

Vietnam Prosperity Joint Stock Commercial Bank

Interim consolidated financial statements

For the six-month period ended 30 June 2019



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Vietnam Prosperity Joint Stock Commercial Bank

GENERAL INFORMATION

THE BANK

Vietnam Prosperity Joint Stock Commercial Bank (the “Bank” or “VPBank”) is a joint stock commercial bank incorporated and registered in the Socialist Republic of Vietnam.

The Bank was established pursuant to Banking License No. 0042/NH-GP dated 12 August 1993 issued by the State Bank of Vietnam (the “SBV”) and Business Registration Certificate No. 0100233583 dated 8 September 1993 issued by Hanoi Department of Planning and Investment which was amended for the 41st time on 27 November 2018. The Bank started operation on 12 August 1993 with an operation period of 99 years.

The Bank’s principal activities are providing banking services including mobilizing and receiving short, medium and long-term deposits from organizations and individuals; making short, medium and long-term loans and advances to organizations and individuals; conducting foreign exchange transactions; providing international trade finance services; discounting of commercial papers, bonds and other valuable papers; investing in shares and bonds; providing settlement services; digital wallet; investing in future contract of Government bonds; providing asset management services; granting credit in form of rediscounting negotiable instruments and other valuable papers and other banking services as allowed by the SBV.

Charter capital

As at 30 June 2019, the charter capital of the Bank is VND25,299,680 million (31 December 2018: VND25,299,680 million).

Operational network

The Bank’s Head Office is located at No. 89 Lang Ha, Lang Ha Ward, Dong Da District, Hanoi, Vietnam. As at 30 June 2019, the Bank has one (1) Head Office, sixty one (61) branches, one hundred and sixty five (165) transaction offices nationwide and two (2) subsidiaries.

BOARD OF DIRECTORS

The members of the Board of Directors of the Bank during the period and as at the date of the interim consolidated financial statements are as follows:

<i>Name</i>	<i>Position</i>
Mr. Ngo Chi Dzung	Chairman
Mr. Bui Hai Quan	Vice Chairman
Mr. Lo Bang Giang	Vice Chairman
Mr. Nguyen Van Hao	Independent member
Mr. Nguyen Duc Vinh	Member

Vietnam Prosperity Joint Stock Commercial Bank

GENERAL INFORMATION (continued)

THE BOARD OF SUPERVISION

The members of the Board of Supervision of the Bank during the period and as at the date of the interim consolidated financial statements are as follows:

<i>Name</i>	<i>Position</i>
Mr. Ngo Phuong Chi	Head of Board of Supervision
Ms. Nguyen Thi Bich Thuy	Full-time member
Ms. Trinh Thi Thanh Hang	Full-time member
Ms. Kim Ly Huyen	Full-time member
Mr. Vu Hong Cao	Member Appointed on 26 April 2019

THE BOARD OF MANAGEMENT

The members of the Board of Management of the Bank during the period and as at the date of the interim consolidated financial statements are as follows:

<i>Name</i>	<i>Position</i>
Mr. Nguyen Duc Vinh	Chief Executive Officer
Ms. Luu Thi Thao	Standing Deputy Chief Executive Officer
Mr. Sanjeev Nanavati	Standing Deputy Chief Executive Officer
Mr. Nguyen Thanh Binh	Deputy Chief Executive Officer
Mr. Phan Ngoc Hoa	Deputy Chief Executive Officer
Ms. Duong Thi Thu Thuy	Deputy Chief Executive Officer
Mr. Nguyen Thanh Long	Deputy Chief Executive Officer
Mr. Fung Kai Jin	Deputy Chief Executive Officer
Mr. Pham Phu Khoi	Deputy Chief Executive Officer
Mr. Kosaraju Kiran Babu	Deputy Chief Executive Officer
Mr. Dinh Van Nho	Deputy Chief Executive Officer
Mr. Phung Duy Khuong	Deputy Chief Executive Officer Appointed on 3 January 2019

LEGAL REPRESENTATIVE

The legal representative of the Bank during the period and as at the date of the interim consolidated financial statements is Mr. Ngo Chi Dzong – Chairman.

Mr. Nguyen Duc Vinh - Chief Executive Officer was authorized by Mr. Ngo Chi Dzong to sign off the accompanying interim consolidated financial statements for the six-month period ended 30 June 2019 according to Authorization Document No. 09/2012/UQ-CT dated 5 July 2012.

AUDITORS

The auditors of the Bank are Ernst & Young Vietnam Limited.

Vietnam Prosperity Joint Stock Commercial Bank

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Vietnam Prosperity Joint Stock Commercial Bank (the "Bank") is pleased to present its report and the interim consolidated financial statements of the Bank and its subsidiaries as at 30 June 2019 and for the six-month period then ended.

MANAGEMENT'S RESPONSIBILITY FOR THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Board of Management of the Bank is responsible for ensuring that the interim consolidated financial statements give a true and fair view of the interim consolidated financial position of the Bank and its subsidiaries and of the interim consolidated results of their operations and their interim consolidated cash flows for the period. In preparing these interim consolidated financial statements, the Board of Management is required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgments and estimates that are reasonable and prudent;
- ▶ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the interim consolidated financial statements; and
- ▶ prepare the interim consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Board of Management is responsible for ensuring that proper accounting records – which disclose, with reasonable accuracy at any time, the interim consolidated financial position of the Bank and its subsidiaries – are kept properly and ensuring that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Bank and its subsidiaries and hence for taking reasonable steps to prevent and detect any frauds and other irregularities.

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

STATEMENT BY THE BOARD OF MANAGEMENT

The Board of Management of the Bank does hereby state that, in its opinion, the accompanying interim consolidated financial statements give a true and fair view of the interim consolidated financial position of the Bank and its subsidiaries as at 30 June 2019, the interim consolidated results of their operations and their interim consolidated cash flows for the six-month period then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other statutory requirements relevant to preparation and presentation of the interim consolidated financial statements.

For and on behalf of the Board of Management



Mr. Nguyễn Đức Vinh
Chief Executive Officer

Hanoi, Vietnam

30 July 2019

Reference: 60755038/21086223-HN

INDEPENDENT AUDITORS' REPORT

**To: The Shareholders of
Vietnam Prosperity Joint Stock Commercial Bank**

We have audited the accompanying interim consolidated financial statements of Vietnam Prosperity Joint Stock Commercial Bank (the "Bank") and its subsidiaries as prepared on 30 July 2019 and set out on pages 6 to 77 the interim consolidated balance sheet as at 30 June 2019, the interim consolidated income statement and the interim consolidated cash flow statement for the six-month period then ended and the notes thereto.

Management's responsibility

Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other statutory requirements relevant to preparation and presentation of the interim consolidated financial statements, and for such internal control as management determines is necessary to guarantee that the preparation and presentation of the interim consolidated financial statements is free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim consolidated financial statements. The procedures were selected depending on the auditors' judgment, including the assessment of the risks of material misstatement of the interim consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's and its subsidiaries' preparation and fair presentation of the interim consolidated 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 and its subsidiaries' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the interim consolidated 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 interim consolidated financial statements give a true and fair view, in all material respects, of the interim consolidated financial position of the Bank and its subsidiaries as at 30 June 2019, and of the interim consolidated results of their operations and their interim consolidated cash flows for the six-month period then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other statutory requirements relevant to preparation and presentation of the interim consolidated financial statements.



Ernst & Young Vietnam Limited


Nguyễn Thủy Dương
Deputy General Director
Audit Practising Registration
Certificate No. 0893-2018-004-1


Trần Thị Thu Hiền
Auditor
Audit Practising Registration
Certificate No. 2487-2018-004-1

Hanoi, Vietnam

13 August 2019

INTERIM CONSOLIDATED BALANCE SHEET
as at 30 June 2019

	Notes	30 June 2019 VND million	31 December 2018 VND million
ASSETS			
Cash, gold and gemstones	5	2,443,631	1,855,473
Balances with the State Bank of Vietnam	6	6,760,926	10,828,571
Placements with and credit granting to other credit institutions		19,982,265	16,571,491
Placements with other credit institutions	7.1	17,357,252	15,337,628
Credit granting to other credit institutions	7.2	2,625,013	1,233,863
Securities held for trading	8	4,890,945	4,202,413
Securities held for trading		4,908,642	4,240,742
Provision for securities held for trading		(17,697)	(38,329)
Derivatives and other financial assets	9	100,507	-
Loans to customers		243,517,843	218,395,223
Loans to customers	10	247,632,796	221,961,996
Provision for loans to customers	11	(4,114,953)	(3,566,773)
Investment securities		50,258,989	51,926,416
Available-for-sale securities	12.1	48,992,906	49,417,157
Held-to-maturity securities	12.2	1,835,094	3,564,933
Provision for investment securities	12.3	(569,011)	(1,055,674)
Long-term investments	13	160,566	190,654
Other long-term investments		227,602	227,602
Provision for long-term investments		(67,036)	(36,948)
Fixed assets		1,896,219	1,963,096
<i>Tangible fixed assets</i>	<i>14.1</i>	<i>1,342,561</i>	<i>1,385,572</i>
Cost		2,282,194	2,211,225
Accumulated depreciation		(939,633)	(825,653)
<i>Intangible fixed assets</i>	<i>14.2</i>	<i>553,658</i>	<i>577,524</i>
Cost		1,000,625	959,289
Accumulated amortization		(446,967)	(381,765)
Other assets		18,720,359	17,357,782
Receivables	15.1	11,316,333	10,482,282
Interest and fees receivable	15.2	4,409,570	4,427,765
Other assets	15.3	3,039,542	2,473,219
Provision for other assets	15.4	(45,086)	(25,484)
TOTAL ASSETS		348,732,250	323,291,119

INTERIM CONSOLIDATED BALANCE SHEET (continued)
as at 30 June 2019

	<i>Notes</i>	<i>30 June 2019 VND million</i>	<i>31 December 2018 VND million</i>
LIABILITIES			
Amounts due to the Government and the State Bank of Vietnam	16	2,020,747	3,781,343
Deposits and borrowings from financial institutions and other credit institutions		45,436,427	54,231,451
Deposits from other credit institutions	17.1	16,588,810	21,145,194
Borrowings from financial institutions and other credit institutions	17.2	28,847,617	33,086,257
Customer deposits	18	197,362,899	170,850,871
Derivatives and other financial liabilities	9	-	18,571
Other borrowed and entrusted funds	19	319,874	329,649
Valuable papers issued	20	53,754,809	48,658,036
Other liabilities		11,629,102	10,671,129
Interest and fees payable	21.1	6,299,977	5,262,931
Other liabilities	21.2	5,329,125	5,408,198
TOTAL LIABILITIES		310,523,858	288,541,050
OWNERS' EQUITY			
Charter capital		25,299,680	25,299,680
Share premium		1,289,001	1,289,001
Reserves		5,821,080	5,465,879
Treasury shares		(2,491,721)	(2,491,721)
Retained earnings		8,303,181	5,187,230
Foreign exchange differences		(12,829)	-
TOTAL OWNERS' EQUITY	23	38,208,392	34,750,069
TOTAL LIABILITIES AND OWNERS' EQUITY		348,732,250	323,291,119

INTERIM CONSOLIDATED BALANCE SHEET (continued)
as at 30 June 2019

OFF-BALANCE SHEET ITEMS

	Notes	30 June 2019 VND million	31 December 2018 VND million
Credit guarantees		15,459	20,626
Foreign exchange commitments		60,186,823	66,626,741
- Spot foreign exchange commitments - buy		2,047,291	1,583,073
- Spot foreign exchange commitments - sell		2,045,053	1,582,743
- Swap contracts		56,094,479	63,460,925
Irrevocable loan commitments		-	1,860
Letters of credit		16,240,350	14,799,169
Other guarantees		16,620,123	13,860,017
Other commitments		133,049,191	111,197,304
	38	226,111,946	206,505,717

Prepared by:




Ms. Nguyen Thi Thu Hang
Chief Accountant

Reviewed by:



Ms. Le Hoang Khanh An
Acting Chief Financial Officer

Approved by:



Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

30 July 2019

INTERIM CONSOLIDATED INCOME STATEMENT
for the six-month period ended 30 June 2019

	Notes	For the six-month period ended 30 June 2019 VND million	For the six-month period ended 30 June 2018 VND million
Interest and similar income	25	23,490,544	19,725,784
Interest and similar expenses	26	(9,039,236)	(7,539,274)
Net interest and similar income		14,451,308	12,186,510
Fee and commission income		2,486,950	1,697,398
Fee and commission expenses		(1,253,311)	(1,093,163)
Net fee and commission income	27	1,233,639	604,235
Net (loss)/gain from trading of foreign currencies	28	(35,980)	33,398
Net gain/(loss) from securities held for trading	29	56,210	(82,569)
Net gain from investment securities	30	275,827	193,318
Other operating income		1,196,956	1,862,219
Other operating expenses		(345,743)	(287,292)
Net gain from other operating activities	31	851,213	1,574,927
Income from investments in other entities	32	-	845
TOTAL OPERATING INCOME		16,832,217	14,510,664
TOTAL OPERATING EXPENSES	33	(6,019,579)	(4,688,648)
Net profit before provision for credit losses		10,812,638	9,822,016
Provision expenses for credit losses	34	(6,470,027)	(5,446,496)
PROFIT BEFORE TAX		4,342,611	4,375,520
Current corporate income tax expense		(871,459)	(874,527)
Corporate income tax expense	22	(871,459)	(874,527)
PROFIT AFTER TAX		3,471,152	3,500,993
Basic earnings per share (VND)	24	1,413	1,445

Prepared by:



Ms. Nguyen Thi Thu Hang
Chief Accountant

Reviewed by:



Ms. Le Hoang Khanh An
Acting Chief Financial Officer

Approved by:



Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

30 July 2019

INTERIM CONSOLIDATED CASH FLOW STATEMENT
for the six-month period ended 30 June 2019

	Notes	For the six-month period ended 30 June 2019 VND million	For the six-month period ended 30 June 2018 VND million
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and similar receipts		23,501,628	19,585,624
Interest and similar payments		(8,003,793)	(7,039,661)
Net fee and commission receipts		1,199,829	549,544
Net receipts from dealing in foreign currencies, gold and securities trading activities		251,127	247,191
Other income		102,463	840,874
Recoveries from bad debts previously written-off		747,612	733,667
Payments for employees and other operating activities		(5,777,117)	(5,042,079)
Corporate income tax paid in the period	22	(1,061,820)	(1,000,765)
Net cash flows from operating profit before changes in operating assets and liabilities		10,959,929	8,874,395
Changes in operating assets		(33,512,513)	(21,449,790)
Placements with and credit granting to other credit institutions		(1,391,150)	2,141,305
Investment securities		(191,614)	(2,585,527)
Derivatives and other financial assets		(100,507)	(81,909)
Loans to customers		(23,690,156)	(16,477,449)
Provision to write off loans to customers, securities and long-term investments		(6,641,343)	(4,724,302)
Changes in other operating assets		(1,497,743)	278,092
Changes in operating liabilities:		21,120,571	12,037,694
Amounts due to the Government and the SBV		(1,760,596)	1,999,200
Deposits and borrowings from financial institutions and other credit institutions		(8,795,024)	(6,220,604)
Customer deposits		26,512,028	17,751,523
Valuable papers issued (except for valuable papers issued for financing activities)		5,096,773	(1,793,666)
Other borrowed and entrusted funds		(9,775)	2,372
Derivatives and other financial liabilities		(18,570)	(160,469)
Changes in other operating liabilities		95,735	459,338
Net cash flows used in operating activities		(1,432,013)	(537,701)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets		(29,216)	(33,717)
Proceeds from disposal of fixed assets		1,366	438
Dividends received and profit distributed from long-term investments		-	845
Net cash flows used in investing activities		(27,850)	(32,434)

INTERIM CONSOLIDATED CASH FLOW STATEMENT (continued)
For the six-month period ended 30 June 2019

	Notes	For the six-month period ended 30 June 2019 VND million	For the six-month period ended 30 June 2018 VND million
Net cash flows in the period		(1,459,863)	(570,135)
Cash and cash equivalents at the beginning of the period		28,021,672	24,253,800
Cash and cash equivalents at the end of the period	35	26,561,809	23,683,665

Prepared by:



Ms. Nguyen Thi Thu Hang
Chief Accountant

Reviewed by:



Ms. Le Hoang Khanh An
Acting Chief Financial Officer

Approved by:



Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

30 July 2019

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
as at 30 June 2019 and for the six-month period then ended

1. GENERAL INFORMATION

Vietnam Prosperity Joint Stock Commercial Bank (the "Bank" or "VPBank") is a joint stock commercial bank incorporated and registered in the Socialist Republic of Vietnam.

