

INDOVINA BANK LIMITED

(Incorporated in Socialist Republic of Vietnam)

AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2016

INDOVINA BANK LIMITED

97A Nguyen Van Troi Street, Ward 12
Phu Nhuan District, Ho Chi Minh City, S.R. Vietnam

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INDOVINA BANK LIMITED

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Phu Nhuan District, Ho Chi Minh City, S.R. Vietnam

STATEMENT OF THE BOARD OF EXECUTIVES

The Board of Executives of Indovina Bank Limited (the "Bank") presents this report together with the Bank's financial statements for the year ended 31 December 2016.

BOARD MEMBERS AND THE BOARD OF EXECUTIVES

The Board Members and the Board of Executives of the Bank who held office during the year and at the date of this report are as follows:

Board Members

Mr. Nguyen Anh Tuan	Chairman (appointed on 14 April 2016)
Mr. Nguyen Tran Manh Trung	Chairman (resigned on 14 April 2016)
Mr. Lee Ming-Hsien	Vice Chairman
Mr. Yei-Fong Jan	Member
Mr. Le Van Phu	Member
Mr. Lu Chan Kun	Member
Ms. Nguyen Thu Hang	Member

Board of Executives

Mr. Yei-Fong Jan	General Director
Mr. Le Van Phu	First Deputy General Director
Mr. Lu Chan Kun	Second Deputy General Director

THE BOARD OF EXECUTIVES' STATEMENT OF RESPONSIBILITY

The Board of Executives of the Bank is responsible for preparing the financial statements, which give a true and fair view of the financial position of the Bank as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for credit institutions and legal regulations relating to financial reporting. In preparing these financial statements, the Board of Executives is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business, and
- design and implement an effective internal control system for the purpose of properly preparing the financial statements so as to minimize errors and frauds.

The Board of Executives is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Bank that the financial statements comply with with Vietnamese Accounting Standards, accounting regime for credit institutions and legal regulations relating to financial reporting. The Board of Executives is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

The Board of Executives confirms that the Bank has complied with the above requirements in preparing and presenting these financial statements.

For and on behalf of the Board of Executives,



Yei-Fong Jan
General Director
29 March 2017

No. 650 /VN1A-HC-BC

INDEPENDENT AUDITORS' REPORT

**To: Board Members and Board of Executives
Indovina Bank Limited**

We have audited the accompanying financial statements of Indovina Bank Limited (the "Bank") prepared on 29 March 2017 as set out from page 4 to page 40, which comprise the balance sheet as at 31 December 2016 and the statement of income and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The board of Executives's Responsibility for the Financial Statements

The Board of Executives is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, accounting regime for credit institutions and legal regulations relating to financial reporting and for such internal control as the Board of Executives determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Executives, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for credit institutions and legal regulations relating to financial reporting.

Our audits also comprehended the translation of United States Dollar ("USD") amounts into Vietnam Dong ("VND") amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2.2. Such Vietnam Dong amounts are solely presented for reporting to the relevant authorities and in compliance with the State Bank of Vietnam regulations, therefore, may not be suitable for another purpose.

INDEPENDENT AUDITORS' REPORT (Continued)

Other matters

The financial statements of the Bank for the year ended 31 December 2015 were audited by another auditors who expressed an unmodified opinion on those statements on 30 March 2016.



Le Dinh Tu

Audit Partner

Audit Practising Registration Certificate

No. 0488-2013-001-1

For and on behalf of

DELOITTE VIETNAM COMPANY LIMITED

29 March 2017

Ho Chi Minh City, S.R. Vietnam

Loh Lee Heng

Auditor

Audit Practising Registration Certificate

No. 2231-2013-001-1

BALANCE SHEET

As at 31 December 2016

Assets	Notes	Closing balance		Opening balance	
		USD	VND million equivalent	USD	VND million equivalent
Cash on hand	4	9,295,543	205,980	9,542,304	208,881
Deposits with the State Bank of Vietnam	5	39,108,856	866,613	34,291,427	750,639
Deposits with other credit institutions	6	233,675,696	5,178,020	172,190,152	3,769,242
Lending to other credit institutions	7	136,302,073	3,020,318	108,693,924	2,379,310
Trading securities	8	148,355,547	3,287,411	44,470,569	973,461
<i>Trading securities</i>		149,338,371	3,309,189	45,416,110	994,159
<i>Provision for diminution in value of trading securities</i>		(982,824)	(21,778)	(945,541)	(20,698)
Derivatives and other financial assets	18	-	-	141,812	3,104
Loans to customers	9	838,325,139	18,576,447	644,028,263	14,097,779
<i>Loan to customer</i>		847,155,779	18,771,802	658,969,567	14,424,844
<i>Provision for loan losses</i>		(8,830,640)	(195,355)	(14,941,304)	(327,065)
Investment securities	10	229,669,770	5,089,253	187,784,007	4,110,592
<i>Available-for-sale securities</i>		155,920,016	3,455,032	101,551,710	2,222,967
<i>Held-to-maturity securities</i>		74,461,844	1,650,000	86,797,624	1,900,000
<i>Provision for diminution in value of investment securities</i>		(712,090)	(15,779)	(565,327)	(12,375)
Tangible fixed assets	11	11,154,035	247,162	10,851,182	237,533
Intangible assets	12	15,574,740	345,121	13,045,249	285,561
Other assets		49,952,525	1,106,897	16,949,759	371,030
<i>Other receivables</i>	13	12,342,730	273,502	6,098,417	133,494
<i>Accrued interest receivables</i>		11,935,665	264,482	9,576,148	209,622
<i>Other assets</i>	14	25,674,130	568,913	1,275,194	27,914
Total assets		1,711,413,924	37,923,222	1,241,988,648	27,187,132
Resources					
Deposits from other credit institutions	15	297,250,383	6,586,771	71,554,740	1,566,333
Borrowings from other credit institutions	16	163,504,974	3,623,107	69,663,504	1,524,934
Deposits from customers	17	1,000,009,914	22,159,220	866,200,296	18,961,124
Derivatives and other financial liabilities	18	2,692,079	59,654	-	-
Other liabilities		14,109,794	312,659	13,041,521	285,480
<i>Accrued interest payables</i>		9,575,806	212,190	9,086,156	198,896
<i>Other payables</i>	19	4,533,988	100,469	3,955,365	86,584
Equity and reserves	20	233,846,780	5,181,811	221,528,587	4,849,261
<i>Charter capital</i>		193,000,000	4,276,687	193,000,000	4,224,770
<i>Reserves</i>		24,674,341	546,759	21,891,812	479,212
<i>Retained earnings</i>		16,172,439	358,365	6,636,775	145,279
Total resources		1,711,413,924	37,923,222	1,241,988,648	27,187,132

The accompanying notes are an integral part of these financial statements

OFF-BALANCE SHEET ACCOUNTS

As at 31 December 2016

Notes	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Foreign exchange commitments	369,213,434	8,181,400	46,526,937	1,018,475
Currency spot purchase commitment	24,504,182	542,988	-	-
Currency swap commitment	344,709,252	7,638,412	46,526,937	1,018,475
Letters of credit	26,068,534	577,653	35,144,185	769,306
Other guarantess	88,788,104	1,967,456	52,229,109	1,143,295
	484,070,072	10,726,509	133,900,231	2,931,076



Huynh Trang Nha
Deputy Head of
Accounting Department



Tran Le Thuy
Chief Accountant



Yei-Fong Jan
General Director
29 March 2017

INCOME STATEMENT

For the year ended 31 December 2016

	Notes	Current year		Prior year	
		USD	VND million equivalent	USD	VND million equivalent
1. Interest and similar income	21	79,536,584	1,762,451	62,775,610	1,374,158
2. Interest expense and similar charges	22	(36,291,781)	(804,190)	(29,512,982)	(646,039)
I. Net interest and similar income		43,244,803	958,261	33,262,628	728,119
1. Fee and commission income		2,909,245	64,466	2,588,085	56,653
2. Fee and commission expense		(1,178,288)	(26,110)	(654,762)	(14,333)
II. Net fee and commission income	23	1,730,957	38,356	1,933,323	42,320
III. Net loss from dealing in foreign currencies	24	(2,254,772)	(49,963)	(939,073)	(20,556)
IV. Net gain from trading of securities	25	1,675,494	37,127	578,457	12,662
V. Net gain from trading of investment securities	26	3,181,529	70,500	1,676,801	36,705
1. Other operating income		267,219	5,921	441,662	9,668
2. Other operating expenses		(24,241)	(537)	(18,830)	(412)
VI. Gain from other activities	27	242,978	5,384	422,832	9,256
VII. Income from investments in other entities		95,040	2,106	193,774	4,242
VIII. General and administration expenses	28	(16,781,133)	(371,853)	(17,803,000)	(389,708)
IX. Net income before provision for credit losses		31,134,896	689,918	19,325,742	423,040
X. Provision for credit losses	9	(7,941,831)	(175,983)	(10,443,230)	(228,602)
XI. Profit before tax		23,193,065	513,935	8,882,512	194,438
XII. Current corporate income tax expense	29	(4,642,872)	(102,881)	(1,917,213)	(41,968)
XIII. Profit after tax		18,550,193	411,054	6,965,299	152,470


 Huynh Trang Nha
 Deputy Head of
 Accounting Department


 Tran Le Thuy
 Chief Accountant


 Yei-Fong Jan
 General Director
 29 March 2017



CASH FLOW STATEMENT

 For the year ended 31 December 2016
 (Under direct method)

