



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

Separate Interim Financial Statements
for the six-month period ended
30 June 2019



Joint Stock Commercial Bank for Foreign Trade of Vietnam

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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, 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 SBV 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 period and until the issuing date of the separate interim 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
Mr. Do Viet Hung	Member	Appointed on 26 April 2019

Members of the Board of Management during the period and until the issuing date of the separate interim 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. Nguyen Thanh Tung	Deputy CEO	Appointed on 1 April 2019
Mr. Dang Hoai Duc	Deputy CEO	Appointed on 1 April 2019

Members of the Supervisory Board during the period and until the issuing date of the separate interim 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	Resigned from 26 April 2019

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

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 <i>(According to Letter of Authorisation No. 01/UQ-VCB-CSTCKT dated 8 January 2018)</i>	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 separate interim financial statements of the Bank for the six-month period ended 30 June 2019.

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

The Board of Management is responsible for the separate interim financial statements which give a true and fair view of the separate interim financial position of the Bank and of the separate interim results of its operations and its separate interim cash flows for the period. In preparing the separate interim 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 separate interim financial statements; and
- Prepare the separate interim financial statements on the going concern basis unless it is inappropriate to presume that the Bank 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 to ensure that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Statement by the Board of Management

The Board of Management does hereby state that, in its opinion, the accompanying separate interim financial statements give a true and fair view of the unconsolidated interim financial position of the Bank as at 30 June 2019, and of the unconsolidated interim results of its operations and the unconsolidated interim cash flows for the six-month period 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 interim financial reporting.

For and on behalf of the Board of Management:



Ms. Phung Nguyen Hai Yen
Deputy CEO

Hanoi, 14 August 2019



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E6 Pham Hung Road, Me Tri Ward
South Tu Liem District, Hanoi, Vietnam
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INTERIM FINANCIAL INFORMATION REVIEW REPORT

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

We have reviewed the accompanying separate interim financial statements of Joint Stock Commercial Bank for Foreign Trade of Vietnam ("the Bank"), which comprise the separate interim balance sheet as at 30 June 2019, the separate interim statement of income and the separate interim statement of cash flows for the six-month period then ended and the explanatory notes thereto which were authorised for issue by the Bank's Board of Management on 14 August 2019, as set out on pages 6 to 54.

The Bank's Board of Management's responsibility

The Bank's Board of Management is responsible for the preparation and fair presentation of these separate interim 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 interim financial reporting, and for such internal control as management determines is necessary to enable the preparation and presentation of separate interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on these separate interim financial statements based on our review. We conducted our review in accordance with Vietnamese Standard on Review Engagements No. 2410 - *Review of interim financial information performed by the independent auditor of the entity*.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Vietnamese Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Auditor's Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying separate interim financial statements do not give a true and fair view, in all material respects, of the unconsolidated financial position of Joint Stock Commercial Bank for Foreign Trade of Vietnam as at 30 June 2019, and of its unconsolidated results of operations and its unconsolidated cash flows for the six-month period 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 interim financial reporting.

KPMG Limited

Vietnam

Review Report No.: 18-02-00541-19-1



Trần Đình Vinh
Practicing Auditor Registration
Certificate No. 0339-2018-007-1
Deputy General Director

Phạm Huy Cường
Practicing Auditor Registration
Certificate No. 2675-2019-007-1

Hanoi, 14 August 2019

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Joint Stock Commercial Bank for Foreign Trade of Vietnam
198 Tran Quang Khai Street, Hoan Kiem District, Hanoi, Vietnam
Separate interim balance sheet as at 30 June 2019

Form B02a/TCTD
(Issued in accordance with
Circular No. 49/2014/TT-NHNN
dated 31 December 2014)

No.	Items	Note	30/6/2019 VND million	31/12/2018 VND million
A	ASSETS			
I	Cash on hand, gold, silver and gemstones		12,001,142	12,779,174
II	Balances with the State Bank of Vietnam (“the SBV”)		49,672,917	10,152,243
III	Balances with and loans to other credit institutions		174,928,091	250,967,000
1	Balances with other credit institutions		124,702,823	185,294,032
2	Loans to other credit institutions		51,225,268	66,672,968
3	Allowance for balances with and loans to other credit institutions		(1,000,000)	(1,000,000)
IV	Trading securities	4	3,878,962	1,757,474
1	Trading securities		3,878,962	1,757,474
V	Derivative financial instruments and other financial assets		108,943	275,983
VI	Loans to customers		677,788,094	616,948,860
1	Loans to customers	5	690,327,366	627,183,053
2	Allowance for loans to customers	6	(12,539,272)	(10,234,193)
VIII	Investment securities	7	166,987,388	149,288,240
1	Available-for-sale securities		38,699,647	35,313,069
2	Held-to-maturity securities		128,735,924	114,251,030
3	Allowance for investment securities		(448,183)	(275,859)
IX	Capital contributions, long-term investments		5,779,200	5,826,795
1	Investments in subsidiaries	8(a)	3,442,280	3,442,280
2	Investments in joint-ventures	8(b)	815,515	815,515
3	Investments in associates	8(c)	11,110	11,110
4	Other long-term investments		1,587,823	1,635,418
5	Allowance for long-term investments		(77,528)	(77,528)
X	Fixed assets		6,124,914	6,194,680
1	Tangible fixed assets		3,961,296	4,140,992
a	Cost		9,803,942	9,677,800
b	Accumulated depreciation		(5,842,646)	(5,536,808)
3	Intangible fixed assets		2,163,618	2,053,688
a	Cost		2,866,711	2,721,048
b	Accumulated amortisation		(703,093)	(667,360)
XII	Other assets		22,002,236	17,108,682
1	Receivables		10,584,145	3,999,662
2	Accrued interest and fee receivables		7,438,082	7,367,404
4	Other assets		3,980,009	5,741,616
	TOTAL ASSETS		1,119,271,887	1,071,299,131

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

No.	Items	Note	30/6/2019 VND million	31/12/2018 VND million
B	LIABILITIES AND SHAREHOLDERS' EQUITY			
I	Amounts due to the Government and the SBV	9	79,605,943	90,685,315
II	Deposits and borrowings from other credit institutions	10	47,473,301	75,647,514
1	Deposits from other credit institutions		47,473,301	75,647,514
III	Deposits from customers	11	871,445,486	802,114,711
V	Funds for finance, entrusted investments and entrusted loans		23,911	25,803
VI	Valuable papers issued	12	21,417,847	21,418,647
VII	Other liabilities		24,504,283	20,618,490
1	Accrued interest and fee payables		10,143,780	8,715,301
3	Other liabilities	13	14,360,503	11,903,189
	TOTAL LIABILITIES		1,044,470,771	1,010,510,480
VIII	Shareholders' equity			
1	Capital		42,084,575	35,978,098
a	Charter capital		37,088,774	35,977,686
c	Share premium		4,995,389	-
g	Other capital		412	412
2	Reserves		9,208,023	9,210,606
5	Retained profits		23,508,518	15,599,947
a	Previous year's retained profits		14,655,883	4,983,956
b	Current period's/year's retained profits		8,852,635	10,615,991
	TOTAL SHAREHOLDERS' EQUITY	15(a)	74,801,116	60,788,651
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,119,271,887	1,071,299,131

