspection, control and risk management were focused and strengthened; subject to regular monitoring and evaluation and control for effective identification, prevention and management of risks. Internal Audit actively enhanced its competency; timely detected problems, potential risks in operations, systemized internal policy documents and control points established in business processes and information, data and reporting systems; proposed solutions to shortcomings and limitations; improved internal control system, enhanced risk management to ensure VietinBank's operational safety and effectiveness in accordance with the provisions of law.

Lending process was strictly controlled from customer, appraisal, approval, disbursement of loans. Following the Prime Minister's Decision 1058/QĐ-TTg dated July 19, 2017 on restructuring the system of credit institutions associated with dealing with bad loans in the period of 2016-2020 and Resolution 42/2017/QH14 on piloting the handling of bad debts of credit institutions, in 2018, VietinBank continued to control and improve asset quality, especially credit quality; strengthened measures to recover overdue loans, bad loans and bad loans sold to VAMC.

1.2.4. Improving financial management capacity, exploiting and maximizing the application of information technology, optimizing performance of operations as a function to support business activities, toward improved labor productivity and effective banking management

In 2018, the BOD directed the consistent implementation of measures to improve the efficiency of financial management and establishment of Finance Division to improve business efficiency. Labor productivity of the bank was steadily improved thanks to reforms and streamlining in its processes and procedures and technological application, exploitation of features of the Core Banking system. VietinBank applied risk prevention technology, in order to ensure safety and security, smooth operation of electronic banking services and improvement of quality of IT products and services.

With the growth of financial technology, VietinBank has been actively connecting with Fintech companies, creating diversified and modern products with high technology contents, particularly its Business matching products - understanding and connecting global business, screening and introducing the most suitable partners for businesses. There are currently more than 15,000 businesses in more than 110 countries participating in this digital business platform.

The BOD aimed to centralize and optimize operations to improve labor productivity, ensure business support tasks and smooth, safe and efficient banking management, contributing to improving service quality, and customer satisfaction.

2. EVALUATION OF THE BOARD OF DIRECTORS ON PERFORMANCE OF THE BOARD OF MANAGEMENT

Supervisory activities of the BoD over the BoM were carried out in accordance with the Internal Management Regulations, the Regulations on Organization and Operation of the BoD and the Regulation on Organization and Operation of the BoM. On the other hand, the CEO is also a board member, which ensuring the supervision of the BoD on management activities. The BoD also assigned the BoM to closely monitor the macroeconomic situation and market developments, guidelines and directions of the Government, the SBV in order to seriously and drastically implement business solutions and innovate the methods of corporate governance.

At regular monthly meetings of the BoD, the CEO reported all aspects of VietinBank operations as well as the results of implementing resolutions approved by the GMS and the BoD. In addition to periodical reports, in 2018, the CEO on behalf of the BoM also reported to the BoD several important topics that directly related to VietinBank's business activities.

The BoD also assigned the BoM to closely monitor the macroeconomic situation and market developments to flexibly implement the key tasks set out to successfully complete the 2018 business plan assigned by the GMS.



3. DEVELOPMENT ORIENTATION OF THE BOARD FOR 2019

In 2019, the world economy is forecast to undergo a slowdown due to the effects of trade tension, declines of drivers for growth in major economies, unpredictable prospects of the financial and monetary markets. However, the country's economy remains characterized with multiple positive features thanks to the Government's efforts for institutional reform, improvement of business environment, creating favorable conditions for businesses, aiming at macroeconomic stability and control of inflation, improving productivity, quality, efficiency, autonomy and competitiveness of the economy.

In 2019, the SBV continues to adopt active and flexible monetary policies, in harmony with fiscal policies and other macroeconomic policies to curb inflation below 4%; maintaining macroeconomic stability, supporting economic growth, stabilizing the monetary and foreign exchange market. Restructuring of credit institutions will be under progress, toward an on-balance-sheet bad debt ratio of below 2%.

On the basis of directions of the Party, Government, SBV, VietinBank's medium-term business plan objectives and the restructuring plan associated with handling bad debts in the period of 2016 - 2020 as approved by SBV, the bank's performance in 2019 shall be carried out in accordance with the set roadmap. Innovation, creativity and flexibility shall be promoted in administration and management of the bank's business performance in accordance with advanced practices and international standards; timely embracing opportunities of the market; focusing on improving efficiency, maintaining reasonable growth rates associated with good management of growth quality, governance of capital costs. Loans and banking services with the most reasonable interest rates are to be provided in a timely and effective basis to meet well-merited capital demands of the economy; further improving service quality, developing a variety of modern services and products, transforming income structure towards increasing non-interest income; strengthening cost management in accordance with business growth rate; enhancing handling and recovery of bad debts and written-off debt collection; improving quality of risk management and asset quality.

Some key tasks in business activities of VietinBank in 2019 are as follows:

#1

Firstly, to concentrate resources for effective implementation of the restructuring plan associated with handling bad debts, ensuring the completion of the content and objectives of the plan in accordance with the schedule. Measures are to be consistently and radically taken to increase the bank's own equity capital; restructuring the portfolio of RWAs, optimizing the structure of outstanding loans and assets, prioritizing low risk assets, controlling credit growth associated with improving credit quality. To develop effective, safe, sustainable and transparent business operations, based on human and technological resources as key drivers for growth.

#2

Secondly, to work out radical and innovative solutions in management and administration of business activities, scaling up with safety and effectiveness, in accordance with capital plans toward regulatory prudent ratios. To consistently implement measures for shifting income structure, strongly improving the portion of non-credit fee income; steadily improving, and modernizing the process of provision of products and services towards streamlined procedures, creating favorable conditions for customers in dealing with banks; improving quality of products and services, and satisfaction, trust and loyalty of customers to VietinBank. In particular, modern tools for payment shall be deployed, promoting cashless payment, and application of new technologies to offer stronger privacy, security and utilities for customers.

#3

Thirdly, banking management system shall be further improved in accordance with advanced international standards and practices, especially improving the quality of risk management, internal control and audit according to current regulations and good international practices. VietinBank's business performance shall be conducted in full and consistent compliance with provisions of the law and regulations of SBV in monetary - banking sector. Culture of compliance, professional ethics, and discipline is to be promoted; strict enforcement of working regulations and information privacy as required.

#4

Fourthly, measures shall be consistently and radically deployed for debt handling and debt recovery; speed up debt settlement according to market mechanisms; improve inspection, internal control, capacity for appraisal and risk assessment, standardization of credit granting processes and policies.

#5

Fifthly, to consolidate organizational models, specify functions, tasks and powers, and enhance coordination among units in the bank, fully tapping on capacity of employees to improve labor productivity and business performance. Financial management, and cost-effectiveness are to be ensured for practicality in facilitating business activities.

#6

Sixth, to promote innovation and creativity in all aspects of business performance, proactively anticipate technological trends, promote full play of application of science and technology into VietinBank's activities, optimize the widespread power of digitization as drivers growth and strong shift of business operations; improve customer service quality; strengthen efficiency of administration and risk management; promote automation, improve competitiveness in line with the era's development trends.

#7

Seventh, to promote the bank's pioneering tradition in promoting the Party leadership and improve effectiveness of performance of the bank's Party Committee and mass organizations. To deliver social security work according to the guidelines of the Party, the policies, directions of the Government and the SBV; promote VietinBank's role as the leading bank, and a pillar in the country's socio-economic development.

Business plan of VietinBank in 2019 shall be affected by external factors due to the pending approval of the bank's plan for charter capital increase, despite optimal utilization of other measures for capital increase. Therefore, VietinBank's capital raising continues to be of utmost urgency. In case of approval of retained earnings in 2017 and 2018 and measures to improve capital adequacy ratio to be fully adopted, VietinBank's business targets in 2019 shall be as below:

Indicators (Consolidated)	2019 Target
Total assets	Increase 2% - 5%
Credit exposure	Credit exposure
Fund mobilized from economic entities and residents	Increase 10% - 12%
NPL ratio (on balance sheet)	< 2%
Consolidated Profit before tax	VND 9,500 bil (in which, profit before tax reached minimum of 9,000 billion VND)
Unconsolidated, consolidated CAR	In compliance with the SBV-specified ratios
Solvency ratio	
Portion of short-term deposits used for medium and long-term loans	
LDR	

Note: Details as approved by the GMS 2019 and term 2019-2024

With innovative thinking and determination, initiativeness, creativity, pioneering, the BoD and all VietinBank officials will continue to promote the achieved results, making the most of every opportunity and effort, strive and concentrate highly to successfully complete the objectives of 2019. Thereby, continue to build and develop VietinBank system increasingly comprehensive, effective, safe, sustainable, making greater contributions to the development of the banking industry and the country's socio-economy.





VIENTIANE, LAOS

Vietnam Joint Stock Commercial Bank for Industry and Trade – Laos Branch was established on February 3rd, 2012 and officially became VietinBank's subsidiary bank from August 2015. Vietnam Bank for Industry and Trade Limited in Laos has become a reputable bank, meeting the demand for capital and banking services for customers, especially Vietnamese enterprises investing in production and business to Laos, contributing to promoting Vietnam – Laos economic and trade cooperation.

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05

CORPORATE GOVERNANCE

- Operations of Board of Directors in 2018
- Operations of Supervisory Board in 2018
- Transactions, remuneration and interests of the Board of Directors, Board of Management and Supervisory Board

1. OPERATIONS OF BOARD OF DIRECTORS IN 2018

1.1. BOARD MEMBERS AND STRUCTURE OF THE BOARD OF DIRECTORS

- Number of Board Member and share ownership of Board Members are presented in the table below:

No.	Full name (including title)	Number of shares	Percentage (%)
1	Mr. Le Duc Tho – Chairman	960,119,509	25.786%
	Individual representative	37,527	0.001%
	State capital representative	960,081,982	25.785%
2	Mr. Tran Minh Binh – Member and General Director	720,063,892	19.339%
	Individual representative	2,405	0.00006%
	State capital representative	720,061,487	19.339%
3	Mr. Cat Quang Duong – Member	720,061,487	19.339%
	Individual representative	0	0%
	State capital representative	720,061,487	19.339%
4	Ms. Tran Thu Huyen – Member	1,429	0.00004%
5	Mr. Phung Khac Ke – Member	0	0%
6	Mr. Hideaki Takase – Member	0	0%
7	Mr. Hiroshi Yamaguchi – Member and Deputy General Director	0	0%
Total		2,400,246,317	64.46%

- As at 31st Dec 2018, Board Members of VietinBank did not hold any position at other relevant companies.
- 01 independent Board Member: Mr. Phung Khac Ke
- Changes in Board Members during the year 2018: (please refer to Organization and Human Resources on page 25).

1.2. COMMITTEES UNDER THE BOARD OF DIRECTORS

Currently, there are four (04) committees under the BoD, namely Human Resource, Salary and Emulation Committee, Risk Management Committee, Policy Committee, Asset Liability Management Committee (ALCO). Each committee operates under a particular organizational and operational set of regulations issued by the BoD.

- Human Resource, Salary and Emulation Committee advises the BoD on organizational structure, personnel management policies, performance evaluation and remuneration policies; 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.
- Risk Management Committee advises the BoD 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 BoD on approving investments, related transactions, management policy, risk handling plan and the implementation schedule of Basel II under the SBV's direction.

- Policy Committee advises the BoD on setting up and reviewing policies; ensures consistency, adequacy, effectiveness and synchronization of policies, regulations, and rules which prescribed in main operational activities of VietinBank.

- ALCO committee advises the BoD 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 and reviews and ensures safe rates and limits of business operations under regulations



1.3. ACTIVITIES OF THE BOARD IN 2018

In 2018, the BoD held 11 periodic meetings to evaluate business results, provide directions for operations as well as exchange on other contents. In addition, the BoD and the Standing BoD also addressed other issues via written opinions (138 times). Details of Board meetings are as follows:

No	BoD member	Position	Day becoming Board member of the BoD	Day no longer member of the BoD	Number of attendance	Percentage	Reasons for absence
1	Mr. Nguyen Van Thang	Former Chairman	31/5/2011	13/7/2018	85/85	100%	Did not attend BoD meetings and give written opinions since 13/7/2018 (no longer being a BoD member)
2	Mr. Le Duc Tho	Chairman (Former General Director)	29/04/2014		149/149	100%	
3	Mr. Tran Minh Binh	Member & General Director	8/12/2018		11/11	100%	Attend BoD meetings and give written opinions Since 08/12/2018 (start being a BoD member)
4	Mr. Cat Quang Duong	Member	28/2/2012		132/132	100%	
5	Ms. Tran Thu Huyen	Member	24/7/2014		131/131	100%	
6	Mr. Phung Khac Ke	Member	1/11/2014		119/119	100%	
7	Mr. Hiroshi Yamaguchi	Member & Deputy General Director	17/4/2017		118/119	99%	Did not attend April meeting due to business trip.
8	Mr. Yotaro Agari	Member	26/4/2016	21/4/2018	8/8	100%	Did not attend BoD meetings and give written opinions since 21/4/2018 (no longer being a BoD member)
9	Mr. Hideaki Takase	Member	21/4/2018		109/109	100%	Attend BoD meetings and give written comments Since 21/4/2018 (start being a BoD member)
10	Ms. Nguyen Hong Van	Deputy General Director & CFO (former member)	4/6/2009	8/12/2018	104/104	100%	Did not attend BoD meetings and give written comments since 08/12/2018 (no longer being a BoD member)

NOTE:

- The total number of meetings of the BoD in 2018 is 149, including 11 monthly periodical meetings and 138 written opinions.
- Standing BoD which includes Chairman, Board member cum CEO and 01 Board member (depending on BoD's task assignment) has been no longer effective since 21/04/2018 according to Resolution of the 2018 Annual GMS No. 18/NQ-DHDCD dated 21/4/2018 that approved the amendment and supplementation of VietinBank's Regulation on the Organization and Operation of VietinBank BoD.
- Chairman and Member of BoD cum CEO attend (i) all BoD's monthly meetings; (ii) give written opinions of the BoD and (iii) give written opinions of the Standing BoD.
- Board Members – Mr. Cat Quang Duong, Ms. Tran Thu Huyen, former Board Member Ms. Nguyen Hong Van: attend (i) all BoD's monthly meetings; (ii) give written opinions of the BoD and (iii) give some written opinions of the standing BoD (according to BoD's task assignment). However, written opinions of former Board Member Ms. Nguyen Hong Van were not required for documents related to VietinBank Insurance Corporation (VBI) because Ms. Nguyen Hong Van is currently the Chairwoman of VBI.
- Board Members – Mr. Phung Khac Ke, Mr. Hiroshi Yamaguchi: attend (i) all BoD's monthly meetings and (ii) give written opinions of the BoD.
- Board Members – Mr. Hideaki Takase, Mr. Yotaro Agari: Non-residential Board Members, attend (i) some BoD's monthly meetings and (ii) give written opinions of the BoD.

1.4. DUTIES OF INDEPENDENT BOARD MEMBER

Comply with the provisions of applicable Charter and Law.

1.5. ACTIVITIES OF COMMITTEES UNDER BOARD OF DIRECTORS

In 2018, BoD 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, information disclosure, etc. They are also responsible for the review of human resources under the BoD' management authority and advised the Board of Directors on specific issues such as risk management policy, risk prevention, operation & development strategy of the Bank.

1.6. CORPORATE GOVERNANCE TRAINING

At VietinBank, we determine corporate governance is pivotal in our business performance as well as in maintaining sustainable development for the future.

In 2018, VietinBank BoD sent different groups of senior officers to participate in various training courses and seminars on corporate governance held by the State Securities Commission (SSC) and Ho Chi Minh City Stock Exchange (HOSE) in partnership with prestigious training companies.

In March 2018, members of the Board as well as other senior officers of the Bank also participated in important training courses on Balanced Scorecards in management strategies in order to discover and evaluate existing problems on efficiency management and strategy management and understand the crucial relationship amongst major components of VietinBank Strategic Map.

In the near future, VietinBank will conduct researches and implement various courses on corporate governance organized by the SSC and prestigious training companies around the world to improve our management skills, especially in creating effective business strategy as we play our important part as a leading financial institution banks to promote the soundness of banking operation, sustainable development and international integration.