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest and similar income received	77,177,067	1,710,167	61,748,105	1,346,160
Interest expense and similar charges paid	(35,802,131)	(793,339)	(26,026,208)	(566,107)
Fee and commission income received	1,730,957	38,356	1,933,323	42,320
Net gain on trading activities (foreign currencies and securities)	1,796,274	39,804	1,166,575	25,536
Receipts from other activities	427,024	9,462	1,729	32
Collections of bad debt previously written off	168,645	3,737	420,549	9,206
Cash paid to employees and related operating activities	(17,181,778)	(380,731)	(16,200,921)	(355,670)
Corporate income tax paid	(2,455,419)	(54,410)	(4,186,452)	(91,641)
Cash flows from operating activities before changes in operating assets and liabilities	25,860,639	573,046	18,856,700	409,836
Changes in operating assets				
Changes in deposits with and loans to other credit institutions	101,650,071	2,252,464	(195,841,479)	(4,310,154)
Changes in trading securities	(145,954,787)	(3,234,212)	(93,563,381)	(2,138,206)
Changes in loans to customers	(194,296,876)	(4,305,424)	(20,411,639)	(858,043)
Changes in derivatives and other financial assets	141,812	3,142	(141,812)	(3,104)
Utilisation of allowance for credit losses	(14,052,495)	(311,389)	(543,505)	(11,897)
Changes in other operating assets	(37,949,940)	(840,933)	(1,055,485)	(26,435)
Changes in operating liabilities				
Changes in deposits and borrowings from other credit institutions	319,537,113	7,080,623	(8,321,141)	(85,846)
Changes in deposits from customers	133,809,618	2,965,087	114,985,454	3,000,813
Changes in derivatives and other financial liabilities	2,692,079	59,654	(696,223)	(14,792)
Utilisation of reserves	(198,791)	(4,405)	(259,118)	(5,672)
Changes in other liabilities	(1,410,039)	(31,245)	(4,164,584)	(72,267)
Net cash from operating activities	189,629,613	4,206,408	(191,156,213)	(4,115,767)

CASH FLOW STATEMENT (Continued)

For the year ended 31 December 2016
(Under direct method)

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
CASH FLOW USED IN INVESTMENT ACTIVITIES				
1. Acquisition of fixed assets	4,474,347	99,147	(2,796,653)	(61,219)
2. Disposal of fixed assets	-	-	9,674	212
3. Receipts of dividends	95,040	2,106	193,774	4,242
Net cash used in investment activities	4,474,347	99,147	(2,786,979)	(61,007)
CASH FLOW USED IN FINANCING ACTIVITIES				
1. Dividends paid	(6,000,000)	(132,954)	(32,000,000)	(700,480)
Net cash used in financing activities	(6,000,000)	(132,954)	(32,000,000)	(700,480)
Net increase in cash and cash equivalents	188,103,960	4,172,601	(225,943,192)	(4,877,254)
Cash and cash equivalents at the beginning of the year	92,876,327	2,033,062	318,625,745	6,769,523
Effects of changes in foreign exchange rate	805,977	44,950	-	136,551
Cash and cash equivalents at the end of the year (Note 30)	281,786,264	6,250,613	92,682,553	2,028,820

Huynh Trang Nha
Deputy Head of
Accounting Department

Tran Le Thuy
Chief Accountant



Yei-Fong Jan
General Director
29 March 2017



NOTES TO THE FINANCIAL STATEMENTS

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

1. GENERAL INFORMATION

Indovina Bank Limited (the "Bank") was incorporated as a joint venture bank in Vietnam, of Vietnam Joint Stock Commercial Bank for Industry and Trade ("Vietinbank"), a bank incorporated in Vietnam, and Cathay United Bank ("CUB"), a bank incorporated in the Republic of China, under Banking Licence No. 08/NH-GP issued by the Governor of the State Bank of Vietnam on 29 October 1992 for 40 years. The Bank operates under the Business Registration Certificate No. 0300733752 issued by Department of Planning and Investment of Ho Chi Minh City on 11 May 1993, as amended.

According to the Decision No. 158/QĐ-NHNN dated 25 January 2017, the State Bank of Vietnam ("SBV") has approved to extend the operating period of the Bank to 99 years since 29 October 1992.

Principal activities

The principal activities of the Bank are to carry out banking activities which include mobilizing and receiving short-term, medium and long-term deposits from various organizations and individuals; lending short-term, medium and long-term loans to various organizations and individuals up to the nature and ability of the Bank's capital resources; conducting foreign currency transactions, international commercial service, discounting of commercial notes, bonds and valuable papers; providing settlement services between customers; and other banking services as approved by the State Bank of Vietnam.

Location and Networks

The Bank's Head Office is located at 97A Nguyen Van Troi Street, Ward 12, Phu Nhuan District, Ho Chi Minh City, Vietnam. As at 31 December 2016 and 2015, the Bank had one (1) Head Office, thirteen (13) branches, twenty (20) transaction offices located in cities and provinces in Vietnam.

The number of the Bank's employees as at 31 December 2016 was 731 (31 December 2015: 776).

Disclosure of information comparability in the financial statements

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

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR**2.1 Accounting convention**

The accompanying financial statements, expressed in United States Dollar ("USD"), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, accounting regime for credit institutions and legal regulations relating to financial reporting. The Bank's financial statements have been measured in USD as registered and approved by the State Bank of Vietnam according to the Official Letter No. 635/CV-NHNN2 dated 12 July 1999. The Board of Executives believes that the use of USD is necessary in order to reflect the economic substance of the underlying events and circumstances relevant to the Bank's business operations.

2.2 Translation of financial information into Vietnam Dong

The Bank uses USD as functional currency unit. For the purpose of compliance with the regulatory requirements under the guidance of SBV in case the functional currency other than VND, the Bank converted its financial statements prepared in USD into VND, rounded to the nearest million ("VND million") based on the following principles:

- Assets, liabilities and equity are translated into Vietnam Dong at the central rate ruling at the balance sheet date;
- Incomes and expenses are translated into Vietnam Dong at the central rate ruling at the balance sheet date; and



- Differences arising from these translations are recorded as foreign currency translation differences in Capital and reserves (Note 20).

The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

2.3 Financial year

The Bank's financial year begins on 1 January and ends on 31 December.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Estimates

The preparation of financial statements in conformity with Vietnamese Accounting Standards, accounting applicable for credit institutions and legal regulations relating to financial reporting requires the Board of Executives to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the financial year. Although these accounting estimates are based on the Board of Executives' best knowledge, actual results may differ from those estimates.

Financial instruments

Initial recognition

Financial assets: At the date of initial recognition, financial assets are recognized at cost plus transaction costs that are directly attributable to the acquisition of the financial assets. Financial assets of the Bank comprise cash on hand, deposits with the State Bank of Vietnam and other credit institutions, lending to other credit institutions, trading securities, derivatives and other financial assets, loans to customers, investment securities, other receivables and accrued interest receivables.

Financial liabilities: At the date of initial recognition financial liabilities are recognized at cost plus transaction costs that are directly attributable to the issue of the financial liabilities. Financial liabilities of the Bank comprise deposits and borrowings from other credit institutions, deposits from customers, derivatives and other financial liabilities, accrued interest payables and other payables.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and demand deposit at the State Bank of Vietnam, demand and term deposits with and lendings to other banks with an original maturity of three months or less.

Trading securities

Trading securities are debt securities, equity securities and other securities which are principally acquired and held for the purpose of selling in the short-term or if so designated by the Board of Executives.

Trading securities are recognized on a trade date basis and are initially measured at cost including directly attributable transaction costs. At the subsequent financial years, trading securities are measured at cost, less the amount of diminution in value of trading securities.

Gains or losses from trading securities are recognized in the income statement on a net basis.

Available-for-sale investment securities

Available-for-sale investment securities include debt and equity securities, which give the Bank power less than 20% of voting right, for the purpose of investment and that are ready for sale; these securities are not frequently traded but could be sold at any time once they are profitable, and the Bank is neither founding shareholder/strategic partner nor capable of controlling, to some extent, the process of initiating and approving financial and operational policies of the investee by a written agreement on delegating personnel to take part in the Board of Directors/Board of Executives.

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

Available-for-sale debt securities are initially recognised at par value as at the transaction date. Accumulative interest income before the purchasing date (for debt securities with interest paid in arrears) or interest income received upfront awaiting amortisation (for debt securities with interest paid in advance) is recorded in a separate account. Any discount or premium which is the difference between the cost and the amount equal to par value plus (+) accumulative interest income before the purchasing date for debt securities with interest paid in arrears or minus (-) interest income received upfront awaiting amortisation for debt securities with interest paid in advance is also recorded in a separate account.

Subsequently, available-for-sale debt securities are recorded at par value less/plus remaining discount/premium after being amortised to the income statement using the straight-line method over the remaining term of securities. Interest paid in arrears is recorded as follows: accumulative interest income before the purchasing date is recorded as a decrease in value of such securities and the same amount is credited into the accrued interest income; accumulative interest income after the purchasing date is recognised as the Bank's income based on an accrual basis. Interest received upfront is amortised to the income statement using the straight-line method over the investment period.

Periodically, available-for-sale securities will be reviewed for impairment. Provision for impairment risk is recognized in the statement of income into item "Net gain/ (loss) from trading of investment securities".

Gains or losses from available-for-sale securities are recognized in the statement of income on a net basis.

Held-to-maturity investment securities

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

Held-to-maturity securities are similarly recorded as available-for-sale securities.

Periodically, held-to-maturity securities will be reviewed for impairment. Provision for impairment risk is recognized in the statement of income into item "Net gain/(loss) from trading of investment securities".

Post-acquisition interest income of held-to-maturity securities is recognized in the income statement on an accruals basis. Pre-acquisition interest income of held-to-maturity securities is deducted against the cost of acquisition.

Provision for impairment in value of trading securities and investment securities

Debt classification and provision for unlisted corporate bonds are made in accordance with Circular 02 and Circular 09 (similar to the loans which are presented within section Loan and Provision for loan losses below).

Provision for diminution in value of other investments including trading securities and other investment securities are made in accordance with Official Letter No. 2601/NHNN-TCKT issued by the State Bank of Vietnam dated 14 April 2009 ("Official Letter 2601") and Circular No. 228/2009/TT-BTC issued by the Ministry of Finance dated 7 December 2009 ("Circular 228") and Circular No. 89/2013/TT-BTC issued by the Ministry of Finance dated 28 June 2013 ("Circular 89"). In case that the market value of securities cannot be determined, no provision has made for such securities.

Loans to customers

Loans are reported at their outstanding principal amounts and are adjusted for any write-offs and provision for loan losses.

Interest income and expenses

The Bank records interest income and expense on an accrual basis. Interest income from non-performing loans is not accrued and is recognized on actual collection basis. Interest income is derecognized when a loan becomes overdue and is recorded on the off-balance sheet. Interest income on overdue loan is recognized in the income statement on receipt.