No.	Items	Note	30/6/2019 VND million	31/12/2018 VND million
OFF-BALANCE SHEET ITEMS				
1	Credit guarantees		311,087	276,512
2	Foreign exchange commitments		68,103,477	61,831,282
	<i>Foreign currency buying commitments</i>		24,383,925	12,471,111
	<i>Foreign currency selling commitments</i>		43,719,552	49,360,171
4	Letters of credit		59,424,736	57,703,713
5	Other guarantees		55,883,998	54,250,031
6	Other commitments		258,934	201,313

Hanoi, 14 August 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



Joint Stock Commercial Bank for Foreign Trade of Vietnam
198 Tran Quang Khai Street, Hoan Kiem District, Hanoi, Vietnam
Separate interim statement of income
for the six-month period ended 30 June 2019

Form B03a/TCTD
(Issued in accordance with
Circular No. 49/2014/TT-NHNN
dated 31 December 2014)

No.	Items	Note	Six-month period ended 30/6/2019 VND million	Six-month period ended 30/6/2018 VND million
1	Interest and similar income	16	32,558,996	25,952,972
2	Interest and similar expenses	17	(15,696,581)	(13,140,818)
1	Net interest income		16,862,415	12,812,154
3	Fee and commission income		4,050,526	3,098,084
4	Fee and commission expenses		(1,973,465)	(1,503,943)
II	Net fee and commission income		2,077,061	1,594,141
III	Net gain from trading of foreign currencies		1,626,832	1,038,435
IV	Net gain from trading securities	18	46,858	399,284
V	Net loss from investment securities		(1)	-
5	Other income		2,054,681	2,426,306
6	Other expenses		(119,359)	(48,683)
VI	Net other income		1,935,322	2,377,623
VII	Income from capital contributions and equity investments	19	132,233	516,926
	TOTAL OPERATING INCOME		22,680,720	18,738,563
VIII	TOTAL OPERATING EXPENSES	20	(8,335,868)	(7,780,504)
IX	Net operating profit before allowance for credit losses		14,344,852	10,958,059
X	Allowance for credit losses		(3,300,071)	(3,237,448)
XI	PROFIT BEFORE TAX (CARRIED TO THE NEXT PAGE)		11,044,781	7,720,611

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

Joint Stock Commercial Bank for Foreign Trade of Vietnam
198 Tran Quang Khai Street, Hoan Kiem District, Hanoi, Vietnam
Separate interim statement of income
for the six-month period ended 30 June 2019 (continued)

Form B03a/TCTD
(Issued in accordance with
Circular No. 49/2014/TT-NHNN
dated 31 December 2014)

No.	Items	Note	Six-month period ended 30/6/2019 VND million	Six-month period ended 30/6/2018 VND million
XI	PROFIT BEFORE TAX (BROUGHT FROM THE PREVIOUS PAGE)		11,044,781	7,720,611
7	Corporate income tax expenses – current		(2,192,146)	(1,524,335)
XII	Corporate income tax expenses		(2,192,146)	(1,524,335)
XIII	NET PROFIT AFTER TAX		8,852,635	6,196,276

Hanoi, 14 August 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

Joint Stock Commercial Bank for Foreign Trade of Vietnam
198 Tran Quang Khai Street, Hoan Kiem District, Hanoi, Vietnam
Separate interim statement of cash flows
for the six-month period ended 30 June 2019 (Direct method)

Form B04a/TCTD
(Issued in accordance with
Circular No. 49/2014/TT-NHNN
dated 31 December 2014)

No.	Items	Note	Six-month period ended 30/6/2019 VND million	Six-month period ended 30/6/2018 VND million
CASH FLOWS FROM OPERATING ACTIVITIES				
01	Interest and similar income received		32,471,816	25,482,292
02	Interest and similar expenses paid		(14,339,587)	(13,580,948)
03	Net fee and commission income received		2,077,061	1,594,141
04	Net receipts and payments from trading activities (foreign currencies, gold and securities)		1,756,049	1,724,626
05	(Other expenses paid)/other income received		(4,246)	16,968
06	Receipts from recovery of bad debts previously written off		1,941,567	2,360,027
07	Payments to employees and for other operating activities		(6,044,955)	(6,084,260)
08	Corporate income tax paid during the period		(3,281,669)	(1,579,331)
	Net cash flows from operating activities before changes in operating assets and liabilities		14,576,036	9,933,515
	(Increase)/decrease in operating assets			
09	Balances with and loans to other credit institutions		2,420,486	5,452,630
10	Securities trading		(19,892,960)	(22,240,807)
11	Derivative financial instruments and other financial assets		167,040	832,354
12	Loans to customers		(63,144,313)	(62,469,496)
13	Utilisation of allowance for credit losses		(822,885)	(1,381,320)
14	Other operating assets		(4,819,845)	1,243,553
	Increase/(decrease) in operating liabilities			
15	Amounts due to the Government and the SBV		(11,079,372)	(99,684,245)
16	Deposits and borrowings from other credit institutions		(28,174,213)	(26,830,764)
17	Deposits from customers		69,330,775	55,993,986
18	Valuable papers issued		(800)	3,000,016
19	Funds for finance, entrusted investments and entrusted loans		(1,892)	5,121
20	Financial derivatives and other financial liabilities		-	375,822
21	Other operating liabilities		1,410,537	2,783,333
22	Payments from reserves		(799,865)	(677,300)
I	Net cash flows from operating activities		(40,831,271)	(133,663,602)

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

Joint Stock Commercial Bank for Foreign Trade of Vietnam
198 Tran Quang Khai Street, Hoan Kiem District, Hanoi, Vietnam
Separate interim statement of cash flows
for the six-month period ended 30 June 2019
(Direct method – continued)

Form B04a/TCTD
(Issued in accordance with
Circular No. 49/2014/TT-NHNN
dated 31 December 2014)

No.	Items	Note	Six-month period ended 30/6/2019 VND million	Six-month period ended 30/6/2018 VND million
CASH FLOWS FROM INVESTING ACTIVITIES				
01	Payments for purchases of fixed assets		(271,805)	(197,702)
02	Proceeds from disposals of fixed assets		2,588	762
03	Payments for disposals of fixed assets		(4,587)	(134)
07	Payments for investments in other entities		-	(1,820,400)
08	Collections on investments in other entities		95,773	698,438
09	Dividends and interest received from long-term investments and capital contributions		127,044	98,935
II	Net cash flows from investing activities		(50,987)	(1,220,101)
CASH FLOWS FROM FINANCING ACTIVITIES				
01	Proceeds from share issuance		6,106,477	-
III	Net cash flows from financing activities		6,106,477	-
IV	Net cash flows during the period		(34,775,781)	(134,883,703)
V	Cash and cash equivalents at the beginning of the period		241,957,254	307,436,864
VII	Cash and cash equivalents at the end of the period	21	207,181,473	172,553,161

Hanoi, 14 August 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 separate interim financial statements

These notes form an integral part of, and should be read in conjunction with, the accompanying separate interim 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 SBV.

