

INDOVINA BANK LIMITED

(Incorporated in the Socialist Republic of Vietnam)

AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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INDOVINA BANK LIMITED

97A Nguyen Van Troi Street, Ward 12
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 2017.

BOARD OF MEMBERS AND THE BOARD OF EXECUTIVES

The Board of 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 of Members

Mr. Nguyen Anh Tuan	Chairman
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 2017, 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 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
26 March 2018

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No.: 505 /VNIA-HC-BC

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Indovina Bank Limited (the "Bank") prepared on 26 March 2018 as set out from page 3 to page 39, which comprise the balance sheet as at 31 December 2017 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 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 2017 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.



Le Dinh Tu
Audit Partner
Audit Practising Registration Certificate
No. 0488-2018-001-1
**BRANCH OF DELOITTE VIETNAM
COMPANY LIMITED**
26 March 2018
Ho Chi Minh City, S.R. Vietnam

Loh Lee Heng
Auditor
Audit Practising Registration Certificate
No. 2231-2018-001-1

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BALANCE SHEET
As at 31 December 2017

Assets	Notes	Closing balance		Opening balance	
		USD	VND million equivalent	USD	VND million equivalent
Cash on hand	5	8,933,676	200,338	9,295,543	205,980
Deposits with the State Bank of Vietnam	6	40,478,848	907,738	39,108,856	866,613
Deposits with other credit institutions	7	246,399,218	5,525,502	233,675,696	5,178,020
Loans to other credit institutions	8	78,249,485	1,754,745	136,302,073	3,020,318
Trading securities	9	129,838,825	2,911,635	148,355,547	3,287,411
<i>Trading securities</i>		131,039,969	2,938,571	149,338,371	3,309,189
<i>Provision for diminution in value of trading securities</i>		(1,201,144)	(26,936)	(982,824)	(21,778)
Loans to customers	10	976,930,772	21,907,672	838,325,139	18,576,447
<i>Loans to customers</i>		997,942,581	22,378,862	847,155,779	18,771,802
<i>Provision for loan losses</i>		(21,011,809)	(471,190)	(8,830,640)	(195,355)
Investment securities	11	274,335,994	6,151,984	229,669,770	5,089,253
<i>Available-for-sale securities</i>		192,575,959	4,318,516	155,920,016	3,455,032
<i>Held-to-maturity securities</i>		82,445,409	1,848,838	74,461,844	1,650,000
<i>Provision for diminution in value of investment securities</i>		(685,374)	(15,370)	(712,090)	(15,779)
Tangible fixed assets	12	10,166,783	227,990	11,154,035	247,162
Intangible assets	13	15,518,160	347,995	15,574,740	345,121
Other assets		18,407,215	412,790	49,952,525	1,106,897
<i>Other receivables</i>	14	3,173,516	71,175	12,342,730	273,502
<i>Accrued interest receivables</i>		12,240,768	274,499	11,935,665	264,482
<i>Deferred tax assets</i>	30	1,076,528	24,141	-	-
<i>Other assets</i>	15	1,916,403	42,975	25,674,130	568,913
Total assets		1,799,258,976	40,348,389	1,711,413,924	37,923,222
Resources					
Deposits from other credit institutions	16	224,490,065	5,034,190	297,250,383	6,586,771
Borrowings from other credit institutions	17	113,890,708	2,553,999	163,504,974	3,623,107
Deposits from customers	18	1,186,900,747	26,616,254	1,000,009,914	22,159,220
Derivatives and other financial liabilities	19	4,282,365	96,032	2,692,079	59,654
Other liabilities		28,133,865	630,903	14,109,794	312,659
<i>Accrued interest payables</i>		14,138,281	317,051	9,575,806	212,190
<i>Other payables</i>	20	13,995,584	313,852	4,533,988	100,469
Equity and reserves	21	241,561,226	5,417,011	233,846,780	5,181,811
<i>Charter capital</i>		193,000,000	4,328,025	193,000,000	4,276,687
<i>Reserves</i>		28,105,685	630,270	24,674,341	546,759
<i>Retained earnings</i>		20,455,541	458,716	16,172,439	358,365
Total resources		1,799,258,976	40,348,389	1,711,413,924	37,923,222

The accompanying notes are an integral part of these financial statements

OFF-BALANCE SHEET ACCOUNTS

As at 31 December 2017

Notes	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Foreign exchange commitments	416,583,157	9,341,877	369,213,434	8,181,400
Currency spot purchase commitment	28,038,363	628,760	24,504,182	542,988
Currency swap commitment	388,544,794	8,713,117	344,709,252	7,638,412
Letters of credit	54,585,966	1,224,090	26,068,534	577,653
Other guarantees	86,856,325	1,947,753	88,788,104	1,967,456
	558,025,448	12,513,720	484,070,072	10,726,509



Huynh Trang Nha
 Deputy Head of
 Accounting Department



Tran Le Thuy
 Chief Accountant



Yei-Fong Jan
 General Director
 26 March 2018

INCOME STATEMENT
For the year ended 31 December 2017

	Notes	Current year		Prior year	
		USD	VND million equivalent	USD	VND million equivalent
1. Interest and similar income	22	104,034,511	2,332,974	79,536,584	1,762,451
2. Interest expense and similar charges	23	(46,885,514)	(1,051,408)	(36,291,781)	(804,190)
I. Net interest and similar income		57,148,997	1,281,566	43,244,803	958,261
1. Fee and commission income		3,191,296	71,565	2,909,245	64,466
2. Fee and commission expense		(1,678,110)	(37,632)	(1,178,288)	(26,110)
II. Net fee and commission income	24	1,513,186	33,933	1,730,957	38,356
III. Net loss from dealing in foreign currencies	25	(2,753,328)	(61,743)	(2,254,772)	(49,963)
IV. Net gain from trading of securities	26	6,415,800	143,874	1,675,494	37,127
V. Net gain from trading of investment securities	27	4,433,015	99,410	3,181,529	70,500
1. Other operating income		1,897,344	42,548	267,219	5,921
2. Other operating expenses		(16,931)	(380)	(24,241)	(537)
VI. Gain from other activities	28	1,880,413	42,168	242,978	5,384
VII. Income from investments in other entities		-	-	95,040	2,106
VIII. General and administration expenses	29	(20,527,562)	(460,330)	(16,781,133)	(371,853)
IX. Net income before provision for credit losses		48,110,521	1,078,878	31,134,896	689,918
X. Provision for credit losses	10	(18,503,084)	(414,931)	(7,941,831)	(175,983)
XI. Profit before tax		29,607,437	663,947	23,193,065	513,935
XII. Current corporate income tax expense	30	(7,019,519)	(157,412)	(4,642,872)	(102,881)
XIII. Deferred tax income	30	1,076,528	24,141	-	-
XIV. Profit after tax		23,664,446	530,676	18,550,193	411,054


