



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

(Incorporated in the Socialist Republic of Vietnam)

**AUDITED SEPARATE
FINANCIAL STATEMENTS**

For the year ended 31 December 2016

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

TABLE OF CONTENTS

<u>CONTENTS</u>	<u>PAGE(S)</u>
STATEMENT OF THE BOARD OF MANAGEMENT	1 - 2
INDEPENDENT AUDITORS' REPORT	3 - 4
SEPARATE BALANCE SHEET	5 - 7
SEPARATE INCOME STATEMENT	8
SEPARATE CASH FLOW STATEMENT	9 - 10
NOTES TO THE SEPARATE FINANCIAL STATEMENTS	11 - 69

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 separate financial statements for the year ended 31 December 2016.

THE 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. Nguyen Van Thang	Chairman
Mr. Le Duc Tho	Member
Ms. Nguyen Hong Van	Member
Mr. Michael Knight Ipson	Member
Mr. Cat Quang Duong	Member
Mr. Hiroyuki Nagata	Member
Mr. Go Watanabe	Member (resigned on 26 April 2016)
Mr. Yotaro Agari	Member (appointed on 26 April 2016)
Mr. Phung Khac Ke	Member
Ms. Tran Thu Huyen	Member

Board of Management

Mr. Le Duc Tho	General Director
Mr. Tran Minh Binh	Deputy General Director
Mr. Nguyen Van Du	Deputy General Director (resigned on 31 May 2016)
Ms. Bui Nhu Y	Deputy General Director
Mr. Nguyen Hoang Dung	Deputy General Director
Mr. Nguyen Duc Thanh	Deputy General Director
Mr. Hiroyuki Nagata	Deputy General Director
Mr. Tran Cong Quynh Lan	Deputy General Director
Mr. Nguyen Dinh Vinh	Deputy General Director
Ms. Le Nhu Hoa	Deputy General Director (appointed on 01 August 2016)
Mr. Nguyen Hai Hung	Chief Accountant

Person authorized to sign the financial statements

Ms. Le Nhu Hoa	(According to Authorization Letter No. 685/UQ-HDQT-NHCT18 dated 08 August 2016 of the Chairman)
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STATEMENT OF THE BOARD OF MANAGEMENT (Continued)

BOARD OF MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The Board of Management of the Bank is responsible for preparing the separate financial statements, which give a true and fair view of the separate financial position of the Bank as at 31 December 2016 and its separate financial performance and its separate 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. In preparing these separate financial statements, the Board of Management is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the separate financial statements;
- Prepare the separate 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 separate financial statements so as to minimise errors and frauds.

The Board of Management of the Bank is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the separate financial position of the Bank and that the separate 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 separate financial statements.

For and on behalf of the Board of Management,



Le Duc Tho
General Director

Hanoi, 30 March 2017

No.: **852 /VN1A-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 separate financial statements of Vietnam Joint Stock Commercial Bank for Industry and Trade (the "Bank"), prepared on 30 March 2017 as set out from page 05 to page 69, which comprise the separate balance sheet as at 31 December 2016, the separate statement of income, separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of these separate 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 separate 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 separate 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 separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the separate 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 separate 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 separate 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 separate financial statements present fairly, in all material respects, the separate financial position of the Bank as at 31 December 2016, and its separate financial performance and its separate cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime applicable to credit institutions and legal regulations relating to financial reporting.

INDEPENDENT AUDITORS' REPORT (Continued)

Emphasis of matter

We would like to draw readers' attention to Note 49 of the Notes to the separate financial statements "Contingent liabilities". As at 31 December 2016, the Bank has legal rights and obligations related to the case of Huynh Thi Huyen Nhu and the other former employees of Ho Chi Minh City branch and Nha Be branch of the Bank. As at 07 January 2015, the Appeal Court of People's Supreme Court at Ho Chi Minh City ("the Appeal Court") had judged the case, sentencing the accused for swindling to appropriate assets and certain other crimes, simultaneously reaching a verdict on judgment against the accused members. In terms of civil responsibilities, Huynh Thi Huyen Nhu was responsible for reimbursement to three (03) banks, four (04) companies and three (03) individuals which were defrauded by her and the Bank neither has compensation obligations, joint liability nor incurs any financial loss with regards to the illegal actions of the accused members mentioned above. The Appeal Court has ceased the first instance judgment in part relating to Huynh Thi Huyen Nhu's illegal actions to five (05) other companies and has been re-investigating and judging as regulated by laws. Accordingly, the responsibilities and legal obligations of the parties concerned shall be defined only when the case has been re-investigating and tried with effective judgment and verdict. However, based on the results of the reconciliation, examination, cross-check and prosecution procedures performed up to the reporting date, the Bank's management believes that the Bank neither has joint liability nor incurs any financial loss with regards to the illegal actions of the accused individuals mentioned above. Our opinion is not modified in respect of this matter.



Nguyen Tuan Anh
Audit Director

Audit Practising Registration Certificate
No. 1291-2013-001-1

For and on behalf of
DELOITTE VIETNAM COMPANY LIMITED

30 March 2017
Hanoi, S.R. Vietnam

Nguyen Thi Thanh Van
Auditor

Audit Practising Registration Certificate
No. 2543-2014-001-1



SEPARATE BALANCE SHEET

As at 31 December 2016

Unit: Million VND

NO.	ITEMS	Notes	Closing balance	Opening balance
A.	ASSETS			
I.	Cash, gold and gemstones	4	5,133,718	5,003,577
II.	Balances with the State Bank of Vietnam ("SBV")	5	13,501,629	11,892,122
III.	Placements with and loans to other credit institutions	6	94,761,531	67,516,251
1.	Placements with other credit institutions		90,728,678	65,491,767
2.	Loans to other credit institutions		4,032,853	2,024,484
3.	Provisions for losses		-	-
IV.	Trading securities	7	1,502,806	3,200,074
1.	Trading securities		1,502,806	3,200,074
2.	Provisions for impairment of trading securities		-	-
V.	Derivative financial instruments and other financial assets	8	682,690	-
VI.	Loans to customers		649,341,768	528,619,924
1.	Loans to customers	9	656,052,948	533,102,761
2.	Provisions for credit losses of loans to customers	10	(6,711,180)	(4,482,837)
VII.	Investment securities		133,020,649	118,713,394
1.	Available-for-sale investment securities	11	124,360,155	107,619,612
2.	Held-to-maturity investment securities	11	11,743,021	12,928,649
3.	Provisions for impairment of investment securities	12	(3,082,527)	(1,834,867)
VIII.	Capital contribution, Long-term investments	13	6,858,051	7,247,451
1.	Investments in subsidiaries		4,600,882	4,600,882
2.	Investments in joint-ventures		2,088,788	2,088,788
3.	Other long-term investments		170,955	561,974
4.	Provisions for impairment of long-term investments		(2,574)	(4,193)
IX.	Fixed assets		10,288,826	8,299,636
1.	Tangible fixed assets	14	6,356,709	4,293,991
a.	Cost		12,388,443	9,595,039
b.	Accumulated depreciation		(6,031,734)	(5,301,048)
2.	Intangible assets	15	3,932,117	4,005,645
a.	Cost		4,861,209	4,788,369
b.	Accumulated amortisation		(929,092)	(782,724)
X.	Other assets		29,403,935	26,857,529
1.	Other receivables	16	12,382,036	10,803,485
2.	Interest and fee receivables		14,113,946	12,733,323
3.	Other assets	17	2,908,111	3,320,879
4.	Provisions for impairment of other balance sheet assets		(158)	(158)
TOTAL ASSETS			944,495,603	777,349,958

The accompanying notes are an integral part of these separate financial statements

SEPARATE BALANCE SHEET (Continued)

As at 31 December 2016

Unit: Million VND

NO.	ITEMS	Notes	Closing balance	Opening balance
B.	LIABILITIES AND OWNERS' EQUITY			
I.	Borrowings from the Government and the SBV	18	4,808,417	13,205,518
II.	Deposits and borrowings from other credit institutions	19	83,867,853	98,788,429
1.	Deposits from other credit institutions		40,297,218	43,018,560
2.	Borrowings from other credit institutions		43,570,635	55,769,869
III.	Deposits from customers	20	654,814,515	492,566,502
IV.	Derivative financial instruments and other financial liabilities	8	-	117,619
V.	Grants, trusted funds and borrowings at risk of the credit institutions	21	6,075,468	55,131,061
VI.	Valuable papers issued	22	23,849,453	20,860,497
VII.	Other liabilities		111,995,969	41,746,355
1.	Accrued fee and interest expenses		9,786,727	5,844,004
2.	Other payables and liabilities	23	102,209,242	35,902,351
TOTAL LIABILITIES			885,411,675	722,415,981
VIII.	Capital and reserves	25	59,083,928	54,933,977
1.	Contributed capital		46,203,873	46,203,873
a.	Charter capital		37,234,046	37,234,046
b.	Share premium		8,969,827	8,969,827
2.	Reserves		6,042,908	5,044,907
3.	Retained earnings		6,837,147	3,685,197
TOTAL LIABILITIES AND OWNERS' EQUITY			944,495,603	777,349,958

The accompanying notes are an integral part of these separate financial statements

SEPARATE BALANCE SHEET (Continued)

As at 31 December 2016

Unit: Million VND

OFF- SEPARATE BALANCE SHEET ITEMS

NO.	ITEMS	Notes	Closing balance	Opening balance
1.	Credit guarantees	39	2,349,067	5,338,188
2.	Foreign exchange transactions commitmen	39	133,764,643	65,296,692
	<i>Buying foreign currency commitments</i>		509,340	6,826,039
	<i>Selling foreign currency commitments</i>		743,152	6,733,633
	<i>Currency swap contracts</i>		132,512,151	51,737,020
3.	Letters of credit	39	42,263,440	29,549,918
4.	Other guarantees	39	46,250,039	32,122,188
5.	Other commitments	39	28,605,438	30,337,607

Preparer

Approver

Approver

Ngu Bich Phan
Deputy Head of
Financial Accounting
Management Department

Nguyen Hai Hung
Chief Accountant

Le Nhu Hoa
Deputy General Director

30 March 2017



The accompanying notes are an integral part of these separate financial statements