(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 thirteenth time on 16 January 2019 and the amendment of the Establishment and Operation Licence No. 138/GP-NHNN of Joint Stock Commercial Bank for Foreign Trade of Vietnam under Decision No. 300/QD-NHNN dated 21 February 2019 replaces Decision No. 95/QD-NHNN dated 18 January 2017 of the SBV, the Bank’s charter capital was VND37,088,774,480,000. The par value per share is VND10,000.

	30/6/2019		31/12/2018	
	Number of shares	%	Number of shares	%
Shares owned by the Government of Vietnam	2,774,353,387	74.80%	2,774,353,387	77.11%
Shares owned by foreign strategic shareholder (Mizuho Bank Ltd., Japan)	556,334,933	15.00%	539,668,502	15.00%
Shares owned by other owners	378,189,128	10.20%	283,746,686	7.89%
	3,708,877,448	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 30 June 2019, the Bank had one (1) Head Office, one (1) Training and Human Resource Development School, 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 the United States of America, one (1) representative office located in Singapore and one (1) representative office located in Ho Chi Minh City (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 the United States of America, one (1) representative office located in Singapore and one (1) representative office located in Ho Chi Minh City).

(d) Subsidiaries, joint-ventures and associates

Subsidiaries

Subsidiaries	Operating Licence	Business sector	Ownership percentage of the Bank
Vietcombank Finance Leasing Company Limited	Operating Licence No. 66/GP-NHNN 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, and first amendment dated 3 November 1992, and second amendment dated 19 September 1995	Financial services	100%
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%
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 30 January 2019 granted by the Ministry of Planning and Investment	Office leasing	70%

Joint Stock Commercial Bank for Foreign Trade of Vietnam
198 Tran Quang Khai Street, Hoan Kiem District, Hanoi, Vietnam
Notes to the separate interim financial statements
for the six-month period ended 30 June 2019 (continued)

Form B05a/TCTD
(Issued in accordance with
Circular No. 49/2014/TT-NHNN
dated 31 December 2014)

Joint-ventures

Joint-ventures	Operating Licence	Business sector	Ownership percentage of the Bank
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/GCND1/41/1 dated 26 October 2011 and Amended Licence No. 2458/GCND2/41/1 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 of the Bank
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 30 June 2019, the Bank had 17,848 employees (31 December 2018: 16,712 employees).

2. Summary of significant accounting policies

The following significant accounting policies have been adopted by the Bank in the preparation and presentation of these separate interim financial statements.

The accounting policies that have been adopted by the Bank in the preparation of these separate interim financial statements are consistent with those adopted in the preparation of the latest separate annual financial statements.

(a) Purpose of preparing the separate interim financial statements

The Bank has subsidiaries as disclosed in Note 1(d) and Note 8(a). The Bank prepared these separate interim 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 consolidated interim financial statements of the Bank and its subsidiaries for the six-month period ended 30 June 2019 (“the consolidated interim financial statements”) issued on 14 August 2019.

Users of the separate interim financial statements should read them together with the said consolidated interim financial statements in order to obtain full information on the consolidated interim financial position, consolidated interim results of operations and consolidated interim cash flows of the Bank and its subsidiaries.

(b) Basis of financial statement preparation

The separate interim 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 (“CI”) issued by the State Bank of Vietnam and the relevant statutory requirements applicable to interim financial reporting.

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

(c) Accounting period

The Bank’s annual accounting period is from 1 January to 31 December. The separate interim financial statements are prepared for the six-month period ended 30 June 2019.

(d) Foreign currency transactions

According to the Bank’s accounting system, all transactions are recorded in their original currencies. Monetary assets and liabilities denominated in foreign currencies are translated into VND at the exchange rates prevailing at the end of the accounting period. Non-monetary assets and liabilities denominated in foreign currencies are translated into VND at the exchange rate as at the dates of transactions. Income and expenses in foreign currencies are translated into VND in the separate interim statement of income at the spot exchange rates as at the dates of transactions.

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

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with the SBV, treasury bills and other short-term valuable papers which are eligible for discounting with the SBV, balances with and loans to other credit institutions with original terms to maturity not exceeding three months from the original date of placement or lending; 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.

(f) 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 risk.

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 SBV on classification of assets, level and method of allowance making, and use of allowance against credit risk 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(g).

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

(g) Loans to customers

(i) Loans to customers

Loans to customers are stated in the separate interim balance sheet at the principal amounts outstanding as at the end of the accounting period.

Allowance for credit risk of loans to customers is recorded and stated in a separate line in the separate interim 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 4th 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.

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:

	<u>Allowance rate</u>
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 4th quarter, 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.

(h) 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 value. Gains or losses from the sales of trading securities are recognised in the separate interim statement of income.

(ii) Investment securities

Investment securities are classified into two categories: available-for-sale and held-to-maturity securities. The Bank classifies investment securities on their purchase dates. In accordance with Official Letter No. 2601/NHNN-TCKT dated 14 April 2009 by the SBV, the Bank 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 the Bank and the Bank 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 the Bank'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 value. Premiums and discounts arising from purchases of debt securities are amortised in the separate interim 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 on the secondary market) are subject to classification and allowance in a manner similar to loans to customers described in Note 2(g).

(iii) Capital contributions, long-term investments

Investments in subsidiaries, joint-ventures and associates

Subsidiaries are entities that fall in one of the followings:

- The Bank or the Bank and its related parties hold more than 50% of charter capital or more than 50% of the voting rights in that entity;
- The Bank has the power, directly or indirectly, to appoint most of or all of the members of the board of directors, the board of management or chief executive officer of the entity;
- The Bank has the power to amend, supplement to the entity's operation charter;
- The Bank and its related parties control, directly or indirectly, the resolution and decision of the annual general shareholders' meeting, the Board of Directors, and the Board of Management of the entity.

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.

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

Investments in subsidiaries, joint-ventures and associates are stated at cost less allowance for diminution in value.

Other long-term investments

Other long-term investments represent the Bank's capital investments in other enterprises where the Bank 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 the Bank 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 the Bank 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 the Bank to the total actual capital of the economic entity at the reporting date. For an investment in listed shares or shares which fair value can be determined reliably, allowance is made based on the shares' market value.

(i) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specific date in the future (repos) are still recognised in the separate interim financial statements. The corresponding cash received from these agreements is recognised in the separate interim balance sheet as a liability. The difference between the sale price and repurchase price is amortised in the separate interim 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 separate interim financial statements. The corresponding cash paid under these agreements is recognised in the separate interim 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 separate interim statement of income.