The Bank was established pursuant to Banking Licence No. 0042/NH-GP dated 12 August 1993 issued by the State Bank of Vietnam (the "SBV") and Business Registration Certificate No. 0100233583 dated 8 September 1993 issued by Hanoi Department of Planning and Investment which was amended for the 41st time on 27 November 2018. The Bank started operation on 12 August 1993 with an operation period of 99 years.

The Bank's principal activities are to provide banking services including mobilizing and receiving short, medium and long-term deposits from organizations and individuals; making short, medium and long-term loans and advances to organizations and individuals; conducting foreign exchange transactions; providing international trade finance services; discounting of commercial papers, bonds and other valuable papers; investing in shares and bonds; providing settlement services; digital wallet; investing in future contract of Government bonds; providing asset management services; granting credit in form of rediscounting negotiable instruments and other valuable papers and other banking services as allowed by the SBV.

Charter capital

As at 30 June 2019, the charter capital of the Bank is VND25,299,680 million (31 December 2018: VND25,299,680 million).

Operational network

The Bank's Head Office is located at No. 89 Lang Ha, Lang Ha Ward, Dong Da District, Hanoi, Vietnam. As at 30 June 2019, the Bank has one (1) Head Office, sixty one (61) branches, one hundred and sixty five (165) transaction offices nationwide and two (2) subsidiaries.

Subsidiaries

As at 30 June 2019, the Bank has two (2) directly owned subsidiaries as follow:

<i>Subsidiaries</i>	<i>Operating license</i>	<i>Nature of business</i>	<i>Share capital</i>	<i>Ownership</i>
VPBank Asset Management Company Limited ("VPB AMC")	Business Registration Certificate No. 0105837483 issued by Hanoi Department of Planning and Investment which was last amended on 28 December 2016	Asset and liabilities management	VND115 billion	100%
VPBank Finance Company Limited ("VPB FC")	Business Registration Certificate No. 0102180545 issued by Ho Chi Minh City Department of Planning and Investment which was last amended on 17 October 2018	Other finance activities	VND7,328 billion	100%

Employees

As at 30 June 2019, total number of permanent employees of the Bank and its subsidiaries is 27,037 persons (31 December 2018: 27,429 persons).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

2. ACCOUNTING PERIOD AND ACCOUNTING CURRENCY

2.1 Fiscal year

The Bank's fiscal year starts on 1 January and ends on 31 December.

The Bank's interim consolidated period starts on 1 January and ends on 30 June.

2.2 Accounting currency

Currency used in preparing financial statements of the Bank is Vietnam dong ("VND") and rounded to the nearest million VND ("VND million").

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM

3.1 Statement of compliance

The Board of Management of the Bank confirms that the accompanying interim consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other relevant statutory requirements related to the preparation and presentation of interim consolidated financial statements.

3.2 Accounting standards and system

The interim consolidated financial statements of the Bank are prepared in accordance with the Accounting System applicable to Credit Institutions required under Decision No. 479/2004/QĐ-NHNN issued on 29 April 2004, Circular No. 10/2014/TT-NHNN dated 20 March 2014 and Circular No. 22/2017/TT-NHNN dated 29 December 2017 amending and supplementing Decision No. 479/2004/QĐ-NHNN; the financial reporting regime applicable to credit institutions required under Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 and Circular No. 49/2014/TT-NHNN amending and supplementing a number of articles of Decision No. 16/2007/QĐ-NHNN and the chart of account system for Credit Institutions issued in connection with Decision No. 479/2004/QĐ-NHNN by the State Bank of Vietnam and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

- ▶ Decision No. 149/2001/QĐ-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series No. 1);
- ▶ Decision No. 165/2002/QĐ-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series No. 2);
- ▶ Decision No. 234/2003/QĐ-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series No. 3);
- ▶ Decision No. 12/2005/QĐ-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series No. 4); and
- ▶ Decision No. 100/2005/QĐ-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series No. 5).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM (continued)

3.2 Accounting standards and system (continued)

The accompanying interim consolidated financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Vietnam. Accordingly, the accompanying interim consolidated balance sheet, the interim consolidated income statement, the interim consolidated cash flow statement and the notes to the interim consolidated financial statements and their utilization are not designed for those who are not informed about Vietnam's accounting principles, procedures and reporting practices and furthermore are not intended to present the interim consolidated financial position, results of interim consolidated operations and interim consolidated cash flows of the Bank and its subsidiaries in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

Items or balances required by Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 and Circular No. 49/2014/TT-NHNN dated 31 December 2014 issued by the SBV stipulating the interim consolidated financial statements reporting mechanism for credit institutions that are not shown in these interim consolidated financial statements indicate nil balance.

3.3 Assumptions and uses of estimates

The presentation of the interim consolidated financial statements requires the Board of Management of the Bank to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the income, expenses and the resultant provision. The actual results may differ from such estimates and assumptions.

3.4 Basis of interim consolidation

The interim consolidated financial statements comprise the financial statements of the Bank and its subsidiaries for the six-month period ended 30 June 2019.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Bank obtains control.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Bank, using consistent accounting policies.

All intra-group balances, income and expenses and unrealized gains or losses resulting from intra-group transactions are eliminated in full.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 *Changes in accounting policies and disclosures*

The accounting policies adopted by the Bank in preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Bank's consolidated financial statements for the year ended 31 December 2018 and interim consolidated financial statements for the six-month period ended 30 June 2018.

4.2 *Cash and cash equivalents*

Cash and cash equivalents comprise balance with the SBV, demand deposits and placements with other credit institutions with an original maturity of three months or less from the transaction date, securities with recovery or maturity of three months or less from date of purchase which are convertible into a known amount of cash and do not bear liquidity risk as at the reporting date.

4.3 *Placements with and credit granting to other credit institutions*

Placements with and credit granting to other credit institutions are presented at the principal amounts outstanding at the end of the period.

The credit risk classification of placements with and credit granting to other credit institutions and provision for credit risks thereof are provided in accordance with Circular No. 02/2013/TT-NHNN dated 21 January 2013 of the SBV on classification of assets, levels and method of making risk provision, and use of provision against credit risks in operation of credit institutions, foreign bank's branches ("Circular 02") and Circular No. 09/2014/TT-NHNN dated 18 March 2014 on amending and supplementing a number of article of Circular 02 ("Circular 09").

Accordingly, the Bank makes a specific provision for placements with (except for current accounts) and credit granting to other credit institutions according to the method as described in *Note 4.5*.

According to Circular 02, the Bank is not required to make a general provision for placements with and credit granting to other credit institutions.

4.4 *Loans to customers*

Loans to customers are presented at the principal amounts outstanding as at the end of the period.

Short-term loans have maturity of less than or equal to one year from disbursement date. Medium-term loans have maturity from over one year to five years from disbursement date. Long-term loans have maturity of more than five years from disbursement date.

Loan classification and provision for credit losses are made according to Circular 02 and Circular 09 as presented in *Note 4.5*.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 *Loan classification and provision for credit losses applied to placements with and credit granting to other credit institutions, unlisted corporate bonds purchased and trusted for purchase by the Bank, loans to customers, entrusted for credit granting by the Bank and other credit risk bearing assets*

The classification of placements with and credit granting to other credit institutions, direct and entrusted investments in unlisted corporate bonds, loans to customers and entrustments for credit granting (collectively called "debts") is made in compliance with the quantitative method as prescribed in Article 10 of Circular 02.

The specific provision for debts as at 30 June is made based on the principal balance less discounted value of collateral, then multiplied by provision rates which are determined based on the debt classifications as at 31 May. The specific provision rates for each group are presented as follows:

Group		Description	Provision rate
1	Current	(a) Current debts are assessed as fully and timely recoverable for both principals and interests; or (b) Debts are overdue for a period of less than 10 days and assessed as fully recoverable for both overdue principals and interests, and fully and timely recoverable for both remaining principals and interests.	0%
2	Special Mention	(a) Debts are overdue for a period of between 10 days and 90 days; or (b) Debts which the repayment terms are restructured for the first time.	5%
3	Sub standard	(a) Debts are overdue for a period of between 91 days and 180 days; or (b) Debts which the repayment terms are extended for the first time; or (c) Debts which interests are exempted or reduced because customers do not have sufficient capability to repay all interests under credit contracts; or (d) Debts under one of the following cases which have not been recovered in less than 30 days from the date of the recovery decision: <ul style="list-style-type: none"> ▪ Debts made in compliance with Clause 1, 3, 4, 5, 6 under Article 126 of Law on Credit Institutions; or ▪ Debts made in compliance with Clause 1, 2, 3, 4 under Article 127 of Law on Credit Institutions; or ▪ Debts made in compliance with Clauses 1, 2 and 5 under Article 128 of Law on Credit Institutions. (e) Debts are required to be recovered according to regulatory inspection conclusions.	20%
4	Doubtful	(a) Debts are overdue for a period of between 181 days and 360 days; or (b) Debts which the repayment terms are restructured for the first time but still overdue for a period of less than 90 days under that restructured repayment term; or (c) Debts which the repayment terms are restructured for the second time; or (d) Debts are specified in point (d) of Loan group 3 and overdue for a period of between 30 days and 60 days after decisions of recovery have been issued; or (e) Debts are required to be recovered according to regulatory inspection conclusions but still outstanding with an overdue period up to 60 days since the recovery date as required by regulatory inspection conclusions.	50%

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 *Loan classification and provision for credit losses applied to placements with and credit granting to other credit institutions, unlisted corporate bonds purchased and trusted for purchase by the Bank, loans to customers, entrusted for credit granting by the Bank and other credit risk bearing assets* (continued)

Group		Description	Provision rate
5	Loss	(a) Debts are overdue for a period of more than 360 days; or (b) Debts which the repayment terms are restructured for the first time but still overdue for a period of 90 days or more under that first restructured repayment term; or (c) Debts which the repayment terms are restructured for the second time but still overdue under that second restructured repayment term; or (d) Debts which the repayment terms are restructured for the third time or more, regardless of being overdue or not; or (e) Debts are specified in point (d) of Loan group 3 and overdue for a period of more than 60 days after decisions on recovery have been issued; or (f) Debts are required to be recovered under regulatory inspection conclusions but still outstanding with an overdue period of more than 60 days since the recovery date as required by regulatory inspection conclusions; or (g) Debts of credit institutions under special control as announced by the SBV, or debts of foreign bank branches which capital and assets are blocked.	100%

If a customer has more than one debt with the Bank and any of the outstanding debts is classified into a higher risk group, the entire remaining debts of such customer should be classified into the corresponding higher risk group.

When the Bank participates in a syndicated loan as a participant, it should classify loans (including syndicated loans) of the customer into the group of higher risk between the assessment of the leading bank and the Bank.

For loans to customers in agricultural and rural sector, the Bank is allowed to restructure these loans and keep their debt groups as before restructuring for only one time in accordance with Circular No. 10/2015/TT-NHNN dated 22 July 2015 providing guidance on certain contents of Decree No. 55/2015/ND-CP dated 9 June 2015 by the Government on credit policies for agriculture and rural development.

The basis for determination of value and discounted value for each type of collateral is specified in Circular 02 and Circular 09.

General provision as at 30 June is made at 0.75% of total outstanding debt balances excluding placements with and credit granting to other credit institutions and debts classified as loss (group 5) as at 31 May.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Securities held for trading

4.6.1 Classification and recognition

Securities held for trading include debt securities acquired and held for resale. Securities held for trading are initially recognized at cost.

4.6.2 Measurement

Listed debt securities held for trading are recognized at cost less provision for diminution in value of securities, which is based on the yield quoted on the Hanoi Securities Exchange as at the balance sheet date.

Provision for credit losses on corporate bonds which are not listed on the stock market or not registered on the unlisted public companies market is made in accordance with Circular 02 and Circular 09 as described in *Note 4.5*.

Provision for securities held for trading which is mentioned above is reversed when the recoverable amount of securities held for trading increases after making provision as a result of an objective event. Provision is reversed up to the gross value of these securities before provision.

Interest derived from holding securities held for trading are recognized on a cash basis in the interim consolidated income statement.

4.6.3 De-recognition

Trading securities are derecognized when the rights to receive cash flows from these securities have been terminated or the Bank has transferred substantially all the risks and rewards of ownership of these securities.

4.7 Available-for-sale securities

Available-for-sale securities include debt and equity securities acquired by the Bank for the investment and available-for-sale purposes, not regularly traded but can be sold when there is a benefit. For equity securities, the Bank is neither the founding shareholder nor the strategic partner, nor has the ability to make certain influence in planning and making decision in the financial and operating policies of the investees under a written agreement to appoint personnel to the Board of Directors/Management.

Available-for-sale equity securities are initially recognized at cost at the purchase date and continuously presented at cost in subsequent periods.

Available-for-sale debt securities are recognized at par value at the purchase date. Accrued interest incurred before purchase (for debt securities with interest payment in arrears) and deferred interest (for debt securities with interest payment in advance) are recognized in a separate account. Discount/premium, which is the difference between the cost and the amount being the par value plus (+) accrued interest incurred before purchase (if any) or minus (-) deferred interest (if any), is also recognized in a separate account.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Available-for-sale securities (continued)

In subsequent periods, these securities are continuously recorded at par value, and the discount/premium (if any) is amortized to the interim consolidated income statement on a straight-line basis over the remaining term of securities. Interest received in arrears is recorded as follows: Cumulative interest incurred before the purchasing date is recorded as a decrease in the accrued interest; cumulative interest incurred after the purchasing date is recognized as income based on the accumulated method. Interest received in advance is amortized into the interest income from investment securities on a straight-line basis over the term of securities investment.

Available-for-sale securities are subject to diminution review on a periodical basis.

Provision for diminution in value of securities is made when the carrying value is higher than the market value in compliance with Circular No. 228/2009/TT-BTC issued by the Ministry of Finance on 7 December 2009. In case market prices of securities are not available or cannot be determined reliably, no provision is made. Diminution provision is recognized in "*Net gain from investment securities*" in the interim consolidated income statement.

Provision for credit losses on corporate bonds which are not listed on the stock market or not registered on the unlisted public companies market is made in accordance with Circular 02 and Circular 09 as described in *Note 4.5*.

4.8 Held-to-maturity investment securities

Held-to-maturity investment securities include special bonds issued by Vietnam Asset Management Company ("VAMC") and other investment securities held to maturity.

Special bonds issued by VAMC

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

During the holding period, the Bank annually calculates and makes provision in accordance with Circular No. 14/2015/TT-NHNN dated 28 August 2015 amending and supplementing some articles of Circular No. 19/2013/TT-NHNN on the purchase, sale and resolution of bad debts of VAMC.

