

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

Consolidated financial statements
as at 30 September 2016
and for the period from 1 July 2016 to 30 September 2016

TRANSLATION

Joint Stock Commercial Bank for Foreign Trade of Vietnam

GENERAL INFORMATION

Banking Licence No. 138/GP-NHNN dated 23 May 2008 issued by the State Bank of Vietnam (“the SBV”) and Decision No. 2719/QD-NHNN dated 27 December 2011 promulgated by the Governor of the State Bank of Vietnam on amending and supplementing the contents of the Bank’s operations. The Banking Licence validity is 99 years from the issuance date of the Banking Licence No. 138/GP-NHNN.

Business Registration Certificate Business Registration Certificate No. 0103024468 dated 2 June 2008 issued by Hanoi Authority for Planning and Investment, Business Registration Certificate No. 0100112437 renewed for the eleventh time on 7 November 2014.

Members of the Board of Directors during the period and as at the issuing date of the interim consolidated financial statements

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

Members of the Board of Management during the period and as at the issuing date of the interim consolidated financial statements

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

Members of the Supervisory Board during the period and as at the issuing date of the interim consolidated financial statements

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

Joint Stock Commercial Bank for Foreign Trade of Vietnam

GENERAL INFORMATION (continued)

Chief Accountant	Ms. Phung Nguyen Hai Yen	Reappointed on 16 June 2016
Legal Representative	Since 1 November 2014 Mr. Nghiem Xuan Thanh	Title: Chairman of the Board of Director
Authorised signature on financial statements <i>(According to Letter of Authorisation No.422/UQ-VCB-TH&CDKT dated 14 October 2016)</i>	From 17 October 2016 To 21 October 2016 Ms. Le Thi Hoa	Title: Member of the Board of Director
The Bank's Head Office	198 Tran Quang Khai Street Hoan Kiem District, Hanoi, Vietnam	

	Notes	30/9/2016 VND million	31/12/2015 VND million (audited)
A	ASSETS		
I	Cash on hand, gold, silver and gemstones	8,778,862	8,519,334
II	Balances with the State Bank of Vietnam	21,083,502	19,715,035
III	Balances with and loans to other credit institutions	106,954,719	131,527,373
1	Balances with other credit institutions	71,189,614	92,587,537
2	Loans to other credit institutions	35,765,360	38,939,836
3	Allowance for balances with and loans to other credit institutions	(255)	-
IV	Trading securities	4	9,925,046
1	Trading securities	6,082,974	9,941,389
2	Allowance for trading securities	(46,245)	(16,343)
V	Derivative financial instruments and other financial liabilities	156,703	628
VI	Loans to customers	437,976,900	379,113,059
1	Loans to customers	5	387,722,937
2	Allowance for loans to customers	6	(8,609,878)
VII	Investment securities	7	107,597,495
1	Available-for-sale securities	69,080,510	42,468,041
2	Held-to-maturity securities	68,604,787	65,818,278
3	Allowance for investment securities	(2,410,282)	(688,824)
VIII	Long-term investments	3,594,152	3,556,750
1	Investments in joint-ventures	8(a)	753,772
2	Investments in associates	8(b)	9,349
3	Other long-term investments	2,829,418	2,829,418
4	Allowance for diminution in the value of long-term investments	(35,789)	(35,789)
IX	Fixed assets	5,054,402	5,039,473
1	Tangible fixed assets	3,326,603	3,385,622
a	Cost	8,056,782	7,661,735
b	Accumulated depreciation	(4,730,179)	(4,276,113)
2	Intangible fixed assets	1,727,799	1,653,851
a	Cost	2,311,324	2,211,799
b	Accumulated amortization	(583,525)	(557,948)
X	Other assets	12,673,873	9,400,447
1	Receivables	5,277,217	2,953,963
2	Accrued interest and fee receivables	5,957,887	4,849,535
3	Deferred tax assets	3,002	1,943
4	Other assets	1,436,704	1,596,073
5	Allowance for other assets	(937)	(1,067)
	TOTAL ASSETS	737,584,857	674,394,640

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

	Notes	30/9/2016 VND million	31/12/2015 VND million (audited)
B			
LIABILITIES AND SHAREHOLDERS' EQUITY			
I			
Amounts due to the Government and the State Bank of Vietnam	9	41,910,369	41,479,553
II			
Deposits and borrowings from other credit institutions	10	57,100,860	72,135,381
1 Deposits from other credit institutions		47,644,963	51,743,682
2 Borrowings from other credit institutions		9,455,897	20,391,699
III			
Deposits from customers	11	573,152,682	501,162,550
IV			
Valuable papers issued	12	2,454,363	2,479,070
V			
Other liabilities		15,429,732	11,965,744
1 Accrued interest and fee payables		5,543,612	4,988,305
2 Deferred tax liabilities		19,471	19,444
3 Other liabilities	13	9,866,649	6,957,995
TOTAL LIABILITIES		690,048,006	629,222,298
VI			
Capital and reserves			
1 Capital		36,022,846	32,420,681
<i>a Charter capital</i>		35,977,686	26,650,203
<i>b Share premium</i>		-	5,725,318
<i>c Other capital</i>		45,160	45,160
2 Reserves		4,936,094	4,941,362
3 Foreign exchange differences		73,950	79,969
4 Asset revaluation differences		89,222	89,222
5 Retained profits		6,263,141	7,475,808
<i>a Previous years' retained profits</i>		1,205,235	3,921,494
<i>b Current year's retained profits</i>		5,057,906	3,554,314
6 Non-controlling interest		151,598	165,300
TOTAL SHAREHOLDERS' EQUITY	14	47,536,851	45,172,342
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		737,584,857	674,394,640

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

No.	OFF-BALANCE SHEET ITEMS	Notes	30/9/2016 VND million	31/12/2015 VND million (audited)
1	Credit guarantees		96,411	74,143
2	Foreign exchange commitments		26,849,480	19,757,401
<i>a</i>	<i>Forward buying</i>		<i>12,244,287</i>	<i>8,852,550</i>
<i>b</i>	<i>Forward selling</i>		<i>14,605,193</i>	<i>10,904,851</i>
3	Letters of credit		35,013,459	30,826,079
4	Other guarantees		33,357,370	27,283,715
5	Other commitments		44,703	26,797

Hanoi, 18 October 2016

Prepared by:

Ms. Nguyen Thi Ngoc Anh

(signed)

*Deputy Director of
Accounting Policy Department*

Ms. Phung Nguyen Hai Yen

(signed)

Chief Accountant

Approved by:

Ms. Le Thi Hoa

(signed)

Member of the BOD

Joint Stock Commercial Bank for Foreign Trade of Vietnam
198 Tran Quang Khai, Hoan Kiem District, Hanoi
INTERIM CONSOLIDATED INCOME STATEMENT
for the period from 1 January 2016 to 30 September 2016
and from 1 July 2016 to 30 September 2016

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

	Notes	Quarter III		Cumulative year-to-date		
		Current year VND million	Previous year VND million	Current year VND million	Previous year VND million	
1	Interest and similar income	16	9,447,193	7,980,791	27,480,529	22,852,213
2	Interest and similar expenses	17	(4,958,701)	(4,030,125)	(13,834,605)	(11,836,445)
I	Net interest income		4,488,492	3,950,666	13,645,924	11,015,768
3	Fee and commission income		1,077,573	852,950	3,075,299	2,529,447
4	Fee and commission expenses		(556,360)	(411,606)	(1,493,948)	(1,135,633)
II	Net fee and commission income		521,213	441,344	1,581,351	1,393,814
III	Net gain from trading foreign currencies		527,947	648,746	1,566,175	1,528,501
IV	Net gain from trading securities	18	203,118	23,900	385,085	157,752
V	Net gain from investment securities	19	(44,316)	57,645	(44,798)	152,238
5	Other income		395,051	475,310	1,339,415	1,103,637
6	Other expenses		(57,071)	(72,891)	(183,707)	(90,483)
VI	Net other income		337,980	402,419	1,155,708	1,013,154
VII	Dividend and net income from investments in associates and joint-ventures	20	25,886	49,044	51,849	56,776
VIII	TOTAL OPERATING EXPENSES	21	(2,503,744)	(2,704,983)	(7,501,623)	(5,952,041)
IX	Net profit before allowances for credit losses		3,556,576	2,868,781	10,839,671	9,365,962
X	Allowances for credit losses		(1,510,057)	(1,370,994)	(4,513,577)	(4,717,390)
XI	PROFIT BEFORE TAX		2,046,519	1,497,787	6,326,094	4,648,572