(j) Tangible fixed assets

(i) Cost

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use 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 separate interim statement of income for the period in which the costs are incurred. In case it can be clearly demonstrated that these expenditures have resulted in an increase in the expected future economic benefits obtained from the use of these tangible fixed assets beyond their originally assessed standard level of performance, the expenditures will be 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 |

(k) 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 date 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 the Bank.

(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.

(l) Other assets

Except for receivables from uncollectible income as presented in Note 2(s)(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 period</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, the Bank conducts classification and makes allowance similarly to those of loans to customers described in Note 2(g).

(m) Deposits and borrowings from other credit institutions

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

(n) Deposits from customers

Deposits from customers are stated at cost.

(o) 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.

(p) Severance allowance

Under the Vietnamese Labour Code, when an employee who has worked for the Bank 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, the Bank reversed the outstanding balance of provision for severance allowance. This change in accounting policy has been applied prospectively from 2012.

(q) Bonus and welfare fund

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

(r) 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 the Bank 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 at prescribed rates as below:

- Supplementary charter capital reserve: 5% of net profit after tax and does not exceed the Bank'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. 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 and in accordance with and relevant statutory requirements.

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

(s) 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(g) is recognised on an accrual basis. Interest on debts classified in Group 2 to Group 5 is recognised in the separate interim statement of income upon receipt.

Interest expenses are recorded on an accrual basis.

(ii) Fees and commissions and dividend income

Fees and commissions are recognised on an accrual basis. Cash dividends from investment activities are recognised in the separate interim statement of income when the Bank's right to receive payment is established.

(iii) Share dividends

In accordance with Circular 200, dividends 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 separate interim statement of income. Instead, the additional shares obtained are reflected in the number of shares held by the Bank.

(iv) Uncollectible income

According to Circular No. 16/2018/TT-BTC dated 7 February 2018 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 accounting period, or recorded as an expense if the due date is not within the accounting period, and must be monitored on the off-balance sheet for following-up on collection. When the receivable is collected, the Bank will record it as an operating income.

(t) **Operating lease**

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

(u) **Taxation**

Corporate income tax comprises of current and deferred tax. Corporate income tax is recognised in the separate interim 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 period, using tax rates enacted at the end of the accounting period, and any adjustment to tax payables in respect of the previous periods.

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 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.

(v) Related parties

Related parties of the Bank include:

- Parent company or the credit institution considered as the parent company of the Bank;
- The Bank's subsidiaries;
- The party that has the same parent company or credit institution with the Bank;
- Managers or members of the Supervisory Board of the parent company or credit institution of the Bank;
- 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 the Bank;
- Companies or organisations which have the authority to appoint managers, or members of the Supervisory Board of the Bank;
- Wives, husbands, parents, children (including foster parents, foster children, parents-in-law, son-in-law, daughter-in-law, step parents, step children), siblings (including half siblings), brothers-in-law, sisters-in-law of 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 Bank;
- Individuals or organisations that hold at least 5% of charter capital or share capital with voting rights of the Bank;
- Representatives for the Bank's paid-in capital and shares.

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

(w) Segment reporting

A segment is a distinguishable component of the Bank 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.

(x) Off-balance sheet items

(i) Foreign exchange contracts

The Bank 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 the Bank'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 separate interim statement of income at the end of the 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.

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

(iii) Commitments and contingent liabilities

The Bank has credit commitments arising from its regular lending activities. These commitments are unutilised loans and overdraft facilities which are approved. The Bank 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, the Bank, 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(g)).

(y) Offsetting

Financial assets and liabilities are offset and the net amounts are reported in the separate interim balance sheet if, and only if, the Bank has currently enforceable legal rights to offset the recognised amounts and the Bank has an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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

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

Financial assets of the Bank mainly include:

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

Financial liabilities of the Bank mainly include:

- Amounts due to the Government and the State Bank of Vietnam;
- 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 separate interim financial statements, the Bank 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, the Bank 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 24(b).

The preparation and presentation of the fair value of the financial instruments are only for the purpose of presenting in Note 24(b). The financial instruments of the Bank are still recognised and recorded in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for credit institutions issued by the SBV and the relevant statutory requirements applicable to interim 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, the Bank 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. Trading securities

	30/6/2019	31/12/2018
	VND million	VND million
Debt securities		
Government bonds	1,579,733	822,172
Bonds issued by other local credit institutions	2,299,229	935,302
	<hr/>	<hr/>
	3,878,962	1,757,474
	<hr/>	<hr/>

5. Loans to customers

	30/6/2019	31/12/2018
	VND million	VND million
Loans to local economic entities and individuals	686,343,106	623,251,136
Discounted bills and valuable papers	3,983,260	3,930,917
Loans given to make payments on behalf of customers	1,000	1,000
	690,327,366	627,183,053

Loan portfolio by debt group was as follows:

	30/6/2019	31/12/2018
	VND million	VND million
Current debt	679,406,965	617,257,683
Special mentioned debt	3,858,711	3,736,701
Sub-standard debt	1,669,095	290,984
Doubtful debt	662,308	1,160,151
Loss debt	4,730,287	4,737,534
	690,327,366	627,183,053

Loan portfolio by term was as follows:

	30/6/2019	31/12/2018
	VND million	VND million
Short-term debt	371,987,970	341,385,188
Medium-term debt	47,937,290	50,105,902
Long-term debt	270,402,106	235,691,963
	690,327,366	627,183,053

6. Allowance for loans to customers

	30/6/2019 VND million	31/12/2018 VND million
General allowance	5,141,978	4,668,212
Specific allowance	7,397,294	5,565,981
	<u>12,539,272</u>	<u>10,234,193</u>

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

	Six-month period ended 30/6/2019 VND million	Year ended 31/12/2018 VND million
Opening balance of the period/year	4,668,212	4,090,790
Allowance made during the period/year	473,766	577,422
Closing balance of the period/year	<u>5,141,978</u>	<u>4,668,212</u>

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

	Six-month period ended 30/6/2019 VND million	Year ended 31/12/2018 VND million
Opening balance of the period/year	5,565,981	3,959,211
Allowance made during the period/year	2,653,981	5,686,271
Allowance utilised for writing-off of bad debts	(822,885)	(4,081,374)
Foreign exchange difference	217	1,873
Closing balance of the period/year	<u>7,397,294</u>	<u>5,565,981</u>

7. Investment securities

	30/6/2019 VND million	31/12/2018 VND million
Available-for-sale securities (a)	38,563,897	35,224,944
Held-to-maturity securities (b)	128,423,491	114,063,296
	166,987,388	149,288,240
(a) Available-for-sale securities		
	30/6/2019 VND million	31/12/2018 VND million
Government bonds	18,542,501	22,120,565
Debt securities issued by other local credit institutions	20,157,146	13,192,504
	38,699,647	35,313,069
Allowance for available-for-sale securities	(135,750)	(88,125)
Total available-for-sale securities	38,563,897	35,224,944
(b) Held-to-maturity securities		
	30/6/2019 VND million	31/12/2018 VND million
Government bonds	84,057,661	83,967,301
Debt securities issued by other local credit institutions	37,616,512	22,601,979
Debt securities issued by local economic entities	7,061,751	7,681,750
	128,735,924	114,251,030
Allowance for held-to-maturity securities	(312,433)	(187,734)
Total held-to-maturity securities	128,423,491	114,063,296

