



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

(Incorporated in the Socialist Republic of Vietnam)

**AUDITED CONSOLIDATED
FINANCIAL STATEMENTS**

For the year ended 31 December 2013

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



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STATEMENT OF THE BOARD OF MANAGEMENT

The Board of Management of Vietnam Joint Stock Commercial Bank for Industry and Trade (the “Bank”) presents this report together with the Bank’s consolidated financial statements for the year ended 31 December 2013.

BOARDS OF DIRECTORS AND MANAGEMENT

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

Board of Directors

Mr. Pham Huy Hung	Chairman
Mr. Nguyen Van Thang	Member
Ms. Pham Thi Hoang Tam	Member (retired on 13 July 2013)
Ms. Nguyen Hong Van	Member
Ms. Do Thi Thuy	Member
Mr. Michael Knight Ipson	Member
Mr. Cat Quang Duong	Member
Ms. Nguyen Thi Bac	Member
Mr. Pham Huy Thong	Member (appointed on 13 April 2013)
Mr. Hiroyuki Nagata	Member (appointed on 13 July 2013)
Mr. Go Watanabe	Member (appointed on 13 July 2013)

Board of Management

Mr. Nguyen Van Thang	General Director
Mr. Nguyen Van Du	Deputy General Director
Mr. Pham Anh Tuan	Deputy General Director
Ms. Bui Nhu Y	Deputy General Director
Mr. Le Duc Tho	Deputy General Director (changed mission on 26 August 2013)
Mr. Nguyen Hoang Dung	Deputy General Director
Mr. Pham Huy Thong	Deputy General Director
Mr. Nguyen Duc Thanh	Deputy General Director
Mr. Tran Kien Cuong	Deputy General Director (changed mission on 01 March 2013)
Mr. Hiroyuki Nagata	Deputy General Director (appointed on 14 October 2013)
Mr. Le Thanh Tung	Deputy General Director (appointed on 14 October 2013)
Mr. Nguyen Hai Hung	Chief Accountant



STATEMENT OF THE BOARD OF MANAGEMENT (Continued)

BOARD OF MANAGEMENT'S STATEMENT OF RESPONSIBILITY

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

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

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

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

For and on behalf of the Board of Management,


Nguyễn Văn Thắng

Nguyễn Văn Thắng
General Director

Hanoi, 20 March 2014

No.: 867 /VNIA-HN-BC

INDEPENDENT AUDITORS' REPORT

To:
The shareholders
The Boards of Directors and Management
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"), prepared on 20 March 2014 as set out from page 5 to page 72, which comprise the consolidated balance sheet as at 31 December 2013, the consolidated income statement and consolidated cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory information (collectively referred to as the "consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, accounting regime applicable to credit institutions in Vietnam and legal regulations relating to financial reporting and for such internal control as management determines is necessary to enable the preparation 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 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 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 accompanying consolidated financial statements give a true and fair view of, in all material respects, the financial position of the Bank as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime applicable to credit institutions in Vietnam and legal regulations relating to financial reporting.

INDEPENDENT AUDITORS' REPORT (Continued)

Emphasis of matter

Without qualifying our opinion, we would like to draw attention to Note 54 "Contingent liabilities" of the Notes to the consolidated financial statements. The People's Court of Ho Chi Minh city prosecuted and sentenced the Bank's former employees of Ho Chi Minh City branch and Nha Be branch of the Bank (including Huynh Thi Huyen Nhu) for alleged misappropriation of assets by means of fraudulence and other charges in the first instance criminal court. In terms of civil responsibilities, Huynh Thi Huyen Nhu was ordered to pay compensation to the defrauded organisations and individuals victims and the Bank neither has compensation obligation, jointly liable nor incurs any financial loss with regards to the illegal actions of these individuals mentioned above. Currently, the judgment is being appealed against in the first instance by some of litigating participants. According to the code of criminal legislation and criminal procedure code, the appeal court shall be conducted if the judgment of the first instance court is appealed. Therefore, in this case, the legal responsibilities and obligations of related parties will be determined only when the appeal court has been completed with an effective judgement. However, based on the result of reconciliation, review and examination procedures conducted up to the date of these consolidated financial statements, the Bank's management believes that the Bank neither is jointly liable for nor incurs any financial loss with regards to the illegal actions of the above-mentioned individuals.



Trương Anh Hùng
Deputy General Director
Audit Practising Registration Certificate
No. 0029-2013-001-1

For and on behalf of
DELOITTE VIETNAM COMPANY LIMITED

20 March 2014
Hanoi, S.R. Vietnam

Nguyen Tuan Anh
Auditor
Audit Practising Registration Certificate
No. 1291-2013-001-1

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CONSOLIDATED BALANCE SHEET

As at 31 December 2013

FORM B 02/TCTD-HN
Unit: Million VND

NO. ITEMS	Notes	31/12/2013	31/12/2012
A. ASSETS			
I. Cash, gold and gemstones	5	2,833,496	2,511,105
II. Balances with the State Bank of Vietnam ("SBV")	6	10,159,564	12,234,145
III. Placements with and loans to other credit institutions	7	73,079,476	57,708,302
1. Placements with other credit institutions		59,520,681	21,457,717
2. Loans to other credit institutions		13,661,254	36,432,503
3. Provision for credit losses of loans to other credit institutions		(102,459)	(181,918)
IV. Trading securities	11	655,067	274,553
1. Trading securities		657,693	284,267
2. Provisions for impairment of trading securities		(2,626)	(9,714)
V. Derivative financial instruments and other financial assets	8	164,334	74,451
VI. Loans to customers		372,988,742	329,682,838
1. Loans to customers	9	376,288,968	333,356,092
2. Provisions for credit losses of loans to customers	10	(3,300,226)	(3,673,254)
VII. Investment securities	12	83,002,468	73,462,307
1. Available-for-sale investment securities		80,627,909	71,126,639
2. Held-to-maturity investment securities		2,586,748	2,450,000
3. Provisions for impairment of investment securities	13	(212,189)	(114,332)
VIII. Long-term investments	14	3,113,083	2,771,133
1. Investments in joint-ventures		2,795,383	2,444,848
2. Other long-term investments		321,108	327,109
3. Provisions for impairment of long-term investments		(3,408)	(824)
IX. Fixed assets		7,080,388	5,276,653
1. Tangible fixed assets	15	3,464,589	2,971,038
a. Cost		7,328,188	6,676,954
b. Accumulated depreciation		(3,863,599)	(3,705,916)
2. Finance lease assets		-	-
a. Cost		-	49
b. Accumulated depreciation		-	(49)
3. Intangible assets	16	3,615,799	2,305,615
a. Cost		4,078,806	2,643,702
b. Accumulated amortisation		(463,007)	(338,087)
X. Other assets		23,291,798	19,534,772
1. Other receivables	17	10,487,749	9,454,662
2. Interest and fee receivables		10,035,489	7,943,559
3. Other assets	18	2,782,048	2,146,201
- In which: Goodwill	19	9,982	11,798
4. Provisions for impairment of other assets		(13,488)	(9,650)
TOTAL ASSETS		576,368,416	503,530,259

CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2013

FORM B 02/TCTD-HN

Unit: Million VND

NO. ITEMS	Notes	31/12/2013	31/12/2012
B. LIABILITIES AND OWNERS' EQUITY			
I. Borrowings from the Government and the SBV	20	147,371	2,785,374
II. Deposits and borrowings from other credit institutions	21	80,464,749	96,814,801
1. Deposits from other credit institutions		31,865,823	19,983,410
2. Borrowings from other credit institutions		48,598,926	76,831,391
III. Deposits from customers	22	364,497,001	289,105,307
IV. Grants, trusted funds and borrowings at risk of the credit institution	23	32,424,519	33,226,708
V. Valuable papers issued	24	16,564,766	28,669,229
VI. Other liabilities	25	27,982,425	19,088,467
1. Accrued fee and interest expenses		4,365,827	3,615,577
2. Other payables and liabilities		23,111,685	14,982,079
3. Other provisions		504,913	490,811
TOTAL LIABILITIES		522,080,831	469,689,886
VII. Capital and reserves	27	54,074,666	33,624,531
1. Capital		46,205,524	26,219,755
a. Charter capital		37,234,046	26,217,545
b. Share premium		8,971,478	2,210
2. Reserves		3,374,995	2,433,966
3. Foreign exchange reserves		317,641	302,101
4. Retained earnings		4,176,506	4,668,709
VIII. Minority interests	27	212,919	215,842
TOTAL LIABILITIES AND OWNERS' EQUITY		576,368,416	503,530,259

OFF-BALANCE SHEET ITEMS

NO. ITEMS	Notes	31/12/2013	31/12/2012
I. Contingent liabilities	43	46,730,513	43,848,065
1. Loan guarantees		1,421,190	195,797
2. L/C guarantees		27,626,059	27,284,378
3. Other guarantees		17,683,264	16,367,890
II. Commitments	43	17,545,621	11,932,157
1. Other commitments		17,545,621	11,932,157

Preparer



Ha Quang Vu
Head of Financial Accounting
Management Department
20 March 2014

Approver



Nguyen Hai Hung
Chief Accountant

Approver



Nguyen Van Du
Deputy General Director

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

FORM B 03/TCTD-HN

Unit: Million VND

NO. ITEMS	Notes	2013	2012
1. Interest and similar income	28	44,280,823	50,660,762
2. Interest and similar expenses	29	(26,003,568)	(32,240,738)
I. Net interest income		18,277,255	18,420,024
3. Income from services		2,096,679	1,855,358
4. Expenses on services		(576,553)	(577,135)
II. Net profit from services	30	1,520,126	1,278,223
III. Net gain from trading foreign currencies	31	291,450	361,688
IV. Net gain from trading securities	32	18,930	34,156
V. Net gain from investment securities	33	8,033	515,883
5. Other operating income		1,931,677	1,330,576
6. Other operating expenses		(436,531)	(144,977)
VI. Net profit from other activities	34	1,495,146	1,185,599
VII. Income from capital contribution, equity investments	35	172,759	165,954
VIII. Operating expenses	36	(9,909,654)	(9,435,673)
IX. Net profit from operating activities before credit provision expenses		11,874,045	12,525,854
X. Provision expenses for credit losses	37	(4,123,423)	(4,357,954)
XI. Profit before tax		7,750,622	8,167,900
7. Current corporate income tax expense	38	(1,942,644)	(1,998,221)
XII. Corporate income tax expense	38	(1,942,644)	(1,998,221)
XIII. Profit after corporate income tax		5,807,978	6,169,679
XIV. Minority interests		15,529	18,134
XV. Profit attributable to the owners of the Bank		5,792,449	6,151,545
XVI. Earnings per share (VND)	39	1,504	2,053

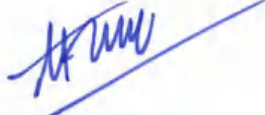
Preparer



Ha Quang Vu
Head of Financial Accounting
Management Department

20 March 2014

Approver



Nguyen Hai Hung
Chief Accountant

Approver



Nguyen Van Du
Deputy General Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2013