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

Joint Stock Commercial Bank for Foreign Trade of Vietnam
198 Tran Quang Khai, Hoan Kiem District, Hanoi
INTERIM CONSOLIDATED INCOME STATEMENT
for the period from 1 January 2016 to 30 September 2016
and from 1 July 2016 to 30 September 2016

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

	Notes	Quarter III		Cumulative year-to-date	
		Current year VND million	Previous year VND million	Current year VND million	Previous year VND million
7	Current corporate income tax expenses	(405,297)	(322,025)	(1,256,479)	(1,013,524)
8	Deferred corporate income tax expenses	289	-	1,606	-
XII	Corporate income tax expenses	(405,008)	(322,025)	(1,255,419)	(1,013,524)
XIII	PROFIT AFTER TAX	1,641,511	1,175,762	5,070,675	3,635,048
XIV	Non-controlling interest	(4,649)	(3,647)	(12,769)	(10,332)
XV	Net profit for the period	1,636,862	1,172,115	5,057,906	3,624,716
XVI	Basic earnings per share (VND)	455	440	1,406	1,360

Hanoi, 18 October 2016

Prepared by:

Ms. Nguyen Thi Ngoc Anh

(signed)

*Deputy Director of
Accounting Policy Department*

Ms. Phung Nguyen Hai Yen

(signed)

Chief Accountant

Approved by:

Ms. Le Thi Hoa

(signed)

Member of the BOD

Joint Stock Commercial Bank for Foreign Trade of Vietnam
198 Tran Quang Khai, Hoan Kiem District, Hanoi
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
for the period from 1 January 2016 to 30 September 2016

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

	Period from 1/1/2016 to 30/9/2016 VND million	Period from 1/1/2015 to 30/9/2015 VND million
CASH FLOWS FROM OPERATING ACTIVITIES		
1	Interest and similar receipts	26,378,230
2	Interest and similar payments	22,045,187
3	(13,277,474)	(11,973,997)
3	Fee and commission income receipts	1,581,351
3		1,393,814
4	Net receipt/(payment) from operating activities (foreign currencies, gold, silver, securities)	1,838,491
4		1,742,123
5	Net other receipts	(104,858)
5		(8,084)
6	Receipts from recovery of bad debts previously written off	1,019,677
6		1,257,671
7	Payments to employees and for other operating activities	(6,950,593)
7		(5,331,774)
8	Income tax paid during the period	(1,031,589)
8		(1,033,296)
	Net cash flows from operating activities before changes in operating assets and working capital	9,594,861
	(Increase)/Decrease in operating assets	7,950,018
9	Balances with and loans to other credit institutions	(4,810,965)
9		(2,212,174)
10	Trading securities	(9,379,416)
10		(25,438,146)
11	Derivatives and other financial assets	(156,075)
11		-
12	Loans to customers	(60,159,760)
12		(33,059,891)
13	Utilization of allowance for loans to customers	(1,403,240)
13		(4,027,208)
14	Other operating assets	(2,123,663)
14		(593,083)
	Increase/(Decrease) in operating liabilities	
15	Amounts due to the Government and the SBV	430,816
15		(45,214,810)
16	Deposits and borrowings from other credit institutions	(15,034,521)
16		12,604,413
17	Deposits from customers	71,990,132
17		65,509,590
18	Valuable papers issued	(24,707)
18		276,891
19	Derivatives and other financial liabilities	-
19		216,250
20	Other operating liabilities	3,595,691
20		4,800,382
21	Payments from reserves	(992,524)
21		(506,862)
I	Net cash flows (used in) operating activities	(8,473,371)
I		(19,694,630)

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

	Period from 1/1/2016 to 30/9/2016 VND million	Period from 1/1/2015 to 30/9/2015 VND million	
CASH FLOWS FROM INVESTING ACTIVITIES			
1	Payments for purchases of fixed assets	(494,572)	(295,384)
2	Proceeds from disposals of fixed assets	4,332	2,464
3	Payments for disposals of fixed assets	(1,437)	(903)
4	Proceeds from investments in other entities	-	(108,464)
5	Proceeds from disposals of investments in other entities	12,540	29,601
6	Dividends and interest received from long-term investments in the period	16,183	80,090
7	Dividends of prior year received in the period	7,123	3,562
II	Net cash flows (used in)/generated from investing activities	(455,831)	(289,034)
CASH FLOWS FROM FINANCING ACTIVITIES			
1	Dividends paid in cash	(2,665,020)	(2,665,020)
III	Net cash flows (used in) financing activities	(2,665,020)	(2,665,020)
IV	Net cash flows during the period	(11,594,222)	(22,648,684)
V	Cash and cash equivalents at the beginning of the period	164,412,853	175,012,996
VI	Cash and cash equivalents at the end of the period (Note 22)	152,818,631	152,346,312

Hanoi, 18 October 2016

Prepared by:

Ms. Nguyen Thi Ngoc Anh

(signed)

*Deputy Director of
Accounting Policy Department*

Ms. Phung Nguyen Hai Yen

(signed)

Chief Accountant

Approved by:

Ms. Le Thi Hoa

(signed)

Member of the BOD

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

1. Reporting entity

(a) Establishment and operations

Joint Stock Commercial Bank for Foreign Trade of Vietnam (“the Bank”) was established upon the transformation from a State-owned commercial bank following the approval of the Prime Minister on the equitization plan of the Bank for Foreign Trade of Vietnam and in accordance with other relevant regulations. The Bank was granted Banking Licence No. 138/GP-NHNN dated 23 May 2008 by the State Bank of Vietnam (“SBV”) for a period of 99 years and Business Registration Certificate No. 0103024468 dated 2 June 2008 by Hanoi Authority for Planning and Investment, Business Registration Certificate No. 0100112437 renewed for the eleventh time on 7 November 2014.

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

(b) Charter capital

Under Banking Licence No. 138/GP-NHNN dated 23 May 2008 issued by the SBV and Business Registration Certificate No. 0103024468 dated 2 June 2008 issued by Hanoi Authority for Planning and Investment, the Bank’s charter capital was VND12,100,860,260,000. Under Business Registration Certificate No. 0100112437 renewed for the eleventh time on 7 November 2014, the Bank’s charter capital was VND26,650,203,340,000. The Bank is in the process to register its new charter capital of VND 35,977,685,750,000. The face value per share is VND10,000.

	30/9/2016		31/12/2015	
	Number of shares	%	Number of shares	%
Shares owned by the State of Vietnam	2,774,353,387	77.10%	2,055,076,583	77.10%
Shares owned by foreign strategic shareholder (Mizuho Corporate Bank Ltd., Japan)	539,668,502	15.00%	399,754,446	15.00%
Shares owned by other shareholders	283,746,686	7.90%	210,189,305	7.90%
	3,597,768,575	100%	2,665,020,334	100%

1. Reporting entity (continued)

(c) Location and network

The Bank's Head Office is located at 198 Tran Quang Khai Street, Hoan Kiem District, Hanoi. As at 30 September 2016, the Bank had one (1) Head Office, one (1) Operation Centre, one (1) Training Centre and ninety-six (96) branches nationwide, three (3) local subsidiaries, two (2) overseas subsidiaries, three (3) joint-ventures, one (1) associate, one (1) overseas representative office located in Singapore and one (1) representative office located in Ho Chi Minh city.