2. OPERATIONS OF SUPERVISORY BOARD IN 2018

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 2018 GMS, including the following duties:

2.1. MONITORING THE BANK'S OVERALL BUSINESS OPERATIONS AND ITS COMPLIANCE WITH THE PROVISIONS OF LAW AND THE CHARTER IN BANKING GOVERNANCE AND MANAGEMENT AS WELL AS IMPLEMENTING RESOLUTIONS ADOPTED BY GMS

In 2018, VietinBank Supervisory Board performed its roles through the following activities:

Monitoring the implementation of resolutions of GMS:

Periodically, Supervisory Board monitored the implementation of resolutions of GMS. Then, Supervisory Board exchanged and discussed with BoD in board meetings and raised solutions to meet targets set by GMS. Currently, Supervisory Board reported the implementation progress to carry out such targets in the GMS.

Periodically monitoring and updating VietinBank's information and business activities from time to time and taking part in meetings of the BoD and the BoM:

The Supervisory Board monitored the business activities of VietinBank through reports of various divisions/departments under the BoM and the Supervisory board. Periodically or extraordinarily, representatives of The Supervisory Board fully took part in meetings of the BoD and the BoM for information updates. In every meeting, representatives of Supervisory Board objectively and independently provided their opinions on VietinBank's existing issues, potential risks in the business operation and recommendations to the BoD and the BoM.

Reviewing policies and resolutions of the BoD:

The Supervisory Board appointed its members to review policy documents issued by the BoD and the General Director as well as various resolutions of the Board according to every 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 GMS.

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 BoD and the General Director.

2.2. APPRAISING FINANCIAL STATEMENTS

In 2018, The Supervisory Board established financial statements evaluation team in order to evaluate 2017 financial statements and 2018 first-half financial statements. The evaluation results were proposed by the Supervisory Board to the BoD for review, adjustment and approval for disclosure at the GMS as well as other disclosures in compliance with laws and regulations.

2.3. UPDATING LIST OF RELATED PARTIES

Related parties of members of the BoD, Supervisory Board, BoM 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 BoD.

Updated outcome showed that in comparison with the year 2017, list of related personnel in 2018 of the Bank has changed due to changes in the members of the BoD as well as the BoM as representatives of the State capital and BTMU at VietinBank. During the year, 1 member of the BoD resigned from the position of a Board member to hold the position of Deputy General Director (Ms. Nguyen Hong Van); 1 member of the Supervisory Board retired (Ms. Pham Thi Hong Phuong). This list has been promptly updated by the Supervisory Board.

2.4. DIRECTING AND SUPERVISING OF INTERNAL AUDIT UNIT

In 2018, the Supervisory Board regularly directed activities of Internal Audit Unit according to

their functions and responsibilities approved by VietinBank Supervisory Board

The performance of assigned workload of Internal Audit Department were carefully and comprehensively evaluated. Audit results and recommendations of Internal Audit department were promptly delivered to the BoD, BoM as well as relevant departments for review, necessary adjustments and improvement in compliance with applicable regulations and the Bank's operation.

2.5. ISSUANCE OF INTERNAL POLICY ON FUNCTIONS AND RESPONSIBILITIES OF THE SUPERVISORY BOARD IN COMPLIANCE WITH CIRCULAR 13/2018/TT-NHNN ON INTERNAL AUDIT

The Supervisory Board has drafted and submitted to the GMS the re-issuance Internal

Policy on Functions and Responsibilities of the Supervisory Board to update new provisions of the law and the Charter. The new draft also touched on the re-issuance of the Organization and Implementation Process of audit activities to standardize and improve the quality of internal audit responsibilities.

In addition, the Supervisory Board also directed the Internal Audit Department to draft and submit to the Supervisory Board and the BoD new set of policies as stipulated in Circular 13 for implementation from 2019 onwards including: Regulation on Internal Audit, Regulations on professional ethics standards of members of the Supervisory Board and internal auditors, Regulations on coordination mechanism between the Supervisory Board, Internal Audit department with the BoD, General Director while ensuring absolute compliance to prevailing regulations of the SBV.

3. TRANSACTIONS, REMUNERATION AND INTERESTS OF THE BOARD OF DIRECTORS, BOARD OF MANAGEMENT AND SUPERVISORY BOARD

SALARY, BONUSES AND OTHER REMUNERATION

The BoD, BoM 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 BoD, BoM 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 BoD and Supervisory Board in 2018 was 0.38% of profit after tax

SHARES TRANSACTIONS OF INTERNAL SHAREHOLDERS

No.	Person who performed transaction	Title	No. of shares owning at beginning of period		No. of shares owning at closing of period		Reason for increase/decrease
			Number of shares	%	Number of shares	%	
1	Tran Cong Quynh Lan	Deputy General Director & Director of IT Center	31,920	0.0857%	0	0.0000%	Personal Finance
2	Nguyen Hoang Dung	Deputy General Director	43,024	0.1156%	1,024	0.0028%	Personal Finance

IMPLEMENTATION OF REGULATIONS ON CORPORATE GOVERNANCE:

VietinBank fully complies with applicable rules and regulations on corporate governance.



BAGAN, MYANMAR

VietinBank representative office in Myanmar was established on August 5th, 2013 with the mission of being a focal point in external relations with partners to promote VietinBank's commercial and investment banking activities in Myanmar.

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06

REPORT ON SUSTAINABLE DEVELOPMENT

- Sustainable economic development
- Environmental and social sustainability

1. SUSTAINABLE ECONOMIC DEVELOPMENT

Inheriting our achievements during the previous period since 2014, VietinBank constantly implemented the innovation and restructuring of the entire operational system with strong emphasis placed on quality and international standard and best practices. We are proud to present strong results and sustainable economic growth on the ground of technological breakthroughs coupled with constant improvement of product and service quality with customer-centric business strategy as well as risk management advancement in order to commensurate with the scale, scope and complexity of banking business. VietinBank also proactively improved its organizational structure and human resource management to support organizational operations.

As of 31st December 2018, our total assets reached VND 1,160,000 billion with an annual average growth rate of 15%. Total amount of outstanding loans reached VND 888,000 billion with an annual average growth rate of 17%. Financial institutions and customer deposits continued to grow at a speedy pace, stood at VND 826,000 billion with an average increase of 18% per annum over the past five years. During 2014–2018, VietinBank generated nearly VND 40,000 billion in profit before tax with corporate tax payment of VND 13,000 billion and we were regarded as one of the most profitable state-owned banks in the country. Along with strong economic growth and high efficiency, we demonstrated the resilience and strength of our diversified businesses, disciplined asset quality control and prudent risk management practices.

During 2014 – 2018 period, we utilized internal and dedicated resources to promote operational scale, created a competitive advantage in brand value, network and customer portfolio. This is a robust foundation for VietinBank to focus on quality enhancement, efficiency improvement and the soundness of our business operation as we progress further in the future. The bank aims to expand our lending activities to prioritized profiles such as business and production sectors that are highly encouraged by the Government, customers with good credit ratings, business segments with strong profitability and quality products and services. The bank's growth was maintained with a strict control of credit quality management and appropriate capital management strategies to ensure stability and financial health. At the same time, with the priority of sustainable growth and gradual reduction in reliance on credit activities,



we have been promoting non-interest products and services to generate stronger profit structure, we invested in our payment services and simplified processes and procedures, expanded operational network and enhanced digital cross-selling in order to help our customer advance their goals and have better banking experience with us.

Although VietinBank is one of the leading banks in the segment of large corporates and FDIs, we actively enhanced SME and Retail market participation through innovation and upgrade of products and services for these customer segments. VietinBank also proactively identified, positioned and developed specific mechanisms and policies for SMEs to enhance SMEs contributions and innovation in Vietnamese economy. The launch of SME Club opened up business opportunities through seminars, conferences and valuable business connections exclusively for its members. Since 2014, VietinBank's retail segment has experienced quantum leap, tremendous success has been achieved as changes were made from customer service, important investment in infrastructure and human resource to continuous improvement and diversification of products and services, expansion of different sales channels; thus promoting higher sales target and providing better banking experience to our individual customers. Outstanding loans granted to individual customers increased by an average of 35% per annum during 2014–2018 period, reached VND 247 trillion in 2018; a strong growth rate from 17% to 29% in total outstanding loans. Income from retail business grew strongly and accounted for high proportion of total income.

VietinBank has always focused on building an advanced technology foundation to develop products and services with high security, meeting customer demand and the requirements of improving bank management capacity. The successful deployment of "Core Banking Replacement" and the establishment of "Enterprise Data Warehouse" projects has made VietinBank the leading bank in the country with innovative digital platform. Our new Core Banking system of international standards has become a prerequisite to the success of providing excellent banking and financial services and improving operational management capacity. With existing digital capacities, VietinBank is the market leader in deploying payment services for public administration, State budget collection, taxes, customs, financial derivatives and securities settlement, cashless payment, international payment, etc. In 2018, VietinBank was one of the first two banks in Vietnam to meet SWIFT GPI standards and became the first domestic bank to provide Internet Banking services for trade finance transactions (via VietinBank Trade

Portal). The new IT system has helped VietinBank to speed up automatic processing capacity, improving our competitive positioning in the local market. In 2017 and 2018, while the number of transactions increased by 20%, transaction processing time also accelerated by more than 50%, thus reducing the wait times at customers' counter and enhancing staff productivity.

At VietinBank, we believe our people is a central ingredient to drive Bank toward its sustainable development goal in the long term. Therefore, in the past few years, much emphasis has been placed on strengthening our organizational structure and business model. We gradually optimized business processes, consolidated the network of our branches and agencies domestically, strengthened operations and operational quality of bank branches and representative offices abroad as well as conducted different training programs at all levels in a synchronous and timely manner to support our business activities. The focus of our entire organization on upskilling of our human talents, improving staff welfare and remuneration framework are driving forces that shape the future of our organization in accordance with market practices. In 2018, VietinBank was one of three Vietnamese enterprises and was the only state-owned organization proudly received the "Vietnam Human Resources" Award for effective remuneration practices and governance.¹

VietinBank is committed in creating sustainable values together with prudent management that assured the soundness and sustainability of our businesses. Our risk management practices have changed in alignment with business activities so as to ensure efficient business growth. At VietinBank, we applied risk management model through three lines of defense of latest international practices in order to optimize risk management capabilities and operational efficiency. We also stressed on disciplined cost control and managed our costs effectively and efficiently under guidelines from the Government and the SBV. With the establishment of Finance Division in 2018, VietinBank aimed to effectively manage our costs through appropriate resource allocation and close monitoring and supervision.

Our strength in creating sustainable growth was reflected in our ratings and various prestige recognition from reputable organizations such as the world's Top 400 banking brands by Brand Finance with Brand Value of 381 million USD of AA- rating.

¹ Organized by TalentNet and The Labor – Society Newspaper under the approval of the Ministry of Labours, Invalids and Social Affairs

2. ENVIRONMENTAL AND SOCIAL SUSTAINABILITY



A kindergarten in Hoa Xuan Dong commune, Dong Hoa rural district, Phu Yen province was funded by VietinBank

2.1. CONTRIBUTION TO IMPROVE THE ENVIRONMENT

2.1.1. COMPLIANCE WITH LAWS ON ENVIRONMENTAL PROTECTION

- Number of penalties for violations due to non-compliance with prevailing environmental laws: None
- Total amount sanctioned for failing to comply with prevailing environmental laws: None

2.1.2. ACTIVITIES RELATED TO FOREIGN INVESTMENT TRUST FOR DEVELOPMENT ASSISTANCE PROJECTS, ODA

VietinBank was appointed by the SBV to serve key national development projects in 2018 including:

- Vietnam Urban Upgrading Project funded by the World Bank worth 240 million USD.
- Vietnam - Central Highlands Connectivity

Improvement Project funded by the World Bank worth 170 million USD.

- Basic Infrastructure for Inclusive Growth in the Northeastern Provinces Sector Project funded by the Asian Development Bank worth 86 million USD
- Basic Infrastructure for Comprehensive Growth in Nghe An, Ha Tinh, Quang Binh funded by the Asian Development Bank worth 45 million USD

2.1.3. REPORT RELATED TO GREEN CAPITAL MARKET ACTIVITIES UNDER THE STATE SECURITIES COMMITTEE'S GUIDANCE

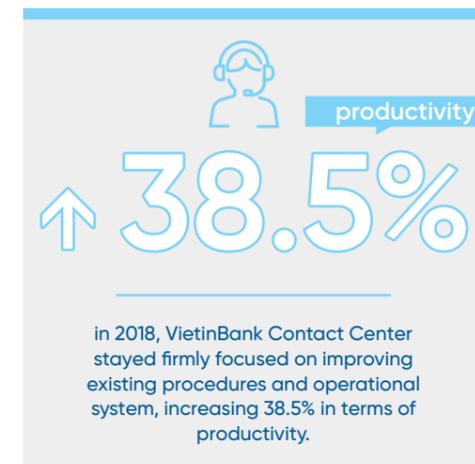
The world has been heavily affected by increasing impact of climate change and extreme weather patterns, in which Vietnam is amongst the ten most severely affected countries in the past 20 years and amongst six countries that have been severely affected in the last 4 years according to by the UN Security Council reports. In Vietnam, climate change has

caused droughts, floods and sea-level rise in the Mekong Delta region; air pollution in big cities and towns; water pollution as well as extreme and unusual weather phenomena that seriously affected the economic and social development of the country and our people's lives. Research conducted by international organizations also suggested that climate change could cost Vietnam 15 billion dollars yearly, equivalent to 5% GDP.

Understanding the importance of sustainable development, the Government committed to creating favorable legal conditions for the application and development of eco-friendly technology. The Prime Minister issued Decision No. 2612/QĐ-TTg dated 30 December 2013 approving clean technology strategy till 2020, with vision to 2030 with an overall objective aims to catalyze the growth of the clean technology, increase energy efficiency and the use of resources, reduce emission in industrial production in order to promote green growth, limit the magnitude of climate change and improve our community.

In response, by 2020, 100% of new investment projects of energy intensive industries will have met the standards and technical regulations on clean technologies. As a leading commercial bank owned by the Government (64.46% State ownership), we strictly implemented Decision No.403/QĐ-TTg dated 20 March 2014 of the Prime Minister on National Action Plan on "green" growth for 2014 - 2020 period and Directive No.03/CT-NHNN dated 24 March 2015 of the State Bank Governor on promoting green credit growth and managing environmental and social risks in lending activities as well as other legal provisions in connection with environmental protection in credit granting.

In support of this goal, during 2017 - 2018, we cooperated with major financial institutions namely International Finance Organization (IFC) and MUFG Bank with extensive experience in advising and issuing green bonds to conduct feasibility studies on green bond issuance coupled with intensive review of environmental projects including renewable energy projects, public transport, clean water solutions, etc. Along with conducting research on the development of green capital market on the basis of knowledge and experience sharing of large organizations such as IFC or MUFG, we highly value the importance of developing these debt instruments in the near future to not only



bring a new channel of capital mobilization for our business but also contribute to safeguarding the quality of the living environment as we share social responsibilities to the community and the environment.

2.2. RESPONSIBILITIES TO OUR CUSTOMERS

2.2.1. CUSTOMER SERVICE AND SUPPORT

In support of excellent customer service according to global operational standards, in 2018, VietinBank Contact Center stayed firmly focused on improving existing procedures and operational system, increasing 38.5% in terms of productivity to improve customer satisfaction with updated series of standards in customer service quality. We strongly affirmed our leading position in customer service and customer care in the local financial and banking sector and were proudly presented with Leading Vietnam Contact Center 2018 and Vietnam Best in-house Contact Center 2018 awards presented by prestigious domestic and foreign organizations.

2.2.2. SPECIAL CREDIT PROGRAMS OF PREFERENTIAL INTEREST SUPPORT FOR SMES

Following latest guidelines of the Government and the SBV in supporting corporation to overcome challenges in their business; and providing favorable conditions for them to access bank loans, we enhanced our suite of lending packages with favorable interest rates for SMEs such as: Special Loans for temporary storage of paddy and rice during 2015 Winter-Spring Harvest, Business Matching, Supporting Vietnamese importers and exporters in their businesses, preferential interest rate for loans up to 1 month tenor. Besides, depending on the needs of the customers and actual

circumstances, VietinBank will consider suitable lending packages in accordance with the characteristics of customers' businesses in different periods in compliance with the provisions of the law including providing secured short-term small-business loans, deploying various product and service packages for major businesses and supply chains for SMEs, special lending policies to seafood supply chain, etc.

