

**Joint Stock Commercial Bank for
Foreign Trade of Vietnam**

Consolidated financial statements
31 December 2016



Joint Stock Commercial Bank for Foreign Trade of Vietnam

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Joint Stock Commercial Bank for Foreign Trade of Vietnam

GENERAL INFORMATION

Banking Licence Licence No. 138/GP-NHNN dated 23 May 2008 issued by the Governor of the State Bank of Vietnam (“the SBV”), Decision No. 2719/QD-NHNN dated 27 December 2011, Decision No. 523/QD-NHNN dated 22 March 2012, Decision No. 1547/QD-NHNN dated 6 August 2014 and Decision No. 2182/QD-NHNN dated 26 October 2015 promulgated by the State Bank of Vietnam amending and supplementing the Bank’s operations.

Business Registration Certificate Business Registration Certificate No. 0103024468 dated 2 June 2008 issued by Hanoi Authority for Planning and Investment, Business Registration Certificate No. 0100112437 renewed for the twelfth time on 16 December 2016.

Members of the Board of Directors during the year and at the date of this report

Mr. Nghiem Xuan Thanh	Chairman	Appointed on 1 November 2014
Ms. Le Thi Hoa	Member	Reappointed on 25 April 2013
Mr. Nguyen Danh Luong	Member	Reappointed on 25 April 2013
Mr. Yutaka Abe	Member	Reappointed on 25 April 2013
Mr. Pham Quang Dung	Member	Reappointed on 25 April 2013
Ms. Nguyen Thi Dung	Member	Appointed on 25 April 2013
Mr. Nguyen Manh Hung	Member	Appointed on 26 December 2014

Members of the Board of Management during the year and at the date of this report

Mr. Pham Quang Dung	Chief Executive Officer	Appointed on 1 November 2014
Mr. Dao Minh Tuan	Deputy CEO	Reappointed on 15 June 2012
Mr. Nguyen Danh Luong	Deputy CEO	Reappointed on 2 October 2014
Mr. Dao Hao	Deputy CEO	Reappointed on 1 August 2015
Mr. Pham Thanh Ha	Deputy CEO	Reappointed on 1 August 2015
Mr. Yukata Abe	Deputy CEO	Appointed on 30 September 2012
Ms. Truong Thi Thuy Nga	Deputy CEO	Appointed on 1 December 2012
Mr. Pham Manh Thang	Deputy CEO	Appointed on 10 March 2014
Ms. Nguyen Thi Kim Oanh	Deputy CEO	Appointed on 26 December 2014
Ms. Dinh Thi Thai	Deputy CEO	Appointed on 1 June 2015

Members of the Supervisory Board during the year and at the date of this report

Ms. Truong Le Hien	Head of the Board	Reappointed on 25 April 2013
Ms. La Thi Hong Minh	Member	Reappointed on 25 April 2013
Ms. Do Thi Mai Huong	Member	Reappointed on 25 April 2013
Ms. Vu Thi Bich Van	Member	Reappointed on 25 April 2013

Joint Stock Commercial Bank for Foreign Trade of Vietnam

GENERAL INFORMATION (continued)

Chief Accountant	Ms. Phung Nguyen Hai Yen Reappointed on 16 June 2016
Legal Representative	Since 1 November 2014 Mr. Nghiem Xuan Thanh Title: Chairman of the Board of Director
Authorised signature on financial statements <i>(According to Letter of Authorisation No. 528/UQ-VCB-TH&CDKT dated 1 November 2014)</i>	Since 1 November 2014 Mr. Nguyen Danh Luong Title: Deputy CEO
The Bank's Head Office	198 Tran Quang Khai Street Hoan Kiem District, Hanoi, Vietnam
The Bank's auditors	Ernst & Young Vietnam Limited

Joint Stock Commercial Bank for Foreign Trade of Vietnam

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Joint Stock Commercial Bank for Foreign Trade of Vietnam ("the Bank") is pleased to present its report and the consolidated financial statements of the Bank and its subsidiaries for the year ended 31 December 2016.

The Board of Management's responsibility in respect of the consolidated financial statements

The Board of Management is responsible for the consolidated financial statements of each financial year which give a true and fair view of the consolidated financial position of the Bank and its subsidiaries, and of the consolidated results of their operations and their consolidated cash flows for the year. In preparing those consolidated financial statements, the Board of Management is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Bank and its subsidiaries will continue their business.

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

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

Statement by the Board of Management

The Board of Management does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2016, and of the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and statutory requirements relevant to preparation and presentation of consolidated financial statements.

and on behalf of the Board of Management:



Mr. Nguyen Danh Luong
Deputy CEO

Hanoi, Vietnam

29 March 2017



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working world**

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Reference: 61039047/18715793-HN

INDEPENDENT AUDITORS' REPORT

**To: The Shareholders of
Joint Stock Commercial Bank for Foreign Trade of Vietnam**

We have audited the accompanying consolidated financial statements of Joint Stock Commercial Bank for Foreign Trade of Vietnam ("the Bank") and its subsidiaries, as prepared on 29 March 2017 and set out on pages 6 to 79, which comprise the consolidated balance sheet as at 31 December 2016, the consolidated income statement and the consolidated statement of cash flows for the year then ended and the notes thereto.

The Board of Management's responsibility

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design appropriate 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 the Board of Management, as well as evaluating the overall presentation of the consolidated financial statements.

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



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Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2016, and of the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and statutory requirements relevant to preparation and presentation of consolidated financial statements.



Mr. Trinh Hoang Anh
Deputy General Director
Audit Practising Registration
Certificate No. 2071-2013-004-1

Ms. Tran Mai Thao
Auditor
Audit Practising Registration
Certificate No. 2466-2013-004-1

Ho Chi Minh City, Vietnam

29 March 2017

Joint Stock Commercial Bank for Foreign Trade of Vietnam

Form B02/TCTD-HN

(Issued in accordance with SBV

Circular No. 49/2014/TT-NHNN

dated 31 December 2014)

CONSOLIDATED BALANCE SHEET
as at 31 December 2016

	Notes	31/12/2016 VND million	31/12/2015 VND million
A ASSETS			
I Cash on hand, gold, silver and gemstones	4	9,692,053	8,519,334
II Balances with the State Bank of Vietnam	5	17,382,418	19,715,035
III Balances with and loans to other credit institutions	6	151,845,570	131,527,373
1 Balances with other credit institutions		103,236,053	92,587,537
2 Loans to other credit institutions		48,609,517	38,939,836
3 Provision for credit losses of balances with and loans to other credit institutions		-	-
IV Trading securities	7	4,233,529	9,925,046
1 Trading securities		4,271,362	9,941,389
2 Provision for trading securities		(37,833)	(16,343)
V Derivative financial instruments and other financial assets	18	230,658	628
VI Loans to customers		452,684,316	379,113,059
1 Loans to customers	8	460,808,468	387,722,937
2 Provision for credit losses of loans to customers	9	(8,124,152)	(8,609,878)
VII Investment securities		131,771,107	107,597,495
1 Available-for-sale securities	10(a)	51,931,950	42,468,041
2 Held-to-maturity securities	10(b)	80,019,284	65,818,278
3 Provision for investment securities		(180,127)	(688,824)
VIII Long-term investments		3,627,814	3,556,750
1 Investments in joint-ventures	11(a)	803,098	753,772
2 Investments in associates	11(b)	9,645	9,349
3 Other long-term investments	11(c)	2,829,418	2,829,418
4 Provision for long-term investments	11(c)	(14,347)	(35,789)
IX Fixed assets		5,639,382	5,039,473
1 Tangible fixed assets	12	3,717,046	3,385,622
a Cost		8,621,996	7,661,735
b Accumulated depreciation		(4,904,950)	(4,276,113)
2 Intangible fixed assets	13	1,922,336	1,653,851
a Cost		2,518,777	2,211,799
b Accumulated amortization		(596,441)	(557,948)
XI Other assets		10,800,045	9,400,447
1 Receivables	14(a)	2,950,677	2,953,963
2 Accrued interest and fee receivables	14(b)	5,786,098	4,849,535
3 Deferred tax assets		1,943	1,943
4 Other assets	14(c)	2,062,264	1,596,073
5 Provision for other assets		(937)	(1,067)
TOTAL ASSETS		787,906,892	674,394,640

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

Joint Stock Commercial Bank for Foreign Trade of Vietnam

Form B02/TCTD-HN
(Issued in accordance with SBV
Circular No. 49/2014/TT-NHNN
dated 31 December 2014)

CONSOLIDATED BALANCE SHEET
as at 31 December 2016 (continued)

	Notes	31/12/2016 VND million	31/12/2015 VND million
B	LIABILITIES AND SHAREHOLDERS' EQUITY		
I	Amounts due to the Government and the State Bank of Vietnam	15	54,151,413
II	Deposits and borrowings from other credit institutions	16	72,238,405
1	Deposits from other credit institutions	53,282,230	51,743,682
2	Borrowings from other credit institutions	18,956,175	20,391,699
III	Deposits from customers	17	590,451,344
VI	Valuable papers issued	19	10,286,376
VII	Other liabilities		12,677,844
1	Accrued interest and fee payables	20(a)	6,454,174
2	Deferred tax liabilities		18,461
3	Other liabilities	20(b)	6,205,209
	TOTAL LIABILITIES		739,805,382
VIII	Capital and reserves		
1	Capital		36,022,846
a	Charter capital		35,977,686
b	Share premium		-
c	Other capital		45,160
2	Reserves		5,936,667
3	Foreign exchange differences		84,245
4	Asset revaluation differences		83,285
5	Retained profits		5,830,946
a	Previous years' retained profits		1,204,902
b	Current year's retained profits		4,626,044
6	Non-controlling interests		143,521
	TOTAL SHAREHOLDERS' EQUITY	21(a)	48,101,510
	TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS		787,906,892
			674,394,640

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

Joint Stock Commercial Bank for Foreign Trade of Vietnam

Form B02/TCTD-HN
*(Issued in accordance with SBV
 Circular No. 49/2014/TT-NHNN
 dated 31 December 2014)*

CONSOLIDATED BALANCE SHEET
 as at 31 December 2016 (continued)

	Notes	31/12/2016 VND million	31/12/2015 VND million
No. OFF-BALANCE SHEET ITEMS			
1	Credit guarantees	222,549	74,143
2	Foreign exchange commitments	24,605,699	19,757,401
a	Forward buying	9,019,812	8,852,550
b	Forward selling	15,585,887	10,904,851
3	Letters of credit	44,755,947	30,826,079
4	Other guarantees	36,683,048	27,283,715
5	Other commitments	63,624	26,797
	36	106,330,867	77,968,135

Hanoi, 29 March 2017

Prepared by:

Approved by:

Ms. Nguyen Thi Thu Huong

Ms. Phung Nguyen Hai Yen

Mr. Nguyen Danh Luong



Deputy Director of
Accounting Policy Department



Chief Accountant



Deputy CEO

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

Joint Stock Commercial Bank for Foreign Trade of Vietnam

Form B03/TCTD-HN
*(Issued in accordance with SBV
 Circular No. 49/2014/TT-NHNN
 dated 31 December 2014)*

CONSOLIDATED INCOME STATEMENT
 for the year ended 31 December 2016

		Notes	Year ended 31/12/2016 VND million	Year ended 31/12/2015 VND million
1	Interest and similar income	22	37,713,172	31,360,729
2	Interest and similar expenses	23	(19,185,461)	(15,907,697)
I	Net interest income		18,527,711	15,453,032
3	Fee and commission income	24	4,326,483	3,557,304
4	Fee and commission expenses	24	(2,219,778)	(1,684,656)
II	Net fee and commission income	24	2,106,705	1,872,648
III	Net gain from trading foreign currencies	25	1,850,118	1,572,574
IV	Net gain from trading securities	26	495,768	197,475
V	Net (loss)/ gain from investment securities	27	(89,416)	152,354
5	Other income	28	2,293,539	2,140,550
6	Other expenses	28	(376,349)	(235,271)
VI	Net other income	28	1,917,190	1,905,279
VII	Dividend and net income from investments in associates and joint-ventures	29	71,556	48,435
	TOTAL OPERATING INCOME		24,879,632	21,201,797
VIII	TOTAL OPERATING EXPENSES	30	(9,950,443)	(8,306,249)
IX	Net operating profit before provision for credit losses		14,929,189	12,895,548
X	Provision for credit losses	31	(6,406,106)	(6,068,091)
XI	PROFIT BEFORE TAX		8,523,083	6,827,457

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

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2016 (continued)

	Notes	Year ended 31/12/2016 VND million	Year ended 31/12/2015 VND million
7	Current corporate income tax expenses	(1,672,082)	(1,495,100)
8	Deferred corporate income tax expenses	-	(290)
XII	Corporate income tax expenses	(1,672,082)	(1,495,390)
XIII	NET PROFIT AFTER TAX	6,851,001	5,332,067
XIV	Net profit attributable to non-controlling interests	(19,276)	(18,139)
XVI	NET PROFIT ATTRIBUTABLE TO THE BANK'S ORDINARY SHAREHOLDERS	6,831,725	5,313,928
XV	Basic earnings per share (VND) (*)	1,566	1,202

(*) Basic earnings per share of 2015 are restated due to the effects of change in net profit used for calculation of basic earnings per share and weighted average number of ordinary shares (see Note 21 (c)).