Provision for loan losses

In accordance with Law of credit institutions No.47/2010/QH12 with effect from 1 January 2011, Decision No. 1627/2001/QD-NHNN dated 31 December 2001 issued by the Governor of the State Bank of Vietnam on issuing regulations on lending by credit institutions, Decision No. 127/2005/QD-NHNN dated 3 February 2005 on the amending and supplementing of several articles of the regulation on lending by credit institutions issued in conjunction with the Decision No. 1627/2001/QD-NHNN, Circular No. 02/2013/TT-NHNN dated 21 January 2013 ("Circular 02") on classification of assets, levels and method of setting up of risk provisions and use of provisions against credit risks in the banking activities of credit institutions, foreign bank branches issued by the Governor of the State Bank of Vietnam and Circular No. 09/2014/TT-NHNN dated 18 March 2014 ("Circular 09") on amending Circular 02 on classification of assets, levels and method of setting up of risk provisions, and use of provisions against credit risks in the banking activities of credit institutions, foreign bank branches issued by the Governor of the State Bank of Vietnam.

The classification and the provision for loan losses under Circular 02 and Circular 09 are made for assets comprising of:

- Loans;
- Financial leases;
- Discounts, rediscounts of negotiable instruments and other valuable papers;
- Factoring;
- Credit issuance under form of credit card issuance;
- Payments on behalf of someone under off-balance sheet commitments;
- Amounts in service for purchase and entrustment of purchase of unlisted corporate bonds on securities market or unregistered on trading market of unlisted public companies (Upcom) (hereinafter referred to as unlisted bonds), excluding purchase of unlisted bonds by entrustment capital sources which the entrusting party bears risks;
- Credit issuance entrustment;
- Deposits (excluding deposits for payment) at domestic credit institutions, foreign bank branches in Vietnam as prescribed by law and deposits at foreign credit institutions.

The Bank implements the classification of debts under quantitative method in accordance with Article 10 of Circular 02. Accordingly, loans to customers are graded using the following risk classifications: Current, Special-mentioned, Sub-standard, Doubtful and Loss based on the overdue status and other qualitative factors.

Credit risk exposure of loans to customers is calculated by subtracting the determined value of collateral which is subject to certain accepted discount rates in accordance with Circular 02 from the remaining value of loan.

Specific provision is established based on the net loan exposure of loans using the prescribed provision rates applicable to that loan classification as follows:

Group	Category	Provision rate
1	Current	0%
2	Special-mentioned	5%
3	Sub-standard	20%
4	Doubtful	50%
5	Loss	100%

Loans will be classified at the end of each quarter for the first three quarters and on 30 November for the last quarter of the financial year.

General provision is made for undetermined loan loss on classification of debts. Accordingly, the amount of general provision which have to set up is defined by 0.75% of total balances of debts from group 1 to group 4, except for deposits with domestic credit institutions, foreign bank branches in Vietnam as prescribed by law and deposits at foreign credit institutions and loans, purchases with defined term of valuable papers for other credit institutions, foreign bank branches in Vietnam.

The provision for loan loss is charged to the statement of income which comprises amounts written off during the year, net of recoveries on amounts written off in prior years and changes in provision in current year.

The Bank writes off loans if they are classified under Group 5 or if the borrowers are legal entities that are liquidated or go bankrupt, or if borrowers are individuals who pass away or are missing. The solution for this debt is made after the approval of Risk Settlement Committee of the Bank.

Fees and commission income

Fees and commission income consists of fees received for settlement services, treasury services, guarantees services, and other services. Fees on guarantees services are recognized on an accrual basis. Fees and commissions arising from settlement services, treasury services and other services are recognized on receipt.

Tangible fixed assets and depreciation

Tangibles fixed assets are stated at cost less accumulated depreciation. The cost of purchased tangible fixed assets comprises its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its intended use. Tangible fixed assets are depreciated using the straight-line method over their estimated useful lives as follows:

	Years
Office infrastructure	5 - 40
Office equipment	3 - 8
Motor vehicles	6

Intangible assets and amortization

Land use rights

Intangible assets represent land use rights that are stated at cost less accumulated amortisation. Land use rights are amortised using the straight-line method over the duration of the right to use the land. Land use rights which are granted for a definite term are amortised, using the straight-line method over the terms indicate in the land use right certificates. Land use rights which are granted for an indefinite term are carried out at cost and not amortised.

Computer software

Intangible assets represent computer software that are stated at cost less amortization. Computer software is amortized on a straight-line basis over the period from five to eight years.

Derivative financial instruments

Derivatives financial instruments represent the currency forward contracts and currency swap contracts.

For currency forward and swap contracts, the difference of VND amounts equivalent to the foreign currencies committed for trading between forward exchange rate and spot exchange rate as at effective date of the contract is recognized as "Derivative instruments and other financial assets" when it is positive, or as "Derivatives instruments and other financial liabilities" when it is negative. The difference is subsequently amortized in the income statement as "Net gain/ (loss) from trading foreign currencies" using the straight-line method over the term of the contracts.

Unrealized gains or losses due to foreign exchange difference as at the balance sheet date are recognized in income statement.

Other receivables

Other receivables apart from receivables from credit activities in the Bank's operations are initially recognised at cost and subsequently carried at cost.



Other receivables are subject to review for impairment provision which is made based on the overdue status or based on the expected loss for the following cases: institutional debtors which have fallen into bankruptcy or have been in the process of dissolution; or individual debtors who are missing, escaped, prosecuted, on trial or pass away even though loans are not overdue. The provision is recognized to "General and administrative expenditures" in the income statement.

According to Circular 228 and Circular 89, for overdue receivable debts, the level of provisions is:

<u>Overdue period</u>	<u>Provision ratios</u>
From six months to below one year	30%
From one year to below two years	50%
From two years to below 3 years	70%
From three years and above	100%

Off-balance sheet commitments and guarantees

In the ordinary course of business, the Bank always enters into various off-balance sheet financial commitments. These commitments are in the form of loan or bank overdraft which have been approved. The Bank also provides the financial guarantees to guarantee the contract performance process for the third parties. Such transactions are recorded in the interim financial statements when they are funded or when related fees are incurred or received.

According to Circular 02 and Circular 09, guarantee amounts, payment acceptance, lending commitments which are irrevocable (hereinafter referred to as off-balance sheet commitments) must be classified as prescribed in Article 10 and 11 of Circular 02 for management and supervise quality of credit extension activity. Accordingly, off-balance sheet financial commitments are graded from group 1 to group 5 by using the following risk classifications: Current, Special-mentioned, Sub-standard, Doubtful and Loss based on the overdue status and other qualitative factors. The Bank does not make the provision for those off-balance sheet financial commitments and guarantees.

Foreign currencies

The Bank maintains its accounting system and records all transactions in original currencies. Monetary assets and liabilities denominated in currencies other than USD at year-end are re-translated into USD using the exchange rate ruling at the balance sheet date. Income and expenses arising in currencies other than USD during the year are converted into USD at rates ruling at the transaction dates. Foreign exchange differences are recognized in the income statement.

Operating lease

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rental charges applicable to such operating leases are charged to the income statement as incurred over the lease term.

Management-entrusted assets

The assets held for the purpose of trusted management is not considered as the assets of the Bank and therefore not included in the financial statements of the Bank.

Other provisions

Other provisions are recognized when the Bank has a present obligation as a result of a past event, and it is probable that the Bank will be required to settle that obligation. Other provisions are measured at the Board of Executives' best estimate of the expenditure required to settle the obligation at the balance sheet date.

Benefits of the employees

Post-employment benefits: Post-employment benefits are paid to retired employees of the Bank by the Social Insurance Agency, which belongs to the Ministry of Labour, War Invalids and Social Affairs. The Bank is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 18% of an employee's basic salary on a monthly basic. In addition, the Bank has no further obligation.

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Voluntary resignation and retrenchment benefits

Voluntary registration: The Bank has the obligation, under Article 48 of the Vietnam Labor Code amended on 18 June 2012, to pay allowance arising from voluntarily resignation of employees, equal to one-half month's salary for each year of employment plus salary allowances (if any) for each year of employment. Working period serving as the basis for calculating severance allowance shall be the total actual working period subtracting the period when the employees have made unemployment insurance contributions as prescribed by law, and the working period when severance allowance has been paid to the employees. The average monthly salary used in this calculation will be the average monthly salary of the last six-month period up to the resignation date.

Retrenchment benefits: The Bank has the obligation, under Article 49 of the Vietnam Labour Code to pay allowance to employees who are retrenched as a result of organizational restructuring or technological changes. In such cases, the Bank shall pay to the employees an allowance for loss of work equivalent to the aggregate amount of one month's salary for each year of employment, but no less than two months' salary.

While the obligations under Section 48 and 49 are compulsory, the implementation of these Sections is subject to specific guidance issued by the Ministry of Finance in implementing circulars. In accordance with Circular No. 180/2012/TT-BTC dated 24 October 2012 providing the guidance in treatment of allowance, the Bank could directly record an allowance directly in general and administration expenses when incurred.

Unemployment allowance: According to Circular No. 04/2009/TT-BLDTBXH guiding the implementation of the Government's Decree No. 127/2008/ND-CP on unemployment insurance, the Bank is obliged to pay unemployment insurance at 1% of salary fund of each employee to pay simultaneously to the Unemployment Insurance Fund.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or deductible. It is calculated using the rate of 20% that has been enacted by the balance sheet date.

Deferred tax is recognized on significant differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using balance sheet liability method. Deferred tax liabilities are generally recognized for all temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

The determination of the tax currently payable and deferred tax is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examinations.

Other taxes are paid in accordance with the prevailing tax laws in Vietnam.

4. CASH ON HAND

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Cash on hand in Vietnam Dong	7,098,927	157,305	6,497,761	142,236
Cash on hand in other currencies	2,196,616	48,675	3,044,543	66,645
	9,295,543	205,980	9,542,304	208,881

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5. DEPOSITS WITH THE STATE BANK OF VIETNAM

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Deposits in Vietnam Dong	23,643,607	523,919	15,970,840	401,038
Deposits in other currencies	15,465,249	342,694	34,291,427	349,601
	39,108,856	866,613	34,291,427	750,639

Deposits with the State Bank of Vietnam as at 31 December 2016 and 31 December 2015 represent demand deposits and the compulsory reserves maintained in compliance with the provisions of Decision No. 379/QD-NHNN dated 24 February 2009, Decision No. 1925/QD-NHNN dated 26 August 2011 and Decision No. 1972/QD-NHNN dated 31 August 2011 issued by the State Bank of Vietnam.