SEPARATE INCOME STATEMENT

For the year ended 31 December 2016

Unit: Million VND

NO.	ITEMS	Notes	Current year	Prior year
1.	Interest and similar income	26	52,332,553	42,054,991
2.	Interest and similar expenses	27	(30,554,240)	(23,644,103)
I.	Net interest income		21,778,313	18,410,888
3.	Income from services		2,520,370	2,045,085
4.	Expenses on services		(1,067,076)	(854,163)
II.	Net profit from services	28	1,453,294	1,190,922
III.	Net gain from trading foreign currencies	29	664,194	10,970
IV.	Net gain from trading securities	30	162,122	142,456
V.	Net gain from investment securities	31	43,451	54,235
5.	Other operating income		2,376,760	3,970,441
6.	Other operating expenses		(1,160,290)	(1,873,309)
VI.	Net profit from other activities	32	1,216,470	2,097,132
VII.	Income from capital contribution, equity investments	33	326,620	332,029
VIII.	Operating expenses	34	(12,416,273)	(10,320,484)
IX.	Net profit from operating activities before credit provision expenses		13,228,191	11,918,148
X.	Provision expenses for credit losses		(4,914,981)	(4,654,631)
XI.	Profit before tax		8,313,210	7,263,517
7.	Current corporate income tax expense	35	(1,623,286)	(1,545,426)
XII.	Corporate income tax expense	35	(1,623,286)	(1,545,426)
XIII.	Profit after corporate income tax		6,689,924	5,718,091

Preparer

Approver

Ngu Bich Phan
Deputy Head of
Financial Accounting
Management Department

Nguyen Hai Hung
Chief Accountant

Le Nhu Hoa
Deputy General Director

30 March 2017

The accompanying notes are an integral part of these separate financial statements

SEPARATE CASH FLOW STATEMENT

For the year ended 31 December 2016

Unit: Million VND

NO. ITEMS	Current year	Prior year
CASH FLOWS FROM OPERATING ACTIVITIES		
01. Interest and similar income received	50,929,790	42,055,617
02. Interest and similar expenses paid	(26,622,874)	(23,480,465)
03. Service income received	1,367,885	1,106,563
04. Net cash received gain from trading foreign currencies, gold and securities	1,078,643	1,496,874
05. Other expenses	(725,782)	(391,695)
06. Receipts from debts written-off or paid off by risk fund	1,808,876	2,212,265
07. Payments to employees and for operating management	(10,826,330)	(9,517,824)
08. Corporate income tax paid	(1,571,699)	(1,634,743)
Net cash from operating profit before movements in assets and working capital	15,438,509	11,846,592
Movement in operating assets	(137,378,834)	(128,763,554)
09. (Increase)/Decrease in deposits at and loans to other credit institutions	(2,006,077)	5,906,839
10. (Increase) in trading securities	(8,631,781)	(27,047,846)
11. (Increase) in derivative financial instruments and other financial assets	(682,690)	-
12. (Increase) in loans to customers	(122,583,978)	(103,032,413)
13. (Decrease) in provisions for losses	(1,459,206)	(3,528,017)
14. (Increase) in other operating assets	(2,015,102)	(1,062,117)
Movement in operating liabilities	155,270,162	118,152,886
15. (Decrease)/Increase in borrowings from the Government and the State Bank of Vietnam	(8,397,101)	8,474,115
16. (Decrease) in deposits and borrowings from other credit institutions	(14,920,576)	(3,674,412)
17. Increase in deposits from customers (including State Treasury)	162,248,013	68,721,285
18. Increase in issued valuable papers (excluding issued valuable papers charged to financial activities)	2,988,956	15,566,424
19. (Decrease)/Increase in grants, trusted funds and borrowings at risk of the credit institution	(49,055,593)	22,401,471
20. (Decrease) in derivative financial instruments and other financial liabilities	(117,619)	(298,159)
21. Increase in other operating liabilities	62,526,825	6,962,510
22. Cash outflows from reserves of the credit institution	(2,743)	(348)
I. Net cash generated by operating activities	33,329,837	1,235,924

The accompanying notes are an integral part of these separate financial statements

SEPARATE CASH FLOW STATEMENT (Continued)

For the year ended 31 December 2016

Unit: Million VND

NO ITEMS	Current year	Prior year
CASH FLOWS FROM INVESTMENTING ACTIVITIES		
01. Acquisition of fixed assets	(1,869,401)	(1,865,168)
02. Proceeds from sales, disposals of fixed assets	13,348	233,121
03. Expenses on sales, disposals of fixed assets	(8,573)	(18,286)
04. Investments in other entities	-	(1,297,511)
05. Proceeds from investments in other entities	210,388	17,705
06. Dividends and profits received from long-term investments and capital contribution	301,368	496,626
II. Net cash (used in) investing activities	(1,352,870)	(2,433,513)
CASH FLOWS FROM FINANCING ACTIVITIES		
01. Dividends paid	-	(3,723,405)
III. Net cash (used in) financing activities	-	(3,723,405)
IV. Net increase/(decrease) in cash and cash equivalents	31,976,967	(4,920,994)
V. Cash and cash equivalents at the beginning of the year	82,103,181	87,008,802
VI. Effects of changes in foreign exchange rates	1,883	15,373
VII Cash and cash equivalents at the end of the year (Note 36)	114,082,031	82,103,181

Supplemental non-cash disclosures

Dividends and profit received from long-term investments and capital contribution during the year exclude an amount of VND 193,599 million, representing profit allocation from subsidiaries during the year that have not yet actually been paid; and include an amount of VND 174,533 million, representing prior year's recorded dividends that have been paid during the year. Consequently, changes in other operating assets have been adjusted by the same amount.

Dividends and profits paid during the year exclude an amount of VND 2,606,383 million, representing cash dividends for the year 2015 which have been approved at the rate of 7% per share, equivalent to VND 700 per ordinary share according to Resolution No. 716/NQ-HĐQT-HC 14 dated 30 December 2016 issued by the Board of Directors, but have not yet actually been paid. Consequently, changes in other operating liabilities have been adjusted by the same amount.

Preparer

Approver

Approver

Ngu Bích Phan
Deputy Head of
Financial Accounting
Management Department

Nguyen Hai Hung
Chief Accountant

Le Nhu Hoa
Deputy General Director

30 March 2017

The accompanying notes are an integral part of these separate financial statements

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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

1. GENERAL INFORMATION

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

Establishment and operation

The Bank was established from the equitisation of Vietnam Bank for Industry and Trade - a State-owned commercial bank which had been established in accordance with Decision No. 402/CT dated 14 November 1990 by the President of Ministerial Council and subsequently reorganised into State-owned corporation in accordance with Decision No. 285/QĐ-NHNN 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 Authority for Planning and Investment. On 29 April 2014, Hanoi Authority for Planning and Investment issued the tenth amended Business Registration Certificate No. 0100111948 to the Bank.

The Bank's main activities are to provide banking services including mobilizing and receiving short-term, medium-term, and long-term deposits from organisations and individuals; making short-term, medium-term, and long-term loans to organisations and individuals based on the nature and capability of the Bank's sources of capital; providing settlement services among organisations and individuals; conducting foreign exchange transactions, international trade funding 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 the existing shareholders with the total number of new issued shares of 337,162,027.

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

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

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

Accordingly, as at 31 December 2016, the Bank's charter capital is VND 37,234,046 million.

1. GENERAL INFORMATION (Continued)

The branch network

The Head Office of the Bank is located at 108 Tran Hung Dao Street, Hoan Kiem District, Hanoi, Vietnam. As at 31 December 2016, the Bank has one (01) Head Office, one (01) Trade Finance Center, three (03) administrative units, five (05) Cash Management Centers, two (02) local representative offices, one (01) overseas representative office in Myanmar and one hundred and fifty seven (157) branches (including two (02) overseas branches).

Subsidiaries

As at 31 December 2016, the Bank has seven (7) subsidiaries and one (1) subsidiary bank as follows:

No.	Name	Established in accordance with Decision No.	Business sector	% of ownership held by the Bank
1	VietinBank Leasing Company Ltd.	0101047075/GP dated 10 March 2011 by Hanoi Authority for Planning and Investment	Banking and finance	100%
2	VietinBank Securities Joint Stock Company	107/UBCK-GP dated 01 July 2009 by State Securities Commission of Vietnam	Securities 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 Jewelry Trading Company Ltd.	0105011873/GP dated 25 November 2010 by Hanoi Authority for Planning and Investment	Gold and gemstones manufacturing and trading	100%
6	VietinBank Fund Management Company Ltd.	50/UBCK-GP dated 26 October 2010 by State Securities Commission of Vietnam (SSC)	Fund management	100%
7	VietinBank Global Money Transfer Company Ltd.	0105757686 dated 03 January 2012 by Hanoi Authority for Planning and Investment	Money transfer intermediary	100%
8	VietinBank Lao Limited	068/NHCHDCNDL dated 08 July 2015 by the People's Democratic Republic Bank of Laos	Banking and finance	100%

Employees

The total number of employees of the Bank as at 31 December 2016 is 21,833 (as at 31 December 2015: 20,079).

Disclosure of information comparability in the separate financial statements

Comparative figures are the figures of the audited separate financial statements for the year ended 31 December 2015.

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

The accompanying separate 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 separate financial statements, the figures are rounded to and presented in millions of Vietnam Dong (million VND). This presentation does not materially impact the separate financial statements in terms of the separate financial position, the separate results of operations and separate cash flows. With regard to the number of shares, the Bank presented the items in unit as shown in Note 25.

The accompanying separate financial statements are not intended to present the separate financial position, separate results of operations and separate 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Estimates

The preparation of the separate 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 separate 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.

Cash and cash equivalents

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

Loans to customers

Loans to customers are stated at their outstanding principal amounts as at the balance sheet date except for the loans which are unable to be recovered and are written off. According to Circular No. 02/2013/TT-NHNN dated 21 January 2013 ("Circular 02"), the Bank has to establish Risk Settlement Committee in order to decide the use of provision against credit risks in the following cases:

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision for credit losses

In accordance with Law on Credit Institutions No. 47/2010/QH12 effective from 01 January 2011, Decision No. 1627/2001/QĐ-NHNN dated 31 December 2001 of the Governor of the State Bank on lending regulations of credit institutions, Decision No. 127/2005/QĐ-NHNN dated 03 February 2005 amending and supplementing a number of articles of lending regulations under Decision No. 1627/2001/QĐ-NHNN, Circular 02 by stipulating classification of assets, levels and method of provisioning and use of provision against credit risk in banking activities by credit institutions and branches of foreign banks issued the Governor of the State Bank and Circular No. 09/2014/TT-NHNN dated 18 March 2014 ("Circular 09") amending a number of articles of Circular 02, credit institutions are required to classify loans and make provisions for credit losses. Accordingly, the classification and provision-making for credit losses under guidance of Circular 02 and Circular 09 are applied for the following assets:

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

Accordingly, customers risk category is the one with the highest risk level when the Bank simultaneously classifies loans based on Articles 10 and 11 - Circular 02 and the loan category provided by Credit Information Centre ("CIC") of the State Bank of Vietnam at the time of loans classification. Specifically, Article 10 of Circular 02 requires classifications of loans and off-balance-sheet commitments are made under quantitative methods; Article 11 of Circular 02 requires the Bank to classify loans and off-balance-sheet commitments based on internal credit ranking of the Bank as approved by the State Bank of Vietnam. Loans are classified into the following risk levels: Current, Special-mentioned, Substandard, Doubtful and Loss. Bad debts are Substandard, Doubtful and Loss.