As required by Circular No. 14/2015/TT-NHNN, each year within five consecutive working days prior to the maturity date of special bonds, the Bank is obliged to fully make minimum specific provision for each special bond using the below formula:

$$X_{(m)} = \frac{Y}{n} \times m - (Z_m + X_{m-1})$$

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Held-to-maturity investment securities (continued)

In which:

- $X_{(m)}$: minimum provision for special bonds in the m^{th} year;
- X_{m-1} : accumulated specific provision for special bonds in the $m-1^{\text{th}}$ year;
- Y : face value of special bonds;
- n : term of special bonds (years);
- m : number of years from the bond issuance date to the provision date;
- Z_m : accumulated bad debt recoveries at the provision date (m^{th} year).

If $(Z_m + X_{m-1}) \geq (Y/n \times m)$, the specific provision ($X_{(m)}$) will be zero (0).

Specific provision for special bonds is recognized in the interim consolidated income statement in "Provision expense for credit losses". General provision is not required for the special bonds.

On settlement date of special bonds, recovery from the debts is recognized into "Other operating income".

Other held-to-maturity securities

Other held-to-maturity securities are debt securities purchased by the Bank for the investment purpose of earning dividend and the Bank has the intention and capability to hold these investments until maturity. Other held-to-maturity securities have determinable value and maturity date. In case the securities are sold before the maturity date, the remaining of that portfolio will be reclassified to securities held for trading or available-for-sale securities.

Held-to-maturity securities are recorded and measured identical to debt securities available-for-sale and presented at Note 4.7.

4.9 Re-purchase and reverse re-purchase contracts

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Other long-term investments

Other long-term investments represent investments in other entities in which the Bank holds less than or equal to 11% of voting rights. These investments are initially recorded at cost at the investment date.

For listed securities or unlisted but registered for trading securities on unlisted public company market (UPCoM), provision for diminution in value is made when their listed/registered price for trading is lower than the carrying value of the securities at the end of accounting period.

In other cases, provision for diminution in the value of other long-term investment is made when the investee suffers loss, except that such loss had been forecasted in the investee's business plan before the investment. Provision for diminution in the value of other long-term investment is made using the below formula:

$$\text{Provision for diminution in value of each investment} = \left(\text{Total invested amount of all parties in the entity} - \text{Owners' equity of the entity} \right) \times \frac{\text{Invested amount of each party}}{\text{Total invested amount of all parties in the entity}}$$

Provision is reversed when the recoverable amount of the investment increases after the provision is made. Provision is reversed up to the gross value of the investment before the provision is made.

4.11 Fixed assets

Fixed assets are stated at cost less accumulated depreciation or amortization.

The cost of a fixed asset comprises its purchase price plus any directly attributable costs of bringing the asset to working condition for its intended use.

Cost related to additions, improvements and renewals are capitalized while expenditures for maintenance and repairs are charged to the interim consolidated income statement.

When assets are sold or liquidated, their cost and accumulated depreciation are deducted from the interim consolidated balance sheet item and any gains or losses resulting from their disposal are recorded to the interim consolidated income statement.

4.12 Depreciation and amortization

Depreciation of tangible fixed assets and amortization of intangible fixed assets are on a straight-line basis over the estimated useful life of these assets as follows:

Buildings and architectonic models	5 – 40 years
Motor vehicles	6 years
Machines and equipment	2 – 7 years
Computer software	3 – 14 years
Other fixed assets	3 – 5 years

4.13 Operating lease

Rentals under operating lease are charged in the "Total operating expenses" of the interim consolidated income statement on a straight-line basis over the term of the lease.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Receivables

4.14.1 Receivables classified as credit-risk bearing assets

Receivables classified as credit-risk assets are recognized at cost. Doubtful receivables are classified and provided for provision by the Bank in accordance with the regulations on recognition and use of provision to resolve the credit risk as presented in *Note 4.5*.

4.14.2 Other receivables

Receivables other than receivables classified as credit-risk bearing assets are recognized at cost.

Provision for receivables is determined based on the overdue status of debts or expected loss of current debts in case the debts are not due for payment yet but the corporate debtors have fallen into bankruptcy or are in the process of dissolution, or of individual debtors who are missing, escaped, prosecuted, on trial or deceased. Provision expense incurred is recorded in "*Other operating expenses*" of the interim consolidated income statement in the period

Provision for overdue debts is made in accordance with Circular No. 228/2009/TT-BTC as follows:

<i>Overdue status</i>	<i>Allowance rate</i>
From over six (6) months to under one (1) year	30%
From one (1) to under two (2) years	50%
From two (2) to under three (3) years	70%
From three (3) years and above	100%

4.15 Prepaid expenses

Prepaid expenses are reported as short-term and long-term prepaid expenses on the interim consolidated balance sheet and amortized over the period for which the amount is paid or the period in which economic benefit is generated in relation to these expenses.

4.16 Share capital

4.16.1 Ordinary shares

Ordinary shares are classified as owners' equity.

4.16.2 Share premium

On receipt of capital from shareholders, the difference between the issuance price and the par value of the shares is recorded as share premium in "*Owners' equity*".

4.16.3 Statutory reserves

Reserves of the Bank

The Bank appropriates the following statutory reserves in compliance with Law on Credit Institutions No. 47/2010/QH12, Decree No. 93/2017/ND-CP and its Charter as follow:

	<i>Basic for calculation</i>	<i>Maximum balance</i>
Capital supplementary reserve	5% from profit after tax	100% of charter capital
Financial reserve	10% from profit after tax	Not regulated

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Share capital (continued)

4.16.3 Statutory reserves (continued)

Other funds are appropriated from profit after tax. Appropriation from profit after tax and utilization of other funds must be approved by the General Meeting of Shareholders. These funds are not regulated by law and are allowed to be fully distributed.

These reserves are created annually based on the separate operating results at year-end.

Reserves of VPBank Asset Management Company Limited

According to Circular No. 27/2002/TT-BTC issued by the Ministry of Finance dated 22 March 2002, VPB AMC is required to make appropriation of profit to reserves in a similar way to the Bank.

According to Circular No. 200/2014/TT-BTC, for the financial year starting on or after 1 January 2015, VPB AMC has stopped making provision for financial reserve.

Reserves of VPBank Finance Company Limited

According to Decree No. 93/2017/ND-CP dated 7 August 2017 issued by the Government of Vietnam which replaces Decree No. 57/2012/ND-CP dated 20 July 2012, VPB FC is required to make appropriation of profit to reserves in a similar way to the Bank.

4.17 Recognition of income and expenses

Interest income and expenses are recognized in the interim consolidated income statement on an accrual basis using the nominal interest rates. The accrued interest of debts which are classified in groups 2 to 5 is not recognized in the interim consolidated income statement in compliance with Circular 02. These accrued interest is reversed and monitored off-balance sheet and recognized in the interim consolidated income statement upon actual receipt.

Fees and commissions are recognized on an accrual basis.

4.18 Debts purchased and sold

The accounting treatment for debts purchased and sold are in accordance with Circular No. 09/2015/TT-NHNN issued by the SBV prescribing the purchase and sale of debts by credit institutions and foreign bank branches.

Debts purchased

Debts purchased are initially recorded at purchase price and subsequently presented at cost less provision for credit losses. Price of debts purchased is the settlement amount to be paid by the buyer under the debt purchase contract.

Debts purchased are initially classified in the risk group which is not lower than the risk group of the debts before the purchase. Subsequently, debts purchased are monitored, classified and provided for credit losses similar to normal loans to customers in accordance with Circular 02 and Circular 09.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.18 Debts purchased and sold (continued)***Sale of debts*

Income and expenses from the sale of debts are recognized in accordance with Circular No. 09/2015/TT-NHNN providing guidance on the sale of debts of credit institutions and foreign bank branches.

According to Circular No. 09/2015/TT-NHNN, the difference between the prices of debts purchased or sold and their book value are recorded as follows:

- ▶ For debts recorded in the consolidated balance sheet:
 - If the sale price is higher than the book value of the debt, the difference shall be recorded as income of the Bank in the period.
 - If the sale price is lower than the book value of the debt, the difference shall be used to offset against the indemnity paid by an individual or guarantor (in case such individual or guarantor is determined to be responsible for the damage and obliged to make indemnity under prevailing regulations), or the compensation paid by the insurer, or use of outstanding provision recognized as expense previously. The remaining balance (if any) shall be recognized as an operating expense of the Bank in the period.
- ▶ For debts written-off and monitored off-balance sheet, the proceeds from sale of debts shall be recognized as other income of the Bank.

Book value of debts purchased sold is the book value of the principal, interest and related financial obligations (if any) of debts recorded in the balance sheet or off-balance sheet at the date of debts purchased or sold; or the book value at the date of writing-off of debts; or the book value of debts written-off previously at the date of debts purchased or sold.

The selling price is the sum of consideration which seller received under a debt sale contract.

4.19 Foreign currency transactions

All transactions are recorded in original currencies. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated into VND using exchange rates ruling at the interim consolidated balance sheet date (*Note 46*). Income and expenses in foreign currencies are converted into VND at rates ruling at the transaction dates. Foreign exchange differences arising from the translation of monetary assets and liabilities are recognized and followed in the "*Foreign exchange differences*" under "*Owners' equity*" in the interim consolidated balance sheet and will be transferred to the interim consolidated income statement at the end of the financial year.

4.20 Payables and accruals

Payables and accruals are recognized for amounts to be paid in the future for goods and services received, whether or not billed to the Bank.

4.21 Deposits from other credit institutions, customer deposits and valuable papers issued

Deposits from other credit institutions, customer deposits and valuable papers issued are disclosed at the principal amounts outstanding at the date of interim consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.22 Corporate income taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or to be paid to the taxation authorities. The tax rates and tax laws are applied and enacted at the interim consolidated balance sheet date.

Current income tax is recognized to the interim consolidated income statement except when it relates to items recognized directly to equity, the current income tax is also directly recognized in equity.

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Bank to offset current tax assets against current tax liabilities and when the Bank intends to settle its current tax assets and liabilities on a net basis.

The Bank's tax reports are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions that is susceptible to various interpretations, amounts reported in the interim consolidated financial statements could be changed at a later date upon final determination by the tax authorities.

Deferred tax

Deferred tax is provided on temporary differences at the interim consolidated balance sheet date between the tax base of assets and liabilities and their carrying amount for the financial reporting purposes.

Deferred tax payable is recognized for all temporary taxable differences.

Deferred corporate income tax assets are recognized for deductible temporary differences, deductible amounts carried over to subsequent periods of taxable losses, and unused tax credits when it is probable that there will be sufficient future taxable profit to use deductible temporary differences, taxable losses and unused tax credits. Deferred tax assets and deferred tax payable are determined on the basis of expected tax rates applied for the accounting period when the assets are recovered or liabilities are settled and on basis of effective and applicable tax rates and tax laws at the end of accounting period.

4.23 Fiduciary assets

Assets held in a fiduciary capacity, unless recognition criteria are met, are not recognized in the Bank's financial statements, as they are not assets of the Bank.

4.24 Classification for off-balance sheet commitments

According to Circular 02, credit institutions classify guarantees, payment acceptances and irrevocable loan commitments with specific effective date (generally called "*off-balance sheet commitments*") in compliance with Article 10, Circular 02 for management and monitoring of credit quality. Off-balance sheet commitments are classified into groups such as *Current*, *Special Mention*, *Substandard*, *Doubtful* and *Loss* based on the overdue status and other qualitative factors.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.25 *Offsetting*

Financial assets and financial liabilities are offset and the net amount is reported in the interim consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset financial assets against financial liabilities or vice-versa, and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4.26 *Derivatives*

The Bank involves in currency forward contracts, swap contracts and option contracts to facilitate customers to transfer, modify or minimize foreign exchange risk or other market risks, and also for the business purpose of the Bank.

Currency forward contracts

The currency forward contracts are commitments to settle in cash in pre-determined currency on pre-determined future date based on pre-determined exchange rates. The currency forward contracts are recognized at nominal value at the transaction date and are revalued for the reporting purpose at the exchange rate at the reporting date. Gains or losses are recognized in the "Foreign exchange differences" under "Owners' equity" in the interim consolidated balance sheet and will be transferred to the consolidated income statement at the end of the financial year.

Swap contracts

The swap contracts are commitments to settle in cash on a pre-determined future date based on pre-determined exchange rates calculated on the notional principal amount or commitments to settle interest based on a floating rate or a fixed rate calculated on the notional amount and in a given period.

The currency swap contracts are revalued periodically. Gain or losses are recognized in the "Foreign exchange differences" under "Owners' equity" in the interim consolidated balance sheet and will be transferred to the consolidated income statement at the end of the financial year.

Differences in interest rate swaps are recognized in the interim consolidated income statement on an accrual basis.

Option contracts

Option contracts are commitments between the buyer and the seller (VPBank), in which, the buyer has a right but not an obligation to purchase or sell a fixed amount of foreign currency at a predetermined exchange rate within a predetermined period. In case the buyer choose to execute their rights, the seller have the obligation to sell or buy a fixed amount of foreign currency at the predetermined exchange rate.

The price of option contracts (option contract fee), which the Bank has received, is allocated on a straight line basis into "Net gain/(loss) from trading of foreign currencies" during the outstanding period of the contract.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.27 Employee benefits

4.27.1 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 Labor, 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% of an employee's gross monthly salary under regulations. Other than that, the Bank has no further obligation relating to post-employment benefits.

4.27.2 Voluntary resignation benefits

The Bank has the obligation, under Article 48 of the Vietnam Labor Code No. 10/2012/QH13 effective from 1 May 2013, to pay allowance arising from voluntary resignation of employees, equal to a half of monthly salary for each year of employment up to 31 December 2008 plus salary allowances (if any). From 1 January 2009, the average monthly salary used in this calculation is the average monthly salary of the latest six-month period up to the resignation date.

4.27.3 Unemployment insurance

According to Circular No. 28/2015/TT-BLDTBXH on guidelines for Article 52 of the Law on Employment and Decree No. 28/2015/ND-CP dated 12 March 2015 of the Government on guidelines for the Law on Employment in term of unemployment insurance, the Branch is required to contribute to the unemployment insurance at the rate of 1% of salary and wage fund of unemployment insurance joiners and deduct 1% of monthly salary and wage of each employee to contribute to the unemployment insurance.

4.28 Business combinations and goodwill

Business combinations are accounted for using the purchase method. The cost of a business combination is measured as the fair value of assets given, liabilities incurred or assumed and equity instruments issued in exchange of voting rights at the acquisition date plus any costs directly attributable to the business combination. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of business combination.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost the business combination over the Bank's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of a business combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the interim consolidated income statement. After initial recognition, goodwill is measured at cost less any accumulated amortization. Goodwill is amortized over three (3) years on a straight-line basis.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

5. CASH, GOLD AND GEMSTONES

	30 June 2019 VND million	31 December 2018 VND million
Cash on hand in VND	1,512,854	1,227,415
Cash on hand in foreign currencies	745,355	548,625
Gold on hand	185,422	79,433
	2,443,631	1,855,473

6. BALANCES WITH THE STATE BANK OF VIETNAM

	30 June 2019 VND million	31 December 2018 VND million
Demand deposits at the SBV	6,760,926	10,828,571
In VND	6,518,966	10,466,976
In foreign currencies	241,960	361,595
	6,760,926	10,828,571

Balances with the SBV include current account and compulsory reserves. As at 30 June 2019, compulsory reserve in VND and current account in foreign currencies bear interest at rate of 1.20% p.a. and 0.05% p.a., respectively (31 December 2018: 1.20% p.a. and 0.05% p.a., respectively).