Huynh Trang Nha
Deputy Head of
Accounting Department


Tran Le Thuy
Chief Accountant


Ye-Fong Jan
General Director
26 March 2018

CASH FLOW STATEMENT
For the year ended 31 December 2017
(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	103,729,408	2,326,132	77,177,067	1,710,167
Interest expense and similar charges paid	(42,323,039)	(949,094)	(35,802,131)	(793,339)
Fee and commission income received	1,513,186	33,933	1,730,957	38,356
Net gain on trading activities (foreign currencies and securities)	9,817,495	220,157	1,796,274	39,804
Receipts from other activities	263,224	5,903	427,024	9,462
Collections of bad debt previously written off	1,607,832	36,056	168,645	3,737
Cash paid to employees and related operating activities	(18,917,081)	(424,216)	(17,181,778)	(380,731)
Corporate income tax paid	(6,741,686)	(151,182)	(2,455,419)	(54,410)
Cash flows from operating activities before changes in operating assets and liabilities	48,949,339	1,097,689	25,860,639	573,046
Changes in operating assets				
Changes in deposits with and loans to other credit institutions	58,052,588	1,301,829	101,650,071	2,252,464
Changes in trading securities	(26,341,106)	(590,699)	(145,954,787)	(3,234,212)
Changes in loans to customers	(150,786,802)	(3,381,394)	(194,296,876)	(4,305,424)
Changes in derivatives and other financial assets	-	-	141,812	3,142
Utilisation of allowance for credit losses	(6,321,915)	(141,769)	(14,052,495)	(311,389)
Changes in other operating assets	32,875,204	737,226	(37,949,940)	(840,933)
Changes in operating liabilities				
Changes in deposits and borrowings from other credit institutions	(122,374,584)	(2,744,250)	319,537,113	7,080,623
Changes in deposits from customers	186,890,833	4,191,027	133,809,618	2,965,087
Changes in derivatives and other financial liabilities	1,590,286	35,662	2,692,079	59,654
Utilisation of reserves	-	-	(198,791)	(4,405)
Changes in other liabilities	733,589	16,451	(1,410,039)	(31,245)
Net cash generated by operating activities	23,267,432	521,772	189,828,404	4,206,408

The accompanying notes are an integral part of these financial statements

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CASH FLOW STATEMENT (Continued)
 For the year ended 31 December 2017
 (Under direct method)

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
CASH FLOWS FROM INVESTMENT ACTIVITIES				
1. Acquisition of fixed assets	(514,736)	(11,543)	4,474,347	99,147
2. Disposal of fixed assets	9,355	210	-	-
3. Receipts of dividends	-	-	95,040	2,106
Net cash used in investment activities	(505,381)	(11,333)	4,569,387	101,253
CASH FLOWS FROM FINANCING ACTIVITIES				
1. Dividends paid	(7,500,000)	(168,188)	(6,000,000)	(132,954)
Net cash used in financing activities	(7,500,000)	(168,188)	(6,000,000)	(132,954)
Net increase in cash and cash equivalents	15,262,051	342,251	188,397,791	4,174,707
Cash and cash equivalents at the beginning of the year	282,080,095	6,250,613	92,876,327	2,033,062
Effects of changes in foreign exchange rate	(1,530,404)	40,714	805,977	42,844
Cash and cash equivalents at the end of the year (Note 31)	295,811,742	6,633,578	282,080,095	6,250,613



Huynh Trang Nha
 Deputy Head of
 Accounting Department



Tran Le Thuy
 Chief Accountant



Yei-Fong Jan
 General Director
 26 March 2018

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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 2017 and 2016, 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 2017 was 768 (31 December 2016: 731).

Disclosure of information comparability in the financial statements

Comparative figures are the figures of the audited financial statements for the year ended 31 December 2016.

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 21).

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. NEW ACCOUNTING GUIDANCE IN ISSUED BUT NOT YET ADOPTED

On 29 December 2017, the State Bank of Vietnam issued Circular No. 22/2017/TT-NHNN amending and supplementing a number of articles of the accounting system of credit institutions, issued with Decision No. 479/2004/QĐ-NHNN dated 29 April 2004 and financial reporting regime applicable to credit institutions issued with Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 by the Governor of the State Bank. This circular will take effect from 01 April 2018. The Board of Executives is considering the extent of impact of the adoption of this Circular on the Bank's financial statements for future accounting periods.

4. 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 lending 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.

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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.

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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/QĐ-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/QĐ-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/QĐ-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.

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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:

	<u>Years</u>
Office infrastructure	25
Office equipment	3 - 8
Motor vehicles	6 - 8

Other remaining assets are depreciated using the straight-line method over their estimated useful lives regulated at Circular No. 45/2013/TT-BTC dated 25 April 2013.

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 17.5% (before 01 June 2017 was 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 resignation: 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.

5. CASH ON HAND

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Cash on hand in Vietnam Dong	6,099,804	136,788	7,098,927	157,305
Cash on hand in other currencies	2,833,872	63,550	2,196,616	48,675
	8,933,676	200,338	9,295,543	205,980

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6. DEPOSITS WITH THE STATE BANK OF VIETNAM

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Deposits in Vietnam Dong	25,019,844	561,070	23,643,607	523,919
Deposits in other currencies	15,459,004	346,668	15,465,249	342,694
	40,478,848	907,738	39,108,856	866,613

Deposits with the State Bank of Vietnam as at 31 December 2017 and 31 December 2016 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	31/12/2017	31/12/2016
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 2017 is VND 509,882 million (December 2016: VND 419,197 million) and USD 15,270,970 (December 2016: USD 15,040,550), respectively.

7. DEPOSITS WITH OTHER CREDIT INSTITUTIONS

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Demand deposits				
In Vietnam Dong	180,262,194	4,042,380	183,820,582	4,073,280
In other currencies	18,921,862	424,322	12,069,903	267,457
	199,184,056	4,466,702	195,890,485	4,340,737
Time deposits				
In Vietnam Dong	31,215,162	700,000	20,285,211	449,500
In other currencies	16,000,000	358,800	17,500,000	387,783
	47,215,162	1,058,800	37,785,211	837,283
	246,399,218	5,525,502	233,675,696	5,178,020

8. LOANS TO OTHER CREDIT INSTITUTIONS

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Loans denominated in Vietnam Dong	22,296,544	500,000	13,538,517	300,000
Loans denominated in other currencies	55,952,941	1,254,745	122,763,556	2,720,318
	78,249,485	1,754,745	136,302,073	3,020,318

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9. TRADING SECURITIES

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Equity securities				
Shares issued by local economic entities	2,841,188	63,714	2,875,294	63,714
Debt securities				
Government debt securities	40,209,900	901,707	81,381,101	1,803,324
Bonds issued by other local credit institutions	79,159,450	1,775,150	45,139,898	1,000,255
Bonds issued by other local economic entities	8,829,431	198,000	19,942,078	441,896
	131,039,969	2,938,571	149,338,371	3,309,189
Provision for trading securities				
General provision for credit losses	(360,407)	(8,082)	(132,245)	(2,930)
Provision for diminution in value of trading securities	(840,737)	(18,854)	(850,579)	(18,848)
	(1,201,144)	(26,936)	(982,824)	(21,778)
	129,838,825	2,911,635	148,355,547	3,287,411

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

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Opening balance	132,245	2,930	147,328	3,225
Provision charged for the year	228,162	5,117	-	-
Provision reversed for the year	-	-	(15,083)	(334)
Foreign currency translation difference	-	35	-	39
Closing balance	360,407	8,082	132,245	2,930

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

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Opening balance	850,579	18,848	798,213	17,473
Provision charged for the year	-	-	52,366	1,160
Provision reversed for the year	(9,842)	(221)	-	-
Foreign currency translation difference	-	227	-	215
Closing balance	840,737	18,854	850,579	18,848

Trading securities categorized by listed status are as follows:

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Equity securities				
Unlisted	2,841,188	63,714	2,875,294	63,714
Debt securities				
Listed	40,209,900	901,707	83,723,115	1,855,221
Unlisted	87,988,881	1,973,150	62,739,962	1,390,254
	131,039,969	2,938,571	149,338,371	3,309,189

Trading debt securities represent:

- Government debt securities with maturity between six years and thirty years, earning interest from 5.40% to 7.80% per annum (As at 31 December 2016: maturity between five years and fifteen years, earning interest from 5.20% to 8.70% per annum).