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

(d) Subsidiaries, joint-ventures and associates

Subsidiaries	Operating Licence	Business sector	% direct shareholding by the Bank
Vietcombank Financial Leasing Company Limited ("VCB Leasing")	Operating Licence No. 05/GP-CTCTTC dated 25 May 1998 granted by the SBV	Finance lease	100%
Vietcombank Securities Company Limited ("VCB Securities")	Operating Licence No. 09/GPHDKD dated 24 April 2002 and Licence No. 12/GPHDLK dated 23 May 2002 granted by the State Securities Commission	Securities	100%
Vietcombank Tower 198 Company Limited ("VCB Tower")	Investment Licence No. 1578/GP dated 30 May 1996 and No. 1578/GPDC1 dated 18 April 2006 granted by the Ministry of Planning and Investment	Office leasing	70%
Vietnam Finance Company Limited ("Vinafico")	Investment Licence No. 05456282-000-02-11-7 dated 10 February 2011 granted by the Hong Kong Monetary Authority	Financial services	100%
Vietcombank Money Incorporation	Business Licence No. E0321392009-6 dated 15 June 2009 granted by the Authority of Nevada State, the United States of America	Remittance	87.5%

(e) Number of employees

As at 30 September 2016, the Bank has 15,242 employees (as at 31 December 2015: 14,755 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 interim consolidated financial statements.

(a) Basis of financial statement preparation

The interim consolidated financial statements, presented in Vietnam Dong (“VND”) and rounded to the nearest million (“VND million”), have been prepared in accordance with Vietnamese Accounting Standards (“VAS”) No. 27 – Interim financial statements, Vietnamese Accounting System for Credit Institutions and requirements stipulated by the SBV and other statutory regulations relevant to the preparation and presentation of interim consolidated financial statements. The Bank also prepares the interim consolidated financial statements for the period from 1 January 2016 to 30 September 2016.

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

(b) Changes in accounting policies

The accounting policies adopted by the Bank in the preparation and presentation of these consolidated financial statements are consistent with those used in the preparation and presentation of the consolidated financial statements of the year ended 31 December 2015 and for the period from 1 January 2015 to 30 September 2015, except for the changes in the accounting policies and notes in relation to the following operations:

(i) Recognition of differences of foreign currency revaluation on the interim consolidated income statement at the interim consolidated income statement date

During the accounting period, instead of recognizing the differences of foreign currency revaluation on the consolidated income statement at the end of the fiscal year, the Bank has recognized the differences of foreign currency revaluation at the interim consolidated financial statement date. Such change in accounting policy aims to ensure that the financial statements more accurately reflect the bank’s business results.

Such change in accounting policy does not have significant impact on the assessment of those who have read the financial statements for the period from 1 January 2016 to 30 September 2016, at the same time does not affect the 2015 business results. Therefore, Vietcombank does not re-present its figures at the beginning of the period in relation to the change in accounting policy

(ii) Changes in accounting policies of Vietcombank Securities Company Limited (“VCBS”)

On 30 December 2014, the Ministry of Finance issued Circular No. 210/2014/TT-BTC guidance on accounting practice for securities company (“Circular 210”). The Circular replaces Circular No. 95/2008/TT-BTC of the Ministry of Finance dated 24 October 2008 regarding guidance on accounting practice for securities company and Circular No. 162/2010/TT-BTC dated 20 October 2010 regarding guidance on the amendment and supplement of Circular No. 95/2008/TT-BTC of the Ministry of Finance dated 24 October 2008. The Circular applies for fiscal years starting on or after 1 January 2016. The Circular sets out the provisions related to the accounting documents, account system and the preparation and presentation method of financial statements of the securities company.

2. Summary of significant accounting policies (continued)

(b) Changes in accounting policies (continued)

Vietcombank has re-presented the corresponding figures of the previous period for those significantly impacted when applying Circular 210 at VCBS in this interim consolidated financial statements as presented in Note 25, in line with the presentation under Circular 210.

(c) Fiscal year

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

(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 currencies other than VND are converted into VND at the inter-bank exchange rates as at the interim consolidated balance sheet date. Non-monetary foreign currency assets and liabilities are recorded at the exchange rate as at the date of the transaction. Income and expenses in foreign currencies are translated into VND in the interim consolidated income statement at the spot exchange rates as at the dates of transactions.

Foreign exchange differences are recorded in the consolidated income statement at the end of the fiscal year.

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

2. Summary of significant accounting policies (continued)

(e) Consolidation

(i) Subsidiaries

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

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

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

(ii) Associates and joint-ventures

Associates are those entities on which the Bank may have significant impact, but does not control the policies and activities of the entities.

Joint-ventures are those entities over whose activities the Bank has joint control, established by contractual agreements and require unanimous consent for strategic financial and operating decisions.

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

(f) Cash and cash equivalents

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

2. Summary of significant accounting policies (continued)

(g) 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 gain profit on changes in price.

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

(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 no more than once 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. Regarding equity securities, 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 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 recognized at cost of acquisition, including transaction costs and other directly attributable costs. They are subsequently measured at the lower of the book value after amortization and the market value. Premiums and discounts arising from purchases of debt securities are amortized in the interim consolidated income statement 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 must be subjected to loan classification and allowance for these investments is made similarly to that for loans to customers presented in Note 2(h).

Special bonds issued by VAMC

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

2. Summary of significant accounting policies (continued)

(f) Investments (continued)

(ii) Investment securities (continued)

Special bonds will mature in one of the following cases:

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

In accordance with Circular No. 14/2015/TT-NHNN, every year within 5 working days before the date corresponding to the maturity date of special bonds, the Bank shall make minimum specific provision for each special bond, calculated based on the maturity of special bonds, bad debt repayment up to provision time and face value of special bonds.

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

(iii) 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 board of directors/board of management.

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

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

The allowance for diminution in the value of long-term investments is made if the economic entity in which the Bank invests suffers a loss (except for cases where losses have been anticipated in the business plans prepared before making investment) in accordance with Circular No. 228/2009/TT-BTC dated 7 December 2009 and Circular No. 89/2013/TT-BTC dated 28 June 2013. The allowance is the difference between the parties' actual capital contributions to the economic entity and the actual equity multiplied (x) by the ratio of capital invested by the Bank to the total actual capital of the economic entity. For an investment in listed shares or shares which fair value can be determined reliably, provision is made based on the shares' market value (similarly to allowance for trading securities).

2. Summary of significant accounting policies (continued)

(h) Loans to customers

(i) Loans to customers

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

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

(ii) Specific allowance for credit risk

In accordance with Circular 02 and Circular 09, specific allowance for credit risk is calculated based on loan classification and corresponding allowance rates against principal outstanding as at 30 September less discounted value of collateral as follows:

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

Since 1 January 2010, the Bank has applied Article 7, Decision 493/2005/QĐ-NHNN to make loan classification as approved by the SBV. However, according to Circular 02, the Bank is required to classify loans to customers and off-balance sheet commitments in accordance with both Article 10 and Clause 1 of Article 11, Circular 02 for a period of 3 years starting from 1 June 2014. In that case, should classifications of a loan in accordance with Article 10 and Clause 1 of Article 11, Circular 02 differ, the loan is to be classified into the group of higher risk.

(iii) General allowance for credit risk

The Bank is required to make and maintain a general allowance of 0.75% of total outstanding balance of loans to customers which are classified into Group 1 to 4 as at the reporting date.

(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.

2. Summary of significant accounting policies (continued)

(h) Loans to customers (continued)

(v) Bad debts sold to Vietnam Asset Management Company

The Bank sold bad debts at their book value to Vietnam Asset Management Company (“VAMC”) in accordance with Decree No. 53/2013/ND-CP effective from 9 July 2013 on “Establishment, organization and operation of Vietnam Asset Management Company”, Circular No. 19/2013/TT-NHNN effective from 15 September 2013 on “Purchase, sale and handling of bad debts of Vietnam Asset Management Company”, Official Letter No. 8499/NHNN-TCKT on “Guidance on accounting for bad debt purchase and sale between VAMC and credit institutions” and Decree No. 34/2015/ND-CP effective from 5 April 2015 on “Amending, supplementing to some articles of Decree No. 53/2013/ND-CP” and Circular No.14/2015/TT-NHNN effective from 15 December 2015 on “Amendments, supplementation to some articles of Circular No. 19/2013/TT-NHNN on purchase, sale and settlement of bad debts of Vietnam Asset Management Company”. Accordingly, the selling price is the outstanding balance of a bad debt minus its unused specific allowance.

For the sale of bad debts in exchange for VAMC bonds, upon completing selling bad debts to VAMC, the Bank will derecognize both the outstanding principal and specific allowance of the sold debt, and recognize the face value of VAMC special bonds, which equals to the outstanding balance of the sold debt less its unused specific allowance. Upon receiving the sold debts back from VAMC, the Bank will use the allowance made annually for VAMC special bonds to write off such bad debts. Difference between the allowances made for VAMC bonds and the uncollected outstanding balance of debts/bonds will be recognized as “Other income” in the interim consolidated income statement.

