



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

Consolidated Financial Statements
for the year ended 31 December 2018



Joint Stock Commercial Bank for Foreign Trade of Vietnam Content

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Joint Stock Commercial Bank for Foreign Trade of Vietnam Bank Information

Establishment and Operation Licence

Establishment and Operation 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, Decision No. 2182/QD-NHNN dated 26 October 2015, Decision No. 95/QD-NHNN dated 18 January 2017, Decision No. 891/QD-NHNN dated 8 May 2017, Decision No. 2293/QD-NHNN dated 31 October 2017 and Decision No. 300/QD-NHNN dated 21 February 2019 promulgated by the State Bank of Vietnam amending and supplementing the operations of Joint Stock Commercial Bank for Foreign Trade of Vietnam.

Business Registration Certificate

Business Registration Certificate No. 0103024468 dated 2 June 2008 issued by Hanoi Authority for Planning and Investment, Enterprise Code No. 0100112437 was reissued for the thirteenth time on 16 January 2019.

Members of the Board of Directors during the year and until the issuing date of the consolidated financial statements

Mr. Nghiem Xuan Thanh	Chairman	Reappointed on 27 April 2018
Mr. Pham Quang Dung	Member	Reappointed on 27 April 2018
Mr. Nguyen Manh Hung	Member	Reappointed on 27 April 2018
Mr. Nguyen My Hao	Member	Reappointed on 27 April 2018
Mr. Eiji Sasaki	Member	Reappointed on 27 April 2018
Mr. Pham Anh Tuan	Member	Reappointed on 27 April 2018
Mr. Hong Quang	Member	Appointed on 27 April 2018
Mr. Truong Gia Binh	Member	Appointed on 27 April 2018
Ms. Nguyen Thi Dung	Member	Resigned on 27 April 2018

Members of the Board of Management during the year and until the issuing date of the consolidated financial statements

Mr. Pham Quang Dung	Chief Executive Officer (“CEO”)	Appointed on 1 November 2014
Mr. Dao Minh Tuan	Deputy CEO	Reappointed on 15 June 2017
Mr. Pham Manh Thang	Deputy CEO	Reappointed on 10 March 2019
Ms. Nguyen Thi Kim Oanh	Deputy CEO	Appointed on 26 December 2014
Ms. Dinh Thi Thai	Deputy CEO	Appointed on 1 June 2015
Mr. Eiji Sasaki	Deputy CEO	Appointed on 15 December 2017
Ms. Phung Nguyen Hai Yen	Deputy CEO	Appointed on 15 December 2017
Mr. Le Quang Vinh	Deputy CEO	Appointed on 15 December 2017
Mr. Dao Hao	Deputy CEO	Reappointed on 1 August 2015 Retired from 1 September 2018
Ms. Truong Thi Thuy Nga	Deputy CEO	Extended from 1 December 2017 Retired from 1 November 2018

Joint Stock Commercial Bank for Foreign Trade of Vietnam
Bank Information (continued)

Members of the Supervisory Board during the year and until the issuing date of the consolidated financial statements

Ms. Truong Le Hien	Chair of the Board	Reappointed on 27 April 2018
Ms. La Thi Hong Minh	Member	Reappointed on 27 April 2018
Ms. Do Thi Mai Huong	Member	Reappointed on 27 April 2018
Ms. Vu Thi Bich Van	Member	Reappointed on 27 April 2018

Chief Accountant Mr. Le Hoang Tung
Appointed on 15 December 2017

Legal Representative Since 1 November 2014
Mr. Nghiem Xuan Thanh
Title: Chairman of the Board of Directors

Authorised signature on financial statements
(According to Letter of Authorisation No. 01/UQ-VCB-CSTCKT dated 8 January 2018) Since 8 January 2018
Ms. Phung Nguyen Hai Yen
Title: Deputy CEO

The Bank's Head Office 198 Tran Quang Khai Street
Hoan Kiem District, Hanoi, Vietnam

Auditor KPMG Limited
Vietnam

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”) presents this report and the consolidated financial statements of the Bank and its subsidiaries for year ended 31 December 2018.

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

The Board of Management is responsible for the consolidated financial statements which give a true and fair view of the consolidated financial position of the Bank and its subsidiaries, and of their consolidated results of operations and consolidated cash flows for the year. In preparing the 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 or not, 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 its business.

The Board of Management is responsible for ensuring that proper accounting records are kept to disclose, with reasonable accuracy at any time, the 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 2018, and of their consolidated results of operations and consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System applicable to credit institutions issued by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting.

For and on behalf of the Board of Management:



Ms. Phung Nguyen Hai Yen
Deputy CEO
Hanoi, 31 March 2019



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South Tu Liem District, Hanoi, Vietnam
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INDEPENDENT AUDITOR'S REPORT

**To: The Shareholders
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, which comprise the consolidated balance sheet as at 31 December 2018, the consolidated statement of income and the consolidated statement of cash flows for the year then ended and the explanatory notes thereto which were authorised for issue by the Bank's Board of Management on 31 March 2019, as set out on pages 6 to 76.

The Bank's Board of Management's responsibility

The Bank's Board of Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System applicable to credit institutions issued by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting, and for such internal control as the Board of Management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Bank's Board of Management, as well as evaluating the overall presentation of the financial statements.

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



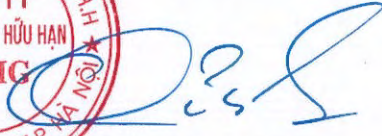
Auditor's Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2018 and of their consolidated results of operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System applicable to credit institutions issued by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting.

KPMG Limited

Vietnam
Audit Report No.: 17-02-00545-19-4




Tran Dinh Vinh
Practicing Auditor Registration
Certificate No. 0339-2018-007-1
Deputy General Director

Hanoi, 31 March 2019


Pham Huy Cuong
Practicing Auditor Registration
Certificate No. 2675-2019-007-1

Joint Stock Commercial Bank for Foreign Trade of Vietnam
198 Tran Quang Khai Street, Hoan Kiem District, Hanoi, Vietnam
Consolidated balance sheet as at 31 December 2018

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

No.	Items	Note	31/12/2018 VND million	31/12/2017 VND million
A	ASSETS			
I	Cash on hand, gold, silver and gemstones	4	12,792,045	10,102,861
II	Balances with the State Banks	5	10,845,701	93,615,618
III	Balances with and loans to other credit institutions	6	250,228,037	232,973,403
1	Balances with other credit institutions		187,352,500	159,043,345
2	Loans to other credit institutions		63,875,537	73,930,058
3	Allowance for balances with and loans to other credit institutions		(1,000,000)	-
IV	Trading securities	7	2,654,806	9,669,033
1	Trading securities		2,725,051	9,750,244
2	Allowance for trading securities		(70,245)	(81,211)
V	Derivative financial instruments and other financial assets	8	275,983	832,354
VI	Loans to customers		621,573,249	535,321,404
1	Loans to customers	9	631,866,758	543,434,460
2	Allowance for loans to customers	10	(10,293,509)	(8,113,056)
VIII	Investment securities	11	149,296,430	129,952,272
1	Available-for-sale securities		35,321,259	34,688,298
2	Held-to-maturity securities		114,251,030	95,404,021
3	Allowance for investment securities		(275,859)	(140,047)
IX	Capital contributions, long-term investments		2,476,067	3,552,828
2	Investments in joint-ventures	12(a)	897,308	861,567
3	Investments in associates	12(b)	10,339	10,434
4	Other long-term investments	12(c)	1,635,418	2,705,966
5	Allowance for long-term investments		(66,998)	(25,139)
X	Fixed assets		6,527,466	6,162,361
1	Tangible fixed assets	13	4,459,292	4,198,053
a	Cost		10,534,068	9,701,927
b	Accumulated depreciation		(6,074,776)	(5,503,874)
3	Intangible fixed assets	14	2,068,174	1,964,308
a	Cost		2,772,517	2,606,775
b	Accumulated amortisation		(704,343)	(642,467)
XII	Other assets		17,356,776	13,111,149
1	Receivables	15(a)	4,065,268	4,505,735
2	Accrued interest and fee receivables	15(b)	7,409,149	6,025,653
3	Deferred income tax assets		6,740	5,548
4	Other assets	15(c)	5,879,141	2,576,228
5	Allowance for other assets		(3,522)	(2,015)
	TOTAL ASSETS		1,074,026,560	1,035,293,283

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

No.	Items	Note	31/12/2018 VND million	31/12/2017 VND million
B	LIABILITIES AND SHAREHOLDERS' EQUITY			
I	Amounts due to the Government and the State Banks	16	90,685,315	171,385,068
II	Deposits and borrowings from other credit institutions	17	76,524,079	66,942,203
1	Deposits from other credit institutions		75,245,679	55,803,878
2	Borrowings from other credit institutions		1,278,400	11,138,325
III	Deposits from customers	18	801,929,115	708,519,717
V	Funds for finance, entrusted investments and entrusted loans	19	25,803	23,153
VI	Valuable papers issued	20	21,461,132	18,214,504
VII	Other liabilities		21,221,737	17,650,679
1	Accrued interest and fee payables	21(a)	8,717,540	8,467,337
2	Deferred income tax liabilities		19,295	20,052
3	Other liabilities	21(b)	12,484,902	9,163,290
	TOTAL LIABILITIES		1,011,847,181	982,735,324
VIII	Shareholders' equity			
1	Capital		36,322,343	36,321,931
a	Charter capital		35,977,686	35,977,686
g	Other capital		344,657	344,245
2	Reserves		9,445,732	7,253,682
3	Foreign exchange differences		84,450	94,485
4	Differences upon asset revaluation		119,178	83,285
5	Retained profits		16,138,687	8,715,252
a	Previous year's retained profits		5,383,568	2,476,000
b	Current year's retained profits		10,755,119	6,239,252
6	Non-controlling interest		68,989	89,324
	TOTAL SHAREHOLDERS' EQUITY	22(a)	62,179,379	52,557,959
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,074,026,560	1,035,293,283

No.	Items	Note	31/12/2018 VND million	31/12/2017 VND million
OFF-BALANCE SHEET ITEMS				
1	Credit guarantees		276,512	265,179
2	Foreign exchange commitments		61,831,282	74,729,089
	<i>Forward buying commitments</i>		12,471,111	8,223,247
	<i>Forward selling commitments</i>		49,360,171	66,505,842
4	Letters of credit		57,703,713	45,239,213
5	Other guarantees		54,250,031	51,953,402
6	Other commitments		295,856	284,135

Hanoi, 31 March 2019


Prepared by:

Approved by:

Ms. Nguyen Thi Thu Huong

Mr. Le Hoang Tung

Ms. Phung Nguyen Hai Yen


 Deputy Director of
 Financial and Accounting
 Policy Department


 Chief Accountant




 Deputy CEO

No.	Items	Note	2018 VND million	2017 VND million
1	Interest and similar income	24	55,863,951	46,158,768
2	Interest and similar expenses	25	(27,455,435)	(24,221,222)
I	Net interest income		28,408,516	21,937,546
3	Fee and commission income		7,022,155	5,378,176
4	Fee and commission expenses		(3,619,663)	(2,839,967)
II	Net fee and commission income	26	3,402,492	2,538,209
III	Net gain from trading of foreign currencies	27	2,266,429	2,042,417
IV	Net gain from trading securities	28	250,462	476,400
V	Net loss from investment securities	29	-	(19,742)
5	Other income		3,515,904	2,355,831
6	Other expenses		(281,539)	(256,301)
VI	Net other income	30	3,234,365	2,099,530
VII	Income from capital contributions and equity investments	31	1,716,169	331,761
	TOTAL OPERATING INCOME		39,278,433	29,406,121
VIII	TOTAL OPERATING EXPENSES	32	(13,611,094)	(11,866,345)
IX	Net operating profit before allowance for credit losses		25,667,339	17,539,776
X	Allowance for credit losses	33	(7,398,113)	(6,198,415)
XI	PROFIT BEFORE TAX (CARRIED TO THE NEXT PAGE)		18,269,226	11,341,361