- Bonds issued by other local credit institutions with maturity between one years and ten years, earning interest from 6.50% to 9.18% per annum (As at 31 December 2016: maturity between five years and ten years, earning interest from 7.00% to 9.18% per annum).

- Bonds issued by other local economic entities with maturity between two years and five years, earning interest from 9.00% to 10.50% per annum (As at 31 December 2016: maturity between two years and five years, earning interest from 9.5% to 11.65% per annum).

10. LOANS TO CUSTOMERS

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Loans to local entities and individuals	997,939,781	22,378,799	847,155,779	18,771,802
Loans to oversea entities and individuals	2,800	63	-	-
	997,942,581	22,378,862	847,155,779	18,771,802

Loans to customers were analyzed as follows:

10.1 Analysis by term

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Short-term loans (within one year)	364,725,279	8,178,964	327,194,075	7,250,245
Medium-term loans (from one year to five years)	176,266,893	3,952,785	112,220,626	2,486,697
Long-term loans (above five years)	456,950,409	10,247,113	407,741,078	9,034,860
	997,942,581	22,378,862	847,155,779	18,771,802

10.2 Analysis by currency

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Loans denominated in Vietnam Dong	776,693,602	17,417,354	592,075,198	13,119,471
Loans denominated in other currencies	221,248,979	4,961,508	255,080,581	5,652,331
	997,942,581	22,378,862	847,155,779	18,771,802

10.3 Analysis by economic sectors

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Joint stock companies	362,535,499	8,129,859	353,476,858	7,832,694
Limited liability companies	304,190,145	6,821,464	213,735,746	4,735,847
State-owned enterprises	126,983,724	2,847,610	124,499,022	2,758,774
Foreign invested enterprise	122,173,517	2,739,741	95,072,285	2,106,707
Household, individuals	77,205,440	1,731,332	47,970,332	1,062,975
Private enterprises	4,854,256	108,856	12,401,536	274,805
	997,942,581	22,378,862	847,155,779	18,771,802

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10.4 Analysis by loan group

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Group 1 - Current	979,271,021	21,960,152	825,330,916	18,288,507
Group 2 - Special-mentioned	931,995	20,900	3,032,652	67,201
Group 3 - Sub-standard	93,091	2,088	264,086	5,852
Group 4 - Doubtful	4,265,764	95,660	154,335	3,420
Group 5 - Loss	13,380,710	300,062	18,373,790	406,822
	997,942,581	22,378,862	847,155,779	18,771,802

10.5 Analysis by industry

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Mining and processing	206,726,090	4,635,833	226,463,409	5,018,203
Trading and repairing of moto vehicle	341,674,867	7,662,059	245,802,600	5,446,740
Construction	128,155,247	2,873,881	91,760,758	2,033,327
Logistics and warehouse	56,553,132	1,268,204	68,626,814	1,520,702
Accommodation and restaurant services	18,684,942	419,010	18,622,803	412,663
Real estate	7,063,144	158,391	6,589,907	146,026
Agriculture, forestry and aquatics	3,071,935	68,888	349,349	7,741
Health care and social support	6,558,841	147,082	5,481,447	121,140
Financial services	20,245,262	454,000	13,493,389	299,000
Electricity, gas and water supply	65,932,366	1,478,533	26,655,545	590,660
Training and education	1,115	25	2,649	59
Telecommunication and information	245,262	5,500	99,282	2,200
Science and technology	-	-	39,758	881
Households	4,237,055	95,016	33,490,078	742,105
Others	138,793,323	3,112,440	109,677,991	2,430,355
	997,942,581	22,378,862	847,155,779	18,771,802

10.6 Provision for credit losses

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
General provision	7,140,258	160,120	5,906,954	130,892
Specific provision	13,871,551	311,070	2,923,686	64,463
	21,011,809	471,190	8,830,640	195,355

10.7 Provision expense for credit losses

General provision

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Beginning balance	5,906,954	130,892	4,430,145	96,976
Charge for the year	1,233,304	27,657	1,476,809	32,725
Foreign currency translation difference	-	1,571	-	1,191
Closing balance	7,140,258	160,120	5,906,954	130,892

Specific provision

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Beginning balance	2,923,686	64,463	10,511,159	230,089
Charge for the year	17,269,780	387,275	6,465,022	143,258
Provision used to write-off bad debts during the year	(6,321,915)	(141,761)	(14,052,495)	(311,389)
Foreign currency translation difference	-	1,093	-	2,505
Closing balance	13,871,551	311,070	2,923,686	64,463

11. INVESTMENT SECURITIES

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Available-for-sale securities				
<i>Debt securities</i>				
Government debt securities (**)	102,810,073	2,305,516	95,775,796	2,122,296
Bonds issued by other local credit institutions (***)	52,307,692	1,173,000	30,810,766	682,736
Bonds issued by other local economic entities (*)	37,458,194	840,000	29,333,454	650,000
	192,575,959	4,318,516	155,920,016	3,455,032
<i>Provision for credit losses on available for sale securities</i>				
General provision	(66,866)	(1,499)	(322,136)	(7,138)
	192,509,093	4,317,017	155,597,880	3,447,894
Held-to-maturity securities				
<i>Debt securities</i>				
Bonds issued by other local credit institutions (***)	-	-	31,589,873	700,000
Bonds issued by other local economic entities (*)	82,445,409	1,848,838	42,871,971	950,000
	82,445,409	1,848,838	74,461,844	1,650,000
<i>Provision for credit losses on held-to-maturity securities</i>				
General provision	(618,508)	(13,871)	(389,954)	(8,641)
	81,826,901	1,834,967	74,071,890	1,641,359

Investment securities as at 31 December 2017 and 31 December 2016 are in performing status. Therefore, no specific provision is necessary.

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

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Beginning balance	712,090	15,779	565,327	12,375
(Reverse)/Charge for the year	(26,716)	(599)	146,763	3,252
Foreign currency translation difference	-	190	-	152
Closing balance	685,374	15,370	712,090	15,779

(*) Bonds issued by other local economic entities as at 31 December 2017 included an amount of USD 106,577,480 (equivalent to VND 2,390,000 million) (as at 31 December 2016: USD 49,641,229 (equivalent to VND 1,100,000 million)) are secured by shares, land use rights and receivables amounting to USD 585,812,580 (equivalent to VND 13,136,847 million) (as at 31 December 2016: 342,974,870 (equivalent to VND 7,599,980 million)).