(i) Allowance for off-balance sheet commitments

According to Circular 02 and Circular 09, the Bank has to classify guarantees, payment acceptances and irrevocable lending commitments with specific effective date into 05 groups, similar to loans to customers for management purpose (presented in Note 2(h)).

(j) Repurchase and reverse repurchase agreements

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

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

2. Summary of significant accounting policies (continued)

(k) Tangible fixed assets

(i) Cost

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

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

- It is certain to gain future economic benefits from the use of such assets;
- The useful life of assets is above one year;
- Historical costs of the assets must be determinable reliably, with a minimum value of VND30,000,000 (thirty million VND).

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

(ii) Depreciation

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

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

(l) Intangible fixed assets

(i) Land use rights

According to Circular No. 45/2013/TT-BTC dated 25 April 2013 by the Ministry of Finance, intangible fixed assets recognized 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 term and non-term 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 leveling, registration fee (excluding costs of construction on that land) or the value of land use rights with contributed capital.

Land use rights not recognized as intangible assets comprise:

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

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

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

(ii) Other intangible fixed assets

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

(m) Deposits from customers and certificates of deposits

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

(n) Valuable papers issued

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

(o) Severance allowance

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

(p) Capital and reserves

(i) Ordinary shares

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

2. Summary of significant accounting policies (continued)

(p) Capital and reserves (continued)

(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 own issued shares, the total paid amount which includes directly attributable costs, net off any tax effects, is recognized 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 and does not exceed 25% of the Bank's charter capital.
- Investment and development reserve and other reserves: are to be made upon the resolutions of the Annual General Shareholders' Meeting. The allocation ratios are decided in the Annual General Shareholders' Meeting and in accordance with relevant statutory requirements.

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

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

Vietcombank Securities Company Limited appropriates reserves in accordance with the Circular No. 146/2014/TT-BTC issued by the Ministry of Finance on 6 October 2014.

(q) Income and expenses

(i) Interest income and interest expenses

Interest income of outstanding loans classified in Group 1 is recognized on an accrual basis. Accrued interest on loans classified in Group 2 to Group 5 (as defined in Note 2(h)) is recognized in the interim consolidated income statement upon receipt.

Interest expenses are recorded on an accrual basis.

2. Summary of significant accounting policies (continued)

(ii) Fees, commissions and dividend income

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

(iii) Stock dividends

In accordance with Circular No. 200/2014/TT-BTC dated 22 December 2014, dividends and other receipts in the form of shares coming from undistributed after-tax profits, share premium, reserve funds of joint stock companies are not recorded in the interim consolidated financial statements. Instead, only an increase in the number of shares held by the Bank is reflected.

(iv) Uncollectible income

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

2. Summary of significant accounting policies (continued)

(r) Lease

(i) Lessee

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

(ii) Lessor

Vietcombank recognizes finance leased assets as loans to customers in the interim consolidated balance sheet at the net value of the investment defined in the lease contract. Income from finance leases are recognized as financial income from investments of capital and services for leasing assets. Installment income is amortized over the lease term using fixed interest rate over the net investment of the leased assets.

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

(s) Earnings per share

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

(t) Taxation

Corporate income tax on the profit or loss for the period comprises current and deferred tax. Corporate income tax is recognized in the interim consolidated income statement except that it relates to items recognized directly to equity, in which case it is recognized in equity.

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

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 realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

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

2. Summary of significant accounting policies (continued)

(u) Related parties

Vietcombank's related parties include the followings:

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

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

(v) 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. The Bank's primary format for segment reporting is based on geographical segments. Vietcombank's secondary format for segment reporting is based on business segments.

(w) Off-balance sheet items

(i) Foreign exchange contracts

The Bank enters 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.

2. Summary of significant accounting policies (continued)

(v) Off-balance sheet items (continued)

(i) Foreign exchange contracts (continued)

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 recognized under "Foreign exchange differences" in the equity section and is recorded in the consolidated income statement at the end of the fiscal year (see Note 2(d)).

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

(ii) Commitments and contingent liabilities

The Bank has credit commitments arising from its regular lending activities. These commitments are unutilized 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 shall classify commitments and contingent liabilities into 5 groups, similarly to loans to customers, for management purposes (see Note 2(h)).

(x) Other receivables

The Bank has provided provision for overdue receivables which are classified as assets without credit risks in accordance with Circular No. 228/2009/TT-BTC issued by the Ministry of Finance on 7 December 2009. Accordingly, receivables are subject to review for impairment based on their overdue periods or estimated loss arising from undue debts of which the indebted economic organizations fall bankrupt or are undergoing dissolution procedures; debtors are missing, have fled, are prosecuted, detained or on trial by law enforcement bodies, are serving sentences or have deceased, etc.

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

(y) Offsetting

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

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

During its business operation, the Bank regularly enters 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;
- 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;
- Valuable papers issued;
- Financial derivative liabilities; and
- Other financial liabilities.

(i) Classification of financial assets and liabilities

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

Financial assets are classified as follows:

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

Financial liabilities are classified as follows:

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

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

(ii) Recognition

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

(iii) Derecognition

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

(iv) Measurement and disclosures of fair value

In accordance with Circular No. 210/2009/TT-BTC, Vietcombank has to disclose the fair value of financial assets and financial liabilities to compare with the book value of those financial assets and financial liabilities as presented in Note 25.

The preparation and presentation of the fair value of the financial instruments are only for the purpose of presenting in Note 25(b). The financial instruments of Vietcombank are still recognized and recorded in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions, complying with the requirements of the State Bank of Vietnam and with other statutory regulations as described in the notes above.

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

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

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

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

4. Trading securities

	30/9/2016	31/12/2015
	VND million	VND million
		(audited)
Debt securities		
Government securities	3,805,535	5,774,953
Securities issued by other credit institutions	1,621,735	3,494,546
Securities issued by local economic entities	100,000	300,000
Equity securities		
Equity securities issued by other credit institutions	10,972	19,261
Equity securities issued by local economic entities	544,732	352,629
Allowance for trading securities	(46,245)	(16,343)
	6,036,729	9,925,046

5. Loans to customers

	30/9/2016	31/12/2015
	VND million	VND million
		(audited)
Loans to local economic entities and individuals	442,961,084	383,060,589
Discounted bills and valuable papers	4,883,561	2,108,083
Finance leases	25,223	2,499,785
Loans given to make payments on behalf of customers	-	46,215
Loans to foreign individuals and enterprises	12,829	8,265
	447,882,697	387,722,937

Loan portfolio by loan group was as follows:

	30/9/2016	31/12/2015
	VND million	VND million
		(audited)
Current	431,719,716	370,637,362
Special mentioned	8,355,229	9,377,079
Sub-standard	601,530	796,645
Doubtful	1,758,076	750,489
Loss	5,448,146	5,590,129
	447,882,697	387,722,937

5. Loans to customers (continued)

Loan portfolio by term was as follows:

	30/9/2016 VND million	31/12/2015 VND million (audited)
Short-term	260,045,838	230,755,013
Medium-term	50,547,857	43,842,359
Long-term	137,289,002	113,125,565
	447,882,697	387,722,937

6. Allowance for loans to customers

	30/9/2016 VND million	31/12/2015 VND million (audited)
General allowance	3,424,322	2,706,385
Specific allowance	6,481,475	5,903,493
	9,905,797	8,609,878

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

	Period from 1/1/2016 to 30/9/2016 VND million	Year ended 31/12/2015 VND million (audited)
Opening balance	2,706,385	2,259,976
Allowance made during the period	717,937	440,784
Foreign exchange difference	-	5,625
Closing balance	3,424,322	2,706,385

6. Allowance for loans to customers (continued)

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

	Period from 1/1/2016 to 30/9/2016 VND million	Year ended 31/12/2015 VND million (audited)
Opening balance	5,903,494	4,824,395
Allowance made during the period	1,980,627	5,109,836
Allowance utilized for writing-off bad debts	(1,403,240)	(3,411,042)
Allowance utilized for bad debts sold to VAMC	-	(620,575)
Foreign exchange difference	595	879
Closing balance	6,481,475	5,903,493