Joint Stock Commercial Bank for Foreign Trade of Vietnam
198 Tran Quang Khai Street, Hoan Kiem District, Hanoi, Vietnam
Consolidated statement of income for the year ended 31 December 2018
(continued)

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

No.	Items	Note	2018 VND million	2017 VND million
XI	PROFIT BEFORE TAX (BROUGHT FROM THE PREVIOUS PAGE)		18,269,226	11,341,361
7	Current corporate income tax expenses	34	(3,648,356)	(2,234,378)
8	Deferred income tax benefits		1,192	3,605
XII.	Corporate income tax expenses		(3,647,164)	(2,230,773)
XIII	NET PROFIT AFTER TAX		14,622,062	9,110,588
XIV	Non-controlling interest		(16,484)	(19,518)
XVI	Net profit for the year		14,605,578	9,091,070
XV	Basic earnings per share (VND/share) (restated)	35	3,584	1,994

Hanoi, 31 March 2019

Prepared by:

Approved by:

Ms. Nguyen Thi Thu Huong

Mr. Le Hoang Tung

Ms. Phung Nguyen Hai Yen



*Deputy Director of
Financial and 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
198 Tran Quang Khai Street, Hoan Kiem District, Hanoi, Vietnam
Consolidated statement of cash flows
for the year ended 31 December 2018 (Direct method)

Form B04/TCTD-HN
(Issued in accordance with
Circular No. 49/2014/TT-NHNN
dated 31 December 2014)

No.	Items	Note	2018 VND million	2017 VND million
CASH FLOWS FROM OPERATING ACTIVITIES				
01	Interest and similar income received		54,473,260	45,928,055
02	Interest and similar expenses paid		(27,395,363)	(22,219,679)
03	Net fee and commission income received		3,402,492	2,538,209
04	Net receipts and payments from trading activities (foreign currencies, gold and securities)		3,203,390	2,502,513
05	Other expenses paid		(42,957)	(90,716)
06	Receipts from recovery of bad debts previously written off		3,272,247	2,185,100
07	Payments to employees and for other operating activities		(12,787,284)	(10,478,516)
08	Corporate income tax paid during the year		(2,585,774)	(2,082,461)
Net cash flows from operating activities before changes in operating assets and liabilities			21,540,011	18,282,505
(Increase)/decrease in operating assets				
09	Balances with and loans to other credit institutions		2,306,008	(11,802,549)
10	Trading securities		(14,454,777)	(1,619,967)
11	Derivative financial instruments and other financial assets		556,371	(601,696)
12	Loans to customers		(88,432,298)	(82,626,020)
13	Utilisation of allowance for credit losses		(4,083,722)	(6,212,835)
14	Other operating assets		(2,666,699)	(2,109,501)
Increase/(decrease) in operating liabilities				
15	Amounts due to the Government and the State Banks		(80,699,753)	117,233,655
16	Deposits and borrowings from other credit institutions		9,581,876	(5,296,202)
17	Deposits from customers		93,409,398	118,068,373
18	Valuable papers issued		3,246,793	7,928,128
19	Funds for finance, entrusted investments and entrusted loans		2,650	23,153
21	Other operating liabilities		824,980	1,480,116
22	Payments from reserves		(1,365,175)	(1,141,469)
I	Net cash flows from operating activities		(60,234,337)	151,605,691

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

No.	Items	Note	2018 VND million	2017 VND million
CASH FLOWS FROM INVESTING ACTIVITIES				
01	Payments for purchases of fixed assets		(1,133,639)	(1,139,976)
02	Proceeds from disposals of fixed assets		6,767	7,542
03	Payments for disposals of fixed assets		(1,692)	(2,396)
08	Collections on investments in other entities		2,628,038	265,688
09	Dividends and interest received from long-term investments and capital contributions		129,753	129,685
II	Net cash flows from investing activities		1,629,227	(739,457)
CASH FLOWS FROM FINANCING ACTIVITIES				
04	Dividends paid and profits distributed		(2,914,981)	(2,896,942)
III	Net cash flows from financing activities		(2,914,981)	(2,896,942)
IV	Net cash flows during the year		(61,520,091)	147,969,292
V	Cash and cash equivalents at the beginning of the year		305,534,247	157,564,955
VII	Cash and cash equivalents at the end of the year	36	244,014,156	305,534,247

Hanoi, 31 March 2019

Prepared by:

Approved by:

Ms. Nguyen Thi Thu Huong

Mr. Le Hoang Tung

Ms. Phung Nguyen Hai Yen


 Deputy Director of
 Financial and Accounting
 Policy Department


 Chief Accountant




 Deputy CEO

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 equitisation plan of the Bank for Foreign Trade of Vietnam and in accordance with other relevant regulations. The Bank was granted Establishment and Operation 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 Enterprise Code No. 0100112437 was reissued for the thirteenth time on 16 January 2019.

The principal activities of the Bank in accordance with Decision No. 2719/QD-NHNN dated 27 December 2011, Decision No. 2182/QD-NHNN dated 26 October 2015, Decision No. 891/QD-NHNN dated 8 May 2017, Decision No. 2293/QD-NHNN dated 31 October 2017 and Decision No. 300/QD-NHNN dated 21 February 2019 amending and supplementing to Establishment and Operation Licence No. 138/GP-NHNN on the contents of the Bank’s operations are to mobilise and receive short, medium and long-term deposits from organisations and individuals; lend to organisations 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 real-estate business in accordance with the relevant regulations; trade in and supply interest rates derivatives in accordance with the relevant regulations; purchase debts; trade in and provide foreign exchange services in the domestic and international markets in accordance with the relevant regulations of the State Bank of Vietnam.

(b) Charter capital

Under Establishment and Operation 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 with Enterprise Code No. 0100112437 was reissued for the twelfth time on 16 December 2016 and the amendment of Establishment and Operation Licence No. 138/GP-NHNN of Joint Stock Commercial Bank for Foreign Trade of Vietnam in Decision No. 95/QD-NHNN dated 18 January 2017 of the State Bank of Vietnam, the Bank’s charter capital was VND35,977,685,750,000. The face value per share is VND10,000.

	31/12/2018		31/12/2017	
	Number of shares	%	Number of shares	%
Shares owned by the Government of Vietnam	2,774,353,387	77.10%	2,774,353,387	77.10%
Shares owned by foreign strategic shareholder (Mizuho Bank Ltd., Japan)	539,668,502	15.00%	539,668,502	15.00%
Shares owned by other owners	283,746,686	7.90%	283,746,686	7.90%
	3,597,768,575	100%	3,597,768,575	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 2018, the Bank had one (1) Head Office, one (1) Training Centre, one (1) Cash Processing Center, and one hundred and six (106) branches nationwide, four (4) local subsidiaries, three (3) overseas subsidiaries, three (3) joint-ventures, one (1) associate, one (1) representative office located in United States, one (1) representative office located in Singapore and one (1) representative office located in Ho Chi Minh City (as at 31 December 2017, the Bank had one (1) Head Office, one (1) Training Centre, one (1) Cash Processing Center, and one hundred and one (101) branches nationwide, four (4) local subsidiaries, two (2) overseas subsidiaries, three (3) joint-ventures, one (1) associate, one (1) representative office located in Singapore and one (1) representative office located in Ho Chi Minh City).

The Bank and its subsidiaries hereinafter are referred to as "Vietcombank".

(d) Subsidiaries, joint-ventures and associates

Subsidiaries

Subsidiaries	Operating Licence	Business sector	Ownership percentage
Vietcombank Finance Leasing Company Limited	Operating Licence No. 66/GP-CTCTTC dated 31 October 2017 granted by the SBV	Financial leasing	100%
Vietcombank Securities Company Limited	Operating Licence No. 09/GPHDKD dated 24 April 2002, the most recent amendment is Operating Licence No. 63/GPDC-UBCK dated 29 December 2017 granted by the State Securities Commission ("SSC")	Securities	100%
Vietnam Finance Company Limited in Hong Kong	Business Registration No. 0226 issued by Hong Kong Monetary Authority dated 7 March 1978. First amendment dated 3 November 1992, second amendment dated 19 September 1995	Financial services	100%
Vietcombank Money Inc.	Business Registration No. E0321392009-6 dated 15 June 2009 granted by the Authority of the State of Nevada, United States	Foreign exchange remittance	87.5%
Vietcombank Tower 198 Ltd	Investment Licences No. 1578/GP dated 30 May 1996 and the most recent amendment dated 11 September 2017 granted by the Ministry of Planning and Investment	Office leasing	70%
Vietcombank Remittance Company Limited	Enterprise Registration Certificate No. 0314633162 dated 20 September 2017 granted by Ho Chi Minh City Department of Investment and Planning	Receipt of foreign exchange	100%
Vietcombank Laos Limited	Operating Licence No. 88/BOL dated 25 May 2018 granted by Bank of the Lao P.D.R	Banking	100%

Joint-ventures

Joint-ventures	Operating Licence	Business sector	Ownership percentage
Vietcombank – Bonday – Ben Thanh Joint-venture Company Limited	Investment Licence No. 2458/GP dated 7 February 2005 granted by the Ministry of Planning and Investment with Amended Licence No. 2458/GCNDC1/41/1 dated 26 October 2011 and Amended Licence No. 2458/GCNDC2/41/1 dated 28 December 2012	Office leasing	52%
Vietcombank Fund Management	Establishment and Operating Licence No. 06/UBCK-GPHDQLQ dated 2 December 2005 granted by the State Securities Commission; most recent amendment No. 17/GPDC-UBCK dated 9 February 2018	Investment fund management	51%
Vietcombank Cardif Life Insurance Company Limited	Investment Licence No. 55/GP/KDBH dated 23 October 2008 granted by the Ministry of Finance and Amended Licence No. 55/GPDC1/KDBH dated 28 December 2018	Life insurance	45%

Associates

Associates	Operating Licence	Business sector	Ownership percentage
Vietcombank – Bonday Joint-venture Company Limited	Operating Licence No. 283/GP dated 5 December 1991 granted by the Department of Planning and Investment, most recent amendment licence No. 283/GPDC4 dated 4 March 2002	Office leasing	16%

(e) Number of employees

As at 31 December 2018, Vietcombank had 17,215 employees (31 December 2017: 16,227 employees).

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) Purpose of preparing the consolidated financial statements

The Bank has subsidiaries as disclosed in Note 1(d). The Bank prepared these consolidated financial statements to meet the prevailing requirements in relation to disclosure of information, specifically the Circular No. 155/2015/TT-BTC dated 6 October 2015 of the Ministry of Finance on disclosure of information on the securities market. In addition, as required by the Circular, the Bank has prepared the separate financial statements of the Bank for the year ended 31 December 2018 (“the separate financial statements”) which was issued on 31 March 2019.

(b) Basis of financial statement preparation

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 issued by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting.

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 direct method.

(c) Accounting period

Vietcombank’s annual accounting period is from 1 January to 31 December.

(d) Foreign currency transactions

According to Vietcombank’s accounting system, all transactions are recorded in their original currencies. Monetary assets and liabilities denominated in currencies other than VND are translated into VND at the exchange rates prevailing at the end of the annual accounting period. Non-monetary foreign currency assets and liabilities are recorded at the exchange rate as at the date of the transaction. Income and expenses in foreign currencies are translated into VND in the consolidated statement of income at the spot exchange rates as at the date of transaction.

Foreign exchange differences arising from foreign currency trading activities in the year were recorded in the consolidated statement of income at the end of the annual accounting period.

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 of these companies are converted into VND at the exchange rate on the consolidated balance sheet date, and the income and expenses in the statement of income are converted into VND at the average exchange rate for the annual accounting period. Exchange differences arising from the conversion are taken into equity in the consolidated balance sheet.

(e) Basis of 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 profit/loss on transactions between those subsidiaries 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 interest is 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 to which the Bank has significant influence, but not control, over their financial and operating policies.