These bonds have maturity between two years and ten years, earning interest from 9.38% to 11.00% per annum (as at 31 December 2016: maturity between one year and five years, earning interest from 8.93% to 11.65% per annum).

(**) Government debt securities with maturity between five years and thirty years, earning interest from 5.20% to 8.70% per annum (as at 31 December 2016: maturity between three years and thirty years, earning interest from 5.20% to 8.70% per annum)

(***) Bonds issued by other local credit institutions with maturity of one and ten years, earning interest from 5.00% to 10.00% per annum (as at 31 December 2016: maturity of one year, earning interest from 6.50% to 11.00% per annum).

12. TANGIBLE FIXED ASSETS

	Office infrastructure	Office equipment	Motor vehicles	Total
	USD	USD	USD	USD
COST				
Opening balance	12,044,539	6,624,603	2,624,180	21,293,322
Additions	23,403	290,096	137,550	451,049
Disposals	(42,375)	(49,100)	(103,362)	(194,837)
Closing balance	<u>12,025,567</u>	<u>6,865,599</u>	<u>2,658,368</u>	<u>21,549,534</u>
ACCUMULATED DEPRECIATION				
Opening balance	3,156,150	5,123,427	1,859,710	10,139,287
Charge for the year	631,132	580,530	208,230	1,419,892
Disposals	(23,966)	(49,100)	(103,362)	(176,428)
Closing balance	<u>3,763,316</u>	<u>5,654,857</u>	<u>1,964,578</u>	<u>11,382,751</u>
NET BOOK VALUE				
Opening balance	<u>8,888,389</u>	<u>1,501,176</u>	<u>764,470</u>	<u>11,154,035</u>
Closing balance	<u>8,262,251</u>	<u>1,210,742</u>	<u>693,790</u>	<u>10,166,783</u>
	Office infrastructure	Office equipment	Motor Vehicles	Total
	VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent
COST				
Opening balance	266,895	146,795	58,149	471,839
Additions	525	6,505	3,085	10,115
Disposals	(950)	(1,101)	(2,318)	(4,369)
Foreign currency translation difference	3,203	1,762	698	5,663
Closing balance	<u>269,673</u>	<u>153,961</u>	<u>59,614</u>	<u>483,248</u>
ACCUMULATED DEPRECIATION				
Opening balance	69,937	113,530	41,210	224,677
Charge for the year	14,153	13,018	4,670	31,841
Disposals	(537)	(1,101)	(2,318)	(3,956)
Foreign currency translation difference	839	1,363	494	2,696
Closing balance	<u>84,392</u>	<u>126,810</u>	<u>44,056</u>	<u>255,258</u>
NET BOOK VALUE				
Opening balance	<u>196,958</u>	<u>33,265</u>	<u>16,939</u>	<u>247,162</u>
Closing balance	<u>185,281</u>	<u>27,151</u>	<u>15,558</u>	<u>227,990</u>

As at 31 December 2017, the cost of the Bank's tangible fixed assets included a total amount of USD 6,856,135 (equivalent VND 153,749 million) (as at 31 December 2016: USD 6,212,819 (equivalent VND 137,670 million) in respect of fully depreciated assets which are still in use.

13. INTANGIBLE ASSETS

	Land use rights	Computer Software	Total
	USD	USD	USD
COST			
Opening balance	15,291,419	2,234,908	17,526,327
Additions	-	143,473	143,473
Closing balance	15,291,419	2,378,381	17,669,800
ACCUMULATED AMORTIZATION			
Opening balance	246,731	1,704,856	1,951,587
Charge for the year	4,828	195,225	200,053
Closing balance	251,559	1,900,081	2,151,640
NET BOOK VALUE			
Opening balance	15,044,688	530,052	15,574,740
Closing balance	15,039,860	478,300	15,518,160
	Land use rights	Computer Software	Total
	VND million equivalent	VND million equivalent	VND million equivalent
COST			
Opening balance	338,843	49,523	388,366
Additions	-	3,217	3,217
Foreign currency translation difference	4,067	595	4,662
Closing balance	342,910	53,335	396,245
ACCUMULATED AMORTIZATION			
Opening balance	5,467	37,778	43,245
Charge for the year	108	4,378	4,486
Foreign currency translation difference	66	453	519
Closing balance	5,641	42,609	48,250
NET BOOK VALUE			
Opening balance	333,376	11,745	345,121
Closing balance	337,269	10,726	347,995

As at 31 December 2017, the cost of the Bank's intangible assets included a total amount of USD 1,561,624 (equivalent VND 35,019 million) (as at 31 December 2016: USD 1,553,701 (equivalent VND 34,428 million) in respect of fully amortized assets which are still in use.

14. OTHER RECEIVABLES

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Short-term deposits	348,775	7,821	351,653	7,792
Receivables from the SBV relating to Interest Subsidy Program	170,264	3,818	172,309	3,818
Construction in progress	2,243,464	50,310	2,295,377	50,863
Advances for operating activities	14,267	320	11,127	247
Receivables from selling investment securities	-	-	9,112,726	201,929
Other receivables	396,746	8,906	399,538	8,853
	3,173,516	71,175	12,342,730	273,502

15. OTHER ASSETS

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Prepaid expenses	1,769,522	39,681	3,012,409	66,752
Office tools and supplies	146,705	3,290	97,544	2,161
Entrusted investments (*)	-	-	22,564,177	500,000
Others	176	4	-	-
	1,916,403	42,975	25,674,130	568,913

(*) Entrusted investments represent 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.

16. DEPOSITS FROM OTHER CREDIT INSTITUTIONS

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
<u>Demand deposits</u>				
In Vietnam Dong	183,044,600	4,104,775	183,364,047	4,063,164
In other currencies	541,340	12,140	1,145,599	25,385
	183,585,940	4,116,915	184,509,646	4,088,549
<u>Time deposits</u>				
In Vietnam Dong	37,904,125	850,000	54,740,737	1,213,000
In other currencies	3,000,000	67,275	58,000,000	1,285,222
	40,904,125	917,275	112,740,737	2,498,222
	224,490,065	5,034,190	297,250,383	6,586,771

17. 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	113,890,708	2,553,999	146,324,596	3,242,407
	113,890,708	2,553,999	163,504,974	3,623,107

18. 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	254,420,941	5,705,391	234,660,877	5,199,850
In other currencies	127,984,735	2,870,062	122,190,209	2,707,613
<u>Time deposits</u>				
In Vietnam Dong	742,556,142	16,651,821	584,603,370	12,954,226
In other currencies	59,894,460	1,343,133	57,034,340	1,263,824
<u>Margin deposits</u>				
In Vietnam Dong	1,978,597	44,370	1,323,132	29,319
In other currencies	65,872	1,477	197,986	4,388
	1,186,900,747	26,616,254	1,000,009,914	22,159,220

By type of customer

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Economic entities	722,878,172	16,210,543	651,897,460	14,445,396
Individuals	464,022,575	10,405,711	348,112,454	7,713,824
	1,186,900,747	26,616,254	1,000,009,914	22,159,220