8. Capital contributions, long-term investments

(a) Investments in subsidiaries

	Business sector	30/6/2019 and 31/12/2018	
		Ownership percentage (%)	Cost VND million
Vietcombank Finance Leasing Company Limited	Finance lease	100%	500,000
Vietcombank Securities Company Limited	Securities	100%	700,000
Vietnam Finance Company Limited in Hong Kong	Financial services	100%	116,902
Vietcombank Remittance Company Limited	Receipt of foreign exchange	100%	30,000
Vietcombank Laos Limited	Banking	100%	1,820,400
Vietcombank Money Inc.	Foreign exchange remittance	87.5%	204,978
Vietcombank Tower 198 Ltd.	Office leasing	70%	70,000
			3,442,280

(b) Investments in joint-ventures

	Business sector	30/6/2019 and 31/12/2018	
		Ownership percentage (%)	Cost VND million
Vietcombank – Bonday – Ben Thanh Joint-venture Company Limited (i)	Office leasing	52%	410,365
Vietcombank Fund Management (i)	Investment fund management	51%	135,150
Vietcombank – Cardif Life Insurance Company Limited (ii)	Life insurance	45%	270,000
			815,515

(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 "Investment in joint-ventures" rather than "Investment 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 "Investment in joint-ventures" rather than "Investment in associates".

(c) **Investments in associates**

	Business sector	30/6/2019 and 31/12/2018	
		Ownership percentage (%)	Cost VND million
Vietcombank – Bonday Joint-venture Company Limited	Office leasing	16%	11,110

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 "Investment in associates" rather than "Other long-term investments".

9. Amounts due to the Government and the SBV

	30/6/2019 VND million	31/12/2018 VND million
Borrowings from the State Bank of Vietnam	5,748,201	3,580,863
Borrowings on the basis of credit profiles	2,510,369	2,787,812
Borrowings on discounted valuable papers	2,522,403	-
Other borrowings	715,429	793,051
Deposits from the State Treasury	73,503,251	87,095,730
Demand deposits in VND	3,632,697	21,407,768
Demand deposits in foreign currencies	2,870,554	9,687,962
Term deposits in VND	67,000,000	56,000,000
Deposits from the State Bank of Vietnam	354,491	8,722
	79,605,943	90,685,315

10. Deposits and borrowings from other credit institutions

	30/6/2019 VND million	31/12/2018 VND million
Deposits from other credit institutions		
Demand deposits in VND	8,830,281	15,240,378
Demand deposits in foreign currencies	30,844,939	46,517,130
Term deposits in VND	4,900,000	8,490,250
Term deposits in foreign currencies	2,898,081	5,399,756
	<u>47,473,301</u>	<u>75,647,514</u>

11. Deposits from customers

	30/6/2019 VND million	31/12/2018 VND million
Demand deposits	239,850,404	226,975,019
Demand deposits in VND	181,763,821	170,554,139
Demand deposits in gold, foreign currencies	58,086,583	56,420,880
Term deposits	604,323,099	558,984,432
Term deposits in VND	525,963,808	472,106,716
Term deposits in gold, foreign currencies	78,359,291	86,877,716
Deposits for specific purposes	25,986,992	14,948,566
Margin deposits	1,284,991	1,206,694
	<u>871,445,486</u>	<u>802,114,711</u>

12. Valuable papers issued

	30/6/2019 VND million	31/12/2018 VND million
Certificates of deposits		
Medium-term in VND	325	325
Medium-term in foreign currencies	698	994
Bonds and bills		
Short-term in VND	47	47
Short-term in foreign currencies	30	30
Medium-term in VND	10,416,735	10,417,239
Medium-term in foreign currencies	12	12
Long-term in VND	11,000,000	11,000,000
	21,417,847	21,418,647

13. Other liabilities

	30/6/2019 VND million	31/12/2018 VND million
Internal payables	4,533,187	2,752,457
External payables	7,124,017	6,589,812
Bonus and welfare fund	2,703,299	2,560,920
	14,360,503	11,903,189

14. Obligations to the State Budget

	Balance as at 1/1/2019 VND million	Occurrence during the period		Balance as at 30/6/2019 VND million
		Incurred VND million	Paid VND million	
Value added tax	41,646	293,198	(302,145)	32,699
Corporate income tax	1,323,411	2,192,169	(3,281,669)	233,911
Other taxes	209,543	675,586	(854,885)	30,244
	1,574,600	3,160,953	(4,438,699)	296,854

15. Owners' equity

(a) Statement of changes in equity

	Charter capital	Share premium	Other capital	Supple- mentary charter capital reserve	Reserves Financial reserve	Total	Retained profits	Total
	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million
Balance as at 1/1/2019	35,977,686	-	412	3,085,340	6,125,266	9,210,606	15,599,947	60,788,651
Share capital issued	1,111,088	4,995,400	-	-	-	-	-	6,106,488
Net profit for the period	-	-	-	-	-	-	8,852,635	8,852,635
Adjustment for the appropriation of compulsory reserves and bonus and welfare fund according to the Resolution of General Meeting of Shareholders	-	-	-	5	10	15	(939,661)	(939,646)
Utilisation during the period	-	-	-	-	(2,598)	(2,598)	-	(2,598)
Other movements	-	(11)	-	-	-	-	(4,403)	(4,414)
Balance as at 30/6/2019	37,088,774	4,995,389	412	3,085,345	6,122,678	9,208,023	23,508,518	74,801,116

(b) Details of shareholders of the Bank

	30/6/2019	31/12/2018
	VND million	VND million
Ordinary shares		
The Government of Vietnam	27,743,534	27,743,534
Foreign strategic shareholder (Mizuho Bank Ltd., Japan)	5,563,349	5,396,685
Other shareholders	3,781,891	2,837,467
	37,088,774	35,977,686

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

	30/6/2019		31/12/2018	
	Number of shares	VND million	Number of shares	VND million
Authorised share capital	3,708,877,448	37,088,774	3,597,768,575	35,977,686
Issued share capital				
Ordinary shares	3,708,877,448	37,088,774	3,597,768,575	35,977,686
Outstanding shares in circulation				
Ordinary shares	3,708,877,448	37,088,774	3,597,768,575	35,977,686

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

16. Interest and similar income

	Six-month period ended 30/6/2019 VND million	Six-month period ended 30/6/2018 VND million
Interest income from loans to customers	25,781,755	20,531,303
Interest income from deposits	2,173,232	1,234,158
Interest income from trading and investing in debt securities	4,178,073	3,880,966
- from investment securities	4,176,113	3,857,058
- from trading securities	1,960	23,908
Income from guarantee activities	238,755	214,031
Other income from credit activities	187,181	92,514
	32,558,996	25,952,972