Hanoi, 29 March 2017

Prepared by:

Approved by:

Ms. Nguyen Thi Thu Huong

Ms. Phung Nguyen Hai Yen

Mr. Nguyen Danh Luong



Deputy Director of
Accounting Policy Department



Chief Accountant



Deputy CEO

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2016

(Issued in accordance with SBV
Circular No. 49/2014/TT-NHNN
dated 31 December 2014)

	Notes	Year ended 31/12/2016 VND million	Year ended 31/12/2015 VND million
CASH FLOWS FROM OPERATING ACTIVITIES			
1		36,779,872	30,098,366
2		(17,717,796)	(15,705,220)
3		2,106,705	1,872,648
4			
		2,488,711	2,121,067
5		(209,799)	67,753
6		2,121,544	1,834,236
7		(9,305,422)	(7,138,869)
8	34	(1,739,934)	(1,663,605)
Net cash flows from operating activities before changes in operating assets and working capital		14,523,881	11,486,376
(Increase)/decrease in operating assets			
9		331,414	5,898,690
10		(22,008,457)	(49,255,547)
11		(230,030)	(628)
12		(73,085,531)	(63,813,586)
13		(7,403,039)	(4,031,616)
14		(203,801)	(1,073,098)
Increase/(decrease) in operating liabilities			
15		12,671,860	(12,613,519)
16		103,024	28,897,583
17		89,288,794	78,324,486
18		7,807,306	270,429
20		-	(75,278)
21		(1,231,890)	(254,738)
22		(1,199,774)	(497,726)
I	Net cash generated from/(used in) operating activities	19,363,757	(6,738,172)

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2016 (continued)

	Notes	Year ended 31/12/2016 VND million	Year ended 31/12/2015 VND million
CASH FLOWS FROM INVESTING ACTIVITIES			
1	Payments for purchases of fixed assets	(1,272,248)	(1,194,037)
2	Proceeds from disposals of fixed assets	7,206	5,254
3	Payments for disposals of fixed assets	(1,762)	(2,059)
4	Proceeds from investments in other entities	12,540	12,100
5	Payments for investments in other entities	-	(108,464)
6	Dividends and interest received from long-term investments in the period	24,549	86,693
7	Dividends of prior year received in the year	7,123	3,562
II	Net cash used in investing activities	(1,222,592)	(1,196,951)
CASH FLOWS FROM FINANCING ACTIVITY			
1	Dividends of prior year paid in cash	(2,665,020)	(2,665,020)
III	Cash used in financing activity	(2,665,020)	(2,665,020)
IV	Net cash flows during the year	15,476,145	(10,600,143)
V	Cash and cash equivalents at the beginning of the year	33 164,412,853	175,012,996
VII	Cash and cash equivalents at the end of the year	33 179,888,998	164,412,853

Hanoi, 29 March 2017

Prepared by:

Ms. Nguyen Thi Thu Huong

Ms. Phung Nguyen Hai Yen

Approved by:

Mr. Nguyen Danh Luong


Deputy Director of
Accounting Policy Department


Chief Accountant



Deputy CEO

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016

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

1. Reporting entity

(a) Establishment and operations

Joint Stock Commercial Bank for Foreign Trade of Vietnam (“the Bank”) was established upon the transformation from a State-owned commercial bank following the approval of the Prime Minister on the equitization plan of the Bank for Foreign Trade of Vietnam and in accordance with other relevant regulations. The Bank was granted Banking Licence No. 138/GP-NHNN dated 23 May 2008 by the State Bank of Vietnam (“the SBV”) for a period of 99 years, Business Registration Certificate No. 0103024468 dated 2 June 2008 by Hanoi Authority for Planning and Investment and Business Registration Certificate No. 0100112437 renewed for the twelfth time on 16 December 2016.

The principal activities of the Bank in accordance with Decision No. 2719/QD-NHNN dated 27 December 2011 and Decision No. 2182/QD-NHNN dated 26 October 2015 amending and supplementing Banking Licence No. 138/GP-NHNN on the contents of the Bank’s operations are to mobilize and receive short, medium and long-term deposits from organizations and individuals; lend to organizations and individuals up to the nature and capability of the Bank’s capital resources; conduct settlement and cash services; provide other banking services as approved by the SBV; invest in associates, joint-ventures and other companies; invest in stocks and bonds; and trade in foreign exchange and real-estate business in accordance with the relevant regulations; trade in and supply interest rates derivatives in accordance with the relevant regulations.

(b) Charter capital

Under Banking Licence No. 138/GP-NHNN dated 23 May 2008 issued by the SBV; and Business Registration Certificate No. 0103024468 dated 2 June 2008 issued by Hanoi Authority for Planning and Investment, the Bank’s charter capital was VND12,100,860,260,000. Under Business Registration Certificate No. 0100112437 renewed for the twelfth time on 16 December 2016, the Bank’s charter capital was VND35,977,685,750,000. The face value per share is VND10,000.

	31/12/2016		31/12/2015	
	Number of shares	%	Number of shares	%
Shares owned by the State of Vietnam	2,774,353,387	77.10%	2,055,076,583	77.10%
Shares owned by foreign strategic shareholder (Mizuho Bank Ltd., Japan)	539,668,502	15.00%	399,754,446	15.00%
Shares owned by other shareholders	283,746,686	7.90%	210,189,305	7.90%
	3,597,768,575	100%	2,665,020,334	100%

(c) Location and network

The Bank’s Head Office is located at 198 Tran Quang Khai Street, Hoan Kiem District, Hanoi. As at 31 December 2016, the Bank had one (1) Head Office, one (1) Training Centre and one hundred and one (101) branches nationwide, three (3) local subsidiaries, two (2) overseas subsidiaries, three (3) joint-ventures, one (1) associate and one (1) overseas representative office located in Singapore and one (1) representative office located in Ho Chi Minh City.

The Bank and its subsidiaries hereinafter are referred as “Vietcombank”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 for the year ended 31 December 2016 (continued)

1. Reporting entity (continued)

(d) Subsidiaries, joint-ventures and associates

Subsidiaries

Subsidiaries	Operating Licence	Business sector	% direct shareholding by the Bank
Vietcombank Financial Leasing Company Limited	Operating Licence No. 05/GP-CTCTTC dated 25 May 1998 granted by the SBV	Financial leasing	100%
Vietcombank Securities Company Limited	Operating Licence No. 09/GPHDKD dated 24 April 2002 and Licence No. 12/GPHDLK dated 23 May 2002, last amendment No. 25/GPDC-UBCK dated 11 June 2013 granted by the State Securities Commission ("SSC")	Securities	100%
Vietcombank Tower 198 Company Limited	Investment Licence No. 1578/GP dated 30 May 1996 and No. 1578/GPDC1 dated 18 April 2006 granted by the Ministry of Planning and Investment.	Office leasing	70%
Vietnam Finance Company Limited	Business Licence No. 0226 issued by Hong Kong Monetary Authority dated March 7, 1978. First amendment dated November 3, 1992, second amendment dated September 19, 1995.	Financial services	100%
Vietcombank Money Incorporation	Business Licence No. E0321392009-6 dated 15 June 2009 granted by the Authority of the State of Nevada.	Remittance	87.5%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

1. Reporting entity (continued)

(d) Subsidiaries, joint-ventures and associates (continued)

Joint-ventures

Joint-ventures	Operating Licence	Business sector	% direct shareholding by the Bank
Vietcombank - Bonday - Ben Thanh Company Limited	Operating Licence No. 2458/GP dated 7 February 2005 granted by the Ministry of Planning and Investment with Amendment No. 2458/GCND1/41/1 dated October 26, 2011 and Amendment No. 2458/GCND2/41/1 dated December 28, 2012	Office leasing	52%
Vietcombank Fund Management Company	Operating Licence No. 06/UBCK-GPHDQLQ dated 2 December 2005 granted by the State Securities Commission, last amendment No. 17/GPDC-UBCK dated August 06, 2015	Investment fund management	51%
Vietcombank - Cardif Life Insurance Company Limited	Investment Licence No. 55/GP dated 23 October 2008 granted by the Ministry of Finance	Life insurance	45%

Associates

Associates	Operating Licence	Business sector	% direct shareholding by the Bank
Vietcombank Bonday Limited	Operating Licence No. 283/GP dated 5 December 1991 granted by the Department of Planning and Investment, last amendment No. 283/GPDC3 dated October 02, 2000	Office leasing	16%

(e) Number of employees

As at 31 December 2016, Vietcombank has 15,615 employees (as at 31 December 2015: 14,755 employees).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

2. Summary of significant accounting policies

The following significant accounting policies have been adopted by Vietcombank in the preparation and presentation of these consolidated financial statements.

(a) Basis for the preparation of the consolidated financial statements

The consolidated financial statements, presented in Vietnam Dong (“VND”), and rounded to the nearest million VND (“VND million”), have been prepared in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and statutory regulations relevant to the preparation and presentation of consolidated financial statements. The Bank also prepares the separate financial statements for the year ended 31 December 2016.

The consolidated financial statements, except for the consolidated statement of cash flows, are prepared on the accrual basis using the historical cost concept. The consolidated statement of cash flows is prepared using the direct method.

(b) Changes in accounting policies

The accounting policies adopted by the Bank in the preparation and presentation of these consolidated financial statements are consistent with those used in the preparation and presentation of the consolidated financial statements for the year ended 31 December 2015, except for the changes in the accounting policies and notes in relation to the operations:

(i) Changes in accounting policies at Vietcombank Securities Limited Company (“VCBS”)

On 30 December 2014, the Ministry of Finance issued Circular No. 210/2014/TT-BTC (“Circular 210”) providing guidance on accounting policies applicable to securities companies. This Circular replaces Circular No. 95/2008/TT-BTC dated 24 October 2008 of the Ministry of Finance providing guidance on accounting policies applicable to securities companies and Circular No. 162/2010/TT-BTC dated 20 October 2010 amending and supplementing Circular No. 95/2008/TT-BTC. Circular 210 is applicable to fiscal year beginning on or after 1 January 2016. Circular 210 prescribes contents of accounting vouchers, system of accounting accounts as well as method of preparing and presenting the financial statements of securities companies.

On 27 December 2016, the Ministry of Finance issued Circular No. 334/2016/TT-BTC amending, supplementing and superseding Appendix 02 and 04 of Circular No. 210/2014/TT-BTC dated 30 December 2014 (“Circular 334”).

Accordingly, deposits, securities and payables of investors of VCBS are managed separately and not presented on the balance sheet of Vietcombank.

Circular 210 and Circular 334 are effective since 1 January 2016. VCBS has restated the comparative figures of certain items in the financial statements that have a material impact by the application of Circular 210 and Circular 334 to VCBS, as disclosed in Note 42.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

2. Summary of significant accounting policies (continued)

(c) Fiscal year

Vietcombank's fiscal year is from 1 January to 31 December.

(d) Foreign currency transactions

According to the accounting system, Vietcombank records all transactions in their original currencies. Monetary assets and liabilities denominated in currencies other than VND are converted into VND at the inter-bank exchange rates prevailing on the consolidated balance sheet date. Non-monetary foreign currency assets and liabilities are reported using the exchange rate effective on the date of the transaction. Income and expenses in foreign currencies are converted into VND in the consolidated income statement at the exchange rates on the dates of the transactions.

Foreign exchange differences arise from revaluation of foreign currency trading activities at the end of the period are presented in line "Foreign exchange differences", and are recorded in the consolidated income statement when preparing financial statements.

In order to prepare the consolidated financial statements, for the subsidiaries using the consolidation method and for the associates and joint-ventures using the equity method, which have accounting currencies other than VND, assets, liabilities and equity accounts of these companies are converted into VND at the inter-bank exchange rate on the consolidated balance sheet date, and the income and expenses in the income statements are converted into VND at the average exchange rate for the period. Exchange differences arising from the conversion are taken into equity in the consolidated balance sheet.

(e) Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Bank. The control exists when the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing the control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that the control commences until the date that the control ceases.

Inter-company balances, transactions, and unrealized profit/loss on transactions between those companies and the Bank are eliminated in full in the consolidated financial statements. The accounting policies of subsidiaries have been changed if necessary to ensure the consistency with the policies adopted by the Bank.

Non-controlling interests represent the portion of the profit or loss and net assets of a subsidiary attributable to equity interest that are not owned, directly or indirectly through subsidiaries, by the Bank.

(ii) Associates and joint-ventures

Associates are those entities in which the Bank has significant influence, but not control, over the financial and operating policies.

Joint-ventures are those entities that the Bank has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

2. Summary of significant accounting policies (continued)

(e) Consolidation (continued)

(ii) Associates and joint-ventures (continued)

Vietcombank uses the equity method of accounting for its investments in associates and joint ventures in the consolidated financial statements. Vietcombank's share of post-acquisition profits and losses in its associates and joint-ventures is recognized in the consolidated income statement. When its share of losses in associates and joint-ventures equals or exceeds the cost of its investments in these associates and joint-ventures, Vietcombank does not recognize further losses in its consolidated financial statements, unless it has obligations to pay on behalf of the associates and joint-ventures. Accounting policies of associates and joint-ventures have been changed where necessary to ensure consistency with the policies adopted by Vietcombank.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with the SBV, Treasury bills and other short-term valuable papers which are eligible for discounting with the SBV, balances with other credit institutions with original terms to maturity not exceeding three months from the original date of placements; securities with original maturity not exceeding three months that are readily convertible into known amounts of cash, and that are subjected to an insignificant risk of change in value.

(g) Loans to customers

(i) Loans to customers

Loans to customers are stated in the consolidated balance sheet at the principal amounts outstanding as at the date of the consolidated financial statements.

Provision for credit losses of loans to customers is recorded and stated in a separate line.