19. 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	(179,327)	(4,021)
Foreign currency swap contracts	(4,103,038)	(92,011)
	(4,282,365)	(96,032)
Opening 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)

20. OTHER PAYABLES

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Deferred fee income from guarantees	50,698	1,137	233,046	5,164
Remittance payable	748,540	16,786	3,126,911	69,289
Bonus and welfare funds	1,010,115	22,652	292,465	6,481
Payables to other credit institutions relating to ATM transactions	300,018	6,728	171,897	3,809
Escrow fund	676,684	15,175	34,481	764
Taxes payable (Note 33)	981,928	22,020	669,887	14,844
Dividend payables	7,500,000	168,188	-	-
Other payables	2,727,601	61,166	5,301	118
	13,995,584	313,852	4,533,988	100,469

21. 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	7,460,179	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)
Prior year's closing balance	193,000,000	8,387,689	16,087,272	199,380	16,172,439	233,846,780
Profit for the year	-	-	-	-	23,664,446	23,664,446
Transfer to statutory reserves	-	1,183,222	2,248,122	-	(3,431,344)	-
Transfer to bonus and welfare fund	-	-	-	-	(950,000)	(950,000)
Profits distribution (*)	-	-	-	-	(15,000,000)	(15,000,000)
Current year's closing balance	193,000,000	9,570,911	18,335,394	199,380	20,455,541	241,561,226

	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	4,224,770	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
Prior year's closing balance	4,276,687	185,863	356,478	4,418	358,365	5,181,811
Profit for the year	-	-	-	-	530,676	530,676
Transfer to statutory reserves	-	26,534	50,414	-	(76,948)	-
Transfer to bonus and welfare fund	-	-	-	-	(21,304)	(21,304)
Profits distribution (*)	-	-	-	-	(336,375)	(336,375)
Foreign currency translation difference	51,338	2,231	4,279	53	4,302	62,203
Current year's closing balance	4,328,025	214,628	411,171	4,471	458,716	5,417,011

The Bank's charter capital is USD 193,000,000. Charter capital has been fully contributed by the owners as at balance sheet dates.

(*) On 20 December 2017, the Board of Members of the Bank resolved to distribute prior year's profit amounting to USD 15,000,000 (equivalent VND 336,375 million) (2016: USD 6,000,000 (equivalent VND 132,954 million) 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.

22. INTEREST AND SIMILAR INCOME

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
From loans	74,277,895	1,665,682	57,109,545	1,265,490
From deposits	1,440,948	32,313	2,201,785	48,789
From investments	27,236,538	610,779	19,300,538	427,681
From guarantee	1,079,130	24,200	924,716	20,491
	104,034,511	2,332,974	79,536,584	1,762,451

23. 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	44,716,956	1,002,778	32,874,337	728,462
For borrowings from other credit institutions	1,789,164	40,122	1,471,370	32,605
Other credit activities expenses	379,394	8,508	1,946,074	43,123
	46,885,514	1,051,408	36,291,781	804,190

24. NET FEE AND COMMISSION INCOME

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
<i>Fee and commission income</i>				
Settlement services	2,605,341	58,425	2,484,686	55,058
Treasury services	153,116	3,434	144,978	3,213
Other services	432,839	9,706	279,581	6,195
	<u>3,191,296</u>	<u>71,565</u>	<u>2,909,245</u>	<u>64,466</u>
<i>Fee and commission expense</i>				
Settlement services	(1,351,811)	(30,314)	(795,573)	(17,629)
Treasury services	(181,341)	(4,067)	(161,736)	(3,584)
Other services	(144,958)	(3,251)	(220,979)	(4,897)
	<u>(1,678,110)</u>	<u>(37,632)</u>	<u>(1,178,288)</u>	<u>(26,110)</u>
	<u>1,513,186</u>	<u>33,933</u>	<u>1,730,957</u>	<u>38,356</u>

25. 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	2,176,687	48,812	3,172,215	70,293
Loss from trading foreign currency spot	(2,025,329)	(45,418)	(827,089)	(18,327)
Gain from derivatives	1,054,649	23,651	825,212	18,286
Loss from derivatives	(3,959,335)	(88,788)	(5,425,110)	(120,215)
	<u>(2,753,328)</u>	<u>(61,743)</u>	<u>(2,254,772)</u>	<u>(49,963)</u>

26. NET GAIN FROM TRADING SECURITIES

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Net gain from trading securities	6,634,120	148,770	1,712,777	37,953
Reverse provision for trading securities	9,842	221	15,083	334
Provision expense for trading securities	(228,162)	(5,117)	(52,366)	(1,160)
	<u>6,415,800</u>	<u>143,874</u>	<u>1,675,494</u>	<u>37,127</u>

27. NET GAIN FROM TRADING OF INVESTMENT SECURITIES

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Net gain from investment securities	4,406,299	98,811	3,328,292	73,752
Provision expense for investment securities	26,716	599	(146,763)	(3,252)
	<u>4,433,015</u>	<u>99,410</u>	<u>3,181,529</u>	<u>70,500</u>

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28. 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	1,607,832	36,056	168,665	3,737
Proceeds from disposals of fixed assets	-	-	-	-
Other income	289,512	6,492	98,554	2,184
	<u>1,897,344</u>	<u>42,548</u>	<u>267,219</u>	<u>5,921</u>
Other expenses				
Net book value of fixed assets disposed	(9,873)	(221)	(16,993)	(377)
Other expenses	(7,058)	(159)	(7,248)	(160)
	<u>(16,931)</u>	<u>(380)</u>	<u>(24,241)</u>	<u>(537)</u>
Net gain from other activities	<u>1,880,413</u>	<u>42,168</u>	<u>242,978</u>	<u>5,384</u>

29. GENERAL AND ADMINISTRATION ON EXPENSES

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Tax, duties and fees	92,882	2,083	77,938	1,727
Employee expense				
- Salary and allowance	5,668,533	127,117	5,504,708	121,979
- Bonus	3,699,120	82,952	1,064,654	23,592
- Other expenses for employees	2,456,180	55,080	2,384,452	52,837
Assets-related expenditures				
- Depreciation and amortization charges	1,610,481	36,115	1,673,107	37,074
- Asset leasing	1,267,743	28,429	1,299,071	28,786
- Office material expenses	51,978	1,166	48,819	1,082
- Maintenance and repairing expenses	1,503,113	33,707	880,249	19,505
- Tools and equipment expenses	361,498	8,107	243,088	5,387
Administration expenses				
- Marketing, promotion and printing expenses	997,968	22,379	878,586	19,469
- Travelling expenses	206,456	4,630	206,189	4,569
- Non-deductible value added tax	320,028	7,177	308,129	6,828
- Telecommunication expenses	344,248	7,720	306,052	6,782
- Office material expenses	133,277	2,989	123,912	2,746
- Electric, water and hygiene	448,890	10,066	441,840	9,791
- Oil and gas expenses	123,472	2,769	110,932	2,458
- Expenses on research and application of technological science, innovation, improvement	-	-	185,632	4,113
- Other expenses	761,965	17,086	695,444	15,409
Insurance for customer deposits	479,730	10,758	348,331	7,719
	<u>20,527,562</u>	<u>460,330</u>	<u>16,781,133</u>	<u>371,853</u>