FORM B 04/TCTD-HN

Unit: Million VND

NO. ITEMS	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES		
01. Interest and similar income	42,191,450	49,381,834
02. Interest and similar expenses	(25,292,411)	(33,460,084)
03. Income from services	1,547,844	1,278,223
04. Net gain from trading foreign currencies, gold and trading securities	493,474	754,034
05. Other (expenses)	(112,156)	(69,822)
06. Receipts from debts written-off or paid off by risk fund	1,264,542	1,255,421
07. Payments to employees and for operating management	(8,910,917)	(9,922,929)
08. Corporate income tax paid	(2,279,367)	(2,155,454)
Net cash from operating profit before movements in assets and working capital	8,902,459	7,061,223
Movement in operating assets	(57,264,883)	(54,838,980)
09. Decrease/(Increase) in deposit at and loans to other credit institutions	2,412,018	(10,233,733)
10. (Increase) in trading securities	(10,674,243)	(1,809,525)
11. (Increase) in derivatives and other financial assets	(89,883)	(54,215)
12. (Increase) in loans to customers	(42,932,876)	(39,921,780)
13. (Increase) in provision for losses	(4,576,049)	(3,597,412)
14. (Increase)/Decrease in other operating assets	(1,403,850)	777,685
Movement in operating liabilities	50,652,387	38,918,514
15. (Decrease) in borrowings from the Government and the State Bank of Vietnam	(2,638,003)	(24,508,359)
16. (Decrease)/Increase in deposits and borrowings from other credit institutions	(16,350,052)	22,198,608
17. Increase in deposits from customers (including State Treasury)	75,391,694	27,441,108
18. (Decrease)/Increase in valuable papers (excluding valuable papers charged to financial activities)	(12,104,463)	17,580,112
19. (Decrease) in grants, trusted funds and borrowings at risk of the credit institution	(802,189)	(3,389,520)
20. Increase/(Decrease) in other operating liabilities	7,155,530	(403,206)
21. Cash outflows from reserves of the credit institution	(130)	(229)
I. Net cash from/(used in) operating activities	2,289,963	(8,859,243)
CASH FLOWS FROM INVESTING ACTIVITIES		
01. Acquisition of fixed assets	(3,225,179)	(6,111,570)
02. Proceeds from sales, disposal of fixed assets	7,322	6,710
03. Expenses on sales, disposal of fixed assets	(6,844)	-
04. Investment in other entities	(296,869)	(62,529)
05. Proceeds from investments in other entities	5,000	13,860
06. Dividends and profit received from long-term investments and capital contribution	339,294	30,502
II. Net cash (used in) investing activities	(3,177,276)	(6,123,027)

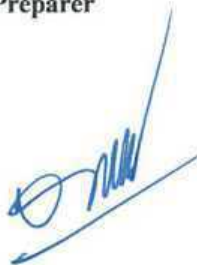
CONSOLIDATED CASH FLOW STATEMENT (Continued)

For the year ended 31 December 2013

FORM B 04/TCTD-HN
Unit: Million VND

NO. ITEMS	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES		
01. Increase in share capital from issuing stocks	19,985,769	-
02. Dividends paid	(4,194,807)	(79)
III. Net cash from/(used in) financing activities	15,790,962	(79)
IV. Net increase/(decrease) in cash	14,903,649	(14,982,349)
V. Cash and cash equivalents at the beginning of the year	59,313,988	74,294,399
VI. Effects of changes in foreign exchange rates	(1,653)	1,938
VII. Cash and cash equivalents at the end of the year (Note 40)	74,215,984	59,313,988

Preparer



Ha Quang Vu
Head of Financial Accounting
Management Department

20 March 2014

Approver



Nguyen Hai Hung
Chief Accountant

Approver



Nguyen Van Du
Deputy General Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FORM B 05/TCTD-HN

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

1. GENERAL INFORMATION

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

Establishment and operation

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

The Bank was equitised and renamed as Vietnam Joint Stock Commercial Bank for Industry and Trade on 03 July 2009 under License of Establishment and Operation No. 142/GP-NHNN dated 03 July 2009, issued by the State Bank of Vietnam and Business Registration Certificate No. 0103038874 dated 03 July 2009 issued by Hanoi Planning and Investment Department. The Bank successfully raised capital in 2013 and on 22 October 2013, Hanoi Planning and Investment Department issued the ninth amendment to the Bank’s Business Registration Certificate No. 0100111948.

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

Charter capital

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

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

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

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

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

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

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

Accordingly, as at 31 December 2013, the Bank’s charter capital is VND 37,234,046 million.

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

I. GENERAL INFORMATION (Continued)

The branch network

The Head Office of the Bank is located at 108 Tran Hung Dao Street, Hoan Kiem District, Hanoi, Vietnam. As at 31 December 2013, the Bank has one (01) Head Office, one (01) Main Operation Center, four (04) administrative units, two (02) local representative offices, one (01) overseas representative office in Myanmar and one hundred and fifty one (151) branches (including three (03) overseas branches).

Subsidiaries

As at 31 December 2013, the Bank has seven (7) subsidiaries as follows:

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

Employees

The total number of employees of the Bank as at 31 December 2013 is 19,886 (as at 31 December 2012: 19,840).

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

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

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

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

Financial year

The Bank's financial year begins on 01 January and ends on 31 December.

3. ADOPTION OF NEW GUIDANCE

3.1. Adopted new guidance

On 25 April 2013, the Ministry of Finance issued Circular No. 45/2013/TT-BTC ("Circular 45") guiding the regime of management, usage and depreciation of fixed assets. This Circular supersedes Circular No. 203/2009/TT-BTC ("Circular 203") dated 20 October 2009 of the Ministry of Finance guiding the regime of management, usage and depreciation of fixed assets. Circular 45 is effective from 10 June 2013 and is applied from financial year 2013 onwards. According to the Board of Management's assessment, Circular 45 does not have material effect on the Bank's consolidated financial statements for the year ended 31 December 2013.

On 28 June 2013, the Ministry of Finance issued Circular No. 89/2013/TT-BTC ("Circular 89") amending and supplementing Circular No. 228/2009/TT-BTC dated 07 December 2009 of the Ministry of Finance guiding the appropriation and use of provisions for devaluation of inventories, losses of financial investments, bad debts and warranty for products, goods and construction and installation works at enterprises. Circular 89 is effective from 26 July 2013. According to the Board of Management's assessment, Circular 89 does not have material effect on the Bank's consolidated financial statements for the year ended 31 December 2013.

3.2. New guidance in issue not yet adopted

On 21 January 2013, the State Bank of Vietnam (the "SBV") issued Circular No. 02/2013/TT-NHNN stipulating classification of assets, levels and method of making and use of provision for credit losses in activities of credit institutions and branches of foreign banks. This Circular replaces Directive No. 05/2005/CT-NHNN dated 26 April 2005 by the SBV's Governor on implementation of classification of loans and making of provision for credit losses under Decision No. 493/2005/QĐ-NHNN dated 22 April 2005 by the SBV's Governor, Decision No. 780/QĐ-NHNN dated 23 April 2012 by the SBV's Governor on classification of extended or rescheduled loans, Decision No. 493/2005/QĐ-NHNN dated 22 April 2005 by the SBV's Governor stipulating classification of loans, making and use of provision for credit losses in banking activities of credit institutions, Decision No. 18/2007/QĐ-NHNN dated 25 April 2007 by the SBV's Governor on amendment and supplement of several articles of regulations on classification of loans, making and use of provision for credit losses in banking activities of credit institutions, which were issued in Decision No. 493/2005/QĐ-NHNN dated 22 April 2005. Circular No. 02/2013/TT-NHNN will take effect from 01 June 2014. On 18 March 2014, the State Bank of Vietnam issued Circular No. 09/2014/TT-NHNN on amending and supplementing several articles of Circular No. 02/2013/TT-NHNN. The Board of Management of the Bank is considering the extent of impact of adopting these Circulars on the Bank's consolidated financial statements for future accounting periods.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Estimates

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and enterprises controlled by the Bank (its subsidiaries) up to 31 December 2013. Control is achieved where the Bank has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

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

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

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

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

Business combinations

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in joint ventures

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

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

Goodwill

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash and cash equivalents on hand, demand deposits, balances with the State Bank of Vietnam, placements with other credit institutions (including demand deposits and term deposits not exceeding three months) and securities with maturity not exceeding three months from the date of purchase.

Loans to customers

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

Provision for credit losses

In accordance with Law on Credit Institutions No. 47/2010/QH12 effective from 01 January 2011, Decision No. 1627/2001/QĐ-NHNN dated 31 December 2001 of the Governor of State Bank on lending regulations of credit institutions, Decision No. 127/2005/QĐ-NHNN dated 03 February 2005 amending and supplementing a number of lending regulations under Decision No. 1627/2001/QĐ-NHNN, Decision No. 493/2005/QĐ-NHNN ("Decision 493") dated 22 April 2005 and Decision No. 18/2007/QĐ-NHNN dated 25 April 2007 ("Decision 18") issued by the State Bank of Vietnam on loan classification and appropriation, setting up and use of reserves for handling credit risks, and Decision No. 780/QĐ-NHNN dated 23 April 2012 ("Decision 780") of the Governor of the State Bank of Vietnam on classification of debts with respect to re-structured loans, the credit institution is required to classify loans and make provisions for credit losses. Accordingly, loans are graded using the following risk classifications: *Current, Special-mentioned, Sub-standard, Doubtful and Loss* based on the overdue status and other qualitative factors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **FORM B 05/TCTD-HN**
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision for credit losses (Continued)

Credit risk exposure of loans to customers is calculated by subtracting from the loan balance the related determined value of collateral which is subject to certain accepted discount rates in accordance with Decision 493 and Decision 18.

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

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

In accordance with Decision 493, loan classification is to be made at the end of each quarter for the first three quarters and on 30 November for the last quarter of each financial year.

In accordance with Decision 493, general provision is made for credit losses which are yet to be identified during the loan classification and specific provision making process as well as in case of the Bank's potential financial difficulty due to deterioration in loan quality. Accordingly, the Bank is required to make and maintain a general provision at 0.75% of total of loans that are classified in groups 1 to 4.

These provisions are recorded in the consolidated income statement as an expense that will be used to write off any credit losses incurred. According to Decision 493, the Bank sets up Risk Settlement Committee in order to write off loans if they are classified under Group 5 or if the borrowers are legal entities that are liquidated or go bankrupt, or if borrowers are individuals who pass away or are missing.

Provision for off-balance sheet commitments

Pursuant to Decision 493 and Decision 18 issued by the SBV, credit institutions classify guarantees, acceptances of payment and unconditional, irrevocable loan commitments with specific effective date (collectively referred to as "off-balance sheet commitments") as stipulated in Articles 6 and 7 of Decision 493. Accordingly, off-balance-sheet commitments are classified into groups from Group 1 to Group 5 with corresponding risk levels as: *Current, Special-mentioned, Sub-standard, Doubtful and Loss* based on overdue status and other qualitative factors.

General provision is made at 0.75% of total of guarantees, acceptances of payment and unconditional, irrevocable loan commitments which are classified from Group 1 to Group 4 on 30 November 2013. Specific provision for off - balance sheet commitments is calculated using the same method for loans to customers as prescribed above. Provision expense is charged into "Provision expense for credit losses" in the consolidated income statement and provision balance is recorded as "Other liabilities" in the consolidated balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Trading securities

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

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

At the balance sheet date, trading securities are subject to impairment review. Provision for impairment is made when carrying value of the securities is higher than their market value determined in accordance with Circular No. 228/2009/TT-BTC dated 07 December 2009. If the market value of securities is undeterminable, the Bank obtains other reliable financial information as reference to determine fair value for provision. Provision for impairment is recorded in "Net gain/loss from trading securities" in the consolidated income statement.

Investment securities

Held-to-maturity investment securities

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

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

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

Periodically, held-to-maturity securities are subject to impairment review. Provision for impairment is made when carrying value of the securities is higher than their market value determined in accordance with Circular No. 228/2009/TT-BTC dated 07 December 2009 issued by the Ministry of Finance. If the market value of securities is undeterminable, the Bank obtains other reliable financial information as reference to determine fair value for provision. Provision for impairment is recorded in "Net gain/loss from trading investment securities" in the consolidated income statement

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Investment securities (Continued)

Available-for-sale investment securities

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

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

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

Periodically, available-for-sale securities are subject to impairment review. Provision for impairment is made when carrying value of the securities is higher than their market value determined in accordance with Circular No. 228/2009/TT-BTC dated 07 December 2009 issued by the Ministry of Finance. Accordingly, for listed equity securities, the Bank determined the value of the investments using closing prices as at the balance sheet date; for unlisted and liquid equity securities, the Bank collected direct quotations from three securities companies, of which charter capital is VND 300 billion or more each at the end of the financial year to determine the value of the investments. If the market value of securities is undeterminable, the Bank obtains other reliable financial information as reference to determine fair value for provision purpose. For bonds of business entities, at the end of the financial year, the Bank assesses the recoverability of these bonds to determine the level of provision thereof and recognises them in the consolidated income statement. The Bank makes these estimates based on financial ability of the partners and the recoverable value of collateral assets, if any. These estimates are based on assumptions about some factors which have different levels, leading to certain future adjustments in some accounts. The provision for impairment of available-for-sale securities is recorded in the consolidated income statement as "Net gain/loss from investment securities". When market price increases, profit will be offset against, but not exceeding the provision made previously. The difference is not recorded as income until the securities are sold.