Joint-ventures are those entities to which the Bank has joint control, established by contractual agreements and require unanimous consent of all joint-venture investors for the entity's strategic financial and operating decisions.

The Bank uses the equity method for consolidating its investments in associates and joint ventures in the consolidated financial statements. The Bank's share of post acquisition profits or losses of its associates and joint-ventures is recognised in the consolidated statement of income. When the Bank's share of losses in associates and joint-ventures equals or exceeds the cost of its investments in the associates and joint-ventures, the Bank does not recognise 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 the Bank.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with the State Banks, treasury bills and other short-term valuable papers which are eligible for discounting with the State Banks, balances with and loans to other credit institutions with original terms to maturity not exceeding three months from the original date of placements or granting; investments in securities with recoverability or 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, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(g) Deposits with and loans to other credit institutions

Deposits with other credit institutions, except for current deposits, are term deposits at other credit institutions and foreign bank branches with terms of not exceeding three months.

Loans to other credit institutions are loans with original terms to maturity of not exceeding twelve months.

Current deposits at other credit institutions are stated at the amount of the outstanding principal.

Term deposits with and loans to other credit institutions are stated at the amount of the outstanding principal less any specific allowance for credit risks.

Credit risk classification of term deposits with and loans to other credit institutions and allowance for credit risk thereof is made in accordance with Circular No. 02/2013/TT-NHNN dated 21 January 2013 of the State Bank of Vietnam on classification of assets, level and method of allowance making, and use of allowance against credit risks in banking activities of credit institutions and foreign banks' branches ("Circular 02") and Circular No. 09/2014/TT-NHNN dated 18 March 2014 of the SBV on amending and supplementing a number of articles of Circular 02 ("Circular 09"). Accordingly, the Bank has made specific allowance for term deposits with and loans to other credit institutions in accordance with the method described in Note 2(h).

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

(h) 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 reporting date.

Allowance for credit risk of loans to customers is recorded and stated in a separate line in the consolidated balance sheet. Allowance for credit risk comprises specific allowance for credit risk and general allowance for credit risk.

(ii) Specific allowance for credit risk

According to Circular 02 and Circular 09, specific allowance is determined based on the balance and debt classification results of each customer's loans at the last working day of the quarter. For the last quarter, specific allowance is determined based on the balance and debt classification results of each customer's loans at the last working day of November.

Since 1 January 2010, the Bank has applied Article 7, Decision No. 493/2005/QĐ-NHNN dated 22 April 2005 issued by the SBV to make debt classification based on the qualitative method as approved by the SBV. However, according to Circular 02, the Bank is required to classify debts and off-balance sheet commitments in accordance with both Article 10 and Clause 1 of Article 11, Circular 02. In that case, should classifications of a debt in accordance with Article 10 and Clause 1 of Article 11, Circular 02 differ, the debt is to be classified into the group of higher risk.

Since 1 January 2015, the Bank is required to use the information from Credit Information Centre (“CIC”) about the debt group of customers at the time of debt classification to adjust the debt group, off-balance sheet items. If a customer’s debts and off-balance sheet commitments are classified in a debt group that has a lower risk than the debt groups provided in CIC’s list, the Bank shall adjust its classification of debts and off-balance commitments following the debt groups provided by CIC.

Specific allowance is calculated based on the following allowance rates specified for the debt principal less the discounted value of collateral assets:

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

Bad debts are debts within groups 3, 4 and 5.

(iii) General allowance for credit risk

The Bank is required to make a general allowance of 0.75% of total outstanding debt balance of which are classified into Groups 1 to 4 as at the last working day of a quarter. For the last quarter of the year, a general allowance is made at 0.75% of total outstanding balance of loans which are classified into Groups 1 to 4 as at the last working day of November.

(iv) Bad debts written-off

According to Circular 02, the Bank 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);
- Debts are classified into Group 5.

(i) **Investments**

(i) Trading securities

Trading securities are debt securities, equity securities and other securities which are bought and held for the purpose of reselling within one year to earn capital gains.

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

(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 once, at maximum, after the purchase date.

Available-for-sale investment securities

Available-for-sale investment 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, the investee is not a subsidiary, associate or joint-venture of Vietcombank and Vietcombank is neither a founding shareholder nor a strategic partner; nor has the impact on the enterprise's planning and determining of financial and operating policies under agreements to appoint personnel to the members' council/board of directors/board of management.

Held-to-maturity investment securities

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

Investment securities are initially recognised at cost of acquisition, including transaction costs and other directly attributable costs. They are subsequently measured at the lower of the book value after amortisation and the market price. Premiums and discounts arising from purchases of debt securities are amortised in the consolidated statement of income using the straight-line method over the period from the acquisition dates to the maturity dates.

In addition, according to Circular 02 and Circular 09, investment securities which are unlisted corporate bonds (including bonds issued by other local credit institutions in secondary market) are subject to classification and allowance in a manner similar to loans to customers described in Note 2(h).

(iii) *Other capital contributions, long-term investments*

Other long-term investments represent Vietcombank's capital investments in other enterprises where Vietcombank owns less than 11% of voting rights and is either a founding shareholder or a strategic partner; or has influences on the enterprise's planning and determining of financial and operating policies under agreements to appoint personnel to the members' council/board of directors/board of management but Vietcombank does not have control or significant influence over the investees.

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

Other long-term investments are initially recognised at cost less allowance for diminution in value of the investments.

The allowance for diminution in the value of long-term investments is made if the economic entity in which Vietcombank invests in suffers a loss (except for cases where losses have been anticipated in the initial business plans) in accordance with Circular No. 228/2009/TT-BTC dated 7 December 2009 ("Circular 228") and Circular No. 89/2013/TT-BTC dated 28 June 2013 issued by the Ministry of Finance. The allowance amount is the difference between the parties' actual capital contributions 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 at the end of the annual accounting period. For an investment in listed shares or shares which market price can be determined reliably, allowance is made based on the shares' market price.

(j) Repurchase and reverse repurchase agreements

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

(k) 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 on the site where it is located.

In accordance with Circular No. 45/2013/TT-BTC dated 25 April 2013 issued by the Ministry of Finance (“Circular 45”) guiding the framework of management, use and depreciation of fixed assets, 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;
- Historical costs of the assets must be determinable reliably, with a minimum value of VND30,000,000.

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 statement of income for the year 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 capitalised as an additional cost of tangible fixed assets.

(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:

- Buildings and structures 25 years
- Machinery and equipment 3 - 5 years
- Motor vehicles and means of transmission 6 years
- Other tangible fixed assets 4 years

(I) Intangible fixed assets

(i) Land use rights

According to Circular 45, intangible fixed assets recognised as land use rights comprise:

- The land use rights allocated by the State with land use fee or receiving the transfer of legal land use rights (including definite and indefinite land use rights);
- 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 have the land use rights plus costs of site clearance, ground levelling, registration fee (excluding costs of construction on that land) or the value of land use rights with contributed capital.

Land use rights not recognised as intangible assets comprise:

- Land use rights allocated by the State without land use fee;
- Land lease rent paid one time for the entire lease term (the land lease time after the effective date of the Land Law 2003 without certificate of land use rights granted), the rent is amortised into the business expenses by the number of lease years;
- Land lease rent paid annually, the rent is recorded into the business expenses in the year in proportion to the rent annually paid.

According to Circular 45, 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 amortised.

For the intangible fixed assets which are the value of land use rights with term or the leased land use rights, the period of depreciation is the period permitted for land use of Vietcombank.

(ii) Copyrights, patents and other intangible fixed assets

Copyrights, patents and other intangible fixed assets are stated at cost less accumulated amortisation. These intangible fixed assets are amortised on a straight-line basis over 4 years.

(m) Other assets

Except for receivables from uncollectible income as presented in Note 2(t)(iv), allowance for overdue other assets which are not classified as assets bearing credit risk are made in accordance with Circular 228 and Circular No. 200/2014/TT-BTC issued by the Ministry of Finance on 22 December 2014 (“Circular 200”). Accordingly, allowance for these assets is based on their overdue period or estimated loss for debts whose debtors have become bankrupt or are undergoing dissolution procedures, are missing, have escaped, are prosecuted, detained or on trial by law enforcement bodies, are serving sentences or have deceased.

<u>Overdue ages</u>	<u>Allowance 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 other assets that are classified as assets with credit risk, Vietcombank conducts classification and makes allowance similarly to those of loans to customers described in Note 2(h).

(n) Deposits and borrowings from other credit institutions

Deposits and borrowings from other credit institutions are stated at cost.

(o) Deposits from customers

Deposits from customers are stated at cost.

(p) Valuable papers issued

Valuable papers issued are stated at cost and accumulated amortised premiums or discounts. Cost of valuable papers issued includes the proceeds from the issuance less directly attributable costs.

(q) Severance allowance

Under the Vietnamese Labour Code, when an employee who has worked for Vietcombank for 12 months or more (“the eligible employees”) voluntarily terminates his/her labour contract, the employer is required to pay the eligible employee severance allowance calculated based on years of service until 31 December 2008 and employee’s average monthly salary of the latest six-month period until termination. Before 2012, provision for severance allowance has been provided based on employees’ years of service and their current salary level.

On 24 October 2012, the Ministry of Finance issued Circular No. 180/2012/TT-BTC (“Circular 180”) guiding the financial treatment for redundancy allowance to employees of enterprises. Circular 180 provides that, in preparation of financial statements for the year 2012, if an enterprise’s provision for severance allowance still has the outstanding balance, the enterprise must reverse the balance to other income for the year 2012 and must not carry forward the balance to the following year. Accordingly, Vietcombank reversed the outstanding balance of provision for severance allowance. This change in accounting policy has been applied prospectively from 2012.

(r) Bonus and welfare funds

Bonus and welfare funds is allocated from profit after tax in accordance with the Resolution of the General Meeting of Shareholders and recorded as liabilities in the consolidated balance sheet. The bonus and welfare funds is used for the purposes specified in Decree No. 93/2017/ND-CP dated 7 August 2017 issued by the Government (“Decree 93”).

(s) Capital and reserves

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares are recognised 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 ordinary shares, the total paid amount including directly attributable costs, net off any tax effects, is recognised as a deduction from equity and referred to as treasury shares.

(iv) Reserves

Reserves are for specific purposes and appropriated from net profit after tax of the Bank and Vietcombank Finance Leasing Company Limited (“VCBL”) at prescribed rates as below:

- Supplementary charter capital reserve: 5% of net profit after tax and does not exceed the Bank’s/VCBL’s charter capital.
- Financial reserve: 10% of net profit after tax. In accordance with Decree No. 57/2012/ND-CP dated 20 July 2012 issued by the Government (“Decree 57”), the maximum rate of provision for financial reserve is 25% of the charter capital of the Bank/VCBL. Such maximum rate is not specified in Decree 93 that supersedes Decree 57.
- Investment and development reserve and other reserves: are to be made upon the resolutions of the General Meeting of Shareholders/Members’ Council and in accordance with the relevant statutory requirements.

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

Vietcombank Securities Company Limited (“VCBS”) appropriates of profits to reserves in accordance with Circular No. 146/2014/TT-BTC issued by the Ministry of Finance on 6 October 2014 as follows:

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

(v) Foreign exchange difference

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

(t) **Income and expenses**

(i) Interest income and interest expenses

Interest income of outstanding debts classified in Group 1 – Current debt as defined in Note 2(h) is recognised on an accrual basis. Interest on debts classified in Group 2 to Group 5 is recognised in the consolidated statement of income upon receipt.

Interest expenses are recorded on an accrual basis.

(ii) Fee and commission and dividend income

Fee and commission income is recognised on an accrual basis. Cash dividends from investment activities are recognised in the consolidated statement of income when Vietcombank's right to receive payment is established.

(iii) Share dividends

In accordance with Circular 200, dividends and other distribution received in the form of bonus shares and share dividends and amounts distributed in the form of shares coming from retained profits, share premium and reserves in equity of joint stock companies, are not recorded in the consolidated statement of income. Instead, the additional shares obtained are reflected in the number of shares held by Vietcombank.