The compulsory reserve per month is determined by the average compulsory reserve deposit balance of previous month multiplying by compulsory reserve ratios, respective to deposit's terms and currencies. The compulsory reserve ratios are as below:

Currencies and terms	31/12/2016	31/12/2015
Demand deposit and term deposit of less than 12 months in Vietnam Dong	3%	3%
Term deposit of greater than 12 months in Vietnam Dong	1%	1%
Demand deposit and term deposit of less than 12 months in foreign currencies	8%	8%
Term deposit of greater than 12 months in foreign currencies	6%	6%
Deposit in foreign currencies of oversea credit institutions	1%	1%

The compulsory reserve in December 2016 is VND million 419,197 (December 2015: VND million 343,925) and USD 15,040,550 (December 2015: USD 15,732,640), respectively.

6. DEPOSITS WITH OTHER CREDIT INSTITUTIONS

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Demand deposit				
In Vietnam Dong	183,820,582	4,073,280	6,468,434	141,594
In other currencies	12,069,903	267,457	21,153,422	463,048
	195,890,485	4,340,737	27,621,856	604,642
Time deposit				
In Vietnam Dong	20,285,211	449,500	4,568,296	100,000
In other currencies	17,500,000	387,783	140,000,000	3,064,600
	37,785,211	837,283	144,568,296	3,164,600
	233,675,696	5,178,020	172,190,152	3,769,242

7. LENDING TO OTHER CREDIT INSTITUTIONS

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Loans denominated in Vietnam Dong	13,538,517	300,000	29,693,924	650,000
Loans denominated in other currencies	122,763,556	2,720,318	79,000,000	1,729,310
	136,302,073	3,020,318	108,693,924	2,379,310

8. TRADING SECURITIES

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Equity securities				
Shares issued by local economic entities	2,875,294	63,714	2,910,628	63,714
Debt securities				
Government debt securities	81,381,101	1,803,324	18,293,513	400,445
Bonds issued by other local credit institutions	45,139,898	1,000,255	-	-
Bonds issued by other local economic entities	19,942,078	441,896	24,211,969	530,000
	149,338,371	3,309,189	45,416,110	994,159
Provision for trading securities				
General provision for credit losses	132,245	2,930	147,328	3,225
Provision for diminution in value of trading securities	850,579	18,848	798,213	17,473
	982,824	21,778	945,541	20,698
	148,355,547	3,287,411	44,470,569	973,461

Movement in general provision for credit losses of trading securities during the year as follows:

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Opening balance	147,328	3,225	17,650	375
Provision charged for the year	-	-	129,678	2,839
Provision reversed for the year	(15,083)	(334)	-	-
Foreign currency translation difference	-	39	-	11
Closing balance	132,245	2,930	147,328	3,225

Movement in provision for diminution in value of trading securities during the year as follows:

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Opening balance	798,213	17,473	947,823	20,137
Provision charged for the year	52,366	1,160	-	-
Provision reversed for the year	-	-	(149,610)	(3,275)
Foreign currency translation difference	-	215	-	611
Closing balance	850,579	18,848	798,213	17,473

Trading securities categorized by listed status are as follows:

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Equity securities				
Unlisted	2,875,294	63,714	2,910,628	63,714
Debt securities				
Listed	83,723,115	1,855,221	18,293,513	400,445
Unlisted	62,739,962	1,390,254	24,211,969	530,000
	149,338,371	3,309,189	45,416,110	994,159

Trading debt securities represent:

- Government debt securities with maturity between five years and fifteen years, earning interest from 5.2% to 8.7% per annum (2015: maturity of three years, earning interest from 5.8% to 5.9% per annum).

- Bonds issued by other local credit institutions with maturity between five years and ten years, earning interest from 8.8% to 9.18% per annum.

- Bonds issued by other local economic entities with maturity between two years and five years, earning interest from 9.5% to 10.18% per annum (2015: maturity between two year and five years, earning interest from 7.5% to 10.0% per annum).

9. LOANS TO CUSTOMERS

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Loans to local entities and individuals	847,155,779	18,771,802	658,964,357	14,424,730
Loans to oversea entities and individuals	-	-	5,210	114
	847,155,779	18,771,802	658,969,567	14,424,844

Loans to customers were analyzed as follows:

9.1 Analysis by term

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Short-term loans (within one year)	327,194,075	7,250,245	281,322,888	6,158,159
Medium-term loans (from one year to five years)	112,220,626	2,486,697	74,229,617	1,624,886
Long-term loans (above five years)	407,741,078	9,034,860	303,417,062	6,641,799
	847,155,779	18,771,802	658,969,567	14,424,844

9.2 Analysis by currency

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Loans denominated in Vietnam Dong	592,075,198	13,119,471	404,685,378	8,858,563
Loans denominated in other currencies	255,080,581	5,652,331	254,284,189	5,566,281
	847,155,779	18,771,802	658,969,567	14,424,844

9.3 Analysis by economic sectors

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Joint stock companies	353,476,858	7,832,694	198,799,185	4,351,714
Limited liability companies	213,735,746	4,735,847	163,673,402	3,582,811
State-owned enterprises	124,499,022	2,758,774	143,120,360	3,132,905
Foreign invested enterprise	95,072,285	2,106,707	99,507,157	2,178,212
Individuals	47,970,332	1,062,975	38,853,926	850,512
Private enterprises	12,401,536	274,805	15,015,537	328,690
	847,155,779	18,771,802	658,969,567	14,424,844

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9.4 **Analysis by loan group**

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Group 1 - Current	825,330,916	18,288,507	621,568,773	13,606,141
Group 2 - Special-mentioned	3,032,652	67,201	11,063,422	242,178
Group 3 - Sub-standard	264,086	5,852	223,111	4,884
Group 4 - Doubtful	154,335	3,420	10,240,110	224,156
Group 5 - Loss	18,373,790	406,822	15,874,151	347,485
	847,155,779	18,771,802	658,969,567	14,424,844

9.5 **Analysis by industry**

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Mining and processing	226,463,409	5,018,203	278,343,200	6,092,933
Trading and moto vehicle repairing	245,802,600	5,446,740	135,079,588	2,956,892
Contructions	91,760,758	2,033,327	61,815,638	1,353,144
Logistics	68,626,814	1,520,702	57,206,634	1,252,253
Accomodation and restaurant services	18,622,803	412,663	7,168,251	156,913
Real estate	6,589,907	146,026	6,280,425	137,479
Agriculture, forestry and aquatics	349,349	7,741	5,596,733	122,512
Health care and social support	5,481,447	121,140	5,642,527	123,515
Financial services	13,493,389	299,000	4,472,362	97,900
Electricity, oil and gas supply	26,655,545	590,660	4,142,727	90,684
Training and education	2,649	59	623,719	13,653
Administration and support services	109,677,991	2,430,355	169,027	3,700
Telecommunication	99,282	2,200	116,395	2,548
Technology, science and specialist	39,758	881	46,642	1,021
Others	33,490,078	742,105	92,265,699	2,019,697
	847,155,779	18,771,802	658,969,567	14,424,844

9.6 **Provision for credit losses**

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
General provision	5,906,954	130,892	4,430,145	96,976
Specific provision	2,923,686	64,463	10,511,159	230,089
	8,830,640	195,355	14,941,304	327,065

9.7 **Provision expense for credit losses**

General provision

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Beginning balance	4,430,145	96,976	4,432,418	94,171
Charge/(Reverse) for the year	1,476,809	32,725	(2,273)	(50)
Foreign currency translation difference	-	1,191	-	2,855
Closing balance	5,906,954	130,892	4,430,145	96,976

Specific provision

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Beginning balance	10,511,159	230,089	609,161	12,942
Charge for the year	6,465,022	143,258	10,445,503	228,652
Provision used to write-off bad debts during the year	(14,052,495)	(311,389)	(543,505)	(11,897)
Foreign currency translation difference	-	2,505	-	392
Closing balance	2,923,686	64,463	10,511,159	230,089

10. INVESTMENT SECURITIES

	Closing balance		Ending balance	
	USD	VND million equivalent	USD	VND million equivalent
Available-for-sale securities				
<i>Debt securities</i>				
Government debt securities (**)	95,775,796	2,122,296	101,551,710	2,222,967
Bonds issued by other local credit institutions (***)	30,810,766	682,736	-	-
Bonds issued by other local economic entities	29,333,454	650,000	-	-
<i>Provision for credit loss of available for sale securities</i>				
General provision	(322,136)	(7,138)	-	-
	155,597,880	3,447,894	101,551,710	2,222,967
Held-to-maturity securities				
<i>Debt securities</i>				
Bonds issued by other local credit institution (***)	31,589,873	700,000	-	-
Bonds issued by other local economic entities (*)	42,871,971	950,000	86,797,624	1,900,000
<i>Provision for credit loss of held-to-maturity securities</i>				
General provision	(389,954)	(8,641)	(565,327)	(12,375)
	74,071,890	1,641,359	86,232,297	1,887,625

Investment securities as at 31 December 2016 and 31 December 2015 are in performing status. Therefore, no specific provision is necessary.

Movement in general provision for credit losses of investment securities during the year as follows:

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Beginning balance	565,327	12,375	405,959	8,625
Charge for the year	146,763	3,252	159,368	3,489
Foreign currency translation difference	-	152	-	261
Closing balance	712,090	15,779	565,327	12,375

(*) Bonds issued by other local economic entities as at 31 December 2016 included an amount of USD 29,333,454 (equivalent to VND 650,000 million) (as at 31 December 2015: USD 86,797,624 (equivalent to VND 1,900 million)) are secured by shares, land use rights and assets financed by these bonds amounting to USD 45.650.604 (equivalent to VND 1,011,572 million) (as at 31 December 2015: 135,080,050 USD (equivalent to VND million 2,956,902)).

These bonds have maturity between one year and five years, earning interest from 9.23% to 11.65% per annum (2015: maturity between four years and five years, earning interest from 8.00% to 10.50% per annum).

(**) Government debt securities with maturity between three years and thirty years, earning interest from 5.20% to 8.70% per annum (as at 31 December 2015: maturity between one year and five years, earning interest from 5.20% to 11.35% per annum)

(***) Bonds issued by other local credit institutions with maturity of one year, earning interest from 6.50% to 11.00% per annum.