7. Investment securities

	30/9/2016	31/12/2015
	VND million	VND million
		(audited)
Available-for-sale securities		
<i>Debt securities</i>		
Government bonds	35,083,959	32,386,706
Treasury Bills, SBV bills	20,854,200	-
Securities issued by other local credit institutions	12,842,351	10,189,445
Securities issued by local economic entities	300,000	100,000
	<hr/>	<hr/>
Allowance for available-for-sale securities	(18,150)	(18,150)
	<hr/>	<hr/>
	69,062,360	42,449,891
	<hr/>	<hr/>
Held-to-maturity securities		
<i>Debt securities</i>		
Government bonds	49,898,243	51,564,369
Debt securities issued by local credit institutions	400,144	100,347
Debt securities issued by local economic entities	14,945,931	10,588,751
Special bonds issued by VAMC	3,360,469	3,564,811
	<hr/>	<hr/>
General allowance for held-to-maturity securities	(2,392,132)	(670,674)
	<hr/>	<hr/>
	66,212,655	65,147,604
	<hr/>	<hr/>
	135,275,015	107,597,495
	<hr/> <hr/>	<hr/> <hr/>

8. Long-term investments

(a) Investments in joint-ventures

As at 30 September 2016

	Business sector	% share- holding	Cost VND million	Book value VND million
Vietcombank – Bonday – Ben Thanh Company Limited	Office leasing	52%	410,365	381,900
Vietcombank Fund Management	Investment fund management	51%	135,150	132,559
Vietcombank – Cardif Life Insurance Company Limited	Life insurance	45%	270,000	274,158
			815,515	788,617
			815,515	788,617

As at 31 December 2015 (audited)

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

8. Long-term investments (continued)

(b) Investments in associates

As at 30 September 2016

	Business sector	% share- holding	Cost VND million	Book value VND million
Vietcombank – Bonday Limited	Office leasing	16%	11,110	11,906
			11,110	11,906
			11,110	11,906

As at 31 December 2015 (audited)

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

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

	30/9/2016	31/12/2015
	VND million	VND million
		(audited)
Borrowings from the SBV	4,558,799	2,861,958
Borrowings on the basis of credit profiles	3,935,644	2,321,634
Other borrowings	623,155	540,324
Demand deposits from the State Treasury	34,476,618	26,049,857
Deposits from the SBV	2,874,952	12,567,738
	<hr/> 41,910,369 <hr/>	<hr/> 41,479,553 <hr/>

10. Deposits and borrowings from other credit institutions

	30/9/2016	31/12/2015
	VND million	VND million
		(audited)
Deposits from other credit institutions	47,644,963	51,743,682
Demand deposits in VND	2,416,104	6,064,969
Demand deposits in foreign currencies	34,583,127	35,061,617
Term deposits in VND	1,800,285	3,910,000
Term deposits in foreign currencies	8,845,447	6,707,096
Borrowings from other credit institutions	9,455,897	20,391,699
Borrowings in VND	4,193,950	16,670,399
Borrowings in foreign currencies	5,261,947	3,721,300
	<hr/> 57,100,860 <hr/>	<hr/> 72,135,381 <hr/>

11. Deposits from customers

	30/9/2016 VND million	31/12/2015 VND million (audited)
Demand deposits	151,385,250	141,125,744
Demand deposits in VND	111,049,396	101,363,942
Demand deposits in gold, foreign currencies	40,335,854	39,761,802
Term deposits	413,444,358	354,019,090
Term deposits in VND	345,890,003	283,373,464
Term deposits in gold, foreign currencies	67,554,355	70,645,626
Deposits for specific purposes	6,361,449	4,825,786
Margin deposits	1,961,625	1,191,930
	<hr/> 573,152,682 <hr/>	<hr/> 501,162,550 <hr/>

12. Valuable papers issued

	30/9/2016 VND million	31/12/2015 VND million (audited)
Certificates of deposits	5,374	6,081
Short-term in foreign currencies	166	210
Medium-term and long-term in VND	323	415
Medium-term and long-term in foreign currencies	4,885	5,456
Bonds and bills	2,448,989	2,472,989
Short-term in VND	47	47
Short-term in foreign currencies	103	103
Medium-term and long-term in VND	2,448,827	2,472,827
Medium-term and long-term in foreign currencies	12	12
	<hr/> 2,454,363 <hr/>	<hr/> 2,479,070 <hr/>

13. Other liabilities

	30/9/2016 VND million	31/12/2015 VND million (audited)
Internal payables	2,465,990	1,700,312
External payables	7,159,370	4,677,369
Bonus and welfare funds	241,289	1,214,597
	<hr/> 9,866,649 <hr/>	<hr/> 6,957,995 <hr/>

Joint Stock Commercial Bank for Foreign Trade of Vietnam

Form B05a/TCTD

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
for the period from 1 January 2016 to 30 September 2016 (continued)

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

14. Capital and reserves

(a) Statement of changes in equity

	Charter capital	Share premium	Other capital	Reserves			Total	Asset revaluation differences	Foreign exchange differences	Retained profits	Non-controlling interest	Total equity
				Supplementary charter capital	Financial risk	Investment and development fund						
				VND million	VND million	VND million						
Balance as at 1/1/2016 (audited)	26,650,203	5,725,318	45,160	1,617,448	3,253,253	70,661	4,941,362	89,222	79,969	7,475,808	165,300	45,172,342
Net profit for the period	-	-	-	-	-	-	-	-	-	5.057.906	12.769	5.070.675
Adjustment on 2015 reserve in accordance with the resolution of the AGM and other adjustments	-	-	-	(1.246)	(2.493)	-	(3.739)	-	-	3.627	-	(112)
Adjustment on profit/(loss) allocation of joint ventures by equity method (*)	-	-	-	-	-	-	-	-	-	1.737	(551)	1.186
Utilization during the year	-	-	-	-	(1.529)	-	(1.529)	-	-	-	-	(1.529)
Dividends paid during the year	-	-	-	-	-	-	-	-	-	(2.665.020)	(25.082)	(2.690.102)
Exchange rate differences	-	-	-	-	-	-	-	-	(6.019)	-	(858)	(6.877)
Adjustments of independent auditors in accordance with equity method	-	-	-	-	-	-	-	-	-	(8.798)	-	(8.798)
Bonus share issue in accordance with the resolution of the AGM	9.327.483	(5.725.318)	-	-	-	-	-	-	-	(3.602.165)	-	-
Other increases	-	-	-	-	-	-	-	-	-	46	20	66
Balance as at 30/9/2016	35.977.686	-	45.160	1.616.202	3.249.231	70.661	4.936.094	89.222	73.950	6.263.141	151.598	47.536.851

(*) Due to reserve allocation and adjustment of Independent auditors of joint-ventures and associates on their financial statements

14. Capital and reserves (continued)

(b) Details of shareholders of the Bank

	30/9/2016 VND million	31/12/2015 VND million (audited)
Ordinary shares		
The State of Vietnam	27,743,534	20,550,766
Foreign strategic shareholder (Mizuho Corporate Bank Ltd., Japan)	5,396,685	3,997,544
Other shareholders	2,837,467	2,101,893
	35,977,686	26,650,203

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

	30/9/2016		31/12/2015	
	Number of shares	VND million	Number of shares	VND million
Authorized share capital	3,597,768,575	35,977,686	2,665,020,334	26,650,203
Issued share capital				
Ordinary shares	3,597,768,575	35,977,686	2,665,020,334	26,650,203
Outstanding shares				
Ordinary shares	3,597,768,575	35,977,686	2,665,020,334	26,650,203

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL
STATEMENTS**

for the period from 1 January 2016 to 30 September 2016 (continued)

15. Earning per share (EPS)

a. Income used to calculate EPS

	Period from 1/1/2016 to 30/9/2016 VND million	Period from 1/1/2015 to 30/9/2016 VND million
Net income	5,057,906	3,624,716
Net income allocated to ordinary shareholders	5,057,906	3,624,716

b. Weighted average number of ordinary shares outstanding

	Period from 1/1/2016 to 30/9/2016	Period from 1/1/2015 to 30/9/2016
Weighted average number of ordinary shares outstanding	3,597,768,575	2,665,020,334

c. Lãi cơ bản trên cổ phiếu

	Period from 1/1/2016 to 30/9/2016 VND	Period from 1/1/2015 to 30/9/2016 VND
EPS	1,406	1,360