General provisions for debt securities issued by local business entities

General provisions are made at 0.75% of the total balance of debt securities issued by local business entities (excluding investments for which provisions have been made 100% of the investment value) at the reporting date accordance with Circular No. 28/2011/TT-NHNN dated 01 September 2011 issued by the State Bank of Vietnam. Provision expense is charged into "Gain/(loss) from trading/investment securities" in the consolidated income statement and provision balance is recorded as "Provision for impairment of trading/investment securities" in the consolidated balance sheet.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Other long-term investments

Other long-term investments represent the investments in other entities in which the Bank holds less than 20% of the voting right and is the founding shareholder; or strategic partner; or has the power to govern the financial and operating policies of the investee by a written agreement on delegating personnel to take part in the Board of Directors/Board of Management. The long-term investments are recognised at cost less provision (if any).

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

Recognition

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

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

Derecognition

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

Repurchase and Reverse Repurchase Agreements

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **FORM B 05/TCTD-HN**
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Trust activities and trusted funds

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

Tangible fixed assets and depreciation

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

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

<u>Assets</u>	<u>Estimated useful lives (Years)</u>
Buildings and structures	05 - 50
Machinery and equipment	03 - 07
Motor vehicles	06 - 07
Others tangible fixed assets	04 - 25

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

Intangible assets and amortisation

Intangible assets comprise land use rights, computer software and other intangible assets which are stated at cost less accumulated amortisation. Land use rights granted with indefinite term are not amortised; computer software and other intangible assets are amortised using the straight-line method over the period from 02 years to 05 years. Land use rights granted with definite term are amortised over granted periods of land use.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

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

The Bank as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Bank's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

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

The Bank as lessee

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

Prepayments

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

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

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

Other receivables

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **FORM B 05/TCTD-HN**
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other receivables (Continued)

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

Capital and reserves

Common stocks

Common stocks are classified as owners' equity.

Share premium

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

Treasury shares

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

Reserves

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

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

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

Revenue and expenses

Interest income

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

The accrued interest income arising from the loans that are classified from group 2 to group 5 according to the criteria set out in Decision 493, Decision 18 and Decision 780 during the year is not recognised in the consolidated income statement for the year. Accrued interest income of impaired loans is recorded as off-balance sheet item and is only recognised in the consolidated income statement when it is actually received.

Borrowing costs

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and expenses (Continued)

Revenue from sales of goods

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

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

Revenue from insurance services

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

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

Dividend recognition

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

Claim settlements expenses of insurance activities

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

Commission expense of insurance activities

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

Income and expense from other services

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

According to the Bank's accounting system, all transactions are recorded in the original currency. Income and expense arising in foreign currency during the year are translated into VND at interbank exchange rate quoted by the State Bank of Vietnam for USD and at bank transfer rate for other foreign currencies at the end of the transaction date. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated into VND using the above exchange rate as at the balance sheet date (see list of exchange rate of applicable foreign currencies against VND as at 31 December 2013 in Note 55). Unrealised foreign exchange differences arising from the translation of monetary assets and liabilities denominated in foreign currencies into VND as at the balance sheet date are recognised in the consolidated income statement.

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

Other provisions

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **FORM B 05/TCTD-HN**
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

Employee benefits

Post-employment benefits

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

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

Resignation allowance

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

Unemployment allowance

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

Derivatives

Forward, swap and future contracts

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **FORM B 05/TCTD-HN**
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivatives (Continued)

Currency option contracts

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

Related parties

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

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

- has capability to control the Bank or is controlled by the Bank (including the holding company and subsidiaries);
- has contributed capital to the Bank that accordingly, gives it significant influence over the Bank;
- has joint control over the Bank;

(b) The party is a joint venture or an associate in which the Bank is a venturer;

(c) The party is a close member of the Board of Directors, Board of Management and Board of Supervisors of the Bank;

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

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

Off-balance sheet commitments and guarantees

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

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

5. CASH, GOLD AND GEMSTONES

	<u>31/12/2013</u>	<u>31/12/2012</u>
	million VND	million VND
Cash in VND	2,334,912	1,987,760
Cash in foreign currencies	489,813	516,662
Valuable papers in foreign currencies	1,818	970
Monetary gold	6,953	5,713
	<u>2,833,496</u>	<u>2,511,105</u>

6. BALANCES WITH THE STATE BANK OF VIETNAM

	<u>31/12/2013</u>	<u>31/12/2012</u>
	million VND	million VND
Current account at the State Bank of Vietnam in VND	7,387,231	10,046,469
Current account at the State Bank of Vietnam in foreign currencies	2,772,333	2,187,676
	<u>10,159,564</u>	<u>12,234,145</u>

Deposit at the State Bank of Vietnam consists of compulsory reserves for deposits and current accounts. Pursuant to regulations made by the State Bank of Vietnam on the compulsory reserve, a part of banks' compulsory reserve can be a floating balance. In details, according to Decision No. 379/QĐ-NHNN dated 24 February 2009, Decision No. 1925/QĐ-NHNN dated 26 August 2011 and Decision No. 1972/QĐ-NHNN dated 31 August 2011:

Compulsory reserve balances for VND deposits applicable to credit institutions as at 31 December 2013 are as follows:

- Compulsory reserve balance is 3% (31 December 2012: 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% (31 December 2012: 1%) of the preceding month's average balance for deposits in VND with terms of more than 12 months.

Compulsory reserve balances for deposits in foreign currencies applicable to credit institutions as at 31 December 2013 are as follows:

- Compulsory reserve balance is 8% (31 December 2012: 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% (31 December 2012: 6%) of the preceding month's average balance for deposits in foreign currencies with terms of more than 12 months;
- Compulsory reserve balance is 1% (31 December 2012: 1%) of the balance for deposits in foreign currencies from overseas credit institutions.

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

7. PLACEMENTS WITH AND LOANS TO OTHER CREDIT INSTITUTIONS

	<u>31/12/2013</u>	<u>31/12/2012 (*)</u>
	<u>million VND</u>	<u>million VND</u>
Placements with other credit institutions		
Demand deposits	12,583,806	14,475,763
- In VND	5,443,961	4,668,015
- In foreign currencies and gold	7,139,845	9,807,748
Term deposits	46,936,875	6,981,954
- In VND	38,076,000	4,952,900
- In foreign currencies and gold	8,860,875	2,029,054
	<u>59,520,681</u>	<u>21,457,717</u>
Loans to other credit institutions		
Loans in VND	9,066,000	28,245,000
Loans in foreign currencies and gold	4,595,254	8,187,503
Provision for credit losses of loans to credit institutions	(102,459)	(181,918)
	<u>13,558,795</u>	<u>36,250,585</u>
	<u>73,079,476</u>	<u>57,708,302</u>

(*) Certain reclassifications were made to enhance the comparability.

8. DERIVATIVE FINANCIAL INSTRUMENTS AND OTHER FINANCIAL ASSETS/LIABILITIES
Net book value

	<u>(at the exchange rate as of the reporting date)</u>	
	<u>Assets</u>	<u>Liabilities</u>
	<u>million VND</u>	<u>million VND</u>
As at 31/12/2013		
Currency derivative financial instruments	164,334	-
Forward contracts	78,808	-
Swap contracts	82,545	-
Future contracts	2,981	-
As at 31/12/2012		
Currency derivative financial instruments	74,451	-
Forward contracts	60,108	-
Swap contracts	14,343	-

9. LOANS TO CUSTOMERS

	<u>31/12/2013</u>	<u>31/12/2012</u>
	<u>million VND</u>	<u>million VND</u>
Loans to local business entities and individuals	371,541,653	329,440,108
Discounting promissory notes and valuable papers	562,909	310,324
Finance leases	1,381,985	1,328,324
Payments made on behalf of customers	30,445	55,999
Loans by grants, investment trusts	1,336,736	1,636,760
Loans to foreign organisations and individuals	1,435,240	584,576
Frozen loans and loans pending for resolution	-	1
	<u>376,288,968</u>	<u>333,356,092</u>

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

9. LOANS TO CUSTOMERS (Continued)

Analysis of loan balances by quality

	31/12/2013	31/12/2012
	million VND	million VND
Current loans	369,774,495	327,054,358
Special-mentioned loans	2,744,180	1,411,738
Sub-standard loans	515,442	994,983
Doubtful loans	1,005,801	1,789,074
Loss loans	2,249,050	2,105,939
	376,288,968	333,356,092

Analysis of loan balances by terms

	31/12/2013	31/12/2012
	million VND	million VND
Short-term loans	227,697,332	200,455,255
Medium-term loans	32,972,090	34,078,369
Long-term loans	115,619,546	98,822,468
	376,288,968	333,356,092

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

Analysis of loan balances by type of business entity

	31/12/2013	31/12/2012
	million VND	million VND
State-owned enterprises	30,484,784	34,376,546
State-owned one-member limited enterprises	66,167,188	49,010,516
Two or more member limited liability enterprises with more than 50% of the State's share holding	2,595,327	2,291,578
Other limited companies	70,564,721	61,496,519
Joint stock companies with more than 50% of the State's share-holding	29,719,860	28,542,233
Other joint stock companies	90,990,932	85,012,500
Partnership companies	265,660	8,566
Private companies	12,264,929	12,163,761
Foreign invested enterprises	12,329,285	8,571,598
Cooperatives, cooperative unions	1,868,725	1,626,349
Household businesses, individuals	58,477,622	49,819,646
Administrative units, the Party, unions and associations	497,014	369,239
Others	62,921	67,041
	376,288,968	333,356,092

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

Analysis of loan balances by industry

	31/12/2013	31/12/2012
	million VND	million VND
Agricultural, forestry and aquaculture	11,284,962	8,301,832
Mining and quarrying	24,816,572	25,501,052
Manufacturing and processing	127,666,222	105,156,710
Electricity, fuel gas and hot water	25,737,569	22,763,351
Water supplying, garbage and sewage treatment and management	563,554	514,328
Construction	26,714,044	22,774,338
Wholesale and retail trade; repair of motor vehicles, motor cycles	107,208,518	97,095,238
Transport, warehouse	8,082,789	9,780,579
Hospitality services	2,415,838	2,291,814
Information and communications	1,531,201	1,755,920
Financial, banking and insurance activities	34,353	479
Real estate	24,801,326	26,068,597
Profession, science and technology	97,017	109,854
Administrative activities and supporting services	342,722	318,824
Education and training	786,232	968,304
Health care and social work	1,813,510	2,089,555
Other service activities	6,065,515	4,590,629
Households	5,724,329	3,073,666
International organisations and bodies	213,338	32,616
Others	389,357	168,406
	376,288,968	333,356,092

10. PROVISIONS FOR CREDIT LOSSES OF LOANS TO CUSTOMERS AND OFF-BALANCE SHEET COMMITMENTS

10.1 Details of provision for credit losses of loans to customers and off-balance sheet commitments:

	31/12/2013	31/12/2012
	million VND	million VND
Provisions for credit losses of loans to customers	3,300,226	3,673,254
Provision for off-balance sheet commitments (Note 25)	405,988	409,833
	3,706,214	4,083,087

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

10. PROVISIONS FOR CREDIT LOSSES OF LOANS TO CUSTOMERS AND OFF-BALANCE SHEET COMMITMENTS (Continued)

10.2 Movement in provision for credit losses of loans to customers for the year ended 31 December 2013:

	General provision	Specific provision	Total
	million VND	million VND	million VND
As at 01/01/2013	2,299,619	1,373,635	3,673,254
Provision charged for the year (Note 37)	328,412	3,874,609	4,203,021
Provision utilised for the year	-	(4,576,049)	(4,576,049)
As at 31/12/2013	<u>2,628,031</u>	<u>672,195</u>	<u>3,300,226</u>

The Bank classifies the loans under Article 6 of Decision 493, Decision 18 and Decision 780 and other regulations of competent State Authorities. Provision for credit losses as at 31 December 2013 is made based on the loan classification result as at 30 November 2013.