11. TANGIBLE FIXED ASSETS

	Office infrastructure USD	Office equipment USD	Motor Vehicles USD	Total USD
COST				
Opening balance	10,872,121	6,328,831	2,565,099	19,766,051
Additions	1,298,493	415,871	89,909	1,804,273
Disposals	(126,075)	(120,099)	(30,828)	(277,002)
Closing balance	<u>12,044,539</u>	<u>6,624,603</u>	<u>2,624,180</u>	<u>21,293,322</u>
ACCUMULATED DEPRECIATION				
Opening balance	2,683,233	4,571,131	1,660,505	8,914,869
Charge for the year	616,949	637,442	230,033	1,484,424
Disposals	(144,032)	(85,146)	(30,828)	(260,006)
Closing balance	<u>3,156,150</u>	<u>5,123,427</u>	<u>1,859,710</u>	<u>10,139,287</u>
NET BOOK VALUE				
Opening balance	<u>8,188,888</u>	<u>1,757,700</u>	<u>904,594</u>	<u>10,851,182</u>
Closing balance	<u>8,888,389</u>	<u>1,501,176</u>	<u>764,470</u>	<u>11,154,035</u>
	Office infrastructure VND million equivalent	Office equipment VND million equivalent	Motor Vehicles VND million equivalent	Total VND million equivalent
COST				
Opening balance	237,991	138,538	56,150	432,679
Additions	28,773	9,215	1,992	39,980
Disposals	(2,794)	(2,661)	(683)	(6,138)
Foreign currency translation difference	2,925	1,703	690	5,318
Closing balance	<u>266,895</u>	<u>146,795</u>	<u>58,149</u>	<u>471,839</u>
ACCUMULATED DEPRECIATION				
Opening balance	58,736	100,062	36,348	195,146
Charge for the year	13,671	14,125	5,097	32,893
Disposals	(3,192)	(1,887)	(683)	(5,762)
Foreign currency translation difference	722	1,230	448	2,400
Closing balance	<u>69,937</u>	<u>113,530</u>	<u>41,210</u>	<u>224,677</u>
NET BOOK VALUE				
Opening balance	<u>179,255</u>	<u>38,476</u>	<u>19,802</u>	<u>237,533</u>
Closing balance	<u>196,958</u>	<u>33,265</u>	<u>16,939</u>	<u>247,162</u>

As at 31 December 2016, the cost of the Bank's tangible fixed assets included a total amount of USD 6,212,819 (equivalent VND million 137,670) (as at 31 December 2015: USD 5,046,657 (equivalent VND million 110,471) in respect of fully depreciated assets which are still in use.

12. INTANGIBLE ASSETS

	Land use rights	Computer Software	Total
	USD	USD	USD
COST			
Opening balance	12,573,246	2,239,306	14,812,552
Additions	2,718,173	-	2,718,173
Disposals	-	(4,398)	(4,398)
Closing balance	<u>15,291,419</u>	<u>2,234,908</u>	<u>17,526,327</u>
ACCUMULATED AMORTIZATION			
Opening balance	241,903	1,525,400	1,767,303
Charge for the year	4,828	183,854	188,682
Disposals	-	(4,398)	(4,398)
Closing balance	<u>246,731</u>	<u>1,704,856</u>	<u>1,951,587</u>
NET BOOK VALUE			
Opening balance	<u>15,044,688</u>	<u>530,052</u>	<u>15,574,740</u>
Closing balance	<u>12,331,343</u>	<u>713,906</u>	<u>13,045,249</u>
	Land use rights	Computer Software	Total
	VND million equivalent	VND million equivalent	VND million equivalent
COST			
Opening balance	275,228	49,019	324,247
Additions	60,232	-	60,232
Disposals	-	(97)	(97)
Foreign currency translation difference	3,383	601	3,984
Closing balance	<u>338,843</u>	<u>49,523</u>	<u>388,366</u>
ACCUMULATED AMORTIZATION			
Opening balance	5,295	33,391	38,686
Charge for the year	107	4,074	4,181
Disposals	-	(97)	(97)
Foreign currency translation difference	65	410	475
Closing balance	<u>5,467</u>	<u>37,778</u>	<u>43,245</u>
NET BOOK VALUE			
Opening balance	<u>333,376</u>	<u>11,745</u>	<u>345,121</u>
Closing balance	<u>269,933</u>	<u>15,628</u>	<u>285,561</u>

As at 31 December 2016, the cost of the Bank's intangible assets included a total amount of USD 1,553,701 (equivalent VND million 34,428) (as at 31 December 2015: USD 1,293,437 (equivalent VND million 28,313) in respect of fully depreciated assets which are still in use.

13. OTHER RECEIVABLES

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Short-term deposits	351,653	7,792	357,559	7,827
Receivables from the SBV relating to Interest Subsidy Program	172,309	3,818	174,426	3,818
Construction in progress	2,295,377	50,863	3,580,204	78,371
Advances for operating activities	11,127	247	2,088	46
Overpaid corporate income tax	-	-	1,580,197	34,591
Receivables from selling investment securities (*)	9,112,726	201,929	-	-
Other receivables	399,538	8,853	403,943	8,841
	<u>12,342,730</u>	<u>273,502</u>	<u>6,098,417</u>	<u>133,494</u>

14. OTHER ASSETS

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Prepaid expenses	3,012,409	66,752	1,162,066	25,438
Office tools and supplies	97,544	2,161	113,128	2,476
Entrusted investment (*)	22,564,177	500,000	-	-
	25,674,130	568,913	1,275,194	27,914

(*) Entrusted investments present the entrustment to other local credit institution to invest for the specific purpose in the investment entrustment agreement. The Bank will act as investor and bear risk associated with the entrusted investment.

15. DEPOSITS FROM OTHER CREDIT INSTITUTIONS

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
<u>Demand deposits</u>				
In Vietnam Dong	183,364,047	4,063,164	1,582,233	34,635
In other currencies	1,145,599	25,385	526,641	11,528
	184,509,646	4,088,549	2,108,874	46,163
<u>Time deposits</u>				
In Vietnam Dong	54,740,737	1,213,000	16,445,866	360,000
In other currencies	58,000,000	1,285,222	53,000,000	1,160,170
	112,740,737	2,498,222	69,445,866	1,520,170
	297,250,383	6,586,771	71,554,740	1,566,333

16. BORROWINGS FROM OTHER CREDIT INSTITUTIONS

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
In Vietnam Dong	17,180,378	380,700	-	-
In other currencies	146,324,596	3,242,407	69,663,504	1,524,934
	163,504,974	3,623,107	69,663,504	1,524,934

17. DEPOSITS FROM CUSTOMERS

By type of term deposit

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
<u>Demand deposits</u>				
In Vietnam Dong	234,660,877	5,199,850	168,102,789	3,679,770
In other currencies	122,190,209	2,707,613	143,563,538	3,142,606
<u>Time deposits</u>				
In Vietnam Dong	584,603,370	12,954,226	485,360,502	10,624,541
In other currencies	57,034,340	1,263,824	65,913,331	1,442,842
<u>Margin deposits</u>				
In Vietnam Dong	1,323,132	29,319	1,640,468	35,910
In other currencies	197,986	4,388	1,619,668	35,455
	1,000,009,914	22,159,220	866,200,296	18,961,124

By type of customer

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Economic entities	651,897,460	14,445,396	603,954,324	13,220,560
Individuals	348,112,454	7,713,824	262,245,972	5,740,564
	1,000,009,914	22,159,220	866,200,296	18,961,124

18. DERIVATIVES AND OTHER FINANCIAL ASSETS/ FINANCIAL LIABILITIES

Closing balance	Net contract value (at the foreign exchange rate at 31 December)	
	USD	VND million Equivalent
Foreign currency forward contracts	(1,231,318)	(27,285)
Foreign currency swap contracts	(1,460,761)	(32,369)
	(2,692,079)	(59,654)

Opening balance	Net contract value (at the foreign exchange rate at 31 December)	
	USD	VNDm Equivalent
Foreign currency swap contracts	141,812	3,104
	141,812	3,104

19. OTHER PAYABLES

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Deferred interest income from bonds	233,046	5,164	1,985,316	43,459
Remittance payable	3,126,911	69,289	1,218,543	26,674
Bonus and welfare fund	292,465	6,481	257,715	5,641
Payables to other credit institution relating to ATM transaction	171,897	3,809	233,674	5,115
Escrow fund	34,481	764	198,587	4,347
Taxes payable (Note 32)	669,887	14,844	51,496	1,127
Other payables	5,301	118	10,034	221
	4,533,988	100,469	3,955,365	86,584

20. EQUITY AND RESERVES

	Charter capital	Reserves to supplement contributed capital	Financial reserve	Investment and development reserve	Retained earnings	Total
	USD	USD	USD	USD	USD	USD
Prior year's opening balance	193,000,000	7,111,914	13,570,550	199,380	13,988,412	227,870,256
Profit for the year	-	-	-	-	6,965,299	6,965,299
Transfer to statutory reserves	-	348,265	661,703	-	(1,009,968)	-
Transfer to bonus and welfare fund	-	-	-	-	(307,000)	(307,000)
Profits distribution	-	-	-	-	(13,000,000)	(13,000,000)
Other adjustments	-	-	-	-	(6,819)	(6,819)
Other movements	-	-	-	-	6,851	6,851
Prior year's closing balance	193,000,000	7,460,179	14,232,253	199,380	6,636,775	221,528,587
Profit for the year	-	-	-	-	18,550,193	18,550,193
Transfer to statutory reserves	-	927,510	1,855,019	-	(2,782,529)	-
Profits distribution (*)	-	-	-	-	(6,000,000)	(6,000,000)
Other movements	-	-	-	-	(232,000)	(232,000)
Current year's closing balance	193,000,000	8,387,689	16,087,272	199,380	16,172,439	233,846,780

	Charter capital	reserves to supplement contributed capital	Financial reserve	investment and development reserve	Retained earnings	Total
	VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent
Prior year's opening balance	4,100,478	151,099	288,320	4,237	297,198	4,841,332
Profit for the year	-	-	-	-	152,470	152,470
Transfer to statutory reserves	-	7,624	14,485	-	(22,109)	-
Transfer to bonus and welfare fund	-	-	-	-	(6,720)	(6,720)
Profits distribution	-	-	-	-	(284,570)	(284,570)
Other adjustments	-	-	-	-	(149)	(149)
Other movements	-	-	-	-	150	150
Foreign currency translation difference	124,292	4,581	8,739	127	9,009	146,748
Prior year's closing balance	4,224,770	163,304	311,544	4,364	145,279	4,849,261
Profit for the year	-	-	-	-	411,054	411,054
Transfer to statutory reserves	-	20,553	41,105	-	(61,658)	-
Profits distribution (*)	-	-	-	-	(132,954)	(132,954)
Other movements	-	-	-	-	(5,141)	(5,141)
Foreign currency translation difference	51,917	2,006	3,829	54	1,785	59,591
Current year's closing balance	4,276,687	185,863	356,478	4,418	358,365	5,181,811

The Bank's charter capital is USD 193,000,000. Charter capital has been fully contributed by the owners as at 31 December 2016 and 31 December 2015.