(ii) Specific provision for credit losses

In accordance with Circular No. 02/2013/TT-NHNN ("Circular 02") dated 21 January 2013 on classification of assets, levels and method of setting up of risk provisions, and use of provisions against credit risks in the banking activity of credit institutions, foreign banks' branches and Circular No. 09/2014/TT-NHNN ("Circular 09") dated 18 March 2014 amending and supplementing a number of articles of Circular 02, specific provision for credit losses at the year-end is calculated based on the loan classification and corresponding provision rates against principal outstanding as at 30 November less discounted value of collateral as follows:

	<i>Provision rate</i>
Group 1 – Current	0%
Group 2 – Special mentioned	5%
Group 3 – Sub-standard	20%
Group 4 – Doubtful	50%
Group 5 – Loss	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

2. Summary of significant accounting policies (continued)

(g) Loans to customers (continued)

(ii) Specific provision for credit risk (continued)

Since 1 January 2010, Vietcombank has applied Article 7, Decision No. 493/2005/QĐ-NHNN to make the loan classification as approved by the SBV. However, according to Circular 02, Vietcombank is required to classify loans to customers and off-balance sheet commitments in accordance with both the Article 10 and Clause 1 of Article 11, Circular 02 for a period of three years starting from 1 June 2014. In case, there is a different classification of a loan between Article 10 and Clause 1 from Article 11, Circular 02, the loan is to be classified into the group of higher risk.

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

(iii) General provision for credit losses

Vietcombank is required to make and maintain a general provision of 0.75% of total outstanding balance of loans to customers which are classified into Groups 1 to 4 as at 30 November.

(iv) Bad debts written-off

According to Circular 02, Vietcombank writes off bad debts in the following cases:

- Borrowers who are dissolved, bankrupted under legal regulations (in case of legal entities); or are deceased or missing (in case of individuals); or
- Debts are classified into Group 5.

(v) Bad debts sold to Vietnam Asset Management Company

Bad debts sold to Vietnam Asset Management Company ("VAMC") are recognized at their book values in accordance with Decree No. 53/2013/ND-CP effective from 9 July 2013 on "Establishment, organization and operation of Vietnam Asset Management Company", Circular No. 19/2013/TT-NHNN effective from 15 September 2013 on "Purchase, sale and handling of bad debts of Vietnam Asset Management Company", Official Letter No. 8499/NHNN-TCKT on "Guidance on accounting for bad debts purchase and sale between VAMC and credit institutions" and other related adjustments and amendments to this regulation. Accordingly, the selling price is the outstanding balance of a bad debt minus its unused specific provision.

For the sale of bad debts in exchange for VAMC bonds, upon completion of sales of bad debts to VAMC, both the outstanding principal and specific provision of the sold debts are de-recognized and VAMC special bonds are recognized at the face value, which equals to the outstanding balance of the sold debts less the unused specific provision. Upon receiving the sold debts back from VAMC, Vietcombank will use the provision made annually for VAMC special bonds to write off such bad debts. Difference between the provision made for VAMC bonds and the uncollected outstanding balance of debts/bonds will be recognized as "Other income" in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

2. Summary of significant accounting policies (continued)

(h) Investments

(i) Trading securities

Trading securities are debt securities, equity securities and other securities acquired and held for the purpose of reselling within one year to gain profit on changes in price.

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

(ii) Investment securities

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

Available-for-sale securities

Available-for-sale securities are debt securities, equity securities or other securities, which are acquired for an indefinite period and may be sold at any time. For equity securities, Vietcombank is neither a founding shareholder nor a strategic partner; nor has the influence on the entity's process of plan and determination of financial and operating policies under agreements to appoint its personnel to the entity's board of directors/board of management of the investee.

Held-to-maturity securities

Held-to-maturity securities are debt securities, with fixed or determinable payments and maturities where Vietcombank has the positive intention and ability to hold until maturity.

Held-to-maturity securities are initially recognized at cost of acquisition, including transaction expenses and other directly attributable expenses. They are subsequently measured at the lower of the book value after amortization of premium/discount and the market value. Premiums/discounts arising from the purchases of debt securities are amortized to the consolidated income statement using the straight-line method over the period from the acquisition date to the maturity date.

In addition, according to Circular 02 and Circular 09, investment securities which are unlisted corporate bonds must be subject to classification and provision similarly to that for loans to customers presented in Note 2(g).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

2. Summary of significant accounting policies (continued)

(h) Investments (continued)

(ii) Investment securities (continued)

Special bonds issued by VAMC

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

Special bonds will be settled in one of the following cases:

- The provision made for special bonds is not less than the book value of relevant bad debts recorded in the accounting books of VAMC, including the following cases:
 - VAMC sells the bad debts to organizations, individuals, including the case of re-selling debts to credit institutions it previously purchased the debts from using special bonds at market price or negotiated price;
 - VAMC converts the debts into the charter capital of the corporate borrowers.
- Special bonds are expired.

In accordance with Circular No. 14/2015/TT-NHNN, during the time holding the special bonds, within 5 working days before the maturity date of special bonds, the Bank shall make a minimum specific provision for each special bond, which is calculated based on the maturity of special bonds, amounts of bad debt collected up to the date of provision calculation and face value of special bonds.

Specific provision for each special bond is recognized in the consolidated income statement in "Provision for credit losses".

During the year, Vietcombank settled the whole portfolio of special bonds issued by VAMC to make provision for and write-off bad debts.

(iii) Long-term investments

Other long-term investments represent Vietcombank's capital investments in other entities where it owns less than 11% of voting rights and is either a founding shareholder or a strategic partner; or has influences on the entity's process of planning and determining financial and operating policies under agreements to appoint its personnel to the entity's board of directors/board of management of the investee.

Other long-term investments include equity securities and other long-term capital contributions which Vietcombank intended to hold for more than one year (other than investments in joint-ventures, associates).

Other long-term investments are initially recognized at cost and subsequently measured at the lower of the carrying value and the market value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 for the year ended 31 December 2016 (continued)

2. Summary of significant accounting policies (continued)

(h) Investments (continued)

(iii) Long-term investments (continued)

Provision for long-term investments is made when the economic investee entity suffers a loss (except for cases where losses have been projected in the initial business plans) in accordance with Circular No. 228/2009/TT-BTC dated 7 December 2009 and Circular No. 89/2013/TT-BTC dated 28 June 2013. The provision amount is the difference between the Bank's capital contribution to the economic entity and the actual owners' equity multiplied (x) by the ratio of capital invested by Vietcombank to the total actual capital of the economic entity. For an investment in listed shares or shares whose fair value can be determined reliably, provision is made based on the shares' market value (similar to provision for trading securities).

(i) Repurchase and reverse repurchase agreements

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

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

(j) Tangible fixed assets

(i) Cost

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, and the cost of dismantling and removing the asset and restoring the site on which it is located.

On 25 April 2013, the Ministry of Finance issued Circular No. 45/2013/TT-BTC guiding the framework of management, use and depreciation of fixed assets. According to this Circular, assets shall be considered as fixed assets if they meet all of the following three criteria:

- It is certain to gain future economic benefits from the use of such assets;
- The useful life of assets is above one year; and
- Historical costs of the assets must be determinable reliably, with a minimum value of VND 30,000,000 (thirty million VND).

Expenditures incurred after the tangible fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the consolidated income statement for the period in which the costs are incurred. In case it can be clearly demonstrated that these expenditures have resulted in an increase in the expected future economic benefits obtained from the use of these tangible fixed assets beyond their originally assessed standard level of performance, the expenditures will be capitalized as an additional cost of tangible fixed assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

2. Summary of significant accounting policies (continued)

(j) Tangible fixed assets (continued)

(ii) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of tangible fixed assets. The estimated useful lives are as follows:

• Premises	25 years
• Office furniture, fittings and equipment	3 - 5 years
• Motor vehicles	6 years
• Others	4 years

(k) Intangible fixed assets

(i) Land use rights

According to Circular No. 45/2013/TT-BTC dated 25 April 2013 by the Ministry of Finance, land use rights recognized as intangible fixed assets comprise:

- The land use rights allocated by the State with land use fee or receiving the transfer of legal land use rights (including land use rights with definite and indefinite terms);
- The rights to use the leased land before the effective date of the Land Law 2003 but the rent has been paid for the leasing time or paid in advance for many years and the remaining paid land lease term is at least five years and granted with certificate of land use rights by the competent authority.

The initial cost of land use rights is determined as the total amount paid to get the land use rights plus (+) costs of site clearance, ground leveling, registration fee (excluding costs of construction on that land) or the value of land use rights used by shareholders to contribute to charter capital.

Land use rights not recognized as intangible assets comprise:

- Land use rights allocated by the State without land use fee;
- Land leases for which the lease amount was paid one time for the entire lease term (the lease term is after the effective date of the Land Law 2003 and no Certificate of land use rights is granted): the lease amount is amortized in operating expenses during the lease term;
- Land leases for which the lease amounts are paid annually, the lease amount is recorded in operating expenses in the respective year.

According to Circular No. 45/2013/TT-BTC, intangible fixed assets which are long-term land use rights with land use fee or receiving the legal long-term land use rights are not amortized.

For intangible fixed assets which are land use rights with definite terms or leased land use rights, depreciation is calculated on the period permitted for the use of the land.

(ii) Other intangible fixed assets

Copyrights, patents and other intangible fixed assets are amortized on a straight-line basis over 4 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

2. Summary of significant accounting policies (continued)

(l) Deposits from customers and certificates of deposits

Deposits from customers and certificates of deposits are stated at cost.

(m) Valuable papers issued

Valuable papers issued are stated at cost, net of amortized premiums and discounts. Cost of valuable papers issued includes the proceeds from the issuance less directly attributable expenses.

(n) Severance allowance

Under the Vietnamese Labor Code, when employees who have worked for Vietcombank in Vietnam for 12 months or more ("eligible employees") voluntarily terminate their labor contracts, the employer is required to pay the eligible employees severance allowance calculated based on: the number of years of service up to 2008; and employees' compensation within their last 6 working months. In accordance with Circular No. 180/2012/TT-BTC dated 24 October 2012, the Bank and its subsidiaries in Vietnam make severance allowance and record as operating expenses in the period.

(o) Capital and reserves

(i) Ordinary shares

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

(ii) Share premium

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

(iii) Treasury shares

When Vietcombank repurchases its own issued shares, the total paid amount which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity and referred to as treasury shares.

(iv) Reserves

Reserves are used for specific purposes and appropriated from net profit after tax of the Bank and Vietcombank Financial Leasing Company Limited at prescribed rates as below:

- Supplementary charter capital reserve: 5% of net profit after tax and does not exceed charter capital.
- Financial reserve: 10% of net profit after tax and does not exceed 25% of charter capital.
- Investment and development reserve and other reserves: are to be made upon the resolutions of the Annual General Shareholders' Meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

2. Summary of significant accounting policies (continued)

(o) Capital and reserves (continued)

(iv) Reserves (continued)

The appropriation to reserves is made in accordance with the resolutions of the Annual General Shareholders' Meeting and relevant statutory requirements.

The remaining of the net profit after tax, after appropriation to reserves and dividends payment, is recorded as retained profits of the Bank.

Vietcombank Securities Company Limited sets up reserves according to Circular No.146/2014/TT-BTC issued by the Ministry of Finance on 6 October 2014.

(v) Foreign exchange differences

Foreign exchange differences are differences arise when financial statements in foreign currencies of overseas subsidiaries converted into VND for consolidation purpose.

(p) Income and expenses

(i) Interest income and interest expenses

Interest income of outstanding loans classified in Group 1 – Current is recognized on an accrual basis. Interest on loans classified in Group 2 to Group 5 is recognized in the consolidated income statement upon receipt.

Interest expenses are recorded on an accrual basis.

(ii) Fees, commissions and dividend income

Fees and commissions are recognized on an accrual basis. Cash dividends from investment activities are recognized in the consolidated income statement when Vietcombank's right to receive payment is established.

(iii) Stock dividends

In accordance with Circular No. 200/2014/TT-BTC dated 22 December 2014, stock dividends from retained profits after tax, share premium, reserves of joint stock companies are not recorded in the consolidated financial statements. Instead, only the increase in the number of shares held by Vietcombank is updated.

(iv) Uncollectible income

According to Circular No. 05/2013/TT-BTC dated 9 January 2013, income receivables that were recognized as income but uncollectible at the due date are reversed as a reduction of income if the due date is within the same accounting period, or reversed as an expense if the due date is not within the accounting period, and must be monitored off-balance sheet for collection follow-up. When the income is collected, Vietcombank will record it as an operating income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

2. Summary of significant accounting policies (continued)

(q) Lease

(i) Lessee

Payments made under operating leases are recognized in the consolidated income statement on a straight-line basis over the lease term.

(ii) Lessor

Vietcombank recognizes finance leased assets as “Loans to customers” in the consolidated balance sheet at the net value of the investment defined in the lease contract. Income from finance leases are recognized as “Income from interest and similar income”. Instalment income is amortized over the lease term using interest rate over the net investment of the leased assets.

Vietcombank recognizes operating lease assets in the consolidated balance sheet. Rental income is recognized on a straight-line basis over the lease term whatever payment method is. Expenses occurred during the leasing period, including depreciation expenses are recognized as operating expenses for the period.

(r) Taxation

Corporate income tax (“CIT”) on the profit or loss for the period comprises of current and deferred tax. Corporate income tax is recognized in the consolidated income statement except when it relates to items recognized directly to equity, in which case it is recognized in equity.

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payables in respect of previous periods.

Deferred tax is calculated by using the balance sheet method, providing for the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

2. Summary of significant accounting policies (continued)

(s) Related parties

Related parties of the Bank include:

- Parent companies or parent banks of the Bank;
- The Bank's subsidiaries;
- The party that has the same parent company or parent bank with the Bank;
- Members of the Management or Supervisory Board of the parent company/parent bank of the Bank;
- Individuals or organizations which have the authority to appoint members of the Management or Supervisory Board of the parent company/parent bank of the Bank;
- Members of the Management or Supervisory Board of the Bank;
- Companies or organizations which have the authority to appoint members of the Management or Supervisory Board of the Bank;
- Wives, husbands, parents, children (including foster parents, foster children, parents-in-law, son-in-law, daughter-in-law, step parents, step children), siblings (including half siblings), brothers-in-law, sisters-in-law of members of the Bank's Management or Supervisory Board, capital contributors or shareholders who hold at least 5% of charter capital or charter capital with voting rights;
- Individuals or organizations that hold at least 5% of charter capital or charter capital with voting rights of the Bank;
- Representatives for the Bank's paid-in capital and shares.