Under the SBV regulations, the Bank is required to maintain certain cash reserves with the SBV in the form of compulsory reserves. As at 30 June 2019, the required cash reserves of customer deposits in VND and foreign currencies having maturity of less than 12 months are computed at 3.00% and 8.00%, respectively (2018: 3.00% and 8.00%, respectively) and having maturity of over 12 months are computed at 1.00% and 6.00% (2018: 1.00% and 6.00% respectively).

7. PLACEMENTS WITH AND CREDIT GRANTING TO OTHER CREDIT INSTITUTIONS

7.1 Placements with other credit institutions

	30 June 2019 VND million	31 December 2018 VND million
Demand deposits	2,065,852	12,068,678
- In VND	985,370	9,934,829
- In foreign currencies	1,080,482	2,133,849
Term deposits	15,291,400	3,268,950
- In VND	12,957,900	2,363,370
- In foreign currencies	2,333,500	905,580
	17,357,252	15,337,628

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

7. PLACEMENTS WITH AND CREDIT GRANTING TO OTHER CREDIT INSTITUTIONS
(continued)

7.2 Credit granting to other credit institutions

	30 June 2019 VND million	31 December 2018 VND million
In VND	2,391,663	769,463
In foreign currencies	233,350	464,400
	2,625,013	1,233,863

Interest rates of placements with and credit granting to other credit institutions as at the reporting date are as follows:

	30 June 2019 % per annum	31 December 2018 % per annum
Term deposits in VND	3.50 - 6.55	3.90 - 6.00
Term deposits in foreign currencies	1.90 - 2.70	2.60 - 3.20
Credit granting in VND	4.23 - 6.04	4.67 - 6.83
Credit granting in foreign currencies	3.00	3.00 - 3.30

Analysis of outstanding term deposits with and credit granting other credit institutions by quality as at the reporting date are as follows:

	30 June 2019 VND million	31 December 2018 VND million
Current	17,916,413	4,502,813
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	-	-
	17,916,413	4,502,813

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

8. SECURITIES HELD FOR TRADING

8.1 Debt securities

	30 June 2019 VND million	31 December 2018 VND million
Government and municipal securities	4,699,252	4,240,742
Securities issued by other credit institutions	209,390	-
	4,908,642	4,240,742
Provision for securities held for trading	(17,697)	(38,329)
Provision for diminution in value of securities held for trading	(17,697)	(38,329)
	4,890,945	4,202,413

Changes in provision for securities held for trading in the period are as follows:

	For the six-month period ended 30 June 2019 VND million	For the six-month period ended 30 June 2018 VND million
Opening balance	38,329	-
Provision (reversed)/charged in the period (Note 29)	(20,632)	44,198
Closing balance	17,697	44,198

8.2 Securities held for trading by listing status

	30 June 2019 VND million	31 December 2018 VND million
Debt securities		
Listed	4,908,642	4,240,742

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

9. DERIVATIVES AND OTHER FINANCIAL ASSETS/(LIABILITIES)

	<i>Total contract nominal value (at contractual exchange rate) VND million</i>	<i>Total carrying value (at exchange rate as at reporting date)</i>		<i>Net value VND million</i>
		<i>Assets VND million</i>	<i>Liabilities VND million</i>	
As at 30 June 2019				
<i>Derivative financial instruments</i>	31,793,356	31,748,103	(31,692,096)	56,007
Currency forward contracts	6,041,264	6,041,499	(5,979,248)	62,251
Currency swap contracts	25,752,092	25,706,604	(25,712,848)	(6,244)
<i>Other derivative financial instruments</i>	5,176,270	3,185,304	(3,140,804)	44,500
	36,969,626	34,933,407	(34,832,900)	100,507
As at 31 December 2018				
<i>Derivative financial instruments</i>	37,477,476	37,284,817	(37,361,354)	(76,537)
Currency forward contracts	7,030,491	7,006,722	(6,995,804)	10,918
Currency swap contracts	30,446,985	30,278,095	(30,365,550)	(87,455)
<i>Other derivative financial instruments</i>	6,350,452	4,442,399	(4,384,433)	57,966
	43,827,928	41,727,216	(41,745,787)	(18,571)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

10. LOANS TO CUSTOMERS

	30 June 2019 VND million	%	31 December 2018 VND million	%
Loans to domestic economic entities and individuals	232,447,683	93.87	210,805,697	94.97
Discounted bills and valuable papers	94,426	0.04	152,527	0.07
Payments on behalf of customers	-	0.00	1,381	0.00
Loans financed by borrowed and entrusted funds	423,809	0.17	488,959	0.22
Loans to foreign economic entities and individuals	119	0.00	220	0.00
Other credit granting to customers	14,666,759	5.92	10,513,212	4.74
	247,632,796	100	221,961,996	100

Interest rates of loans to customers at the end of the period are as follows:

	30 June 2019 % per annum	31 December 2018 % per annum
Range of interest rate of commercial loans in VND	3.00 – 14.10	3.00 - 13.50
Range of interest rate commercial loans in foreign currencies	4.00 - 5.60	3.30 - 5.50
Average interest rate of consumer loans in VND	43.60	43.83

10.1 Analysis of loan portfolio by quality

Analysis of loan portfolio by quality at the end of the period is as follows:

	30 June 2019 VND million	31 December 2018 VND million
Current	226,628,619	202,527,738
Special mention	12,512,688	11,667,993
Substandard	4,780,018	4,217,034
Doubtful	1,597,260	1,691,989
Loss	2,114,211	1,857,242
	247,632,796	221,961,996

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

10. LOANS TO CUSTOMERS (continued)

10.2 Analysis of loan portfolio by original maturity

	30 June 2019 VND million	31 December 2018 VND million
Short term	86,883,676	73,407,839
Medium term	108,457,390	99,662,806
Long term	52,291,730	48,891,351
	247,632,796	221,961,996

10.3 Analysis of loan portfolio by ownership and type of customers

	30 June 2019 VND million	%	31 December 2018 VND million	%
State-owned companies	2,159,090	0.87	2,149,158	0.97
One-member limited liability companies with 100% State ownership	1,091,734	0.44	830,083	0.37
Two or more member limited liability companies with over 50% State ownership or being controlled by the State	13,619	0.01	17,358	0.01
Other limited liability companies	40,775,554	16.47	37,131,870	16.73
Joint stock companies with over 50% State ownership or being controlled by the State	349,690	0.14	412,641	0.19
Other joint-stock companies	61,266,700	24.74	51,966,135	23.41
Private enterprises	443,353	0.18	476,169	0.22
Foreign invested enterprises	261,295	0.11	399,702	0.18
Co-operatives and unions of co-operative	57,024	0.02	68,449	0.03
Household business and individuals	141,213,696	57.02	128,503,645	57.89
Operation administration entity, the Party, unions and associations	82	0.00	5,826	0.00
Others	959	0.00	960	0.00
	247,632,796	100	221,961,996	100

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

10. LOANS TO CUSTOMERS (continued)

10.4 Analysis of loan portfolio by sectors

	30 June 2019		31 December 2018	
	VND million	%	VND million	%
Agricultural, forestry and aquaculture	941,669	0.38	1,149,359	0.52
Mining	900,302	0.36	391,618	0.18
Processing, manufacturing	13,846,499	5.59	11,938,173	5.38
Electricity, petroleum and steam	2,421,903	0.98	1,865,916	0.84
Water supply and waste treatment	199,913	0.08	216,406	0.10
Construction	19,126,260	7.72	19,234,916	8.67
Wholesale and retail trade, repair of motor vehicles, motor cycles and personal goods	29,171,341	11.78	24,644,053	11.10
Transportation and logistics	7,742,183	3.13	7,945,263	3.58
Hospitality and restaurants	12,374,875	5.00	9,902,603	4.46
Information and media	411,126	0.17	396,897	0.18
Finance, banking and insurance services	2,982,305	1.20	3,969,632	1.79
Real estates	48,471,689	19.58	43,341,997	19.52
- In which: Individual borrowing for accommodation purpose and obtain land use rights	21,885,220	8.84	19,839,780	8.96
Scientific research and technology	725,023	0.29	638,907	0.29
Administrative activities and support services	1,471,431	0.59	1,563,129	0.70
Activities of the Communist Party, political - social organizations, state management, security and defense	8,198	0.00	11,539	0.01
Education and vocational training	229,813	0.09	327,506	0.15
Healthcare and community development	32,614	0.01	34,359	0.02
Recreational, cultural, sporting activities	426,997	0.17	214,758	0.10
Other services	342,673	0.14	333,180	0.15
Households services, production of material products and services used by households	105,802,318	42.74	93,833,408	42.26
Activities of other foreign organizations and offices	3,664	0.00	8,377	0.00
	247,632,796	100	221,961,996	100

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

11. PROVISION FOR CREDIT LOSSES OF LOANS TO CUSTOMERS

Provision for credit losses of loans to customers at period end is as follows:

	30 June 2019 VND million	31 December 2018 VND million
General provision	1,791,440	1,525,190
Specific provision	2,323,513	2,041,583
	4,114,953	3,566,773

Changes in provision for credit losses in the six-month period ended 30 June 2019 are as follows:

	General provision VND million	Specific provision VND million	Total VND million
Opening balance	1,525,190	2,041,583	3,566,773
Provision charged in the period (Note 34)	266,250	5,653,683	5,919,933
Change in provision due to repurchase of debts sold to VAMC's	-	302,841	302,841
Provision used to write-off bad debts	-	(5,674,594)	(5,674,594)
Closing balance	1,791,440	2,323,513	4,114,953

Changes in provision for credit losses in the six-month ended 30 June 2018 are as follows:

	General provision VND million	Specific provision VND million	Total VND million
Opening balance	1,290,695	1,856,709	3,147,404
Provision charged in the period (Note 34)	152,526	4,980,279	5,132,805
Provision used to write-off bad debts	-	(4,724,302)	(4,724,302)
Closing balance	1,443,221	2,112,686	3,555,907

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

12. INVESTMENT SECURITIES

12.1 Available-for-sale securities

	30 June 2019 VND million	31 December 2018 VND million
Debt securities	48,977,549	49,401,800
Government and municipal securities	24,327,385	23,476,465
Debt securities issued by other domestic credit institutions	15,903,745	17,097,423
<i>In which: Bonds guaranteed by the Government</i>	<i>3,679,425</i>	<i>6,533,088</i>
Debt securities issued by domestic economic entities	8,746,419	8,827,912
Equity securities	15,357	15,357
Equity securities issued by domestic economic entities	15,357	15,357
	48,992,906	49,417,157
Provision for available-for-sale securities	(198,496)	(265,319)
Diminution provision	(53,997)	(83,901)
General provision	(144,499)	(181,418)
	48,794,410	49,151,838

Government bonds have terms at purchase date from 9 months to 15 years and bear interest at rates ranging from 2.90% per annum to 10.80% per annum (31 December 2018: terms at purchase date of 3 years to 15 years, interest at rates ranging from 2.90% per annum to 10.80% per annum).

Debt securities issued by domestic credit institutions have terms at purchase date from 4 months to 10 years and bear interest at rates ranging from 5.00% per annum to 12.00% per annum (31 December 2018: terms at purchase date of 6 months to 10 years, interest at rates ranging from 5.00% per annum to 12.00% per annum).

Debt securities issued by other domestic economic entities have terms at purchase date from 11 months to 11 years and bear interest at rates ranging from 8.80% per annum to 12.00% per annum (31 December 2018: terms at purchase date from 6 months to 11 years, interest at rates ranging from 9.50% per annum to 11.25% per annum).

Face value of bonds pledged for capital mobilization contracts as at 30 June 2019 amounted to VND4,602,568 million (31 December 2018: VND13,277,938 million).

Face value of bonds sold under agreement to repurchase as at 30 June 2019 amounted to VND2,000,000 million (31 December 2018: VND7,550,000 million).

Analysis of available-for-sale securities by listing status at reporting date is as follows:

	30 June 2019 VND million	31 December 2018 VND million
Listed bonds	28,006,810	30,009,553
Unlisted bonds (Note 12.4)	16,449,436	15,392,019
Other unlisted debt securities	4,521,303	4,000,228
Listed equity securities	15,357	15,357
	48,992,906	49,417,157

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

12. INVESTMENT SECURITIES (continued)

12.2 Held-to-maturity securities

	30 June 2019 VND million	31 December 2018 VND million
Government bonds	351,765	403,800
Special bonds	1,483,329	3,161,133
	1,835,094	3,564,933
Provision for held-to-maturity securities	(370,515)	(790,355)
Provision for special bonds	(370,515)	(790,355)
	1,464,579	2,774,578

Government bonds as at 30 June 2019 have terms of 5 years and bear interest at rates ranging from 5.00% per annum to 6.00% per annum (31 December 2018: terms from 3 years to 5 years and bear interest at rates ranging from 5.70% per annum to 8.20% per annum).

Special bonds as at 30 June 2019 and 31 December 2018 are bonds issued by VAMC with term of 5 years and bear no interest.

Analysis of held-to-maturity securities (excluding VAMC bonds) by listing status as at period end is as follows:

	30 June 2019 VND million	31 December 2018 VND million
Listed bonds	351,765	403,800

12.3 Provision for investment securities

Movement of provision for investment securities in the six-month period ended 30 June 2019 is as follows:

	Available-for-sale securities VND million	Held-to-maturity securities VND million	Total VND million
Opening balance	265,319	790,355	1,055,674
Provision charged/(reversed) in the period	(66,823)	546,910	480,087
<i>In which:</i>			
Special bonds (Note 34)	-	546,910	546,910
Other securities (Note 30)	(66,823)	-	(66,823)
Provision written-off	-	(966,750)	(966,750)
Closing balance	198,496	370,515	569,011

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

12. INVESTMENT SECURITIES (continued)

12.3 Provision for investment securities (continued)

Movement of provision for investment securities in the six-month period ended 30 June 2018 is as follows:

	<i>Available-for-sale securities VND million</i>	<i>Held-to-maturity securities VND million</i>	<i>Total VND million</i>
Opening balance	161,117	816,749	977,866
Provision charged in the period	56,737	310,493	367,230
<i>In which:</i>			
<i>Special bonds</i> (Note 34)	-	310,493	310,493
<i>Other securities</i> (Note 30)	56,737	-	56,737
Closing balance	217,854	1,127,242	1,345,096

12.4 Analysis of investment securities by quality

Analysis by quality of investment securities classified as credit risk bearing assets at the end of the period is as follows:

	<i>30 June 2019 VND million</i>	<i>31 December 2018 VND million</i>
Current	16,449,436	15,392,019
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	-	-
	16,449,436	15,392,019

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

13. LONG-TERM INVESTMENTS

	<u>30 June 2019</u>		<u>31 December 2018</u>	
	<u>Cost</u>		<u>Cost</u>	
	<u>VND million</u>	<u>% owned</u>	<u>VND million</u>	<u>% owned</u>
Investments in economic entities				
ITRACO Transportation Joint Stock Company (INTRACO JSC)	21	0.64	21	0.64
Dong Xuan Join Stock Company (Dong Xuan JSC)	5,000	10.00	5,000	10.00
Banking Training and Consultancy JSC (BTC)	371	5.29	371	5.29
Vietnam Credit Information JSC (PCB)	3,934	3.28	3,934	3.28
Sai Gon Port Joint-Stock Company	185,276	7.44	185,276	7.44
OPES Insurance Joint-Stock Company	33,000	11.00	33,000	11.00
	227,602		227,602	
Provision for other long-term investments	(67,036)		(36,948)	
	160,566		190,654	

Changes in provision for long-term investments in the period are as follows:

	<u>For the six-month period ended 30 June 2019 VND million</u>	<u>For the six-month period ended 30 June 2018 VND million</u>
Opening balance	36,948	42,096
Provision charged/(reversed) in the period (Note 33)	30,088	(42,075)
Closing balance	67,036	21

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

14. FIXED ASSETS

14.1 Tangible fixed assets

Movements of tangible fixed assets in the period are as follows:

	Buildings and architectonic models VND million	Machines and equipment VND million	Motor vehicles VND million	Office equipment VND million	Other VND million	Total VND million
Cost						
Opening balance	1,032,460	848,380	151,225	104,009	75,151	2,211,225
Purchases in the period	-	2,702	4,787	2,364	-	9,853
Other increase/(decrease)	(15,147)	48,291	5,546	23,435	451	62,576
Disposal	-	(164)	(637)	(528)	(131)	(1,460)
Closing balance	1,017,313	899,209	160,921	129,280	75,471	2,282,194
Accumulated depreciation						
Opening balance	39,961	560,641	95,574	77,150	52,327	825,653
Charge for the period	13,997	76,752	9,909	9,182	5,362	115,202
Other increase	-	-	-	10	-	10
Disposal	-	(164)	(409)	(528)	(131)	(1,232)
Closing balance	53,958	637,229	105,074	85,814	57,558	939,633
Net book value						
As at beginning date	992,499	287,739	55,651	26,859	22,824	1,385,572
As at closing date	963,355	261,980	55,847	43,466	17,913	1,342,561

Cost of fully-depreciated tangible fixed assets which are still in active use as at 30 June 2019 is VND434,026 million (31 December 2018: VND361,759 million).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

14. FIXED ASSETS (continued)

14.2 Intangible fixed assets

Movements of intangible fixed assets in the period are as follows:

	<i>Indefinite land use rights VND million</i>	<i>Computer software VND million</i>	<i>Total VND million</i>
Cost			
Opening balance	69,147	890,142	959,289
Purchases in the period	-	19,364	19,364
Other increase	-	21,972	21,972
Closing balance	69,147	931,478	1,000,625
Accumulated amortization			
Opening balance	868	380,897	381,765
Charge for the period	-	65,202	65,202
Closing balance	868	446,099	446,967
Net book value			
At the beginning date	68,279	509,245	577,524
At the closing date	68,279	485,379	553,658

Cost of fully-depreciated intangible fixed assets which are still in active use as at 30 June 2019 is VND173,743 million (31 December 2018: VND165,400 million).