17. Interest and similar expenses

	Six-month period ended 30/6/2019 VND million	Six-month period ended 30/6/2018 VND million
Interest expenses on deposits	14,782,858	12,176,333
Interest expenses on borrowings	150,218	259,663
Interest expenses on valuable papers issued	746,088	692,261
Other expenses on credit activities	17,417	12,561
	15,696,581	13,140,818

18. Net gain from trading securities

	Six-month period ended 30/6/2019 VND million	Six-month period ended 30/6/2018 VND million
Income from trading securities	60,946	433,032
Expenses for trading securities	(14,088)	(33,748)
	46,858	399,284

19. Income from capital contributions and equity investments

	Six-month period ended 30/6/2019 VND million	Six-month period ended 30/6/2018 VND million
Dividends received from equity investments	84,055	98,935
Income from disposals of equity investments	48,178	417,991
	132,233	516,926

20. Operating expenses

	Six-month period ended 30/6/2019 VND million	Six-month period ended 30/6/2018 VND million
Tax, duties and fees	95,590	79,839
Salaries and related expenses	4,178,983	3,708,336
<i>Of which:</i>		
- <i>Salary and allowances</i>	3,859,638	3,413,453
- <i>Additional expenses based on salary</i>	315,360	287,571
- <i>Other allowances</i>	2,185	1,158
Expenses on assets	1,022,257	983,164
<i>Of which:</i>		
- <i>Depreciation of fixed assets</i>	367,230	352,122
Administrative expenses	2,759,577	2,754,763
Insurance expenses on deposits of customers	279,461	254,402
	8,335,868	7,780,504

21. Cash and cash equivalents

	30/6/2019 VND million	31/12/2018 VND million
Cash on hand, gold, silver and gemstones	12,001,142	12,779,174
Balances with the SBV	49,672,917	10,152,243
Balances with and loans to other credit institutions with original term not exceeding 3 months	145,407,414	219,025,837
Securities recoverable or due within three months from the acquisition date	100,000	-
	207,181,473	241,957,254

22. Significant transactions and balances with related parties

(a) Significant transactions with related parties

	Relationship	Six-month period ended 30/6/2019 VND million	Six-month period ended 30/6/2018 VND million
		Income/(expense)	
The State Bank of Vietnam	Representative		
Interest income from deposits	of owner	85,106	101,803
Interest expenses on deposits and borrowings		(66,094)	(78,123)
The Ministry of Finance	Related party		
Interest expenses on deposits	of owner	(791,936)	(604,732)
Interest expenses on borrowings		(17,335)	(14,660)
Vietcombank Finance Leasing Company Limited	Subsidiary		
Interest income from borrowings		63,626	50,292
Interest expenses on deposits		(320)	(194)
Operating lease expenses		(12,929)	(13,470)
Income from fee and commission		1,331	1,385
Vietcombank Securities Company Limited	Subsidiary		
Interest expenses on deposits		(27)	(48)
Fee and commission expenses		1,328	(1,878)
Vietcombank Tower 198 Ltd.	Subsidiary		
Interest expenses on deposits		(3,498)	(5,084)
Office rental expenses		(44,095)	(44,095)
Vietnam Finance Company Limited in Hong Kong	Subsidiary		
Interest income from deposits		19,358	20,360
Vietcombank Laos Limited	Subsidiary		
Interest expenses on deposits		(16)	-
Vietcombank Remittance Company Limited	Subsidiary		
Interest expenses on deposits		(64)	(293)

Remuneration for the Board of Directors and the Supervisory Board did not exceed 0.35% profit after tax of the six-month period ended 30 June 2019 according to Resolution No. 12/TN2019/NQ-DHDCD dated 26 April 2019 of General Meeting of Shareholders.

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

(b) Significant balances with related parties

	Relationship	30/6/2019 VND million	31/12/2018 VND million
		Receivable/(payable)	
The State Bank of Vietnam	Representative		
Deposits at the SBV	of owner	49,672,917	10,152,243
Deposits and borrowings from the SBV		(6,102,692)	(3,589,585)
The Ministry of Finance (“the MoF”)	Related party		
Deposits at the Bank	of owner	(73,503,251)	(87,095,730)
Borrowings from the MoF		(985,561)	(1,001,583)
Mizuho Bank Ltd., Japan	Strategic		
Deposits at Mizuho Bank Ltd., Japan	shareholder	2,265,030	1,767,477
Deposits from Mizuho Bank Ltd., Japan		(507,366)	(3,667,092)
Vietcombank Finance Leasing Company Limited (“VCBL”)	Subsidiary		
Loans to VCBL		3,263,582	2,964,120
Deposits at the Bank		(325,902)	(399,277)
Vietcombank Securities Company Limited	Subsidiary		
Deposits at the Bank		(13,381)	(100,905)
Capital increase bonds issued by Vietcombank		(193,728)	(171,115)
Vietcombank Tower 198 Ltd.	Subsidiary		
Deposits at the Bank		(115,453)	(196,936)
Office rental fee paid in advance		14,698	58,794
Vietnam Finance Company Limited in Hong Kong	Subsidiary		
Deposits of the Bank		2,420,034	2,440,506
Vietcombank Money Inc.	Subsidiary		
Deposits at the Bank		(20)	(10)
Advance for payment to TNMonex		47,871	46,798
Vietcombank Laos Limited	Subsidiary		
Deposits at the Bank		(16,336)	(9,101)
Vietcombank Remittance Company Limited	Subsidiary		
Deposits at the Bank		(293,800)	(49,355)
Payables to the Bank		(239,963)	-
Vietcombank Fund Management	Joint-venture		
Trusted investment - bonds		1,000,000	1,000,000

23. Segment reporting

Six-month period ended 30 June 2019		The North (*)	The Middle and Central Highland	The South	Elimination	Total
		VND million	VND million	VND million	VND million	VND million
1	Interest and similar income	44,962,792	7,890,389	21,821,888	(42,116,073)	32,558,996
2	Interest and similar expenses	(37,413,716)	(5,515,100)	(14,883,838)	42,116,073	(15,696,581)
I	Net interest income	7,549,076	2,375,289	6,938,050	-	16,862,415
3	Fee and commission income	2,014,720	448,207	1,587,599	-	4,050,526
4	Fee and commission expenses	(1,920,090)	(11,460)	(41,915)	-	(1,973,465)
II	Net fee and commission income	94,630	436,747	1,545,684	-	2,077,061
III	Net gain from trading of foreign currencies	1,160,801	68,881	397,150	-	1,626,832
IV	Net gain from trading securities	46,858	-	-	-	46,858
V	Net loss from investment securities	(1)	-	-	-	(1)
5	Other income	967,309	186,707	900,665	-	2,054,681
6	Other expenses	(46,756)	(26,199)	(46,404)	-	(119,359)
VI	Net other income	920,553	160,508	854,261	-	1,935,322
VII	Income from capital contributions and equity investments	132,233	-	-	-	132,233
	Total operating income	9,904,150	3,041,425	9,735,145	-	22,680,720
VIII	Total operating expenses	(6,339,213)	(542,752)	(1,453,903)	-	(8,335,868)
IX	Net profit before allowances for credit losses	3,564,937	2,498,673	8,281,242	-	14,344,852
X	Allowances for credit losses	(2,425,446)	(280,273)	(594,352)	-	(3,300,071)
XI	Profit before tax	1,139,491	2,218,400	7,686,890	-	11,044,781
7	Corporate income tax expenses – current	(211,088)	(443,680)	(1,537,378)	-	(2,192,146)
XII	Corporate income tax expenses	(211,088)	(443,680)	(1,537,378)	-	(2,192,146)
XIII	Profit after tax	928,403	1,774,720	6,149,512	-	8,852,635

(*) As at 30 June 2019, the Head Office, located in the North, incurred some operating expenses for the whole system which were not allocated to other components within the Bank. The main business activity of the Bank is within the finance/banking services.