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

Movement of provision for credit losses of loans to customers for the year ended 31 December 2012 is as follows:

	General provision	Specific provision	Total
	million VND	million VND	million VND
As at 01/01/2012	2,065,280	971,222	3,036,502
Provision charged for the year (Note 37)	234,339	3,994,833	4,229,172
Provision utilised for the year	-	(3,592,420)	(3,592,420)
As at 31/12/2012	<u>2,299,619</u>	<u>1,373,635</u>	<u>3,673,254</u>

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

10. PROVISIONS FOR CREDIT LOSSES OF LOANS TO CUSTOMERS AND OFF-BALANCE SHEET COMMITMENTS (Continued)

10.3 Movement in provision for off-balance sheet commitments for the year ended 31 December 2013:

	General provision	Specific provision	Total
	million VND	million VND	million VND
As at 01/01/2013	331,443	78,390	409,833
Provision charged/(reversed) for the year (Note 37)	38,554	(42,399)	(3,845)
As at 31/12/2013	<u>369,997</u>	<u>35,991</u>	<u>405,988</u>

The Bank classifies the off-balance sheet commitments under Article 6 of Decision 493 and Decision 18. Provision for off-balance-sheet commitments as at 31 December 2013 is made based on the classification of off-balance sheet commitments as at 30 November 2013.

Provision for off-balance sheet commitments at overseas branches is made in accordance with prevailing regulations in their local jurisdictions.

Movement in provision for off-balance sheet commitments for the year ended 31 December 2012 is as follows:

	General provision	Specific provision	Total
	million VND	million VND	million VND
As at 01/01/2012	367,512	68,299	435,811
Provision/(reversed) charged for the year (Note 37)	(36,069)	10,091	(25,978)
As at 31/12/2012	<u>331,443</u>	<u>78,390</u>	<u>409,833</u>

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

11. TRADING SECURITIES

	<u>31/12/2013</u>	<u>31/12/2012</u>
	million VND	million VND
Debt securities	633,425	-
- Government bonds	633,425	-
Equity securities	24,268	284,267
- Equity securities issued by other local credit institutions	7,923	48
- Equity securities issued by local business entities	16,345	284,219
	<u>657,693</u>	<u>284,267</u>
Provisions for impairment of trading securities	(2,626)	(9,714)
	<u>655,067</u>	<u>274,553</u>

Listing status of trading securities

	<u>31/12/2013</u>	<u>31/12/2012</u>
	million VND	million VND
Debt securities		
Government bonds		
- Listed	633,425	-
- Unlisted	-	-
Equity securities		
Equity securities issued by other local credit institutions		
- Listed	7,923	48
- Unlisted	-	-
Equity securities issued by local business entities		
- Listed	9,664	26,456
- Unlisted	6,681	257,763
	<u>657,693</u>	<u>284,267</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **FORM B 05/TCTD-HN**
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12. INVESTMENT SECURITIES

	<u>31/12/2013</u>	<u>31/12/2012</u>
	<u>million VND</u>	<u>million VND</u>
Available-for-sale investment securities	80,627,909	71,126,639
Debt securities	79,864,668	70,847,671
- Government bonds	45,703,748	44,522,304
- Debt securities issued by other local credit institutions	4,267,446	2,618,287
- Debt securities issued by local business entities	29,893,474	23,707,080
Equity securities	763,241	278,968
- Equity securities issued by other local credit institutions	16,888	16,888
- Equity securities issued by local business entities	746,353	262,080
Provisions for impairment of available-for-sale investment securities	(212,189)	(114,332)
	<u>80,415,720</u>	<u>71,012,307</u>
Held-to-maturity investment securities	2,586,748	2,450,000
Government bonds	2,200,000	2,200,000
Debt securities issued by local business entities	386,748	250,000
Provisions for impairment of held-to-maturity investment securities	-	-
	<u>2,586,748</u>	<u>2,450,000</u>
	<u>83,002,468</u>	<u>73,462,307</u>

13. PROVISION FOR IMPAIRMENT OF INVESTMENT SECURITIES

Movement of the provision for impairment of investment securities for the year ended 31 December 2013 is as follows:

	<u>Provision for available-for-sale securities</u>	<u>Provision for held- to-maturity securities</u>	<u>Total</u>
	<u>million VND</u>	<u>million VND</u>	<u>million VND</u>
As at 01/01/2013	114,332	-	114,332
Provision charged for the year (Note 33)	97,857	-	97,857
As at 31/12/2013	<u>212,189</u>	<u>-</u>	<u>212,189</u>

14. LONG-TERM INVESTMENTS

	<u>31/12/2013</u>	<u>31/12/2012</u>
	<u>million VND</u>	<u>million VND</u>
Investments in joint ventures	2,795,383	2,444,848
Other long-term investments	321,108	327,109
Provisions for impairment of long-term investments	(3,408)	(824)
	<u>3,113,083</u>	<u>2,771,133</u>

VIETNAM JOINT STOCK COMMERCIAL BANK FOR INDUSTRY AND TRADE

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

Consolidated financial statements
For the year ended 31 December 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FORM B 05/TCTD-HN

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14. LONG-TERM INVESTMENTS (Continued)

Investments in joint ventures

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

	31/12/2013				31/12/2012			
	Cost in original		Net value of		Cost in original		Net value of	
	currency		investment		currency		investment	
	USD	equivalent	using equity	Proportion	USD	equivalent	using equity	Proportion
		million VND	method	ownership		million VND	method	ownership
				interest				interest
				%				%
Indovina Bank Ltd.	96,500,000	1,688,788	2,358,036	50	82,500,000	1,392,058	2,013,514	50
Vietinbank Aviva Life Insurance Company Limited	Non-applicable	400,000	437,347	50	Non-applicable	400,000	431,334	50
		<u>2,088,788</u>	<u>2,795,383</u>			<u>1,792,058</u>	<u>2,444,848</u>	

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

Since its establishment, the charter capital of Indovina Bank Ltd. has been increased several times under the approval of the SBV, while the proportions of ownership interest of the joint venture partners remains unchanged. As at 31 December 2013, Indovina Bank Ltd.'s charter capital was USD 193,000,000.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **FORM B 05/TCTD-HN**
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15. TANGIBLE FIXED ASSETS

The movement of tangible fixed assets for the year ended 31 December 2013 is as follows:

	Buildings, structures	Machinery, equipment	Motor vehicles	Others	Total
	million VND	million VND	million VND	million VND	million VND
Cost					
As at 01/01/2013	1,950,223	3,830,342	738,073	158,316	6,676,954
Acquisitions during the year	675,533	213,691	95,774	12,691	997,689
Transfer from construction in progress	383,409	28,705	-	3,625	415,739
Other additions	16,182	7,142	2,190	521	26,035
Disposals	(10,796)	(21,383)	(14,521)	(986)	(47,686)
Reclassification (*)	(51)	(680,581)	(671)	(28,911)	(710,214)
Other decreases	(15,408)	(11,902)	(1,865)	(1,154)	(30,329)
As at 31/12/2013	2,999,092	3,366,014	818,980	144,102	7,328,188
Accumulated depreciation					
As at 01/01/2013	568,974	2,636,346	405,859	94,737	3,705,916
Charge for the year	186,700	450,894	97,929	22,307	757,830
Other additions	14,029	2,141	111	130	16,411
Disposals	(3,525)	(20,114)	(14,521)	(960)	(39,120)
Reclassification (*)	(23)	(552,292)	(628)	(19,242)	(572,185)
Other decreases	(1,174)	(970)	(1,869)	(1,240)	(5,253)
As at 31/12/2013	764,981	2,516,005	486,881	95,732	3,863,599
Net book value					
As at 31/12/2013	2,234,111	850,009	332,099	48,370	3,464,589
As at 31/12/2012	1,381,249	1,193,996	332,214	63,579	2,971,038

(*) Reclassification reflects the value of assets reclassified in accordance with Circular No. 45/2013/TT-BTC dated 25 April 2013 issued by the Ministry of Finance.

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

15. TANGIBLE FIXED ASSETS (Continued)

The movement of tangible fixed assets for the year ended 31 December 2012 is as follows:

	Buildings, structures	Machinery, equipment	Motor vehicles	Others	Total
	million VND	million VND	million VND	million VND	million VND
Cost					
As at 01/01/2012	1,295,577	3,284,371	668,299	293,556	5,541,803
Acquisitions during the year	495,265	186,265	71,239	23,551	776,320
Transfer from construction in progress	192,825	51,756	2,688	451	247,720
Other additions	1,237	197,490	10,518	15,978	225,223
Disposals	(7,773)	(56,590)	(13,725)	(5,206)	(83,294)
Other decreases	(12,773)	168,503	23	(166,171)	(10,418)
Reclassification	(14,135)	(1,453)	(969)	(3,843)	(20,400)
As at 31/12/2012	1,950,223	3,830,342	738,073	158,316	6,676,954
Accumulated depreciation					
As at 01/01/2012	466,199	2,008,509	339,974	178,848	2,993,530
Charge for the year	103,273	544,906	91,452	34,651	774,282
Other additions	21,546	29,942	1,707	240	53,435
Disposals	(2,332)	(18,468)	(3,439)	(3,513)	(27,752)
Other decreases	(20,079)	(6,783)	(23,255)	(35,503)	(85,620)
Reclassification	367	78,240	(580)	(79,986)	(1,959)
As at 31/12/2012	568,974	2,636,346	405,859	94,737	3,705,916
Net book value					
As at 31/12/2012	1,381,249	1,193,996	332,214	63,579	2,971,038
As at 31/12/2011	829,378	1,275,862	328,325	114,708	2,548,273

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

16. INTANGIBLE ASSETS

The movement of intangible assets for the year ended 31 December 2013 is as follows:

	Land use rights	Computer software	Others	Total
	million VND	million VND	million VND	million VND
Cost				
As at 01/01/2013	2,217,168	426,476	58	2,643,702
Acquisitions during the year	1,210,518	213,195	-	1,423,713
Other additions	23,600	505	-	24,105
Reclassification (*)	-	(3,819)	3	(3,816)
Other decreases	(7,882)	(1,017)	1	(8,898)
As at 31/12/2013	3,443,404	,635,340	62	4,078,806
Accumulated amortisation				
As at 01/01/2013	63,341	274,728	18	338,087
Charge for the year	36,627	93,458	30	130,115
Other additions	132	220	-	352
Reclassification (*)	-	(3,457)	-	(3,457)
Other decreases	(1,146)	(944)	-	(2,090)
As at 31/12/2013	98,954	,364,005	48	,463,007
Net book value				
As at 31/12/2013	3,344,450	271,335	14	3,615,799
As at 31/12/2012	2,153,827	151,748	40	2,305,615

(*) Reclassification reflects the value of assets reclassified in accordance with Circular No. 45/2013/TT-BTC dated 25 April 2013 issued by the Ministry of Finance.