(*) On 16 April 2016, the Board Members of the Bank has resolved to distribute prior year's profit amounting to USD 6,000,000 (equivalent VND 132,954 million) (2015: USD 13,000,000 (equivalent VND million 284,570) to owners.

Under the term of its registration, the Bank is required to create the following reserves:

- 5% of the annual net profit after tax as a supplemental capital reserve but the fund shall not exceed the allotted or registered capital.
- 10% of the annual net profit after tax as a financial reserve fund but the fund shall not exceed 25% of the allotted or registered capital.

21. INTEREST AND SIMILAR INCOME

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
From loans	57,109,545	1,265,490	42,863,552	938,283
From deposits	2,201,785	48,789	7,625,498	166,922
From guarantees	19,300,538	427,681	11,294,440	247,235
From guarantee	924,716	20,491	981,762	21,491
Others	-	-	10,358	227
	79,536,584	1,762,451	62,775,610	1,374,158

22. INTEREST EXPENSES AND SIMILAR CHARGES

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
For deposits from other credit institution and customers	34,820,411	771,585	28,997,723	634,760
For borrowings from other credit institutions	1,471,370	32,605	515,259	11,279
	36,291,781	804,190	29,512,982	646,039

23. NET FEE AND COMMISSION INCOME

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Fee and commission income				
Settlement services	2,484,686	55,058	2,330,076	51,005
Treasury services	144,978	3,213	117,763	2,578
Other services	279,581	6,195	140,246	3,070
	<u>2,909,245</u>	<u>64,466</u>	<u>2,588,085</u>	<u>56,653</u>
Fee and commission expense				
Settlement services	(795,573)	(17,629)	(583,430)	(12,772)
Treasury services	(161,736)	(3,584)	(64,572)	(1,413)
Other services	(220,979)	(4,897)	(6,760)	(148)
	<u>(1,178,288)</u>	<u>(26,110)</u>	<u>(654,762)</u>	<u>(14,333)</u>
	<u>1,730,957</u>	<u>38,356</u>	<u>1,933,323</u>	<u>42,320</u>

24. NET LOSS FROM DEALING IN FOREIGN CURRENCIES

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Gain from trading foreign currency spot	3,172,215	70,293	1,813,636	39,700
Loss from trading foreign currency spot	(827,089)	(18,327)	(1,247,494)	(27,308)
Gain from derivatives	825,212	18,286	880,544	19,275
Loss from derivatives	(5,425,110)	(120,215)	(2,385,759)	(52,223)
	<u>(2,254,772)</u>	<u>(49,963)</u>	<u>(939,073)</u>	<u>(20,556)</u>

25. NET GAIN FROM TRADING SECURITIES

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Net gain from trading securities	1,712,777	37,953	558,525	12,226
Reverse provision for trading securities	15,083	334	149,610	3,275
Provision expense for trading securities	(52,366)	(1,160)	(129,678)	(2,839)
	<u>1,675,494</u>	<u>37,127</u>	<u>578,457</u>	<u>12,662</u>

26. NET GAIN FROM TRADING OF INVESTMENT SECURITIES

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Net gain from investment securities	3,328,292	73,752	1,836,169	40,194
Provision expense for investment securities	(146,763)	(3,252)	(159,368)	(3,489)
	<u>3,181,529</u>	<u>70,500</u>	<u>1,676,801</u>	<u>36,705</u>

27. GAIN FROM OTHER ACTIVITIES

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Other income				
- Collection of bad debt previously written off	168,665	3,737	420,549	9,206
- Proceeds from disposals of fixed assets	-	-	9,674	212
- Other income	98,554	2,184	11,439	250
	<u>267,219</u>	<u>5,921</u>	<u>441,662</u>	<u>9,668</u>
Other expenses				
- Net book value of fixed assets disposed	(16,993)	(377)	(9,120)	(200)
- Other expenses	(7,248)	(160)	(9,710)	(212)
	<u>(24,241)</u>	<u>(537)</u>	<u>(18,830)</u>	<u>(412)</u>
Net gain from other activities	<u>242,978</u>	<u>5,384</u>	<u>422,832</u>	<u>9,256</u>

28. GENERAL AND ADMINISTRATION ON EXPENSES

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Tax, duties and fees	77,938	1,727	56,350	1,234
Employee expense	-	-	-	-
- Salary and allowance	5,504,708	121,979	5,381,527	117,802
- Bonus	1,064,654	23,592	1,840,600	40,291
- Other expenses for employees	2,384,452	52,837	2,083,646	45,611
Asset relating expenditures	-	-	-	-
- Depreciation and mortization charges	1,673,107	37,074	1,602,079	35,070
- Asset leasing	1,299,071	28,786	1,319,846	28,891
- Office material expenses	48,819	1,082	47,854	1,048
- Maintainance and repairing expenses	880,249	19,505	926,365	20,278
- Tools and equipment expenses	243,088	5,387	175,239	3,836
Administration expenses	-	-	-	-
- Marketing, promotion and printing expenses	878,586	19,469	1,520,193	33,277
- Travelling expenses	206,189	4,569	282,903	6,193
- Non deductible value added tax	308,129	6,828	344,751	7,547
- Telecommunication expenses	306,052	6,782	325,306	7,121
- Office material expenses	123,912	2,746	641,037	14,032
- Electric, water and hygiene	441,840	9,791	329,796	7,219
- Oil and gas expenses	110,932	2,458	166,223	3,639
- Expenses on research and application of technological science, innovation, improvement	185,632	4,113	-	-
- Other expenses	695,444	15,409	482,014	10,550
Insurance for customer deposits	348,331	7,719	277,271	6,069
	<u>16,781,133</u>	<u>371,853</u>	<u>17,803,000</u>	<u>389,708</u>

29. CURRENT CORPORATE INCOME TAX EXPENSE

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Profit before tax	23,193,065	513,935	8,882,512	194,438
<i>Less: Adjustments to decrease profit before tax</i>	<i>(121,079)</i>	<i>(2,683)</i>	<i>(233,363)</i>	<i>(5,108)</i>
<i>Add: Adjustments to increase profit before tax</i>	<i>142,372</i>	<i>3,155</i>	<i>65,454</i>	<i>1,433</i>
Taxable profit	23,214,358	514,407	8,714,603	190,763
Tax rate	20%	20%	22%	22%
Current corporate income tax expense	4,642,872	102,881	1,917,213	41,968

30. CASH AND CASH EQUIVALENT

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Cash on hand	9,295,543	205,980	9,542,304	208,881
Deposits with the State Bank of Vietnam	39,108,856	866,613	34,291,427	750,639
Deposits with and loans to other credit institutions (with terms of 3 months or less)	233,675,696	5,178,020	49,042,596	1,073,542
	282,080,095	6,250,613	92,876,327	2,033,062

31. EMPLOYEES' REMUNERATION

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Average number of employees	731	731	776	776
Employees' remuneration				
<i>Total salary fund</i>	<i>5,504,708</i>	<i>121,979</i>	<i>5,381,527</i>	<i>117,802</i>
<i>Bonus</i>	<i>1,064,654</i>	<i>23,592</i>	<i>1,840,600</i>	<i>40,291</i>
<i>Other remuneration</i>	<i>463,756</i>	<i>10,276</i>	<i>498,538</i>	<i>10,913</i>
Total remuneration	7,033,118	155,847	7,720,665	169,006
Average annual salary/employee	7,530	167	6,935	152
Average annual remuneration/employee	9,621	213	9,949	218

32. OBLIGATIONS TO THE STATE'S BUDGET

	Opening balance	Movement during the year		Closing balance
		Payables	Paid	
	USD	USD	USD	USD
Value Added Tax	27,897	260,120	264,264	23,753
Corporate Income Tax	(1,580,197)	4,642,871	2,455,419	607,255
Personal Income Tax	22,227	21,524	10,146	33,605
Foreign Contractor Tax	1,372	75,241	71,339	5,274
Total	(1,528,701)	4,999,756	2,801,168	669,887

	Opening	Movement during the year		Foreign	Closing
	balance	Payables	Paid	translation	balance
	VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent
Value Added Tax	610	5,764	5,856	8	526
Corporate Income Tax	(34,591)	102,881	54,410	(424)	13,456
Personal Income Tax	487	477	225	6	745
Foreign Contractor Tax	30	1,667	1,581	1	117
Total	(33,464)	110,789	62,072	(409)	14,844

33. TYPE AND VALUE OF COLLATERALS RECEIVED FROM CUSTOMERS

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Real estates	770,987,364	17,084,309	552,922,644	12,103,477
Machinery and equipment	171,639,153	3,803,352	330,487,763	7,234,377
Inventories	53,320,412	1,181,527	112,086,608	2,453,576
Shares and valuable papers	161,254,073	3,573,229	94,513,596	2,068,903
Others	342,577,959	7,591,185	137,754,246	3,015,440
	1,499,778,961	33,233,602	1,227,764,857	26,875,773

34. CONCENTRATION OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS BY GEOGRAPHICAL REGIONS

	Total loan	Total deposit	Credit	Derivatives	Trading and
	balances	balances	commitments	USD	investment
	USD	USD	USD	USD	securities
					USD
Domestic	983,457,852	1,114,681,560	114,856,638	(2,692,079)	379,720,231
Overseas	-	182,578,737	-	-	-
	983,457,852	1,297,260,297	114,856,638	(2,692,079)	379,720,231
	Total loan	Total deposit	Credit	Derivatives	Trading and
	balances	balances	commitments	VND million	investment
	VND million	VND million	VND million	VND million	securities
	equivalent	equivalent	equivalent	equivalent	equivalent
Domestic	21,792,120	24,700,229	2,545,108	(59,654)	8,414,221
Overseas	-	4,045,762	-	-	-
	21,792,120	28,745,991	2,545,108	(59,654)	8,414,221

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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35. FINANCIAL RISK MANAGEMENT

a. Interest rate risk

The Bank has significant interest rate risks arising from interest bearing loans which are arranged. The Bank is exposed to interest rate risk as the Bank borrows funds at both fixed and floating interest rates. The risk is managed by the Bank by maintaining an appropriate mix between fixed and floating rate borrowings.