Applying non-discriminatory policy across businesses and economic sectors to attract and maintain a strong customer base, we also undertook different non-financial supporting tools including providing information and consulting service, training programmes, organizing business matching conferences and related seminars for SMEs. VietinBank also utilized diverse preferential sources of capital from domestic and foreign organizations such as ADB, WB, JICA, SMEDF, JBIC, and KFW in coordination with commercial source of funding of the Bank to design a variety of loan product suite especially for SMEs.

We were proud as the only commercial bank in Vietnam appointed to manage two credit guarantee funds for SMEs. With exceptional efforts in support of local SMEs, we are regarded the pioneering bank in servicing SMEs customers by the Government, the SBV, Ministry of Finance, Ministry of Planning and Investment, and SME Association. VietinBank is currently the only Vietnamese representative to sign agreement with APEC-financial institutions for the development of SMEs. We proudly participated in Steering Committee to sign a comprehensive cooperation agreement with Vietnamese SMEs Association to create a solid foundation for the future prosperity of this customer group.

2.3. RESPONSIBILITIES TO SHAREHOLDERS AND INVESTORS

VietinBank Investor Relations Team (IR), which is a function unit under the BoD Secretariat & Investor Relations & The BoD Office, serves as a bridge between VietinBank and its investor community responsible for the communication and information sharing from investor community to VietinBank BoD, protecting and attracting shareholders' interests in CTG shares within the Bank's business plan, aiming at creating sustainable value for all our stakeholders.

2.3.1. INFORMATION TRANSPARENCY, PROTECTING INVESTOR RIGHTS

As a listed company with nearly 36,000 shareholders, it is crucial for us to emphasize on the transparency in information disclosure. VietinBank not only developed strict disclosure regulations complied with Circular 155/2015/TT-BTC by the Ministry of Finance for the disclosure of compulsory information but also improved the quality of our information sharing channels to enable timely access of our shareholders and investors to VietinBank financial results and other business information.

At every GMS, we always secure the rights of shareholders through direct dialogue as well as productive discussion of recommendations and proposals ahead of every voting on important issues in connection with the Bank's operations. After the GMS, we make sure that all proposals and related documents passed at each GMS are properly documented and posted on the VietinBank Investor Relations website to ensure information transparency to all of our shareholders and investors. In addition, during the fiscal year, our IR Team actively supports and provides responsive answers to all questions asked by our investors around the world via indirect channels such as emails, phone calls and our investor relation website.

At VietinBank, reporting and disclosing of sufficient information in a timely manner in both English and Vietnamese is an important mechanism that demonstrates transparency and accountability to our shareholders. In 2018, VietinBank provided comprehensive periodic and extraordinary information disclosure such as financial statements, management reports, information about GMS, changes in key personnel, transactions with our subsidiaries, shares trading of internal shareholders as well as bond issuance, etc.... in both Vietnamese and English.

2.3.2. INVESTOR RELATIONS ORIENTATION IN 2019

As we progress in 2019, VietinBank will step up our investments to upgrade the interface and consolidate contents of our Investor Relations website (<http://investor.vietinbank.vn>) in a professional manner, and will constantly improve the quality of our information announcement in both Vietnamese and English as we pursue our commitment in meeting international standards and best practices in boiling mutual understating, trust and respect from our stakeholders through better investor relations performance and stronger business operation.

2.4. RESPONSIBILITY TO OUR EMPLOYEES

2.4.1. GUARANTEED EMPLOYMENT FOR OUR PEOPLE

In 2018, our employees were arranged and tasked in accordance with their qualifications and capability. Our job arrangements ensured that all employees in the entire system hold appropriate job title with signed labor contracts according to the provision of Labor Law.

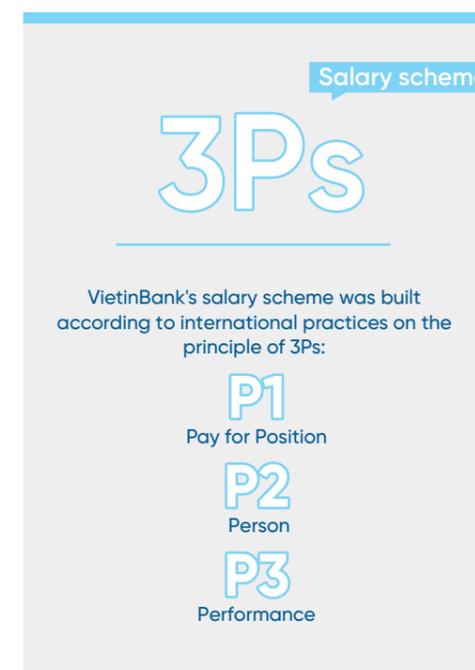
2.4.2. REMUNERATION POLICY

Total number of our employees as of 31/12/2018 was 24,197 (including employees of all subsidiaries, non-business units, representative offices and employees working on temporary basis).

VietinBank employees are entitled to the following remuneration mechanisms:

- Monthly salary 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 labour efficiency. In 2018, VietinBank's average salary was 21.16 million VND / person / month;
- Each employee is entitled to full insurance benefits under Vietnamese Labour Law which ensures the employees' rights to retirement, sick leave and maternity leave;
- Employees are provided with equal opportunities to develop careers by being promoted to higher positions in 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 salary before their retirement date. They are also funded for retirement activities by the Bank;



VietinBank's salary scheme was built according to international practices based on the principle of 3Ps: Pay for Position, Person and Performance in order to meet three main objectives: (i) Ensuring stable monthly, quarterly and annual salary for our employees; (ii) Creating constant motivation for our people to improve productivity; (iii) Flexibility in annual salary and salary incensement.

In 2018, salary was paid by VietinBank to our employees in full and appropriately, ensuring employee job stability.

2.4.3. SOCIAL INSURANCE BENEFIT

Our employees are insured under the law and regulations. Social insurance regime benefits our employees in the event of sickness, retirement or maternity... Especially for retirement, we coordinate closely with social insurance authority to ensure that our employees can retire at their retirement age with an allowance of 02 month salary on the basis of the actual average salary of the last six months preceding their retirement.

2.4.4. WELFARE REGIME

Along with Remuneration Policy, VietinBank also promulgated regulation on overall welfare regime to express our appreciation to the employees through effective employee recognition program or reward system. Currently, our welfare regime is implemented inclusive of the followings:

- 15 general welfare regimes for all employees in the entire system including holiday vacations (Tet holiday, National Women's Day, International Women's Day, Children's Day, Mid-Autumn Festival...) and other labor union benefits in case of sickness, personal and family issues as well as health insurance coverage from VBI for those who have worked for at least 12 months at the Bank, etc.

- 04 outstanding remuneration policies for high-performing employees, key employees and Top 500 talents with favorable loan interest-rate, high-end holidays, and tuition support for their children, special health insurance coverage, life insurance, etc.

At VietinBank, our welfare regime is an important mechanism to increase employee loyalty and help our people improve their intellectual and capability at workplace.

2.4.5. STAFF TRAINING

Our training focuses great emphasis on fostering and enhancing functional knowledge and soft skills for our staff to meet the requirements of VietinBank Competency Framework as well as our business strategy. The trainings are well structured with high practicality in line with international practice.

TRAINING AT A GLANCE

In 2018, VietinBank organized a total of 508 classes with total training duration of 10,632 hours. The average number of annual in-house training (excluding On Job Training, Coaching and Mentoring), by number of employees and by type of training as follows:

	Number of training hours	Number of employees	Average training hours
System-wide scope	10,632	21,543	0.49
By position			
Mid-level Management (Branch Director/Deputy Director, Head/ Deputy Head of HO Departments, Director/ Deputy Director of non-business Units)	560	937	0.60
Managers (Head/Deputy Head of Branches, Head/Deputy Head of non-business Unit)	952	4,612	0.21
New employees (at branches)	4,760	1,151	4.14
Other functional employees	4,524	15,994	0.28

TRAINING QUALITY IMPROVEMENT

To standardize the training need analysis (TNA) following best practices

In addition to traditional methods derived from business strategies and major projects within our Bank, our training need analysis concerns the existing competency gaps and human resource barriers (identified from the Competency Framework, Compulsory Training Framework; Career Path; Individual Development Plan - IDP; competency gap from results of internal competency examination, etc.).

To select key personnel for training

With the aims of training efficiency improvement and cost saving, at VietinBank, we give priority to train employees of 20% proportion that has an impact on 80% of the Bank's business results (20-80 Model) such as Director/Deputy Director of Branches, Head/Deputy Head at the Head Office; high potential personnel of Top Talent lists; sale and credit appraisal groups. Also, different tools are introduced to the employees for knowledge sharing, on job training, training of trainers (TOT), etc.

To support self-study through the transition from "Training Roadmap" to "Learning Journey"

VietinBank now has a compulsory training framework which provides training list to some important positions. To help them achieve their study plan, we are building a library of self-study materials, reference materials, etc. for soft skills, management and leadership skills. Special attention was also paid to our Learning Journey program because of our concern on the quality of credit appraisal.

To promote our internal trainers for better practicality of training contents

At VietinBank, we strongly encouraged the practicality of each program through experts' sharing of their pragmatic experiences in order to help training participants achieve better understanding and effectively apply knowledge into their daily tasks. In 2018, VietinBank attracted nearly 40 new internal experts from the Bank's management, good performers in our management classes as well as senior experts. Their perspective sharing captivates interest and excitement of training participants. By the end of 2018, the total number of internal trainers and experts of VietinBank was roughly 550 people.



POST-TRAINING SUPPORT PROMOTION

To help our employees apply knowledge into practice effectively, we are providing post-training tools and support services after each training course. Our post-training support activities includes:

- Conducting post-training assessments (both online and face-to-face methods). The results of these assessments were also used for HR decisions and training content improvement purposes.
- Conducting post-training assessments (both online and face-to-face methods). The results of these assessments were also used for HR decisions and training content improvement purposes.
- Sending regularly emails reminding about the application of knowledge, lesson summary as well as self-study materials to our employees.
- Requiring employees' commitment in applying new knowledge. From 3-6 months after training course, employees are required to share their experiences to others.

TRAINING MODERNIZATION

- At VietinBank, we facilitate training programs with high-tech training platforms such as virtualized banking environment/ virtual classes, remote experts, training games (Kahoot!, Slido etc.).
- We also implemented electronic systems for student attendance with QR code and course participant assessments.

2.4.6. CAREER ADVANCEMENT OPPORTUNITY

In 2018, we completed examining job rankings review, whereby the staff were appointed and assigned according to their capability. Our employees were provided with training and development programs and were evaluated according to the core competency framework and professional capacity for each position, thereby the bank can build a specific improvement plan for each individual. Special attention was paid on talented workforce to build the next management team.

2.4.7. GENDER EQUALITY IN OUR BUSINESS

Our Committee for the Advancement of VietinBank Women and VietinBank Trade Union always pay special attention to create favorable conditions for our female employees to have the opportunity to strive, contribute, improve their qualifications and participate in various activities to advance their goals at work. The Committee for the Advancement of VietinBank Women constantly tasks every business units to connect their operation plans with the implementation of regimes and policies for female staff in order to protect legitimate rights and legitimate interests of our female employees. In addition, our reward scheme were developed as an important mechanism to encourage and motivate the achievements of female employees in the entire system.

2.4.8. PROMOTION OF DEMOCRACY AMONG OUR EMPLOYEES

With strong consensus of our employees, VietinBank issued new remuneration regulation which were amended and supplemented the internal labour regulations and our collective labour agreement in order to ensure applicable rights and full benefits of our employees in accordance with the provisions of laws and regulations.

VietinBank strictly discloses the information according to regulations including business plan; rules and regulations of Labour regulations, Recruitment and Employment regulations, Staff Policies, Payroll Policies as well as the implementation of policies on recruitment, employment, allowances; collective labour agreement, the allocation of reward fund, welfare fund together with financial transparency and the Charter of organization and operation of VietinBank.

100% of VietinBank's business units organized 2018 Workers' Conference. In addition, we also implemented various forms of communications in order to timely grasp responses from our employees about the working environment including HR box, surveys, 360-degree evaluation, pilot testing of VietinBank Workplace internal social network, etc....

In 2018, in addition to the inspection plan of VietinBank Democracy Steering Committee, Head Office departments and VietinBank Trade Union also developed different programs and plans to inspect and supervise business units within the system including the checking and monitoring the implementation of democracy regulations.

No strikes were reported at our branches and subsidiaries as well as no petition letters related to the implementation of the Democracy Regulation were unsolved.

2.4.9. SURVEY OF EMPLOYEE ENGAGEMENT

According to the survey results of employee engagement in 2017, on the basis of identified areas that VietinBank possessed competitive results in comparison with the market and the areas that needed to enhance the level of cohesion, VietinBank BoD has issued action plans starting from 2018 to enhance our employee satisfaction which focused on five main solutions:

- Improve management capacity of direct managers from the Head Office to branches;
- Improve staff productivity;
- Change mechanisms and regulations on managing work efficiency;
- Complete human resource policies;
- Promote emulation and reward programs for employees.

These groups of solutions have been applied through specific programs to promote employee satisfaction and cohesion. In order to continue collecting feedbacks on the level of employees' satisfaction and cohesion and implementing new solutions, VietinBank will further its research and select appropriate consulting partner to conduct comprehensive surveys across the entire system in 2019.



2.5. CORPORATE SOCIAL RESPONSIBILITY

2.5.1. DEVELOPING FOR THE COMMUNITY PROSPERITY

VietinBank has always been a pioneer in carrying out charity, social welfare and gratitude work as we share our responsibilities with the community. At VietinBank, we understand that engaging ourselves in charity and social welfare activities is not only an important political task, but also our social responsibility for sustainable community prosperity. Such activities in support of poverty reduction and hunger eradication made great contribution in promoting the Bank's brand name known in every corner of the country.

2.5.2. SOCIAL WELFARE ACTIVITIES TO DATE

To date, VietinBank has sponsored more than VND 7,000 billion from our Welfare Fund, a part of the Bank's annual operation costs and voluntary contributions of our employees to build over 39 thousand houses for the poor. We constructed nearly 1,000 bridges and rural roads, 19 water supply systems and reservoirs; supported the poor small-holder farmers with 3,158 cows and buffalos and built 7 field irrigation canals and 76 disaster prevention infrastructure and community buildings.

In education, VietinBank has funded the construction of 654 schools, nearly 500 classrooms and houses for semi-boarding and boarding students. We also granted over 10,000 scholarships for under-privileged children with good academic records (VND 1 - 3 million/each student), more than 30,000 life jackets for children in riverside communities as well as other

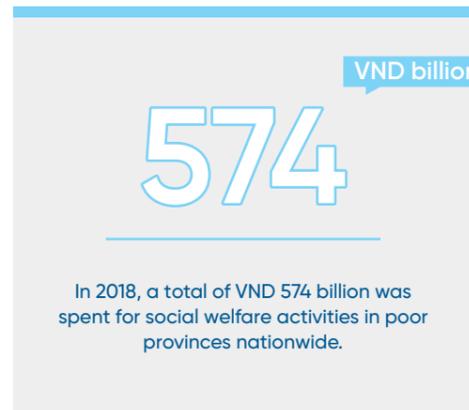
domestic utilities and educational equipment.

In healthcare, VietinBank has invested funds to build 126 healthcare centers; upgraded and built 04 hospitals, 01 clinic and 01 medical college; donated more than 300 ambulance cars, specialized blood donation vehicles and seven-seater cars to exclusively 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 health care conditions for the people. In addition, we also supported the construction of houses for families of patients at Vietnam National Children's Hospital in Hanoi and Cho Ray Hospital in Ho Chi Minh City to provide accommodation for their under-privileged relatives.

In gratitude activities, VietinBank has taken life care of nearly 300 Vietnamese Heroic Mothers (currently only 49 of them are alive). We pay regular visit, 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 numerous 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 as a recognition of our contributions to the society.