(iv) Uncollectible income

According to Circular No. 16/2018/TT-BTC dated 7 February 2019 issued by the Ministry of Finance, income receivables that are recognised as income but uncollectible at the due date are reversed as a reduction of income if the due date is within the same annual accounting period, or recorded as an expense if the due date is not within the annual accounting period, and must be monitored on the off-balance sheet for following-up on collection. When the receivable is collected, Vietcombank will record it as an operating income.

(u) Lease

(i) Lessee

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

(ii) Lessor

Vietcombank recognises 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 recognised as “Income from interest and similar income”. Instalment income is amortised over the lease term using interest rate over the net investment of the leased assets. The classification of finance lease receivables has been made in accordance with the quantitative method as stipulated in Article 10 of Circular 02.

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

(v) Taxation

Corporate income tax comprises of current and deferred tax. Corporate income tax is recognised in the consolidated statement of income except that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the annual accounting period, and any adjustment to tax payables in respect of the previous years.

Deferred income 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 income tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the end of the annual accounting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(w) Related parties

Related parties of Vietcombank include:

- Individuals or organisations which have the authority to appoint managers or members of the Supervisory Board of the parent company of the Bank;
- Management or members of the Supervisory Board of Vietcombank;
- Companies or organisations which have the authority to appoint managers, or members of the Supervisory Board of Vietcombank;
- 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 managers or members of the Supervisory Board, capital contributors or shareholders who hold at least 5% of charter capital or share capital with voting rights of the Vietcombank;
- Individuals or organisations that hold at least 5% of charter capital or share capital with voting rights of Vietcombank;
- Representatives for Vietcombank's paid-in capital and shares.

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

(x) 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.

(y) Off-balance sheet items

(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 also are 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 cash settlement. 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 recognised under "Foreign exchange differences" in the equity and is recorded in the consolidated statement of income at the end of the annual accounting period.

Currency swap contracts are commitments to settle in cash at a future date based on differences between specified exchange rates, calculated on the notional principal amount. Swap contracts are subsequently revaluated at the end of the annual accounting period and the difference on revaluation is recognised under "Foreign exchange differences" in the equity section and is recorded in the consolidated statement of income at the end of the annual accounting period.

(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 recognised on the consolidated balance sheet. The difference of swap interest rates is recognised in the consolidated statement of income on an accrual basis.

(iii) Commitments and contingent liabilities

Vietcombank has credit commitments arising from its regular lending activities. These commitments are unutilised 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 (Note 2(h)).

(z) **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 recognised amounts and Vietcombank has an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(aa) **Basic 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 (after adjustment for appropriation to bonus and welfare funds) by the weighted average number of ordinary shares outstanding during the year.

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 year presented on the consolidated financial statements, which leads to corresponding adjustment for EPS.

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 Banks;
- Balances with and loans to other credit institutions;
- Trading securities;
- Loans to customers;
- Investment securities;
- Capital contributions, long-term investments;
- Financial derivative assets; and
- Other financial assets.

Financial liabilities of Vietcombank mainly include:

- Amounts due to the Government and the State Banks;
- Deposits and borrowings from other credit institutions;
- Deposits from customers;
- Funds for finance, entrusted investments and entrusted loans;
- Valuable papers issued;
- Financial derivative liabilities; and
- Other financial liabilities.

(a) Classification of financial assets and liabilities

Only for the disclosure purpose in the consolidated financial statements, Vietcombank classifies financial assets and financial liabilities in accordance with Circular No. 210/2009/TT-BTC dated 6 November 2009 issued by the Ministry of Finance (“Circular 210”).

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 amortised cost.

(b) Measurement and disclosures of fair value

In accordance with Circular 210, 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 43(b).

The preparation and presentation of the fair value of the financial instruments are only for the purpose of presenting in Note 43(b). The financial instruments of Vietcombank are still recognised and recorded in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions issued by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting 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.

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

4. Cash on hand, gold, silver and gemstones

	31/12/2018	31/12/2017
	VND million	VND million
Cash on hand in VND	9,761,340	8,185,268
Cash on hand in foreign currencies	3,030,243	1,917,103
Valuable papers in foreign currencies	462	490
	12,792,045	10,102,861

5. Balances with the State Banks

	31/12/2018 VND million	31/12/2017 VND million
Deposits with the State Bank of Vietnam (i)	10,152,565	93,615,618
Deposits with Bank of the Lao L.D.R (ii)	693,136	-
	10,845,701	93,615,618

- (i) Deposits with the SBV consist of compulsory reserve (“CRR”) balance and current deposits balance.

The monthly average balance of the demand deposits of the Bank 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 which require compulsory reserve of the Bank multiplied by their respective CRR rates applicable to the Bank and to each type of currency in each period.

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

Type of deposits	31/12/2018	31/12/2017
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 of current account at the year-end were as follows:

Type of deposits	31/12/2018	31/12/2017
Within compulsory reserve in VND	1.2%/year	1.2%/year
Within compulsory reserve in USD	0%/year	0%/year
Over compulsory reserve in VND	0%/year	0%/year
Over compulsory reserve in USD	0.05%/year	0.05%/year

- (ii) Deposits with Bank of the Lao L.D.R (“the BOL”) consist of margin deposits in Lao Kip (“LAK”) and other foreign currencies to establish a subsidiary in Lao People’s Democratic Republic and margin deposits maintained in accordance with the BOL’s requirement.

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

Type of deposits	31/12/2018	31/12/2017
Deposits in LAK with terms of less than 12 months	5%	-
Deposits in LAK with terms of 12 months and above	5%	-
Deposits in foreign currencies with terms of less than 12 months	10%	-
Deposits in foreign currencies with terms of 12 months and above	10%	-

6. Balances with and loans to other credit institutions

	31/12/2018 VND million	31/12/2017 VND million
Balances with other credit institutions		
Demand deposits in VND	101,265	136,596
Demand deposits in foreign currencies	42,122,160	44,995,386
Term deposits in VND	71,666,407	58,303,507
Term deposits in foreign currencies	73,462,668	55,607,856
	187,352,500	159,043,345
Loans to other credit institutions		
Loans in VND	56,765,202	71,438,839
Loans in foreign currencies	7,110,335	2,491,219
	63,875,537	73,930,058
Allowance for balances with and loans to other credit institutions	(1,000,000)	-
	250,228,037	232,973,403

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

	31/12/2018 VND million	31/12/2017 VND million
Current debt	207,957,674	187,841,421
Special mentioned debt	46,938	-
Loss debt	1,000,000	-
	209,004,612	187,841,421

Movements in allowance for balances with and loans to other credit institutions during the year were as follows:

	31/12/2018 VND million	31/12/2017 VND million
Opening balance	-	-
Allowance made during the year (Note 33)	1,000,000	-
Closing balance	1,000,000	-

7. Trading securities

	31/12/2018 VND million	31/12/2017 VND million
Debt securities		
Government bonds	1,181,914	6,753,281
Bonds issued by other local credit institutions	935,301	2,267,809
Securities issued by local economic entities	250,400	283,298
Equity securities		
Equity securities issued by other credit institutions	10	2,962
Equity securities issued by local economic entities	357,426	442,894
	2,725,051	9,750,244
Allowance for trading securities	(70,245)	(81,211)
	2,654,806	9,669,033

Trading securities by listing status were as follows:

	31/12/2018 VND million	31/12/2017 VND million
Debt securities		
Listed	2,117,216	9,021,090
Unlisted	250,399	283,298
Equity securities		
Listed	251,143	344,264
Unlisted	106,293	101,592
	2,725,051	9,750,244

Movements in allowance for trading securities during the year were as follows:

	2018 VND million	2017 VND million
Opening balance	81,211	37,833
Allowance (reversed)/made during the year (Note 28)	(10,966)	43,378
Closing balance	70,245	81,211

8. Derivative financial instruments and other financial assets

	31/12/2018		31/12/2017	
	Contract value VND million	Book value VND million	Contract value VND million	Book value VND million
Currency derivatives financial instruments				
Currency swap contracts	49,068,305	245,703	59,934,601	785,882
Currency forward contracts	15,228,880	30,280	6,863,062	46,472
	64,297,185	275,983	66,797,663	832,354

9. Loans to customers

	31/12/2018 VND million	31/12/2017 VND million
Loans to local economic entities and individuals	624,073,743	536,742,491
Discounted bills and valuable papers	3,930,917	3,109,627
Finance leases	3,855,993	3,576,815
Loans given to make payments on behalf of customers	1,000	432
Loans to foreign organisations and individuals	5,105	5,095
	631,866,758	543,434,460

Loan portfolio by debt group was as follows:

	31/12/2018 VND million	31/12/2017 VND million
Current debt	621,862,679	532,442,513
Special mentioned debt	3,781,086	4,783,258
Sub-standard debt	291,788	684,223
Doubtful debt	1,160,507	3,584,263
Loss debt	4,770,698	1,940,203
	631,866,758	543,434,460

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Loan portfolio by term was as follows:

	31/12/2018	31/12/2017
	VND million	VND million
Short-term debt	342,212,900	303,366,942
Medium-term debt	53,310,111	56,529,525
Long-term debt	236,343,747	183,537,993
	631,866,758	543,434,460

Loan portfolio by type of borrowers was as follows:

	31/12/2018	31/12/2017
	VND million	VND million
State-owned enterprises	68,153,883	83,310,960
Limited companies	128,333,629	109,118,330
Foreign invested enterprises	38,567,007	38,357,370
Co-operative and private companies	2,487,292	5,250,845
Individuals	235,884,022	177,778,008
Others	158,440,925	129,618,947
	631,866,758	543,434,460

Loan portfolio by industry sector was as follows:

	31/12/2018	31/12/2017
	VND million	VND million
Processing and manufacturing	163,734,487	147,736,460
Trading and services	120,238,625	118,528,188
Electricity, gas, water processing and supplying	29,340,404	26,547,170
Construction	28,873,357	32,115,297
Transportation, logistics and communication	23,352,261	23,016,953
Mining	15,476,351	16,311,491
Agriculture, forestry and aquaculture	14,499,324	11,296,702
Hospitality	11,362,643	9,441,003
Others	224,989,306	158,441,196
	631,866,758	543,434,460

10. Allowance for loans to customers

	31/12/2018	31/12/2017
	VND million	VND million
General allowance	4,695,445	4,116,920
Specific allowance	5,598,064	3,996,136
	10,293,509	8,113,056

Movements in general allowance for loans to customers during the year were as follows:

	2018	2017
	VND million	VND million
Opening balance	4,116,920	3,374,674
Allowance made during the year (Note 33)	578,524	742,246
Foreign currency difference	1	-
Closing balance	4,695,445	4,116,920

Movements in specific allowance for loans to customers during the year were as follows:

	2018	2017
	VND million	VND million
Opening balance	3,996,136	4,712,079
Allowance made during the year (Note 33)	5,683,777	5,496,249
Allowance utilised for writing-off bad debts	(4,083,722)	(6,212,835)
Foreign exchange difference	1,873	643
Closing balance	5,598,064	3,996,136

11. Investment securities

	31/12/2018 VND million	31/12/2017 VND million
Available-for-sale securities (a)	35,233,134	34,671,798
Held-to-maturity securities (b)	114,063,296	95,280,474
	149,296,430	129,952,272

(a) Available-for-sale securities

	31/12/2018 VND million	31/12/2017 VND million
Available-for-sale securities		
<i>Debt securities</i>		
Government bonds	22,120,565	25,153,866
Treasury bills and the SBV bills	-	2,000,000
Debt securities issued by other local credit institutions	13,192,504	7,426,242
Debt securities issued by local economic entities	-	100,000
<i>Equity securities</i>		
Equity securities issued by other local credit institutions	8,190	8,190
	35,321,259	34,688,298
Allowance for available-for-sale securities (i)	(88,125)	(16,500)
Total available-for-sale securities	35,233,134	34,671,798

(i) Details of allowance for available-for-sale securities:

	31/12/2018 VND million	31/12/2017 VND million
General allowance for unlisted corporate bonds	88,125	16,500

Movements in general allowance for unlisted corporate bonds (including bonds issued by other local credit institutions on the secondary market) during the year were as follows:

	2018 VND million	2017 VND million
Opening balance	16,500	17,250
Allowance made/(reversed) during the year (Note 33)	71,625	(750)
Closing balance	88,125	16,500

(b) Held-to-maturity securities

	31/12/2018 VND million	31/12/2017 VND million
Held-to-maturity securities		
Government bonds	83,967,301	73,423,370
Debt securities issued by other local credit institutions	22,601,979	7,647,900
Debt securities issued by local economic entities	7,681,750	14,332,751
	114,251,030	95,404,021
Allowance for held-to-maturity securities (ii)	(187,734)	(123,547)
Total held-to-maturity securities	114,063,296	95,280,474

(ii) Details of allowance for held-to-maturity securities:

	31/12/2018 VND million	31/12/2017 VND million
General allowance for unlisted corporate bonds	187,734	123,547
Specific allowance for unlisted corporate bonds	-	-
	187,734	123,547

Movements in general allowance for unlisted corporate bonds (including bonds issued by other local credit institutions on the secondary market) during the year were as follows:

	2018 VND million	2017 VND million
Opening balance	123,547	113,536
Allowance made during the year (Note 33)	64,187	10,011
Closing balance	187,734	123,547

Movements in specific allowance for unlisted corporate bonds during the year were as follows:

	2018 VND million	2017 VND million
Opening balance	-	49,341
Allowance reversed during the year	-	(49,341)
Closing balance	-	-

(iii) *Classification of unlisted securities as assets with credit risk:*

	31/12/2018 VND million	31/12/2017 VND million
Current debt	38,080,751	22,432,752

12. Capital contributions, long-term investments

(a) Investments in joint-ventures

As at 31 December 2018:

	Business sector	Ownership percentage (%)	Cost VND million	Carrying value VND million
Vietcombank – Bonday – Ben Thanh Joint-venture Company Limited (i)	Office leasing	52%	410,365	492,807
Vietcombank Fund Management (i)	Investment fund management	51%	135,150	145,031
Vietcombank – Cardif Life Insurance Company Limited (ii)	Life insurance	45%	270,000	259,470
			815,515	897,308

As at 31 December 2017:

	Business sector	Ownership percentage (%)	Cost VND million	Carrying value VND million
Vietcombank – Bonday – Ben Thanh Joint-venture Company Limited (i)	Office leasing	52%	410,365	452,854
Vietcombank Fund Management (i)	Investment fund management	51%	135,150	136,665
Vietcombank – Cardif Life Insurance Company Limited (ii)	Life insurance	45%	270,000	272,048
			815,515	861,567

- (i) The Bank owns 52% of the total contributed capital of Vietcombank – Bonday – Ben Thanh Joint-venture Company Limited and 51% of the total contributed capital of Vietcombank Fund Management. 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' contributed capital does not mean that the Bank has control over these companies. The investments in these two companies are classified into "Investments in joint-ventures" rather than "Investments in subsidiaries".

- (ii) The Bank owns 45% of the total contributed capital of Vietcombank – Cardif Life Insurance Company Limited. This company’s charter requires a consensus among related parties on all important decisions on this company’s operational and financial matters. Therefore, the investment in the company is classified into “Investments in joint-ventures” rather than “Investments in associates”.

(b) Investments in associates

As at 31 December 2018:

	Business sector	Ownership percentage (%)	Cost VND million	Carrying value VND million
Vietcombank – Bonday Joint-venture Company Limited	Office leasing	16%	11,110	10,339

As at 31 December 2017:

	Business sector	Ownership percentage (%)	Cost VND million	Carrying value VND million
Vietcombank – Bonday Joint-venture Company Limited	Office leasing	16%	11,110	10,434

The Bank has significant influence but limited control, through its participation in the Members’ Council, over the financial and operating policies of this company. Therefore, the investment in the above company is classified into “Investments in associates” rather than “Other long-term investments”.

(c) Other long-term investments

As at 31 December 2018:

	Business sector	Ownership percentage (%)	Cost VND million
Vietnam Export - Import Commercial Joint Stock Bank	Banking	4.50%	319,907
Military Commercial Joint Stock Bank	Banking	4.50%	802,269
Small and Medium Enterprises Credit Guarantee Fund	Credit guarantee services	0.80%	1,864
Petrolimex Insurance Corporation	Insurance	8.03%	67,900
Vietnam Credit Information Joint Stock Company (PCB)	Credit information services	6.64%	7,962
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	1.21%	353,180
SWIFT, MASTER and VISA	Card and settlement services	-	2,936
			1,635,418
Allowance for other long-term investments			(66,998)
			1,568,420

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As at 31 December 2017:

	Business sector	Ownership percentage (%)	Cost VND million
Vietnam Export - Import Commercial Joint Stock Bank	Banking	8.19%	582,065
Military Commercial Joint Stock Bank	Banking	6.97%	1,242,989
Orient Commercial Joint Stock Bank	Banking	3.97%	144,802
Small and Medium Enterprises Credit Guarantee Fund	Credit guarantee services	0.80%	1,864
Petrolimex Insurance Corporation	Insurance	8.03%	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
SWIFT, MASTER and VISA	Card and settlement services	-	2,936
			2,705,966
Allowance for other long-term investments			(25,139)
			2,680,827

Movements in allowance for other long-term investments during the year were as follows:

	2018 VND million	2017 VND million
Opening balance	25,139	14,347
Allowance made during the year (Note 32)	41,859	10,792
Closing balance	66,998	25,139

13. Tangible fixed assets

Year ended 31 December 2018:

	Buildings and structures VND million	Machinery and equipment VND million	Motor vehicles and means of transmission VND million	Others VND million	Total VND million
Cost					
Opening balance	3,864,100	3,802,470	829,683	1,205,674	9,701,927
Additions during the year	484,101	332,043	64,410	133,911	1,014,465
- Purchases	443,947	332,043	64,410	129,951	970,351
- Others	40,154	-	-	3,960	44,114
Decreases during the year	(5,765)	(148,437)	(12,060)	(16,062)	(182,324)
- Disposals	(5,765)	(89,343)	(12,060)	(15,620)	(122,788)
- Others	-	(59,094)	-	(442)	(59,536)
Closing balance	4,342,436	3,986,076	882,033	1,323,523	10,534,068
Accumulated depreciation					
Opening balance	933,728	3,301,508	543,417	725,221	5,503,874
Additions during the year	191,746	290,730	76,915	184,351	743,742
- Charges for the year	186,385	290,730	76,915	184,351	738,381
- Others	5,361	-	-	-	5,361
Decreases during the year	(6,265)	(138,328)	(12,061)	(16,186)	(172,840)
- Disposals	(5,437)	(88,191)	(12,061)	(16,096)	(121,785)
- Others	(828)	(50,137)	-	(90)	(51,055)
Closing balance	1,119,209	3,453,910	608,271	893,386	6,074,776
Net book value					
Opening balance	2,930,372	500,962	286,266	480,453	4,198,053
Closing balance	3,223,227	532,166	273,762	430,137	4,459,292

Included in tangible fixed assets were assets costing VND3,885,159 millions which were fully depreciated as of 31 December 2018, but still in use (31 December 2017: VND3,609,533 millions).

14. Intangible fixed assets

Year ended 31 December 2018:

	Land use rights VND million	Copyrights and patents VND million	Others VND million	Total VND million
Cost				
Opening balance	1,915,710	590,462	100,603	2,606,775
Additions during the year	153,826	11,882	60	165,768
- Purchases	153,406	9,822	60	163,288
- Others	420	2,060	-	2,480
Other decreases during the year	-	(26)	-	(26)
Closing balance	2,069,536	602,318	100,663	2,772,517
Accumulated amortisation				
Opening balance	56,123	506,182	80,162	642,467
Additions during the year	16,156	40,493	5,230	61,879
- Charges for the year	14,771	39,169	5,230	59,170
- Others	1,385	1,324	-	2,709
Other decreases during the year	-	(3)	-	(3)
Closing balance	72,279	546,672	85,392	704,343
Net book value				
Opening balance	1,859,587	84,280	20,441	1,964,308
Closing balance	1,997,257	55,646	15,271	2,068,174

Included in intangible fixed assets were assets costing VND562,477 millions which were fully depreciated as of 31 December 2018, but still in use (31 December 2017: VND539,560 millions).

15. Other assets

(a) Receivables

	31/12/2018 VND million	31/12/2017 VND million
Internal receivables	1,361,701	942,915
External receivables (i)	2,703,567	3,562,820
	4,065,268	4,505,735

(i) External receivables

	31/12/2018 VND million	31/12/2017 VND million
Advances for purchase of fixed assets	927,569	436,817
Receivables from the State Budget in relation to the interest subsidy program	290,225	252,797
Overpaid corporate income tax	80	134
Deductible value added tax	19,743	18,425
Advances for other taxes	2	2
Construction in progress (*)	492,249	428,340
Other receivables	973,699	2,426,305
	2,703,567	3,562,820

(*) Details of construction in progress are follows:

	31/12/2018 VND million	31/12/2017 VND million
Construction in progress	492,249	428,340
<i>In which, large constructions include:</i>	384,496	227,172
Ho Chi Minh City Branch's office construction	102,005	3,253
Thanh Cong Branch's office construction	92,113	58
Ninh Binh Branch's office construction	60,000	60,000
Kon Tum Branch's office construction	49,133	20,785
Thu Duc Branch's office construction	28,831	1,547
North Sai Gon Branch's office construction	22,832	1,010
Phu Yen Branch's office construction	18,421	1,248
Bac Ninh Branch's office construction	6,775	127
Tien Giang Branch's office construction	4,386	5,644
Nam Dinh Branch's office construction	-	133,500

(b) **Accrued interest and fee receivables**

	31/12/2018 VND million	31/12/2017 VND million
From loans to customers	2,971,363	2,343,515
From balances with and loans to other credit institutions	365,801	458,793
From investment securities	4,017,845	3,205,653
From derivative transactions	51,938	15,969
Fees receivable	2,202	1,723
	7,409,149	6,025,653

(c) **Other assets**

	31/12/2018 VND million	31/12/2017 VND million
Prepaid expenses for office and fixed assets rental	626,509	698,732
Materials	123,944	107,908
Advance for card payment	4,082,720	954,952
Advance for rental land	467,016	383,423
Other assets	578,952	431,213
	5,879,141	2,576,228
Allowance for other assets	(3,522)	(2,015)
	5,875,619	2,574,213

16. Amounts due to the Government and the State Banks

	31/12/2018 VND million	31/12/2017 VND million
Borrowings from the SBV	3,580,863	4,158,664
Borrowings on the basis of credit profiles	2,787,812	3,400,693
Other borrowings	793,051	757,971
Deposits from the State Treasury	87,095,730	165,081,565
Demand deposits in VND	21,407,768	155,836,670
Demand deposits in foreign currencies	9,687,962	9,244,895
Term deposits in VND	56,000,000	-
Deposits from the SBV	8,722	2,144,839
	90,685,315	171,385,068

17. Deposits and borrowings from other credit institutions

	31/12/2018 VND million	31/12/2017 VND million
Deposits from other credit institutions	75,245,679	55,803,878
Demand deposits in VND	14,859,745	12,085,649
Demand deposits in foreign currencies	46,498,477	39,883,554
Term deposits in VND	8,490,250	-
Term deposits in foreign currencies	5,397,207	3,834,675
Borrowings from other credit institutions	1,278,400	11,138,325
Borrowings in VND	1,278,400	3,401,700
Borrowings in foreign currencies	-	7,736,625
	76,524,079	66,942,203