The movement of intangible assets for the year ended 31 December 2012 is as follows:

	Land use rights	Computer software	Others	Total
	million VND	million VND	million VND	million VND
Cost				
As at 01/01/2012	1,115,042	316,378	11,219	1,442,639
Acquisitions during the year	1,089,387	84,592	1,230	1,175,209
Other increases	12,695	37,273	-	49,968
Disposals	-	(441)	-	(441)
Reclassification	1,456	21,353	(12,391)	10,418
Other decreases	(1,412)	(32,679)	-	(34,091)
As at 31/12/2012	2,217,168	,426,476	58	2,643,702
Accumulated amortisation				
As at 01/01/2012	62,419	178,736	3,540	244,695
Charge for the year	28,934	80,983	3,260	113,177
Other increases	618	27,066	-	27,684
Disposals	-	(73)	-	(73)
Reclassification	79	8,662	(6,782)	1,959
Other decreases	(28,709)	(20,646)	-	(49,355)
As at 31/12/2012	63,341	,274,728	18	338,087
Net book value				
As at 31/12/2012	2,153,827	151,748	40	2,305,615
As at 31/12/2011	1,052,623	137,642	7,679	1,197,944

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

17. OTHER RECEIVABLES

	<u>31/12/2013</u>	<u>31/12/2012</u>
	million VND	million VND
Construction in progress	3,586,286	2,265,979
Purchases and major repair of fixed assets	3,584,323	4,547,287
External receivables	3,012,302	2,520,764
Internal receivables	304,838	120,632
	<u>10,487,749</u>	<u>9,454,662</u>

Construction in progress

	<u>31/12/2013</u>	<u>31/12/2012</u>
	million VND	million VND
Constructions in the Northern area	2,829,080	1,641,185
Constructions in the Central area	269,692	191,226
Constructions in the Southern area	487,514	433,568
	<u>3,586,286</u>	<u>2,265,979</u>

18. OTHER ASSETS

	<u>31/12/2013</u>	<u>31/12/2012</u>
	million VND	million VND
Investment in finance lease assets	184,094	109,252
Materials and tools	100,248	85,724
Prepaid expenses (*)	2,439,500	1,917,173
Goodwill (Note 19)	9,982	11,798
Other assets	48,224	22,254
	<u>2,782,048</u>	<u>2,146,201</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
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19. GOODWILL

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

	2013	2012
	million VND	million VND
Total goodwill	18,149	18,149
Amortisation period	10 years	10 years
Accumulated amortised goodwill as at the beginning of the year	(6,351)	(4,537)
Goodwill not yet amortised at the beginning of the year	11,798	13,612
Goodwill decrease during the year	(1,816)	(1,814)
- Amortised for the year	(1,816)	(1,814)
Total goodwill not yet amortised at the end of the year	9,982	11,798

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

	31/12/2013	31/12/2012
	million VND	million VND
Borrowings for grants to SOEs	12,472	12,472
Loans under credit contracts	109,778	-
Discounting and rediscounting valuable papers	-	2,570,924
Other borrowings	24,965	34,606
Current accounts held by the State Treasury	156	167,372
	147,371	2,785,374

21. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

	31/12/2013	31/12/2012
	million VND	million VND
Demand deposits, gold from other credit institutions	3,994,723	9,086,345
- In VND	1,307,889	1,089,704
- In gold and foreign currencies	2,686,834	7,996,641
Term deposits, gold from other credit institutions	27,871,100	10,897,065
- In VND	19,870,000	9,261,157
- In gold and foreign currencies	8,001,100	1,635,908
Borrowings from other credit institutions	48,598,926	76,831,391
- In VND	21,180,000	38,865,000
- In gold and foreign currencies	27,418,926	37,966,391
	80,464,749	96,814,801

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **FORM B 05/TCTD-HN**
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22. DEPOSITS FROM CUSTOMERS

Analysis by the type of deposits

	<u>31/12/2013</u>	<u>31/12/2012</u>
	million VND	million VND
Demand deposits, gold	63,017,080	53,518,068
- Demand deposits in VND	51,594,652	44,501,999
- Demand deposits in gold, foreign currencies	11,422,428	9,016,069
Term deposits, gold	290,016,677	225,849,936
- Term deposits in VND	267,606,015	207,093,002
- Term deposits in gold, foreign currencies	22,410,662	18,756,934
Deposits for specific purpose	2,774,113	2,066,913
- Deposits for specific purpose in VND	1,204,954	719,104
- Deposits for specific purpose in foreign currencies	1,569,159	1,347,809
Margin deposits	8,689,131	7,670,390
- Margin deposits in VND	7,446,074	6,278,737
- Margin deposits in gold, foreign currencies	1,243,057	1,391,653
	<u>364,497,001</u>	<u>289,105,307</u>

Analysis by the type of customers and type of business entity

	<u>31/12/2013</u>	<u>31/12/2012 (*)</u>
	million VND	million VND
State-owned enterprises	59,405,114	39,397,019
State-owned one-member limited enterprises	21,532,717	31,897,485
Two or more member limited liability enterprises with more than 50% of the State's share-holding	892,888	679,716
Other limited companies	11,250,622	9,198,852
Joint stock companies with more than 50% of the State's share-holding	18,278,808	16,165,950
Other joint stock companies	18,103,247	12,376,856
Partnership companies	360,629	1,041,770
Private companies	1,088,135	920,227
Foreign invested enterprises	13,907,594	7,981,702
Cooperatives, cooperative unions	256,497	275,490
Household businesses, individuals	198,835,969	156,461,943
Administrative units, the Party, unions and associations	13,061,575	5,540,862
Others	7,523,206	7,167,435
	<u>364,497,001</u>	<u>289,105,307</u>

(*) Certain reclassifications were made to enhance comparability.

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

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

	<u>31/12/2013</u>	<u>31/12/2012</u>
	<u>million VND</u>	<u>million VND</u>
Funds received from other organisations and individuals in VND	26,140,460	26,729,924
Funds received from other organisations and individuals in foreign currencies	1,697,188	1,768,421
Funds received from international organisations in VND	961,899	1,121,151
Funds received from international organisations in foreign currencies	3,624,972	3,607,212
	<u>32,424,519</u>	<u>33,226,708</u>

24. VALUABLE PAPERS

	<u>31/12/2013</u>	<u>31/12/2012</u>
	<u>million VND</u>	<u>million VND</u>
Valuable papers in VND	10,503,919	22,586,070
Valuable papers in foreign currencies	6,060,847	6,083,159
	<u>16,564,766</u>	<u>28,669,229</u>

Detail of valnable papers by term

	<u>31/12/2013</u>	<u>31/12/2012</u>
	<u>million VND</u>	<u>million VND</u>
Certificate of deposit		
Term under 12 months	11,314,652	9,622,900
Term from 12 months to under 5 years	23,934	13,727,281
Bills		
Term under 12 months	2,764	2,968
Bonds		
Term from 12 months to under 5 years	5,223,416	5,161,280
Other valuable papers		
Term under 12 months	-	154,800
	<u>16,564,766</u>	<u>28,669,229</u>

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

	31/12/2013	31/12/2012
	million VND	million VND
Interests and fees payable	4,365,827	3,615,577
Internal payables (Note 25.1)	3,299,820	3,081,923
External payables (Note 25.2)	19,811,865	11,900,156
Provision for off-balance sheet commitments (Note 10)	405,988	409,833
Other provisions	98,925	80,978
	27,982,425	19,088,467

25.1 Details of internal payables

	31/12/2013	31/12/2012
	million VND	million VND
Payables to employees	1,885,644	1,810,073
Payables relating to bonus and welfare funds	1,293,511	1,078,347
Others	120,665	193,503
	3,299,820	3,081,923

25.2 Details of external payables

	31/12/2013	31/12/2012
	million VND	million VND
Payments/receipts on behalf of other organisations	17,585,562	9,481,078
Amount due to customers and deferred payment	161,199	614,799
Corporate income tax payables	205,887	544,304
Other pending payments	903,246	754,650
Margin deposits of securities investors	152,206	138,126
Other tax payables	75,018	73,229
Payables for insurance of deposit	70,177	58,958
Payables to the SBV from recovery of written-off bad debts	60,004	44,814
Payables relating to trade finance activities	6,021	11,382
Money transfer payables	95,746	32,221
Other payables	496,799	146,595
	19,811,865	11,900,156

26. THE BANK'S OBLIGATIONS TO THE STATE BUDGET

	Opening balance	Movement during the year		Closing balance
	million VND	Payables	Paid	million VND
		million VND	million VND	
Value Added Tax	(84,744)	130,194	133,756	(88,306)
Corporate Income Tax	544,304	1,940,950	2,279,367	205,887
Other taxes	58,737	433,606	435,339	57,004
	518,297	2,504,750	2,848,462	174,585

VIETNAM JOINT STOCK COMMERCIAL BANK FOR INDUSTRY AND TRADE

108 Tran Hung Dao, Hoan Kiem

Hanoi, S.R. Vietnam

Consolidated financial statements
For the year ended 31 December 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FORM B 05/TCTD-HN

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27. CAPITAL AND RESERVES

The movement of major items in owners' capital

	Charter capital	Share premium	Foreign exchange reserves	Financial supplementary reserve fund	Capital reserve	Retained earnings	Minority interest	Total
	million VND	million VND	million VND	million VND	million VND	million VND	million VND	million VND
As at 01/01/2013	26,217,545	2,210	302,101	1,683,091	750,875	4,668,709	215,842	33,840,373
Capital increase	11,016,501	8,969,268	-	-	-	-	-	19,985,769
Profit for the year	-	-	-	-	-	5,792,449	15,529	5,807,978
Dividend of 2012	-	-	-	-	-	(4,194,807)	(10,788)	(4,205,595)
Appropriation to reserves for the year	-	-	-	605,694	302,847	(2,008,541)	-	(1,100,000)
Increase due to financial statements translation for consolidation purpose	-	-	15,540	-	-	-	-	15,540
Other adjustments	-	-	-	(1,907)	(1,776)	(30,352)	(3,983)	(38,018)
Adjustment to appropriation to reserves for the previous year	-	-	-	23,249	12,922	(50,952)	(3,681)	(18,462)
As at 31/12/2013	37,234,046	8,971,478	317,641	2,310,127	1,064,868	4,176,506	212,919	54,287,585

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

As at 27 December 2012, the Bank joined the strategic investment contract and comprehensive cooperation contract with Bank of Tokyo-Mitsubishi UFJ, Ltd. ("BTMU"). Accordingly, the Bank obtained a license to sell 20% of its shares to BTMU through issuing 644,389,811 ordinary shares and increase charter capital to VND 32,661 billion. On 26 February 2013, shareholders of the Bank passed Resolution No. 07/NQ-DHDCD to approve the plan regarding additional shares issuance to BTMU. On 14 May 2013, the issuance to BTMU and the charter capital increase were completed.

On 14 May 2013, a new business registration certificate was issued to the Bank by Hanoi Planning and Investment Department. Accordingly, the Bank's charter capital was VND 32,661,443 million.

On 22 October 2013, the Bank completed its share issuance to existing shareholders with the total number of new issued shares of 457,260,208, increasing the Bank's charter capital to VND 37,234,046 million.