The Government of Vietnam, through the State Bank of Vietnam, is a shareholder of the Bank. Therefore, in these consolidated financial statements, certain Government agencies, including the Ministry of Finance and the State Bank of Vietnam are considered as related parties of the Bank.

(t) Segment reporting

A segment is a distinguishable component of Vietcombank engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Vietcombank's primary format for segment reporting is based on geographical segments. Vietcombank's secondary format for segment reporting is based on business segments.

(u) Derivative contracts

(i) Foreign exchange contracts

Vietcombank enters into foreign exchange forward and swap contracts which enable customers to transfer, modify or reduce their foreign exchange risk or other market risks, and are also used for Vietcombank's business purpose.

Forward contracts are commitments to either purchase or sell a designated currency at a specific future date for a specific exchange rate and are settled in cash. Forward contracts are recorded at nominal values at transaction dates, and are subsequently revaluated at the end of the accounting period. The difference on revaluation is recognized under "Foreign exchange differences" in equity and is recorded in the consolidated income statement when preparing the consolidated financial statements (see Note 2(d)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 for the year ended 31 December 2016 (continued)

2. Summary of significant accounting policies (continued)

(u) Derivative contracts (continued)

(i) Foreign exchange contracts (continued)

Currency swap contracts are commitments to settle in cash the notional principal amounts at a future date based on differences between specified exchange rates. Swap contracts are subsequently revaluated at the end date of the accounting period, and the difference on revaluation is recognized under "Foreign exchange differences" in the equity section and is recorded in the consolidated income statement at the end of the fiscal year (see Note 2(d)).

(ii) Interest swap contracts

Interest swap contracts are commitments to settle in cash the notional principal amounts at the interest amount based on floating or fixed interest rates. The value of commitment in interest rate swap contracts is not recognized on the consolidated balance sheet. The difference of swap interest rates is recognized in the consolidated income statement on accrual basis.

(v) Commitments and contingent liabilities

Vietcombank has credit commitments arising from its regular lending activities. These commitments are unutilized loans and overdraft facilities which are approved. Vietcombank also provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Many of the contingent liabilities and commitments will expire without any advanced payment, in whole or in part. Therefore these commitments and contingent liabilities do not represent expected future cash flows.

According to Circular 02 and Circular 09, Vietcombank, for management purpose, has to classify guarantees, payment acceptances and irrevocable lending commitments with specific effective date into 5 groups, similar to loans to customers (presented in Note 2 (g)).

(w) Other receivables

Provision for overdue receivables which are not classified as assets bearing credit risk in accordance with Circular No. 228/2009/TT-BTC issued by the Ministry of Finance on 7 December 2009 and Circular No. 200/2014/TT-BTC issued by the Ministry of Finance on 22 December 2014. Accordingly, provision for these receivables is based on their overdue ages or estimated loss for debts of whose debtors have become bankrupt or are undergoing dissolution procedures are missing, have fled, are prosecuted, detained or on trial by law enforcement bodies, are serving sentences or have deceased, etc.

<u>Overdue ages</u>	<u>Provision rate</u>
From six (6) months to less than one (1) year	30%
From one (1) year to less than two (2) years	50%
From two (2) years to less than three (3) years	70%
From three (3) years and above	100%

For receivables that are classified as assets with credit risks, the Bank conducts classification and makes provisions similarly to those of loans to customers (see Note 2(g)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

2. Summary of significant accounting policies (continued)

(x) Offsetting

Financial assets and liabilities are offset and the net amounts are reported in the consolidated balance sheet if, and only if, Vietcombank has currently enforceable legal rights to offset the recognized amounts and Vietcombank has an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(y) Earnings per share

Vietcombank presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of Vietcombank by the weighted average number of ordinary shares outstanding during the period.

If new shares issued during the year only change the number of shares, not the equity, Vietcombank will adjust the weighted average number of ordinary shares outstanding during the period presented on the consolidated financial statements, which leads to corresponding adjustment for EPS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

3. Presentation of financial instruments in accordance with Circular No. 210/2009/TT-BTC

During its business operations, Vietcombank regularly enters into contracts which give rise to financial assets, financial liabilities and equity instruments.

Financial assets of Vietcombank mainly include:

- Cash;
- Balances with the State Bank of Vietnam;
- Balances with and loans to other credit institutions;
- Loans to customers;
- Trading securities;
- Investment securities;
- Other long-term investments;
- Financial derivative assets; and
- Other financial assets.

Financial liabilities of Vietcombank mainly include:

- Amounts due to the Government and the State Bank of Vietnam;
- Deposits and borrowings from other credit institutions;
- Deposits from customers;
- Valuable papers issued;
- Financial derivative liabilities; and
- Other financial liabilities.

(a) Classification of financial assets and liabilities

For the disclosure purpose in the consolidated financial statements, Vietcombank appropriately classifies financial assets and financial liabilities in accordance with Circular No. 210/2009/TT-BTC.

Financial assets are classified as:

- Financial assets held for trading;
- Held-to-maturity investments;
- Loans and receivables; and
- Available-for-sale financial assets.

Financial liabilities are classified as:

- Financial liabilities held for trading; and
- Financial liabilities carried at amortized cost.

3. Presentation of financial instruments in accordance with Circular No. 210/2009/TT-BTC (continued)

(b) Recognition

Financial assets and financial liabilities are recognized on the consolidated balance sheet when, and only when, Vietcombank becomes a party to contractual provisions for the supply of those financial instruments. Vietcombank recognizes a financial asset or financial liability at the date when the contract is effective (trade date accounting).

(c) Derecognition

A financial asset is derecognized when, and only when, Vietcombank's contractual rights to receive the cash flows from the financial asset are terminated, or the majority of the risks and rewards of ownership of the asset are transferred. A financial liability is derecognized when, and only when, the contractual obligation is settled (i.e. either discharged, cancelled, or expired).

(d) Measurement and disclosures of fair value

In accordance with Circular No. 210/2009/TT-BTC, Vietcombank has to disclose the fair value of financial assets and financial liabilities to compare with the book value of those financial assets and financial liabilities as presented in Note 39(b).

The preparation and presentation of the fair value of the financial instruments are only for the purpose of presenting Note 39(b). The financial instruments of Vietcombank are still recognized and recorded in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions, complying with the requirements of the State Bank of Vietnam and with other relevant statutory regulations as described in the notes above.

Fair value is the amount for which an asset could be exchanged, or a liability settled, among knowledgeable, willing parties in an arm's length transaction on the recognition date.

When an active market exists for a financial instrument, Vietcombank measures the fair value of that instrument using its quoted price in the active market. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions.

When an active market does not exist for a financial instrument, Vietcombank determines the fair value of that instrument using valuation techniques. The chosen valuation technique would make maximum use of market inputs, rely as little as possible on estimates specific to Vietcombank, incorporate all factors that market participants would consider when setting prices, and be consistent with accepted economic methodologies for pricing financial instruments. Inputs for valuation techniques reasonably reflect market expectations and measures of the risk-return factors inherent in the financial instrument.

In case there is not enough information to utilize valuation techniques, fair value of the financial instruments without quoted market prices are deemed not to have been reliably measured and therefore, not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

4. Cash on hand, gold, silver and gemstones

	31/12/2016	31/12/2015
	VND million	VND million
Cash on hand in VND	7,550,927	7,092,670
Cash on hand in foreign currencies	2,140,681	1,425,873
Valuable papers in foreign currencies	445	791
	9,692,053	8,519,334

5. Balances with the State Bank of Vietnam

	31/12/2016	31/12/2015
	VND million	VND million
Demand deposits in VND	11,205,807	3,258,590
Demand deposits in USD	6,176,611	16,456,445
	17,382,418	19,715,035

These deposits consist of a compulsory reserve (“CRR”) for liquidity and current account.

The monthly average balance of the demand deposits of Vietcombank with the SBV must not be less than the monthly balance of CRR. The amount of monthly balance of CRR is calculated by the monthly average balances of deposits multiplied by preceding CRR rates.

The effective CRR rates at the year-end were as follows:

Type of deposits	31/12/2016	31/12/2015
Deposits in VND with terms of less than 12 months	3%	3%
Deposits in VND with terms of 12 months and above	1%	1%
Deposits in foreign currencies with terms of less than 12 months	8%	8%
Deposits in foreign currencies with terms of 12 months and above	6%	6%
Deposits from overseas credit institutions in foreign currencies	1%	1%

The actual interest rates at the year-end were as follows:

	31/12/2016	31/12/2015
Compulsory reserve in VND	1.2%	1.2%
Compulsory reserve in USD	0%	0%
Demand deposits in VND	0%	0%
Demand deposits in USD	0.05%	0.05%



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

6. Balances with and loans to other credit institutions

	31/12/2016	31/12/2015
	VND million	VND million
Balances with other credit institutions		
Demand deposits in VND	35,746	125,186
Demand deposits in foreign currencies	32,965,428	29,566,958
Term deposits in VND	48,491,747	35,187,102
Term deposits in foreign currencies	21,743,132	27,708,291
	103,236,053	92,587,537
Loans to other credit institutions		
Loans in VND	47,986,807	36,704,575
Loans in foreign currencies	622,710	2,235,261
	48,609,517	38,939,836
	151,845,570	131,527,373

Balances with and loans to other credit institutions by loan group were as follows:

	31/12/2016	31/12/2015
	VND million	VND million
Current	151,845,570	131,479,873
Special mentioned	-	47,500
Closing balance	151,845,570	131,527,373

Movements in specific provision for credit losses of balances with and loans to other credit institutions were as follows:

	Year ended	Year ended
	31/12/2016	31/12/2015
	VND million	VND million
Opening balance	-	22,877
Provision (reversed) during the year (see Note 31)	-	(22,877)
Closing balance	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

7. Trading securities

	31/12/2016 VND million	31/12/2015 VND million
Debt securities	3,716,635	9,569,499
Government securities	3,198,613	5,774,953
Securities issued by other credit institutions	453,522	3,494,546
Securities issued by local economic entities	64,500	300,000
Equity securities	554,727	371,890
Equity securities issued by other credit institutions	3	19,261
Equity securities issued by local economic entities	554,724	352,629
	<hr/>	<hr/>
	4,271,362	9,941,389
Provision for trading securities	(37,833)	(16,343)
	<hr/>	<hr/>
	4,233,529	9,925,046

Trading securities by listing status were as follows:

	31/12/2016 VND million	31/12/2015 VND million
Debt securities	3,716,635	9,569,499
Listed	3,652,135	9,269,499
Unlisted	64,500	300,000
Equity securities	554,727	371,890
Listed	444,856	309,504
Unlisted	109,871	62,386
	<hr/>	<hr/>
	4,271,362	9,941,389

Movements in provision for trading securities were as follows:

	Year ended 31/12/2016 VND million	Year ended 31/12/2015 VND million
Opening balance	16,343	38,955
Provision made/(reserved) during the year (see Note 26)	21,490	(22,612)
	<hr/>	<hr/>
Closing balance	37,833	16,343

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

8. Loans to customers

	31/12/2016 VND million	31/12/2015 VND million
Loans to local economic entities and individuals	455,371,549	383,060,589
Discounted bills and valuable papers	2,569,000	2,108,083
Finance leases	2,854,489	2,499,785
Loans given to make payments on behalf of customers	277	46,215
Loans to foreign individuals and enterprises	13,153	8,265
	460,808,468	387,722,937

Loan portfolio by loan group was as follows:

	31/12/2016 VND million	31/12/2015 VND million
Current	445,948,836	371,208,595
Special mentioned	7,923,249	9,377,079
Sub-standard	1,359,294	796,645
Doubtful	1,330,025	750,489
Loss	4,247,064	5,590,129
	460,808,468	387,722,937

Loan portfolio by term was as follows:

	31/12/2016 VND million	31/12/2015 VND million
Short-term	260,095,610	230,755,013
Medium-term	53,767,184	43,842,359
Long-term	146,945,674	113,125,565
	460,808,468	387,722,937

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

8. Loans to customers (continued)

Loan portfolio by type of borrowers was as follows:

	31/12/2016 VND million	31/12/2015 VND million
State-owned enterprises	91,143,102	90,340,826
Limited companies	96,800,842	81,743,726
Foreign invested enterprises	30,651,691	26,082,944
Co-operative and private companies	7,459,542	7,720,166
Individuals	116,463,257	78,384,841
Others	118,290,034	103,450,434
	460,808,468	387,722,937

Loan portfolio by industry sectors was as follows:

	31/12/2016 VND million	31/12/2015 VND million
Construction	25,148,575	21,313,081
Electricity, gas, water processing and supplying	28,619,537	27,270,622
Processing and manufacturing	140,793,745	122,263,924
Mining	18,477,439	17,467,032
Agriculture, forestry and aquaculture	12,740,155	10,765,546
Transportation, logistics and communication	26,914,695	24,106,631
Trading and services	117,623,973	105,498,319
Hospitality	8,471,154	8,777,850
Others	82,019,195	50,259,932
	460,808,468	387,722,937

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

9. Provision for credit losses of loans to customers

	31/12/2016 VND million	31/12/2015 VND million
General provision	3,374,690	2,706,385
Specific provision	4,749,462	5,903,493
	8,124,152	8,609,878

Movements in general provision for credit losses of loans and advances to customers were as follows:

	Year ended 31/12/2016 VND million	Year ended 31/12/2015 VND million
Opening balance	2,706,385	2,259,976
Provision made during the year (see Note 31)	668,303	440,784
Foreign exchange difference	2	5,625
Closing balance	3,374,690	2,706,385

Movements in specific provision for credit losses of loans and advances to customers were as follows:

	Year ended 31/12/2016 VND million	Year ended 31/12/2015 VND million
Opening balance	5,903,493	4,824,395
Provision made during the year (see Note 31)	3,018,283	5,109,836
Provision utilized for writing-off of bad debts	(4,174,822)	(3,411,042)
Provision utilized for bad debts sold to VAMC	-	(620,575)
Foreign exchange difference	2,508	879
Closing balance	4,749,462	5,903,493

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

10. Investment securities

(a) Available-for-sale securities

	31/12/2016 VND million	31/12/2015 VND million
Debt securities		
Government bonds	39,127,435	32,178,596
Securities issued by other local credit institutions	12,496,325	10,189,445
Securities issued by local economic entities	300,000	100,000
Equity securities		
Securities issued by local economic entities	8,190	-
	51,931,950	42,468,041
General provision for credit losses of available-for-sale securities	(17,250)	(18,150)
	51,914,700	42,449,891

Movements in general provision for unlisted corporate bonds were as follows:

	Year ended 31/12/2016 VND million	Year ended 31/12/2015 VND million
Opening balance	18,150	18,150
Provision (reversed) during the year (see Note 31)	(900)	-
Closing balance	17,250	18,150

Movements in specific provision for unlisted corporate bonds were as follows:

	Year ended 31/12/2016 VND million	Year ended 31/12/2015 VND million
Opening balance	-	16,000
Provision (reversed) during the year (see Note 31)	-	(16,000)
Closing balance	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

10. Investment securities (continued)

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

	31/12/2016 VND million	31/12/2015 VND million
Government bonds	62,660,834	51,564,369
Debt securities issued by other local credit institutions	2,400,099	100,347
Debt securities issued by local economic entities (excluding special bonds issued by VAMC)	14,958,351	10,588,751
	80,019,284	62,253,467
General provision for held-to-maturity securities	(113,536)	(74,466)
Specific provision for held-to-maturity securities	(49,341)	-
	79,856,407	62,179,001

Movements in general provision for held-to-maturity securities were as follows:

	Year ended 31/12/2016 VND million	Year ended 31/12/2015 VND million
Opening balance	74,466	20,466
Provision made during the year (see Note 31)	39,070	54,000
Closing balance	113,536	74,466

Movements in specific provision for held-to-maturity securities were as follows:

	Year ended 31/12/2016 VND million	Year ended 31/12/2015 VND million
Opening balance	-	-
Provision made during the year (see Note 31)	49,341	-
Closing balance	49,341	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

10. Investment securities (continued)

(c) Special bonds issued by VAMC

	31/12/2016	31/12/2015
	VND million	VND million
Face value	-	3,564,811
Provision	-	(596,208)
	<hr/>	<hr/>
	-	2,968,603
	<hr/>	<hr/>

Movements in specific provision for special bonds issued by VAMC were as follows:

	Year ended	Year ended
	31/12/2016	31/12/2015
	VND million	VND million
Opening balance	596,208	185,315
Provision made during the year (see Note 31)	2,632,009	502,348
Provision utilized during the year	(3,228,217)	(91,455)
	<hr/>	<hr/>
	-	596,208
	<hr/>	<hr/>

(d) Classification of unlisted corporate bonds

	31/12/2016	31/12/2015
	VND million	VND million
Current	18,548,351	12,908,751
Special mentioned	1,010,000	-
	<hr/>	<hr/>
	19,558,351	12,908,751
	<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

11. Long-term investments

(a) Investments in joint-ventures

As at 31 December 2016

	Business sector	% share- holding	At cost VND million	Book value VND million
Vietcombank – Bonday – Ben Thanh Company Limited	Office leasing	52%	410,365	397,244
Vietcombank Fund Management Company	Investment fund management	51%	135,150	132,307
Vietcombank – Cardif Life Insurance Company Limited	Life insurance	45%	270,000	273,547
			815,515	803,098

As at 31 December 2015

	Business sector	% share- holding	At cost VND million	Book value VND million
Vietcombank – Bonday – Ben Thanh Company Limited	Office leasing	52%	410,365	342,641
Vietcombank Fund Management Company	Investment fund management	51%	135,150	131,484
Vietcombank – Cardif Life Insurance Company Limited	Life insurance	45%	270,000	279,647
			815,515	753,772

The Bank owns 52% and 51% of the total capital of Vietcombank – Bonday – Ben Thanh Company Limited and Vietcombank Fund Management Company respectively; however, these companies' charters require a consensus among related parties on all important decisions on the companies' operational and financial matters. Hence, owning more than half of the companies' capital does not mean that the Bank has control over these companies. Therefore, the investments in these two companies are classified into "Investment in joint-ventures" rather than "Investment in subsidiaries".

The Bank owns 45% of the total capital of Vietcombank – Cardif Life Insurance Company Limited; however, this company's charter requires a consensus among related parties on all important decisions on the company's operational and financial matters. Therefore, the investment in the company is classified into "Investment in joint-ventures" rather than "Investment in associates".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

11. Long-term investments (continued)

(b) Investments in associates

As at 31 December 2016

	Business sector	% share- holding	At cost VND million	Book value VND million
Vietcombank - Bonday Limited	Office leasing	16%	11,110	9,645
			11,110	9,645

As at 31 December 2015

	Business sector	% share- holding	At cost VND million	Book value VND million
Vietcombank - Bonday Limited	Office leasing	16%	11,110	9,349
			11,110	9,349

The Bank has significant influence but limited control, through its participation in the Board of Directors, over the financial and operating policies of this company. Therefore, the investment in the above company is classified into "Investment in associates" rather than "Other long-term investments".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

11. Long-term investments (continued)

(c) Other long-term investments

As at 31 December 2016

	Business sector	% share- holding	VND million
Vietnam Export - Import Commercial Joint Stock Bank	Banking	8.19%	582,065
Saigon Bank for Industry and Trade	Banking	4.30%	123,452
Military Commercial Joint Stock Bank	Banking	7.16%	1,242,989
Orient Commercial Joint Stock Bank	Banking	4.72%	144,802
Small & Medium Enterprises Credit Guarantee Fund	Credit services	0.80%	1,864
SWIFT, MASTER and VISA	Card and settlement services	-	2,936
Petrolimex Insurance Corporation	Insurance	10.04%	67,900
Petrovietnam Drilling and Well services corporation	Drilling	0.21%	5,496
Vietnam Credit information Joint Stock Company (PCB)	Credit information services	6.64%	7,962
Cement Finance Company	Financial services	10.91%	70,950
Vietnam Infrastructure development and financial investment JSC.	Highway investment	1.97%	75,000
National Payment Corporation of Vietnam	Card services	1.83%	4,400
Vietnam Airlines JSC.	Aviation	1.83%	499,602
			2,829,418
Provision for long-term investments			(14,347)
			2,815,071

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

11. Long-term investments (continued)

(c) Other long-term investments (continued)

As at 31 December 2015

	Business sector	% share- holding	VND million
Vietnam Export - Import Commercial Joint Stock Bank	Banking	8.19%	582,065
Saigon Bank for Industry and Trade	Banking	4.30%	123,452
Military Commercial Joint Stock Bank	Banking	7.16%	1,242,989
Orient Commercial Joint Stock Bank	Banking	5.07%	144,802
Small & Medium Enterprises Credit Guarantee Fund	Credit services	0.80%	1,864
SWIFT, MASTER and VISA	Card and settlement services	-	2,936
Petrolimex Insurance Corporation	Insurance	10.04%	67,900
Petrovietnam Drilling and Well services corporation	Drilling	0.21%	5,496
Vietnam Credit information Joint Stock Company (PCB)	Credit information services	6.64%	7,962
Cement Finance Company	Financial services	10.91%	70,950
Vietnam Infrastructure development and financial investment JSC.	Highway investment	1.97%	75,000
Vietnam National Financial Switching JSC.	Card services	2.99%	4,400
Vietnam Airlines JSC.	Aviation	2.00%	499,602
			2,829,418
Provision for long-term investments			(35,789)
			2,793,629

Movements in provision for long-term investments were as follows:

	Year ended 31/12/2016 VND million	Year ended 31/12/2015 VND million
Opening balance	35,789	25,841
Provision made/(reversed) during the year (see Note 30)	(21,442)	9,948
Closing balance	14,347	35,789

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

12. Tangible fixed assets

	Premises VND million	Office furniture, fittings and equipment VND million	Motor Vehicles VND million	Others VND million	Total VND million
Cost					
Opening balance	3,018,662	3,230,707	681,072	731,294	7,661,735
Additions	503,265	266,068	72,134	166,894	1,008,361
- Purchases	478,419	265,749	72,134	148,968	965,270
- Others	24,846	319	-	17,926	43,091
Decreases	(7,835)	(17,379)	(10,968)	(11,918)	(48,100)
- Disposal	(5,886)	(16,926)	(10,964)	(10,815)	(44,591)
- Others	(1,949)	(453)	(4)	(1,103)	(3,509)
Closing balance	3,514,092	3,479,396	742,238	886,270	8,621,996
Accumulated depreciation					
Opening balance	619,846	2,806,529	421,353	428,385	4,276,113
Additions	153,432	292,958	71,772	155,043	673,205
- Charges for the year	153,246	292,958	71,772	154,692	672,668
- Others	186	-	-	351	537
Decreases	(5,600)	(17,352)	(10,964)	(10,452)	(44,368)
- Disposal	(4,077)	(16,926)	(10,964)	(10,349)	(42,316)
- Others	(1,523)	(426)	-	(103)	(2,052)
Closing balance	767,678	3,082,135	482,161	572,976	4,904,950
Net book value					
Opening balance	2,398,816	424,178	259,719	302,909	3,385,622
Closing balance	2,746,414	397,261	260,077	313,294	3,717,046

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

13. Intangible fixed assets

	Land use rights VND million	Copyrights & patents VND million	Others VND million	Total VND million
Cost				
Opening balance	1,637,129	477,772	96,898	2,211,799
- Purchases	242,780	64,198	-	306,978
Closing balance	1,879,909	541,970	96,898	2,518,777
Accumulated amortization				
Opening balance	39,090	452,472	66,386	557,948
- Charges for the year	7,977	24,589	5,927	38,493
Closing balance	47,067	477,061	72,313	596,441
Net book value				
Opening balance	1,598,039	25,300	30,512	1,653,851
Closing balance	1,832,842	64,909	24,585	1,922,336

14. Other assets

(a) Receivables

	31/12/2016 VND million	31/12/2015 VND million
Internal receivables	861,549	753,317
External receivables (i)	2,089,128	2,200,646
	2,950,677	2,953,963

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

14. Other assets (continued)

(a) Receivables (continued)

(i) External receivables

	31/12/2016	31/12/2015
	VND million	VND million
Advances for purchase of fixed assets	109,277	145,888
Receivables from the State Budget in relation to the interest subsidy program	195,883	151,777
Advances for corporate income tax (see Note 34)	67	216
Advances for value added tax (see Note 34)	2,129	1,343
Advances for other taxes (see Note 34)	2	265
Construction in progress (*)	404,096	767,021
Other receivables	1,377,674	1,134,136
	2,089,128	2,200,646

() Construction in progress*

	31/12/2016	31/12/2015
	VND million	VND million
Construction in progress	404,096	767,021
<i>In which, large constructions include:</i>	281,995	410,052
- Hung Yen Branch construction	128,871	706
- East Sai Gon Branch construction	45,323	75
- Binh Thuan Branch construction	37,623	31,348
- Vung Tau Branch construction	30,112	30,056
- Binh Duong Branch construction	14,170	583
- Khanh Hoa Branch construction	11,072	11,072
- Thai Binh Branch construction	9,750	6,026
- Dong Nai Branch construction	3,211	132,890
- Ha Noi Branch construction	837	24,566
- Ha Tinh Branch construction	595	10,158
- Thanh Hoa Branch construction	431	162,572

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

14. Other assets (continued)

(b) Accrued interest and fee receivables

	31/12/2016 VND million	31/12/2015 VND million
From loans to customers	1,838,453	1,238,695
From balances with and loans to other credit institutions	417,384	505,211
From investment securities	3,509,975	3,064,315
From derivative transactions	20,286	41,314
	5,786,098	4,849,535

(c) Other assets

	31/12/2016 VND million	31/12/2015 VND million
Prepaid expenses for office and fixed assets rental	829,789	928,095
Materials	94,973	88,824
Advance for card payment	461,401	324,090
Advance for rental land	252,750	73,700
Other assets	423,351	181,364
	2,062,264	1,596,073
Provision for other assets	(937)	(1,067)
	2,061,327	1,595,006

15. Amounts due to the Government and the State Bank of Vietnam

	31/12/2016 VND million	31/12/2015 VND million
Borrowings from the SBV	4,630,802	2,861,958
Borrowings on the basis of credit profiles	3,903,811	2,321,634
Other borrowings	726,991	540,324
Demand deposits from the State Treasury	42,752,358	26,049,857
Deposits from the SBV	6,768,253	12,567,738
	54,151,413	41,479,553

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

16. Deposits and borrowings from other credit institutions

	31/12/2016 VND million	31/12/2015 VND million
Deposits from other credit institutions	53,282,230	51,743,682
Demand deposits in VND	3,246,953	6,064,969
Demand deposits in foreign currencies	38,323,368	35,061,617
Term deposits in VND	6,150,000	3,910,000
Term deposits in foreign currencies	5,561,909	6,707,096
Borrowings from other credit institutions	18,956,175	20,391,699
Borrowings in VND	4,109,645	16,670,399
Borrowings in foreign currencies	14,846,530	3,721,300
	72,238,405	72,135,381