As at 31 December 2016	Non-interest bearing		Up to		1-3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Total
	Overdue	USD	1 month	USD						
Assets										
Cash on hand	-	9,295,543	-	-	-	-	-	-	-	9,295,543
Deposits with the State Bank of Vietnam	-	39,108,856	-	-	-	-	-	-	-	39,108,856
Deposits and lendings to other credit institutions (*)	-	-	255,347,539	-	-	60,531,268	54,098,962	-	-	369,977,769
Trading securities (*)	-	2,875,294	-	-	-	-	-	19,942,078	126,520,999	149,338,371
Loans to customers (*)	22,947,422	-	1,005,973	320,041,884	503,160,500	-	-	-	-	847,155,779
Investment securities (*)	-	-	-	31,589,873	9,025,678	20,088,787	121,722,203	47,955,319	-	230,381,860
Fixed assets	-	26,728,775	-	-	-	-	-	26,728,775	-	26,728,775
Other assets (*)	-	49,952,525	-	-	-	-	-	-	-	49,952,525
Total assets	22,947,422	127,960,993	256,353,512	351,631,757	572,717,446	74,187,749	141,664,281	201,205,093	1,721,939,478	
Liabilities										
Deposits and borrowings from other credit institutions	-	184,509,646	158,525,732	90,430,886	11,050	20,329,964	6,948,079	-	-	460,755,357
Deposits from customers	-	-	614,455,285	162,486,669	92,111,706	114,016,708	16,939,546	-	-	1,000,009,914
Derivatives and other financial liabilities	-	-	-	2,692,079	-	-	-	-	-	2,692,079
Other liabilities	-	14,109,794	-	-	-	-	-	-	-	14,109,794
Total liabilities	-	198,619,440	772,981,017	255,609,634	92,122,756	134,346,672	23,887,625	-	1,477,567,144	
Interest gap of balance sheet items	22,947,422	(70,658,447)	(516,627,505)	96,022,123	480,594,690	(60,158,923)	117,776,656	174,476,318	244,372,334	
Total interest gap	22,947,422	(70,658,447)	(516,627,505)	96,022,123	480,594,690	(60,158,923)	117,776,656	174,476,318	244,372,334	

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As at 31 December 2016	Overdue		Non-interest bearing		Up to 1 month		1-3 months		3-6 months		6-12 months		1-5 years		Over 5 years		Total		
	VND million	equivalent	VND million	equivalent	VND million	equivalent	VND million	equivalent	VND million	equivalent	VND million	equivalent	VND million	equivalent	VND million	equivalent	VND million	equivalent	
Assets																			
Cash on hand	-		205,980		-		-		-		-		-		-		205,980		
Deposits with the State Bank of Vietnam	-		866,613		-		-		-		-		-		-		866,613		
Deposits and lendings to other credit institutions (*)	-		-		5,658,246		-		1,341,312		1,198,780		-		-		8,198,338		
Trading securities (*)	-		63,714		-		-		-		-		441,897		2,803,578		3,309,189		
Loans to customers (*)	508,169		-		22,291		7,091,808		11,149,534		-		-		-		18,771,802		
Investment securities (*)	-		-		-		700,000		200,000		445,147		1,062,642		592,283		5,105,032		
Fixed assets	-		592,283		-		-		-		-		-		-		592,283		
Other assets (*)	-		1,106,897		-		-		-		-		-		-		1,106,897		
Total assets	508,169		2,835,487		5,680,537		7,791,808		12,690,846		1,643,927		3,139,140		4,458,503		38,156,134		
Liabilities																			
Deposits and borrowings from other credit institutions	-		4,088,549		3,512,772		2,003,858		245		450,492		153,962		-		10,209,878		
Deposits from customers	-		-		13,615,715		3,600,542		2,041,103		2,526,496		375,364		-		22,159,220		
Derivatives and other financial liabilities	-		-		-		59,654		-		-		-		-		59,654		
Other liabilities	-		312,659		-		-		-		-		-		-		312,659		
Total liabilities	-		4,401,208		17,128,487		5,664,054		2,041,348		2,976,988		529,326		-		32,741,411		
Interest gap of balance sheet items	508,169		(1,565,721)		(11,447,950)		2,127,754		10,649,498		(1,333,061)		2,609,814		3,866,220		5,414,723		
Total interest gap	508,169		(1,565,721)		(11,447,950)		2,127,754		10,649,498		(1,333,061)		2,609,814		3,866,220		5,414,723		

(*): the above balances exclude provision.

Interest rate sensitivity

The Bank has not performed interest sensitivity analysis for the year ended 31 December 2016 due to the insufficiency of input database system.

b. Liquidity risk

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations. Liquidity is also managed by ensuring that the excess of maturing liabilities over maturing assets in any year is kept to manageable levels relative to the amount of funds that the Bank believes can generate within that year. The Bank's policy is to regularly monitor current and expected liquidity requirements to ensure that the Bank maintains sufficient reserves of cash, borrowings and adequate committed funding from its owners to meet its liquidity requirements in the short and longer term. The table below analyzed the Bank's assets and liabilities into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date.

As at 31 December 2016	Overdue		Current					Total
	Over 3 months USD	Up to 3 months USD	Up to 1 month USD	1-3 months USD	3-12 months USD	1-5 years USD	Over 5 years USD	
Assets								
Cash on hand	-	-	9,295,543	-	-	-	-	9,295,543
Deposits with the State Bank of Vietnam	-	-	39,108,856	-	-	-	-	39,108,856
Deposits and lendings to other credit institutions (*)	-	-	255,347,539	-	114,630,230	-	-	369,977,769
Trading securities (*)	-	-	2,875,294	-	-	19,942,078	126,520,999	149,338,371
Loans to customers (*)	22,190,168	757,254	33,318,156	118,054,037	249,099,713	234,155,680	189,580,771	847,155,779
Investment securities (*)	-	-	-	31,589,873	29,114,465	121,722,203	47,955,319	230,381,860
Fixed assets	-	-	-	-	-	-	26,728,775	26,728,775
Other assets (*)	-	-	49,952,525	-	-	-	-	49,952,525
Total assets	22,190,168	757,254	389,897,913	149,643,910	392,844,408	375,819,961	390,785,864	1,721,939,478
Liabilities								
Deposits and borrowings from other credit institutions	-	-	343,035,378	90,430,886	20,341,014	6,948,079	-	460,755,357
Deposits from customers	-	-	614,455,285	162,486,669	206,128,414	16,939,546	-	1,000,009,914
Derivatives and other financial liabilities	-	-	-	2,692,079	-	-	-	2,692,079
Other liabilities	-	-	14,109,794	-	-	-	-	14,109,794
Total liabilities	-	-	971,600,457	255,609,634	226,469,428	23,887,625	-	1,477,567,144
Net liquidity gap	22,190,168	757,254	(581,702,544)	(105,965,724)	166,374,980	351,932,336	390,785,864	244,372,334

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

As at 31 December 2016	Overdue		Current					Total
	Over 3 months VND million equivalent	Up to 3 months VND million equivalent	1-3 months VND million equivalent	3-12 months VND million equivalent	1-5 years VND million equivalent	Over 5 years VND million equivalent	Total VND million equivalent	
Assets								
Cash on hand	-	-	205,980	-	-	-	-	205,980
Deposits with the State Bank of Vietnam	-	-	866,613	-	-	-	-	866,613
Deposits and lendings to other credit institutions (*)	-	-	5,658,246	2,540,092	-	-	-	8,198,338
Trading securities (*)	-	-	63,714	-	441,897	-	-	3,309,189
Loans to customers (*)	491,389	16,780	738,297	5,519,801	5,188,656	4,200,920	-	18,771,802
Investment securities (*)	-	-	700,000	645,147	2,697,243	1,062,642	-	5,105,032
Fixed assets	-	-	-	-	-	592,283	-	592,283
Other assets (*)	-	-	1,106,897	-	-	-	-	1,106,897
Total assets	491,389	16,780	8,639,747	3,315,959	8,327,796	8,659,423	8,659,423	38,156,134
Liabilities								
Deposits and borrowings from other credit institutions	-	-	7,601,321	450,737	153,962	-	-	10,209,878
Deposits from customers	-	-	13,615,715	3,600,542	375,364	-	-	22,159,220
Derivatives and other financial liabilities	-	-	-	4,567,599	-	-	-	59,654
Other liabilities	-	-	312,659	-	-	-	-	312,659
Total liabilities	-	-	21,529,695	5,664,054	529,326	-	-	32,741,411
Net liquidity gap	491,389	16,780	(12,889,948)	(2,348,095)	7,798,470	8,659,423	8,659,423	5,414,723

(*): the above balances exclude provision.