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

27. CAPITAL AND RESERVES (Continued)

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

	31/12/2013		31/12/2012	
	Total shares	Ordinary	Total shares	Ordinary
	(units)	shares	(units)	shares
		(million VND)		(million VND)
Capital of the Government	2,400,204,956	24,002,050	2,105,442,944	21,054,429
Contributed capital (shareholders, members)	1,323,199,600	13,231,996	516,311,593	5,163,116
Share premium	non-applicable	8,971,478	non-applicable	2,210
	3,723,404,556	46,205,524	2,621,754,537	26,219,755

Details of the Bank's shares are as follows:

	31/12/2013	31/12/2012
	Unit	Unit
Number of registered shares for issue	3,723,404,556	2,621,754,537
Number of shares in circulation	3,723,404,556	2,621,754,537
- Ordinary shares	3,723,404,556	2,621,754,537
- Preferred shares	-	-
Par value of shares (VND)	10,000	10,000

28. INTEREST AND SIMILAR INCOME

	2013	2012
	million VND	million VND
Interest from deposits	912,616	1,974,401
Interest from loans to customers	34,491,642	39,663,003
Interest from debt securities	8,701,688	8,789,448
Interest from finance leases	171,928	229,078
Other income from credit activities	2,949	4,832
	44,280,823	50,660,762

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

29. INTEREST AND SIMILAR EXPENSES

	2013	2012
	million VND	million VND
Interest expense on deposits	20,279,031	24,717,048
Interest expense on borrowings	3,684,850	5,931,336
Interest expense on valuable papers issued	2,037,250	1,574,784
Expense on other credit activities	2,437	17,570
	26,003,568	32,240,738

30. NET GAIN FROM SERVICES

	2013	2012 (*)
	million VND	million VND
Income from services	2,096,679	1,855,358
Income from remittance services	1,041,561	860,051
Income from treasury and guarantee services	316,714	359,079
Income from trust and agency services	12,830	15,640
Others	725,574	620,588
Expense on services	576,553	577,135
Expense on remittance services	88,346	103,337
Expense from trust and agency services	13,858	12,543
Expense from treasury services	139,946	151,750
Others	334,403	309,505
Net gain from services	1,520,126	1,278,223

(*) Certain reclassifications were made to enhance the comparability.

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

31. NET GAIN FROM TRADING FOREIGN CURRENCIES

	2013	2012
	million VND	million VND
Income from trading foreign currencies	5,121,228	1,259,955
- Income from spot trading foreign currencies	735,093	367,980
- Income from trading gold	3,811,989	652,568
- Income from trading derivative financial instruments	574,146	239,407
Expense from trading foreign currencies	4,829,778	898,267
- Expenses from spot trading foreign currencies	473,893	157,943
- Expense from trading gold	3,791,660	641,837
- Expense from trading derivative financial instruments	564,225	98,487
Net gain from trading foreign currencies	291,450	361,688

32. NET GAIN FROM TRADING SECURITIES HELD FOR TRADING

	2013	2012
	million VND	million VND
Income from trading securities held for trading	40,796	42,453
Expense from trading securities held for trading	(28,954)	(13,237)
Provision reversed for impairment of securities held for trading	7,088	4,940
Net gain from securities held for trading	18,930	34,156

33. NET GAIN FROM TRADING INVESTMENT SECURITIES

	2013	2012
	million VND	million VND
Income from trading investment in securities	117,363	363,813
Expense from trading investment in securities	(11,473)	(683)
Provision reversed/(charged) for impairment of investment in securities	(97,857)	152,753
Net gain from investment in AFS securities	8,033	515,883

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

34. NET PROFIT FROM OTHER ACTIVITIES

	<u>2013</u>	<u>2012 (*)</u>
	million VND	million VND
Other operating income	1,931,677	1,330,576
Income from recovery of bad debts	1,266,542	1,255,421
Income from other derivatives	136,280	24,161
Other income	528,855	50,994
Other operating expenses	436,531	144,977
Expenses from other derivatives	154,897	39,707
Other expenses	281,634	105,270
Net profit from other activities	1,495,146	1,185,599

(*) Certain reclassifications were made to enhance the comparability.

35. INCOME FROM CAPITAL CONTRIBUTION, EQUITY INVESTMENTS

	<u>2013</u>	<u>2012</u>
	million VND	million VND
Dividend in cash from capital contribution, equity investments	26,874	22,263
- from equity securities held for trading	3,347	2,494
- from equity investment securities	2,075	8,949
- from other long-term investments	21,452	10,820
Share from net profit/loss under equity method of investments in joint ventures	145,885	143,691
	<u>172,759</u>	<u>165,954</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **FORM B 05/TCTD-HN**
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36. OPERATING EXPENSES

	2013	2012 (*)
	million VND	million VND
Taxes, fees and charges	45,245	77,425
Staff cost		
- Salaries and allowances	4,501,208	4,501,000
- Salary-based expenses	219,017	226,649
- Other benefits	90,836	43,241
- Social activities expenses	1,416	1,524
- Other expenses	192,899	216,470
Expenses for fixed assets		
- Depreciation and amortisation expenses	887,945	887,459
- Others	871,193	808,353
Expenses for operating management		
- Per diem	141,711	135,753
- Expense for union activities	22,917	10,215
- Others	2,628,711	2,328,256
Insurance premium for customers deposit	271,150	216,397
Other operating expenses	35,406	(17,069)
	9,909,654	9,435,673

(*) Certain reclassifications were made to enhance the comparability.

37. PROVISION EXPENSES FOR CREDIT LOSSES

	2013	2012
	million VND	million VND
Provision (reversed)/charged for credit losses of loans to credit institutions	(79,459)	154,760
Provision expenses for credit losses of loans to customers (Note 10)	4,203,021	4,229,172
Provision expenses for doubtful receivables	3,706	-
Provision (reversed) for off-balance sheet commitments (Note 10)	(3,845)	(25,978)
	4,123,423	4,357,954

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **FORM B 05/TCTD-HN**
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38. CORPORATE INCOME TAX EXPENSE (CIT)

	2013	2012
	million VND	million VND
Profit before tax	7,750,622	8,167,900
<i>Adjustments for:</i>		
- Non-taxable dividend income	(23,527)	(22,318)
- Profit before tax of subsidiaries	(330,712)	(362,210)
- Income from increase in interest in joint ventures	(145,885)	(143,636)
- Changes in general provision for loans for consolidation	(3,576)	5,102
- Provision charged/(reversed) for debt securities	61,499	(125,124)
- Others	107,775	102,821
Taxable income of the Holding Bank	7,416,196	7,622,535
CIT expense of the Holding Bank at tax rate 25%	1,854,049	1,905,634
Overseas CIT expense of the Bank	5,899	592
CIT expense of subsidiaries	82,696	91,995
CIT expense based on the taxable income	1,942,644	1,998,221

39. BASIC EARNINGS PER SHARE (EPS)

	2013	2012
Earnings for the purpose of calculating basic EPS (million VND)	5,792,449	6,151,545
<i>Less: Bonus and welfare funds</i>	<i>1,100,000</i>	<i>1,000,000</i>
Earnings for the purpose of calculating basic EPS (after excluding bonus and welfare fund)	4,692,449	5,151,545
Weighted average number of ordinary shares for the purpose of calculating basic earnings shares	3,120,285,800	2,508,692,014
Basic earnings per share (VND)	1,504	2,053

In 2013, the Bank had two share issuances, which increased the Bank's charter capital as presented in Note 27 - Capital and Reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 05/TCTD-HN
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40. CASH AND CASH EQUIVALENTS

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

	<u>31/12/2013</u>	<u>31/12/2012</u>
	<u>million VND</u>	<u>million VND</u>
Cash, gold and gemstones (*)	2,833,496	2,511,105
Balances with the State Bank of Vietnam (*)	10,159,564	12,234,145
Current deposits at other credit institutions (*)	12,583,806	14,475,763
Placements with and loans to other credit institutions with terms not exceeding 3 months	45,960,665	26,364,975
Securities with maturity of not exceeding 3 months from the date of purchase	2,678,453	3,728,000
	<u>74,215,984</u>	<u>59,313,988</u>

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

41. EMPLOYEES' REMUNERATIONS

	<u>2013</u>	<u>2012</u>
I. Total number of employees (person) (*)	19,886	19,840
II. Employees' income (million VND)		
1. Total salary fund	4,501,208	4,501,000
2. Bonus	-	-
3. Other allowances	136,669	120,874
4. Total income (1+2+3)	4,637,877	4,621,874
5. Average monthly salary (**)	19.09	19.69
6. Average monthly income (**)	19.67	20.22

(*) Figures as at 31 December.

(**) Calculations are made based on average total number of employees for the year.

42. COLLATERALS AND MORTGAGES

42.1 Type and value of collaterals and mortgages

	<u>Carrying value (million VND)</u>	
	<u>31/12/2013</u>	<u>31/12/2012</u>
Real estate	398,386,886	379,347,644
Movable assets	27,887,506	30,897,047
Valuable papers	42,689,836	32,691,212
Other assets	196,342,350	154,480,824
	<u>665,306,578</u>	<u>597,416,727</u>

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

As at 31 December 2013, 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 owner of the collaterals.

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

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

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

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

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

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

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

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

Details of contingent liabilities and commitments as at 31 December 2013:

	<u>31/12/2013</u>	<u>31/12/2012</u>
	million VND	million VND
Contingent liabilities	46,730,513	43,848,065
Financial guarantees	19,104,454	16,563,687
Letters of Credit	27,626,059	27,284,378
Commitments	17,545,621	11,932,157
Commitments in swap contracts	7,828,801	6,957,407
Commitments in valuable papers trading contracts	1,079,433	2,570,924
Other commitments	8,637,387	2,403,826

44. RISK-FREE TRUSTED AND AGENCY ACTIVITIES

	<u>31/12/2013</u>	<u>31/12/2012</u>
	million VND	million VND
Trusted fund from organisations	6,779,461	4,081,891
	<u>6,779,461</u>	<u>4,081,891</u>

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45. RELATED PARTY TRANSACTIONS AND BALANCES

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

Significant transactions with related parties during the year ended 31 December 2013:

Related parties	Relationship	Transactions	2013
			million VND
The State Bank of Vietnam	Direct owner	Decrease in deposits with related party	(2,074,581)
The State Bank of Vietnam	Direct owner	Decrease in borrowings from related party	(2,470,787)
Indovina Bank Ltd.	Joint Venture	Increase in deposits and loans to related party	700,000
Indovina Bank Ltd.	Joint Venture	Decrease in deposits from related party	46,254
Vietinbank Aviva Life Insurance Company Ltd.	Joint Venture	Decrease in deposits from related party	(348,125)

Significant balances with related parties as at 31 December 2013 are as follows:

Related parties	Relationship	Transactions	Receivables	Payables
			million VND	million VND
The State Bank of Vietnam	Direct owner	Demand deposits and compulsory reserves	10,159,564	-
The State Bank of Vietnam	Direct owner	Borrowings	-	147,215
Indovina Bank Ltd.	Joint Venture	Deposits and loans	2,700,000	4,604,214
Vietinbank Aviva Life Insurance Ltd.	Joint Venture	Deposits	-	20,207

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

As at 31 December 2013:

		Total			Derivatives (Total transaction value in contracts)	Trading and investment securities (Difference between debit - credit)
	Total loan balance	placements (assets)	Total deposits (liabilities)	Credit commitments		
	million VND	million VND	million VND	million VND	million VND	million VND
Domestic	388,514,982	63,384,415	395,547,838	15,424,460	164,334	83,872,350
Overseas	1,435,240	6,295,830	815,142	32,867,996	-	-
	<u>389,950,222</u>	<u>69,680,245</u>	<u>396,362,980</u>	<u>48,292,456</u>	<u>164,334</u>	<u>83,872,350</u>

47. SEGMENT REPORT

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

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

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

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47. SEGMENT REPORT (Continued)

Business segment report:

NO. ITEMS	Banking financial services		Non-banking financial services		Others	Off-set		Total
1. Interest and similar income	115,453,191	334,679			114,273	(71,621,320)		44,280,823
2. Interest and similar expenses	(97,590,438)	(31,383)			(2,816)	71,621,069		(26,003,568)
I. Net interest income	17,862,753	303,296			111,457	(251)		18,277,255
3. Income from services	2,223,373	166,042			40,263	(332,999)		2,096,679
4. Expenses on services	(875,067)	(19,159)			(14,226)	331,899		(576,553)
II. Net profit from services	1,348,306	146,883			26,037	(1,100)		1,520,126
III. Net gain from trading foreign currencies	270,884	723			19,843	-		291,450
IV. Net gain from trading securities	5,732	1,254			11,944	-		18,930
V. Net gain from investment securities	32,143	(22,917)			(1,612)	419		8,033
5. Other operating income	2,481,698	46,012			9,748	(605,781)		1,931,677
6. Other operating expenses	(954,966)	(84,514)			(3,631)	606,580		(436,531)
VI. Net profit/(loss) from other activities	1,526,732	(38,502)			6,117	799		1,495,146
VII. Income from capital contribution, equity investments	169,412	409			2,938	-		172,759
VIII. Operating expenses	(9,705,819)	(138,653)			(65,315)	133		(9,909,654)
IX. Net profit from operating activities before credit provision expenses	11,510,143	252,493			111,409	-		11,874,045
X. Provision expenses for credit losses	(4,078,046)	(45,692)			315	-		(4,123,423)
XI. Profit before tax	7,432,097	206,801			111,724	-		7,750,622
7. Current corporate income tax expense	(1,863,448)	(51,882)			(27,314)	-		(1,942,644)
XII. Corporate income tax expense	(1,863,448)	(51,882)			(27,314)	-		(1,942,644)
XIII. Profit after corporate income tax	5,568,649	154,919			84,410	-		5,807,978

Unit: million VND

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47. SEGMENT REPORT (Continued)

Geographical segment report:

Unit: million VND

No.	Items	Northern	Southern	Others	Off-set	Total
1.	Interest and similar income	86,358,255	24,257,155	5,286,733	(71,621,320)	44,280,823
2.	Income from services	1,675,240	595,746	158,692	(332,999)	2,096,679
3.	Income from trading foreign currencies	4,790,233	364,019	81,436	(114,460)	5,121,228
4.	Income from other activities	1,817,520	595,661	124,277	(605,781)	1,931,677
5.	Other income	330,917	-	-	-	330,917

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48. FINANCIAL INSTRUMENTS

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

As Circular 210 only regulates the presentation and disclosure of financial instruments, the following terms under Circular 210 are adopted for Note 48 of the consolidated financial statements. Assets and liabilities of the Bank are recognised in accordance with Vietnamese Accounting Standards, Accounting Regime applicable to credit institutions in Vietnam and legal regulations relating to financial reporting.

Financial assets

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

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

- *Financial assets at fair value through profit and 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 selling or repurchasing in the near term;
- ✓ There is evidence of a recent actual pattern of short-term profit-taking; or
- ✓ It is a derivative (except for the derivative that is a financial guarantee contract or effective hedging instrument).

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

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48. FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

• *Held-to-maturity investments:*

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

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

• *Loans and receivables:*

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

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

• *Available-for-sale financial assets:*

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

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

Financial liabilities

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

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

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48. FINANCIAL INSTRUMENTS (Continued)

Financial liabilities (Continued)

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

- *Financial liabilities at amortised cost:*

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

Offsetting financial assets and financial liabilities

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

The risk management policy related to financial instruments

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

In 2013, the Bank has officially established Risk Management Division towards the risk management activities in accordance with Basel II. Model of risk management related to financial instruments is associated with the modern risk management model of the Bank. This model based on the "3 stages of control" includes: (i) the business units in Round 1 acts as a unit directly and fully responsible for risk identification, assessment, control and mitigation; (ii) Round 2 is the Risk Management Department with responsibility to establish the policies, principles, control limit and independently supervise the risk management; (iii) Round 3 is the Internal Audit Department with the responsibility to ensure the rationality and effectiveness of the risk management at Round 1 and Round 2. All financial instruments are reviewed, assessed for all related risks before implementation, to ensure that the Bank can effectively control risks related to financial instruments.

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48. FINANCIAL INSTRUMENTS (Continued)

The risk management policy related to financial instruments (Continued)

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

For credit and investment risk: Regulations on credit limit applied to each financial institution which is the Bank's partner are issued by the Bank and are regularly reviewed by a independent department.

For the liquidity risk and market risk: The Bank monitors and evaluates: (i) the differences in maturity term for assets and liabilities management activities to identify, measure, analyse and report about the liquidity and interest risks, (ii) market risk (exchange rate, gold price, etc.) of the system; establishes regulations and procedures related to business activities on Trading Book, ensuring the principle of segregation of duty, management and control of market risk and operational risk throughout front office to back office. In 2013, the Bank applied the supporting software in its business activities, risk management as well as recording financial product to accounting books.

Along with setting up the departments in charge of risk management and risk management policies relating to financial instruments, the Bank also coordinates with partners in the information technology and telecommunication sector to build an integrated system of risk management tools to support the risk management operation in protecting customers, suppliers and therefore, to enhance the sustainable development of the Bank.

The policies on currency risk, interest rate risk, credit risk and liquidity risk are analysed in details in Notes 49, 50, 51 and 52.

Determination of fair value of financial instruments

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

The Bank's financial instruments are detailed as follows:

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48. FINANCIAL INSTRUMENTS (Continued)

	Carrying value		Fair value	
	(Excluding provisions)			
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	million VND	million VND	million VND	million VND
Financial assets				
Cash, gold and gemstones	2,833,496	2,511,105	2,833,496	2,511,105
Balances with the State Bank of Vietnam	10,159,564	12,234,145	10,159,564	12,234,145
Placements with and loans to other credit institutions	73,181,935	57,890,220	(*)	(*)
Trading securities - Equity securities with market price reference	17,594	26,504	15,082	16,790
Trading securities - Equity securities without market price reference	6,674	257,763	(*)	(*)
Trading securities - Debt securities	633,425	-	(*)	(*)
Derivative financial instruments and other financial assets	164,334	74,451	(*)	(*)
Loans to customers	376,288,968	333,356,092	(*)	(*)
Investment securities - Equity securities with market price reference	145,023	145,023	(*)	(*)
Investment securities - Equity securities without market price reference	618,218	133,945	51,222	76,636
Investment securities - Debt securities	82,451,416	73,297,671	(*)	(*)
Other long-term investments	321,108	327,109	(*)	(*)
Other receivables	514,734	621,309	(*)	(*)
Interest and fee receivables	10,035,489	7,943,559	(*)	(*)
Other assets	231,795	143,304	(*)	(*)
	557,603,773	488,962,200		
Financial liabilities				
Borrowings from the Government and the SBV	147,371	2,785,374	(*)	(*)
Deposits and borrowing from other credit institutions	80,464,749	96,814,801	(*)	(*)
Deposits from customers	364,497,001	289,105,307	(*)	(*)
Grants, trusted funds and borrowings at risk of the credit institution	32,424,519	33,226,708	(*)	(*)
Valuable papers issued	16,564,766	28,669,229	(*)	(*)
Accrued fee and interest expenses	4,365,827	3,615,577	(*)	(*)
Other payables and liabilities	19,460,783	11,223,665	(*)	(*)
	517,925,016	465,440,661		

(*) The Bank has not determined fair value of financial assets and financial liabilities as at 31 December 2013 since Vietnamese Accounting Standards as well as prevailing regulations have not had specific guidance on the fair value determination of such items.

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48. FINANCIAL INSTRUMENTS (Continued)

Classification of financial assets as at 31 December 2013:

	Financial assets			
	Held-for- trading million VND	Held-to- maturity million VND	Loans and receivables million VND	Available-for- sale million VND
Cash, gold and gemstones	2,833,496	-	-	-
Balances with the State Bank of Vietnam ("SBV")	10,159,564	-	-	-
Placements with and loans to other credit institutions	-	-	73,181,935	-
Trading securities	657,693	-	-	-
Derivative financial instruments and other financial assets	164,334	-	-	-
Loans to customers	-	-	376,288,968	-
Investment securities	-	2,586,748	-	80,627,909
Other long-term investments	-	-	-	321,108
Other receivables	-	-	514,734	-
Interest and fee receivables	-	-	10,035,489	-
Other assets	-	-	231,795	-
	13,815,087	2,586,748	460,252,921	80,949,017
				557,603,773

Classification of financial liabilities as at 31 December 2013:

Except for derivative financial instruments recognised as the Bank's liabilities and measured at fair value, all the financial liabilities of the Bank as at 31 December 2013 are classified as financial liabilities measured at amortised cost.

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49. CURRENCY RISK

Currency risk is the risk that values of financial instruments fluctuate due to changes in foreign exchange rate.

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

The Bank is exposed to the following risks:

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

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

In 2013, to stabilise the exchange rates, the State Bank of Vietnam (SBV) remained a number of measures such as putting restrictions on the types of entities eligible to borrow in foreign currencies and reducing the interest rate cap of USD deposits to 0.25% per annum for enterprises and 1.25% per annum for individuals. The SBV continued to take measures to keep the stability of the foreign exchange market and made timely intervention where the unusual fluctuation arose. Thanks to the SBV's positive measures, the foreign exchange market in 2013 was kept fairly stable. On 28 June 2013, the SBV adjusted the interbank exchange rate from USD/VND 20,828 to USD/VND 21,036 to support export activities. The average interest rate of the market decreased therefore the Bank enhanced utilising USD foreign currency funds from international market through international refinancing and capital raising channels. The Bank has used these funds to finance projects/production and business plans in Vietnam, contributing to the economy's growth.

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

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

For investment activities:

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

For foreign currency trading activities:

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

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49. CURRENCY RISK (Continued)

Carrying amounts of assets and liabilities denominated in foreign currencies as at 31 December 2013 are as follows:

ITEMS	EUR		USD equivalent		VND		Other currency equivalent		Total	
	million VND	million VND	million VND	million VND	million VND	million VND	million VND	million VND	million VND	million VND
Assets										
Cash, gold and gemstones	78,418		407,125		2,334,912		13,041		2,833,496	
Balances with the State Bank of Vietnam	-		2,772,333		7,387,231		-		10,159,564	
Placements with and loans to other credit institutions (*)	169,739		20,195,991		52,585,961		230,244		73,181,935	
Trading securities (*)	-		-		657,693		-		657,693	
Derivative financial instruments and other financial assets	164,334		-		-		-		164,334	
Loans to customers (*)	1,631,115		66,091,944		308,565,909		-		376,288,968	
Investment securities (*)	-		-		83,214,657		-		83,214,657	
Long-term investments (*)	-		2,358,036		758,455		-		3,116,491	
Fixed assets	-		-		7,080,388		-		7,080,388	
Other assets (*)	806,547		1,790,755		20,707,984		-		23,305,286	
Total assets	2,850,153		93,616,184		483,293,190		243,285		580,002,812	
Liabilities and owners' equity										
Borrowings from the Government and the SBV	-		24,965		122,406		-		147,371	
Deposits and borrowings from other credit institutions	434,184		37,672,676		42,357,889		-		80,464,749	
Deposits from customers	6,882,467		29,623,252		327,851,695		139,587		364,497,001	
Grants, trusted funds and borrowings at risk of the credit institution	268,837		5,053,323		27,102,359		-		32,424,519	
Valuable papers issued	-		6,060,847		10,503,919		-		16,564,766	
Other liabilities (*)	81,508		1,137,924		26,249,607		8,473		27,477,512	
Capital and reserves	-		-		54,074,666		-		54,074,666	
Total liabilities and owners' equity	7,666,996		79,572,987		488,262,541		148,060		575,650,584	
Balance sheet currency position	(4,816,843)		14,043,197		(4,969,351)		95,225		4,352,228	

(*) Excluding risk provision.

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50. INTEREST RATE RISK

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

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

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

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

The Bank's interest rate risk policies are as follows:

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

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

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

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

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50. INTEREST RATE RISK (Continued)

The Bank's interest rate risk policies are as follows (Continued):

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

Interest rate risk management:

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

Interest rate risk management at portfolio level

- The Bank has been implementing the completed systems of the rules, regulations and procedures of interest rate management in the Bank in accordance with international rules and Basel II regulations; implementing interest rate management under "3 control stages" rule.
- In 2013, 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 providing reports of term differences, revaluation under nominal term and behaviour, scenarios analysis reports on interest rate increase/decrease situation, etc. in order to facilitate the Bank's interest rate management activities.
- Re-pricing terms of all loans are required to be adjusted based on the re-pricing terms of funds mobilised and are controlled within established limits by the Bank.