Specific provision is made for the potential losses of each loan and 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%

3. 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 Circular 02. Loan classification is to be made at the end of each quarter for the first three quarters and on 30 November for the last quarter of each financial year.

General provision is made for credit losses which are yet to be identified during the loan classification. Accordingly, the Bank is required to make and maintain a general provision at 0.75% of total of loan exposures that are classified in groups 1 to 4, except for deposits at domestic credit institutions and Vietnam-based foreign bank branches as provided by law, and deposits at foreign credit institutions, loans, valuable papers repurchased and reverse-repurchased from other credit institutions and foreign bank branches in Vietnam.

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

Investments

Trading securities

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

Interests received while holding trading securities are recorded in the separate income statement on the cash basis. Cash dividends are recognized in the separate income statement when there is an official decision on the distributable dividends.

Investment securities

Held-to-maturity investment securities

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

Held-to-maturity investment securities are initially recognised at par value as at the transaction date, accumulative interest income before the purchasing date (for debt securities with interest paid in arrears) or interest income received upfront awaiting amortisation (for debt securities with interest paid in advance) 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 awaiting amortisation (if any) for debt securities with interest paid in advance is also recorded in a separate account.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Investment securities (Continued)

Held-to-maturity investment securities (Continued)

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

With regard to special bonds resulting from debts trading transactions between Vietnam Asset Management Company ("VAMC") and credit institutions

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

Periodically, the Bank shall determine and make provision for impairment of those special bonds in accordance with the regulations stipulated in Decree No. 53/2013/ND-CP ("Decree 53") dated 18 May 2013 and Decree No. 18/2016/ND-CP dated 18 March 2016 ("Decree 18") of the Government, Circular No. 19/2013/TT-NHNN dated 06 September 2013 ("Circular 19") and Circular No. 14/2015/TT-NHNN dated 28 August 2015 of the State Bank of Vietnam on amending and supplementing certain articles of Decree 53 and Circular 19. Accordingly, during the term of the special bonds, the Bank shall record the provision for impairment of those special bonds in the operating expenses. Within 05 working days prior to the date corresponding to the maturity date of the special bonds, the Bank shall make specific minimum provision for each special bond calculated on annual basis by the following formula:

Minimum special provision made in the year = (Par value of the special bond x Number of years from issuance of special bonds to provision time)/Term of the special bond - Accumulated bad debt collection at the date of provision - Accumulated specific provision for special bonds.

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

The special bonds are redeemed in the following cases:

- a) The loan loss provision made for special bonds is not lower than the carrying amount of outstanding principal of the bad debts being recorded by VAMC, including the cases below:
 - (i) VAMC sells bad debts to other organizations and individuals, including the bad debts bought with special bonds to debt-selling credit institutions at market prices or agreed prices;
 - (ii) VAMC converts a portion or the whole amount of bad debts bought into charter capital, share capital of borrowers being enterprises.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Investment securities (Continued)

With regard to special bonds resulting from debts trading transactions between Vietnam Asset Management Company ("VAMC") and credit institutions (Continued)

- b) The special bonds are matured: When the special bonds are redeemed and the Bank receives the previously sold debts from VAMC, the Bank might use the provision made annually for special bonds to settle bad debts. The difference between provisions made for special bonds and unrecoverable amount of debts is recorded as "Other operating income" in the separate income statement.

Available-for-sale investment securities

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

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

Available-for-sale debt securities are initially recognised at par value as at the transaction date. Accumulative interest income before the purchasing date (for debt securities with interest paid in arrears) or interest income received upfront awaiting amortisation (for debt securities with interest paid in advance) is recorded in a separate account. Any discount or premium which is the difference between the cost and the amount equal to par value plus (+) accumulative interest income before the purchasing date for debt securities with interest paid in arrears or minus (-) interest income received upfront awaiting amortisation for debt securities with interest paid in advance is also recorded in a separate account. Subsequently, available-for-sale debt securities are recorded at par value less/plus remaining discount/premium after being amortised to the separate income statement using the straight-line method over the remaining term of securities.

Interest paid in arrears is recorded on the basis: accumulative interest income before the purchasing date is recorded as a decrease in value of such securities and the same amount is credited into the accrued interest income; accumulative interest income after the purchasing date is recognised as the Bank's income based on an accrual basis. Interest received upfront is amortised to net gain from investment securities using the straight-line method over the investment period.

Provisions for impairment of trading securities and investment securities

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

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

Investments (Continued)

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

Investments in subsidiaries

Investments in subsidiaries over which the Bank has control are initially recorded using the historical cost method. Historical cost comprises amount of capital contributed plus other costs to maintain its ownership of the investments. The profit distribution that the Bank receives from the accumulated profits of the subsidiaries after effective date of the Bank's control over the subsidiaries is recorded in the Bank's separate income statement. Other distributions received are deducted from the cost of the investments as recoverable amounts.

Investments in joint ventures

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

The Bank's investments in joint ventures are stated at cost that includes contributed capital and other expenses for maintaining its ownership of the investments. The profit distributions from accumulated profits of the joint ventures after the Bank's joining date in the ventures are recorded in the Bank's separate income statement. Other distributions received are deducted from the cost of the investments as recoverable amounts.

Other long-term investments

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

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Recognition

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

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

De-recognition

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 separate financial statements. The corresponding proceed received is recognised in the separate balance sheet as a liability. The difference between the sale price and repurchase price is amortised to the separate 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 separate financial statements. The corresponding cash payment is recognised in the separate balance sheet as an asset. The difference between the purchasing price and resale price is amortised to the separate income statement over the agreement validity period using the straight-line method based on the contractual interest rate.

Trust activities and trusted funds

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 separate 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 - 40
Machinery and equipment	03 - 07
Motor vehicles	06 - 07
Other tangible fixed assets	04 - 25

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

Intangible assets and amortisation

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

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

Leasing

Leases are classified as operating leases whenever the lessor retains substantially all the risks and rewards of ownership pertaining to the lease.

The Bank as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred for obtaining income from operating leases are recorded immediately in profit or loss when incurred or allocated to expenses over the lease term in accordance with the recognition from operating leases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Bank as lessee

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

Prepayments

Prepayments are expenses which have already been paid but relate to results of operations of multiple accounting periods. 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 separate income statement using the straight-line method over the prepaid rental period.

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

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, being prosecuted, on trial or pass away even though loans are not overdue. Provision expense incurred is recorded as operating expenses in the separate 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 end of the financial year are made based on the following provision rates applied to receivables as at the balance sheet date after deducting the value of evaluated collaterals.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital and reserves

Common stocks

Common stocks are classified as owners' equity.

Share premium

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

Treasury shares

When issued stocks are repurchased, the aggregate amount paid, including expenses that directly relate to the repurchase of stocks, after deducting taxes, is recorded as treasury shares and stated as a decrease in 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 reserve: 5% of profit after tax but 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 Meetings of Shareholders;
- Other reserves: established in accordance with current regulations and the Decisions approved in the General Meetings of Shareholders.

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

Revenue and expenses

Interest income

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

Income and expense from other services

Income and expense from other services are recognised on the accrual basis.

Recognition of dividends and profit received

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

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 central exchange rate quoted by the State Bank of Vietnam for USD and at bank transfer rate for other foreign currencies at the end of the transaction date. Monetary assets, liabilities and the balance of equity reserves at foreign branches denominated in foreign currencies as at the balance sheet date are translated into VND using the above exchange rate as at the balance sheet date (see list of applicable exchange rates of foreign currencies against VND as at 31 December 2016 in Note 52). 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 separate income statement.

Other payable provisions

Other payable 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 balance sheet date.

Taxation

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

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 payment based on the average of actual monthly salary and cost of living allowance of 6 months adjacent to the date of employees' retirement paid by the Bank.

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

Resignation allowance

When employees of the Bank terminate the labor contracts, they are entitled to receive severance allowance equal to a half of the Social Security Wage Base for each year of service (12 months) at the Bank up to 31 December 2008.

Unemployment allowance

Since 01 January 2009, the Bank has contributed to the Unemployment Insurance Fund an amount equal to 1% of its employees' basic salary in accordance with laws and regulations.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivatives (Continued)

Currency option contracts

Commitment amount for the currency option contracts is not recognised in the separate balance sheet. The option premium paid or received is recorded as receivable from or payable to derivative transactions, and is amortised to income or expense using the straight-line method over the period of the contracts. As at the 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 separate 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 associate in which the Bank is a venturer;
- (c) The party has a close member of the Board of Directors, Board of Supervisors and Board of Management of the Bank;
- (d) The party is a close member of the family of any individual referred to in (a) or (c);
- (e) The party is a Bank that is controlled, jointly controlled or significantly influenced by, or of which, significant voting power in such Bank resides with, directly or indirectly, any individual referred to in (c) or (d).