17. Deposits from customers

	31/12/2016 VND million	31/12/2015 VND million
Demand deposits	159,627,676	141,125,744
Demand deposits in VND	120,425,822	101,363,942
Demand deposits in gold, foreign currencies	39,201,854	39,761,802
Term deposits	422,812,904	354,019,090
Term deposits in VND	352,762,147	283,373,464
Term deposits in gold, foreign currencies	70,050,757	70,645,626
Deposits for specific purposes	6,227,201	4,825,786
Margin deposits	1,783,563	1,191,930
	590,451,344	501,162,550

Deposits from customers by customer types were as follows:

	31/12/2016 VND million	31/12/2015 VND million
Economic entities	263,487,641	224,730,484
Individuals	326,963,703	276,432,066
	590,451,344	501,162,550

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 (continued)

18. Derivative financial instruments and other financial assets/ (liabilities)

	31/12/2016		31/12/2015	
	Notional value VND million	Book value VND million	Notional value VND million	Book value VND million
Derivatives				
Currency swap contracts	21,388,496	207,249	8,944,224	89,199
Forward contracts	2,314,850	23,409	7,784,153	(88,571)
	23,703,346	230,658	16,728,377	628

19. Valuable papers issued

	31/12/2016 VND million	31/12/2015 VND million
Certificates of deposits	5,423	6,081
Short-term in foreign currencies	168	210
Medium-term in VND	324	415
Medium-term in foreign currencies	4,931	5,456
Bonds and bills	10,280,953	2,472,989
Short-term in VND	47	47
Short-term in foreign currencies	103	103
Medium-term in VND	4,280,791	2,472,827
Medium-term in foreign currencies	12	12
Long-term in VND	6,000,000	-
	10,286,376	2,479,070

20. Other liabilities

(a) Accrued interest and fee payables

	31/12/2016 VND million	31/12/2015 VND million
For deposits from customers	6,064,335	4,650,887
For deposits and borrowings from other credit institutions	272,919	276,343
For valuable papers issued	49,768	2,630
For derivative transactions	64,016	58,445
For trusted investment	3,136	-
	6,454,174	4,988,305

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

20. Other liabilities (continued)

(b) Other liabilities

	31/12/2016 VND million	31/12/2015 VND million
Internal payables (i)	2,050,613	1,700,312
External payables (ii)	2,915,229	4,043,086
Bonus and welfare fund	1,239,367	1,214,597
	6,205,209	6,957,995

(i) Internal payables

	31/12/2016 VND million	31/12/2015 VND million
Payables to employees	1,781,073	1,504,592
Other liabilities	269,540	195,720
	2,050,613	1,700,312

(ii) External payables

	31/12/2016 VND million	31/12/2015 VND million
Tax payables (see Note 34)	230,666	251,316
- Corporate income tax payables	113,522	181,477
- Value added tax payables	29,483	24,641
- Other tax payables	87,661	45,198
Unearned interest income	32,966	30,483
Payables for construction and acquisition of fixed assets	128,468	137,828
Deposit in custody relating to pending payments	161,071	182,115
Other payables to customers	525,297	189,772
Other pending items in settlement	346,219	106,740
Other payables to the State relating to interest subsidy program	64,528	64,528
Fund received from other entities	-	1,500,000
Borrowings from the Ministry of Finance	651,693	545,838
Other payables	774,321	1,034,466
	2,915,229	4,043,086

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21. Capital and reserves

(a) Statement of changes in equity

	Charter capital	Share premium	Other capital	Reserves			Total	Asset revaluation difference	Foreign exchange difference	Retained profits	Non-controlling interest	Total
				Supplement charter capital reserve	Financial reserve	Investment and development reserve						
	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million
Balance as at 1/1/2016	26,650,203	5,725,318	45,160	1,617,448	3,253,253	70,661	4,941,362	89,222	79,969	7,475,808	165,300	45,172,342
Net profit for the year	-	-	-	-	-	-	-	-	-	6,831,725	19,276	6,851,001
Issue new shares according to Resolution of the General Meeting of shareholders	9,327,483	(5,724,125)	-	-	-	-	-	-	-	(3,603,358)	-	-
Reserves temporarily appropriated from profit for 2016	-	-	-	336,544	669,800	-	1,006,344	-	-	(2,205,681)	-	(1,199,337)
Bonus and welfare fund appropriated for 2015	-	-	-	-	-	-	-	-	-	(8,798)	(551)	(9,349)
Dividends paid during the year	-	-	-	-	-	-	-	-	-	(2,665,020)	(40,721)	(2,705,741)
Utilization during the year	-	-	-	-	(7,300)	-	(7,300)	-	-	-	-	(7,300)
Adjustments from Independent Auditor under the equity method	-	-	-	-	-	-	-	-	-	2,615	-	2,615
Expenses for issuing shares to foreign strategic shareholders	-	(1,193)	-	-	-	-	-	-	-	-	-	(1,193)
Adjustment for reserves appropriation for 2015 according to the Resolution of General Meeting of shareholders	-	-	-	(1,246)	(2,493)	-	(3,739)	-	-	3,627	-	(112)
Exchange rate difference	-	-	-	-	-	-	-	(5,937)	4,276	-	197	4,473
Assets revaluation	-	-	-	-	-	-	-	-	-	-	-	(5,937)
Others	-	-	-	-	-	-	-	-	-	28	20	48
Balance as at 31/12/2016	35,977,686	-	45,160	1,952,746	3,913,260	70,661	5,936,667	83,285	84,245	5,830,946	143,521	48,101,510

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

21. Capital and reserves (continued)

(b) Details of shareholders of the Bank

	31/12/2016 VND million	31/12/2015 VND million
Ordinary shares		
The State of Vietnam	27,743,534	20,550,766
Foreign strategic shareholder (Mizuho Bank Ltd., Japan)	5,396,685	3,997,544
Other shareholders	2,837,467	2,101,893
	35,977,686	26,650,203

The Bank's authorized and issued share capital is as follows:

	31/12/2016		31/12/2015	
	Number of shares	VND million	Number of shares	VND million
Authorized share capital	3,597,768,575	35,977,686	2,665,020,334	26,650,203
Issued share capital				
Ordinary shares	3,597,768,575	35,977,686	2,665,020,334	26,650,203
Outstanding shares				
Ordinary shares	3,597,768,575	35,977,686	2,665,020,334	26,650,203

The par value of each ordinary share is VND10,000.

(c) Basic earnings per share

(i) Profit attributable to the shareholders of Vietcombank to calculate basic earnings per share

	Year ended 31/12/2016 VND million	Year ended 31/12/2015 VND million
Net profit after tax	6,831,725	5,313,928
Appropriation to bonus and welfare funds (*)	(1,199,337)	(990,159)
Profit attributable to the ordinary shareholders	5,632,388	4,323,769

(*) The profit attributable to calculate earnings per share of 2015 was restated to reflect the appropriation of bonus and welfare reserves from the retained earnings of 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

21. Capital and reserves (continued)

(c) Basic earnings per share (continued)

(ii) Weighted average number of ordinary shares

	Year ended 31/12/2016	Year ended 31/12/2015 (Restated)
Shares issued at the beginning of the year	2,665,020,334	2,665,020,334
Shares issued during the year	932,748,241	932,748,241
Weighted average number of ordinary shares	3,597,768,575	3,597,768,575

According to the guidance of VAS No. 30, if the current ordinary shares increase due to capitalization, issuance of bonus shares, share split or reduction arising from share consolidation, "Earnings per share" for all reporting periods should be adjusted retrospectively (See Note 2(y)).

(iii) Basic earnings per share

	Year ended 31/12/2016 VND	Year ended 31/12/2015 VND (Restated)
Basic earnings per share	1,566	1,202

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

22. Interest and similar income

	Year ended 31/12/2016 VND million	Year ended 31/12/2015 VND million
Interest income from loans to customers	29,023,501	24,306,183
Interest income from deposits	1,520,970	1,199,274
Interest income from trading and investment debt securities	6,563,613	5,307,039
- <i>Interest income from investment securities</i>	6,446,456	5,072,617
- <i>Interest income from trading securities</i>	117,157	234,422
Interest income from finance leases	216,949	195,092
Income from guarantee activities	313,387	283,154
Other income from credit activities	66,752	30,117
Interest from debts trading activities	8,000	39,870
	<hr/> 37,713,172 <hr/>	<hr/> 31,360,729 <hr/>

23. Interest and similar expenses

	Year ended 31/12/2016 VND million	Year ended 31/12/2015 VND million
Interest expenses on deposits	(17,938,402)	(14,956,105)
Interest expenses on borrowings	(840,751)	(596,262)
Interest expenses on valuable papers issued	(349,491)	(278,523)
Others expenses on credit activities	(56,817)	(76,807)
	<hr/> (19,185,461) <hr/>	<hr/> (15,907,697) <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 for the year ended 31 December 2016 (continued)

24. Net fee and commission income

	Year ended 31/12/2016 VND million	Year ended 31/12/2015 VND million
Fee and commission income from		
Settlement services	2,765,256	2,147,481
Cash services	215,643	186,393
Trusted and agency activities	21,722	8,248
Other services	1,323,862	1,215,182
	4,326,483	3,557,304
Fee and commission expenses for		
Settlement services	(1,694,872)	(1,280,848)
Cash services	(58,074)	(50,158)
Telecommunication services	(88,295)	(76,999)
Trusted and agency activities	(4,852)	(697)
Other services	(373,685)	(275,954)
	(2,219,778)	(1,684,656)
	2,106,705	1,872,648

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

25. Net gain from dealing in foreign currencies

	Year ended 31/12/2016 VND million	Year ended 31/12/2015 VND million
Gains from dealing in foreign currencies		
From foreign currencies spot trading	2,657,525	2,968,544
From currency derivatives	304,878	265,360
From foreign exchange rate differences	2,687	670,207
From revaluation of derivative contracts	4,929	-
	2,970,019	3,904,111
Losses from dealing in foreign currencies		
From foreign currencies spot trading	(444,741)	(952,813)
From currency derivatives	(457,342)	(1,352,441)
From foreign exchange rate differences	(198,781)	(26,283)
From revaluation of derivative contracts	(19,037)	-
	(1,119,901)	(2,331,537)
	1,850,118	1,572,574

26. Net gain from trading securities

	Year ended 31/12/2016 VND million	Year ended 31/12/2015 VND million
Income from trading securities	595,413	319,270
Expenses on trading securities	(78,155)	(144,407)
Provision for trading securities (see Note 7)	(21,490)	22,612
	495,768	197,475

27. Net (loss)/gain from investment securities

	Year ended 31/12/2016 VND million	Year ended 31/12/2015 VND million
Income from trading investment securities	52,590	212,758
Expenses on trading investment securities	(142,006)	(60,404)
	(89,416)	152,354

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

28. Net other income

	Year ended 31/12/2016 VND million	Year ended 31/12/2015 VND million
Other income		
Income from recoveries of loans previously written off	2,121,544	1,834,236
Income from debts trading activities	57,110	212,882
Other income	114,885	93,432
	2,293,539	2,140,550
Other expenses		
Expenses from interest rate swap transactions	(132,417)	(4,310)
Expenses from debts trading activities	(2,026)	(110)
Expenses for social activities	(216,968)	(211,851)
Other expenses	(24,938)	(19,000)
	(376,349)	(235,271)
	1,917,190	1,905,279

29. Dividend and net income from investments in associates and joint-ventures

	Year ended 31/12/2016 VND million	Year ended 31/12/2015 VND million
Dividends received from equity investments during the year	24,549	94,803
- <i>Dividends received from equity securities</i>	16,641	81,033
- <i>Dividends received from trading securities</i>	7,908	13,770
Share of gain/(loss) of investments in joint-ventures and associates upon the equity method	47,007	(47,468)
Income from disposal of equity investments	-	1,100
	71,556	48,435

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

30. Operating expenses

	Year ended 31/12/2016 VND million	Year ended 31/12/2015 VND million
Tax, duties and fees	(213,132)	(165,500)
Salaries and related expenses	(5,367,714)	(4,283,737)
<i>Of which:</i>		
- <i>Salary and allowances</i>	(4,969,987)	(3,980,288)
- <i>Additional expenses based on salary</i>	(278,035)	(223,813)
- <i>Other allowances</i>	(1,952)	(2,196)
Expenses on assets	(1,976,646)	(1,820,583)
<i>Of which:</i>		
- <i>Depreciation of fixed assets</i>	(711,161)	(644,239)
Administrative expenses	(2,030,266)	(1,692,881)
Insurance expenses on deposit of customers	(355,746)	(292,895)
Reversal of/(additional) provision for long-term investments (see Note 11(c))	21,442	(9,948)
Others	(28,381)	(40,705)
	<u>(9,950,443)</u>	<u>(8,306,249)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 for the year ended 31 December 2016 (continued)

31. Provision for credit losses

	Year ended 31/12/2016 VND million	Year ended 31/12/2015 VND million
Specific provision for credit losses of loans to other credit institutions		
Reversal during the year (see Note 6)	-	22,877
General provision for credit losses of loans to customers		
Provision for the year (see Note 9)	(668,303)	(440,784)
Specific provision for credit losses of loans to customers		
Provision for the year (see Note 9)	(3,018,283)	(5,109,836)
General provision for unlisted corporate bonds		
Provision for the year (see Note 10(a) and 10(b))	(38,170)	(54,000)
Specific provision for unlisted corporate bonds and VAMC bonds		
Provision for the year (see Note 10(a) and 10(c))	(2,681,350)	(486,348)
	<u>(6,406,106)</u>	<u>(6,068,091)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 for the year ended 31 December 2016 (continued)