15. OTHER ASSETS

15.1 Receivables

	<i>30 June 2019 VND million</i>	<i>31 December 2018 VND million</i>
Internal receivables	210,774	126,920
External receivables	10,831,737	10,159,653
- <i>Receivables from to usance letters of credit transactions (Note 17.2)</i>	8,167,921	7,730,707
- <i>Deposits for economic contracts</i>	742,433	742,794
- <i>Overdue deposits classified as credit risk bearing assets</i>	165	36,165
- <i>Receivables in settlement operation</i>	167,395	243,669
- <i>Advances to suppliers</i>	144,192	133,879
- <i>Other external receivables</i>	1,609,631	1,272,439
Purchase of fixed assets	271,355	155,675
Construction in progress	2,467	40,034
	11,316,333	10,482,282

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

15. OTHER ASSETS (continued)

15.1 Receivables (continued)

Analysis of other assets classified as credit-risk assets by quality at reporting date is as follows:

	30 June 2019 VND million	31 December 2018 VND million
Current	-	36,000
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	165	165
	165	36,165

15.2 Accrued interest and fee receivables

	30 June 2019 VND million	31 December 2018 VND million
Interest receivables from deposits	26,123	12,977
Interest receivables from investment securities	1,070,819	1,694,874
Interest receivables from credit activities	3,122,145	2,522,319
Interest receivables from derivative instruments	84,158	125,209
Other fee receivables	106,325	72,386
	4,409,570	4,427,765

15.3 Other assets

	30 June 2019 VND million	31 December 2018 VND million
Materials	10,356	13,193
Prepaid expenses	2,385,076	1,759,552
Assets in substitution for obligation performance of securers who has transferred the ownership to the Bank in compliance with the SBV's prevailing regulations	644,110	700,474
<i>In which: Real estates</i>	644,110	700,474
	3,039,542	2,473,219

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

15. OTHER ASSETS (continued)

15.4 Provision for other assets

Provision for other assets include provision for impairment of other receivables and credit risk bearing assets. Change of provision for other assets in the period are as follows:

	<i>For the six-month period ended 30 June 2019 VND million</i>	<i>For the six-month period ended 30 June 2018 VND million</i>
Opening balance	25,484	21,403
Provision charged in the period	19,602	10,217
<i>In which:</i>		
<i>Provision charged for other credit risk bearing assets (Note 34)</i>	3,184	-
<i>Provision charged for doubtful debts (Note 33)</i>	16,418	10,217
Closing balance	45,086	31,620

Details of provision for other assets are as follows:

	<i>30 June 2019 VND million</i>	<i>31 December 2018 VND million</i>
Provision for credit risks bearing assets	3,349	165
- <i>General provision</i>	3,184	-
- <i>Specific provision</i>	165	165
Provision for doubtful debts	41,737	25,319
	45,086	25,484

16. AMOUNTS DUE TO THE GOVERNMENT AND THE STATE BANK OF VIETNAM

	<i>30 June 2019 VND million</i>	<i>31 December 2018 VND million</i>
Borrowings from the State Bank of Vietnam	20,747	1,781,343
Discount, rediscount of valuable papers	-	1,759,184
Other borrowings	20,747	22,159
Deposits of the State Treasury	2,000,000	2,000,000
Deposits of the State Treasury	2,000,000	2,000,000
	2,020,747	3,781,343

As at 30 June 2019, borrowings from the State Bank of Vietnam have terms of 12 months and bear interest at rates of 3.50% per annum (31 December 2018: term from 7 days to 12 months and bear interest at rates from 3.50% to 4.75% per annum); deposits of the State Treasury have 2-month term and bear interest at rate 4.00% per annum.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

17. DEPOSITS AND BORROWINGS FROM FINANCIAL INSTITUTIONS AND OTHER CREDIT INSTITUTIONS

17.1 Deposits from other credit institutions

	30 June 2019 VND million	31 December 2018 VND million
Demand deposits	28,430	3,523,109
In VND	28,407	3,523,086
In foreign currencies	23	23
Term deposits	16,560,380	17,622,085
In VND	16,093,680	14,754,415
In foreign currencies	466,700	2,867,670
	16,588,810	21,145,194

17.2 Borrowings from financial institutions and other credit institutions

	30 June 2019 VND million	31 December 2018 VND million
Payables for usance letters of credit transactions (Note 15.1) (i)	8,167,710	7,730,682
Borrowings from financial institutions and other credit institutions	20,679,907	25,355,575
In VND	5,115,476	8,470,907
In foreign currencies (ii)	15,564,431	16,884,668
	28,847,617	33,086,257

(i) Payables for usance letters of credit transactions are the value of L/C documents reimbursed by UPASLC Reimbursing Bank after deducting fees.

(ii) Borrowings from financial institutions and other credit institutions in foreign currencies include an amount of VND1,490,966 million from IFC (as at 31 December 2018: VND3,103,829 million)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

17. DEPOSITS AND BORROWINGS FROM FINANCIAL INSTITUTIONS AND OTHER CREDIT INSTITUTIONS (continued)

17.2 Borrowings from financial institutions and other credit institutions (continued)

Analysis of borrowings from financial institutions and other credit institutions by original maturity:

	30 June 2019 VND million	31 December 2018 VND million
Up to 6 months	3,625,409	7,268,680
From over 6 months to 12 months	7,570,775	5,314,600
From over 12 months to 5 years	9,357,699	12,580,013
Over 5 years	126,024	192,282
	20,679,907	25,355,575

Interest rates of deposits and borrowings from financial institutions and other credit institutions at the reporting date are as follows:

	30 June 2019 % per annum	31 December 2018 % per annum
Term deposits from other credit institutions in VND	3.30 - 5.10	1.00 - 9.20
Term deposits from other credit institutions in foreign currencies	2.60 - 2.70	2.50 - 2.70
Borrowings from financial institutions and other credit institutions in VND	3.30 - 7.80	3.60 - 7.80
Borrowings from other financial institutions and credit institutions in foreign currencies	0.75 - 9.00	0.72 - 9.00

18. CUSTOMER DEPOSITS

	30 June 2019 VND million	31 December 2018 VND million
Demand deposits	19,782,711	22,630,333
- In VND	18,472,064	20,024,737
- In foreign currencies	1,310,647	2,605,596
Term deposits	176,807,837	147,477,943
- In VND	174,245,491	144,373,905
- In foreign currencies	2,562,346	3,104,038
Deposits for specific purposes	69,658	109,518
- In VND	57,315	63,262
- In foreign currencies	12,343	46,256
Margin deposits	702,693	633,077
- In VND	591,140	548,204
- In foreign currencies	111,553	84,873
	197,362,899	170,850,871

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

18. CUSTOMER DEPOSITS (continued)

Analysis of customer deposits by type of customers and by type of entities is as follows:

	30 June 2019		31 December 2018	
	VND million	%	VND million	%
State-owned companies	2,266,036	1.15	2,413,160	1.41
One-member limited liability companies with 100% State ownership	1,493,509	0.76	649,260	0.38
Two or more member limited liability companies with over 50% State ownership or controlled by the State	560,221	0.28	209,850	0.12
Other limited liability companies	21,953,745	11.12	19,809,772	11.59
Joint stock companies with over 50% State ownership or controlled by the State	2,874,221	1.46	1,907,339	1.12
Other joint-stock companies	38,939,405	19.73	37,128,315	21.73
Partnership companies	339,456	0.17	2,370	0.00
Private enterprises	42,919	0.02	76,874	0.04
Foreign invested enterprises	413,606	0.21	641,600	0.38
Co-operatives and unions of co-operative	21,452	0.01	28,047	0.02
Household business and individuals	125,451,359	63.57	105,126,089	61.53
Operation administration entity, the Party, unions and associations	2,685,966	1.36	2,708,927	1.59
Others	321,004	0.16	149,268	0.09
	197,362,899	100	170,850,871	100

Interest rates for customer deposits at the reporting date are as follows:

	30 June 2019 % per annum	31 December 2018 % per annum
Demand deposits in VND	0.50	0.50
Demand deposits in foreign currencies	0.00	0.00
Term deposits in VND	1.00 - 10.75	1.00 - 11.00
Term deposits in foreign currencies	0.00 - 2.30	0.00 - 2.30

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

19. OTHER BORROWED AND ENTRUSTED FUNDS

	30 June 2019 VND million	31 December 2018 VND million
Borrowed and entrusted funds in VND from Official Development Assistance (ODA)	319,874	329,649

Other borrowed and entrusted funds have terms from 3 years to 10 years and bear interest at rate of 5.124% per annum (31 December 2018: terms from 3 years to 10 years and bear interest at rate of 4.97% per annum).

20. VALUABLE PAPERS ISSUED

Valuable papers issued by original term are as follows:

	30 June 2019 VND million	31 December 2018 VND million
Under 12 months	5,664,206	7,792,919
From 12 months up to 5 years	44,574,874	37,338,755
From 5 years and above	3,515,729	3,526,362
	53,754,809	48,658,036

Valuable papers consist of certificates of deposits and bonds which bear interest at rates ranging from 4.80% per annum to 11.50% per annum (31 December 2018: from 5.25% per annum to 11.50% per annum)

Types of valuable papers issued are as follows:

	30 June 2019 VND million	31 December 2018 VND million
Certificates of deposit to retail customers	3,877,813	10,005,918
Certificates of deposit to corporate customers	28,249,959	23,374,914
Bonds (*)	21,627,037	15,277,204
	53,754,809	48,658,036

(*) Including bonds with the amount of VND2,876,960 million eligible to be the Bank's own capital (31 December 2018: VND2,876,960 million).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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21. OTHER LIABILITIES

21.1 Interest and fees payable

	30 June 2019 VND million	31 December 2018 VND million
Interest payables for customer term deposits	1,462,597	1,153,443
Interest payables for customer saving deposits	2,541,634	1,755,199
Interest payables for valuable papers issued	1,947,096	2,028,502
Interest payables for borrowings from financial institutions and other credit institutions	227,296	200,434
Interest payables for other borrowed and entrusted funds	13,511	19,114
Interest payables for derivative financial instruments	106,923	105,448
Fee payables	920	791
	6,299,977	5,262,931

21.2 Other liabilities

	30 June 2019 VND million	31 December 2018 VND million
Internal payables	439,516	423,965
Payables to employees	439,516	423,965
External payables	4,889,609	4,984,233
Advances from customers	1,309,548	1,289,540
Prepaid income	251,641	199,935
Transfer payment awaiting settlement	379,230	553,217
Taxes payable to the State Budget (Note 22)	572,182	789,595
Payables in settlement operation	870,735	537,405
Payables to suppliers	89,030	223,702
Other liabilities	1,417,243	1,390,839
	5,329,125	5,408,198

22. TAXES AND OTHER OBLIGATIONS TO THE STATE BUDGET

	Opening balance VND million	Movements in the period		Closing balance VND million
		Payables VND million	Paid VND million	
Value added tax	29,901	149,878	(144,820)	34,959
Corporate income tax	688,000	871,459	(1,061,820)	497,639
Other taxes	71,694	342,394	(374,504)	39,584
	789,595	1,363,731	(1,581,144)	572,182

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

22. TAXES AND OTHER OBLIGATIONS TO THE STATE BUDGET (continued)

22.1 Current corporate income tax

The Bank has the obligation to pay corporate income tax ("CIT") at the rate of 20% of taxable profits according to Circular No. 78/2014/TT-BTC which became effective from 2 August 2014.

The Bank's tax reports are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amount reported in the interim consolidated financial statements could be changed at a later date upon final determination by the tax authorities.

Current corporate income tax payables are determined based on taxable income of the period. Taxable income differs from the one reported in the interim consolidated income statement since taxable income excludes incomes which are taxable or expenses which are deducted in prior periods due to the differences between the Bank's accounting policies and the tax regulations, and also excludes non-taxable income and non-deductible expenses. The current corporate income tax payable of the Bank is calculated based on the statutory tax rates applicable at the end of the period.