18. Deposits from customers

	31/12/2018 VND million	31/12/2017 VND million
Demand deposits	226,842,211	201,004,132
Demand deposits in VND	170,439,488	149,797,322
Demand deposits in gold, foreign currencies	56,402,723	51,206,810
Term deposits	558,786,377	495,438,508
Term deposits in VND	471,896,716	417,756,992
Term deposits in gold, foreign currencies	86,889,661	77,681,516
Deposits for specific purposes	14,948,566	10,951,390
Margin deposits	1,351,961	1,125,687
	801,929,115	708,519,717

Deposits from customers by customer type were as follows:

	31/12/2018 VND million	31/12/2017 VND million
Economic entities	380,422,106	316,488,540
Individuals	421,507,009	392,031,177
	801,929,115	708,519,717

19. Funds for finance, entrusted investments and entrusted loans

	31/12/2018 VND million	31/12/2017 VND million
Funds for finance, entrusted investments and entrusted loans in VND	25,803	23,153

20. Valuable papers issued

	31/12/2018 VND million	31/12/2017 VND million
Certificates of deposits		
Short-term in foreign currencies	-	170
Medium-term in VND	325	325
Medium-term in foreign currencies	994	2,298
Bonds and bills		
Short-term in VND	47	47
Short-term in foreign currencies	30	30
Medium-term in VND	10,630,839	7,211,622
Medium-term in foreign currencies	12	12
Long-term in VND	10,828,885	11,000,000
	21,461,132	18,214,504

21. Other liabilities

(a) Accrued interest and fee payables

	31/12/2018 VND million	31/12/2017 VND million
For deposits from customers	8,210,463	7,851,033
For deposits and borrowings from other credit institutions	32,613	307,489
For valuable papers issued	376,975	268,081
For derivative transactions	91,193	34,403
For entrusted investments	6,296	6,331
	8,717,540	8,467,337

(b) Other liabilities

	31/12/2018 VND million	31/12/2017 VND million
Internal payables (i)	2,809,792	2,811,953
External payables (ii)	7,076,700	4,500,523
Bonus and welfare funds	2,598,410	1,850,814
	12,484,902	9,163,290

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(i) Internal payables

	31/12/2018	31/12/2017
	VND million	VND million
Payables to employees	2,473,336	2,447,077
Other liabilities	336,456	364,876
	<hr/>	<hr/>
	2,809,792	2,811,953
	<hr/>	<hr/>

(ii) External payables

	31/12/2018	31/12/2017
	VND million	VND million
Tax payables (Note 38)	1,610,091	484,827
- Corporate income tax payables	1,342,984	276,569
- Value added tax payables	50,938	37,539
- Other tax payables	216,169	170,719
Unearned interest income	87,535	36,021
Payables for construction and acquisition of fixed assets	347,802	357,244
Deposits in custody relating to pending payments	220,120	161,561
Other payables to customers	1,524,150	532,487
Other pending items in settlement	269,602	355,780
Other payables to the State relating to interest subsidy program	64,528	64,528
Borrowings from the Ministry of Finance	1,001,583	702,162
Other payables	1,951,289	1,805,913
	<hr/>	<hr/>
	7,076,700	4,500,523
	<hr/>	<hr/>

22. Owners' equity

(a) Statement of changes in equity

	Charter capital	Other capital	Reserves			Foreign exchange differences	Differences upon asset revaluation	Retained profits	Non-controlling interest	Total	
			Supplementary charter capital reserve	Financial reserve	Investment and development fund						Total
	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	
Balance as at 1/1/2018	35,977,686	344,245	2,381,774	4,801,247	70,661	7,253,682	94,485	83,285	8,715,252	89,324	52,557,959
Net profit for the year	-	-	-	-	-	-	-	14,605,578	-	16,484	14,622,062
Reserves temporarily appropriated from profit for 2018	-	-	722,733	1,445,467	-	2,168,200	-	(2,168,200)	-	-	-
Bonus and welfare funds temporarily appropriated for 2018	-	-	-	-	-	-	-	(1,670,475)	-	-	(1,670,475)
Adjustment for reserves appropriation according to the Resolution of General Meeting of Shareholders	-	412	2,218	4,435	-	6,653	-	-	(399,414)	-	(392,349)
Dividends paid for the year 2017 (Note 23)	-	-	-	-	-	-	-	(2,878,215)	-	-	(2,878,215)
Utilisation during the year	-	-	-	(13,081)	-	(13,081)	-	-	-	-	(13,081)
Dividends of subsidiaries paid during the year	-	-	-	-	-	-	-	-	-	(36,766)	(36,766)
Reserves appropriation of subsidiaries	-	-	13,060	17,218	-	30,278	-	-	(70,521)	(513)	(40,756)
Foreign currency differences	-	-	-	-	-	-	(10,035)	-	-	503	(9,532)
Asset revaluation	-	-	-	-	-	-	-	35,893	-	-	35,893
Adjustments for joint-ventures and associates upon the equity method	-	-	-	-	-	-	-	-	6,721	-	6,721
Other movements	-	-	-	-	-	-	-	-	(2,039)	(43)	(2,082)
Balance as at 31/12/2018	35,977,686	344,657	3,119,785	6,255,286	70,661	9,445,732	84,450	119,178	16,138,687	68,989	62,179,379

(b) Details of shareholders of the Bank

	31/12/2018	31/12/2017
	VND million	VND million
Ordinary shares		
The Government of Vietnam	27,743,534	27,743,534
Foreign strategic shareholder (Mizuho Bank Ltd., Japan)	5,396,685	5,396,685
Other shareholders	2,837,467	2,837,467
	35,977,686	35,977,686

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

	31/12/2018		31/12/2017	
	Number of shares	VND million	Number of shares	VND million
Authorised share capital	3,597,768,575	35,977,686	3,597,768,575	35,977,686
Issued share capital				
Ordinary shares	3,597,768,575	35,977,686	3,597,768,575	35,977,686
Outstanding shares in circulation				
Ordinary shares	3,597,768,575	35,977,686	3,597,768,575	35,977,686

All ordinary shares of the Bank have a par value of VND10,000.

23. Dividends

In accordance with Resolution No. 11/TN2018/NQ-DHDCD dated 27 April 2018, the Bank's General Meeting of Shareholders decided to pay cash dividend for 2017 at 8% of par value, equivalent to VND2,878,215 million. The Bank paid these dividends to its shareholders on 25 October 2018 in accordance with Resolution No. 373/NQ-VCB-HDQT dated 4 September 2018 by the Board of Directors.

24. Interest and similar income

	2018	2017
	VND million	VND million
Interest income from loans to customers	43,756,805	36,165,352
Interest income from deposits	2,880,373	1,974,911
Interest income from trading and investing in debt securities	8,304,634	7,197,869
- from investment securities	8,164,621	6,936,567
- from trading securities	140,013	261,302
Interest income from finance lease	287,078	253,228
Income from guarantee activities	411,962	390,347
Other income from credit activities	223,099	177,061
	55,863,951	46,158,768

25. Interest and similar expenses

	2018	2017
	VND million	VND million
Interest expenses on deposits	25,365,310	22,348,284
Interest expenses on borrowings	544,079	773,985
Interest expenses on valuable papers issued	1,516,041	1,067,368
Other expenses on credit activities	30,005	31,585
	27,455,435	24,221,222

26. Net fee and commission income

	2018 VND million	2017 VND million
Fee and commission income from		
Settlement services	4,590,636	3,451,048
Treasury services	245,694	243,295
Trusted and agency activities	6,321	30,477
Other services	2,179,504	1,653,356
	7,022,155	5,378,176
Fee and commission expenses for		
Settlement services	(2,907,563)	(2,190,939)
Treasury services	(69,372)	(59,688)
Telecommunication services	(100,790)	(94,812)
Trusted and agency activities	(746)	(7,093)
Other services	(541,192)	(487,435)
	(3,619,663)	(2,839,967)
	3,402,492	2,538,209

27. Net gain from trading of foreign currencies

	2018 VND million	2017 VND million
Gains from trading of foreign currencies		
From foreign currencies spot trading	4,449,872	3,033,367
From currency derivatives financial instruments	363,485	333,649
From foreign exchange rate differences	325,992	921
From revaluation of derivative contracts	87,041	86,975
	5,226,390	3,454,912
Losses from trading of foreign currencies		
From foreign currencies spot trading	(865,920)	(681,035)
From currency derivatives financial instruments	(983,543)	(573,197)
From foreign exchange rate differences	(466,445)	(37,520)
From revaluation of derivative contracts	(644,053)	(120,743)
	(2,959,961)	(1,412,495)
	2,266,429	2,042,417

28. Net gain from trading securities

	2018 VND million	2017 VND million
Income from trading securities	539,389	598,033
Expenses for trading securities	(299,893)	(78,255)
Allowance reversed/(made) for trading securities (Note 7)	10,966	(43,378)
	<u>250,462</u>	<u>476,400</u>

29. Net loss from investment securities

	2018 VND million	2017 VND million
Income from trading investment securities	-	338
Expenses on trading investment securities	-	(20,080)
	<u>-</u>	<u>(19,742)</u>

30. Net other income

	2018 VND million	2017 VND million
Other income		
Income from recoveries of loans previously written off	3,272,247	2,185,100
Other income	243,657	170,731
	<u>3,515,904</u>	<u>2,355,831</u>
Other expenses		
Expenses from interest rate swap transactions	(9,117)	(85,028)
Expenses from debts trading activities	(159)	-
Expenses for social activities	(150,034)	(106,832)
Other expenses	(122,229)	(64,441)
	<u>(281,539)</u>	<u>(256,301)</u>
	<u>3,234,365</u>	<u>2,099,530</u>

31. Income from capital contributions and equity investments

	2018 VND million	2017 VND million
Dividends received from equity investments (Note 34)	129,753	129,685
- Dividends received from equity securities	122,636	116,966
- Dividends received from trading securities	7,117	12,719
Income from disposals of equity investments	1,557,490	142,236
Share of gain of investments in joint-ventures and associates upon the equity method (Note 34)	28,926	59,840
	1,716,169	331,761

32. Operating expenses

	2018 VND million	2017 VND million
Tax, duties and fees	253,632	229,392
Salaries and related expenses	7,677,596	6,733,373
Of which:		
- Salary and allowances (Note 37)	6,920,065	6,289,709
- Additional expenses based on salary	608,943	308,610
- Other allowances	3,977	3,539
Expenses on assets	2,340,006	2,051,907
Of which:		
- Depreciation of fixed assets	797,551	711,474
Administrative expenses	2,728,089	2,358,518
Insurance expenses on deposits of customers	526,591	444,889
Allowance made for other long-term investments (Note 12(c))	41,859	10,792
Other expenses	43,321	37,474
	13,611,094	11,866,345

33. Allowance for credit losses

	2018 VND million	2017 VND million
Allowance for balances with and loans to other credit institutions		
Allowance made for the year (Note 6)	1,000,000	-
General allowance for loans to customers		
Allowance made for the year (Note 10)	578,524	742,246
Specific allowance for loans to customers		
Allowance made for the year (Note 10)	5,683,777	5,496,249
General allowance for unlisted corporate bonds	135,812	9,261
Allowance made/(reversed) for available-for-sale securities for the year (Note 11(a))	71,625	(750)
Allowance made for held-to-maturity securities for the year (Note 11(b))	64,187	10,011
Specific allowance for unlisted corporate bonds		
Allowance reversed for the year	-	(49,341)
	7,398,113	6,198,415

34. Corporate income tax

(a) Reconciliation of effective tax rate

	2018 VND million	2017 VND million
Profit before tax	18,269,226	11,341,361
<i>Adjustments:</i>		
Taxable income of subsidiaries	(436,375)	(302,354)
Dividends received during the year (Note 31)	(129,753)	(129,685)
Share of profit from investments in joint-ventures and associates under the equity method (Note 31)	(28,926)	(59,840)
Tax exempt from consolidation adjustments	104,032	(7,935)
Other non-deductible expenses	29,601	19,081
	<hr/>	<hr/>
Taxable income	17,807,805	10,860,628
Statutory corporate income tax rate	20%	20%
Estimated corporate income tax of the Bank (tax rate: 20%)	3,561,561	2,172,126
Estimated corporate income tax of subsidiaries (tax rate: 20%)	84,024	60,201
Estimated corporate income tax of subsidiaries (tax rate: 16.5%)	2,771	2,051
	<hr/>	<hr/>
Corporate income tax expenses for the year	3,648,356	2,234,378

(b) Applicable tax rates

The Bank and its subsidiaries have an obligation to pay the Government income tax at the rate of 20% of taxable profits, except Vietnam Finance Company Limited in Hong Kong whose applicable tax rate is 16.5%. Corporate income tax computation is subject to review and approval by local tax authorities.