2.5.3. SOCIAL WELFARE ACTIVITIES IN 2018

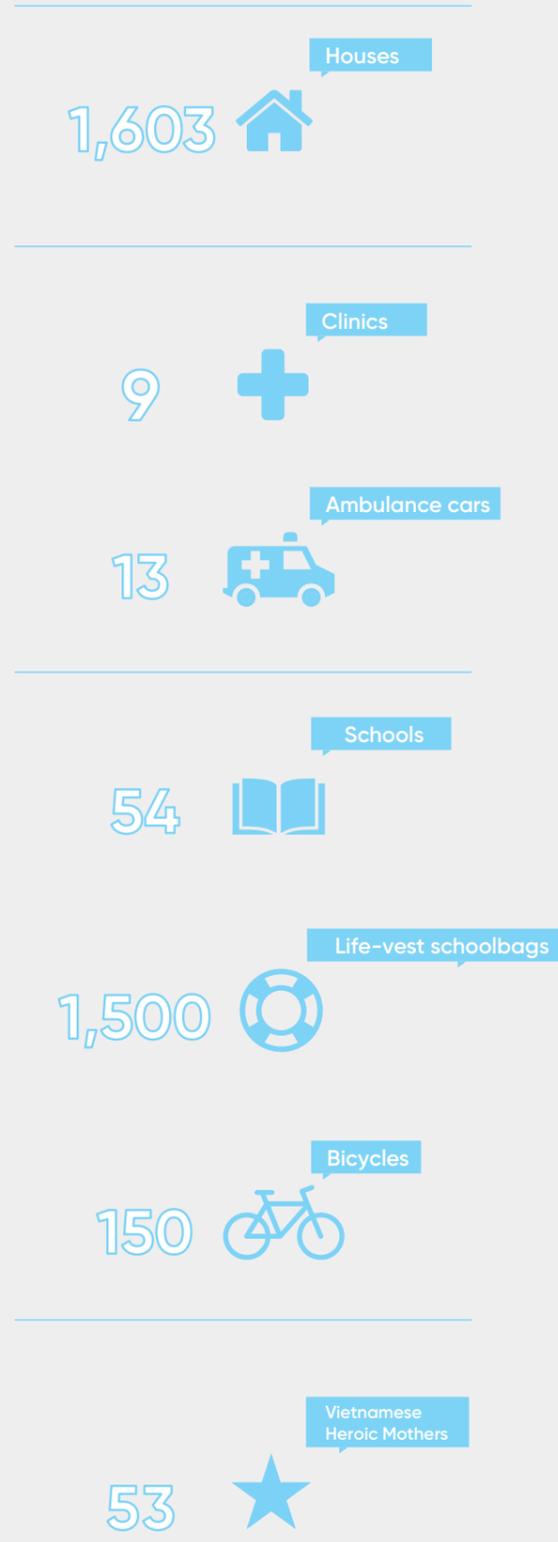


In supporting under-privileged citizens, VietinBank built 1,603 new houses for under-privileged citizens, 04 cultural centers, 01 clean water stations, 05 bridges and rural roads, and presented gifts for under-privileged citizens during Tet Holiday.

In healthcare, VietinBank sponsored to build 09 healthcare centers, 01 housing project for families of patients. We donated medical equipment, 13 premium ambulance cars (with medical equipment) for a number of hospitals and healthcare centers as well as sponsored nutritious and charity meals for under-privileged children and their families.

In education, VietinBank funded the construction of 54 schools, 1,500 pairs of lifesavers for children in riverside communities, 150 bicycles and provided scholarships to under-privileged children with good academic records.

In others social welfare activities, VietinBank sponsored many gratitude projects, presented special gifts to policy beneficiaries on the occasion of Invalids and Martyrs Day (27 July). In 2018, VietinBank also took life care of 53 Vietnamese Heroic Mothers (currently only 49 of them are alive). Other activities such as assisting our fellow citizens in overcoming consequences of devastating natural disasters, especially those caused by flood in a number of Northern provinces were also taken place.



VietinBank plays an important role as a financial institution to promote and contribute to the successful execution of important policies initiated by the Party, the Government and the banking sector in support of poverty alleviation, hunger eradication and gratitude activities. Our collective effort in promoting social responsibility has made a real impact as many districts and communes have changed their appearance

with our support. Our volunteers dedicated their time to improve lives many people with houses and better healthcare. Transportation in many places has become safer and more convenient. We are proud as our mission of contributing to the sustainable development of society and social responsibility is central to our culture and fundamental to our long-term strategy.



Handover ceremony of social welfare projects in Bac Lieu province funded by VietinBank



VietinBank sponsored social security funding to Thai Nguyen province



07

2018 AUDITED CONSOLIDATED FINANCIAL STATEMENTS

- General information
- Report of Management
- Independent auditors' report
- Consolidated balance sheet
- Consolidated income statement
- Consolidated cash flow statement
- Notes to the consolidated financial statements

GENERAL INFORMATION

THE BANK

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

The Bank was established on the basis of equitizing Vietnam Bank for Industry and Trade, a State-owned commercial bank set up under the name of Vietnam Industrial and Commercial Bank in accordance with Decree No. 53/ND-HDBT dated 26 March 1988 of the Ministers’ Council on the organization of the State Bank of Vietnam (“SBV”). The Bank was officially renamed Vietnam Bank for Industry and Trade in accordance with Decision No. 402/CT dated 14 November 1990 granted by the Chairman of Ministers’ Council. Also, the Governor of the SBV signed Decision No. 285/QD-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 11th amendment of Business Registration No. 0100111948 issued by Hanoi Authority for Planning and Investment was dated 1 November 2018.

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 2018, the charter capital of the Bank is VND37,234,046 million (31 December 2017: 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 2018, 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.

GENERAL INFORMATION (continued)

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 (resigned from 13 July 2018 by Decision No. 1436/QD-NHNN on resignation of the representative of state capital portion at Vietnam Joint Stock Commercial Bank for Industry and Trade)
Mr. Le Duc Tho	Chairman (appointed on 31 October 2018 by Resolution 568/NQ-HDQT-NHCT1.2 dated 31 October 2018)
Mr. Tran Minh Binh	Member cum. General Director (additionally appointed on 8 December 2018 by Resolution No. 19/NQ-DHDCD dated 8 December 2018)
Ms. Nguyen Hong Van	Member (resigned from 8 December 2018 by Resolution 19/NQ-DHDCD dated 8 December 2018)
Mr. Cat Quang Duong	Member Assigned to the Board of Directors from 23 July 2018 by Resolution No. 261/NQ-HDQT-NHCT1.2 dated 23 July 2018. Resigned from 31 October by Resolution No. 399/NQ-HDQT-NHCT1.2 dated 31 October 2018.
Mr. Yotaro Agari	Member (resigned from 21 April 2018)
Mr. Hideaki Takase	Member (additionally appointed on 21 April 2018)
Mr. Phung Khac Ke	Member
Ms. Tran Thu Huyen	Member
Mr. Hiroshi Yamaguchi	Member

MANAGEMENT AND CHIEF ACCOUNTANT

The members of the 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 (resigned from 31 October 2018)
Mr. Tran Minh Binh	General Director (appointed acting General Director on 31 October 2018, appointed General Director on 8 December 2018)
Ms. Nguyen Hong Van	Deputy General Director (appointed on 8 December 2018)
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
Mr. Nguyen Hai Hung	Chief Accountant

GENERAL INFORMATION (continued)

SUPERVISORY BOARD

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

NAME	POSITION
Mr. Nguyen The Huan	Chief Supervisor
Ms. Pham Thi Thom	Member
Mr. Tran Minh Duc	Member
Ms. Pham Thi Hong Phuong	Member (resigned from 8 December 2018 by Resolution No. 19/NQ-DHDCD dated 8 December 2018)

LEGAL REPRESENTATIVE

The legal representative of the Bank during the year and at the date of the consolidated financial statements is Mr. Le Duc Tho - the Chairman.

Ms. Nguyen Hong Van - Deputy General Director is authorized by Mr. Le Duc Tho to sign the accompanying consolidated financial statements for the year ended 31 December 2018 in accordance with the Letter of Authorization No. 1151/UQ-HDQT-NHCT18 dated 18 December 2018.

AUDITORS

The auditor of the Bank is Ernst & Young Vietnam Limited.

REPORT OF MANAGEMENT

Management of Vietnam Joint Stock Commercial Bank for Industry and Trade ("the Bank") is pleased to present this report and the consolidated financial statements of the Bank and its subsidiaries as at 31 December 2018 and for the year then ended.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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, 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 and its subsidiaries will continue their business.

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 to ensure that the accounting records comply with the applied accounting system. It 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.

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

STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2018 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 statutory requirements relevant to preparation and presentation of the consolidated financial statements.

For and on behalf of management



MR. TRAN MINH BINH

General Director

Hanoi, Vietnam
29 March 2019



Ernst & Young Vietnam Limited
20th Floor, Bitexco Financial Tower
2 Hai Trieu Street, District 1,
Ho Chi Minh City, S. R. of Vietnam

Tel: +84 28 3824 5252
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ey.com

Reference: 60755043/20159368-HN

INDEPENDENT AUDITORS' REPORT

**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 29 March 2019 and set out on pages 7 to 75, which comprise the consolidated balance sheet as at 31 December 2018, 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 of the Bank and its subsidiaries, 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 2018, 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.

Ernst & Young Vietnam Limited



Dang Phuong Ha

Deputy General Director

Audit Practising Registration

Certificate No. 2400-2018-004-1

Hanoi, Vietnam

29 March 2019

Hoang Thi Hong Minh

Auditor

Audit Practising Registration

Certificate No. 0761-2018-004-1

CONSOLIDATED BALANCE SHEET

B02/TCTD-HN

as at 31 December 2018

	Notes	31 December 2018 VND million	31 December 2018 VND million
ASSETS			
Cash, gold and gemstones	5	7,028,347	5,979,833
Balances with the State Bank of Vietnam	6	23,182,208	20,756,531
Placements with and loans to other credit institutions	7	130,512,012	107,510,487
Placements with other credit institutions		126,276,846	101,938,284
Loans to other credit institutions		4,235,166	5,572,203
Provision for credit losses on loans to other credit institutions		-	-
Securities held for trading	8	3,131,835	3,528,982
Securities held for trading		3,279,561	3,602,443
Provision for securities held for trading		(147,726)	(73,461)
Derivatives and other financial assets	9	281,166	528,762
Loans to customers		851,917,565	782,385,236
Loans to customers	10	864,925,948	790,688,059
Provision for credit losses on loans to customers	11	(13,008,383)	(8,302,823)
Investment securities	12	102,100,093	128,392,765
Available-for-sale securities	12.1	88,586,344	125,759,661
Held-to-maturity investments	12.2	16,207,592	5,133,392
Provision for investment securities	12.4	(2,693,843)	(2,500,288)
Long-term investments	13	3,317,405	3,114,101
Investment in a joint venture	13.1	2,906,452	2,704,255
Other long-term investments		412,645	412,645
Provision for long-term investments		(1,692)	(2,799)
Fixed assets		11,114,537	11,436,527
Tangible fixed assets	14	6,193,312	6,386,736
Cost		13,925,207	13,310,305
Accumulated depreciation		(7,731,895)	(6,923,569)
Intangible fixed assets	15	4,921,225	5,049,791
Cost		6,424,369	6,320,043
Accumulated amortization		(1,503,144)	(1,270,252)
Other assets	16	31,849,567	31,427,618
Receivables	16.1	21,556,765	13,714,382
Accrued interest and fee receivables		6,901,214	14,523,919
Other assets	16.2	3,400,524	3,197,133
<i>In which: Goodwill</i>	17	907	2,722
Provision for other assets		(8,936)	(7,816)
TOTAL ASSETS		1,164,434,735	1,095,060,842

CONSOLIDATED BALANCE SHEET (continued)

B02/TCTD-HN

as at 31 December 2018

	Notes	31 December 2018 VND million	31 December 2018 VND million
LIABILITIES			
Due to the Government and the State Bank of Vietnam	18	62,600,159	15,206,899
Deposits and borrowings from other credit institutions	19	111,399,612	115,158,765
Deposits from other credit institutions	19.1	73,941,924	68,526,012
Borrowings from other credit institutions	19.2	37,457,688	46,632,753
Customer deposits	20	825,816,119	752,935,338
Other borrowed and entrusted funds	21	5,934,029	6,364,158
Valuable papers issued	22	46,216,359	22,501,773
Other liabilities	23	45,012,940	119,128,626
Interest and fee payables		15,820,192	12,357,877
Other payables	23.1	28,772,169	106,429,185
Other provision		420,579	341,564
TOTAL LIABILITIES		1,096,979,218	1,031,295,559
OWNERS' EQUITY			
Capital		46,416,214	46,208,756
- Charter capital		37,234,046	37,234,046
- Share premium		8,974,698	8,974,710
- Other capital		207,470	-
Reserves		8,167,617	7,476,339
Foreign exchange differences		599,602	550,601
Undistributed profits		11,975,822	9,233,969
Non-controlling interests		296,262	295,618
TOTAL OWNERS' EQUITY	25	67,455,517	63,765,283
TOTAL LIABILITIES AND OWNERS' EQUITY		1,164,434,735	1,095,060,842

CONSOLIDATED BALANCE SHEET (continued)

B02/TCTD-HN

as at 31 December 2018

OFF-BALANCE SHEET ITEMS

	31 December 2018 VND million	31 December 2018 VND million
Credit guarantees	3,058,616	3,383,765
Foreign exchange commitments	167,327,100	195,261,549
- Foreign exchange commitments - buy	2,507,667	4,202,387
- Foreign exchange commitments - sell	2,724,166	4,411,779
- Currency swap contracts	162,095,267	186,647,383
Letters of credit	52,940,203	55,316,608
Other guarantees	57,634,431	54,223,212
Other commitments	37,414,889	28,719,395

Prepared by:

Reviewed by:

Approved by:



Ms. Le Viet Nga

Deputy Head of Financial
Accounting Management
Department

Hanoi, Vietnam

29 March 2019



Mr. Nguyen Hai Hung

Chief Accountant



Ms. Nguyen Hong Van

Deputy General Director

CONSOLIDATED INCOME STATEMENT

B03/TCTD-HN

for the year ended 31 December 2018

	Notes	2018 VND million	2017 VND million
Interest and similar income	26	74,176,120	65,277,199
Interest and similar expenses	27	(51,658,034)	(38,204,212)
Net interest and similar income		22,518,086	27,072,987
Fee and commission income		5,954,421	4,302,331
Fee and commission expenses		(3,186,894)	(2,447,131)
Net fee and commission income	28	2,767,527	1,855,200
Net gain from trading in foreign currencies	29	709,869	709,966
Net gain from securities held for trading	30	271,475	324,668
Net gain/(loss) from investment securities	31	218,321	(80,869)
Other income		2,903,224	3,233,912
Other expenses		(1,024,814)	(1,239,040)
Net gain from other activities	32	1,878,410	1,994,872
Income from investments in other entities	33	374,238	743,046
TOTAL OPERATING EXPENSES	34	(14,256,251)	(15,069,777)
Net profit before provision for credit losses		14,481,675	17,550,093
Provision expense for credit losses		(7,751,273)	(8,343,899)
PROFIT BEFORE TAX		6,730,402	9,206,194
Current corporate income tax expense	24.1	(1,305,164)	(1,747,409)
Deferred tax expense		(8,809)	117

CONSOLIDATED INCOME STATEMENT (continued)

B03/TCTD-HN

for the year ended 31 December 2018

	Notes	2018 VND million	2017 VND million
Corporate income tax expense		(1,313,973)	(1,747,292)
PROFIT AFTER TAX		5,416,429	7,458,902
Non-controlling interests		2,480	26,539
Owners' net profit		5,413,949	7,432,363
Basic earnings per share (VND/share)	25.3	1,454	1,546

Prepared by:

Reviewed by:

Approved by:





Ms. Le Viet Nga

Mr. Nguyen Hai Hung

Ms. Nguyen Hong Van

Deputy Head of Financial
Accounting Management
Department

Chief Accountant

Deputy General Director

Hanoi, Vietnam
29 March 2019

CONSOLIDATED CASH FLOW STATEMENT

B04/TCTD-HN

for the year ended 31 December 2018

	Notes	2018 VND million	2017 VND million
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and similar receipts		81,997,808	64,942,556
Interest and similar payments		(48,160,147)	(35,767,979)
Net fee and commission receipts		3,085,123	2,841,199
Net receipts from dealing in foreign currencies, gold and securities trading activities		1,729,360	1,824,454
Other expenses		(269,907)	(842,441)
Recoveries from bad debts written-off previously		1,968,711	2,289,247
Payments for operating and salary expenses		(14,727,086)	(13,276,456)
Corporate income tax paid during the year	24.1	(1,573,255)	(1,793,430)
Net cash flows from operating profit before changes in operating assets and liabilities		24,050,607	20,217,150
Changes in operating assets		(60,680,120)	(136,128,883)
Decrease/(increase) in deposits at and loans to other credit institutions		1,061,676	(1,895,466)
Decrease in trading securities		22,721,999	3,496,089
Decrease in derivatives and other financial assets		247,596	153,928
Increase in loans to customers		(71,531,023)	(121,036,561)
Utilization of provision to write off loans to customers, securities, long-term investments and other receivables		(2,706,866)	(7,663,701)
Increase in other assets		(10,473,502)	(9,183,172)
Changes in operating liabilities		61,048,848	139,860,930
Increase in due to the SBV and the Government		47,393,260	10,398,482
(Decrease)/increase in deposits and borrowings from other credit institutions		(3,759,153)	30,006,898
Increase in customers deposits (including deposits from State Treasury)		72,880,781	97,875,190
Increase/(decrease) in valuable papers issued (except for valuable papers issued for financing activities)		23,714,586	(1,347,680)
(Decrease)/increase in other borrowed and entrusted funds		(430,129)	288,690
(Decrease)/increase in other liabilities		(78,750,497)	2,639,973
Payments from credit institution's fund		-	(623)
Net cash flows from operating activities		24,419,335	23,949,197

CONSOLIDATED CASH FLOW STATEMENT (continued)

B04/TCTD-HN

for the year ended 31 December 2018

	Notes	2018 VND million	2017 VND million
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(1,006,229)	(1,784,649)
Proceeds from disposal of fixed assets		6,084	43,701
Payments for disposal of fixed assets		(5,037)	(5,277)
Proceeds from investments in other entities		-	600,000
Dividends and profits received from long-term investments		374,238	231,582
Net cash flows used in investing activities		(630,944)	(914,643)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend payment to shareholders		-	(5,212,766)
Net cash flows used in financing activities		-	(5,212,766)
Net increase in cash for the year		23,788,391	17,821,788
Cash and cash equivalents at the beginning of the year		131,707,327	113,814,949
Impact of exchange rate fluctuation		49,001	70,590
Cash and cash equivalents at the end of the year	35	155,544,719	131,707,327

Prepared by:

Reviewed by:

Approved by:



Ms. Le Viet Nga

Deputy Head of Financial Accounting Management Department



Mr. Nguyen Hai Hung

Chief Accountant



Ms. Nguyen Hong Van

Deputy General Director

Hanoi, Vietnam

29 March 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

B05/TCTD-HN

as at 31 December 2018 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/QD-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 11th amendment of Business Registration No. 0100111948 issued by Hanoi Authority for Planning and Investment was dated 1 November 2018.

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 2018, the charter capital of the Bank is VND37,234,046 million (31 December 2017: 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 2018, 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 24,197 employees as at 31 December 2018 (31 December 2017: 23,784 employees).

as at 31 December 2018 and for the year then ended

1. GENERAL INFORMATION (continued)

Subsidiaries

As at 31 December 2018, 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 Limited	Business Registration No. 0101047075/GP dated 10 March 2011 granted by Hanoi Authority for Planning and Investment	Finance and banking	100%
VietinBank Securities Joint Stock Company	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 Limited	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 Limited	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 Limited	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 Limited	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.

as at 31 December 2018 and for the year then ended

2. ACCOUNTING PERIOD AND ACCOUNTING CURRENCY (continued)

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 2018, 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 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 and Circular 22/2017/TT-NHNN issued on 29 December 2017 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.

as at 31 December 2018 and for the year then ended

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM (continued)

3.3 Assumptions and uses of estimates

The preparation of the consolidated financial statements requires the Management of the Bank to 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 2018.

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 2017, except for the following changes in the accounting policies:

Circular No. 14/2017/TT-NHNN regulates the methods of calculating interest on depositing and credit extension transaction between credit institutions and customers

On 29 September 2017, the SBV issued Circular No. 14/2017/TT-NHNN regulating methods of calculation of interest in depositing and credit granting transactions between credit institutions and customers. Accordingly, the interest accruals on credit and deposit operation are calculated on the basis that a year is 365 days. The circular has taken effect since 1 January 2018.

Circular No. 19/2017/TT-NHNN amending and supplementing a number of articles of Circular No. 36/2014/TT-NHNN of the Governor of the SBV dated 20 November 2014 stipulating prudential ratios and limits for the operation of credit institutions and foreign bank branches

On 28 December 2017, the SBV issued Circular No. 19/2017/TT-NHNN amending and supplementing a number of articles of Circular No. 36/2014/TT-NHNN dated 20 November 2014 of the Governor of the State Bank of Vietnam providing for prudential ratios and limits for operations of credit institutions and branches of foreign banks. Accordingly, "Other commitments" disclosed in "Off balance sheet items" include unused credit limits that the Bank has the right to revoke or automatically revoke due to the customers' violation on revocable commitments or reduction of capacity to perform the duty and available credit limits of credit cards. The circular has taken effect since 28 February 2018.

Circular No. 16/2018/TT-BTC ("Circular 16") guiding a number of articles on the financial regime applicable to credit institutions and foreign bank branches

as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Changes in accounting policies and disclosures (continued)

Changes in Circular 16 are as below:

- Amending and supplementing the management and utilization method of real estate held for debt resolution;
- Amending and supplementing the recognition of revenue from trading in securities (shares exclusive);
- Amending and supplementing recognition of expenses.

Circular 16 has taken effect since 26 March 2018 and replaced Circular No. 05/2013/TT-BTC dated 9 January 2013 of the Ministry of Finance providing guidance to the financial regime applicable to credit institutions and foreign bank branches. The Bank assessed that Circular 16 has no significant impacts on the Bank and its subsidiaries' accounting policies.

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

On 29 December 2017, the SBV issued Circular No. 22/2017/TT-NHNN amending and supplementing a number of articles of the Chart of account system applicable to credit institutions issued in connection with Decision No. 479/2004/QD-NHNN dated 29 April 2004 and the financial reporting regime applicable to credit institutions required under Decision No. 16/2007/QD-NHNN dated 18 April 2007 by the Governor of the SBV ("Circular 22"). The circular has taken effect since 1 April 2018.

The main changes in Circular 22 are as follows:

- Amending and supplementing the guidances 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 guidances on the accounting treatment for some accounts in the Chart of account system applicable to credit institutions; and
- Amending and supplementing the guidances on the Financial reporting regime applicable to credit institutions.

The Bank has assessed the effect of Circular 22 on the comparative figures in the consolidated financial statements. Accordingly, the effect due to the changes in exchange rate policies are immaterial. As a result, the Bank is not required to restate the comparative figures due to the changes in exchange rate policies.

4.2 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balance with the SBV, demand deposits and placements with other credit institutions with an original maturity of three months or less from the transaction date, Government treasury bills and other short-term valuable papers eligible for rediscount with the SBV, securities with recovery or maturity of three months or less from date of purchase which are convertible into a known amount of cash and do not bear liquidity risk as at the reporting date.

as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Placements with and loans to other credit institutions

Placements with and loans to other credit institutions are presented at the principal amounts outstanding at the end of the 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 4.5.

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

4.4 Loans to customers

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

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

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

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

4.5 Loan classification and provision for credit losses applied to placements with and loans to other credit institutions, unlisted corporate bonds purchased and trusted for purchase by the Bank, loans to customers granted and trusted for grant by the Bank 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 2018 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 2018.

as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

as at 31 December 2018 and for the year then ended

4	Doubtful	<p>(a) Debts are overdue for a period of between 181 days and 360 days; or</p> <p>(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</p> <p>(c) Debts which the repayment terms are restructured for the second time; or</p> <p>(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</p> <p>(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.</p>	Debts are assessed as having ability to make high losses.	50%
5	Loss	<p>(a) Debts are overdue for a period of more than 360 days; or</p> <p>(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</p> <p>(c) Debts which the repayment terms are restructured for the second time but still overdue under that second restructured repayment term; or</p> <p>(d) Debts which the repayment terms are restructured for the third time or more, regardless of being overdue or not; or</p> <p>(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</p> <p>(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</p> <p>(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.</p>	Debts are assessed as not recoverable, capital loss.	100%

as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Specific provision (continued)

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

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

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

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

General provision

General provision as at 31 December 2018 is made at 0.75% of total outstanding loans excluding placements with and loans to other credit institutions and loans classified as loss group as at 30 November 2018.

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.

4.6 Securities held for trading

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

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

Interest and dividends derived from securities held for trading are recognized on a cash basis 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 4.5.

as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Investment securities

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

4.7.1 Available-for-sale securities

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

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

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

In subsequent periods, these securities are continuously recorded at par value, and the discount/premium (if any) is amortized to the 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 4.5.

Investment securities owned by VietinBank Fund Management Company Limited 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.

4.7.2 Held-to-maturity investment securities

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

as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7.2 Held-to-maturity investment securities (continued)

Special bonds issued by VAMC

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

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

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

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

In which:

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

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

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

On settlement date of special bonds, recovery from the debts is recognized into "Other income".

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 4.71.

as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Investments in joint ventures

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.

4.9 Other long-term investments

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

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

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

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

4.10 Re-purchase and re-sale contracts

Securities sold under agreements to repurchase at a specific date in the future (repos) are still recognized in the 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.

4.11 Fixed assets

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

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

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

as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Fixed assets (continued)

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.

4.12 Depreciation and amortization

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

Buildings and structure	5 - 40 years
Machine and equipment	3 - 7 years
Transportation vehicles	6 - 7 years
Other tangible fixed assets	4 years
Land use rights (*)	Upon lease term
Computer software	3 - 8 years

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

4.13 Receivables

4.13.1 Receivables classified as credit bearing assets

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

4.13.2 Other receivables

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

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

as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Prepaid expenses and deferred expenses

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

4.15 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under leases are charged to "Other expenses" in the 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. Financial 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 and independent on payment method. 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.

4.16 Recognition of income and expense

4.16.1 Interest income and expenses

Interest income and interest 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, etc.) are recognized on an accrual/amortization basis.

4.16.2 Income from securities trading

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

4.16.3 Dividends

Dividends received in cash from investment activities are recognized in the consolidated income statement when the Bank's rights to receive payment are established.

Dividends which are received in the form of shares, bonus shares and the right to buy shares for current shareholders, the share from undistributed profits is not recognized as an increase in investment value and is not recorded as an income of the Bank but updates the number of shares.

as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Recognition of income and expense (continued)

4.16.4 Income and expense from non-life insurance activities

Gross written premiums are recognized in accordance with Circular No. 50/2017/TT-BTC dated 1 July 2017 ("Circular 50") on financial regime applicable to insurers, reinsurers, insurance brokers and foreign non-life insurance branches.

Specifically, gross written premiums are recognized as revenue at the point of time when the following conditions are met: (i) the insurance contract has been entered into by the insurer and the insured; and (ii) there is evidence of a contract being signed and the premium paid by the insured or (iii) there is agreement between the Corporation and the insured on premium payment period. Premium payment period shall not exceed 30 days from policy inception date. For instalment contracts, non-life insurers are 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 policy holder makes 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 as at the end of the fiscal year is recorded as "Revenue pending for allocation" in the balance sheet.

Premium return and premium reduction are considered as revenue deduction and must be booked separately. At year end, these amounts are net-off to gross written premium to calculate net written premium.

4.16.5 Income from other services

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

4.16.6 Recognition of receivables not yet collected

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

4.16.7 Claim settlement expenses of non-life insurance activities

Claim expense is recognized at the point of time when the claim documents are completed and approved by authorized persons. Any claim that is not yet approved by authorized persons is considered as an outstanding claim and included in claim reserve.

4.16.8 Commission expenses for non-life insurance activities

Commission is calculated at percentage of direct premiums for specific line of insurance as stipulated in Circular 50. Commission expense is allocated and recognized in the income statement for direct premiums earned during the period.

as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

4.18 Foreign currency transactions

All transactions are recorded in original currencies. Monetary assets and liabilities denominated in foreign currencies are translated into VND using exchange rates ruling at the consolidated balance sheet date (Note 46). 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.

4.19 Payables and accruals

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

4.20 Technical reserves for insurance

The technical reserves calculated based on Official Letter No. 2821/BTC-QLBH, which was approved by Ministry of Finance on 13 March 2018, include (a) technical reserves for non-life insurance and (b) technical reserve of health insurance. The reserve appropriation methodologies are based on Circular No. 50/2017/TT-BTC ("Circular 50") dated 1 July 2017 issued by the Ministry of Finance.

Details of such reserving methodologies are as follows:

a. Technical reserves for non-life insurance

(i) Unearned premium reserve

Unearned premium reserve is calculated as a percentage of total premium or in accordance with a coefficient of the insurance contracts' terms, as such:

- For insurance policies with a term of less than 1 year: for line of cargo insurance delivered by road, water, inland water, railway and airway, unearned premium reserve is made at 25% of the total insurance premium. For other insurance lines, unearned premium reserve is calculated at 50% of the total insurance premium.
- For insurance policies 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 words, 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:

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

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

as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Technical reserves for insurance (continued)

a. Technical reserves for non-life insurance (continued)

(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:

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

In which:

- The compensation amount arising from a fiscal year includes the compensation amount actually paid in the year plus increase/decrease of the provision for losses incurred under the insurance liability but still unresolved in financial year-end.
- The average time of delaying the claim for compensation is the average time since the loss occurs until the non-life insurance enterprise, foreign branch, reinsurance enterprise receives the notice of loss or a claim form for compensation (in days)
- Gross and assumed reinsurance claim reserve is presented as liabilities; claim reserve of outward reinsurance is presented as reinsurance asset.

(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.
- Catastrophe reserve is presented as liabilities.

as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Technical reserves for insurance (continued)

a. Technical reserves for non-life insurance (continued)

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 ("Decree No. 73") 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 2018.

b. Technical reserve for health insurance

(i) Mathematical reserve

- Regarding health insurance policies with a term of more than 1 year, except the policies which only cover death or total permanent disability, mathematical reserve is calculated based on the 1/8 method.
- Regarding health insurance policies provided by a non-life insurer or foreign branch which only cover death or total permanent disability, mathematical reserve is set aside based on a coefficient of the remaining days of insurance policies.
- Mathematical reserve is recorded in un-earned premium reserve account in the balance sheet.

(ii) Unearned premiums reserve

Regarding insurance policies with a term of less than or equal to 1 year, unearned premiums reserve is calculated at 50% of the total insurance premiums.

(iii) Claim reserve

- 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:

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

as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Technical reserves for insurance (continued)

In which:

- The compensation amount arising from a fiscal year includes the compensation amount actually paid in the year plus increase/decrease of the provision for losses incurred under the insurance liability but still unresolved in financial year-end.
- The average time of delaying the claim for compensation is the average time since the loss occurs until the non-life insurance enterprise, foreign branch, reinsurance enterprise receives the notice of loss or a claim form for compensation (in days).
- Gross and assumed reinsurance claim reserve is presented as liabilities; claim reserve of outward reinsurance is presented as reinsurance asset.

(iv) Equalization reserve

Equalization reserve for health insurance is established at 1% of net premium and recognised in catastrophe reserve account on balance sheet.

4.21 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 payable is 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 accounting 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 accounting year.

as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.22 Classification for off-balance-sheet commitments

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

4.23 Derivatives

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

Currency forward contracts

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

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

4.24 Employee benefits

4.24.1 Post - employment benefits

The employees at the Bank shall be entitled to receive allowance from the Social Insurance Fund upon retirement, and shall be subsidized by the Bank for 02 months based on additional salary by the job position attached to the KPI on an average of the latest six - month period before retirement.