Provision for current income tax expense is estimated as follows:

	<i>For the six-month period ended 30 June 2019 VND million</i>	<i>For the six-month period ended 30 June 2018 VND million</i>
Profit before tax	4,342,611	4,375,520
<i>Plus/(Minus)</i>		
- Non-taxable income	-	(845)
- Net loss of subsidiaries	13,633	-
- Non-deductible expenses	342	360
- Expenses arising from interim consolidation	(206)	-
Estimated taxable income	4,356,380	4,375,035
Estimated income tax expense using prevailing tax rate	871,276	875,007
Adjustment of tax expenses in previous years	183	(480)
Income tax expense for the period	871,459	874,527
Income tax payable at the beginning of the period	688,000	655,739
Income tax paid in the period	(1,061,820)	(1,000,765)
Current income tax payable at the end of the period	497,639	529,501

22.2 Deferred income tax

No deferred tax was recognized in the period since there was no material temporary difference between the carrying value and the tax base of assets and liabilities in the interim consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

23. OWNERS' EQUITY AND RESERVES

23.1 Statement of changes in equity

	Charter capital VND million	Share premium VND million	Capital supplementary reserve VND million	Financial reserve VND million	Investment and development fund VND million	Retained earnings VND million	Treasury shares VND million	Foreign exchange differences VND million	Total VND million
Balance as at 1 January 2018	15,706,230	5,866,105	490,861	1,729,995	1,337,409	4,565,110	-	-	29,695,710
Net profit for the year	-	-	-	-	-	7,355,568	-	-	7,355,568
Issuance of shares from chartered capital and Share premium	4,731,795	(4,577,104)	(154,691)	-	-	-	-	-	-
Dividend paid for preferred shares	-	-	-	-	-	(146,439)	-	-	(146,439)
Capital increase from retained earnings	4,524,704	-	-	-	-	(4,524,704)	-	-	-
Transfer from investment and development fund to increase retained earnings	-	-	-	-	(2,854,632)	2,854,632	-	-	-
Appropriation to reserves	-	-	367,779	735,428	3,813,730	(4,916,937)	-	-	-
Transfer fee for preferred shares	-	-	-	-	-	-	(2,489)	-	(2,489)
Preferred shares repurchase as treasury shares	-	-	-	-	-	-	(2,489,232)	-	(2,489,232)
Capital increase from share issuance in ESOP	336,951	-	-	-	-	-	-	-	336,951
Balance as at 31 December 2018	25,299,680	1,289,001	703,949	2,465,423	2,296,507	5,187,230	(2,491,721)	-	34,750,069
Net profit for the period	-	-	-	-	-	3,471,152	-	-	3,471,152
Transfer from investment and development fund to increase retained earnings	-	-	-	-	(1,400,000)	1,400,000	-	-	-
Appropriation to reserves	-	-	-	-	1,755,201	(1,755,201)	-	-	-
Foreign exchange differences	-	-	-	-	-	-	-	(12,829)	(12,829)
Balance as at 30 June 2019	25,299,680	1,289,001	703,949	2,465,423	2,651,708	8,303,181	(2,491,721)	(12,829)	38,208,392

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

23. OWNERS' EQUITY AND RESERVES (continued)

23.2 Equity

	30 June 2019		31 December 2018	
	Shares	VND million	Shares	VND million
Number of registered share:	2,529,967,966	25,299,680	2,529,967,966	25,299,680
Number of shares issued	2,529,967,966	25,299,680	2,529,967,966	25,299,680
- Ordinary shares	2,456,748,366	24,567,484	2,456,748,366	24,567,484
- Preference shares (*)	73,219,600	732,196	73,219,600	732,196
Number of repurchased shares as treasury shares	(73,219,600)	(732,196)	(73,219,600)	(732,196)
- Ordinary shares (*)	(73,219,600)	(732,196)	(73,219,600)	(732,196)
Number of shares in circulation	2,456,748,366	24,567,484	2,456,748,366	24,567,484
- Ordinary shares	2,456,748,366	24,567,484	2,456,748,366	24,567,484

The face value of each share of the Bank is VND10,000.

(*) Preference shares issued by the Bank are preference dividend shares which earn stable annual dividend and have no voting rights. On 9 July 2018, the Bank repurchased these preference shares as treasury shares in accordance with Decision No. 379/2018/QĐ-HDQT dated 4 June 2018 by the Board of Directors. After repurchased, treasury shares are no longer preference shares.

24. BASIC EARNINGS PER SHARE

	For the six-month period ended 30 June 2019	For the six-month period ended 30 June 2018
Profit attributed to ordinary shareholders of the Bank (VND million)	3,471,152	3,500,993
Weighted average number of ordinary shares (Share)	2,456,748,366	2,423,053,272
Basic earnings per share (VND)	1,413	1,445

Profit attributed to ordinary shareholders is equal to the interim consolidated profit after tax minus (-) dividends on preference shares (if any).

The basic earnings per share for the prior period have been restated due to the effect of the issuance of shares from capital supplementary reserve and share premium, and capital increase from retained earnings in the period from 30 June 2018 to 30 June 2019.

At the end of the period, there are no events and situations to show diluted earnings per share for the period.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

25. INTEREST AND SIMILAR INCOME

	<i>For the six-month period ended 30 June 2019 VND million</i>	<i>For the six-month period ended 30 June 2018 VND million</i>
Interest income from deposits	150,650	135,780
Interest income from loans to customers	20,695,197	16,782,130
Interest income from securities held for trading and investment securities	1,831,671	2,044,050
- <i>Interest income from securities held-for-trading</i>	140,487	145,509
- <i>Interest income from investment securities</i>	1,691,184	1,898,541
Income from guarantee activities	102,347	70,957
Interest income from debts purchased	-	14,686
Other income from credit activities	710,679	678,181
	23,490,544	19,725,784

26. INTEREST AND SIMILAR EXPENSES

	<i>For the six-month period ended 30 June 2019 VND million</i>	<i>For the six-month period ended 30 June 2018 VND million</i>
Interest expenses for deposits	5,819,346	3,946,466
Interest expenses for borrowings	842,773	479,159
Interest expenses for valuable papers issued	2,031,113	2,840,612
Other expenses for credit activities	346,004	273,037
	9,039,236	7,539,274

27. NET FEE AND COMMISSION INCOME

	<i>For the six-month period ended 30 June 2019 VND million</i>	<i>For the six-month period ended 30 June 2018 VND million</i>
Fee and commission income	2,486,950	1,697,398
Settlement and treasury services	322,797	187,095
Advisory activities	116,214	52,772
Income from business and insurance services	1,368,528	1,006,413
Other services	679,411	451,118
Fee and commission expenses	(1,253,311)	(1,093,163)
Settlement services and treasury services	(118,083)	(128,392)
Advisory activities	(2,833)	(5,120)
Brokerage fees	(785,226)	(687,327)
Other expenses	(347,169)	(272,324)
	1,233,639	604,235

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

28. NET (LOSS)/GAIN FROM TRADING OF FOREIGN CURRENCIES

	<i>For the six-month period ended 30 June 2019 VND million</i>	<i>For the six-month period ended 30 June 2018 VND million</i>
Income from trading of foreign currencies	326,933	365,057
Income from spot trading of foreign currencies	131,341	169,358
Income from gold trading	2,478	2,819
Income from trading of monetary derivatives	193,114	192,880
Expenses for trading of foreign currencies	(362,913)	(331,659)
Expenses for spot trading of foreign currencies	(42,346)	(57,566)
Expenses for gold trading	(10,825)	(6,602)
Expenses for trading of monetary derivatives	(309,742)	(267,491)
	(35,980)	33,398

29. NET GAIN/(LOSS) FROM SECURITIES HELD FOR TRADING

	<i>For the six-month period ended 30 June 2019 VND million</i>	<i>For the six-month period ended 30 June 2018 VND million</i>
Income from trading of securities held for trading	161,174	93,262
Expenses for trading of securities held for trading	(125,596)	(131,633)
Provision reversed/(charged) for securities held for trading (Note 8.1)	20,632	(44,198)
	56,210	(82,569)

30. NET GAIN FROM INVESTMENT SECURITIES

	<i>For the six-month period ended 30 June 2019 VND million</i>	<i>For the six-month period ended 30 June 2018 VND million</i>
Income from trading of investment securities	251,678	303,754
Expenses for trading of investment securities	(42,674)	(53,699)
Provision reversed/(charged) for investment securities (Note 12.3)	66,823	(56,737)
	275,827	193,318

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

31. NET GAIN FROM OTHER OPERATING ACTIVITIES

	<i>For the six-month period ended 30 June 2019 VND million</i>	<i>For the six-month period ended 30 June 2018 VND million</i>
Other operating income	1,196,956	1,862,219
Income from other derivatives	219,088	117,342
Bad debt recoveries	747,613	733,667
Income from disposal of fixed assets	1,137	386
Income from disposal of other assets	12,602	19,915
Income from debt purchase activities	136,391	65,351
Income from contracts penalty receivables	11,509	28,546
Support received and other income	68,616	897,012
Other operating expenses	(345,743)	(287,292)
Expenses for other derivatives	(243,448)	(152,398)
Expenses for disposal of other assets	(8,899)	(19,628)
Other expenses	(93,396)	(115,266)
	851,213	1,574,927

32. INCOME FROM INVESTMENTS IN OTHER ENTITIES

	<i>For the six-month period ended 30 June 2019 VND million</i>	<i>For the six-month period ended 30 June 2018 VND million</i>
Dividend income	-	845
	-	845

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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33. OPERATING EXPENSES

	<i>For the six-month period ended 30 June 2019 VND million</i>	<i>For the six-month period ended 30 June 2018 VND million</i>
Tax, duties and fees	1,809	111,234
Personnel expenses	3,637,678	2,743,517
<i>In which:</i>		
Salary and allowances	3,226,583	2,397,185
Expenses related to salary	250,046	207,340
Subsidy	85,801	78,588
Other allowances	75,248	60,404
Fixed asset expenses	777,459	636,707
<i>In which:</i>		
Depreciation and amortization of fixed assets	180,404	141,266
Operating leases	398,579	321,178
Administrative expenses	725,297	562,164
<i>In which:</i>		
Expenses on per diem	26,277	20,262
Other provision expenses/(reversal)	46,506	(31,858)
- Charge/(reversal) of provision for other long-term investments (Note 13)	30,088	(42,075)
- Charge of provision for doubtful debts (Note 15.4)	16,418	10,217
Insurance fee for customer deposits	85,862	78,457
Other operating expenses	744,968	588,427
	6,019,579	4,688,648

34. PROVISION EXPENSE FOR CREDIT LOSSES

	<i>For the six-month period ended 30 June 2019 VND million</i>	<i>For the six-month period ended 30 June 2018 VND million</i>
Provision expenses for loans to customers (Note 11)	5,919,933	5,132,805
Provision expenses for debts purchase activities	-	3,198
Provision expenses for VAMC bonds (Note 12.3)	546,910	310,493
Provision expenses for other assets (Note 15.4)	3,184	-
	6,470,027	5,446,496

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

35. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim consolidated cash flow statement comprise the following amounts on the interim consolidated balance sheet:

	30 June 2019 VND million	30 June 2018 VND million
Cash and cash equivalents on hand	2,443,631	2,467,514
Balances with the SBV	6,760,926	3,179,428
Demand accounts at other credit institutions	2,065,852	3,271,683
Placements with other credit institutions with original term of three months or less	15,291,400	14,765,040
	26,561,809	23,683,665

36. EMPLOYEES' REMUNERATIONS

	For the six-month period ended 30 June 2019 VND million	For the six-month period ended 30 June 2018 VND million
I. Total average number of employees (persons) (only official employees)	27,233	24,531
II. Employees' remuneration (VND million)		
1. Total salary fund	3,191,104	2,387,675
2. Other remuneration	232,302	189,503
3. Total remuneration (1+2)	3,423,406	2,577,178
4. Average monthly salary	19.53	16.22
5. Average monthly remuneration	20.95	17.51

37. COLLATERAL AND MORTGAGES

37.1 Assets, valuable papers received for mortgage, pledge and discount, rediscount

Details of customers' collateral and mortgages at the Bank as at the end of the period are as follows:

	Book value	
	30 June 2019 VND million	31 December 2018 VND million
Real estates	236,769,120	223,266,429
Mobile assets	44,984,450	43,147,192
Valuable papers	147,042,934	126,804,811
Others	176,992,863	130,344,800
	605,789,367	523,563,232

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

37. COLLATERAL AND MORTGAGES (continued)

37.1 Assets, valuable papers received for mortgage, pledge and discount, rediscount (continued)

Assets, valuable papers pledged, pledged and discounted taken from other credit institutions.

	Face value	
	30 June 2019 VND million	31 December 2018 VND million
Government bonds purchased under agreements to resell	200,000	-

37.2 Assets, valuable papers for mortgage, pledge and discount, rediscount

Details of assets, valuable papers for mortgage, pledge and discount, rediscount as at the end of the period are as below:

	30 June 2019 VND million	31 December 2018 VND million
Valuable papers pledged or mortgaged	4,902,568	13,683,517
Valuable papers sold under agreements to repurchase	2,000,000	7,550,000
Other assets for mortgage, pledge and discount, rediscount	24,382,824	21,708,817
	31,285,392	42,942,334

38. CONTINGENT LIABILITIES AND COMMITMENTS

Detail of contingent liabilities and commitments at the end of the period are as follows:

	30 June 2019 VND million	31 December 2018 VND million
Credit guarantees	15,459	20,626
Foreign exchange commitments	60,186,823	66,626,741
- Foreign exchange commitments - buy	2,047,291	1,583,073
- Foreign exchange commitments - sell	2,045,053	1,582,743
- Swap contracts	56,094,479	63,460,925
Irrevocable loan commitments	-	1,860
Letters of credit	16,240,350	14,799,169
Other guarantees	16,620,123	13,860,017
- Payment guarantees	3,876,438	2,285,892
- Contract performance guarantees	4,555,904	3,415,185
- Tender guarantees	379,851	360,921
- Other guarantees	7,807,930	7,798,019
Other commitments	133,049,191	111,197,304
	226,111,946	206,505,717
Minus: Margin deposits (Note 18)	(702,693)	(633,077)
Contingent liabilities and commitments	225,409,253	205,872,640

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

39. RELATED PARTY TRANSACTIONS

Related party transactions include all transactions undertaken with other parties to which the Bank is related. A party is considered to be related if the party has ability to control or to influence other parties in making decision of financial policies and operational activities. A party is related to the Bank if:

- (a) Directly, or indirectly through one or more intermediaries, the party:
 - ▶ Controls, or is controlled by, or is under common control with the Bank (including parents and subsidiaries);
 - ▶ Has an interest (owning 5% or more of the charter capital or voting share capital) in the Bank that gives it significant influence over the Bank;
 - ▶ Has joint control over the Bank.
- (b) The party is a joint venture in which the Bank is a venture or an associate (owning over 11% of the charter capital or voting share capital, but is not a subsidiary of the Bank);
- (c) The party is a member of the key management personnel of the Bank;
- (d) The party is a close member of the family of any individual referred to in (a) or (c); or
- (e) The party is a company that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such company resides with, directly or indirectly, any individual referred to in (c) or (d).

Significant transactions of the Bank with its related parties in the period are as follows:

<i>Related parties</i>	<i>Transactions</i>	<i>Amount</i>	
		<i>For the six-month period ended 30 June 2019 VND million</i>	<i>For the six-month period ended 30 June 2018 VND million</i>
Members of the Board of Management, Board of Supervision and Board of Directors	Remuneration expenses	(59,698)	(42,827)
	Interest expenses for deposits of management	(951)	(1,780)

Receivables and payables with related parties as at 30 June 2019 and 31 December 2018 are as follows:

<i>Related parties</i>	<i>Balances</i>	<i>Receivables/Payables</i>	
		<i>30 June 2019 VND million</i>	<i>31 December 2018 VND million</i>
Members of the Board of Management, Board of Supervision and Board of Directors	Deposits at the Bank	42,419	53,314

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

Concentration of counterparties of the Bank and its subsidiaries by geographical regions as at 30 June 2019 are as follows:

	<i>Domestic VND million</i>	<i>Foreign VND million</i>	<i>Total VND million</i>
Loans to customers and credit granting to other credit institutions	250,257,690	119	250,257,809
Total fund mobilization	281,340,644	17,554,112	298,894,756
Credit commitments and other guarantees	32,875,932	-	32,875,932
Derivative financial instruments	100,215	292	100,507
Securities held for trading and investment securities	55,736,642	-	55,736,642

41. FINANCIAL RISK MANAGEMENT POLICIES

The Bank has exposure to the following risks from financial instruments:

- ▶ credit risk;
- ▶ liquidity risk; and
- ▶ market risk.

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Board of Directors ("BOD") has overall responsibility for the establishment and oversight of risk management framework and is ultimately responsible for the quality and effectiveness of the Bank's risk management. To facilitate this oversight function, the Bank's BOD has established an Assets and Liabilities Committee ("ALCO") and a Risk Committee ("RCO") which are responsible for developing and monitoring key risk management policies for specific areas authorized by the BOD and periodically reporting to the BOD on their activities. These committees include both voting and non-voting members.