30. CORPORATE INCOME TAX

30.1 Current Corporate Income Tax Expense

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Profit before tax	29,607,437	663,947	23,193,065	513,935
<i>Less: Adjustments to decrease profit before tax</i>	<i>(628,182)</i>	<i>(14,087)</i>	<i>(121,079)</i>	<i>(2,683)</i>
<i>Add: Adjustments to increase profit before tax</i>	<i>5,508,528</i>	<i>123,524</i>	<i>142,372</i>	<i>3,155</i>
Taxable profit	34,487,783	773,384	23,214,358	514,407
Tax rate	20%	20%	20%	20%
Income tax adjustment for prior years	121,962	2,735	-	-
Current corporate income tax expense	7,019,519	157,412	4,642,872	102,881

30.2 Deferred Tax Income/Assets

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Deductible temporary differences	5,382,642	120,706	-	-
Applicable tax rate	20%	20%	20%	20%
Deferred tax income/assets	1,076,528	24,141	-	-

31. CASH AND CASH EQUIVALENTS

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Cash on hand	8,933,676	200,338	9,295,543	205,980
Deposits with the State Bank of Vietnam	40,478,848	907,738	39,108,856	866,613
Deposits with and loans to other credit institutions (with terms of 3 months or less)	246,399,218	5,525,502	233,675,696	5,178,020
	295,811,742	6,633,578	282,080,095	6,250,613

32. EMPLOYEES' REMUNERATION

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Average number of employees	768	768	731	731
Employees' remuneration				
<i>Total salary fund</i>	<i>5,668,533</i>	<i>127,117</i>	<i>5,504,708</i>	<i>121,979</i>
<i>Bonus</i>	<i>1,699,120</i>	<i>38,103</i>	<i>1,064,654</i>	<i>23,592</i>
<i>Other remuneration</i>	<i>597,698</i>	<i>13,403</i>	<i>463,756</i>	<i>10,276</i>
Total remuneration	7,965,351	178,623	7,033,118	155,847
Average annual salary/employee	7,381	166	7,530	167
Average annual remuneration/employee	10,372	233	9,621	213

33. OBLIGATIONS TO THE STATE'S BUDGET

	Movement during the year			Closing balance
	Opening balance	Payables	Paid	
	USD	USD	USD	
Value Added Tax	23,753	258,089	252,219	29,623
Corporate Income Tax	607,255	7,057,672	6,741,686	923,241
Personal Income Tax	33,605	428,941	434,738	27,808
Foreign Contractor Tax	5,274	102,067	106,085	1,256
	669,887	7,846,769	7,534,728	981,928

	Movement during the year			Foreign currency translation	Closing balance
	Opening balance	Payables	Paid	difference	
	VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent	
Value Added Tax	526	5,788	5,656	6	664
Corporate Income Tax	13,456	158,268	151,182	162	20,704
Personal Income Tax	745	9,619	9,749	9	624
Foreign Contractor Tax	117	2,289	2,379	1	28
	14,844	175,964	168,966	178	22,020

34. TYPE AND VALUE OF COLLATERAL RECEIVED FROM CUSTOMERS

	Current year		Prior year (Restated)	
	USD	VND million equivalent	USD	VND million equivalent
	Real estate	1,123,821,623	25,201,700	806,038,825
Machinery, equipment and vehicle	300,794,827	6,745,324	315,063,821	6,981,499
Inventories	103,784,822	2,327,375	101,946,481	2,259,032
Shares, valuable papers and receivables	207,619,041	4,655,857	181,451,599	4,020,786
Others	519,944,214	11,659,749	342,450,133	7,588,352
	2,255,964,527	50,590,005	1,746,950,859	38,710,683

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

	Total loan balances	Total deposit balances	Credit commitments	Derivatives	Trading and investment securities
	USD	USD	USD	USD	USD
Domestic	1,076,189,266	1,187,795,119	141,442,291	(4,282,365)	406,061,337
Overseas	2,800	223,595,693	-	-	-
	1,076,192,066	1,411,390,812	141,442,291	(4,282,365)	406,061,337

	Total loan balances	Total deposit balances	Credit commitments	Derivatives	Trading and investment securities
	VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent
Domestic	24,133,544	26,636,306	3,171,843	(96,032)	9,105,925
Overseas	63	5,014,133	-	-	-
	24,133,607	31,650,439	3,171,843	(96,032)	9,105,925

**INDOVINA BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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36. 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 2017	Overdue		Non-interest bearing		Up to 1 month		1-3 months		3-6 months		6-12 months		1-5 years		Over 5 years		Total		
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	
Assets																			
Cash on hand	-																		8,933,676
Deposits with the State Bank of Vietnam	-																		40,478,848
Deposits and loans to other credit institutions (*)	-	199,184,056		70,509,864								31,667,250							324,648,703
Trading securities (*)	-	2,841,187		3,255,295		62,713,129		4,013,378		9,088,462		8,918,618		40,209,900				131,039,969	
Loans to customers (*)	18,629,589	-		1,178,193		354,428,618		623,706,181		-		-		-				997,942,581	
Investment securities (*)	-	-		-		22,296,544		17,837,235		8,918,618		117,793,003		108,175,968				275,021,368	
Fixed assets	-	25,684,943		-		-		-		-		-		-				25,684,943	
Other assets (*)	-	18,407,215		-		-		-		-		-		-				18,407,215	
Total assets	18,629,589	295,529,925		74,943,352		439,438,291		668,844,327		49,674,330		126,711,621		148,385,868				1,822,157,303	
Liabilities																			
Deposits and borrowings from other credit institutions	-	183,585,940		52,904,125		57,777,778		14,104,000		25,000,000		5,008,930		-					338,380,773
Deposits from customers	-	-		652,572,087		160,110,374		158,071,591		182,562,872		33,583,823		-					1,186,900,747
Derivatives and other financial liabilities	-	-		-		4,282,365		-		-		-		-					4,282,365
Other liabilities	-	28,133,865		-		-		-		-		-		-					28,133,865
Total liabilities	-	211,719,805		705,476,212		222,170,517		172,175,591		207,562,872		38,592,753		-					1,557,697,750
Interest gap of balance sheet items	18,629,589	83,810,120		(630,532,860)		217,267,774		496,668,736		(157,888,542)		88,118,868		148,385,868					264,459,553
Total interest gap	18,629,589	83,810,120		(630,532,860)		217,267,774		496,668,736		(157,888,542)		88,118,868		148,385,868					264,459,553