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL
STATEMENTS**

for the period from 1 January 2016 to 30 September 2016 (continued)

16. Interest and similar income

	Period from 1/1/2016 to 30/9/2016 VND million	Period from 1/1/2015 to 30/9/2015 VND million
Interest income from loans to customers	21,147,655	17,895,486
Interest income from deposits	1,173,612	806,357
Interest income from trading and investment debt securities:	4,696,162	3,787,160
- <i>Interest income from investment securities</i>	4,642,014	3,596,874
- <i>Interest income from trading securities</i>	54,148	190,286
Income from financial leasing	159,811	143,188
Income from guarantee activities	255,595	199,895
Interest income from debts trading activities	1,667	81
Other income from credit activities	46,027	20,046
	27,480,529	22,852,213

17. Interest and similar expenses

	Period from 1/1/2016 to 30/9/2016 VND million	Period from 1/1/2015 to 30/9/2015 VND million
Interest expenses on deposits	(12,874,809)	(11,148,246)
Interest expenses on borrowings	(704,509)	(419,146)
Interest expenses on valuable papers issued	(208,290)	(208,645)
Others expenses on credit activities	(46,997)	(60,408)
	(13,834,605)	(11,836,445)

18. Net gain from trading securities

	Period from 1/1/2016 to 30/9/2016 VND million	Period from 1/1/2015 to 30/9/2015 VND million
Income from trading securities	458,568	245,988
Expenses on trading securities	(43,581)	(87,421)
Allowance for trading securities reversed/(made) during the period	(29,902)	(815)
	385,085	157,752

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL
STATEMENTS**

for the period from 1 January 2016 to 30 September 2016 (continued)

19. Net gain from investment securities

	Period from 1/1/2016 to 30/9/2016 VND million	Period from 1/1/2015 to 30/9/2015 VND million
Income from trading investment securities	8,353	193,410
Expenses on trading investment securities	(53,151)	(58,581)
Allowance for investment securities reversed during the period	-	17,409
	<hr/> (44,798) <hr/>	<hr/> 152,238 <hr/>

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

	Period from 1/1/2016 to 30/9/2016 VND million	Period from 1/1/2015 to 30/9/2015 VND million
Dividends received from equity investments during the period	16,183	80,090
- <i>Dividends received from equity securities</i>	11,677	66,323
- <i>Dividends received from trading securities</i>	4,506	13,767
Income from disposal of equity investments	-	1,100
Share of loss of investments in joint-ventures and associates upon equity method	35,666	(24,414)
	<hr/> 51,849 <hr/>	<hr/> 56,776 <hr/>

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL
STATEMENTS**

for the period from 1 January 2016 to 30 September 2016 (continued)

21. Operating expenses

	Period from 1/1/2016 to 30/9/2016 VND million	Period from 1/1/2015 to 30/9/2015 VND million
Tax, duties and fees	(115,599)	(97,888)
Salaries and related expenses	(3,255,483)	(2,916,967)
<i>Of which:</i>		
- <i>Salary and wages</i>	(3,009,664)	(2,723,037)
- <i>Additional expenses based on salary</i>	(200,480)	(163,770)
- <i>Other allowances</i>	(614)	(1,585)
Expenses on assets	(1,306,756)	(1,070,431)
<i>Of which:</i>		
- <i>Depreciation of fixed assets</i>	(488,509)	(458,266)
Administrative expenses	(2,552,001)	(1,623,138)
Insurance expenses on deposits from customers	(260,298)	(213,263)
Other operating expenses	(11,486)	(30,354)
	(7,501,623)	(5,952,041)

22. Cash and cash equivalents

	30/9/2016 VND million	31/12/2015 VND million (audited)
Cash on hand, gold, silver and gemstones	8,778,862	8,519,334
Balances with the State Bank of Vietnam	21,083,502	19,715,035
Balances with and loans to other credit institutions due within three months	92,984,202	122,367,566
Trading securities	6,082,974	9,941,389
Securities due within three months from the purchase date	23,889,091	3,869,529
	152,818,631	164,412,853

23. Significant transactions and balances with related parties

During the period from 1 January 2016 to 30 September 2016, the Bank has made the following transactions with related parties:

	Relationship	Period from 1/1/2016 to 30/9/2016 VND million	Period from 1/1/2015 to 30/9/2015 VND million
The State Bank of Vietnam	Regulator		
Interest income from deposits at the SBV		78,711	75,532
Interest expenses on deposits and borrowings from the SBV		115,415	56,229
The Ministry of Finance (“the MoF”)	Regulator		
Interest income from loans to the MoF		-	4,908
Interest expenses on deposits from the MoF		115,404	41,355
Interest expenses on borrowings from the MoF		19,959	14,152

As at 30 September 2016, the Bank has the following significant balances with related parties:

	Relationship	30/9/2016 VND million	31/12/2015 VND million (audited)
The State Bank of Vietnam	Regulator		
Deposits at the SBV		21,083,502	19,715,035
Deposits and borrowings from the SBV		7,433,751	15,429,696
The Ministry of Finance	Regulator		
Deposits from the MoF		34,476,618	26,049,857
Borrowings from the MoF		651,693	545,838
Vietcombank Fund Management	Joint-ventures		
Trusted investments from the Bank		1,008,179	-

24. Segment reporting
(a) Geographical segment

For the period from 1/1/2016 to 30/9/2016

	The North (*) VND million	The Middle and Tay Nguyen VND million	The South VND million	Overseas VND million	Elimination VND million	Total VND million
1 Interest and similar income	38,342,442	6,578,029	18,115,265	19,096	(35,574,303)	27,480,529
2 Interest and similar expenses	(31,706,647)	(4,711,050)	(12,988,657)	(2,554)	35,574,303	(13,834,605)
I Net interest income	6,635,795	1,866,979	5,126,608	16,542	-	13,645,924
3 Fee and commission income	1,713,463	283,960	1,152,093	8,970	(83,187)	3,075,299
4 Fee and commission expenses	(1,444,809)	(13,534)	(45,115)	(3,206)	12,716	(1,493,948)
II Net fee and commission income	268,654	270,426	1,106,978	5,764	(70,471)	1,581,351
III Net gain/(loss) from trading foreign currencies	1,235,206	50,782	280,025	162	-	1,566,175
IV Net gain from trading securities	385,085	-	-	-	-	385,085
V Net gain from investment securities	(44,798)	-	-	-	-	(44,798)
5 Other income	482,772	377,183	479,409	51	-	1,339,415
6 Other expenses	(144,148)	(20,600)	(14,502)	(4,457)	-	(183,707)
VI Net other income/(expenses)	338,624	356,583	464,907	(4,406)	-	1,155,708
VII Dividend and net income from investments in associates and joint-ventures	51,849	-	-	-	-	51,849
VIII Total operating expenses	(5,067,708)	(677,343)	(1,812,474)	(14,569)	70,471	(7,501,623)
IX Net profit/(loss) before allowances for credit losses	3,802,707	1,867,427	5,166,044	3,493	-	10,839,671
X Allowances for credit losses	(3,449,118)	(232,234)	(832,180)	(45)	-	(4,513,577)
XI Profit/(loss) before tax	353,589	1,635,193	4,333,864	3,448	-	6,326,094
7 Current corporate income tax expenses	(61,408)	(327,039)	(866,773)	(1,259)	-	(1,256,479)
8 Deferred income tax expense	1,060	-	-	-	-	1,060
XII Corporate income tax expenses	(60,348)	(327,039)	(866,773)	(1,259)	-	(1,255,419)
XIII Profit/(loss) after tax	293,241	1,308,154	3,467,091	2,189	-	5,070,675

(*): As at 30 September 2016, some operating expenses for the whole system are made by the Head Office located in the North area but not allocated to other units of the Bank.