Off-balance sheet commitments and guarantees

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

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

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

4. CASH, GOLD AND GEMSTONES

	Closing balance	Opening balance
	million VND	million VND
Cash in VND	4,504,673	4,378,889
Cash in foreign currencies	627,398	622,958
Monetary gold	1,647	1,730
	5,133,718	5,003,577

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

	Closing balance	Opening balance
	million VND	million VND
Current account at the State Bank of Vietnam		
- In VND	10,409,825	8,785,630
- In foreign currencies	3,091,804	3,106,492
	13,501,629	11,892,122

Deposit at the State Bank of Vietnam ("SBV") consists of compulsory reserves for deposits and current accounts. Pursuant to regulations of the State Bank of Vietnam on compulsory reserve, part of the Bank's compulsory reserve can be 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 2016 are as follows:

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

Compulsory reserve balances for deposits in foreign currencies applicable to credit institutions as at 31 December 2016 are as follows:

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

6. PLACEMENTS WITH AND LOANS TO OTHER CREDIT INSTITUTIONS

	<u>Closing balance</u>	<u>Opening balance</u>
	million VND	million VND
Placements with other credit institutions		
Demand deposits	40,761,621	17,097,166
- In VND	31,138,452	7,329,949
- In foreign currencies	9,623,169	9,767,217
Term deposits	49,967,057	48,394,601
- In VND	31,962,000	12,170,000
- In foreign currencies	18,005,057	36,224,601
Provisions for credit losses	-	-
	90,728,678	65,491,767
Loans to other credit institutions		
- In VND	3,379,162	1,744,634
<i>Include: discounts, rediscounts</i>	2,183,763	303,564
- In foreign currencies	653,691	279,850
<i>Include: discounts, rediscounts</i>	-	-
- Provisions for credit losses	-	-
	4,032,853	2,024,484
Placements with and loans to other credit institutions	94,761,531	67,516,251

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

	<u>Closing balance</u>	<u>Opening balance</u>
	million VND	million VND
Current loans	53,999,910	50,419,085
Special-mentioned loans	-	-
Sub-standard loans	-	-
Doubtful loans	-	-
Loss loans	-	-
Total	53,999,910	50,419,085

7. TRADING SECURITIES

	<u>Closing balance</u>	<u>Opening balance</u>
	million VND	million VND
Debt securities		
- Government bonds	1,502,806	3,200,074
	1,502,806	3,200,074
Provision for impairment of trading securities	-	-
	1,502,806	3,200,074

7. TRADING SECURITIES (Continued)

Listing status of trading securities

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
Debt securities		
Government bonds		
- Listed	1,502,806	3,200,074
	1,502,806	3,200,074

8. DERIVATIVE FINANCIAL INSTRUMENTS AND OTHER FINANCIAL ASSETS/LIABILITIES

	<u>Net book value (at exchange rate as at the reporting date)</u>	
	<u>Assets</u> million VND	<u>Liabilities</u> million VND
Closing balance		
Currency derivative financial instruments	682,690	-
Forward contracts	184,888	-
Swap contracts	497,802	-
Opening balance		
Currency derivative financial instruments	-	117,619
Forward contracts	-	23,589
Swap contracts	-	94,030

9. LOANS TO CUSTOMERS

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
Loans to local business entities and individuals	651,834,493	530,168,751
Discounting promissory notes and valuable papers	1,193,140	632,317
Payments made on behalf of customers	32,956	33,497
Loans by grants, investment trusts	682,632	834,518
Loans to foreign organisations and individuals	2,309,727	1,365,792
Frozen loans and loans pending for resolution	-	67,886
	656,052,948	533,102,761

Analysis of loan balances by quality

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
Current loans	643,813,849	525,115,547
Special-mentioned loans	5,532,474	3,083,144
Sub-standard loans	2,111,187	1,411,357
Doubtful loans	805,096	735,343
Loss loans	3,790,342	2,757,370
	656,052,948	533,102,761

9. LOANS TO CUSTOMERS (Continued)

Analysis of loan balances by term

	Closing balance million VND	Opening balance million VND
Short-term loans	372,360,823	299,545,679
Medium-term loans	71,805,006	59,007,143
Long-term loans	211,887,119	174,549,939
	656,052,948	533,102,761

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

	Closing balance million VND	Opening balance million VND
State-owned enterprises	36,108,048	33,123,792
State-owned one-member limited enterprises	58,751,773	60,777,166
Two or more member limited liability enterprises with more than 50% of the State's share holding	5,578,225	4,097,319
Other limited companies	131,243,568	100,170,998
Joint stock companies with more than 50% of the State's share-holding	40,463,733	35,570,962
Other joint stock companies	174,395,187	141,706,644
Partnership companies	31,921	39,384
Private companies	17,601,254	15,477,471
Foreign invested enterprises	35,553,231	26,547,008
Cooperatives, cooperative unions	1,074,702	986,553
Household businesses, individuals	151,885,457	111,743,457
Administrative units, the Party, unions and associations	3,352,078	2,181,383
Others	13,771	680,624
	656,052,948	533,102,761

9. LOANS TO CUSTOMERS (Continued)

Analysis of loan balances by industry

	Closing balance	Opening balance
	million VND	million VND
Agriculture, forestry and aquaculture	29,292,877	18,627,219
Mining and quarrying	20,590,052	19,700,155
Manufacturing and processing	196,324,537	156,733,772
Electricity, fuel gas and hot water	31,998,222	31,091,572
Water supplying, garbage and sewage treatment and management	2,076,879	1,557,468
Construction	74,686,948	58,804,193
Wholesale and retail trade, repair of motor vehicles, motor cycles	179,681,844	150,916,636
Transport, warehouse	11,684,330	7,033,175
Hospitality services	10,334,753	3,502,949
Information and communications	1,578,642	1,590,299
Financial, banking and insurance	112,798	186,475
Real estate	18,200,912	42,506,465
Profession, science and technology	44,545	61,672
Administrative activities and supporting service	437,046	450,848
Education and training	1,667,597	789,931
Health care and social work	3,014,178	1,789,170
Other service activities	22,835,429	9,363,428
Households	50,064,867	26,976,505
International organisations and bodies	418,805	459,689
Others	1,007,687	961,140
	656,052,948	533,102,761

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

10. PROVISIONS FOR CREDIT LOSSES OF LOANS TO CUSTOMERS

The Bank reclassified loans to customers in accordance with Circular 02, Circular 09, amendments and supplements, and policies on loan classification and credit loss provisioning of the Bank. Provision for credit losses as at 31 December 2016 was set up based on loan classification results as at 30 November 2016. Provision for credit losses of loans at overseas branches is made in accordance with prevailing regulations in their local jurisdictions.

Movement in provision for credit losses of loans to customers for the year ended 31 December 2016 is as follows:

	General provision	Specific provision	Total
	million VND	million VND	million VND
Opening balance	3,784,171	698,666	4,482,837
Provision charged for the year	980,843	1,895,468	2,876,311
Provision utilised for the year	-	(647,968)	(647,968)
Closing balance	4,765,014	1,946,166	6,711,180

10. PROVISIONS FOR CREDIT LOSSES OF LOANS TO CUSTOMERS (Continued)

Movement in provision for credit losses of loans to customers for the year ended 31 December 2015 is as follows:

	General provision	Specific provision	Total
	million VND	million VND	million VND
Prior year's opening balance	3,148,857	1,181,468	4,330,325
Provision charged for the year	657,296	2,559,619	3,216,915
Provision utilised for the year	-	(2,430,605)	(2,430,605)
Decrease due to upgrading Laos branch to a subsidiary bank	(21,982)	(18,597)	(40,579)
Decrease in provision during the year	-	(593,220)	(593,220)
Prior year's closing balance	3,784,171	698,666	4,482,837

11. INVESTMENT SECURITIES

	Closing balance	Opening balance
	million VND	million VND
Available-for-sale investment securities	124,360,156	107,619,612
Debt securities	123,860,254	107,345,576
- Government bonds	55,255,129	39,464,436
- Debt securities issued by other local credit institutions	25,133,435	16,554,359
- Debt securities issued by local business entities	43,471,690	51,326,781
- Foreign debt securities	-	-
Equity securities	499,902	274,036
- Equity securities issued by local business entities	499,902	274,036
Provisions for impairment of available-for-sale investment securities	(464,420)	(444,190)
<i>In which:</i>		
- Provisions for impairment of available-for-sale equity investment securities	(164,496)	(62,164)
- General provision for impairment of available-for-sale debt investment securities	(299,924)	(382,026)
- Specific provision for impairment of available-for-sale debt investment securities	-	-
	123,895,736	107,175,422
Held-to-maturity investment securities	11,743,021	12,928,649
Government bonds	2,200,000	2,200,000
Debt securities issued by local business entities	9,543,021	10,728,649
Provisions for impairment of held-to-maturity investment securities	(2,618,108)	(1,390,677)
	9,124,913	11,537,972
Total	133,020,649	118,713,394

11. INVESTMENT SECURITIES (Continued)

Analysis on securities quality classified as credit risk assets

	Closing balance	Opening balance
	million VND	million VND
Current loans	43,858,438	51,413,529
Special-mentioned loans	-	-
Sub-standard loans	-	-
Doubtful loans	-	-
Loss loans	-	-
Total	43,858,438	51,413,529

As at 31 December 2016, the Bank has implemented classification of debt securities of business entities ("BEs") which are unlisted (not including any special bonds issued by VAMC) in accordance with Circular 02 and Circular 09. Provision for losses on debt securities of unlisted BEs is made based on the results of loan classification as at 30 November 2016.

Special bonds issued by VAMC

	Closing balance	Opening balance
	million VND	million VND
Par value of special bonds	9,156,273	10,341,901
Provision for special bonds	(2,615,207)	(1,387,776)
Total	6,541,066	8,954,125

12. PROVISIONS FOR IMPAIRMENT OF INVESTMENT SECURITIES

Movement in provisions for impairment of investment securities for the year ended 31 December 2016 is as follows:

	Provision for available-for-sale investment securities		Provision for held-to-maturity investment securities		
	Debt securities issued by unlisted business entities		Debt securities issued by unlisted business entities		
	million VND	Equity securities million VND	million VND	Other debt securities million VND	Total million VND
Opening balance	382,026	62,164	1,390,677	-	1,834,867
Provision charged/ (reversed) for the year	(82,102)	102,332	2,038,670	-	2,058,899
Provision utilised for the year	-	-	(811,239)	-	(811,239)
Closing balance	299,924	164,496	2,618,108	-	3,082,527

12. PROVISIONS FOR IMPAIRMENT OF INVESTMENT SECURITIES (Continued)

Movement in provisions for impairment of investment securities for the year ended 31 December 2015 is as follows:

	Provision for available-for-sale investment securities		Provision for held-to-maturity investment securities		
	Debt securities issued by unlisted business entities		Debt securities issued by unlisted business entities		Other debt securities
	million VND	Equity securities million VND	million VND	million VND	Total million VND
Prior year's opening balance	223,464	15,990	387,153	-	626,607
Provision charged/ (reversed) for the year	158,562	(23,826)	1,437,718	-	1,572,454
Provision utilised for the year	-	-	(434,194)	-	(434,194)
Reclassification	-	70,000	-	-	70,000
Prior year's closing balance	382,026	62,164	1,390,677	-	1,834,867

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

Movement in provisions for impairment of debt securities of unlisted business entities for the year ended 31 December 2016 is as follows:

	General provision million VND	Specific provision million VND	Total million VND
Opening balance	384,926	1,387,777	1,772,703
Provision (reversed)/charged for the year	(82,102)	2,038,670	1,956,568
Provision utilised for the year	-	(811,239)	(811,239)
Closing balance	302,824	2,615,208	2,918,032