Under the Bank's labor reorganization policy, the employees at the Bank of early retirement are entitled to receive allowance equal to a half of the basic salary for social insurance for one year (12 months) of work and by a half of a month's basic salary for social insurance for each month of retirement before the age (not exceeding 48 months of retirement before the age).

4.24.2 Voluntary resignation benefits

Under Section 48 of the Vietnam Labour Code 10/2012/QH13 effective from 1 May 2013, the employee working at the Bank when terminating the labour contract with the Bank in accordance with the law and the Bank is entitled to receive allowance equal to a half month's salary for each year of

as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.24 Employee benefits (continued)

employment (12 months) up to 31 December 2008. The average monthly salary used in this calculation is the average salary under the labour contract of the latest six - month period up to the resignation date.

4.24.3 Unemployment insurance

According to Circular No. 28/2015/TT-BLDTBXH on guidelines for Article 52 of the Law on Employment and Decree No. 28/2015/ND-CP dated 12 March 2015 of the Government on guidelines for the Law on Employment in term of unemployment insurance, the Bank is required to contribute to the unemployment insurance at the rate of 1% of salary and wage fund of unemployment insurance joiners and deduct 1% of monthly salary and wage of each employee to contribute to the unemployment insurance.

4.25 Capital and reserves

4.25.1 Ordinary shares

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

4.25.2 Share premium

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

4.25.3 Reserves

(i) The 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 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 Joint Stock Corporation and VietinBank Fund Management Company Limited: 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.

as at 31 December 2018 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.25 Capital and reserves (continued)

4.25.3 Reserves (continued)

VietinBank Insurance Joint Stock Corporation: the statutory reserve is made as per Decree No. 73/2016/ND-CP dated 1 July 2016 promulgated by the Government at the following rate:

- Statutory reserve fund: 5% of profit after tax, not exceeding 10% of the Company's charter capital

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

4.26 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.

4.27 Business combinations and goodwill

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

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost the business combination over the Bank's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of a business combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the 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.

as at 31 December 2018 and for the year then ended

5. CASH, GOLD AND GEMSTONES

	31 December 2018 VND million	31 December 2017 VND million
Cash on hand in VND	5,763,833	5,201,870
Cash on hand in foreign currencies	1,211,753	729,977
Valuable papers in foreign currencies	19,817	-
Monetary gold	10,467	25,941
Non-monetary gold	16	-
Other gemstones	22,461	22,045
	7,028,347	5,979,833

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

	31 December 2018 VND million	31 December 2017 VND million
Balance with the SBV		
- In VND	19,753,319	17,620,706
- In foreign currencies	3,428,889	3,135,825
	23,182,208	20,756,531

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 2018, 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 2018 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 2018 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 preceding month's average balance for deposit in foreign currencies from overseas credit institutions.

as at 31 December 2018 and for the year then ended

7. PLACEMENTS WITH AND LOANS TO OTHER CREDIT INSTITUTIONS

	31 December 2018 VND million	31 December 2017 VND million
Placements with other credit institutions		
Current accounts	67,777,391	52,109,399
- In VND	60,142,796	47,518,499
- In foreign currencies	7,634,595	4,590,900
Term deposits	58,499,455	49,828,885
- In VND	38,469,817	26,447,643
- In foreign currencies	20,029,638	23,381,242
	126,276,846	101,938,284
Loans to other credit institutions		
In VND	3,730,710	4,944,303
In foreign currencies	504,456	627,900
	4,235,166	5,572,203
Provision for credit losses	-	-
	130,512,012	107,510,487

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

	31 December 2018 VND million	31 December 2017 VND million
Current	62,734,621	55,401,088

as at 31 December 2018 and for the year then ended

8. SECURITIES HELD FOR TRADING

	31 December 2018 VND million	31 December 2017 VND million
Debt securities	2,183,108	2,910,939
Government bonds	1,276,084	2,907,488
Bonds issued by other credit institutions	575,179	-
Bonds issued by other domestic economic entities	331,845	3,451
Equity securities	946,374	671,504
Equity securities issued by other domestic credit institutions	21,491	10
Equity securities issued by other domestic economic entities	924,883	671,494
Other trading securities	150,079	20,000
Fund certificates	150,079	20,000
	3,279,561	3,602,443
Provision for securities held for trading	(147,726)	(73,461)
	3,131,835	3,528,982

Securities held for trading by listing status

	31 December 2018 VND million	31 December 2017 VND million
Debt securities	2,183,108	2,910,939
Listed securities	1,999,942	2,910,939
Unlisted securities	183,166	-
Equity securities	946,374	671,504
Listed securities	560,945	310,642
Unlisted securities	385,429	360,862
Other trading securities	150,079	20,000
Listed securities	-	-
Unlisted securities	150,079	20,000
	3,279,561	3,602,443

as at 31 December 2018 and for the year then ended

9. DERIVATIVES AND OTHER FINANCIAL ASSETS

	31 December 2018 VND million	31 December 2017 VND million
Currency derivative financial instruments	195,848	462,559
Foreign exchange forward contracts	(79,987)	35,489
Foreign exchange swap contracts	275,835	427,070
Commodity option contracts	-	10,764
Other derivative financial instruments	85,318	55,439
	281,166	528,762

10. LOANS TO CUSTOMERS

	31 December 2018 VND million	31 December 2017 VND million
Loans to domestic economic entities and individuals	851,853,211	778,247,588
Discounted bills and valuable papers	1,026,188	1,364,879
Financial lease	2,486,941	2,297,299
Payments on behalf of customers	96,054	71,899
Loans financed by entrusted funds	452,354	547,321
Loans to foreign economic entities and individuals	9,011,200	8,159,073
	864,925,948	790,688,059

10.1 Analysis of loan portfolio by quality

	31 December 2018 VND million	31 December 2017 VND million
Current	846,025,275	778,049,805
Special mention	5,209,721	3,627,123
Substandard	2,135,701	1,243,379
Doubtful	2,085,475	2,550,738
Loss	9,469,776	5,217,014
	864,925,948	790,688,059

as at 31 December 2018 and for the year then ended

10. LOANS TO CUSTOMERS (continued)

10.2 Analysis of loan portfolio by original maturity

	31 December 2018 VND million	31 December 2017 VND million
Short term loans	487,609,766	448,913,060
Medium term loans	70,340,280	76,808,731
Long term loans	306,975,902	264,966,268
	864,925,948	790,688,059

10.3 Analysis of loan portfolio by ownership and types of customers

	31 December 2018 VND million	%	31 December 2017 VND million	%
State-owned companies	35,753,678	4.13	30,642,778	3.88
One-member limited liability companies with 100% State ownership	38,958,135	4.50	51,982,101	6.57
Two or more member limited liability companies with over 50% State ownership or being controlled by the State	6,559,862	0.76	7,321,453	0.93
Other limited liability companies	192,470,350	22.25	168,898,190	21.36
Joint stock companies with over 50% State ownership or voting share capital; or being controlled by the State	32,583,840	3.77	39,887,528	5.04
Other joint-stock companies	247,586,087	28.64	228,977,373	28.96
Partnership companies	25,244	0.00	67,494	0.01
Private enterprises	12,548,898	1.45	14,515,648	1.84
Foreign invested enterprises	48,063,597	5.56	47,013,578	5.95
Co-operatives and unions of co-operative	1,338,775	0.15	1,317,511	0.17
Household business and individuals	246,593,889	28.51	196,444,680	24.84
Operation administration entities, the Party, unions and associations	2,173,765	0.25	2,792,703	0.35
Others	269,828	0.03	827,022	0.10
	864,925,948	100	790,688,059	100

as at 31 December 2018 and for the year then ended

10. LOANS TO CUSTOMERS (continued)

10.4 Analysis of loan portfolio by sectors

	31 December 2018 VND million	%	31 December 2017 VND million	%
Construction	94,337,991	10.91	84,586,370	10.70
Electricity, petroleum and steam	27,952,631	3.23	23,950,207	3.03
Production and processing	233,772,041	27.03	222,476,492	28.13
Mining	18,643,873	2.16	27,733,755	3.51
Agricultural, forestry and aquaculture	35,792,236	4.14	31,457,587	3.98
Transportation, logistics and information	19,628,064	2.27	32,350,775	4.09
Wholesale and retail, repairing of cars, motor vehicles and motor cycles	254,030,031	29.36	213,086,772	26.95
Trading and services	119,245,916	13.79	56,164,741	7.10
Households services, production of material products and services used by households	44,614,817	5.16	85,067,043	10.76
Other activities	16,908,348	1.95	13,814,317	1.75
	864,925,948	100	790,688,059	100

11. PROVISION FOR CREDIT LOSSES ON LOANS TO CUSTOMERS

Movement of provision for credit losses on loans to customers during the year 2018 are as follows:

	General provision VND million	Specific provision VND million	Total VND million
Opening balance as at 1 January 2018	5,944,758	2,358,065	8,302,823
Provision charged in the year	823,960	4,136,141	4,960,101
Provision used to write-off bad debts	-	(254,541)	(254,541)
Closing balance as at 31 December 2018	6,768,718	6,239,665	13,008,383

as at 31 December 2018 and for the year then ended

11. PROVISION FOR CREDIT LOSSES ON LOANS TO CUSTOMERS (continued)

Movement of provision for credit losses on loans to customers during the year 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

12. INVESTMENT SECURITIES

12.1 Available-for-sale securities

	31 December 2018 VND million	31 December 2017 VND million
Debt securities	88,187,442	125,287,262
Government bonds	41,709,054	52,508,513
Bonds issued by other domestic credit institutions	24,007,410	26,696,702
Bonds issued by other domestic economic entities	22,470,978	46,082,047
Equity securities	398,902	472,399
Equity securities issued by domestic economic entities	398,902	472,399
Provision for available-for-sale securities	(460,192)	(606,234)
Provision for diminution in value		
General provision	(117,473)	(120,039)
Specific provision	(342,719)	(486,195)
	88,126,152	125,153,427

as at 31 December 2018 and for the year then ended

12. INVESTMENT SECURITIES (continued)

12.2 Held-to-maturity securities

12.2.1 Held-to-maturity securities (excluding special bonds issued by VAMC)

	31 December 2018 VND million	31 December 2017 VND million
Debt securities	2,780,789	2,661,748
Government bonds	2,200,000	2,200,000
Bonds issued by other domestic credit institutions	94,041	55,000
Bonds issued by other domestic economic entities	486,748	406,748
Provision for held-to-maturity securities	(3,651)	(2,901)
General provision	(3,651)	(2,901)
Specific provision	-	-
	2,777,138	2,658,847

12.2.2 Special bonds issued by VAMC

	31 December 2018 VND million	31 December 2017 VND million
Special bonds	13,426,803	2,471,644
Provision for special bonds	(2,230,000)	(1,891,153)
	11,196,803	580,491

12.3 Analysis by quality of investment securities classified as credit risk bearing assets

	31 December 2018 VND million	31 December 2017 VND million
Current	40,682,714	64,933,530
Special mention	590,000	-
Substandard	-	-
Doubtful	-	240,850
Loss	480,850	240,000
	41,753,564	65,414,380

as at 31 December 2018 and for the year then ended

12. INVESTMENT SECURITIES (continued)

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 as at 1 January 2018	606,234	1,894,054	2,500,288
Provision charged in the year	(146,042)	2,791,922	2,645,880
Provision used to write-off bad debts	-	(2,452,325)	(2,452,325)
Closing balance as at 31 December 2018	460,192	2,233,651	2,693,843

13. LONG-TERM INVESTMENTS

Analysis by type of investments

	31 December 2018 VND million	31 December 2017 VND million
Investment in a joint venture (Note 13.1)	2,906,452	2,704,255
Other long-term investments	412,645	412,645
Provision for long-term investments	(1,692)	(2,799)
	3,317,405	3,114,101

13.1 Investment in a joint venture

	31 December 2018			31 December 2017		
	Cost VND million	Carrying value (equity method) VND million	% owned	Cost VND million	Carrying value (equity method) VND million	% owned
Indovina Bank Limited	1,688,788	2,906,452	50%	1,688,788	2,704,255	50%
	1,688,788	2,906,452		1,688,788	2,704,255	

Indovina Bank Limited 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 Limited 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 USD 10,000,000. Since its establishment, the charter capital of Indovina Bank Limited 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 2018, the charter capital of Indovina Bank Limited was USD 193 million..

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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	7,059,531	4,759,813	1,235,692	255,269	13,310,305
Additions	33,528	148,696	165,458	21,569	369,251
Transfer from construction in progress	106,146	71,868	10,284	15,551	203,849
Other increases	73,527	106,370	5,963	8,920	194,780
Disposals	(40,164)	(25,212)	(16,237)	(2,442)	(84,055)
Reclassification	-	296	-	(296)	-
Other decreases	(50,253)	(8,029)	(7,746)	(2,895)	(68,923)
Closing balance	7,182,315	5,053,802	1,393,414	295,676	13,925,207
Accumulated depreciation					
Opening balance	1,732,209	4,140,335	885,156	165,869	6,923,569
Depreciation during the year	272,072	372,267	115,637	51,645	811,621
Other increases	9,716	53,929	2,484	11,583	77,712
Disposals	(7,568)	(24,535)	(15,948)	(2,303)	(50,354)
Reclassification	-	245	-	(245)	-
Other decreases	(6,270)	(9,471)	(12,558)	(2,354)	(30,653)
Closing balance	2,000,159	4,532,770	974,771	224,195	7,731,895
Net book value					
Opening balance	5,327,322	619,478	350,536	89,400	6,386,736
Closing balance	5,182,156	521,032	418,643	71,481	6,193,312

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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	4,495,619	1,824,424	6,320,043
Additions	733	44,642	45,375
Other increases	2,000	78,321	80,321
Disposals	(3,884)	(59)	(3,943)
Other decreases	(12,745)	(4,682)	(17,427)
Closing balance	4,481,723	1,942,646	6,424,369
Accumulated depreciation			
Opening balance	258,254	1,011,998	1,270,252
Amortization during the year	37,901	196,182	234,083
Other increases	118	3,959	4,077
Disposals	-	(59)	(59)
Other decreases	(1,841)	(3,368)	(5,209)
Closing balance	294,432	1,208,712	1,503,144
Net book value			
Opening balance	4,237,365	812,426	5,049,791
Closing balance	4,187,291	733,934	4,921,225

as at 31 December 2018 and for the year then ended

16. OTHER ASSETS

16.1 Receivables

	31 December 2018 VND million	31 December 2017 VND million
Internal receivables	272,081	418,131
External receivables	14,040,801	6,350,449
in which: CIT receivables (Note 24)	136,488	-
Construction in progress	5,865,048	5,600,517
- Constructions in the North	5,144,184	4,937,812
- Constructions in the Central	559,290	472,272
- Constructions in the South	161,574	190,433
Fixed assets in purchase or under repair	1,378,835	1,345,285
	21,556,765	13,714,382

16.2 Other assets

	31 December 2018 VND million	31 December 2017 VND million
Materials	167,468	193,325
Prepaid expenses	3,170,550	2,990,175
Goodwill (Note 17)	907	2,722
Other assets	61,599	10,911
	3,400,524	3,197,133

as at 31 December 2018 and for the year then ended

17. GOODWILL

Goodwill represents business goodwill resulting from the enterprise valuation for purpose of equitizing VietinBank Securities Joint Stock Corporation – a subsidiary of the Bank.