23. Segment reporting (continued)

(b) Business segment

		For the period from 1/1/2016 to 30/9/2016					
		Banking services VND million	Non-bank financial services VND million	Securities VND million	Others VND million	Elimination VND million	Total VND million
1	Interest and similar income	62,768,590	181,348	100,635	4,259	(35,574,303)	27,480,529
2	Interest and similar expenses	(49,296,347)	(68,950)	(43,611)	-	35,574,303	(13,834,605)
I	Net interest income	13,472,243	112,398	57,024	4,259	-	13,645,924
3	Fee and commission income	2,965,323	4,354	97,960	90,849	(83,187)	3,075,299
4	Fee and commission expenses	(1,454,380)	(694)	(18,633)	(32,957)	12,716	(1,493,948)
II	Net fee and commission income	1,510,943	3,660	79,327	57,892	(70,471)	1,581,351
III	Net gain/(loss) from trading foreign currencies	1,566,013	162	-	-	-	1,566,175
IV	Net gain from trading securities	373,679	-	11,406	-	-	385,085
V	Net gain/(loss) from investment securities	(44,798)	-	-	-	-	(44,798)
5	Other income	1,330,306	8,949	133	27	-	1,339,415
6	Other expenses	(179,247)	(4,457)	(3)	-	-	(183,707)
VI	Net other income/(expenses)	1,151,059	4,492	130	27	-	1,155,708
VII	Dividend and net income/(loss) from investments in associates and joint-ventures	47,343	-	4,506	-	-	51,849
VIII	Total operating expenses	(7,422,474)	(50,981)	(87,661)	(10,978)	70,471	(7,501,623)
IX	Net profit before allowances for credit losses	10,654,008	69,731	64,732	51,200	-	10,839,671
X	Allowances for credit losses	(4,500,000)	(8,278)	(5,299)	-	-	(4,513,577)
XI	Profit before tax	6,154,008	61,453	59,433	51,200	-	6,326,094
7	Current corporate income tax expenses	(1,221,333)	(12,024)	(12,046)	(11,076)	-	(1,256,479)
8	Deferred income tax expense	-	-	1,060	-	-	1,060
XII	Corporate income tax expenses	(1,221,333)	(12,024)	(10,986)	(11,076)	-	(1,255,419)
XIII	Profit after tax	4,932,675	49,429	48,447	40,124	-	5,070,675

(*): As at 30 September 2016, some operating expenses for the whole system are made by the Head Office located in the North area but not allocated to other units of the Bank.

25. Disclosure of financial instruments

(a) Disclosure of collaterals

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) Disclosure of fair value

Circular No. 210/2009/TT-BTC 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 book value and fair value.

The following table presents book value and fair value of the Bank's financial assets and liabilities as at 30 September 2016:

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the period from 1 January 2016 to 30 September 2016 (continued)

24. Disclosure of financial instruments (continued)

(b) Disclosure of fair value (continued)

		Book value					Fair value
		Held for trading	Held-to-maturity	Loans and receivables	Available-for-sale	Recognized at amortized cost	Total of book value (gross)
		VND million	VND million	VND million	VND million	VND million	VND million
Financial assets							
I	Cash on hand, gold, silver and gemstones	8,778,862	-	-	-	-	8,778,862
II	Balances with the State Bank of Vietnam	21,083,502	-	-	-	-	21,083,502
III	Balances with and loans to other credit institutions	-	-	106,954,974	-	-	106,954,974
IV	Trading securities	6,082,974	-	-	-	-	6,082,974
V	Derivative financial instruments and other financial assets	156,703	-	-	-	-	156,703
VI	Loans and advances to customers	-	-	447,882,697	-	-	447,882,697
VII	Investment securities	-	68,604,787	-	69,080,510	-	137,685,297
VIII	Long-term investments	-	-	-	2,829,418	-	2,829,418
IX	Other financial assets	-	-	9,903,565	-	-	9,903,565
		36,102,041	68,604,787	564,741,236	71,909,928	-	741,357,992
Financial liabilities							
I	Deposits and borrowings from the SBV and other credit institutions	-	-	-	-	99,011,229	99,011,229
II	Deposits from customers	-	-	-	-	573,152,682	573,152,682
III	Valuable papers issued	-	-	-	-	2,454,363	2,454,363
IV	Other financial liabilities	-	-	-	-	6,585,152	6,585,152
		-	-	-	-	681,203,426	681,203,426

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

24. Disclosure of financial instruments (continued)

(c) Risk management policy for financial instruments

The Board of Directors has the highest right and responsibility for the Bank's overall financial risk management framework to facilitate its business activities to thrive safely and sustainably.

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

Risk management strategies and policies 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 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 maximize profit while minimizing losses arising from negative market trends, manage liquidity risk and appropriately direct interest and foreign exchange rate schemes.

In its authorized segregation, ALCO has the right to make decisions regarding risk management.

(i) Credit risk

The Bank is under exposure to credit risk, where a counterparty's default on its obligations will cause a financial loss for the Bank by failing to fulfill an obligation on time. Credit exposures arise mainly in lending activities relating to loans and advances, and in investments in debt securities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management and control are performed through issuance of related policies and procedures, including credit risk management policies, and operation of Credit Risk Management Committee and Credit Committee.

The Bank classifies loans to customers and other credit institutions, off-balance sheet items, entrustments for loans and unlisted corporate bonds in accordance with Circular 02 and Circular 09 (see Note 2(h)) and regularly assesses credit risks of non-performing loans in order to have appropriate resolutions.

In order to manage credit risks, 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 decentralized authorization in credit activities.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL
STATEMENTS**

for the period from 1 January 2016 to 30 September 2016 (continued)

24. Disclosure of financial instruments (continued)

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

(i) Credit risk (continued)

The Bank's maximum exposure amounts to credit risk as at 30 September 2016, excluding collaterals and credit risk mitigations as follows:

	Neither past due nor impaired VND million	Past due but not impaired VND million	Impaired and fully made allowance VND million	Total VND million
Balances with and loans to other credit institutions – gross	106,907,474	-	47,500	106,954,974
Balances with other credit institutions	71,189,614	-	-	71,189,614
Loans to other credit institutions	35,717,860	-	47,500	35,761,181
Loans to customers – gross	430,674,111	1,045,606	16,162,980	447,882,697
Investment securities – gross	134,324,827	-	3,360,470	137,685,297
Available-for-sale securities	69,080,510	-	-	69,080,510
Held-to-maturity securities	65,244,317	-	3,360,470	68,604,787
Other assets	9,903,565	-	-	9,903,565
	<u>681,809,977</u>	<u>1,045,606</u>	<u>19,570,950</u>	<u>702,426,533</u>

Description and book value of collaterals held by the Bank as at 30 September 2016 were as follows:

	VND million
Deposits	47,427,513
Valuable papers	57,727,488
Real estates	327,565,733
Others	183,663,071
	<u>616,383,805</u>

24. Disclosure of financial instruments (continued)

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

(ii) Interest rate risk

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

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

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

- Cash, gold, silver and gemstones, long-term investments, and other assets (including fixed assets and other assets) are classified as non-interest bearing items.
- The actual interest re-pricing terms of trading securities and investments securities are subject to issuers' terms and conditions on interest rate of each security.
- The actual interest re-pricing term of balances with and loans to other credit institutions, loans to customers, amounts due to the Government and the State Bank of Vietnam, deposits and borrowings from other credit institutions and deposits from customers are identified as follows:
 - Items with fixed interest rate during the contractual term: the actual interest re-pricing term is based on the contractual maturity date subsequent to the interim consolidated financial statement date.
 - Items with floating interest rate: the actual interest re-pricing term is based on the nearest re-pricing term subsequent to the interim consolidated financial statement date.
- The actual interest re-pricing term of valuable papers issued is based on valuable papers' maturities and the Bank's interest rate for each issuance.