The Bank's risk management framework is established to form key principles in managing and controlling significant risks arising from the Bank's activities. Based on this, specific policies and regulations for each type of risk are established to assist the Bank in analyzing and determining appropriate risk limits, controlling and monitoring measures and ensuring adherence to the limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

41. FINANCIAL RISK MANAGEMENT POLICIES (continued)

41.1 Credit risk

The Bank is subject to credit risk through its loans to customers, placements with and loans to other banks and investments in corporate bonds and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees. Credit risk arises when a customer, obligor or partner fails to perform or improperly performs or does not fulfill their obligations under the commitments and agreements entered into with the Bank. The Bank's primary exposure to credit risk arises through its loans and advances to corporates and retail customers and investments in corporate bonds. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the interim consolidated balance sheet. In addition, the Bank is exposed to off balance sheet credit risk through guarantees commitments, letters of credit and derivatives issued.

Credit risk management

Credit risk is the one that exerts the largest impact on the Bank's income and capital. The Bank has established a credit risk appetite on the basis of managing credit activities in a prudent manner and pre-determined credit limits including the credit concentration risk limits and adhering to the Bank's risk tolerance. In principle, the Bank identifies and manages credit risk in all activities and products with potential credit risk and ensures that the Bank provides new products only when sufficient regulations and procedures related to new products or operation in new markets in order to identify, measure, evaluate, monitor and control critical exposure risks are in place. To keep credit risks under control, the Bank's policy is to engage in transactions with reliable partners, and request its partners to take guarantee measures as and when required.

The credit risk management system is operating based on the principles of independence and centralization. Accordingly, the development of risk management policies, determination of risk limits and risk monitoring, risk reporting and risk control are implemented independently and centrally at the Risk Management Division. The reports from the Risk Management Division are a basis for RCO to issue key credit decisions.

The Bank measures credit risks, makes allowances and complies with safe ratios for loan and advances to customers and to other credit institutions in accordance with relevant regulations of the SBV.

The Bank's overall approach to credit risk is a risk-based approach. Accordingly, credit approval or credit valuation decisions as well as the behavioral methods in monitoring and classifying credits and controlling credit risks are being designed following the risk levels of customers. To this end, key activities being implemented by the Bank include the followings:

- ▶ Focusing on completion of data infrastructure used for developing credit rating and risk classification systems in accordance with international standards;
- ▶ Developing and completing the credit rating system and the scorecard system;
- ▶ Gathering and reviewing credit policies/documents of the whole system to reassess the integrity and responsiveness to the requirements specified in the policies of Risk Management Framework;
- ▶ Completing the credit quality monitoring mechanism for the entire life cycle of a loan;
- ▶ Developing an early credit risk warning system; and
- ▶ Developing a debt recovery and restructuring system.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

41. FINANCIAL RISK MANAGEMENT POLICIES (continued)

41.1 Credit risk (continued)

The maximum exposure to credit risk before collateral held or other credit enhancements

The maximum exposures to credit risk relating to asset groups, which are equivalent to their carrying values in the interim consolidated balance sheet, are listed below:

	<i>Not past due VND million</i>	<i>Past due but not impaired VND million</i>	<i>Past due and individually impaired VND million</i>	<i>Total VND million</i>
Placements with and credit granting to other credit institutions	19,982,265	-	-	19,982,265
- <i>Placements with other credit institutions</i>	17,357,252	-	-	17,357,252
- <i>Credit granting to other credit institutions</i>	2,625,013	-	-	2,625,013
Securities held for trading	4,908,642	-	-	4,908,642
Loans to customers	226,628,619	2,774,168	18,230,009	247,632,796
Investment securities	50,828,000	-	-	50,828,000
- <i>Available-for-sale securities</i>	48,992,906	-	-	48,992,906
- <i>Held-to-maturity securities</i>	1,835,094	-	-	1,835,094
Other assets	18,664,326	3,068	98,051	18,765,445
Total	321,011,852	2,777,236	18,328,060	342,117,148

The above table presents the worst scenario in which the Bank will incur the maximum credit exposures as at 30 June 2019, without taking into account of any collateral held or their credit enhancement.

The Bank's financial assets which are past due are classified in compliance with the quantitative method as prescribed in Circular No. 02/2013/TT-NHNN and Circular No. 228/2009/TT-BTC.

The financial assets are past due but not impaired due to the Bank is currently holding the sufficient collateral assets to cover for credit losses in accordance with the current regulations of the SBV.

The Bank is currently holding collateral in the form of real estates, mobile assets, valuable papers and other types for the above collateral. However, it has not been able to determine the fair value of such assets due to the inadequacy of specific guidance from the SBV and other authorities nor necessary market information.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

41. FINANCIAL RISK MANAGEMENT POLICIES (continued)

41.2 Market risk

Market risk is risk of losses due to unexpected and adverse changes in market price factors (including interest rates, exchange rates, equity prices, commodity price, etc.) that will affect the Bank's income and capital.

Market risk management

Market risk management is implemented by the Market and FI Risk Department under the Risk Management Division. The Market and FI Risk Department is responsible for developing market risk management policies and processes, designing measurement instruments, proposing independent market risks limits to high level of management for approval and monitoring market risks limit on daily/monthly basis according to the Bank's regulations.

In 2017, market risk management policies were revised to introduce a new risk management model. Market risk management functions have been segregated amongst different units and committees, using three lines of defense model. Market Risk Sub-committee (MACO) under Risk Committee (RCO) was established to propose and analyze in-depth market risk, liquidity risk and counterparty risk issues. Also, internal document which requires segregation between Trading Book and Banking Book has been issued in accordance with the SBV's regulation and Basel II standards, ensuring to manage the model by risk appetite. Strategy of each Unit of Financial Markets Division is also issued in the year. Accordingly, business strategy, hedging strategy and analysis of potential risks have been clearly regulated for each portfolio. Valuation methodology is also established in accordance with IFRS, which enables the Bank to determine fair value of financial instruments appropriately.

In 2018, the regulation that specifies and approves VPBank's transaction limits with financial institution was amended and issued by the Risk Committee (RCO), which provides specific limits for market risk and counterparty risk involved transactions, ensuring that all risk factors are taken into account in the granting limits process.

All types of market risk of the Bank (include currency risk, interest rate risk, price risk, option risk, volatility risk, credit spread risk and market liquidity risk) are subject to in-depth analysis, identification and quantification with internal limits system. Risk monitoring and controlling that includes regular (normally daily) risk reporting process and escalations process in case of any violations.

The system of limits relating to market risks is established based on 2 methods: top-down method – which is based on the Bank's risk appetite, the SBV's regulations and agreements with strategic partners – and bottom-up method – which is based on specific needs of operation units and risk-profit analysis.

The Bank conducts calculations of market risk capital charge in accordance to Basel II requirements monthly.

(a) Interest rate risk

The interest rates set by the Bank for loans to customers and customer deposits are respectively presented in *Note 10* and *Note 18*.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

41. FINANCIAL RISK MANAGEMENT POLICIES (continued)

41.2 Market risks (continued)

(a) Interest rate risk (continued)

The below table shows an analysis of the interest re-pricing period of assets and liabilities of the Bank as at 30 June 2019.

	Overdue VND million	Non-interest bearing VND million	Interest re-pricing period							Total VND million
			Up to 1 month VND million	From 1 to 3 months VND million	From 3 to 6 months VND million	From 6 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million		
Assets										
Cash, gold and gemstones	-	2,443,631	-	-	-	-	-	-	2,443,631	
Balances with the SBV	-	-	6,760,926	-	-	-	-	-	6,760,926	
Placements with and credit granting to other credit institutions – gross	-	-	16,549,902	2,862,406	569,957	-	-	-	19,982,265	
Securities held for trading – gross	-	-	4,908,642	-	-	-	-	-	4,908,642	
Derivatives and other financial assets	-	-	(2,366,083)	(330,376)	638,377	599,734	1,558,855	-	100,507	
Loans to customers - gross	9,171,103	-	134,291,909	43,704,540	19,995,464	13,908,320	25,475,259	1,086,201	247,632,796	
Investment securities - gross	-	1,498,685	3,781,342	3,779,008	2,803,902	7,375,841	18,097,937	13,491,285	50,828,000	
Long-term investments – gross	-	227,602	-	-	-	-	-	-	227,602	
Fixed assets and investment properties	-	1,896,219	-	-	-	-	-	-	1,896,219	
Other assets - gross	101,119	18,664,326	-	-	-	-	-	-	18,765,445	
Total assets	9,272,222	24,730,463	163,926,638	50,015,578	24,007,700	21,883,895	45,132,051	14,577,486	353,546,033	
Liabilities										
Amounts due to the Government and the SBV	-	-	1,865	2,000,158	30	18,694	-	-	2,020,747	
Deposits and borrowings from financial institutions and other credit institutions	-	-	26,138,325	10,129,398	6,817,792	2,350,912	-	-	45,436,427	
Customer deposits	-	-	61,213,630	34,853,709	44,313,431	38,174,093	18,806,520	1,516	197,362,899	
Other borrowed and entrusted funds	-	-	159,937	159,937	-	-	-	-	319,874	
Valuable papers issued	-	-	4,368,160	6,345,071	10,458,608	15,943,196	16,639,774	-	53,754,809	
Other liabilities	-	11,568,523	-	60,579	-	-	-	-	11,629,102	
Total liabilities	-	11,568,523	91,881,917	53,548,852	61,589,861	56,486,895	35,446,294	1,516	310,523,858	
Interest sensitivity gap (balance sheet)	9,272,222	13,161,940	72,044,721	(3,533,274)	(37,582,161)	(34,603,000)	9,685,757	14,575,970	43,022,175	
Interest sensitivity gap (off-balance sheet)	-	-	-	519,204	414,896	(233,210)	(700,890)	-	-	
Interest sensitivity gap (on, off- balance sheet)	9,272,222	13,161,940	72,044,721	(3,014,070)	(37,167,265)	(34,836,210)	8,984,867	14,575,970	43,022,175	

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

41. FINANCIAL RISK MANAGEMENT POLICIES (continued)

41.2 Market risk (continued)

(a) Interest rate risk (continued)

Interest sensitivity

Assuming that all other variables remain constant, the effects of fluctuation in interest rates of interest-bearing assets and liabilities (including assets and liabilities with fixed interest rates) on profit before tax and shareholders' equity of the Bank and its subsidiaries are as follows:

		Impact on	
	Assumed increase in interest rate	Profit before tax VND million	Profit after tax and Owners' equity VND million
As at 30 June 2019			
USD	1.50%	(91,211)	(72,969)
VND	3.00%	826,784	661,427
As at 30 June 2018			
USD	1.50%	(37,057)	(29,646)
VND	3.00%	328,602	262,882

(b) Currency risk

Currency risk (commonly referred to as exchange-rate risk) is the risk of losses due to negative changes in the fair value of positions measured in local currency due to exchange rate fluctuations. Foreign currency positions as well as positions in gold and other precious metals bear exchange rate risk. Exchange rate risk arises in case the portfolio or specific position contains spot or future cash flows denominated or indexed to currency other than local currency. Exchange rate risk originates both in Trading Book and Banking Book. Exchange rate risk directly affects the balance sheet and income statement since assets, liabilities and earnings in foreign currency need to be converted into the reference currency.

Currency risk management

Exchange rate risk is managed by the means of limits on open FX position in every currency as well as total open FX position. The Bank's management has set limits on position for each currency in accordance with the Bank's business strategy and the SBV's regulations. VND is the major currency of transactions within the Bank; USD is transacted by loans, deposits and derivatives; other currencies are very tiny proportion of the Bank's assets and liabilities. Open currency positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

Exchange rates of major currencies as at the reporting date are presented in Note 46.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

41. FINANCIAL RISK MANAGEMENT POLICIES (continued)

41.2 Market risk (continued)

(b) Currency risk (continued)

Exchange rate sensitivity

Assuming that all other variables are unchanged, the table below shows the impact on profit before tax and equity of the Bank and its subsidiaries due to the changes that may occur by exchange rate. Risks due to the changes of exchange rates to other currencies of the Bank and its subsidiaries are not significant. The level of increase indicates that the USD is a stronger currency compared to the VND.

	<i>Assumed level of increase</i>	<i>Impact on profit after tax and equity VND million</i>
As at 30 June 2019		
USD	2.00%	(15,805)
As at 31 December 2018		
USD	2.00%	16,747

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

41. FINANCIAL RISK MANAGEMENT POLICIES (continued)

41.2 Market risks (continued)

(b) Currency risk (continued)

The following table presents assets and liabilities in foreign currencies translated into VND as at 30 June 2019.

	EUR equivalent VND million	USD equivalent VND million	Gold equivalent VND million	Other currencies equivalent VND million	Total VND million
Assets					
Cash, gold and gemstones	338,593	158,682	185,422	248,080	930,777
Balances with the SBV	-	241,960	-	-	241,960
Placements with and credit granting to other credit institutions - gross	48,097	3,502,855	-	96,380	3,647,332
Derivatives and other financial assets	(127,594)	8,664,980	-	118,670	8,656,056
Loans to customers - gross	2,170	6,014,677	-	-	6,016,847
Other assets -gross	376,751	5,326,272	-	1,273	5,704,296
Total assets	638,017	23,909,426	185,422	464,403	25,197,268
Liabilities					
Deposits and borrowings from the Government and the SBV, financial institutions and other credit institutions	375,597	21,140,044	-	1,264	21,516,905
Customer deposits	293,227	3,345,341	-	358,321	3,996,889
Other liabilities	5,549	392,072	-	4,257	401,878
Total liabilities and equity	674,373	24,877,457	-	363,842	25,915,672
FX position on balance sheet	(36,356)	(968,031)	185,422	100,561	(718,404)
FX position off-balance sheet	40,670	1,881,359	-	(8,493)	1,913,536
Net on, off-balance sheet FX position	4,314	913,328	185,422	92,068	1,195,132

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended**41. FINANCIAL RISK MANAGEMENT POLICIES (continued)****41.2 Market risk (continued)****(c) Liquidity risk**

Liquidity risk is the risk that the Bank will not be able to meet its financial obligations as they fall due, or, the risk that the Bank might have to face unacceptable material losses in order to meet those obligations. Liquidity risk may lead to negative effect on the Bank's profit, reputation, equity, even causes the Bank's bankruptcy.

Liquidity risk management

The Bank manages the liquidity of the entire Bank on each of the main types of currency (VND, USD) on the mechanism, process of regulating, monitoring and managing liquidity as specified in the policies and regulations, process of liquidity management. Accordingly, liquidity risk management of the Bank is implemented through the strengthened cooperation between three divisions: Finance, Risk Management and Financial Market. In particular, the Finance Market Division plays the leading role in management of short-term liquidity and the Finance Division plays the leading role in management of long-term liquidity in accordance with the Bank's risk appetite, risk criteria, risk strategy and liquidity management strategy which are established by the Risk Management Division.

The Bank maintains a specific portfolio and volume of high-liquidation assets, which may include but not limited to cash, gold, interbank deposits, Government bonds and other high-liquidation assets in order to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The Bank will establish specific liquidity gap and follow strictly on each period based on Assets and Liabilities structure.

The Bank understands the interrelation of credit risk and market risk and how they may have impacts on the Bank's liquidity. The Bank also realizes that liquidity risks come from two sides of its balance sheet. Therefore, the Bank's approach to managing liquidity is to constantly focus on diversification of investment and credit activities and increases of accessibility to capital markets by various fund raising tools and products.