24. Disclosure of financial instruments

(a) Collateral disclosure

The Bank 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 the Bank's financial assets and liabilities as at 30 June 2019:

24. Disclosure of financial instruments (continued)

(b) Fair value disclosures (continued)

As at 30 June 2019

		Carrying amount - gross				Recognised at amortised cost VND million	Total of carrying value VND million	Fair value VND million
		Held for trading VND million	Held to maturity VND million	Loans and receivables VND million	Available for sale VND million			
Financial assets								
I	Cash on hand, gold, silver and gemstones	-	-	12,001,142	-	-	12,001,142	12,001,142
II	Balances with the SBV	-	-	49,672,917	-	-	49,672,917	49,672,917
III	Balances with and loans to other credit institutions	-	-	175,928,091	-	-	175,928,091	(*)
IV	Trading securities	3,878,962	-	-	-	-	3,878,962	(*)
V	Derivative financial instruments and other financial assets	108,943	-	-	-	-	108,943	(*)
VI	Loans to customers	-	-	690,327,366	-	-	690,327,366	(*)
VIII	Investment securities	-	128,735,924	-	38,699,647	-	167,435,571	(*)
IX	Capital contributions, long-term investments	-	-	-	1,587,823	-	1,587,823	(*)
XII	Other financial assets	-	-	18,655,900	-	-	18,655,900	(*)
		3,987,905	128,735,924	946,585,416	40,287,470	-	1,119,596,715	
Financial liabilities								
I	Amounts due to the Government and the SBV and deposits and borrowings from other credit institutions	-	-	-	-	127,079,244	127,079,244	(*)
II	Deposits from customers	-	-	-	-	871,445,486	871,445,486	(*)
IV	Funds for finance, entrusted investments and entrusted loans	-	-	-	-	23,911	23,911	(*)
V	Valuable papers issued	-	-	-	-	21,417,847	21,417,847	(*)
VI	Other financial liabilities	-	-	-	-	14,998,885	14,998,885	(*)
		-	-	-	-	1,034,965,373	1,034,965,373	

(*) 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.

24. Disclosure of financial instruments (continued)

(c) Risk management policies for financial instruments

The Board of Directors has the highest rights and responsibilities for the Bank'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 the Bank'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 the Bank'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 the Bank 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

The Bank 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. The Bank 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.

The Bank 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(g)), and regularly assesses credit risk of non-performing loans in order to have appropriate resolutions.

In order to manage credit risk, the Bank has established policies and procedures relating to credit risk management; established credit manuals; performed credit risk assessment; set up internal credit rating systems and loan classification and decentralised authorisation in credit activities.

24. Disclosure of financial instruments (continued)

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

(i) Credit risk (continued)

The Bank's maximum exposure amounts to credit risk as at 30 June 2019, 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 SBV	49,672,917	-	-	49,672,917
Balances with and loans to other credit institutions – gross	174,928,091	-	1,000,000	175,928,091
Balances with other credit institutions	124,702,823	-	-	124,702,823
Loans to other credit institutions	50,225,268	-	1,000,000	51,225,268
Trading securities	3,878,962	-	-	3,878,962
Loans to customers – gross	674,397,798	5,009,167	10,920,401	690,327,366
Investment securities – gross	167,435,571	-	-	167,435,571
Available-for-sale investment securities	38,699,647	-	-	38,699,647
Held-to-maturity investment securities	128,735,924	-	-	128,735,924
Other assets	18,655,900	-	-	18,655,900
	1,088,969,239	5,009,167	11,920,401	1,105,898,807

Types and carrying value of collaterals held by the Bank at the end of the accounting period are described as follows:

	30/6/2019 VND million	31/12/2018 VND million
Deposits	78,958,292	91,140,187
Valuable papers	76,962,724	91,261,015
Real estate	730,233,844	622,687,089
Other collaterals	243,640,841	241,709,232
	1,129,795,701	1,046,797,523

24. 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 accounting period to the nearest interest re-pricing term of the items in the separate interim 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 separate interim balance sheet of the Bank:

- 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 being 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 SBV, deposits and borrowings from other credit institutions, deposits from customers, funds for finance, entrusted investments and 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 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 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 the Bank’s assets and liabilities as at 30 June 2019:

24. 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	-	12,001,142	-	-	-	-	-	12,001,142
II	Balances with the SBV	-	-	49,672,917	-	-	-	-	49,672,917
III	Balances with and loans to other CI – gross	-	-	135,095,348	15,682,030	23,012,699	2,138,014	-	175,928,091
IV	Trading securities – gross	-	-	3,878,962	-	-	-	-	3,878,962
V	Derivative financial instruments and other financial assets	-	108,943	-	-	-	-	-	108,943
VI	Loans to customers – gross (*)	10,059,543	-	160,046,506	234,635,597	169,411,787	68,703,846	45,413,512	690,327,366
VII	Investment securities – gross	-	-	3,753,093	3,409,164	4,564,006	19,303,074	102,070,483	167,435,571
VIII	Capital contributions, long-term investments – gross	-	5,856,728	-	-	-	-	-	5,856,728
IX	Fixed assets	-	6,124,914	-	-	-	-	-	6,124,914
X	Other assets – gross	-	22,002,236	-	-	-	-	-	22,002,236
	Total assets	10,059,543	46,093,963	352,446,826	253,726,791	196,988,492	90,144,934	147,483,995	1,133,336,870
Liabilities									
I	Amounts due to the Government and the SBV and deposits and borrowings from other CI	-	-	124,683,579	695,152	354,324	1,346,189	-	127,079,244
II	Deposits from customers	-	-	450,323,469	132,843,499	124,347,532	160,222,848	3,708,138	871,445,486
IV	Funds for finance, entrusted investments and entrusted loans	-	-	-	-	-	830	16,208	23,911
V	Valuable papers issued	-	-	740	-	5,032,896	120,000	14,899,211	21,417,847
VI	Other liabilities	-	23,518,722	985,561	-	-	-	-	24,504,283
	Total liabilities	-	23,518,722	575,993,349	133,538,651	129,734,752	161,689,867	18,623,557	1,044,470,771
	Interest sensitivity gap – on balance sheet	10,059,543	22,575,241	(223,546,523)	120,188,140	67,253,740	(71,544,933)	128,860,438	88,866,099

(*) This balance was determined based on the number of overdue days according to the contracts, not based on customer basis.