	31 December 2018 VND million	31 December 2017 VND million
Total value of goodwill	18,149	18,149
Amortized period	10 years	10 years
Value of accumulated amortized goodwill at the beginning of the year	(15,427)	(13,612)
Value of unamortized goodwill at the beginning of the year	2,722	4,537
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	907	2,722

18. DUE TO THE GOVERNMENT AND THE STATE BANK OF VIETNAM

	31 December 2018 VND million	31 December 2017 VND million
Borrowings from the SBV	3,394,517	4,107,281
Borrowings based on the credit files	3,387,559	4,100,323
Borrowings to support State-owned enterprises	6,958	6,958
Deposits from the State Treasury	59,205,642	11,099,618
In VND	59,204,977	11,098,975
In foreign currencies	665	643
	62,600,159	15,206,899

as at 31 December 2018 and for the year then ended

19. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

19.1 Deposits from other credit institutions

	31 December 2018 VND million	31 December 2017 VND million
Demand deposits	45,929,817	41,701,970
In VND	45,506,583	38,087,146
In foreign currencies	423,234	3,614,824
Term deposits	28,012,107	26,824,042
In VND	24,662,300	19,634,870
In foreign currencies	3,349,807	7,189,172
	73,941,924	68,526,012

19.2 Borrowings from other credit institutions

	31 December 2018 VND million	31 December 2017 VND million
In VND	4,244,314	548,900
In foreign currencies	33,213,374	46,083,853
	37,457,688	46,632,753

as at 31 December 2018 and for the year then ended

20. CUSTOMER DEPOSITS

	31 December 2018 VND million	31 December 2017 VND million
Demand deposits	124,039,627	115,412,491
- Demand deposits in VND	99,241,853	95,909,532
- Demand deposits in foreign currencies	24,797,774	19,502,959
Term deposits	694,572,398	631,943,800
- Term deposits in VND	665,347,621	604,962,495
- Term deposits in foreign currencies	29,224,777	26,981,305
Deposits for specific purpose	4,067,540	3,173,915
- Deposits for specific purpose in VND	2,471,786	1,521,130
- Deposits for specific purpose in foreign currencies	1,595,754	1,652,785
Margin deposits	3,136,554	2,405,132
- Margin deposits in VND	2,800,123	1,961,897
- Margin deposits in foreign currencies	336,431	443,235
	825,816,119	752,935,338

as at 31 December 2018 and for the year then ended

20. CUSTOMER DEPOSITS (continued)

Analysis of customer deposits by type of entities is as follows:

	31 December 2018 VND million	%	31 December 2017 VND million	%
State-owned companies	144,282,240	17.47	81,729,855	10.85
One-member limited liability companies with 100% State ownership	32,455,154	3.93	57,852,075	7.68
Two or more member limited liability companies with over 50% State ownership or being controlled by the State	1,475,933	0.18	1,666,059	0.22
Other limited liability companies	27,192,508	3.29	24,465,024	3.25
Joint stock companies with over 50% State ownership or voting share capital; or being controlled by the State	23,934,107	2.90	28,278,246	3.76
Other joint-stock companies	53,066,664	6.42	51,315,381	6.82
Partnership companies	2,641,632	0.32	2,411,262	0.32
Private enterprises	2,201,924	0.27	1,886,742	0.25
Foreign invested enterprises	57,591,086	6.97	48,997,014	6.51
Co-operatives and unions of co-operative	170,954	0.02	440,958	0.06
Household business and individuals	435,144,186	52.70	412,340,160	54.76
Operation administration entities, the Party, unions and associations	30,154,319	3.65	30,928,742	4.11
Others	15,505,412	1.88	10,623,820	1.41
	825,816,119	100	752,935,338	100

21. OTHER BORROWED AND ENTRUSTED FUNDS

	31 December 2018 VND million	31 December 2017 VND million
Funds received in VND	849,358	827,515
Funds received in foreign currencies	5,084,671	5,536,643
	5,934,029	6,364,158

as at 31 December 2018 and for the year then ended

22. VALUABLE PAPERS ISSUED

	31 December 2018 VND million	31 December 2017 VND million
In VND	46,215,482	22,500,925
Par value	46,215,482	22,500,925
In foreign currencies	877	848
Par value	877	848
	46,216,359	22,501,773

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	197	-	-	-	197
- In VND	197	-	-	-	197
From 12 months to under 5 years	-	166	5,650,000	14,050,868	19,701,034
- In VND	-	166	5,650,000	14,050,019	19,700,185
- In foreign currencies	-	-	-	849	849
From 5 years	-	-	26,515,100	28	26,515,128
- In VND	-	-	26,515,100	-	26,515,100
- In foreign currencies	-	-	-	28	28
Closing balance	197	166	32,165,100	14,050,896	46,216,359

23. OTHER LIABILITIES

23.1 Other payables

	31 December 2018 VND million	31 December 2017 VND million
Internal payables	2,709,617	3,776,803
External payables (*)	24,557,731	102,252,137
Bonus, welfare funds	1,504,821	400,245
	28,772,169	106,429,185

as at 31 December 2018 and for the year then ended

23. OTHER LIABILITIES (continued)

23.1 Other payables (continued)

(*) Details of external payables are as follows:

	31 December 2018 VND million	31 December 2017 VND million
Collection, payment on behalf of other organizations	20,933,729	99,146,666
Amount kept for customers and awaiting settlement	131,942	306,586
Corporate income tax payable	-	131,590
Other items awaiting for payment	1,381,640	1,207,851
Other payables related to securities operation	610,398	742,324
Tax and fee payables	224,055	185,067
Payables to the SBV due to the collection of written-off debts	90,046	86,654
Payables related to trade finance activities	6,005	6,526
Money transfer payable	860,338	287,517
Other payables	319,578	151,356
	24,557,731	102,252,137

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	32,452	362,078	373,219	21,311
Corporate income tax	131,590	1,305,177	1,573,255	(136,488)
Other taxes	135,545	796,697	807,526	124,716
	299,587	2,463,952	2,754,000	9,539

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.

as at 31 December 2018 and for the year then ended

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

24.1 Current corporate income tax (continued)

For VietinBank Lao Limited, the Bank shall calculate and determine the CIT payable according to the income tax regulations in Laos. According to Tax Law No. 70 issued by the National Assembly on 15 December 2015, the CIT amount of VietinBank Lao Limited is determined by 24% of the earned profit.

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:

	2018 (VND million)	2017 (VND million)
Profit before tax <i>Plus/(minus)</i>	6,730,402	9,206,194
- Non-bearing tax dividend income	(229,761)	(230,387)
- Subsidiaries' profits	(702,390)	(557,308)
- Income from increase in interest at joint venture	(110,883)	(307,164)
- Movement of general provision for loans arising from consolidation	146,254	5,666
- Others	27,398	46,917
Estimated taxable income	5,861,020	8,163,918
Parent Bank's CIT expenses	1,172,204	1,632,784
Subsidiaries' CIT expenses	132,960	114,625
Total CIT expenses in the year	1,305,164	1,747,409
CIT payable at the beginning of the year	131,590	177,602
CIT paid during the year	(1,573,255)	(1,793,430)
Adjustment CIT differences of previous year	13	9
Current income tax payable at the end of the year	(136,488)	131,590

as at 31 December 2018 and for the year then ended

Unit: VND million

	Charter capital	Share premium	Other owned capital	Capital supplementary reserve	Financial reserve	Investment and development fund	Foreign exchange difference	Undistributed profits	Non-controlling interests	Total
Balance as at 1 January 2017	37,234,046	8,974,721	-	2,190,856	4,127,738	48,304	480,011	6,990,755	260,333	60,306,764
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 of the Bank bonus and welfare funds in 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 translation of financial statements for consolidation purposes	-	-	-	-	-	-	70,590	-	-	70,590
Other adjustments	-	(11)	-	-	-	-	-	(60,435)	(4)	(60,450)
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

as at 31 December 2018 and for the year then ended

Unit: VND million

	Charter capital	Share premium	Other owned capital	Capital supplementary reserve	Financial reserve	Investment and development fund	Foreign exchange difference	Undistributed profits	Non-controlling interests	Total
Balance as at 31 December 2018	37,234,046	8,974,698	207,470	2,732,611	5,369,065	65,941	599,602	11,975,822	296,262	67,455,517
Net profit for the year	-	-	-	-	-	-	-	5,413,949	2,480	5,416,429
Appropriation to reserves	-	-	-	276,179	547,499	10,747	-	(834,425)	(1,833)	(1,833)
Appropriation of the Bank bonus and welfare funds in 2017	-	-	-	-	-	-	-	(1,702,564)	-	(1,702,564)
Increase from subsidiaries' share issue	-	-	66,404	-	-	-	-	(66,404)	-	-
Increase from translation of financial statements for consolidation purposes	-	-	-	-	-	-	49,001	(49,001)	-	-
Reclassification	-	-	141,066	(141,066)	-	-	-	-	-	-
Other adjustments	-	(12)	-	-	(1,440)	(641)	-	(19,702)	(3)	(21,798)

25. OWNERS' EQUITY AND RESERVES (continued)
25.1 Statement of changes in equity (continued)

as at 31 December 2018 and for the year then ended

25. OWNERS' EQUITY AND RESERVES (continued)

25.2 Equity

Details of the Bank's shares are as follows:

	31 December 2018		31 December 2017	
	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 VND 10,000.

25.3 Basic earnings per share

Profit for calculation of basic earnings per share

	2018 (VND million)	2017 (VND million)
Net profit	5,413,949	7,432,363
Bonus and welfare fund	-	(1,674,873)
Profit attributed to ordinary equity holders	5,413,949	5,757,490

Number of ordinary shares for calculation of basic earnings

	2018 (Shares)	2017 (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

	2018 (VND/share)	2017 (VND/share)
Basic earnings per share	1,454	1,546

as at 31 December 2018 and for the year then ended

26. INTEREST AND SIMILAR INCOME

	2018 (VND million)	2017 (VND million)
Interest income from deposits	2,239,306	2,325,479
Interest income from loans to customers	61,635,426	50,436,259
Interest income from debt securities	8,940,971	11,397,746
Income from guarantee activities	650,154	554,466
Income from finance leases	236,392	212,982
Other income from credit activities	473,871	350,267
	74,176,120	65,277,199

27. INTEREST AND SIMILAR EXPENSES

	2018 (VND million)	2017 (VND million)
Interest expenses for deposits	40,920,955	34,666,313
Interest expenses for borrowings	1,971,206	1,884,027
Interest expenses for valuable papers issued	2,218,639	1,544,739
Other expenses for credit activities	6,547,234	109,133
	51,658,034	38,204,212

28. NET FEE AND COMMISSION INCOME

	2018 (VND million)	2017 (VND million)
Fee and commission income	5,954,421	4,302,331
Settlement services	2,626,613	2,016,316
Trustee and agency services	51,398	51,540
Other services	3,276,410	2,234,475
Fee and commission expenses	(3,186,894)	(2,447,131)
Settlement services	(1,547,393)	(1,175,581)
Trustee and agency services	(47,353)	(30,611)
Treasury services	(282,232)	(189,858)
Other services	(1,309,916)	(1,051,081)
Net fee and commission income	2,767,527	1,855,200

as at 31 December 2018 and for the year then ended

29. NET GAIN FROM TRADING IN FOREIGN CURRENCIES

	2018 (VND million)	2017 (VND million)
Income from trading in foreign currencies		
Income from trading in spot foreign currencies	901,498	850,144
Income from trading in currency derivatives	890,449	1,080,472
Income from gold trading	457,499	553,528
Expenses for trading in foreign currencies		
Expenses for trading in spot foreign currencies	(167,113)	(98,252)
Expenses for trading in currency derivatives	(916,742)	(1,122,114)
Expenses for gold trading	(455,722)	(553,812)
Net gain from trading in foreign currencies	709,869	709,966

30. NET GAIN FROM SECURITIES HELD FOR TRADING

	2018 (VND million)	2017 (VND million)
Income from securities held for trading	428,139	361,714
Expenses for securities held for trading	(82,399)	(37,912)
Provision (charged)/reversed for securities held for trading	(74,265)	866
Net gain from securities held for trading	271,475	324,668

31. NET GAIN/(LOSS) FROM INVESTMENT SECURITIES

	2018 (VND million)	2017 (VND million)
Income from trading in investment securities	105,868	81,779
Expenses for trading in investment securities	(32,839)	(28,188)
Provision reversed/(charged) for investment securities	145,292	(134,460)
Net gain/(loss) from investment securities	218,321	(80,869)

as at 31 December 2018 and for the year then ended

32. NET GAIN FROM OTHER ACTIVITIES

	2018 (VND million)	2017 (VND million)
Income from other activities		
Income from recovery of bad debts previously written-off	1,968,711	2,654,831
Income from other derivatives	542,512	231,010
Income from transfer, disposal of assets	6,084	42,833
Other income	385,917	305,238
Expenses for other activities		
Expenses for other derivatives	(450,370)	(255,667)
Expenses for transfer, disposal of assets	(5,037)	(5,259)
Other expenses	(569,407)	(978,114)
Net gain from other activities	1,878,410	1,994,872

33. INCOME FROM INVESTMENTS IN OTHER ENTITIES

	2018 (VND million)	2017 (VND million)
Dividend received from equity securities	8,180	3,534
Dividend received from capital contribution	255,175	648,488
Share from net profit under equity method of investment in a joint venture	110,883	91,024
	374,238	743,046

as at 31 December 2018 and for the year then ended

34. TOTAL OPERATING EXPENSES

	2018 (VND million)	2017 (VND million)
Expenses on taxes, fees, charges	27,769	35,515
Personnel expenses	7,519,099	8,282,388
Salary and allowances	5,995,719	6,919,462
Expenses related to salary	550,848	431,020
Allowances	14,320	32,842
Other expenses	958,212	899,064
Expenses on assets	2,356,550	2,631,446
Depreciation and amortization expenses	1,045,704	1,159,913
Others	1,310,846	1,471,533
Administrative expenses	3,292,312	3,572,296
Per-diem	222,664	243,992
Expenses for union activities	52,604	45,620
Other expenses	3,017,044	3,282,684
Insurance premium for customers' deposits	629,513	542,652
Other provision expenses	431,008	5,480
	14,256,251	15,069,777

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 2018 VND million	31 December 2017 VND million
Cash and cash equivalents on hand	7,028,347	5,979,833
Balances with the SBV	23,182,208	20,756,531
Current accounts at other credit institutions	67,777,391	52,109,399
Placements with other credit institutions with terms not exceeding 3 months	57,556,773	49,161,564
Securities with maturity or recovery terms not exceeding 3 months from the date of purchase	-	3,700,000
	155,544,719	131,707,327

as at 31 December 2018 and for the year then ended

36. EMPLOYEES' REMUNERATIONS

	2018 (VND million)	2017 (VND million)
I. Total number of employees (persons) (*)	24,197	23,784
II. Employees' remuneration (VND million)		
1. Total salary fund	5,995,719	6,919,462
2. Other remuneration	321,540	184,782
3. Total remuneration (1+2)	6,317,259	7,104,244
4. Average monthly salary (**)	21.03	24.56
5. Average monthly remuneration (**)	22.16	25.22

(*) Data as at 31 December

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

37. COLLATERAL AND MORTGAGES

37.1 Assets, valuable papers taken for mortgage, pledge and discount, rediscount

	31 December 2018 VND million	31 December 2017 VND million
Real estates	1,088,175,438	999,807,889
Movables	76,798,701	94,526,206
Deposits, gold, gemstones and valuable papers	140,666,919	115,556,511
Other assets	492,718,827	544,536,440
	1,798,359,885	1,754,427,046

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 2018, 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.

as at 31 December 2018 and for the year then ended

38. RELATED PARTY TRANSACTIONS

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

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

- controls, is controlled by, or is under common control by 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 are as follows:

Related organizations

Related parties	Relationship	Transactions	2018 (VND million)	2017 (VND million)
The State Bank of Vietnam	Owner and direct management agency	Deposits of the Bank at the SBV	23,182,208	20,756,531
		Due to the SBV	3,394,517	4,107,281
Indovina Bank Limited	Joint venture	Deposits of Indovina Bank Limited at the Bank	4,040,635	4,011,620
		Deposits of the Bank at Indovina Bank Limited	4,011,795	4,007,785

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

Related individual

Related parties	Transactions
Board of Directors, Supervisory Board and 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. 18/NQ-DHDCD dated 21 April 2018 approved by the General Meeting of Shareholders.