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As at 31 December 2017	Non-interest bearing		Up to		1-3 months		3-6 months		6-12 months		1-5 years		Over 5 years		Total
	Overdue VND million equivalent	VND million equivalent	1 month 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	VND million equivalent	VND million equivalent	VND million equivalent	
Assets															
Cash on hand	-	200,338	-	-	-	-	-	-	-	-	-	-	-	-	200,338
Deposits with the State Bank of Vietnam	-	907,738	-	-	-	-	-	-	-	-	-	-	-	-	907,738
Deposits and loans to other credit institutions (*)	-	4,466,702	1,581,184	-	522,223	-	710,138	-	-	-	-	-	-	-	7,280,247
Trading securities (*)	-	63,713	73,000	-	90,000	-	203,809	-	-	-	-	-	-	-	2,938,571
Loans to customers (*)	417,768	-	26,421	7,948,062	13,986,611	-	-	-	-	-	-	-	-	-	22,378,862
Investment securities (*)	-	-	-	500,000	400,000	-	-	-	-	-	-	-	-	-	6,167,354
Fixed assets	-	575,985	-	-	-	-	-	-	-	-	-	-	-	-	575,985
Other assets (*)	-	412,790	-	-	-	-	-	-	-	-	-	-	-	-	412,790
Total assets	417,768	6,627,266	1,680,605	9,854,404	14,998,834	1,113,947	2,841,509	3,327,552	40,861,885						
Liabilities															
Deposits and borrowings from other credit institutions	-	4,116,915	1,186,375	1,295,667	316,282	-	560,625	-	-	-	-	-	-	-	7,588,189
Deposits from customers	-	-	14,633,929	3,590,475	3,544,755	-	4,093,972	-	-	-	-	-	-	-	26,616,254
Derivatives and other financial liabilities	-	-	-	96,032	-	-	-	-	-	-	-	-	-	-	96,032
Other liabilities	-	630,903	-	-	-	-	-	-	-	-	-	-	-	-	630,903
Total liabilities	-	4,747,818	15,820,304	4,982,174	3,861,037	4,654,597	865,448	3,327,552	34,931,378						
Interest gap of balance sheet items	417,768	1,879,448	(14,139,699)	4,872,230	11,137,797	(3,540,650)	1,976,061	3,327,552	5,930,507						
Total interest gap	417,768	1,879,448	(14,139,699)	4,872,230	11,137,797	(3,540,650)	1,976,061	3,327,552	5,930,507						

(*) : the above balances exclude provision.

Interest rate sensitivity

The Bank has not performed interest sensitivity analysis for the year ended 31 December 2017 due to the insufficiency of input database system.

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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 2017	Overdue		Current				Total	
	Over 3 months	Up to 3 months	1-3 months	3-12 months	1-5 years	Over 5 years		
	USD	USD	USD	USD	USD	USD	USD	USD
Assets								
Cash on hand	-	-	8,933,676	-	-	-	-	8,933,676
Deposits with the State Bank of Vietnam	-	-	40,478,848	-	-	-	-	40,478,848
Deposits and loans to other credit institutions (*)	-	-	269,693,920	54,954,783	-	-	-	324,648,703
Trading securities (*)	-	-	6,096,482,00	13,101,840	8,918,618	40,209,900	131,039,969,00	
Loans to customers (*)	3,487,995	15,141,594	34,694,705	108,456,623	236,627,546	357,151,656	997,942,581	
Investment securities (*)	-	-	-	22,296,544	117,793,003	108,175,968	275,021,368	
Fixed assets	-	-	-	-	-	25,684,943	25,684,943	
Other assets (*)	-	-	18,407,215	-	-	-	18,407,215	
Total assets	3,487,995	15,141,594	378,304,846	193,466,296	363,339,167	531,222,467	1,822,157,303	
Liabilities								
Deposits and borrowings from other credit institutions	-	-	236,490,065	57,777,778	5,008,930	-	338,380,773	
Deposits from customers	-	-	652,572,087	160,110,374	33,583,823	-	1,186,900,747	
Derivatives and other financial liabilities	-	-	-	4,282,365	-	-	4,282,365	
Other liabilities	-	-	28,133,865	-	-	-	28,133,865	
Total liabilities	-	-	917,196,017	222,170,517	38,592,753	-	1,557,697,750	
Net liquidity gap	3,487,995	15,141,594	(538,891,171)	(28,704,221)	324,746,414	531,222,467	264,459,553	

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As at 31 December 2017	Overdue			Current			Total
	Over 3 months	Up to 3 months	Up to 1 months	1-3 months	3-12 months	1-5 years	
	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	-	-	200,338	-	-	-	200,338
Deposits with the State Bank of Vietnam	-	-	907,738	-	-	-	907,738
Deposits and loans to other credit institutions (*)	-	-	6,047,886	-	1,232,361	-	7,280,247
Trading securities (*)	-	-	136,713	1,406,342	293,809	200,000	2,938,571
Loans to customers (*)	78,217	339,550	778,029	2,432,140	5,435,427	5,306,373	22,378,862
Investment securities (*)	-	-	-	500,000	600,000	2,641,509	6,167,354
Fixed assets	-	-	-	-	-	-	575,985
Other assets (*)	-	-	412,790	-	-	-	412,790
Total assets	78,217	339,550	8,483,494	4,338,482	7,561,597	8,147,882	40,861,885
Liabilities							
Deposits and borrowings from other credit institutions	-	-	5,303,290	1,295,667	876,907	112,325	7,588,189
Deposits from customers	-	-	14,633,929	3,590,475	7,638,727	753,123	26,616,254
Derivatives and other financial liabilities	-	-	-	96,032	-	-	96,032
Other liabilities	-	-	630,903	-	-	-	630,903
Total liabilities	-	-	20,568,122	4,982,174	8,515,634	865,448	34,931,378
Net liquidity gap	78,217	339,550	(12,084,628)	(643,692)	(954,037)	7,282,434	5,930,507

(*): 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:

	VND		USD		EUR		Other currencies		Total
	USD	USD	USD	USD	USD	USD	USD	USD	
As at 31 December 2017									
Assets									
Cash on hand	6,099,804	2,829,564	4,308	-	-	-	-	8,933,676	
Deposits with the State Bank of Vietnam	25,019,844	15,459,004	-	-	-	-	-	40,478,848	
Deposits and loans to other credit institutions (*)	233,773,900	90,031,316	658,217	185,270	-	-	-	324,648,703	
Trading securities (*)	131,039,969	-	-	-	-	-	-	131,039,969	
Loans to customers (*)	776,693,592	221,248,989	-	-	-	-	-	997,942,581	
Investment securities (*)	275,021,368	-	-	-	-	-	-	275,021,368	
Fixed assets	-	25,684,943	-	-	-	-	-	25,684,943	
Other assets (*)	12,951,342	5,455,873	-	-	-	-	-	18,407,215	
Total assets	1,460,599,819	360,709,689	662,525	185,270	1,822,157,303				
Liabilities and owners' equity									
Deposits and borrowings from other credit institutions	220,948,725	117,432,048	-	-	-	-	-	338,380,773	
Deposits from customers	998,955,679	187,253,800	630,404	60,864	1,186,900,747	-	-	1,866,900,747	
Derivatives and other financial liabilities	4,282,365	-	-	-	4,282,365	-	-	4,282,365	
Other liabilities	-	28,133,865	-	-	28,133,865	-	-	28,133,865	
Equity and reserves	-	241,561,226	-	-	241,561,226	-	-	241,561,226	
Total liabilities and owners' equity	1,224,186,769	574,380,939	630,404	60,864	1,799,258,976				
Net on-balance sheet position	236,413,050	(213,671,250)	32,121	124,406	22,898,327				
Total position	236,413,050	(213,671,250)	32,121	124,406	22,898,327				