24. Disclosure of financial instruments (continued)

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

(iii) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Bank was incorporated and operates in Vietnam, with VND as its reporting currency. The major currency in which the Bank transacts is VND. The Bank's loans to customers are mainly denominated in VND, USD and EUR. Some of the Bank's other assets are in currencies other than VND, USD and EUR. The Bank 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 the Bank at the end of the accounting period:

	Exchange rate as at	
	30/6/2019	31/12/2018
USD/VND	23,290	23,200
EUR/VND	26,779	26,757

The following table presents the Bank's assets and liabilities denominated in foreign currencies that were translated into VND as at 30 June 2019:

24. Disclosure of financial instruments (continued)

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

(iii) Currency risk (continued)

	VND	USD	EUR	Other	Total	
	VND million	VND million	VND million	currencies VND million	VND million	
Assets						
I	Cash on hand, gold, silver and gemstones	8,752,014	2,352,110	432,464	464,554	12,001,142
II	Balances with the SBV	40,767,386	8,905,531	-	-	49,672,917
III	Balances with and loans to other credit institutions – gross	112,694,911	43,255,684	8,861,096	11,116,400	175,928,091
IV	Trading securities – gross	3,878,962	-	-	-	3,878,962
V	Derivative financial instruments and other financial assets	31,201,326	(31,044,122)	(31,498)	(16,763)	108,943
VI	Loans to customers – gross	600,290,355	89,822,822	205,192	8,997	690,327,366
VII	Investment securities – gross	109,210,571	58,225,000	-	-	167,435,571
VIII	Capital contributions, long-term investments – gross	5,856,728	-	-	-	5,856,728
IX	Fixed assets	6,124,914	-	-	-	6,124,914
X	Other assets – gross	19,988,900	1,659,202	249,501	104,633	22,002,236
Total assets		938,766,067	173,176,227	9,716,755	11,677,821	1,133,336,870
Liabilities						
I	Amounts due to the Government and the SBV and deposits and borrowings from other credit institutions	90,111,179	24,130,970	3,914,629	8,922,466	127,079,244
II	Deposits from customers	723,238,332	140,722,308	4,861,652	2,623,194	871,445,486
IV	Funds for finance, entrusted investments and entrusted loans	23,911	-	-	-	23,911
V	Valuable papers issued	21,417,107	740	-	-	21,417,847
VI	Other liabilities	20,215,317	3,037,087	1,105,074	146,805	24,504,283
Total liabilities		855,005,846	167,891,105	9,881,355	11,692,465	1,044,470,771
FX position on balance sheet		83,760,221	5,285,122	(164,600)	(14,644)	88,866,099

24. Disclosure of financial instruments (continued)

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

(iv) Liquidity risk

Liquidity risk occurs when the Bank 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 reporting 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 the Bank's assets and liabilities maturity analysis in the separate interim balance sheet:

- Balances with the SBV are considered as current accounts including the compulsory deposits;
- The maturity of trading securities is considered as up to 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, funds for finance, entrusted investments and entrusted loans 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 the Bank and current accounts of the Bank 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 the Bank's assets and liabilities as at 30 June 2019:

24. Disclosure of financial instruments (continued)

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

(iv) Liquidity risk (continued)

	Overdue		Not overdue					Total	
	Over 3 months	Up to 3 months	Up to 1 month	From over 1 month to 3 months	From over 3 months to 12 month	From over 1 year to 5 years	Over 5 years		
	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	-	-	12,001,142	-	-	-	-	12,001,142
II	Balances with the SBV	-	-	49,672,917	-	-	-	-	49,672,917
III	Balances with and loans to other CI – gross	-	-	135,095,348	15,682,030	23,912,939	1,237,774	-	175,928,091
IV	Trading securities – gross	-	-	3,878,962	-	-	-	-	3,878,962
V	Derivative financial instruments and other financial assets	-	-	-	108,943	-	-	-	108,943
VI	Loans to customers – gross (*)	2,618,903	7,440,640	56,190,629	142,470,570	205,701,540	113,354,011	162,551,073	690,327,366
VII	Investment securities – gross	-	-	3,492,094	1,413,164	20,348,496	104,546,066	37,635,751	167,435,571
VIII	Capital contributions, long-term investments – gross	-	-	-	-	-	-	5,856,728	5,856,728
IX	Fixed assets	-	-	-	-	-	-	6,124,914	6,124,914
X	Other assets – gross	-	-	-	22,002,236	-	-	-	22,002,236
	Total assets	2,618,903	7,440,640	260,331,092	181,676,943	249,962,975	219,137,851	212,168,466	1,133,336,870
Liabilities									
I	Amounts due to the Government and the SBV and deposits and borrowings from other CI	-	-	123,968,300	695,996	1,736,984	545,285	132,679	127,079,244
II	Deposits from customers	-	-	214,506,138	142,420,623	303,951,000	40,033,700	170,534,025	871,445,486
IV	Funds for finance, entrusted investments and entrusted loans	-	-	-	-	830	16,207	6,874	23,911
V	Valuable papers issued	-	-	1,809	-	-	8,000,000	13,416,038	21,417,847
VI	Other liabilities	-	-	-	23,518,722	-	-	985,561	24,504,283
	Total liabilities	-	-	338,476,247	166,635,341	305,688,814	48,595,192	185,075,177	1,044,470,771
	Net liquidity gap	2,618,903	7,440,640	(78,145,155)	15,041,602	(55,725,839)	170,542,659	27,093,289	88,866,099

(*) This balance was determined based on the number of overdue days according to the contracts, not based on customer basis.



25. Events after the separate interim financial statement date

As at the issuing date of the separate interim financial statements, there are no significant events occurring subsequent to 30 June 2019 that may significantly affect the separate interim financial position of the Bank and require adjustments or disclosures to be made in the separate interim financial statements as at 30 June 2019 and for the six-month period then ended.

26. Seasonal or cyclical factors

The Bank's operation results are not affected by seasonal or cyclical factors except for the following item:

Appropriation of reserves

The appropriation of the statutory reserves presented in Note 2(r)(iv) and bonus and welfare fund will be made at the end of the annual accounting period.

27. Changes in accounting estimates

There are no significant changes in accounting estimates made by the Bank in preparing and presenting these separate interim financial statements compared to those made in the most recent separate annual financial statements.

28. Unusual items

There are no significant unusual items identified in preparing and presenting these separate interim financial statements.

29. Changes in the structure of the Bank

There are no significant changes in the structure of the Bank for the six-month period ended 30 June 2019 compared with those made in the most recent separate annual financial statements.

30. Approval of the separate interim financial statements

The separate interim financial statements were approved by the Board of Management of the Bank on 14 August 2019.

Hanoi, 14 August 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