Movement in provisions for impairment of debt securities of unlisted business entities for the year ended 31 December 2015 is as follows:

	General provision million VND	Specific provision million VND	Total million VND
Prior year's opening balance	226,365	384,252	610,617
Provision charged for the year	158,562	1,437,717	1,596,279
Provision utilised for the year	-	(434,193)	(434,193)
Prior year's closing balance	384,926	1,387,777	1,772,703

13. CAPITAL CONTRIBUTION, LONG-TERM INVESTMENTS

Analysis on investment value by type of investment:

	<u>Closing balance</u> <u>million VND</u>	<u>Opening balance</u> <u>million VND</u>
Investments in subsidiaries (Note 13.1)	4,600,882	4,600,882
Investments in joint ventures (Note 13.2)	2,088,788	2,088,788
Other long-term investments	170,955	561,974
Provisions for impairment of long-term investments	(2,574)	(4,193)
	<u>6,858,051</u>	<u>7,247,451</u>

13.1 Investments in subsidiaries

	<u>Closing balance</u> <u>million VND</u>	<u>Opening balance</u> <u>million VND</u>
VietinBank Leasing Company Ltd.	1,000,000	1,000,000
VietinBank Securities Joint Stock Company	597,232	597,232
VietinBank Debt Management and Asset Exploitation Company Ltd.	120,000	120,000
VietinBank Insurance Company Ltd.	500,000	500,000
VietinBank Fund Management Company Ltd.	950,000	950,000
VietinBank Gold and Jewellery Trading Company Ltd.	300,000	300,000
VietinBank Global Money Transfer Company Ltd.	50,000	50,000
VietinBank (Lao) Limited	1,083,650	1,083,650
	<u>4,600,882</u>	<u>4,600,882</u>

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

13.2 Joint ventures

	Place of incorporation (or registration) and operation	Proportion of ownership		Investment value as at 31/12/2016 million VND	Investment value as at 31/12/2015 million VND	Principal activities
		Proportion of ownership	Proportion of voting power			
Indovina Bank Ltd.	97A Nguyen Van Troi Street, Ward 12, Phu Nhuan District, Ho Chi Minh City	50	50	1,688,788	1,688,788	Providing banking services such as deposits, lending, card services, L/C, remittances, etc.
VietinBank Aviva Life Insurance Company Limited	Room 1001B, 10th Floor, B Tower, Handi Resco Building, 512 Kim Ma, Ba Dinh, Hanoi	50	50	400,000	400,000	- Providing life insurance service - Providing health insurance service - Providing reinsurance service
				2,088,788	2,088,788	

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

Since its establishment, the charter capital of Indovina Bank Ltd. has been increased several times under the approval of the SBV, while the proportions of ownership interest of the joint venture partners remain unchanged. As at 31 December 2016, Indovina Bank Ltd.'s charter capital was USD 193,000,000.

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

14. TANGIBLE FIXED ASSETS

Movement of tangible fixed assets for the year ended 31 December 2016 is as follows:

	Building, structures	Machinery, equipment	Motor vehicles	Others	Total
	million VND	million VND	million VND	million VND	million VND
Cost					
Opening balance	4,301,266	4,190,134	952,317	151,322	9,595,039
Acquisitions during the year	1,646,667	195,777	170,875	55,612	2,068,931
Transfer from construction in progress	713,903	14,595	3,528	5,523	737,549
Other additions	28,431	825	710	-	29,966
Reclassification	(421)	1,900	-	(1,709)	(230)
Disposals	(2,991)	(26,242)	(7,957)	(1,389)	(38,579)
Other decreases	(2,615)	(1,399)	(110)	(109)	(4,233)
Closing balance	6,684,240	4,375,590	1,119,363	209,250	12,388,443
Accumulated depreciation					
Opening balance	1,170,037	3,382,281	646,532	102,198	5,301,048
Depreciation charged for the year	253,634	368,876	109,214	23,700	755,424
Other additions	14,412	825	-	-	15,237
Reclassification	(20)	1,716	-	(1,696)	-
Disposals	(2,127)	(26,225)	(7,957)	(1,389)	(37,698)
Other decreases	(1,194)	(980)	(80)	(23)	(2,277)
Closing balance	1,434,742	3,726,493	747,709	122,790	6,031,734
Net book value					
Closing balance	5,249,498	649,097	371,654	86,460	6,356,709
Opening balance	3,131,229	807,853	305,785	49,124	4,293,991

15. INTANGIBLE ASSETS

Movement of intangible assets for the year ended 31 December 2016 is as follows:

	Land use rights	Other intangible assets	Total
	million VND	million VND	million VND
Cost			
Opening balance	3,935,731	852,638	4,788,369
Acquisitions during the year	65,334	15,336	80,670
Other additions	376	-	376
Reclassification	230	-	230
Disposals	(8,226)	-	(8,226)
Other decreases	(5)	(205)	(210)
Closing balance	3,993,440	867,769	4,861,209
Accumulated amortisation			
Opening balance	178,454	604,270	782,724
Amortisation charged for the year	36,844	110,533	147,377
Other additions	64	-	64
Disposals	(886)	-	(886)
Other decreases	-	(187)	(187)
Closing balance	214,476	714,616	929,092
Net book value			
Closing balance	3,778,964	153,153	3,932,117
Opening balance	3,757,277	248,368	4,005,645

16. OTHER RECEIVABLES

	Closing balance	Opening balance
	million VND	million VND
Construction in progress	5,255,232	5,217,923
Purchases and major repair of fixed assets	1,865,392	2,567,700
External receivables	4,302,084	2,478,555
Internal receivables	959,328	539,307
	12,382,036	10,803,485

Construction in progress

	Closing balance	Opening balance
	million VND	million VND
Constructions in the Northern area	4,954,625	4,467,228
Constructions in the Central area	132,063	416,177
Constructions in the Southern area	168,544	334,518
	5,255,232	5,217,923

17. OTHER ASSETS

	Closing balance	Opening balance
	million VND	million VND
Materials and tools	136,466	122,485
Prepaid expenses awaiting allocation (*)	2,647,709	3,074,459
Other assets	123,936	123,935
	2,908,111	3,320,879

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

As at 31 December 2016, the Bank does not hold other assets classified as credit risk bearing assets.

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

	Closing balance	Opening balance
	million VND	million VND
Borrowings from the SBV	4,808,227	13,205,353
Loans under credit contracts	4,797,369	3,147,931
Discounting and rediscounting valuable papers	-	10,039,754
Borrowings for grants to State-owned enterprises	10,858	12,472
Other borrowings	-	5,196
Current accounts held by the State Treasury	190	165
- In VND	185	157
- In foreign currency	5	8
	4,808,417	13,205,518

19. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

Placements of other credit institutions

	Closing balance	Opening balance
	million VND	million VND
Demand deposits	23,785,684	5,142,549
- In VND	22,683,150	2,632,667
- In foreign currencies	1,102,534	2,509,882
Term deposits	16,511,534	37,876,011
- In VND	11,253,000	27,828,501
- In foreign currencies	5,258,534	10,047,510
	40,297,218	43,018,560

19. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS (Continued)

Borrowings from other credit institutions

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
- In VND	11,745,000	13,090,000
<i>In which: Rediscounting borrowings</i>	-	-
- In foreign currencies	31,825,635	42,679,869
	<u>43,570,635</u>	<u>55,769,869</u>

In the year 2016, the Bank does not have any borrowings which the Bank does not have the ability to repay or the Bank violates the contracts.

20. DEPOSITS FROM CUSTOMERS

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
Demand deposits	85,807,580	71,283,177
- Demand deposits in VND	72,671,244	59,054,286
- Demand deposits in foreign currencies	13,136,336	12,228,891
Term deposits	548,035,011	404,409,543
- Term deposits in VND	519,044,765	375,017,512
- Term deposits in foreign currencies	28,990,246	29,392,031
Deposits for specific purpose	4,812,597	3,100,716
- Deposits for specific purpose in VND	2,937,236	1,256,796
- Deposits for specific purpose in foreign currencies	1,875,361	1,843,920
Margin deposits	16,159,327	13,773,066
- Margin deposits in VND	15,669,220	13,032,045
- Margin deposits in foreign currencies	490,107	741,021
	<u>654,814,515</u>	<u>492,566,502</u>

20. DEPOSITS FROM CUSTOMERS (Continued)

Analysis of deposits from customers by type of business

	<u>Closing balance</u>	<u>Opening balance</u>
	<u>million VND</u>	<u>million VND</u>
State-owned enterprises	91,619,723	45,294,680
State-owned one-member limited enterprises	52,266,511	38,472,306
Two or more member limited liability enterprises with more than 50% of the State's share holding	1,538,448	1,828,069
Other limited companies	18,945,031	14,618,621
Joint stock companies with more than 50% of the State's share-holding	31,801,986	28,244,055
Other joint stock companies	34,249,740	26,377,051
Partnership companies	71,241	41,730
Private companies	1,721,074	1,094,867
Foreign invested enterprises	36,457,620	27,351,408
Cooperatives, cooperative unions	434,301	410,304
Household businesses, individuals	347,967,931	276,968,175
Administrative units, the Party, unions and associations	26,701,083	20,943,908
Others	11,039,826	10,921,328
	654,814,515	492,566,502

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

	<u>Closing balance</u>	<u>Opening balance</u>
	<u>million VND</u>	<u>million VND</u>
Funds received from other organisations and individuals in VND	-	46,164,614
Funds received from other organisations and individuals in foreign currencies	1,595,448	4,536,291
Funds received from international organisations in VND	808,445	766,009
Funds received from international organisations in foreign currencies	3,671,575	3,664,147
	6,075,468	55,131,061

22. VALUABLE PAPERS ISSUED

	<u>Closing balance</u>	<u>Opening balance</u>
	<u>million VND</u>	<u>million VND</u>
Valuable papers in VND	18,313,003	15,401,637
Par value	18,313,003	15,401,637
Valuable papers in foreign currencies	5,536,450	5,458,860
Par value	5,540,615	5,474,048
Discount	(4,165)	(15,188)
	23,849,453	20,860,497

22. VALUABLE PAPERS ISSUED (Continued)

Details of valuable papers by term:

Type of valuable papers	Bill million VND	Bearer bonds million VND	Book-entry bonds million VND	Certificate of deposit million VND	Total million VND
Closing balance					
<i>Term under 12 months</i>					
Par value	229	-	-	1,219	1,448
<i>Term from 12 months to 5 years</i>					
Par value	-	5,539,915	2,000,000	12,255	7,552,170
Discount	-	(4,165)	-	-	(4,165)
<i>Term over 5 years</i>					
Par value	-	-	16,300,000	-	16,300,000
	229	5,535,750	18,300,000	13,474	23,849,453
Opening balance					
<i>Term under 12 months</i>					
Par value	476	-	-	5,778,457	5,778,933
<i>Term from 12 months to 5 years</i>					
Par value	-	5,472,670	-	1,624,082	7,096,752
Discount	-	(15,188)	-	-	(15,188)
<i>Term over 5 years</i>					
Par value	-	-	8,000,000	-	8,000,000
	476	5,457,482	8,000,000	7,402,539	20,860,497

23. OTHER PAYABLES AND LIABILITIES

	Closing balance million VND	Opening balance million VND
Internal payables	2,182,042	1,683,973
External payables	99,709,580	32,981,190
Bonus and welfare funds	317,620	1,237,188
	102,209,242	35,902,351

23.1 Details of internal payables

	Closing balance million VND	Opening balance million VND
Payables to employees	1,992,170	1,432,295
Others	189,872	251,678
	2,182,042	1,683,973

23. OTHER PAYABLES AND LIABILITIES

23.2 Details of external payables

	Closing balance	Opening balance
	million VND	million VND
Payments/receipts on behalf of other organisations	95,217,477	31,214,244
Amount due to customers and deferred payment	246,723	44,055
Corporate income tax payables	170,728	125,074
Other pending payments	629,605	851,781
Fund transfer	4,942	13,727
Other tax payables	104,722	73,211
Payables to the SBV from recovery of written-off bad debts	85,290	79,484
Payables relating to trade finance activities	6,000	7,799
Money transfer payables	133,155	76,101
Payables to building constructors	51,735	79,139
Dividends for the year 2015	2,606,383	-
Other payables	452,820	416,575
	99,709,580	32,981,190

24. THE BANK'S OBLIGATIONS TO THE STATE BUDGET

	Opening balance	Payable during the year	Paid during the year	Closing balance
	million VND	million VND	million VND	million VND
Value added tax	3,331	226,688	201,208	28,811
Corporate income tax	125,074	1,617,353	1,571,699	170,728
Other taxes	71,090	424,887	420,686	75,291
	199,495	2,268,928	2,193,593	274,830

25. CAPITAL AND RESERVES

The movement in major items of owners' equity:

	Charter capital	Share premium	Financial reserve fund	Capital supplementary reserve	Retained earnings	Total
	million VND	million VND	million VND	million VND	million VND	million VND
Opening balance	37,234,046	8,969,827	3,357,333	1,687,574	3,685,197	54,933,977
Profit for the year	-	-	-	-	6,689,924	6,689,924
Appropriation to reserves during the year	-	-	668,992	334,497	(1,003,489)	-
Other adjustments	-	-	(2,745)	-	71,898	69,153
Dividends for the year 2015	-	-	-	-	(2,606,383)	(2,606,383)
Reserves utilization	-	-	(2,743)	-	-	(2,743)
Closing balance	37,234,046	8,969,827	4,020,837	2,022,071	6,837,147	59,083,928

As at 31 December 2016, the Bank made temporary appropriation to reserves and profit distribution based on the operating result in 2016. Official decision on reserve appropriation of the year 2016 shall be made in the annual General Meeting of Shareholders.

The Resolution No. 716/NQ-HDQT-NHCT44 dated 30 December 2016 issued by the Board of Directors approved 2015 cash dividends payment at the rate of 7% per share, equivalent to VND 700 per ordinary share. On 16 February 2017, the Bank actually made the cash dividends payment to its shareholders.

25. CAPITAL AND RESERVES (Continued)

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

	<u>Closing balance</u>		<u>Opening balance</u>	
	<u>Total shares (units)</u>	<u>Ordinary shares (million VND)</u>	<u>Total shares (units)</u>	<u>Ordinary shares (million VND)</u>
Capital of the Government	2,400,204,956	24,002,050	2,400,204,956	24,002,050
Contributed capital (shareholders, members)	1,323,199,600	13,231,996	1,323,199,600	13,231,996
Share premium	non-applicable	8,969,827	non-applicable	8,969,827
	3,723,404,556	46,203,873	3,723,404,556	46,203,873

Details of the Bank's shares are as follows:

	<u>Closing balance</u>	<u>Opening balance</u>
Number of registered shares for issue (unit)	3,723,404,556	3,723,404,556
Number of shares in circulation (unit)	3,723,404,556	3,723,404,556
- Ordinary shares (unit)	3,723,404,556	3,723,404,556
- Preferred shares (unit)	-	-
Par value of share (VND)	10,000	10,000

26. INTEREST AND SIMILAR INCOME

	<u>Current year million VND</u>	<u>Prior year million VND</u>
Interest from deposits	1,368,721	1,505,028
Interest from loans to customers	41,289,969	31,622,450
Interest from debt securities	8,776,765	8,358,073
Income from guarantee services	570,067	393,174
Other income from credit activities	327,031	176,266
	52,332,553	42,054,991

27. INTEREST AND SIMILAR EXPENSES

	<u>Current year million VND</u>	<u>Prior year million VND</u>
Interest expense on deposits	26,376,311	20,141,089
Interest expense on borrowings	2,662,357	2,605,208
Interest expense on valuable papers issued	1,405,656	773,922
Expenses on other credit activities	109,916	123,884
	30,554,240	23,644,103

28. NET PROFIT FROM SERVICES

	Current year million VND	Prior year million VND
Income from services	2,520,370	2,045,085
- Income from remittance services	1,596,873	1,289,056
- Income from trust and agency services	84,960	37,997
- Others	838,537	718,032
Expense for services	1,067,076	854,163
- Expense for remittance services	249,834	118,996
- Expense for trust and agency services	16,225	11,045
- Expense for treasury services	181,433	171,037
- Others	619,584	553,085
Net profit from services	1,453,294	1,190,922

29. NET GAIN FROM TRADING FOREIGN CURRENCIES

	Current year million VND	Prior year million VND
Income from trading foreign currencies	2,999,436	2,393,767
- Income from spot trading foreign currencies	1,846,571	1,614,272
- Income from trading gold	803	186
- Income from trading currency derivative financial instruments	1,152,062	779,309
Expenses for trading foreign currencies	2,335,242	2,382,797
- Expenses for spot trading foreign currencies	885,557	837,525
- Expenses for trading gold	412	596
- Expenses for trading currency derivative financial instruments	1,449,273	1,544,676
Net gain from trading foreign currencies	664,194	10,970

30. NET GAIN FROM TRADING SECURITIES

	Current year million VND	Prior year million VND
Income from trading securities	165,597	142,456
(Expense) for trading securities	(3,475)	-
Net gain from trading securities	162,122	142,456

31. NET GAIN FROM INVESTMENT SECURITIES

	Current year million VND	Prior year million VND
Income from trading investment securities	63,681	193,825
Expense for trading investment securities	-	(4,854)
Provision charged for impairment of investment securities	(20,230)	(134,736)
Net gain from investment securities	43,451	54,235

32. NET PROFIT FROM OTHER ACTIVITIES

	<u>Current year</u> million VND	<u>Prior year</u> million VND
Other operating expenses	2,376,760	3,970,441
Income from recovery of bad debts	2,051,183	2,588,874
Income from transfer, disposals of assets	13,348	41,865
Income from other derivatives	78,700	936,562
Other income	233,529	403,140
Other operating expenses	1,160,290	1,873,309
Expense for other derivatives	290,391	1,044,392
Expense for transfer, disposals of assets	8,573	18,286
Other expenses	861,326	810,631
Net profit from other activities	1,216,470	2,097,132

33. INCOME FROM CAPITAL CONTRIBUTION, EQUITY INVESTMENTS

	<u>Current year</u> million VND	<u>Prior year</u> million VND
Dividends income from capital contributions and equity investment for the year	120,895	157,496
- From investment equity securities	6,445	1,062
- From long-term investments	114,450	156,434
Profit transferred from subsidiaries	205,725	174,533
	326,620	332,029

34. OPERATING EXPENSES

	<u>Current year</u> million VND	<u>Prior year</u> million VND
Taxes, fees and charges	32,629	71,317
Staff cost		
- Salaries and allowances	5,649,063	4,566,449
- Salary-based expenses	332,268	261,714
- Other benefits	27,114	43,059
- Other expenses	712,947	486,730
Expenses for fixed assets		
- Depreciation and amortisation expenses	902,801	914,016
- Others	1,205,201	1,100,608
Expenses for operating management		
- Per diems	198,944	160,985
- Expenses for union activities	25,800	25,167
- Others	2,900,019	2,422,185
Insurance premium for customers' deposits	431,106	268,332
(Reversed) other provision	(1,619)	(78)
	12,416,273	10,320,484

35. CORPORATE INCOME TAX EXPENSES

	Current year million VND	Prior year million VND
Profit before corporate income tax	8,313,210	7,263,517
<i>Adjustments for:</i>		
- Non-taxable dividend income and profits received	(281,386)	(332,029)
- Others	84,607	53,927
Taxable profit	8,116,431	6,985,415
Corporate income tax rate	20%	22%
Current corporate income tax expenses based on the domestic income	1,623,286	1,536,791
Current corporate income tax expenses based on the overseas income	-	8,635
Total corporate income tax expenses	1,623,286	1,545,426

36. CASH AND CASH EQUIVALENTS

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

	Closing balance million VND	Opening balance million VND
Cash, gold and gemstones (*)	5,133,718	5,003,577
Balances with the State Bank of Vietnam (*)	13,501,629	11,892,122
Current deposits at other credit institutions (*)	40,761,622	17,097,166
Placements with other credit institutions with terms not exceeding 3 months	49,685,062	48,110,316
Securities with maturity or recovery term not exceeding 3 months from the date of purchase	5,000,000	-
	114,082,031	82,103,181

(*) Balances of cash, gold and gemstones; balances with the State Bank of Vietnam and current deposits at other credit institutions are presented in Note 4, Note 5 and Note 6, respectively.

37. EMPLOYEES' REMUNERATIONS

	Current year	Prior year
I. Total number of employees (person) (*)	21,833	20,079
II. Employees' income (million VND)		
1. Total salary fund	5,649,063	4,566,449
2. Bonus	-	-
3. Other allowances	160,912	139,837
4. Total income (1+2+3)	5,809,975	4,706,286
5. Average monthly salary (**)	22.67	19.57
6. Average monthly income (**)	23.32	20.17

(*) Figures as at 31 December.