INDOVINA BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)

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c. Currency risk

The Bank undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Bank does not hedge this risk due to the lack of any market to purchase such instruments. The carrying amounts of the Bank's foreign currency denominated monetary assets and monetary liabilities at the end of the financial year are as follows:

As at 31 December 2016	VND		USD		EUR		Other currencies		Total	
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Assets										
Cash on hand	7,098,927	2,194,491			2,125	-				9,295,543
Deposits with the State Bank of Vietnam	23,643,607	15,465,249			-	-				39,108,856
Deposits and lendings to other credit institutions (*)	236,432,365	132,374,121			637,309	533,974				369,977,769
Trading securities (*)	149,338,371	-			-	-				149,338,371
Loans to customers (*)	592,075,198	255,080,581			-	-				847,155,779
Investment securities (*)	230,381,860	-			-	-				230,381,860
Fixed assets	-	26,728,775			-	-				26,728,775
Other assets (*)	42,864,324	7,088,201			-	-				49,952,525
Total assets	1,281,834,652	438,931,418			639,434	533,974				1,721,939,478
Liabilities and owners' equity										
Deposits and borrowings from other credit institutions	255,285,163	205,470,194			-	-				460,755,357
Deposits from customers	820,590,361	178,729,716			598,694	91,143				1,000,009,914
Derivatives and other financial liabilities	2,692,079	-			-	-				2,692,079
Other liabilities	-	4,176,606			43	9,933,145				14,109,794
Equity and reserves	-	233,846,780			-	-				233,846,780
Total liabilities and owners' equity	1,078,567,603	622,223,296			598,737	10,024,288				1,711,413,924
Net on-balance sheet position	203,267,049	(183,291,878)			40,697	(9,490,314)				10,525,554
Total position	203,267,049	(183,291,878)			40,697	(9,490,314)				10,525,554

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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As at 31 December 2016

	VND	USD	EUR	Other currencies	Total
	VND million equivalent	VND million equivalent	EUR million equivalent	VND million equivalent	VND million equivalent
Assets					
Cash on hand	157,305	48,628	47	-	205,980
Deposits with the State Bank of Vietnam	523,919	342,694	-	-	866,613
Deposits and lendings to other credit institutions (*)	5,239,105	2,933,278	14,122	11,833	8,198,338
Trading securities (*)	3,309,189	-	-	-	3,309,189
Loans to customers (*)	13,119,471	5,652,331	-	-	18,771,802
Investment securities (*)	5,105,032	-	-	-	5,105,032
Fixed assets	-	592,283	-	-	592,283
Other assets (*)	949,830	157,067	-	-	1,106,897
Total assets	28,403,851	9,726,281	14,169	11,833	38,156,134
Liabilities and owners' equity					
Deposits and borrowings from other credit institutions	5,656,864	4,553,014	-	-	10,209,878
Deposits from customers	18,183,462	3,960,472	13,266	2,020	22,159,220
Derivatives and other financial liabilities	59,654	-	-	-	59,654
Other liabilities	-	92,549	1	220,109	312,659
Equity and reserves	-	5,181,811	-	-	5,181,811
Total liabilities and owners' equity	23,899,980	13,787,846	13,267	222,129	37,923,222
Net on-balance sheet position	4,503,871	(4,061,565)	902	(210,296)	232,912
Total position	4,503,871	(4,061,565)	902	(210,296)	232,912

(*): the above balances exclude provision.

36. CONTINGENT LIABILITIES AND COMMITMENTS

In normal course of business, the Bank is a party to use financial instrument which are recorded as off balance sheet items. These financial instruments mainly comprise financial guarantees and commercial letters of credit. These instruments involve elements of credit risk apart from those recognized in the balance sheet.

Credit risk for off balance sheet financial instruments is defined as the possibility of sustaining a loss because any other party to a financial instrument fails to perform in accordance with the terms of the contract.

Financial guarantees are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party including guarantee for borrowings, settlement, and contract performance and biddings, etc. The credit risk involved in issuing guarantees is essentially the same as that involved in extending facilities to customers; other guarantees have risk concentration at low level.

Letter of credit (L/C) transaction is a transaction where the Bank issues financial guarantees to the customers (buyer or importer as usual) in which the seller or exporter is the beneficiary.

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

Detail of contingent liabilities and commitments as at balance sheet date are as follows:

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Currency spot purchase commitment	24,504,182	542,988	-	-
Currency swap commitment	344,709,252	7,638,412	46,526,937	1,018,475
Outstanding letters of credit	26,068,534	577,653	35,144,185	769,306
Other guarantess	88,788,104	1,967,456	52,229,109	1,143,295
	<u>484,070,072</u>	<u>10,726,509</u>	<u>133,900,231</u>	<u>2,931,076</u>

37. FINANCIAL INSTRUMENTS

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in Note 3.

	Carrying amounts		Fair Value	
	Closing balance USD	Opening balance USD	Closing balance USD	Opening balance USD
Financial assets				
Cash on hand	9,295,543	9,542,304	9,295,543	9,542,304
Deposits with the State Bank of Vietnam	39,108,856	34,291,427	39,108,856	34,291,427
Deposits with other credit institutions	233,675,696	172,190,152	233,675,696	172,190,152
Lending to other credit institutions	136,302,073	108,693,924	136,302,073	108,693,924
Trading securities	148,355,547	44,470,569	(*)	(*)
Derivatives and other financial assets	-	141,812	(*)	(*)
Loans to customers	838,325,139	644,028,263	(*)	(*)
Available for sales securities	229,669,770	187,784,007	(*)	(*)
Accrued interest receivables	11,935,665	9,576,148	(*)	(*)
Other receivables	12,342,730	6,098,417	(*)	(*)
Financial liabilities				
Deposits from other credit institutions	297,250,383	71,554,740	(*)	(*)
Borrowings from other credit institutions	163,504,974	69,663,504	(*)	(*)
Deposits from customers	1,000,009,914	866,200,296	(*)	(*)
Derivatives and other financial liabilities	2,692,079	-	(*)	(*)
Accrued interest payables	9,575,806	9,086,156	(*)	(*)
Other payables	4,533,988	3,955,365	(*)	(*)

	Carrying amounts		Fair Value	
	Closing balance VND million equivalent	Opening balance VND million equivalent	Closing balance VND million equivalent	Opening balance VND million equivalent
Financial assets				
Cash on hand	205,980	208,881	205,980	208,881
Deposits with the State Bank of Vietnam	866,613	750,639	866,613	750,639
Deposits with other credit institutions	5,178,020	3,769,242	5,178,020	3,769,242
Lending to other credit institutions	3,020,318	2,379,310	3,020,318	2,379,310
Trading securities	3,287,411	973,461	(*)	(*)
Derivatives and other financial assets	-	3,104	(*)	(*)
Loans to customers	18,576,447	14,097,779	(*)	(*)
Available for sales securities	5,089,252	4,110,592	(*)	(*)
Accrued interest receivables	264,482	209,622	(*)	(*)
Other receivables	273,503	133,494	(*)	(*)
Financial liabilities				
Deposits from other credit institutions	6,586,771	1,566,333	(*)	(*)
Borrowings from other credit institutions	3,623,107	1,524,934	(*)	(*)
Deposits from customers	22,159,220	18,961,124	(*)	(*)
Derivatives and other financial liabilities	59,654	-	(*)	(*)
Accrued interest payables	212,190	198,896	(*)	(*)
Other payables	100,469	86,583	(*)	(*)

(*) The Bank has not assessed fair value of its financial assets and liabilities as at the balance date since there are no comprehensive guidance under Circular 210/2009/TT-BTC dated 6 November 2009 issued by the Ministry of Finance and other relevant prevailing regulations to determine fair value of these financial assets and liabilities. While Circular No 210 refers to the application of IFRS on presentation and disclosures of financial instruments, it did not adopt the equivalent guidance for the recognition and measurement of financial instruments, including application of fair value, in accordance with IFRS.

38. OPERATING LEASE COMMITMENTS

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Minimum lease payments under operating leases recognized in the income statement for the year	1,299,071	28,786	1,319,846	28,891

At the balance sheet date, the Bank had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Closing balance		Opening	
	USD	VND million equivalent	USD	VND million equivalent
Within one year	1,294,944	28,695	1,295,820	28,365
In the second to fifth year inclusive	3,977,438	88,136	3,380,155	73,992
After five years	1,037,097	22,981	1,009,033	22,088
	6,309,479	139,812	5,685,008	124,445

Operating lease commitments represent office rentals with the duration from one year to five year.

39. RELATED PARTY TRANSACTIONS AND BALANCES

List of related parties is as follows:

Related parties	Relationship
Vietinbank HO	Ower
Vietinbank HCM Branch	Affiliate
Cathay United Bank	Ower
Cathay United Bank Chu Lai Branch	Affiliate
Cathay United Bank Representative Office	Affiliate

Transactions with its related parties during the year were as follows:

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Deposits with other credit institutions				
Vietinbank HO	279,500,000	6,193,441	-	-
Deposits from other credit institutions				
Vietinbank HO	148,224,262	3,284,501	568,664,164	12,448,059
Borrowings from other credit institutions				
Cathay United Bank	1,702,000,000	37,714,618	1,125,000,000	24,626,250
Lendings to other credit institutions				
Vietinbank HO	-	-	1,069,865,237	23,419,350

Transaction with its related parties during the year were as follows (Continued):

Profit distribution

Vietinbank HO	3,000,000	66,477	6,500,000	142,285
Cathay United Bank	3,000,000	66,477	6,500,000	142,285

Interest expense

Vietinbank HO	325,349	7,209	2,208,094	48,335
Cathay United Bank	852,688	18,895	427,439	9,357
Cathay United Bank Chu Lai Branch	8,649	192	6,485	142
Cathay United Bank Representative Office	-	-	18	-

Interest income

Vietinbank HO	1,077,993	23,887	4,000,938	87,581
Vietinbank HCM Branch	1,414	31	2,214	48

Remuneration of the Board of Executives

	264,115	5,853	308,359	6,750
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The related parties' balances as at the balance sheet date were as follows:

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Deposits with other credit institutions				
Vietinbank HO	190,181,610	4,214,234	133,217,556	2,916,132
Vietinbank HCM Branch	1,130,179	25,044	3,334,232	72,986
Cathay United Bank	1,262,677	27,980	908,421	19,885
Deposits from other credit institutions				
Vietinbank HO	180,681,610	4,003,724	-	-
Cathay United Bank Chu Lai Branch	3,786,772	83,911	2,014,647	44,101
Cathay United Bank Representative Office	33,327	738	37,475	820
Borrowings from other credit institutions				
Cathay United Bank	139,000,000	3,080,101	60,000,000	1,313,400
Interest receivables				
Vietinbank HO	23,750	526	261,556	5,725
Interest payables				
Cathay United Bank	181,149	4,014	19,386	424

40. COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's figures to enhance their comparability with the current year's presentation. Details are as follows:

	Previously reported amount		Reclassification		Amount after reclassification	
	USD	VND million equivalent	USD	VND million equivalent	USD	VND million equivalent
Balance sheet						
Other receivables	531,985	11,645	5,566,432	121,849	6,098,417	133,494
Other assets	<u>6,841,626</u>	<u>149,763</u>	<u>(5,566,432)</u>	<u>(121,849)</u>	<u>1,275,194</u>	<u>27,914</u>



Huynh Trang Nha
Deputy Head of
Accounting Department



Tran Le Thuy
Chief Accountant



Yei-Fong Jan
General Director
 29 March 2017