The following table presents the interest re-pricing terms of the Bank's assets and liabilities as at 30 September 2016:

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
for the period from 1 January 2016 to 30 September 2016 (continued)

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

24. Disclosure of financial instruments (continued)

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

(ii) *Interest rate risk* (continued)

	Overdue VND million	Free of interest VND million	Up to 1 month VND million	From 1 to 3 months VND million	From 3 to 6 months VND million	From 6 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million	Total VND million
Assets									
I	Cash on hand, gold, silver and gemstones	-	8,778,862	-	-	-	-	-	8,778,862
II	Balances with the State Bank of Vietnam	-	-	21,083,502	-	-	-	-	21,083,502
III	Balances with and loans to other credit institutions – gross	-	-	81,647,230	12,098,215	12,384,905	824,624	-	106,954,974
IV	Trading securities	-	-	6,082,974	-	-	-	-	6,082,974
V	Derivative financial instruments and other financial assets	-	-	-	156,703	-	-	-	156,703
VI	Loans to customers – gross	7,976,996	96	113,761,880	154,718,800	116,343,304	40,617,633	13,505,923	447,882,697
VII	Investment securities – gross	-	3,360,469	21,846,909	2,042,184	4,443,359	7,408,314	67,990,438	137,685,297
VIII	Long-term investments – gross	-	3,629,941	-	-	-	-	-	3,629,941
IX	Fixed assets	-	5,054,402	-	-	-	-	-	5,054,402
X	Other assets – gross	-	12,673,873	-	-	-	-	-	12,673,873
	Total assets	7,976,996	33,497,643	244,422,495	169,015,902	133,171,568	48,850,571	81,496,361	749,983,225
Liabilities									
I	Deposits and borrowings from the SBV and other credit institutions	-	-	84,103,327	8,063,068	4,380,098	2,464,736	-	99,011,229
II	Deposits from customers	-	5,668	275,493,473	114,989,417	92,236,735	85,107,192	5,314,545	573,152,682
III	Valuable papers issued	-	-	6,363	-	-	-	448,000	2,454,363
IV	Other liabilities	-	15,429,732	-	-	-	-	-	15,429,732
	Total liabilities	-	15,435,400	359,603,163	123,052,485	96,616,833	87,571,928	5,762,545	690,048,006
	Interest sensitivity gap	7,976,996	18,062,243	(115,180,668)	45,963,417	36,554,735	(38,721,357)	75,733,816	59,935,219
	Cumulative interest sensitivity gap	7,976,996	26,039,239	(89,141,429)	(43,178,012)	(6,623,277)	(45,344,634)	30,389,182	59,935,219

24. Disclosure of financial instruments (continued)

(c) Risk management policy 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 and USD. Some of the Bank's other assets are in currencies other than VND and USD. The Bank has set limits on positions by currency based on its internal risk management system and relevant statutory requirements stipulated by the SBV. Currency positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

The following table presents the Bank's assets and liabilities denominated in foreign currencies that were translated into VND as at 30 September 2016:

Joint Stock Commercial Bank for Foreign Trade of Vietnam

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
for the period from 1 January 2016 to 30 September 2016 (continued)

Form B05a/TCTD

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

24. Disclosure of financial instruments (continued)

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

(iii) Currency risk (continued)

	EUR VND million	USD VND million	Other currencies VND million	Total VND million
Assets				
I Cash on hand, gold, silver and gemstones	200,883	1,455,400	354,774	2,011,057
II Balances with the State Bank of Vietnam	-	7,251,453	-	7,251,453
III Balances with and loans to other credit institutions – gross	10,995,446	26,204,807	5,146,722	42,346,975
IV Derivative financial instruments and other financial assets	7,137,586	(15,663,782)	14,488	(8,511,708)
V Loans to customers – gross	197,162	76,951,810	1,698,218	78,847,190
VI Investment securities – gross	-	43,898,000	-	43,898,000
VII Fixed assets	-	619	862	1,481
VIII Other assets – gross	25,536	1,590,222	(145,172)	1,470,586
Total assets	18,556,613	141,688,529	7,069,892	167,315,034
Liabilities				
I Deposits and borrowings from the SBV and other credit institutions	14,718,085	34,277,107	4,942,138	53,937,330
II Deposits from customers	3,964,655	105,599,670	2,070,994	111,635,319
III Valuable papers issued	-	5,166	-	5,166
IV Other liabilities	26,418	(2,688,229)	224,165	(2,437,646)
Total liabilities	18,709,158	137,193,714	7,237,297	163,140,169
FX position on balance sheet	(152,545)	4,494,815	(167,405)	4,174,865

24. Disclosure of financial instruments (continued)

(c) Risk management policy 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 interim consolidated financial statements date 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 interim consolidated balance sheet:

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

The following table analyses the remaining terms to maturity of the Bank's assets and liabilities as at 30 September 2016:

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
for the period from 1 January 2016 to 30 September 2016 (continued)

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

24. Disclosure of financial instruments (continued)

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

(iv) *Liquidity risk* (continued)

	Overdue over 3 months VND million	Overdue up to 3 months VND million	Up to 1 month VND million	From 1 to 3 months VND million	From 3 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million	Total VND million
Assets								
I	Cash on hand, gold, silver and gemstones	-	-	8,778,862	-	-	-	8,778,862
II	Balances with the State Bank of Vietnam	-	-	21,083,502	-	-	-	21,083,502
III	Balances with and loans to other credit institutions – gross	-	-	81,385,100	11,599,102	12,533,045	1,437,727	106,954,974
IV	Trading securities	-	-	6,082,974	-	-	-	6,082,974
V	Derivative financial instruments and other financial assets	-	-	-	156,703	-	-	156,703
VI	Loans to customers – gross	6,008,440	1,968,556	50,468,252	95,851,697	145,240,867	94,387,734	447,882,697
VII	Investment securities – gross	-	-	21,846,907	2,042,184	11,751,673	71,450,909	137,685,297
VIII	Long-term investments – gross	-	-	-	-	-	3,629,941	3,629,941
IX	Fixed assets	-	-	-	-	-	5,054,402	5,054,402
X	Other assets – gross	-	-	-	12,673,873	-	-	12,673,873
	Total assets	6,008,440	1,968,556	189,645,597	122,323,559	169,525,585	167,276,370	749,983,225
Liabilities								
I	Deposits and borrowings from the SBV and other credit institutions	-	-	83,868,688	6,860,413	6,242,111	1,993,064	99,011,229
II	Deposits from customers	-	-	155,728,465	154,850,059	225,238,346	37,329,886	573,152,682
III	Valuable papers issued	-	-	6,363	-	-	448,000	2,454,363
IV	Other liabilities	-	-	-	15,429,732	-	-	15,429,732
	Total liabilities	-	-	239,603,516	177,140,204	231,480,457	39,770,950	690,048,006
	Net liquidity gap	6,008,440	1,968,556	(49,957,919)	(54,816,645)	(61,954,872)	127,505,420	59,935,219

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL
STATEMENTS**

for the period from 1 January 2016 to 30 September 2016 (continued)

26. Notes to changes in profit

Net profit after tax of the Bank in Quarter III, 2016 was up VND 316 billion (equivalent to 23.9%) in comparison to that in quarter III, 2015, was driven by a VND 549 billion increase in its profit before tax for the same period, increased by 36.64% in comparison to that in 2015. The increase mainly comes from the following items:

	Impact	
	Absolute value VND billion	Relative value %
Items of significant movement		
Increase in Fee and commission income	225	15.00%
Decrease in Operating Expense	201	13.44%
	426	28.43%

Cumulative Net profit after tax of the Bank of first 9 months in 2016 was up VND 1,436 billion (equivalent to 30.9%) in comparison to that of the same period in 2015, was driven by a VND 1,678 billion (or 36.09%) increase in its profit before tax in the period. The increase mainly comes from the following items:

	Impact	
	Absolute value VND billion	Relative value %
Items of significant movement		
Increase in Fee and commission income	546	11.74%
Increase in Income from Trading Securities	227	4.89%
Increase in Income from Other activities	236	5.07%
Decrease in Allowance for loans	204	4.38%
	1,213	26.09%

27. Seasonal or cyclical factors

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

(a) Taxation

In accordance with the current tax regulations, corporate income tax of the Bank is computed and finalised at the end of the year. Corporate income tax expenses for the period is calculated at the rate of 20% against the Bank's taxable income.

(b) Reserves appropriation

The appropriation of the reserves as presented in Note 2(p) (iv) is made at the end of the fiscal year.

28. Approval of the interim consolidated financial statements

The interim consolidated financial statements were approved by the Board of Management on 18 October 2016.

Hanoi, 18 October 2016

Prepared by:

Approved by:

Ms. Nguyen Thi Ngoc Anh

Ms. Phung Nguyen Hai Yen

Ms. Le Thi Hoa

*Deputy Director of
Accounting Policy Department*

Chief Accountant

Member of the BOD