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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As at 31 December 2017

	VND	USD	EUR	Other currencies	Total
	VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent
Assets					
Cash on hand	136,788	63,453	97	-	200,338
Deposits with the State Bank of Vietnam	561,070	346,668	-	-	907,738
Deposits and loans to other credit institutions (*)	5,242,379	2,018,952	14,761	4,155	7,280,247
Trading securities (*)	2,938,571	-	-	-	2,938,571
Loans to customers (*)	17,417,353	4,961,509	-	-	22,378,862
Investment securities (*)	6,167,354	-	-	-	6,167,354
Fixed assets	-	575,985	-	-	575,985
Other assets (*)	290,443	122,347	-	-	412,790
Total assets	32,753,958	8,088,914	14,858	4,155	40,861,885
Liabilities and owners' equity					
Deposits and borrowings from other credit institutions	4,954,775	2,633,414	-	-	7,588,189
Deposits from customers	22,401,581	4,199,166	14,137	1,370	26,616,254
Derivatives and other financial liabilities	96,032	-	-	-	96,032
Other liabilities	-	630,903	-	-	630,903
Equity and reserves	-	5,417,011	-	-	5,417,011
Total liabilities and owners' equity	27,452,388	12,880,494	14,137	1,370	40,348,389
Net on-balance sheet position	5,301,570	(4,791,580)	721	2,785	513,496
Total position	5,301,570	(4,791,580)	721	2,785	513,496

(*): the above balances exclude provision.

37. 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.

Details 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	28,038,363	628,760	24,504,182	542,988
Currency swap commitment	388,544,794	8,713,117	344,709,252	7,638,412
Outstanding letters of credit	54,585,966	1,224,090	26,068,534	577,653
Other guarantees	86,856,325	1,947,753	88,788,104	1,967,456
	558,025,448	12,513,720	484,070,072	10,726,509

38. 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 4.

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	Carrying amounts		Fair Value	
	Closing balance	Opening balance	Closing balance	Opening balance
	USD	USD	USD	USD
Financial assets				
Cash on hand	8,933,676	9,295,543	8,933,676	9,295,543
Deposits with the State Bank of Vietnam	40,478,848	39,108,856	40,478,848	39,108,856
Deposits with other credit institutions	246,399,218	233,675,696	246,399,218	233,675,696
Loans to other credit institutions	78,249,485	136,302,073	78,249,485	136,302,073
Trading securities	129,838,825	148,355,547	(*)	(*)
Loans to customers	976,930,772	838,325,139	(*)	(*)
Available for sales securities	274,335,994	229,669,770	(*)	(*)
Accrued interest receivables	12,240,768	11,935,665	(*)	(*)
Other receivables	3,173,516	12,342,730	(*)	(*)
Financial liabilities				
Deposits from other credit institutions	224,490,065	297,250,383	(*)	(*)
Borrowings from other credit institutions	113,890,708	163,504,974	(*)	(*)
Deposits from customers	1,186,900,747	1,000,009,914	(*)	(*)
Derivatives and other financial liabilities	4,282,365	2,692,079	(*)	(*)
Accrued interest payables	14,138,281	9,575,806	(*)	(*)
Other payables	13,995,584	4,533,988	(*)	(*)

	Carrying amounts		Fair Value	
	Closing balance	Opening balance	Closing balance	Opening balance
	VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent
Financial assets				
Cash on hand	200,338	205,980	200,338	205,980
Deposits with the State Bank of Vietnam	907,738	866,613	907,738	866,613
Deposits with other credit institutions	5,525,502	5,178,020	5,525,502	5,178,020
Loans to other credit institutions	1,754,745	3,020,318	1,754,745	3,020,318
Trading securities	2,911,636	3,287,411	(*)	(*)
Loans to customers	21,907,672	18,576,447	(*)	(*)
Available for sales securities	6,151,985	5,089,252	(*)	(*)
Accrued interest receivables	274,499	264,482	(*)	(*)
Other receivables	71,166	273,503	(*)	(*)
Financial liabilities				
Deposits from other credit institutions	5,034,190	6,586,771	(*)	(*)
Borrowings from other credit institutions	2,553,999	3,623,107	(*)	(*)
Deposits from customers	26,616,249	22,159,220	(*)	(*)
Derivatives and other financial liabilities	96,032	59,654	(*)	(*)
Accrued interest payables	317,051	212,190	(*)	(*)
Other payables	313,851	100,469	(*)	(*)

(*) 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.

39. 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	<u>1,267,743</u>	<u>28,429</u>	<u>1,299,071</u>	<u>28,786</u>

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

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Within one year	1,269,429	28,467	1,294,944	28,695
In the second to fifth year inclusive	2,118,666	47,511	3,977,438	88,136
After five years	615,974	13,813	1,037,097	22,981
	<u>4,004,069</u>	<u>89,791</u>	<u>6,309,479</u>	<u>139,812</u>

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



40. RELATED PARTY TRANSACTIONS AND BALANCES

List of related parties with significant transactions and balances for the year:

Related parties	Relationship
Vietinbank (Head office ("HO")/ Branch)	Owner
Cathay United (Head office ("HO")/Branch/ Representative Office)	Owner

During the year, the Bank entered into the following significant transactions with its related parties:

	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
Borrowings from other credit institutions				
Cathay United Bank	1,685,000,000	37,786,125	1,702,000,000	37,714,618
Profit distribution				
Vietinbank HO	7,500,000	168,188	3,000,000	66,477
Cathay United Bank	7,500,000	168,188	3,000,000	66,477
Interest expense				
Vietinbank HO	180,843	4,061	325,349	7,209
Cathay United Bank	1,263,437	28,333	852,688	18,895
Cathay United Bank Chu Lai Branch	18,391	412	8,649	192
Interest income				
Vietinbank HO	195,466	4,383	1,077,993	23,887
Vietinbank HCM Branch	10,690	240	1,414	31
Purchase of bonds				
Vietinbank HO	16,633,222	373,000	-	-
Remuneration of the Board of Executives				
	267,741	6,004	216,456	4,796



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	178,703,625	4,007,429	190,181,610	4,214,234
Vietinbank HCM Branch	155,229	3,481	1,130,179	25,044
Cathay United Bank	150,687	3,379	1,262,677	27,980
Deposits from other credit institutions				
Vietinbank HO	178,719,510	4,007,785	180,681,610	4,003,724
Cathay United Bank				
Chu Lai Branch	4,802,268	107,691	3,786,772	83,911
Cathay United Bank Representative Office	43,760	981	33,327	738
Borrowings from other credit institutions				
Cathay United Bank	108,000,000	2,421,900	139,000,000	3,080,101
Interest receivables				
Vietinbank HO	-	-	23,750	526
Interest payables				
Cathay United Bank	205,317	4,604	181,149	4,014
Bonds holding				
Vietinbank HO	16,633,222	373,000	-	-



Huynh Trang Nha
Deputy Head of
Accounting Department



Tran Le Thuy
Chief Accountant



Yei-Fong Jan
General Director
 26 March 2018