as at 31 December 2018 and for the year then ended

39. 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	860,109,360	951,767,561	113,336,163	281,166	108,073,497
Overseas	9,051,754	7,196,124	297,087	-	-
	869,161,114	958,963,685	113,633,250	281,166	108,073,497

as at 31 December 2018 and for the year then ended

Unit: VND million

No.	Items	Banking financial services	Non-banking financial services	Others	Adjustment	Total
I.	Income	83,504,670	2,336,075	865,759	(515,049)	86,191,455
1.	Interest income	73,753,305	422,903	136,696	(136,784)	74,176,120
	- Interest income from external sources	73,747,488	401,559	131,600	(104,527)	74,176,120
	- Interest income from internal sources	5,817	21,344	5,096	(32,257)	-
2.	Income from services	4,284,323	1,820,344	17,408	(167,654)	5,954,421
3.	Other income	5,467,042	92,828	711,655	(210,611)	6,060,914
II.	Expenses	(69,200,380)	(2,007,295)	(821,015)	318,910	(71,709,780)
1.	Interest expenses	(51,675,510)	(63,317)	(55,991)	136,784	(51,658,034)
	- External interest expenses	(51,625,639)	(8,584)	(55,987)	32,176	(51,658,034)
	- Internal interest expenses	(49,871)	(54,733)	(4)	104,608	-
2.	Depreciation and amortization expenses	(1,027,429)	(8,411)	(9,864)	-	(1,045,704)
3.	Expenses related to operating business	(16,497,441)	(1,935,567)	(755,160)	182,126	(19,006,042)
	Net profit from operating activities before credit provision expenses	14,304,290	328,780	44,744	(196,139)	14,481,675
	Provision expenses for credit losses	(7,746,060)	(9,595)	(606)	4,988	(7,751,273)
	Segment profit before tax	6,558,230	319,185	44,138	(191,151)	6,730,402
	Current corporate income tax expense	(1,216,543)	(63,107)	(25,514)	-	(1,305,164)
	Deferred tax expense	-	(682)	(8,127)	-	(8,809)
	Segment profit after corporate income tax	5,341,687	255,396	10,497	(191,151)	5,416,429
III.	Assets	1,163,440,860	6,163,644	3,033,316	(8,203,085)	1,164,434,735
1.	Cash on hand	6,989,280	3,670	35,397	-	7,028,347
2.	Fixed assets	10,959,292	78,521	76,724	-	11,114,537
3.	Other assets	1,145,492,288	6,081,453	2,921,195	(8,203,085)	1,146,291,851
IV.	Liabilities	1,096,927,542	3,207,703	1,551,667	(4,707,694)	1,096,929,218
1.	External liabilities	1,093,714,169	2,229,711	1,520,718	(4,699,816)	1,092,764,782
2.	Internal liabilities	3,213,373	977,992	30,949	(7,878)	4,214,436

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40. SEGMENT INFORMATION (continued)

40.2 Geographical segment report

Unit: VND million

Items	North	South	Others	Offset	Total
Segment profit before tax	3,964,695	378,859	2,386,848	-	6,730,402
Current corporate income tax expense	(1,271,984)	(40)	(33,140)	-	(1,305,164)
Deferred tax expense	(8,809)	-	-	-	(8,809)
Segment profit after corporate income tax	2,683,902	378,819	2,353,708	-	5,416,429
Segment assets	675,565,829	361,594,903	135,477,088	(8,203,085)	1,164,434,735
Segment liabilities	614,977,016	354,774,264	131,935,632	(4,707,694)	1,096,929,218

41. FINANCIAL RISK MANAGEMENT POLICIES

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

According to Official Letter No. 1601/NHNN-TTGSNH on the implementation of capital adequacy regulation under Basel II, the Bank is one of the ten selected banks to apply Basel II standards (jointly with Vietcombank, BIDV, MB, Sacombank, Techcombank, VPBank, etc.). The application of Basel II standards not only meets the requirements of the State Bank of Vietnam under the restructuring plan of the Vietnamese banking sector but is also a prerequisite for integration and expansion of the Bank in the global financial banking industry. The Bank has always played a pioneering role in the modernization of the banking system. In 2018, 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.

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:

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41. FINANCIAL RISK MANAGEMENT POLICIES (continued)

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.

42. CREDIT RISK

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

Tools that the Bank uses to manage credit risk include:

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

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42. CREDIT RISK (continued)

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.

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. 228/2009/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.

The maturity of overdue but not 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	
Loans to customers	2,216,425	565,748	245,118	1,445,790	4,473,081
Available-for-sale securities	590,000	-	-	480,850	1,070,850
	2,806,425	565,748	245,118	1,926,640	5,543,931

- 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	
Loans to customers	2,993,296	1,569,953	1,840,357	8,023,986	14,427,592

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43. MARKET RISK

43.1 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 demand deposits, thus the effective interest rate re-pricing term is assumed to be within one month;
- The maturity of securities held-for-trading is calculated on the basis of the probable time to convert bonds into cash because this portfolio includes highly liquid bonds with fixed interest rates;
- 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.

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

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43. MARKET RISK (continued)

43.1 Interest rate risk (continued)

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 banking book which stipulate the principles for managing interest rate risk on banking 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 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.

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 has completed and continuously improved of internal fund transfer pricing system - FTP, which enhanced 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.

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4.3. MARKET RISK (continued)
4.3.1 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 2018:

Unit: VND million

Assets	Non-interest bearing	Overdue		Interest re-pricing 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	7,028,347	-	-	-	-	-	-	-	-	-	7,028,347
Balances with the SBV	-	-	-	23,182,208	-	-	-	-	-	-	23,182,208
Placements with and loans to other credit institutions (*)	-	-	-	108,434,619	19,795,393	1,220,000	1,062,000	-	-	-	130,512,012
Securities held for trading (*)	-	-	-	3,279,561	-	-	-	-	-	-	3,279,561
Derivatives and other financial assets	-	-	-	281,166	-	-	-	-	-	-	281,166
Loans to customers (*)	-	13,690,952	5,209,721	310,740,548	251,122,454	206,135,768	56,004,678	199,572,70	2,064,557	864,925,948	
Investment securities (*)	13,825,705	480,850	590,000	3,205,722	16,041,797	8,013,201	2,603,847	38,913,145	21,119,669	104,793,936	
Long-term investments (*)	3,319,097	-	-	-	-	-	-	-	-	-	3,319,097
Fixed assets	11,114,537	-	-	-	-	-	-	-	-	-	11,114,537
Other assets (*)	31,858,494	9	-	-	-	-	-	-	-	-	31,858,503
Total assets	67,146,180	14,171,811	5,799,721	449,123,824	286,959,644	215,368,969	59,670,525	58,870,415	23,184,226	1,180,295,315	

(*): Excluding provision

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4.3. MARKET RISK (continued)
4.3.1 Interest rate risk (continued)

Unit: VND million

Liabilities	Non-interest bearing	Overdue		Interest re-pricing 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	-	-	-	56,238,981	3,853,941	878,474	1,628,763	-	-	-	62,600,159
Deposits and borrowings from other credit institutions	-	-	-	91,604,345	15,361,562	2,803,116	1,630,589	-	-	-	111,399,612
Customer deposits	-	-	-	129,577,460	207,038,783	200,801,899	182,517,535	105,153,688	726,754	825,816,119	
Other borrowed and entrusted funds	-	-	-	-	2,805,478	229,176	-	2,899,375	-	5,934,029	
Valuable papers issued	-	-	-	1,259	-	3,415,100	18,850,000	23,950,000	-	46,216,359	
Other liabilities (*)	44,592,361	-	-	-	-	-	-	-	-	44,592,361	
Total liabilities	44,592,361	-	-	277,422,045	229,059,764	208,127,765	204,626,887	132,003,063	726,754	1,096,558,639	
Interest sensitivity gap of balance sheet items	22,553,819	14,171,811	5,799,721	171,701,779	57,899,880	7,241,204	(144,956,362)	(73,132,648)	22,457,472	83,736,676	
Interest sensitivity gap of off-balance sheet items	-	-	-	-	-	-	-	-	-	-	
Interest sensitivity gap of on, off-balance sheet items	22,553,819	14,171,811	5,799,721	171,701,779	57,899,880	7,241,204	(144,956,362)	(73,132,648)	22,457,472	83,736,676	

(*): Excluding provision

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43. MARKET RISK (continued)

43.2 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.

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 Limited and in VietinBank Lao Limited. Currency risk for these investments is closely monitored by the Bank through the analysis and forecast of changes in exchange rates of these currencies against VND.

For foreign currency trading activities:

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

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43. MARKET RISK (continued)

43.2 Currency risk (continued)

The following table presents assets and liabilities in foreign currencies translated into VND as at 31 December 2018:

	EUR equivalent VND million	USD equivalent VND million	Other currencies equivalent VND million	Total VND million
Assets				
Cash, gold and gemstones	159,520	980,030	124,964	1,264,514
Balances with the SBV	-	3,428,889	-	3,428,889
Placements with and loans to other credit institutions (*)	1,531,339	26,207,671	429,679	28,168,689
Securities held for trading (*)	-	-	-	-
Derivatives and other financial assets	-	-	-	-
Loans to customers (*)	3,331,263	71,204,987	-	74,536,250
Investment securities (*)	-	-	-	-
Long-term investments (*)	-	1,688,788	-	1,688,788
Fixed assets	74,251	-	-	74,251
Other assets (*)	1,410,890	10,815,328	-	12,226,218
Total assets	6,507,263	114,325,693	554,643	121,387,599
Liabilities				
Due to the SBV	-	-	-	-
Deposits and borrowings from other credit institutions	486,440	36,033,657	466,318	36,986,415
Customer deposits	2,935,601	52,901,621	117,514	55,954,736
Other borrowed and entrusted funds	187,465	4,897,114	92	5,084,671
Valuable papers issued	-	877	-	877
Other liabilities (*)	2,589,816	1,205,911	-	3,795,727
Owners' equity	-	-	-	-
Total liabilities	6,199,322	95,039,180	583,924	101,822,426
FX position on balance sheet	307,941	19,286,513	(29,281)	19,565,173
FX position off-balance sheet	-	-	-	-
Net on, off-balance sheet FX position	307,941	19,286,513	(29,281)	19,565,173

(*): Excluding provision

as at 31 December 2018 and for the year then ended

43. MARKET RISK (continued)

43.3 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 risk 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 Council meeting, fund balance and liquidity of the Bank is one of the key contents to be discussed. At Risk Management Council meeting, the compliance of liquidity risk limits is also reviewed and reported. Based on analysis and evaluation, ALCO/Risk Council makes recommendations to the Board of Directors and the 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 of securities held-for-trading is calculated on the basis of the probable time to convert bonds into cash because this portfolio includes highly liquid bonds;
- 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.

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

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43. MARKET RISK (continued)

43.3 Liquidity risk (continued)

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.

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43. MARKET RISK (continued)
43.3 Liquidity risk (continued)

The table below presents the analysis of remaining maturity of assets and liabilities of the Bank as at 31 December 2018:

Unit: VND million

	Overdue			Current					Total
	Over 3 months	Up to 3 months	Up to 1 month	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	-	-	7,028,347	-	-	-	-	7,028,347	
Balances with the SBV	-	-	23,182,208	-	-	-	-	23,182,208	
Placements with and loans to other credit institutions (*)	-	-	108,434,619	19,795,393	2,282,000	-	-	130,512,012	
Securities held for trading (*)	-	-	3,279,561	-	-	-	-	3,279,561	
Derivatives and other financial assets	-	-	281,166	-	-	-	-	281,166	
Loans to customers (*)	13,690,952	5,209,721	54,581,576	180,440,228	302,849,199	132,775,137	175,379,135	864,925,948	
Investment securities (*)	480,850	590,000	2,239,283	5,170,020	4,827,337	65,923,028	25,563,418	104,793,936	
Long-term investments (*)	-	-	-	-	-	-	3,319,097	3,319,097	
Fixed assets	-	-	-	-	-	-	11,114,537	11,114,537	
Other assets (*)	9	-	-	-	128,960	-	31,729,534	31,858,503	
Total assets	14,171,811	5,799,721	199,026,760	205,405,641	310,087,496	198,698,165	247,105,721	1,180,295,315	
Liabilities									
Due to the SBV	-	-	56,238,981	3,853,941	2,507,237	-	-	62,600,159	
Deposits and borrowings from other credit institutions	-	-	86,734,497	13,387,004	5,891,341	5,274,482	112,288	111,399,612	
Customer deposits	-	-	129,577,460	207,038,783	383,319,434	105,153,688	726,754	825,816,119	
Other borrowed and entrusted funds	-	-	-	-	-	2,899,375	3,034,654	5,934,029	
Valuable papers issued	-	-	1,259	-	14,050,000	7,650,000	24,515,100	46,216,359	
Other liabilities (*)	-	-	21,146,438	3,372,975	6,420,517	13,198,992	453,439	44,592,361	
Total liabilities	-	-	293,698,635	227,652,703	412,188,529	134,176,537	28,842,235	1,096,558,639	
Net liquidity gap	14,171,811	5,799,721	(94,671,875)	(22,247,062)	(102,101,033)	64,521,628	218,263,486	83,736,676	

(*): Excluding provision

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43. MARKET RISK (continued)

43.3 Liquidity risk (continued)

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.

44. 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 relevant to preparation and presentation of the consolidated financial statements.

Financial assets

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

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

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

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

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

- It is acquired or incurred principally for the purpose of reselling or repurchasing it in the 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 effective hedging instrument).

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

- *Held-to-maturity investments*

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

a) Those that the Bank upon initial recognition designates as at fair value through profit or loss report;

as at 31 December 2018 and for the year then ended

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

Financial assets (continued)

b) Those that the Bank designates as available for sale; or

c) Those meet the definition of loans and receivables.

- *Loans and receivables:*

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

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 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 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:*

as at 31 December 2018 and for the year then ended

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

Financial liabilities (continued)

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

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.

as at 31 December 2018 and for the year then ended

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

Offsetting of financial assets and financial liabilities (continued)

The carrying value and fair value of financial assets and financial liabilities of the Bank as at 31 December 2018 are presented as follows:

	Carrying value			Unit: VND million			
	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	Total	Fair value
Cash, gold and gemstones	7,028,347	-	-	-	-	7,028,347	7,028,347
Balances with the SBV	23,182,208	-	-	-	-	23,182,208	23,182,208
Placements with and loans to other credit institutions	-	-	130,512,012	-	-	130,512,012	(*)
Securities held for trading	3,279,561	-	-	-	-	3,279,561	(*)
Derivatives and other financial assets	281,166	-	-	-	-	281,166	(*)
Loans to customers	-	-	864,925,948	-	-	864,925,948	(*)
Available-for-sale securities	-	-	-	88,586,344	-	88,586,344	(*)
Held-to-maturity securities	-	16,207,592	-	-	-	16,207,592	(*)
Other long-term investments	-	-	-	412,645	-	412,645	(*)
Other financial assets	-	-	31,711,869	-	-	31,711,869	(*)
	33,771,282	16,207,592	1,027,149,829	88,998,989	-	1,166,127,692	
Due to the SBV	-	-	-	-	62,600,159	62,600,159	(*)
Deposits and loans from other credit institutions	-	-	-	-	111,399,612	111,399,612	(*)
Customer deposits	-	-	-	-	825,816,119	825,816,119	(*)
Other borrowed and entrusted funds	-	-	-	-	5,934,029	5,934,029	(*)
Valuable papers issued	-	-	-	-	46,216,359	46,216,359	(*)
Other financial liabilities	-	-	-	-	44,436,430	44,436,430	(*)
	-	-	-	-	1,096,402,708	1,096,402,708	

(*) 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

as at 31 December 2018 and for the year then ended

45. EVENTS AFTER THE CONSOLIDATED BALANCE SHEET DATE

There is no other matter or circumstance that has arisen since the consolidated balance date that requires adjustment or disclosure in the consolidated financial statements.

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

	31 December 2018	31 December 2017
	VND	VND
USD	23,195	22,425
EUR	26,587	27,208
GBP	29,537	30,646
CHF	23,544	23,294
JPY	210.69	201.42
SGD	17,023	17,010
CAD	17,034	18,123
AUD	16,392	17,740
NZD	16,364	16,158
THB	715.47	697.45
SEK	2,589	2,765
NOK	2,667	2,766
DKK	3,552	3,654
HKD	2,962	2,906
CNY	3,372	3,486
KRW	21.08	21.30
LAK	2.74	2.90
MYR	5,329	5,327

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Reviewed by:

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Chief Accountant

Approved by:



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Deputy General Director

Hanoi, Vietnam

29 March 2019

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