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

38. VALUABLE PAPERS AND ASSETS AS COLLATERALS, MORTGAGES AND DISCOUNTING, RE-DISCOUNTING

Valuable papers and assets as collaterals, mortgages and discounting

	Carrying value at balance sheet date (million VND)	
	Closing balance	Opening balance
Real estate	672,043,528	565,630,627
Movable assets	54,500,809	40,860,629
Valuable papers	106,343,936	109,753,307
Other assets	405,299,270	345,878,561
	1,238,187,543	1,062,123,124

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

As at 31 December 2016, the Bank did not hold any collateral which the Bank is permitted to sell or re-pledge for a third party in the absence of default by the customers (owner of the collaterals) who are able to pay off the debt according to the law.

39. 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 separate balance sheet.

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

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, and 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 (normally buyer or importer) in which the seller or the exporter is the beneficiary. There are 2 types of L/C by term: L/C at sight and usance L/C.

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

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

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

39. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Details of contingent liabilities and commitments as at 31 December 2016:

	<u>Closing balance</u>	<u>Opening balance</u>
	million VND	million VND
Contingent liabilities	90,862,546	67,010,294
Credit guarantees	2,349,067	5,338,188
Letters of Credit	42,263,440	29,549,918
Other guarantees	46,250,039	32,122,188
Commitments	162,370,081	95,634,299
Foreign exchange transactions commitments	133,764,643	65,296,692
Other commitments	28,605,438	30,337,607

As at 31 December 2016, the Bank classified contingent liabilities based on quality of loans under Circular 02 and Circular 09.

40. RISK-FREE TRUST AND AGENCY ACTIVITIES

	<u>Closing balance</u>	<u>Opening balance</u>
	million VND	million VND
Trusted fund from organisations	2,701,632	6,002,304
	2,701,632	6,002,304

41. RELATED PARTY TRANSACTIONS AND BALANCES

Significant transactions with related parties for the year ended 31 December 2016 are as follows:

Related party	Relationship	Transactions	<u>Current year</u>
			million VND
The State Bank of Vietnam	Direct owner	Increase in deposits at SBV	1,609,507
The State Bank of Vietnam	Direct owner	Decrease in borrowings from SBV	(8,397,126)
Indovina Bank Ltd.	Joint venture	Increase in placements with Indovina	4,003,724
Indovina Bank Ltd.	Joint venture	Increase in deposits from Indovina	1,320,545
VietinBank Aviva Life Insurance Company Ltd.	Joint venture	Decrease in deposits from Aviva	(47,941)

41. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Significant balances with related parties as at 31 December 2016 are as follows:

Related party	Relationship	Transactions	Receivables million VND	Payables million VND
The State Bank of Vietnam	Direct owner and management	Demand deposits and compulsory reserves at SBV	13,501,629	-
The State Bank of Vietnam	Direct owner and management	Borrowings from SBV	-	4,808,227
Vietinbank Leasing Company Ltd.	Subsidiary	Deposits at and loans from Vietinbank	595,400	7,252
Vietinbank Securities Joint Stock Company	Subsidiary	Deposits at VietinBank	-	362,858
VietinBank Debt Management and Asset Exploitation Company Ltd.	Subsidiary	Deposits at VietinBank	-	76,649
VietinBank Insurance Company Ltd.	Subsidiary	Deposits at VietinBank	-	109,746
VietinBank Fund Management Company Ltd.	Subsidiary	Deposits at VietinBank	-	39,013
VietinBank Gold and Jewellery Trading Company Ltd.	Subsidiary	Deposits at VietinBank	-	235,468
VietinBank Global Money Transfer Company Ltd.	Subsidiary	Deposits at VietinBank	-	79,107
VietinBank (Lao) Limited	Subsidiary bank	Deposits of VietinBank	1,514,669	4,542
Indovina Bank Ltd.	Joint venture	Deposits of VietinBank	4,003,724	-
Indovina Bank Ltd.	Joint venture	Deposits at VietinBank	-	4,239,457
VietinBank Aviva Life Insurance Company Ltd.	Joint venture	Deposits at VietinBank	-	146,869

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

As at 31 December 2016:

	Total loan balance	Total placements (assets)	Total deposits (liabilities)	Credit commitments	Derivatives (Difference between debit - credit)	Trading and investment securities (Difference between debit - credit)
	million VND	million VND	million VND	million VND	million VND	million VND
Domestic	658,332,679	103,306,055	694,695,864	90,853,242	682,690	137,605,983
Overseas	1,753,123	924,252	416,059	9,304	-	-
	660,085,802	104,230,307	695,111,923	90,862,546	682,690	137,605,983

43. FINANCIAL INSTRUMENTS

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

As Circular 210 only regulates the presentation and disclosure of financial instruments, the following terms under Circular 210 are adopted for this Note to the separate 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 include cash, gold and gemstones, balances with the State Bank of Vietnam, placements with and loans to other credit institutions, loans to customers, trading securities, investment securities, other long-term investments, receivables, other assets and assets under currency derivative contracts.

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

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

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

a) 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).

43. FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

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

- *Held-to-maturity investments:*

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

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

- *Loans and receivables:*

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

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

- *Available-for-sale financial assets:*

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

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

43. FINANCIAL INSTRUMENTS (Continued)

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 institutions, 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 separate financial statements, into either of the followings:

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

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

Offsetting financial assets and financial liabilities

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

The risk management policy related to financial instruments

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

43. FINANCIAL INSTRUMENTS (Continued)

The risk management policy related to financial instruments (Continued)

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

In 2016, the Bank has continued to implement sub-projects on fund management, risk management within the Basel II Project in order to comprehensively enhance the risk management system as described in Basel II.

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

The activities related to the Bank's financial instruments including foreign exchange trading products, gold trading, cross currency swaps, interest rate swaps etc. mainly serve the demands of corporate customers in the preferential and key sectors and corporate and individual customers that have strong financial conditions. In addition, to ensure management of liquidity risk, interest rate risk as well as profit maximization, in 2016, the Bank has enhanced the investment in highly liquid assets such as credit institution bonds with more attractive interest rate but not much riskier than Government bonds and Government Treasury bills as newly invested bonds are guaranteed by the Government.

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

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

43. FINANCIAL INSTRUMENTS (Continued)

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

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

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

The policies on currency risk, interest rate risk, credit risk and liquidity risk are analysed in details in Notes 44, 45, 46 and 47, respectively.

Determination of fair value of financial instruments

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

The Bank's financial instruments are detailed as follows:

VIETNAM JOINT STOCK COMMERCIAL BANK FOR INDUSTRY AND TRADE
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Continued)

FORM B 05/TCTD

43. FINANCIAL INSTRUMENTS (Continued)

	Carrying value (Excluding provision)		Fair value	
	Closing balance	Opening balance	Closing balance	Opening balance
	million VND	million VND	million VND	million VND
Financial assets				
Cash on hand, gold and gemstones	5,133,718	5,003,577	5,133,718	5,003,577
Balances with the State Bank of Vietnam	13,501,629	11,892,122	13,501,629	11,892,122
Placements with and loans to other credit institutions	94,761,531	67,516,251	(*)	(*)
Trading securities - Debt securities	1,502,806	3,200,074	(*)	(*)
Derivative financial instruments and other financial assets	682,690	-	(*)	(*)
Loans to customers	656,052,948	533,102,761	(*)	(*)
	499,902	274,036		
Investment securities - Equity securities with market price reference			335,408	211,872
Investment securities - Debt securities	135,603,274	120,274,225	(*)	(*)
Other long-term investments	170,955	561,974	(*)	(*)
Other receivables	2,541,765	1,137,342	(*)	(*)
Interest and fee receivables	14,113,946	12,733,323	(*)	(*)
Other assets	123,936	123,935	(*)	(*)
	924,689,100	755,819,620		
Financial liabilities				
Borrowings from the Government and the SBV	4,808,417	13,205,518	(*)	(*)
Deposits and borrowings from other credit institutions	83,867,853	98,788,429	(*)	(*)
Deposits from customers	654,814,515	492,566,502	(*)	(*)
Derivatives financial instruments and other financial liabilities	-	117,619	(*)	(*)
	6,075,468	55,131,061		
Grants, trusted funds and borrowings at risk of the credit institutions			(*)	(*)
Valuable papers issued	23,849,453	20,860,497	(*)	(*)
Accrued fee and interest expenses	9,786,727	5,844,004	(*)	(*)
Other payables and liabilities	99,394,101	32,737,450	(*)	(*)
	882,596,534	719,251,080		

(*) The Bank has not assessed fair value of the financial assets and financial liabilities as at 31 December 2016 because Vietnamese Accounting Standards as well as prevailing regulations have not had specific guidance on the fair value determination of such items.

43. FINANCIAL INSTRUMENTS (Continued)

Classification of financial assets as at 31 December 2016:

	Held-for- trading million VND	Held-to- maturity million VND	Financial assets		Total million VND
			Loans and receivables million VND	Available-for- sale million VND	
Cash on hand, gold and gemstones	5,133,718	-	-	-	5,133,718
Balances with the State Bank of Vietnam	13,501,629	-	-	-	13,501,629
Placements with and loans to other credit institutions	-	-	94,761,531	-	94,761,531
Trading securities	1,502,806	-	-	-	1,502,806
Derivative financial instruments and other financial assets	682,690	-	-	-	682,690
Loans to customers	-	-	656,052,948	-	656,052,948
Investment securities	-	11,743,021	-	124,360,155	136,103,176
Other long-term investments	-	-	-	170,955	170,955
Other receivables	-	-	2,541,765	-	2,541,765
Interest and fee receivables	-	-	14,113,946	-	14,113,946
Other assets	-	-	123,936	-	123,936
	20,820,843	11,743,021	767,594,126	124,531,110	924,689,100

Classification of financial liabilities as at 31 December 2016

All financial liabilities of the Bank as at 31 December 2016 are classified as financial liabilities measured at amortised cost.

44. CURRENCY RISK

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

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

The Bank is exposed to the following risks:

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

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

After the event of Brexit, various major currencies such as USD, GBP, JPY, etc. fluctuated dramatically due to the effect of market behavior, which leads to increase in the USD/VND exchange rate. However, the SBV has taken flexible measures to ensure exchange rate stability.

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

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

For investment activities:

The Bank faces currency risk with regards to its investment in Indovina Bank Ltd. and the investment in the establishment of new branches in Germany. 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.

Carrying amounts of assets and liabilities by currencies as at 31 December 2016 are as follows:

(*) Excluding risk provision.