32. Current corporate income tax expenses

	Year ended 31/12/2016 VND million	Year ended 31/12/2015 VND million
Profit before tax	8,523,083	6,827,457
<i>Adjustments:</i>		
Taxable income of subsidiaries	(220,863)	(210,059)
Dividend received during the year (see Note 29)	(24,549)	(94,803)
Net loss of investments in joint-ventures and associate using the equity method (see Note 29)	(47,007)	47,468
Consolidation adjustments	(106,648)	-
Provision expense of VCBS made in 2013 and eligible for tax deduction in 2015	-	(127)
Other non-deductible expenses	1,325	1,984
Taxable income	8,125,341	6,571,920
Statutory corporate income tax rate	20%	22%
Estimated corporate income tax of the Bank (tax rate: 20%)	(1,625,068)	(1,445,822)
Estimated corporate income tax of subsidiaries (tax rate: 20%)	(45,474)	(47,813)
Estimated corporate income tax of subsidiaries (tax rate: 16.5%)	(1,540)	(1,465)
Corporate income tax expenses for the year	(1,672,082)	(1,495,100)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

33. Cash and cash equivalents

	31/12/2016 VND million	31/12/2015 VND million
Cash on hand, gold, silver and gemstones	9,692,053	8,519,334
Balances with the State Bank of Vietnam	17,382,418	19,715,035
Balances with and loans to other credit institutions due within three months	143,017,177	122,367,566
Trading securities	4,271,362	9,941,389
Investment securities due within three months	5,525,988	3,869,529
	179,888,998	164,412,853

34. Obligations to the State Budget

	Balance as at 1/1/2016		Occurrence		Balance as at 31/12/2016		
	VND million	VND million	Payable VND million	Paid VND million	Payable VND million	Advances VND million	Total VND million
Value added tax	23,298	337,045	(332,989)		29,483	(2,129)	27,354
Current corporate income tax	181,196	1,672,193	(1,739,934)		113,522	(67)	113,455
<i>In which:</i>							
- Corporate income tax of Vietcombank	181,363	1,672,082	(1,739,923)		113,522	-	113,522
- Adjustments on tax of previous years	(112)	112	(11)		-	(11)	(11)
- Effects of exchange differences on Vinafico tax obligation in 2008	(55)	(1)	-		-	(56)	(56)
Other taxes	44,933	566,914	(524,188)		87,661	(2)	87,659
	249,427	2,576,152	(2,597,111)		230,666	(2,198)	228,468

35. Employee benefits

	Year ended 31/12/2016	Year ended 31/12/2015
Total number of employees (person)	15,615	14,755
Employees' income		
Total salary and allowance (VND million) (see Note 30)	4,969,987	3,980,288
Monthly average income/person (VND million)	26.52	22.48

36. Contingent liabilities and other commitments

In the normal course of business, Vietcombank is a party to financial instruments which are recorded as off-balance sheet items. These financial instruments mainly comprise financial guarantees and letters of credit. These instruments involve elements of credit risk in excess of the amounts recognized in the consolidated balance sheet.

Credit risk for off-balance sheet financial instruments is defined as the possibility of incurring a loss because any other counterparty to a financial instrument fails to discharge its contractual obligations.

Financial guarantees are conditional commitments issued by Vietcombank to guarantee transactions of its customers with third parties including loan guarantee, payment guarantee, performance guarantee and bid guarantee. Such guarantees expose the Bank to similar credit risk to loans to customers.

Commercial at sight letters of credit represent a financing transaction by Vietcombank to its customers where the customer is usually the buyer/importer of goods and the beneficiary is typically the seller/exporter. Credit risk is limited as the imported merchandise serves as collaterals for the transaction.

Deferred payment letters of credit contain the risk of customers not making payment to their beneficiaries upon contract performance. When deferred payment letters of credit are defaulted by customers, Vietcombank recognizes a compulsory loan to a customer and at the same time a corresponding liability representing the financial obligation of Vietcombank to pay the beneficiaries and to fulfill the guarantor obligations.

Vietcombank normally requires margin deposits to support credit-related financial instruments as 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 Vietcombank.

37. Significant transactions and balances with related parties

(a) Significant transactions with related parties

	Relationship	Year ended 31/12/2016 VND million	Year ended 31/12/2015 VND million
The State Bank of Vietnam (“the SBV”)	Regulator		
Interest income from deposits at the SBV		124,475	107,562
Interest expenses on deposits and borrowings from the SBV		(160,765)	(83,575)
The Ministry of Finance (“the MoF”)	Regulator		
Interest income from loans to the MoF		-	4,908
Interest expenses on deposits from the MoF		(204,319)	(61,536)
Interest expenses on borrowings from the MoF		(26,959)	(20,694)

(b) Significant balances with related parties

	Relationship	31/12/2016 VND million	31/12/2015 VND million
The State Bank of Vietnam (“the SBV”)	Regulator		
Deposits at the SBV		17,382,418	19,715,035
Deposits and borrowings from the SBV		(11,399,055)	(15,429,696)
The Ministry of Finance (“the MoF”)	Regulator		
Deposits from the MoF		42,752,358	26,049,857
Borrowings from the MoF		(651,693)	(545,838)

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38. Segment reporting

(a) Geographical segment

	The North VND million	The Middle and Tay Nguyen VND million	The South VND million	Overseas VND million	Elimination VND million	Total VND million
1 Interest and similar income	53,329,837	9,149,110	25,378,371	26,018	(50,170,164)	37,713,172
2 Interest and similar expenses	(44,736,243)	(6,538,261)	(18,075,757)	(5,364)	50,170,164	(19,185,461)
I Net interest income	8,593,594	2,610,849	7,302,614	20,654	-	18,527,711
3 Fee and commission income	2,416,442	384,512	1,602,892	21,175	(98,538)	4,326,483
4 Fee and commission expenses	(2,144,168)	(20,489)	(69,825)	(9,245)	23,949	(2,219,778)
II Net fee and commission income	272,274	364,023	1,533,067	11,930	(74,589)	2,106,705
III Net gain/(loss) from trading foreign currencies	1,412,717	68,460	368,786	155	-	1,850,118
IV Net gain from trading securities	495,768	-	-	-	-	495,768
V Net gain from investment securities	(89,416)	-	-	-	-	(89,416)
5 Other income	1,005,277	463,158	827,678	590	(3,164)	2,293,539
6 Other expenses	(216,372)	(94,186)	(60,021)	(5,770)	-	(376,349)
VI Net other income	788,905	368,972	767,657	(5,180)	(3,164)	1,917,190
VII Dividend and net income from investments in associates and joint-ventures	71,556	-	-	-	-	71,556
Total operating income	11,545,398	3,412,304	9,972,124	27,559	(77,753)	24,879,632
VIII Total operating expenses	(6,330,767)	(983,337)	(2,678,762)	(35,330)	77,753	(9,950,443)
IX Net operating profit before provisions for credit losses	5,214,631	2,428,967	7,293,362	(7,771)	-	14,929,189
X Provisions for credit losses	(4,304,988)	(573,976)	(1,527,095)	(47)	-	(6,406,106)
XI Profit before tax	909,643	1,854,991	5,766,267	(7,818)	-	8,523,083
7 Current corporate income tax expenses	(146,290)	(370,998)	(1,153,254)	(1,540)	-	(1,672,082)
8 Deferred income tax expense	-	-	-	-	-	-
XII Corporate income tax expenses	(146,290)	(370,998)	(1,153,254)	(1,540)	-	(1,672,082)
XIII Profit after tax	763,353	1,483,993	4,613,013	(9,358)	-	6,851,001

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38. Segment reporting (continued)

(b) Business segment

	Banking services VND million	Non-bank financial services VND million	Securities VND million	Others VND million	Elimination VND million	Total VND million
1	Interest and similar income	247,250	142,517	22,639	(117,113)	37,713,172
2	Interest and similar expenses	(94,516)	(62,346)	-	117,113	(19,185,461)
I	Net interest income	152,734	80,171	22,639	-	18,527,711
3	Fee and commission income	6,096	138,473	131,720	(98,538)	4,326,483
4	Fee and commission expenses	(906)	(34,095)	(51,757)	23,949	(2,219,778)
II	Net fee and commission income	5,190	104,378	79,963	(74,589)	2,106,705
III	Net gain from trading foreign currencies	704	-	1	-	1,850,118
IV	Net gain from trading securities	-	33,877	-	-	495,768
V	Net gain/(loss) from investment securities	-	-	-	-	(89,416)
5	Other income	10,217	133	555	(3,164)	2,293,539
6	Other expenses	(5,784)	(4)	-	-	(376,349)
VI	Net other income	4,433	129	555	(3,164)	1,917,190
VII	Dividend and net income from investments in associates and joint-ventures	63,650	-	-	-	71,556
VIII	Total operating income	24,464,705	163,061	226,461	(77,753)	24,879,632
IX	Total operating expenses	(9,781,671)	(69,813)	(146,287)	77,753	(9,950,443)
X	Net operating profit before provisions for credit losses	14,683,034	93,248	80,174	-	14,929,189
XI	Provisions for credit losses	(6,387,396)	(18,710)	-	-	(6,406,106)
XII	Profit before tax	8,295,638	74,538	80,174	-	8,523,083
7	Current corporate income tax expenses	(1,625,068)	(14,843)	(14,454)	-	(1,672,082)
8	Deferred income tax expense	-	-	-	-	-
XIII	Corporate income tax expenses	(1,625,068)	(14,843)	(14,454)	-	(1,672,082)
XIII	Net profit after tax	6,670,570	59,695	65,720	-	6,851,001

39. Disclosure of financial instruments

(a) Collaterals

Vietcombank does not hold collaterals which it is permitted to sell or re-pledge in the absence of default by the owner of the collaterals.

(b) Fair value disclosure

Circular No. 210/2009/TT-BTC requires Vietcombank to disclose the measurement method and related information of fair value of financial assets and financial liabilities for the purpose of comparing their book value and fair value.

The following table presents book value and fair value of Vietcombank's financial assets and liabilities as at 31 December 2016:

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39. Disclosure of financial instruments (continued)

(b) Fair value disclosures (continued)

	Book value				Fair value	
	Held for trading	Held-to maturity	Loans and receivables	Available-for-sale	Recognized at amortized cost	Total of book value
	VND million	VND million	VND million	VND million	VND million	VND million
Financial assets						
I Cash on hand, gold, silver and gemstones	9,692,053	-	-	-	-	9,692,053
II Balances with the State Bank of Vietnam	17,382,418	-	-	-	-	17,382,418
III Balances with and loans to other credit institutions	33,001,174	70,234,879	48,609,517	-	-	151,845,570
IV Trading securities	4,271,362	-	-	-	-	4,271,362
V Derivative financial instruments and other financial assets	230,658	-	-	-	-	230,658
VI Loans to customers	-	-	460,808,468	-	-	460,808,468
VIII Investment securities	-	80,019,284	-	51,931,950	-	131,951,234
IX Other long-term investments	-	-	-	2,829,418	-	2,829,418
XII Other financial assets	-	-	9,143,904	-	-	9,143,904
	64,577,665	150,254,163	518,561,889	54,761,368	-	788,155,085
Financial liabilities						
I, II Deposits and borrowings from the SBV and other credit institutions	-	-	-	-	126,389,818	126,389,818
III Deposits from customers	-	-	-	-	590,451,344	590,451,344
VI Valuable papers issued	-	-	-	-	10,286,376	10,286,376
VII Other financial liabilities	-	-	-	-	7,551,288	7,551,288
	-	-	-	-	734,678,826	734,678,826

(*) Due to insufficient information available for applying valuation techniques, fair values of the financial assets and liabilities that do not have quoted market prices are deemed to be not reliably measured and therefore not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

39. Disclosure of financial instruments (continued)

(c) Risk management policies for financial instruments

The Board of Directors has the highest rights and responsibilities for Vietcombank financial risk management to facilitate its sustainable growth.

Having taken that responsibilities, the Board of Directors appropriately promulgates risk management policies and strategies for each period, establishes risk limits, directly approves high-value business transactions in accordance with legal and internal requirements for each period, and determines organizational structure and key personnel positions.

Risk management strategies and policies are adhered to Vietcombank's charter and General Shareholders' Meeting resolution for each period.

The Risk Management Committee was established by the Board of Directors to assist the Board of Directors in managing all risks that may arise from Vietcombank's day-to-day business operations.

The Asset and Liability Credit and Operational Risk Committee (ALCO) was established and chaired by the Chief Executive Officer. ALCO members are key personnel of Vietcombank being in-charge of risk management.

ALCO is responsible for comprehensively monitoring and managing assets and liabilities in the separate and consolidated balance sheet of Vietcombank in order to maximize profit while minimizing losses arising from negative market trends, manage liquidity risk and appropriately direct interest and foreign exchange rate schemes.

Within its authority, ALCO has the rights to make risk management decisions.

(i) Credit risk

Vietcombank is exposed to credit risk, which is the risk of incurring a loss because its customers or counterparties fail to discharge their contractual obligations. Credit exposures arise mainly in lending activities relating to loans and advances to customers, and in investments in debt securities. Off-balance sheet financial instruments, such as loan commitments, also contain credit risk. Vietcombank controls and manages credit risk by setting up related policies and procedures, including the credit risk management policies and operational risk management policy by the Risk Management Committee and Credit Committee.

Vietcombank classifies loans to customers and other credit institutions in accordance with Circular 02 and Circular 09 (see Note 2(g)) and regularly assesses credit risks of non-performing loans in order to have appropriate resolutions.