35. Basic earnings per share

(a) Profit used for calculation of basic earnings per share

	2018 VND million	2017 VND million (restated)
Net profit	14,605,578	9,091,070
Appropriation to bonus and welfare funds (*)	(1,710,718)	(1,916,083)
Profit attributable to the ordinary shareholders during the year	12,894,860	7,174,987

- (*) As the bonus and welfare funds is to be appropriated at the year-end, net profit used to calculate earnings per share for the year ended 31 December was revised to deduct the amount appropriated to bonus and welfare funds of the corresponding year.

(b) Weighted average number of ordinary shares

	2018	2017
Issued ordinary shares at 1 January	3,597,768,575	3,597,768,575
Effect of ordinary shares issued during the year	-	-
Weighted average number of outstanding ordinary shares during the year	3,597,768,575	3,597,768,575

(c) Basic earnings per share

	2018	2017 (restated)
Basic earnings per share (VND/share)	3,584	1,994

36. Cash and cash equivalents

	31/12/2018 VND million	31/12/2017 VND million
Cash on hand, gold, silver and gemstones	12,792,045	10,102,861
Balances with the State Bank of Vietnam	10,845,701	93,615,618
Balances with and loans to other credit institutions with original term not exceeding 3 months	220,376,410	199,815,768
Securities recoverable or due within three months from the acquisition date	-	2,000,000
	<u>244,014,156</u>	<u>305,534,247</u>

37. Employees' benefits

	2018	2017
Total number of employees (person)	<u>17,215</u>	<u>16,227</u>
Employees' income		
Total salary and allowance (VND million) (Note 32)	<u>6,920,065</u>	<u>6,289,709</u>
Monthly average income/person (VND million)	<u>33.50</u>	<u>32.30</u>

38. Obligations to the State Budget

	Balance as at	Occurrence during the year		Balance as at 31/12/2018		
	1/1/2018	Incurred	Paid	Payables	Advances	Total
	VND million	VND million	VND million	VND million	VND million	VND million
Value added tax	19,114	521,397	(509,316)	50,938	(19,743)	31,195
Current corporate income tax	276,435	3,652,243	(2,585,774)	1,342,984	(80)	1,342,904
<i>In which:</i>						
- Corporate income tax of Vietcombank	276,569	3,648,356	(2,581,941)	1,342,984	-	1,342,984
- Adjustments on tax of previous years	(78)	3,889	(3,833)	-	(22)	(22)
- Vinafico's tax obligation in 2008	(56)	(2)	-	-	(58)	(58)
Deferred corporate income tax liabilities	20,052	(757)	-	19,295	-	19,295
Other taxes	170,717	1,091,535	(1,046,085)	216,169	(2)	216,167
	486,318	5,264,418	(4,141,175)	1,629,386	(19,825)	1,609,561

39. Assets and valuable papers for pledging, mortgaging and discount, re-discount

Assets and valuable papers received for pledging, mortgaging and discount, re-discount

	31/12/2018 VND million	31/12/2017 VND million
Deposits	91,140,187	68,674,401
Valuable papers	91,307,623	108,914,574
Real estate	622,702,902	453,798,437
Other collaterals	241,787,741	208,494,777
	1,046,938,453	839,882,189

40. 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 recognised 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 the Bank 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 recognises 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 fulfil the guarantor obligations.

Vietcombank normally requires margin deposits to support credit-related financial instruments as necessary. The margin deposits required varies from nil to 100% of the value of a commitment granted depending on the creditworthiness of customers as assessed by Vietcombank.

41. Significant transactions and balances with related parties

(a) Significant transactions with related parties

	Relationship	2018 VND million Income/(expense)	2017 VND million Income/(expense)
The State Bank of Vietnam			
Interest income from deposits	Representative of owner	216,309	134,601
Interest expenses on deposits and borrowings		(152,162)	(173,156)
The Ministry of Finance			
Interest expenses on deposits	Related party of owner	(1,287,656)	(565,023)
Interest expenses on borrowings		(31,792)	(28,991)

Remuneration for the Board of Directors and the Supervisory Board did not exceed 0.35% profit after tax for the year ended 31 December 2018 according to Resolution No. 11/TN2018/NQ-DHDCD dated 27 April 2018 of General Meeting of Shareholders.

Remuneration for the Board of Management complied with Salary Regulation of Vietcombank.

(b) Significant balances with related parties

	Relationship	31/12/2018 VND million Receivable/(payable)	31/12/2017 VND million Receivable/(payable)
The State Bank of Vietnam			
Deposits at the SBV	Representative of owner	10,152,565	93,615,296
Deposits and borrowings from the SBV		(3,589,585)	(6,303,503)
The Ministry of Finance (“the MoF”)			
Deposits at the Bank	Related party of owner	(87,095,730)	(165,081,565)
Borrowings from the MoF		(1,001,583)	(702,162)
Mizuho Bank Ltd., Japan			
Deposits at Mizuho Bank Ltd., Japan	Strategic shareholder	1,767,477	5,994,987
Deposits from Mizuho Bank Ltd., Japan		(3,667,092)	(3,190,241)
Loans to Mizuho Bank Ltd., Japan		-	(448,500)

42. Segment reporting

(a) Geographical segment reporting

Year ended 31 December 2018:

	The North	The Middle and Central Highland	The South	Overseas	Elimination	Total
	VND million	VND million	VND million	VND million	VND million	VND million
1 Interest and similar income	77,780,799	13,535,869	38,109,601	76,387	(73,638,705)	55,863,951
2 Interest and similar expenses	(65,901,975)	(9,365,838)	(25,807,910)	(27,596)	73,647,884	(27,455,435)
I Net interest income	11,878,824	4,170,031	12,301,691	48,791	9,179	28,408,516
3 Fee and commission income	3,791,323	684,271	2,643,475	49,173	(146,087)	7,022,155
4 Fee and commission expenses	(3,522,035)	(23,077)	(91,587)	(14,836)	31,872	(3,619,663)
II Net fee and commission income/(expenses)	269,288	661,194	2,551,888	34,337	(114,215)	3,402,492
III Net gain from trading of foreign currencies	1,653,084	93,355	519,822	168	-	2,266,429
IV Net gain/(loss) from trading securities	259,621	-	-	-	(9,159)	250,462
5 Other income	1,545,368	473,740	1,490,320	6,476	-	3,515,904
6 Other expenses	(146,582)	(42,005)	(92,002)	(950)	-	(281,539)
VI Net other income	1,398,786	431,735	1,398,318	5,526	-	3,234,365
VII Income from capital contributions and equity investments	1,716,169	-	-	-	-	1,716,169
Total operating income	17,175,772	5,356,315	16,771,719	88,822	(114,195)	39,278,433
VIII Total operating expenses	(8,594,431)	(1,297,009)	(3,558,651)	(67,114)	(93,889)	(13,611,094)
IX Net operating profit before allowances for credit losses	8,581,341	4,059,306	13,213,068	21,708	(208,084)	25,667,339
X Allowances for credit losses	(6,256,620)	(864,555)	(276,940)	2	-	(7,398,113)
XI Profit before tax	2,324,721	3,194,751	12,936,128	21,710	(208,084)	18,269,226
7 Current corporate income tax expenses	(416,406)	(639,744)	(2,589,435)	(2,771)	-	(3,648,356)
8 Deferred corporate income tax benefits	1,192	-	-	-	-	1,192
XII Corporate income tax expenses	(415,214)	(639,744)	(2,589,435)	(2,771)	-	(3,647,164)
XIII Profit after tax	1,909,507	2,555,007	10,346,693	18,939	(208,084)	14,622,062

42. Segment reporting (continued)

(b) Business segment

Year ended 31 December 2018:

	Banking financial services VND million	Non-banking financial services VND million	Securities VND million	Others VND million	Elimination VND million	Total VND million
1 Interest and similar income	128,839,344	419,178	224,047	20,087	(73,638,705)	55,863,951
2 Interest and similar expenses	(100,804,581)	(209,238)	(89,500)	-	73,647,884	(27,455,435)
I Net interest income	28,034,763	209,940	134,547	20,087	9,179	28,408,516
3 Fee and commission income	6,717,553	35,665	251,265	163,759	(146,087)	7,022,155
4 Fee and commission expenses	(3,536,517)	(1,052)	(46,240)	(67,726)	31,872	(3,619,663)
II Net fee and commission income/(expenses)	3,181,036	34,613	205,025	96,033	(114,215)	3,402,492
III Net gain from trading of foreign currencies	2,263,253	3,176	-	-	-	2,266,429
IV Net gain/(loss) from trading securities	187,868	-	71,753	-	(9,159)	250,462
5 Other income	3,504,619	5,540	312	5,433	-	3,515,904
6 Other expenses	(277,435)	(14)	(23)	(4,067)	-	(281,539)
VI Net other income	3,227,184	5,526	289	1,366	-	3,234,365
VII Income from capital contributions and equity investments	1,709,052	-	7,117	-	-	1,716,169
Total operating income	38,603,156	253,255	418,731	117,486	(114,195)	39,278,433
VIII Total operating expenses	(13,140,407)	(131,038)	(195,678)	(50,082)	(93,889)	(13,611,094)
IX Net operating profit before allowance for credit losses	25,462,749	122,217	223,053	67,404	(208,084)	25,667,339
X Allowance for credit losses	(7,399,506)	1,393	-	-	-	(7,398,113)
XI Profit before tax	18,063,243	123,610	223,053	67,404	(208,084)	18,269,226
7 Current corporate income tax expenses	(3,561,561)	(23,557)	(49,500)	(13,738)	-	(3,648,356)
8 Deferred corporate income tax benefits	-	-	1,192	-	-	1,192
XII Corporate income tax expenses	(3,561,561)	(23,557)	(48,308)	(13,738)	-	(3,647,164)
XIII Profit after tax	14,501,682	100,053	174,745	53,666	(208,084)	14,622,062

43. Disclosure of financial instruments

(a) Collateral disclosure

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 210 requires the Bank to disclose the measurement method and related information of fair value of financial assets and financial liabilities for the purpose of comparing their carrying value and fair value.

The following table presents carrying value and fair value of Vietcombank's financial assets and liabilities as at 31 December 2018:

43. Disclosure of financial instruments (continued)

(b) Fair value disclosures (continued)

		Carrying amount - gross				Recognised	Total of	Fair value
		Held for trading	Held to maturity	Loans and receivables	Available for sale	at amortised cost	carrying value	
		VND million	VND million	VND million	VND million	VND million	VND million	VND million
Financial assets								
I	Cash on hand, gold, silver and gemstones	-	-	12,792,045	-	-	12,792,045	12,792,045
II	Balances with the State Banks	-	-	10,845,701	-	-	10,845,701	10,845,701
III	Balances with and loans to other credit institutions	-	-	251,228,037	-	-	251,228,037	(*)
IV	Trading securities	2,725,051	-	-	-	-	2,725,051	(*)
V	Derivative financial instruments and other financial assets	275,983	-	-	-	-	275,983	(*)
VI	Loans to customers	-	-	631,866,758	-	-	631,866,758	(*)
VIII	Investment securities	-	114,251,030	-	35,321,259	-	149,572,289	(*)
IX	Capital contributions, long-term investments	-	-	-	1,635,418	-	1,635,418	(*)
XII	Other financial assets	-	-	14,198,286	-	-	14,198,286	(*)
		3,001,034	114,251,030	920,930,827	36,956,677	-	1,075,139,568	
Financial liabilities								
I	Amounts due to the Government and the State Banks and deposits and borrowings from other credit institutions	-	-	-	-	167,209,394	167,209,394	(*)
II	Deposits from customers	-	-	-	-	801,929,115	801,929,115	(*)
IV	Funds for finance, entrusted investments and entrusted loans	-	-	-	-	25,803	25,803	(*)
V	Valuable papers issued	-	-	-	-	21,461,132	21,461,132	(*)
VI	Other financial liabilities	-	-	-	-	11,797,523	11,797,523	(*)
		-	-	-	-	1,002,422,967	1,002,422,967	

(*) Due to insufficient information for valuation techniques, fair value of these financial assets and liabilities without an active market is not reliably estimated, and therefore is not disclosed.