45. INTEREST RATE RISK

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

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

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

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

The Bank's interest rate risk policies

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

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

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

45. INTEREST RATE RISK (Continued)

The Bank's interest rate risk policies (Continued)

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

Interest rate risk management

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

Interest rate risk management at portfolio level

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

Interest Rate Management at transaction level

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

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

Interest rate sensitivity

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

**VIETNAM JOINT STOCK COMMERCIAL BANK FOR INDUSTRY AND TRADE
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Continued)**

FORM B 05/TCTD

45. INTEREST RATE RISK (Continued)

	Overdue			Current						Total million VND
	Non - interest bearing million VND	Over 03 months million VND	Within 03 months million VND	Within 01 month million VND	From 01 to 03 months million VND	From 03 to 06 months million VND	From 06 to 12 months million VND	From 01 to 05 years million VND		
Assets										
Cash, gold and gemstones	5,133,718	-	-	-	-	-	-	-	5,133,718	
Balances with the State Bank of Vietnam	-	-	-	13,501,629	-	-	-	-	13,501,629	
Placements with and loans to other credit institutions (*)	-	-	-	84,997,814	8,014,627	500,000	1,249,090	-	94,761,531	
Trading securities (*)	-	-	-	1,502,806	-	-	-	-	1,502,806	
Derivatives financial instruments and other financial assets	-	-	-	682,690	-	-	-	-	682,690	
Loans to customers (*)	-	6,706,625	5,532,474	517,327,519	94,353,368	25,836,749	1,617,321	1,872,731	656,052,948	
Investment securities (*)	499,902	-	-	15,415,429	24,494,895	7,659,978	9,396,030	56,201,567	136,103,176	
Long-term investments (*)	6,860,625	-	-	-	-	-	-	-	6,860,625	
Fixed assets	10,288,826	-	-	-	-	-	-	-	10,288,826	
Other assets	29,404,093	-	-	-	-	-	-	-	29,404,093	
Total assets	52,187,164	6,706,625	5,532,474	633,427,887	126,862,890	33,996,727	12,262,441	58,074,298	954,292,042	
Liabilities										
Borrowings from the Government and the SBV	-	-	-	241,271	1,065,455	1,270,540	2,231,151	-	4,808,417	
Deposits and borrowings from other credit institutions	-	-	-	50,695,101	18,411,414	12,207,363	2,553,975	-	83,867,853	
Deposits from customers	-	-	-	213,842,725	154,275,580	136,767,828	141,687,778	8,239,123	654,814,515	
Grants, trusted funds and borrowings at risk of the credit institution	-	-	-	590	3,410	3,301,593	-	2,769,875	6,075,468	
Valuable papers issued	-	-	-	187	10,508	5,538,758	-	18,300,000	23,849,453	
Other liabilities	111,995,969	-	-	-	-	-	-	-	111,995,969	
Total liabilities	111,995,969	-	-	264,779,874	173,766,367	159,086,082	146,472,904	29,308,998	885,411,675	
Balance sheet net interest gap	(59,808,805)	6,706,625	5,532,474	368,648,013	(46,903,477)	(125,089,355)	(134,210,463)	28,765,300	68,880,367	

(*) Excluding risk provision.

46. CREDIT RISK

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

Tools that the Bank uses to manage credit risk include:

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

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

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

Financial assets overdue but not impaired

The Bank's overdue financial assets that are not impaired include overdue loans with no provision required under Vietnamese Accounting Standards, Accounting regime applicable to credit institutions in Vietnam and legal regulations relating to financial reporting. The aging of such financial assets as at 31 December 2016 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	401,579	134,849	95,805	957,683

The Bank is currently holding collaterals in the forms of real estate, movable assets, valuable papers and others in kind for the above financial assets. For the purpose of determining whether the assets are impaired and any provision is needed in accordance with Vietnamese Accounting Standards, these assets' values are measured in accordance with Circular 02 and Circular 09 (see Note 38).

47. LIQUIDITY RISK

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

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

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

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

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

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

47. LIQUIDITY RISK (Continued)

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

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

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

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

The data in the Liquidity Risk Report as at 31 December 2016 shows that the Bank's funds are fairly plentiful with terms ranging from 01 to 12 months, the longer-term funds are quite limited. This is a common situation of commercial banks in Vietnam. In fact, the Bank still maintains an appropriate rate of short-term funds utilisation for medium and long-term loans within the limit set by the State Bank.

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

VIETNAM JOINT STOCK COMMERCIAL BANK FOR INDUSTRY AND TRADE
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Continued)

FORM B 05/TCTD

47. LIQUIDITY RISK (Continued)

	Overdue		Current					Total million VND
	Over 03 months	Within 03 months	Within 01 month	From 01 to 03 months	From 03 to 12 months	From 01 to 05 years	Over 05 years	
	million VND	million VND	million VND	million VND	million VND	million VND	million VND	
Assets								
Cash, gold and gemstones	-	-	5,133,718	-	-	-	-	5,133,718
Balances with the SBV	-	-	13,501,629	-	-	-	-	13,501,629
Placements with and loans to other credit institutions (*)	-	-	84,997,814	8,014,627	1,749,090	-	-	94,761,531
Trading securities (*)	-	-	1,502,806	-	-	-	-	1,502,806
Derivative financial instruments and other financial assets	-	-	682,690	-	-	-	-	682,690
Loans to customers (*)	6,706,625	5,532,474	38,715,440	141,406,130	226,484,291	145,817,008	91,390,980	656,052,948
Investment securities (*)	-	-	5,856,428	4,331,507	9,421,274	89,649,084	26,844,883	136,103,176
Long-term investments (*)	-	-	-	-	-	-	6,860,625	6,860,625
Fixed assets	-	-	-	-	-	-	10,288,826	10,288,826
Other assets	-	-	-	-	-	-	29,404,093	29,404,093
Total assets	6,706,625	5,532,474	150,390,525	153,752,264	237,654,655	235,466,092	164,789,407	954,292,042
Liabilities								
Borrowings from the Government and the SBV	-	-	241,271	1,065,455	3,501,691	-	-	4,808,417
Deposits and borrowings from other credit institutions	-	-	39,196,086	11,482,925	19,463,554	13,496,829	228,459	83,867,853
Deposits from customers	-	-	105,079,820	154,275,580	278,455,605	116,987,132	16,378	654,814,515
Grants, trusted funds and borrowings at risk of the credit institution	-	-	590	3,410	318,200	3,001,650	2,751,618	6,075,468
Valuable papers issued	-	-	187	10,508	5,538,758	-	18,300,000	23,849,453
Other liabilities	-	-	59,659,856	6,023,903	9,040,246	37,002,117	269,847	111,995,969
Total liabilities	-	-	204,177,810	172,861,781	316,318,054	170,487,728	21,566,302	885,411,675
Net liquidity difference	6,706,625	5,532,474	(53,787,285)	(19,109,517)	(78,663,399)	64,978,364	143,223,105	68,880,367

(*) Excluding risk provision.

48. CAPITAL AND OPERATING LEASE COMMITMENTS

	<u>Closing balance</u> million VND	<u>Opening balance</u> million VND
Capital commitments: office construction and equipment acquisition	908,016	935,197
Irrevocable operating lease commitments	581,233	507,670
Of which:		
- Due within 1 year	141,147	126,607
- Due from 2 years to 5 years	348,999	325,948
- Due after 5 years	91,087	55,115

49. CONTINGENT LIABILITIES

As at 31 December 2016, the Bank has legal rights and obligations related to the case of Huynh Thi Huyen Nhu and the other former employees of Ho Chi Minh City branch and Nha Be branch of the Bank. As at 07 January 2015, the Appeal Court of People's Supreme Court at Ho Chi Minh City ("the Appeal Court") had judged the case, sentencing the accused for swindling to appropriate assets and certain other crimes, simultaneously reaching a verdict on judgment against the accused members. In terms of civil responsibilities, Huynh Thi Huyen Nhu was responsible for reimbursement to three (03) banks, four (04) companies and three (03) individuals which were defrauded by her and the Bank neither has compensation obligations, joint liability nor incurs any financial loss with regards to the illegal actions of the accused members mentioned above. The Appeal Court has ceased the first instance judgment in part relating to Huynh Thi Huyen Nhu's illegal actions to five (05) other companies and has been re-investigating and judging as regulated by laws. Accordingly, the responsibilities and legal obligations of the parties concerned shall be defined only when the case has been re-investigating and tried with effective judgment and verdict. However, based on the results of the reconciliation, examination and cross-check procedures performed up to the reporting date, the Bank's management believes that the Bank neither has joint liability nor incurs any financial loss with regards to the illegal actions of the accused individuals mentioned above.

50. OTHER COMMITMENT

On 22 May 2015, the Bank and Petrolimex Joint Stock Commercial Bank ("PG Bank") signed the Merger agreement of PG Bank into the Bank under approval by the General Shareholders' Meeting according to Resolution No. 14/NQ-DHDCD dated 14 April 2015. On 27 April 2016, two parties signed the Merger agreement amending and replacing the Merger agreement which was signed on 22 May 2015 under approval by the General Meeting of Shareholders according to Resolution No. 15/NQ-DHDCD dated 26 April 2016. Up to the reporting date, the Bank and PG Bank have been implementing the procedures for the State authorities' approval for the merger.

51. SUBSEQUENT EVENTS

In addition to the cash dividends payment on 16 February 2017 presented in Note 25, the Bank has no other events after the balance sheet date that need to be presented in these separate financial statements.

52. NOTES TO CHANGES IN PROFIT

The increase in net profit after tax of the Bank in the year 2016 by VND 972 billion (equivalent to 17%) in comparison to that in the year 2015, was driven by a VND 1,050 billion increase in its profit before tax for the same period, increased by 14% in comparison to that in the year 2015. The increase mainly comes from the following items:

	Impact	
	Absolute value million VND	Relative value %
Items of significant movement		
Increase in Net gain from trading foreign currencies	653,224	8.99%
Increase in Net profit from services	262,372	3.61%

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

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
USD	22,159	21,890
EUR	23,780	24,560
GBP	27,911	33,303
CHF	22,215	22,695
JPY	193.46	186.61
SGD	15,617	15,893
CAD	16,835	16,193
AUD	16,338	16,401
NZD	15,694	15,390
THB	626.86	612.78
SEK	2,483	2,672
NOK	2,618	2,560
DKK	3,201	3,292
HKD	2,916	2,899
CNY	3,247	3,451
KRW	18.64	19.13
LAK	2.78	2.76
MYR	5,042	5,238

Preparer *ml*

[Signature]
Ngu Bích Phan
Deputy Head of
Financial Accounting
Management Department

30 March 2017

Approver

[Signature]
Nguyen Hai Hung
Chief Accountant



[Signature]
Le Nhu Hoa
Deputy General Director