Interest Rate Management at transaction level

- All credit contracts are required to include terms relating to interest rate risk prevention to ensure that the Bank can hold initiative in coping with fluctuations of the market, lending interest rate must reflect the Bank's actual funding cost;
- Management through the Fund Transfer Pricing (FTP) system: Since 02 April 2011, the Bank has implemented the internal fund transfer pricing system - FTP following term-matching principle for every single transaction in line with international practices. In 2013, the Bank completed stage 2 of FTP system, which enhanced the Bank's capital and interest management; the Bank also completed stage 2 of ALM system project of managing assets-liabilities for creating standardised data source and effective measures and control for the Bank's capital and interest management. Depending on the orientation of the Bank and the market movements, the Head Office can change the fund price for each type of customers or products, etc. to give signals for the business units to determine their lending/fund mobilisation rates.

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

Interest rate sensitivity

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

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50. INTEREST RATE RISK (Continued)

31/12/2013	Non - interest bearing	Overdue					Current					Total				
		Over 3 months	Within 3 months	Within 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years							
		million VND	million VND	million VND	million VND	million VND	million VND	million VND	million VND							
Assets																
Cash, gold and gemstones	2,833,496	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,833,496
Balances with the State Bank of Vietnam	-	-	-	10,159,564	-	-	-	-	-	-	-	-	-	-	-	10,159,564
Placements with and loans to other credit institutions (*)	-	-	-	49,763,716	16,100,026	5,122,735	2,195,458	-	-	-	-	-	-	-	-	73,181,935
Trading securities (*)	-	-	-	657,693	-	-	-	-	-	-	-	-	-	-	-	657,693
Derivative financial instruments and other financial assets	-	-	-	164,334	-	-	-	-	-	-	-	-	-	-	-	164,334
Loans to customers (*)	-	3,770,293	2,744,180	257,506,910	62,861,664	40,675,195	4,408,380	3,423,623	898,723	376,288,968	-	-	-	-	-	-
Investment securities (*)	763,241	-	-	1,485,827	6,643,875	6,321,803	4,152,422	59,425,057	4,422,432	83,214,657	-	-	-	-	-	-
Long-term investments (*)	3,116,491	-	-	-	-	-	-	-	-	3,116,491	-	-	-	-	-	-
Fixed assets	7,080,388	-	-	-	-	-	-	-	-	7,080,388	-	-	-	-	-	-
Other assets (*)	23,305,286	-	-	-	-	-	-	-	-	23,305,286	-	-	-	-	-	-
Total assets	37,098,902	3,770,293	2,744,180	319,738,044	85,605,565	52,119,733	10,756,260	62,848,680	5,321,155	580,002,812	-	-	-	-	-	-
Liabilities																
Borrowings from the Government and the SBV	-	-	-	156	-	127,514	-	-	-	147,371	-	-	-	-	-	-
Deposits and borrowings from other credit institutions	-	-	-	42,199,098	22,240,932	8,897,547	3,908,609	3,218,563	-	80,464,749	-	-	-	-	-	-
Deposits from customers	-	-	-	211,407,984	75,211,079	21,869,860	19,558,313	36,449,765	-	364,497,001	-	-	-	-	-	-
Grants, trusted funds and borrowings at risk of the credit institution	-	-	-	6,484,904	13,416,093	6,484,904	2,918,207	3,120,411	-	32,424,519	-	-	-	-	-	-
Valuable papers issued	-	-	-	5,311,366	844,074	158,193	6,606,885	3,644,248	-	16,564,766	-	-	-	-	-	-
Other liabilities (*)	27,477,512	-	-	-	-	-	-	-	-	27,477,512	-	-	-	-	-	-
Total liabilities	27,477,512	-	-	265,403,508	111,712,178	37,538,018	32,992,014	46,432,987	19,701	521,575,918	-	-	-	-	-	-
Balance sheet net interest gap	9,621,390	3,770,293	2,744,180	54,334,536	(26,106,613)	14,581,715	(22,235,754)	16,415,693	5,301,454	58,426,894	-	-	-	-	-	-

(*) Excluding risk provision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **FORM B 05/TCTD-HN**
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51. CREDIT RISK

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

Tools that the Bank uses to manage credit risk include:

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

The Bank has established a credit quality review process to provide early identification of possible changes in the financial position as well as solvency of counterparties based on the qualitative and quantitative factors. Credit limits are established for each counterparty based on its risk rating assigned by the credit rating system. Risk rating is subject to regular assessment.

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

Financial assets overdue but not impaired

The Bank's overdue financial assets that are not impaired include overdue loans with no provision required under Vietnamese Accounting Standards, Accounting Regime applicable to credit institutions in Vietnam and legal regulations relating to financial reporting. The aging of such financial assets as at 31 December 2013 is presented below:

	Overdue			
	Within 90 days	91-180 days	181-360 days	Over 360 days
	million VND	million VND	million VND	million VND
Loans to customers	58,940	38,195	23,623	1,180,743

The Bank is currently holding collaterals in the forms of real estate, movable assets, valuable papers and others in kind for the above financial assets. However, the Bank has not been able to determine the fair value of such assets due to the lack of specific guidance and necessary market information. For the purpose of determining whether the assets are impaired and any provision is needed in accordance with VAS, these assets' values are measured in accordance with Decision 493 and Decision 18.

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52. LIQUIDITY RISK

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

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

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

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

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

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

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

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52. LIQUIDITY RISK (Continued)

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

Based on the SBV's regulations, the Treasury and Financial Planning Department in cooperation with the Treasury Dealing Department proposes available fund management plan in order to assure 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 complied with the regulations and procedures on the liquidity management of the Bank.

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

The data in the Liquidity Risk Report as at 31 December 2013 shows that the Bank's funds are fairly plentiful with terms ranging from 1 to 12 months, the longer-term funds are quite limited; however, they have been improved significantly compared to 2012. This is a common situation of commercial banks in Vietnam. In fact, the Bank still maintains an appropriate rate of short-term funds utilisation for medium and long-term loans within the limit set by the State Bank.

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

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52. LIQUIDITY RISK (Continued)

	Overdue		Current					Total million VND
	Over 3 months million VND	Within 3 months million VND	Within 1 month million VND	From 1 to 3 months million VND	From 3 to 12 months million VND	From 1 to 5 years million VND		
						Over 5 years million VND		
Assets								
Cash, gold and gemstones	-	-	2,833,496	-	-	-	2,833,496	
Balances with the State Bank of Vietnam	-	-	10,159,564	-	-	-	10,159,564	
Placements with and loans to other credit institutions (*)	-	-	49,763,716	16,100,026	7,318,193	-	73,181,935	
Trading securities (*)	-	-	657,693	-	-	-	657,693	
Derivative financial instruments and other financial assets	-	-	164,334	-	-	-	164,334	
Loans to customers (*)	3,770,293	2,744,180	36,977,449	110,932,349	159,003,033	51,768,429	376,288,968	
Investment securities (*)	-	-	1,485,827	6,643,875	10,474,225	59,425,057	83,214,657	
Long-term investments (*)	-	-	-	-	-	-	3,116,491	
Fixed assets	-	-	-	-	-	-	7,080,388	
Other assets (*)	-	-	-	-	100,248	-	23,305,038	
Total assets	3,770,293	2,744,180	102,042,079	133,676,250	176,895,699	111,193,486	580,002,812	
Liabilities								
Borrowings from the Government and the SBV	-	-	156	-	127,514	-	147,371	
Deposits and borrowings from other credit institutions	-	-	40,232,703	24,139,227	12,069,614	4,023,205	80,464,749	
Deposits from customers	-	-	102,058,687	91,124,415	134,864,134	36,449,765	364,497,001	
Grants, trusted funds and borrowings at risk of the credit institution	-	-	5,397,778	13,510,961	9,387,094	1,499,185	32,424,519	
Valuable papers issued	-	-	1,007,923	893,226	11,019,369	-	16,564,766	
Other liabilities (*)	-	-	3,411,960	6,280,964	13,680,451	4,104,137	27,477,512	
Total liabilities	-	-	152,109,207	135,948,793	181,148,176	49,720,540	521,575,918	
Net liquidity difference	3,770,293	2,744,180	(50,067,128)	(2,272,543)	(4,252,477)	61,472,946	58,426,894	

(*) Excluding risk provision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **FORM B 05/TCTD-HN**
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53. CAPITAL AND OPERATING LEASE COMMITMENTS

	<u>31/12/2013</u>	<u>31/12/2012</u>
	million VND	million VND
Capital commitments: office construction and equipment acquisition	766,245	849,206
Irrevocable operating lease commitments	<u>439,973</u>	<u>908,051</u>
Of which:		
- due within one year	84,097	191,054
- due from two to five years	235,640	313,957
- due after five years	120,236	403,040

54. CONTINGENT LIABILITIES

The People's Court of Ho Chi Minh city prosecuted and sentenced the Bank's former employees of Ho Chi Minh City branch and Nha Be branch of the Bank (including Huynh Thi Huyen Nhu) for alleged misappropriation of assets by means of fraudulence and other charges in the first instance criminal court. In terms of civil responsibilities, Huynh Thi Huyen Nhu was ordered to pay compensation to the defrauded organisations and individuals victims and the Bank neither has compensation obligation, jointly liable nor incurs any financial loss with regards to the illegal actions of these individuals mentioned above. Currently, the judgment is being appealed against in the first instance by some of litigating participants. According to the code of criminal legislation and criminal procedure code, the appeal court shall be conducted if the judgment of the first instance court is appealed. Therefore, in this case, the legal responsibilities and obligations of related parties will be determined only when the appeal court has been completed with an effective judgement. However, based on the result of reconciliation, review and examination procedures conducted up to the date of these consolidated financial statements, the Bank's management believes that the Bank neither is jointly liable for nor incurs any financial loss with regards to the illegal actions of the above - mentioned individuals.

55. EXCHANGE RATES OF SOME FOREIGN CURRENCIES AT THE END OF THE FINANCIAL YEAR

	<u>31/12/2013</u>	<u>31/12/2012</u>
	VND	VND
USD	21,036	20,828
EUR	28,937	27,450
GBP	34,756	33,532
CHF	23,618	22,749
JPY	199.76	241.39
SGD	16,623	16,967
CAD	19,745	20,849
AUD	18,754	21,575
NZD	17,257	17,079
THB	631.40	678.61
SEK	3,279	3,193
NOK	3,457	3,722
DKK	3,880	3,680
HKD	2,712	2,676
CNY	3,468	3,322
KRW	19.92	19.37
LAK	2.62	2.58
MYR	6,416	Not applicable

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

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56. SUBSEQUENT EVENTS

Except for the event stated in Note 54, no other event has occurred after the balance sheet date that may have material effects on the Bank's consolidated financial statements.

57. COMPARATIVE FIGURES

Comparative figures are those in the audited consolidated financial statements for the year ended 31 December 2012.

In 2013, the Bank had reclassified certain investments from long-term investments to investment securities, and made respective certain reclassifications to the year's opening figures to enhance the comparability of information.

Items	Presented in the consolidated financial statements for the year ended 31/12/2012	Difference	Presented in the consolidated financial statements for the year ended 31/12/2013
	million VND	million VND	million VND
Investments in associates	45,057	(45,057)	-
Available-for-sale investment securities	71,081,582	45,057	71,126,639

Preparer



Ha Quang Vu
Head of Financial Accounting
Management Department

20 March 2014

Approver



Nguyen Hai Hung
Chief Accountant

Approver



Nguyen Van Du
Deputy General Director