43. Disclosure of financial instruments (continued)

(c) Risk management policies for financial instruments

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

Having taken those 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 organisational structure and key personnel positions.

Risk management strategies and policies of the Board of Directors 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 the Bank being in-charge of risk management.

ALCO is responsible for comprehensively monitoring and managing assets and liabilities in the consolidated and separate balance sheet of Vietcombank in order to maximise profit while minimising 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 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, off-balance sheet commitments, entrusted loans and unlisted corporate bonds in accordance with Circular 02 and Circular 09 (Note 2(h)), 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 debt classification and decentralised authorisation in credit activities.

43. Disclosure of financial instruments (continued)

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

(i) Credit risks (continued)

Vietcombank's maximum exposure amounts to credit risk as at 31 December 2018, excluding collaterals and credit risk mitigations as follows:

	Neither past due nor impaired VND million	Past due but not impaired VND million	Impaired and allowance made VND million	Total VND million
Balances with the State Banks	10,845,701	-	-	10,845,701
Balances with and loans to other credit institutions – gross	250,181,099	-	1,046,938	251,228,037
Balances with other credit institutions	187,352,500	-	-	187,352,500
Loans to other credit institutions	62,828,599	-	1,046,938	63,875,537
Trading securities	2,367,615	-	-	2,367,615
Loans to customers – gross	619,118,418	2,744,261	10,004,079	631,866,758
Investment securities – gross	149,564,099	-	-	149,564,099
Available-for-sale investment securities	35,313,069	-	-	35,313,069
Held-to-maturity investment securities	114,251,030	-	-	114,251,030
Other assets	14,198,286	-	-	14,198,286
	1,046,275,218	2,744,261	11,051,017	1,060,070,496

Further information of the carrying value of collaterals held by the Vietcombank as at the reporting date are described in Note 39.

43. 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 end of annual accounting period 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 re-pricing term of asset and liabilities items in the consolidated balance sheet of Vietcombank:

- Cash, gold, silver and gemstones, capital contributions, long-term investments, and other assets (including fixed assets and other assets) are classified as free of interest items;
- Trading securities which are debt securities are classified as “Up to 1 month” items;
- The actual interest re-pricing terms of investment securities are subject to issuers’ terms and conditions on interest rate of issuing institution for each security type;
- 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 Banks, deposits and borrowings from other credit institutions, deposits from customers, funds for finance, entrusted investments, entrusted loans and other liabilities 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 end of the annual accounting period;
 - Items with floating interest rate: the actual interest re-pricing term is based on the nearest re-pricing term subsequent to the end of the annual accounting period.
- 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 following table presents the interest rate re-pricing terms of Vietcombank’s assets and liabilities as at 31 December 2018:

43. Disclosure of financial instruments (continued)

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

(ii) Interest rate risk (continued)

	Overdue	Free of interest	Up to 1 month	From 1 to 3 months	From over 3 months to 6 months	From over 6 months to 12 months	From over 1 year to 5 years	Over 5 years	Total
	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million
Assets									
I	Cash on hand, gold, silver and gemstones	-	12,792,045	-	-	-	-	-	12,792,045
II	Balances with the State Banks	-	-	10,845,701	-	-	-	-	10,845,701
III	Balances with and loans to other credit institutions – gross	-	-	185,303,975	43,885,299	4,523,846	17,514,917	-	251,228,037
IV	Trading securities – gross	-	357,436	2,367,615	-	-	-	-	2,725,051
V	Derivative financial instruments and other financial assets	-	275,983	-	-	-	-	-	275,983
VI	Loans to customers – gross	9,216,639	-	148,132,669	225,296,445	155,142,744	57,996,128	35,456,910	631,866,758
VII	Investment securities – gross	-	8,190	571,376	5,971,107	2,824,650	9,553,973	92,191,178	149,572,289
VIII	Capital contributions, long-term investments – gross	-	2,543,065	-	-	-	-	-	2,543,065
IX	Fixed assets	-	6,527,466	-	-	-	-	-	6,527,466
X	Other assets – gross	-	17,360,298	-	-	-	-	-	17,360,298
	Total assets	9,216,639	39,864,483	347,221,336	275,152,851	162,491,240	85,065,018	127,648,088	1,085,736,693
Liabilities									
I	Amounts due to the Government and the State Banks and deposits and borrowings from other credit institutions	-	-	159,835,849	4,040,452	2,168,912	1,164,181	-	167,209,394
II	Deposits from customers	-	39,771	434,735,960	127,545,490	115,361,025	121,752,038	2,490,151	801,929,115
IV	Funds for finance, entrusted investments and entrusted loans	-	-	-	-	-	1,235	18,481	25,803
V	Valuable papers issued	-	-	214,636	-	-	5,153,400	14,899,211	21,461,132
VI	Other liabilities	-	20,220,154	1,001,583	-	-	-	-	21,221,737
	Total liabilities	-	20,259,925	595,788,028	131,585,942	117,529,937	128,070,854	17,407,843	1,011,847,181
	Interest sensitivity gap – on balance sheet	9,216,639	19,604,558	(248,566,692)	143,566,909	44,961,303	(43,005,836)	110,240,245	73,889,512

43. 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. Vietcombank was incorporated and operates in Vietnam, with VND as its reporting currency. The major currency in which the Bank transacts is VND. Vietcombank's loans 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 followings are the major exchange rates applied by Vietcombank at the reporting date:

	Exchange rate as at	
	31/12/2018	31/12/2017
USD/VND	23,200	22,425
EUR/VND	26,757	26,696

The following table presents Vietcombank's assets and liabilities denominated in foreign currencies that were translated into VND as at 31 December 2018:

43. 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 Cash on hand, gold, silver and gemstones	9,761,340	2,256,509	382,899	391,297	12,792,045
II Balances with the State Banks	6,697,288	3,455,277	-	693,136	10,845,701
III Balances with and loans to other credit institutions – gross	128,555,420	93,092,824	15,969,022	13,610,771	251,228,037
IV Trading securities – gross	2,725,051	-	-	-	2,725,051
V Derivative financial instruments and other financial assets	52,883,329	(52,589,913)	24,157	(41,590)	275,983
VI Loans to customers – gross	546,317,853	85,326,240	205,318	17,347	631,866,758
VII Investment securities – gross	91,572,289	58,000,000	-	-	149,572,289
VIII Capital contributions, long-term investments – gross	2,543,065	-	-	-	2,543,065
IX Fixed assets	6,480,883	31,629	-	14,954	6,527,466
X Other assets – gross	15,675,239	1,446,272	13,406	225,381	17,360,298
Total assets	863,211,757	191,018,838	16,594,802	14,911,296	1,085,736,693
Liabilities					
I Amounts due to the Government and the State Banks and deposits and borrowings from other credit institutions	105,617,026	39,478,270	12,642,279	9,471,819	167,209,394
II Deposits from customers	650,088,165	143,798,570	4,845,694	3,196,686	801,929,115
IV Funds for finance, entrusted investments and entrusted loans	25,803	-	-	-	25,803
V Valuable papers issued	21,460,097	1,035	-	-	21,461,132
VI Other liabilities	19,170,514	1,820,716	110,713	119,794	21,221,737
Total liabilities	796,361,605	185,098,591	17,598,686	12,788,299	1,011,847,181
FX position on balance sheet	66,850,152	5,920,247	(1,003,884)	2,122,997	73,889,512

43. 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 represents the remaining terms of these assets and liabilities from the end of the annual accounting period to the maturity date according to the underlying contractual agreements or term 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 State Banks are considered as current accounts including the compulsory deposits;
- The maturity of trading securities is considered as below one month because they are held in the short term for profit taking due to price differences;
- The maturity of investment securities is based on maturity 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 five years as equity investments have no stated maturity; and
- Deposits and borrowings from other credit institutions, deposits from customers and valuable papers issued are determined based on either the nature of the loans, deposits and valuable papers issued or their contractual maturities. For example, current accounts of other credit institutions at Vietcombank and current accounts of Vietcombank at other credit institutions 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 2018:

43. Disclosure of financial instruments (continued)

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

(iv) *Liquidity risk (continued)*

	Overdue		Not overdue					Total VND million	
	Over 3 months VND million	Up to 3 months VND million	Up to 1 month VND million	From over 1 month to 3 months VND million	From over 3 months to 12 months VND million	From over 1 year to 5 years VND million	Over 5 years VND million		
Assets									
I	Cash on hand, gold, silver and gemstones	-	-	12,792,045	-	-	-	-	12,792,045
II	Balances with the State Banks	-	-	10,845,701	-	-	-	-	10,845,701
III	Balances with and loans to other credit institutions – gross	-	-	183,930,855	44,204,611	20,672,851	2,419,720	-	251,228,037
IV	Trading securities – gross	-	-	2,725,051	-	-	-	-	2,725,051
V	Derivative financial instruments and other financial assets	-	-	-	275,983	-	-	-	275,983
VI	Loans to customers – gross	1,220,622	7,996,017	68,381,315	135,802,466	187,697,004	94,389,752	136,379,582	631,866,758
VII	Investment securities – gross	-	-	308,566	3,925,107	9,180,365	94,310,436	41,847,815	149,572,289
VIII	Capital contributions, long-term investments – gross	-	-	-	-	-	-	2,543,065	2,543,065
IX	Fixed assets	-	-	-	-	-	-	6,527,466	6,527,466
X	Other assets – gross	-	-	-	17,360,298	-	-	-	17,360,298
	Total assets	1,220,622	7,996,017	278,983,533	201,568,465	217,550,220	191,119,908	187,297,928	1,085,736,693
Liabilities									
I	Amounts due to the Government and the State Banks and deposits and borrowings from other credit institutions	-	-	157,989,395	4,042,454	1,986,286	2,638,950	552,309	167,209,394
II	Deposits from customers	-	-	221,046,119	136,025,313	254,608,181	35,298,485	154,951,017	801,929,115
IV	Funds for finance, entrusted investments and entrusted loans	-	-	-	-	1,235	18,481	6,087	25,803
V	Valuable papers issued	-	-	215,705	-	-	7,998,438	13,246,989	21,461,132
VI	Other liabilities	-	-	-	20,220,154	-	-	1,001,583	21,221,737
	Total liabilities	-	-	379,251,219	160,287,921	256,595,702	45,954,354	169,757,985	1,011,847,181
	Net liquidity gap	1,220,622	7,996,017	(100,267,686)	41,280,544	(39,045,482)	145,165,554	17,539,943	73,889,512

44. Events after the consolidated financial statements date

On 4 January 2019, the Bank completed the private offering of 111,108,873 shares to two (02) investors. The total net proceeds from the issuance of these shares is VND6,106,488,918,731. According to the thirteenth amendment of Business Registration Certificate issued by Hanoi Authority for Planning and Investment on 16 January 2019, the Bank's charter capital after the offering is VND37,088,774,480,000.

Except for the above event, until the issuing date of these consolidated financial statements, there are no significant events occurring subsequent to 31 December 2018 that may significantly affect the financial position of Vietcombank and require adjustments or disclosures to be made in the consolidated financial statements as at 31 December 2018 and for the year then ended.

45. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Management of the Bank on 31 March 2019.

Hanoi, 31 March 2019

Prepared by:

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Ms. Phung Nguyen Hai Yen



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