In order to manage credit risks, Vietcombank has established policies and procedures relating to credit risk management; established credit manuals; performed credit risk assessment; set up internal credit rating systems and loan classification and decentralized authorization in credit activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

39. Disclosure of financial instruments (continued)

(c) Risk management policies for financial instruments (continued)

(i) Credit risk (continued)

Vietcombank's maximum exposure amounts to credit risk as at 31 December 2016, excluding collaterals and credit risk mitigations as follows:

	Neither past due nor impaired VND million	Past due but not impaired VND million	Impaired and fully made provision VND million	Total VND million
Balances with and loans to other credit institutions – gross	151,845,570	-	-	151,845,570
Balances with other credit institutions	103,236,053	-	-	103,236,053
Loans to other credit institutions	48,609,517	-	-	48,609,517
Loans to customers – gross	444,031,825	1,917,011	14,859,632	460,808,468
Investment securities – gross	130,941,234	-	1,010,000	131,951,234
Available-for-sale securities	51,931,950	-	-	51,931,950
Held-to-maturity securities	79,009,284	-	1,010,000	80,019,284
Other assets	9,143,904	-	-	9,143,904
	735,962,533	1,917,011	15,869,632	753,749,176

Types and book value of collaterals held by Vietcombank as at 31 December 2016 were as follows:

	VND million
Deposits	53,666,664
Valuable papers	71,395,538
Real estates	339,959,056
Others	389,759,801
	854,781,059

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

39. Disclosure of financial instruments (continued)

(c) Risk management policies for financial instruments (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will unexpectedly fluctuate due to changes in market interest rates.

The actual interest re-pricing term is the remaining term starting from the date of the consolidated financial statements to the nearest interest re-pricing term of the items in the consolidated balance sheet.

The following assumptions and conditions have been adopted in the analysis of actual interest rate re-pricing term of assets and liabilities in the consolidated balance sheet of Vietcombank:

- Cash, gold, silver and gemstones, long-term investments, and other assets (including fixed assets and other assets) are classified as non-interest bearing items.
- Trading securities are classified as up to 1 month.
- The actual interest re-pricing term of investment securities depends on the interest rate from the issuers for each type of securities.
- The actual interest re-pricing term of balances with and loans to other credit institutions, loans to customers, amounts due to the Government and the State Bank of Vietnam, deposits and borrowings from other credit institutions and deposits from customers are identified as follows:
 - Items with fixed interest rate during the contractual term: the actual interest re-pricing term is based on the contractual maturity date subsequent to the consolidated financial statement date.
 - Items with floating interest rate: the actual interest re-pricing term is based on the nearest re-pricing term subsequent to the consolidated financial statement date.
- The actual interest re-pricing term of valuable papers issued is based on valuable papers' maturities and the Bank's interest rate for each issuance.
- The actual interest re-pricing term of other borrowed funds is from one to five years.
- The actual interest re-pricing term for other liabilities is from one to three months. In fact, these items shall have different interest re-pricing terms.

The following table presents the interest rate re-pricing terms of Vietcombank's assets and liabilities as at 31 December 2016:

Joint Stock Commercial Bank for Foreign Trade of Vietnam

Form B05/TCTD-HN
(Issued in accordance with SBV
Circular No. 49/2014/TT-NHNN
dated 31 December 2014)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

39. Disclosure of financial instruments (continued)

(c) Risk management policies for financial instruments (continued)

(ii) Interest rate risk (continued)

	Overdue VND million	Free of interest VND million	Up to 1 month VND million	From 1 to 3 months VND million	From 3 to 6 months VND million	From 6 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million	Total VND million
Assets									
I	-	9,692,053	-	-	-	-	-	-	9,692,053
II	-	-	17,382,418	-	-	-	-	-	17,382,418
III	-	-	129,095,007	14,422,171	557,359	7,771,033	-	-	151,845,570
IV	-	-	4,271,362	-	-	-	-	-	4,271,362
V	-	-	-	230,658	-	-	-	-	230,658
VI	5,404,880	43	107,427,801	167,331,713	121,291,994	41,360,077	16,867,744	1,124,216	460,808,468
VIII	-	8,190	1,319,863	9,155,123	14,271,092	5,544,427	68,901,536	32,751,003	131,951,234
IX	-	3,642,161	-	-	-	-	-	-	3,642,161
X	-	5,639,382	-	-	-	-	-	-	5,639,382
XII	-	10,800,982	-	-	-	-	-	-	10,800,982
Total assets	5,404,880	29,782,811	259,496,451	191,139,665	136,120,445	54,675,537	85,769,280	33,875,219	796,264,288
Liabilities									
L II	-	-	100,212,951	13,312,107	10,050,407	2,814,353	-	-	126,389,818
III	-	7,062	310,573,557	126,916,064	79,356,585	71,042,522	2,550,208	5,346	590,451,344
VI	-	-	286,376	-	-	2,000,000	8,000,000	-	10,286,376
VII	-	12,677,844	-	-	-	-	-	-	12,677,844
Total liabilities	-	12,684,906	411,072,884	140,228,171	89,406,992	75,856,875	10,550,208	5,346	739,805,382
Interest sensitivity gap	5,404,880	17,097,905	(151,576,433)	50,911,494	46,713,453	(21,181,338)	75,219,072	33,869,873	56,458,906
Cumulative interest sensitivity gap	5,404,880	22,502,785	(129,073,648)	(78,162,154)	(31,448,701)	(52,630,039)	22,589,033	56,458,906	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

39. Disclosure of financial instruments (continued)

(c) Risk management policies for financial instruments (continued)

(iii) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Bank was incorporated and operates in Vietnam, with VND as its reporting currency. The Bank's two overseas subsidiaries have their local currencies as their reporting currencies. However, the value of these companies' assets is not significant to Vietcombank's total asset value. The major currency in which the Bank transacts is VND. Vietcombank's loans and advances to customers are mainly denominated in VND, USD and EUR. Some of Vietcombank's other assets are in currencies other than VND, USD and EUR. Vietcombank has set limits on currency positions based on its internal risk management system and relevant statutory requirements stipulated by the SBV. Currency positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

The following table presents Vietcombank's assets and liabilities denominated in foreign currencies that were translated into VND as at 31 December 2016:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

39. Disclosure of financial instruments (continued)

(c) Risk management policies for financial instruments (continued)

(iii) Currency risk (continued)

	VND VND million	USD VND million	EUR VND million	Other currencies VND million	Total VND million
Assets					
I	7,550,927	1,594,111	296,978	250,037	9,692,053
II	11,205,807	6,176,611	-	-	17,382,418
III	96,514,300	31,313,748	16,418,418	7,599,104	151,845,570
IV	4,271,362	-	-	-	4,271,362
V	6,906,789	(10,435,465)	3,489,440	269,894	230,658
VI	379,801,538	80,404,012	183,123	419,795	460,808,468
VIII	76,553,734	55,397,500	-	-	131,951,234
IX	3,642,161	-	-	-	3,642,161
X	5,637,958	588	-	836	5,639,382
XII	9,296,474	964,213	315,343	224,952	10,800,982
Total assets	601,381,050	165,415,318	20,703,302	8,764,618	796,264,288
Liabilities					
I, II	46,629,502	59,994,725	16,029,765	3,735,826	126,389,818
III	476,525,664	106,911,061	4,651,060	2,363,559	590,451,344
VI	10,281,161	5,215	-	-	10,286,376
VII	11,922,863	598,144	20,141	136,696	12,677,844
Total liabilities	545,359,190	167,509,145	20,700,966	6,236,081	739,805,382
FX position on-balance sheet	56,021,860	(2,093,827)	2,336	2,528,537	56,458,906

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

39. Disclosure of financial instruments (continued)

(c) Risk management policies for financial instruments (continued)

(iv) Liquidity risk

Liquidity risk occurs when Vietcombank fails to fulfil its financial commitments with customers or counterparties due to unavailability of funds or liquidity.

The maturity of assets and liabilities represent the remaining terms of these assets and liabilities from the consolidated financial statements date to the maturity date according to the underlying contractual agreements or terms of issuance.

The following assumptions and conditions have been adopted in the preparation of Vietcombank's assets and liabilities maturity analysis in the consolidated balance sheet:

- Balances with the SBV are considered as current accounts including the compulsory deposits;
- The maturity of investment securities is based on redemption dates of each securities established by the issuers of these financial instruments;
- The maturities of balances with and loans to other credit institutions and loans to customers are based on the contractual maturity date. The actual maturity may vary from the original contractual term when the contract is extended;
- The maturity of equity investments is considered to be over 5 years as equity investments have no maturity; and
- Deposits and loans from other credit institutions and deposits from customers are determined based on either the nature of the loans or their contractual maturities. For example, Vostro accounts and current accounts paid upon customers' demand are considered to be demand deposits, the maturity of term deposits and borrowings is based on the contractual maturity date. In practice, such items may be rolled over and maintained for longer period.

The following table analyses the remaining terms to maturity of Vietcombank's assets and liabilities as at 31 December 2016:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

39. Disclosure of financial instruments (continued)
(c) Risk management policies for financial instruments (continued)

(iv) Liquidity risk (continued)

	Overdue over 3 months	Overdue up to 3 months	Not overdue				Total
			Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	
	VND million	VND million	VND million	VND million	VND million	VND million	VND million
Assets							
I	-	-	9,692,053	-	-	-	9,692,053
II	-	-	17,382,418	-	-	-	17,382,418
III	-	-	129,095,006	14,422,171	8,328,393	-	151,845,570
IV	-	-	4,271,362	-	-	-	4,271,362
V	-	-	-	230,658	-	-	230,658
VI	4,240,373	1,164,506	41,799,722	105,749,545	146,077,832	101,946,112	460,808,468
VIII	-	-	1,319,864	4,206,124	9,905,518	82,919,725	131,951,234
IX	-	-	-	-	-	-	3,642,161
X	-	-	-	-	-	-	5,639,382
XII	-	-	-	10,800,982	-	-	10,800,982
Total assets	4,240,373	1,164,506	203,560,425	135,409,480	164,311,743	184,865,837	796,264,288
Liabilities							
I, II	-	-	100,175,262	13,065,345	12,448,246	608,814	126,389,818
III	-	-	164,978,585	139,341,992	175,362,542	44,611,931	590,451,344
VI	-	-	286,376	-	-	4,000,000	10,286,376
VII	-	-	-	12,677,844	-	-	12,677,844
Total liabilities	-	-	265,440,223	165,085,181	187,810,788	49,220,745	739,805,382
Net liquidity gap	4,240,373	1,164,506	(61,879,798)	(29,675,701)	(23,499,045)	135,645,092	56,458,906

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 for the year ended 31 December 2016 (continued)

40. Notes to changes in profit

The increase in net profit after tax of Vietcombank for the year ended 31 December 2016, by VND billion 1,519 (equivalent to 28%) in comparison to that for the year ended 31 December 2015, was due to the increase in its profit before tax of VND billion 1,696 (equivalent to 25%), driven mainly by the following items:

	Impact	
	Absolute value VND billion	Relative value %
Items which have significant movements		
Increase in fee and commission income	769	11.27
Increase in net gain from trading securities	278	4.07
Increase in income from loans previously written off (in other income)	287	4.21
	1,334	19.55

41. Events after the consolidated financial statement date

As at the preparation date of the consolidated financial statements, there have not been any significant events that have arisen since 31 December 2016 that may significantly affect the consolidated financial position of the Bank and its subsidiaries as at 31 December 2016, the consolidated results of their operations and their cash flows for the year then ended which require adjustments or disclosures to be made in the consolidated financial statements for the year ended 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

42. Restatements of comparative figures due to changes in accounting policies

During the current year, due to changes in accounting policies and requirements of preparation and presentation of financial statements according to Circular 210/2014/TT-BTC dated 30 December 2014 applied to Vietcombank Securities Company Limited, a subsidiary of Vietcombank, certain items in the previous year's consolidated balance sheet were reclassified to conform with the presentation of the current year.

Extract from the consolidated balance sheet as at 31 December 2015:

	31/12/2015	Reclassification according to Circular 210	31/12/2015
	VND million (Previously stated)	VND million	VND million (Reclassified)
Trading securities	9,467,305	457,741	9,925,046
Trading securities	9,468,255	473,134	9,941,389
Provision for trading securities	(950)	(15,393)	(16,343)
Loans to customers	378,541,826	571,233	379,113,059
Loans to customers	387,151,704	571,233	387,722,937
Investment securities	108,055,236	(457,741)	107,597,495
Available-for-sale securities	42,941,175	(473,134)	42,468,041
Provision for investment securities	(704,217)	15,393	(688,824)
Other assets	9,971,680	(571,233)	9,400,447
Receivables	3,532,456	(578,493)	2,953,963
Interest, fee receivables	4,842,275	7,260	4,849,535
Deposits from customers	500,528,267	634,283	501,162,550
Other liabilities	12,600,027	(634,283)	11,965,744
Other liabilities	7,592,278	(634,283)	6,957,995

In 2016, the Bank issued the bonus shares in accordance with Resolution No. 09/TN2016/NQ-DHDCD dated 15 April 2016 by the General Meeting of Shareholders. Additionally, the profit used to determine earnings per share in 2015 was adjusted to reflect the actual appropriation of bonus and welfare reserves from the retained earnings of 2015. Consequently, item "Earnings per share" in 2015 was restated to reflect the above changes.

	31/12/2015	Adjustments	31/12/2015
	VND (Previously stated)	VND	VND (Restated)
Basic earnings per share (VND)	1,626	(424)	1,202

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2016 (continued)

43. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Management on 29 March 2017.


Hanoi, 29 March 2017

Prepared by:

Ms. Nguyen Thi Thu Huong

Ms. Phung Nguyen Hai Yen


Deputy Director of
Accounting Policy Department


Chief Accountant

Approved by:

Mr. Nguyen Danh Luong



Deputy CEO