The Bank adopts both of the common approaches to managing liquidity, namely Stock Approach and Flow Approach. Accordingly, the Bank monitors on a daily basis the compliance with adequate liquidity ratios and forecasts movements of cash flows which may have impact on the Bank's liquidity position in the future to ensure compliance at any time with all regulations of the SBV as well as its internal regulations.

Liquidity risk limits are established based on results of the Bank's liquidity forecast in normal and stressed market conditions. Regular liquidity stress testing is conducted under a variety of scenarios covering adverse conditions. At the same time, the Bank also issues specific regulations on a Liquidity Contingency Plan ("LCP") which clearly specifies the roles and responsibilities of each unit and individual and a coordination process for implementation when there appear signs of a possible stressed liquidity event.

The following table provides an analysis of the assets and liabilities of the Bank into relevant maturity groupings based on the remaining period from the interim consolidated balance sheet date to repayment date.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

41. FINANCIAL RISK MANAGEMENT POLICIES (continued)

41.2 Market risk (continued)

(c) Liquidity risk (continued)

The table below presents the analysis of remaining maturity of assets and liabilities of the Bank as at 30 June 2019:

	Overdue		Current					Total VND million
	Above 3 months VND million	Within 3 months VND million	Up to 1 months VND million	From 1 to 3 months VND million	From 3 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million	
Assets								
Cash, gold and gemstones	-	-	2,443,631	-	-	-	-	2,443,631
Balances with the SBV	-	-	6,760,926	-	-	-	-	6,760,926
Balances with and credit granting to other credit institutions – gross	-	-	16,549,902	2,862,406	569,957	-	-	19,982,265
Securities held for trading – gross	-	-	4,908,642	-	-	-	-	4,908,642
Derivatives and other financial assets	-	-	6,308	36,444	54,566	3,189	-	100,507
Loans to customers – gross	4,259,659	4,911,444	27,170,929	28,420,552	69,616,135	87,285,410	25,968,667	247,632,796
Investment securities – gross	-	-	581,418	238,210	8,520,326	27,336,761	14,151,285	50,828,000
Long-term investments – gross	-	-	-	-	-	-	227,602	227,602
Fixed assets	-	-	-	-	-	-	1,896,219	1,896,219
Other assets -gross	101,119	-	11,646,088	2,445,763	4,510,861	3,502	58,112	18,765,445
Total assets	4,360,778	4,911,444	70,067,844	34,003,375	83,271,845	114,628,862	42,301,885	353,546,033
Liabilities								
Amounts due to the Government and the SBV	-	-	1,865	2,000,158	18,724	-	-	2,020,747
Deposits and borrowings from financial institutions and other credit institutions	-	-	16,043,912	7,023,005	17,177,930	5,178,583	12,997	45,436,427
Customer deposits	-	-	61,206,790	34,860,549	82,487,524	18,806,520	1,516	197,362,899
Other borrowed and entrusted funds	-	-	33	396	5,662	266,278	47,505	319,874
Valuable papers issued	-	-	4,367,929	6,345,301	22,674,805	20,366,774	-	53,754,809
Other liabilities	-	-	10,709,600	355,259	510,926	53,317	-	11,629,102
Total liabilities	-	-	92,330,129	50,584,668	122,875,571	44,671,472	62,018	310,523,858
Net liquidity gap	4,360,778	4,911,444	(22,262,285)	(16,581,293)	(39,603,726)	69,957,390	42,239,867	43,022,175

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

41. FINANCIAL RISK MANAGEMENT POLICIES (continued)

41.2 Market risk (continued)

(d) Other market price risk

Other than the assets and liabilities presented above, the Bank and its subsidiaries are not exposed to other market price risks with risk levels accounting for 5% of the Bank and its subsidiaries' net income or with value of relating assets/liabilities accounting for 5% of the Bank and its subsidiaries' total assets.

42. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

On 6 November 2009, the Ministry of Finance issued Circular No. 210/2009/TT-BTC providing guidance for the adoption in Vietnam of the International Financial Reporting Standards on presentation and disclosures of financial instruments ("Circular 210") with effectiveness from financial years beginning on or after 1 January 2011.

The Circular 210 only regulates the presentation of financial statements and disclosures financial instruments, therefore, the below definitions of financial assets, financial liabilities and other relating definitions are applied solely for the preparation of this Note. The Bank's assets and liabilities are still recognized and recorded in accordance with Vietnamese Accounting Standards, Accounting System for Credit Institutions, regulations of the State Bank of Vietnam and statutory requirements relevant to preparation and presentation of the interim consolidated financial statements.

Financial assets

Under Circular 210, financial assets of the Bank include balance with the SBV and placement with other credit institutions, loans to customers and credit granting to other institutions, investment security, other receivables and currency derivative contracts.

Financial assets within the scope of Circular 210, for disclosures in the notes to the interim consolidated financial statements, are classified into either of the followings:

► *Financial asset at fair value through profit or loss*

Financial asset at fair value through profit and loss is a financial asset that meets either of the following conditions:

- a) A financial asset is classified as held for trading if:
 - ✓ It is acquired or incurred principally for the purpose of reselling or repurchasing it in the near term;
 - ✓ There is evidence of a recent actual pattern of short-term profit-taking; or
 - ✓ It is a derivative (except derivative that is a financial guarantee contract or effective hedging instrument).
- b) Upon initial recognition, it is designated by the entity as at fair value through profit or loss.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

42. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial assets (continued)

► *Held to maturity investments*

Held to maturity investments are non-derivative financial assets with determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than:

- a) Those that the entity upon initial recognition designates as at fair value through profit or loss;
- b) Those that the entity designates as available for sale;
- c) Those meet the definition of loans and receivables.

► *Loans and receivables:*

Loans and receivables are non-derivative with fixed payments or can be recognized and are not quoted on the market, unless:

- a) Those that the Bank intends to sell immediately or in the near future are classified as assets held for trading purposes, and others that at the same time of initial recognition that the entity classified at fair value according to result of income statement;
- b) Those that the Bank classifies as available-for-sale at the time of initial recognition; or
- c) Those that the holders may not recover most of the initial investment cost, not due to the impairment of the credit quality and are classified as available-for-sale.

► *Available-for-sale financial assets*

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as:

- a) Loans and receivables;
- b) Held-to-maturity investments;
- c) Financial assets at fair value through profit or loss.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

42. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial liabilities

According to Circular 210 financial liabilities of the Bank includes deposits and borrowings from other institutions, valuable papers issued and other financial liabilities.

Financial liabilities within the scope of Circular 210, for disclosures in the notes to the interim consolidated financial statements, are classified into either of the followings:

► *Financial liability at fair value through profit or loss:*

Financial liability at fair value through profit and loss is a financial liability that meets either of the following conditions:

- a) It is classified as held for trading. A financial liability is classified as held for trading if:
 - ✓ It is acquired or incurred principally for the purpose of reselling or repurchasing it in the near term;
 - ✓ There is evidence of a recent actual pattern of short-term profit-taking; or
 - ✓ It is a derivative (except derivative that is a financial guarantee contract or effective hedging instrument).
- b) Upon initial recognition, it is designated by the entity as at fair value through profit or loss.

► *Financial liabilities at amortized cost:*

Financial liabilities that are not classified as at fair value through profit or loss are classified as at amortized cost.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the interim consolidated balance sheet if and only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

42. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The carrying value and fair value of financial assets and liabilities as at 30 June 2019 are presented as follows:

	Carrying value					Fair value VND million
	Financial assets at fair value through profit and loss VND million	Held-to- maturity VND million	Loans and receivables VND million	Available-for- sale VND million	Other assets and liabilities recorded at amortized cost VND million	Total VND million
Cash, gold and gemstones	-	-	2,443,631	-	-	2,443,631
Balances with the SBV	-	-	6,760,926	-	-	6,760,926
Balances with and credit granting to other credit institutions - gross	-	-	19,982,265	-	-	19,982,265
Securities held for trading - gross	4,908,642	-	-	-	-	4,908,642
Derivatives and other financial assets	100,507	-	-	-	-	100,507
Loans to customers - gross	-	-	247,632,796	-	-	247,632,796
Available-for-sale securities - gross	-	-	-	48,992,906	-	48,992,906
Held-to-maturity securities - gross	-	1,835,094	-	-	-	1,835,094
Long-term investments - gross	-	-	-	227,602	-	227,602
Other financial assets - gross	84,158	10,476	14,001,461	1,060,342	-	15,156,437
	5,093,307	1,845,570	290,821,079	50,280,850	-	348,040,806
Amounts due to the Government and the SBV	-	-	-	-	2,020,747	2,020,747
Deposits and borrowings from financial institutions and other credit institutions	-	-	-	-	45,436,427	45,436,427
Customer deposits	-	-	-	-	197,362,899	197,362,899
Other borrowed and entrusted funds	-	-	-	-	319,874	319,874
Valuable papers issued	-	-	-	-	53,754,809	53,754,809
Other financial liabilities	106,923	-	-	-	10,216,901	10,323,824
	106,923	-	-	-	309,111,657	309,218,580

(*) The fair value of these financial assets and liabilities cannot be determined because there is no specific guidance in determination of fair value under Vietnamese Accounting Standards and Accounting System.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

43. SEGMENT INFORMATION

A segment is a component determined separately by the Bank which is engaged in providing related products or services (business segment) or providing products or services in a particular economic environment (geographical segment), that is subject to risks and returns that are different from those of other segments.

43.1 *The primary segment information by business segment*

For management purpose, the Bank and its subsidiaries have established their operation in the following business segments:

Banking and credit granting:	Provide the following products and services to customers: <ul style="list-style-type: none">- Mobilizing deposits;- Providing credit;- Wire transfer; settlement services; and- Other banking operations.
Asset management:	Managing collateral assets and restructured debts.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

43. SEGMENT INFORMATION (continued)

43.1 Primary segment information by business segment (continued)

Primary segment information by business segment as at 30 June 2019 and for the six-month period then ended is as follows:

	Banking and credit granting VND million	Asset management VND million	Inter-segment adjustments VND million	Total VND million
I. Income				
1. Interest and similar income	23,490,544	753	(753)	23,490,544
<i>External interest and similar income</i>	23,490,544	-	-	23,490,544
<i>Inter-segment interest and similar income</i>	-	753	(753)	-
2. Net fee and commission income	1,233,648	143,346	(143,355)	1,233,639
3. Other operating income	1,147,369	(99)	-	1,147,270
	25,871,561	144,000	(144,108)	25,871,453
II. Expenses				
1. Interest and similar expenses	(9,039,989)	-	753	(9,039,236)
<i>External interest and similar expenses</i>	(9,039,236)	-	-	(9,039,236)
<i>Inter-segment interest and similar expenses</i>	(753)	-	753	-
2. Depreciation and amortization charges	(180,181)	(223)	-	(180,404)
3. Other direct operating expenses	(5,825,120)	(157,410)	143,355	(5,839,175)
	(15,045,290)	(157,633)	144,108	(15,058,815)
Net profit before provision for credit losses	10,826,271	(13,633)	-	10,812,638
Provision expense for credit losses	(6,470,027)	-	-	(6,470,027)
Segmental profit before tax	4,356,244	(13,633)	-	4,342,611
III. Total assets				
1. Cash, gold and gemstones	2,443,631	-	-	2,443,631
2. Fixed assets	1,894,822	1,397	-	1,896,219
3. Other assets	344,278,404	206,188	(92,192)	344,392,400
	348,616,857	207,585	(92,192)	348,732,250
IV. Total liabilities				
1. External liabilities to customers	305,251,043	-	(56,310)	305,194,733
2. Other internal liabilities	415,851	23,665	-	439,516
3. Other liabilities	4,863,677	60,579	(34,647)	4,889,609
	310,530,571	84,244	(90,957)	310,523,858

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

43. SEGMENT INFORMATION (continued)

43.1 Primary segment information by business segment (continued)

Primary segment information by business segment as at 31 December 2018 and the six-month period ended 30 June 2018 is as follows:

	Banking and credit granting VND million	Asset management VND million	Inter-segment adjustments VND million	Total VND million
I. Income				
1. Interest and similar income	19,725,784	1,339	(1,339)	19,725,784
<i>External interest and similar income</i>	19,725,784	-	-	19,725,784
<i>Inter-segment interest and similar income</i>	-	1,339	(1,339)	-
2. Net fee and commission income	604,255	81,170	(81,190)	604,235
3. Other operating income	1,719,804	115	-	1,719,919
	22,049,843	82,624	(82,529)	22,049,938
II. Expenses				
1. Interest and similar expenses	(7,540,613)	-	1,339	(7,539,274)
<i>External interest and similar expenses</i>	(7,539,274)	-	-	(7,539,274)
<i>Inter-segment interest and similar expenses</i>	(1,339)	-	1,339	-
2. Depreciation and amortization charges	(141,114)	(152)	-	(141,266)
3. Other direct operating expenses	(4,546,434)	(82,138)	81,190	(4,547,382)
	(12,228,161)	(82,290)	82,529	(12,227,922)
Net profit before provision for credit losses	9,821,682	334	-	9,822,016
Provision expense for credit losses	(5,446,496)	-	-	(5,446,496)
Segmental profit before tax	4,375,186	334	-	4,375,520
III. Total assets				
1. Cash, gold and gemstones	1,855,473	-	-	1,855,473
2. Fixed assets	1,961,597	1,499	-	1,963,096
3. Other assets	319,365,918	192,930	(86,298)	319,472,550
	323,182,988	194,429	(86,298)	323,291,119
IV. Total liabilities				
1. External liabilities to customers	283,201,828	-	(68,976)	283,132,852
2. Other internal liabilities	415,598	8,367	-	423,965
3. Other liabilities	4,969,000	32,555	(17,322)	4,984,233
	288,586,426	40,922	(86,298)	288,541,050

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

43. SEGMENT INFORMATION (continued)

43.2 The supplementary segment information by geographical area

The Bank and its subsidiaries' principal activities are mainly taking place within Vietnam. Therefore, the Bank and its subsidiaries' risks and returns are not impacted by the Bank's operations that are taken place in different locations. Therefore, the Bank's management identifies that the Bank has only one geographical segment. Accordingly, the presentation of geographical segment information is not required.

44. CHANGE IN NET PROFIT BEFORE TAX FOR THE PERIOD

The interim consolidated profit before tax for the six-month period ended 30 June 2019 of the Bank and its subsidiaries decreased by VND32,909 million compared to the interim consolidated profit before tax for the six-month period ended 30 June 2018, equivalent to 0.75% increase due to the following reasons:

	<i>Profit before tax</i> <i>VND million</i>
Profit increase due to increase in interest and similar income	2,264,798
Profit increase due to increase in net fee and commission income	629,404
Profit decrease due to decrease in net gain from trading of foreign currencies	(69,378)
Profit increase due to increase in net gain from securities held for trading	138,779
Profit increase due to increase in net gain from investment securities	82,509
Profit decrease due to decrease in net gain from other operating activities	(723,714)
Profit decrease due to decrease in income from investments in other entities	(845)
Profit decrease due to increase in operating expenses	(1,330,931)
Profit decrease due to increase in provision for credit losses.	(1,023,531)
	(32,909)

45. EVENTS AFTER THE INTERIM CONSOLIDATED BALANCE SHEET DATE

There have been no significant events occurring after the interim consolidated balance sheet date which require adjustments and disclosures to be made in the interim consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2019 and for the six-month period then ended

46. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST VIETNAMESE DONG AT THE REPORTING DATE

	30 June 2019 VND	31 December 2018 VND
AUD	16,352	16,338
CAD	17,795	17,015
CHF	23,854	23,565
CNY	3,387	3,368
DKK	3,160	3,160
EUR	26,582	26,566
GBP	29,583	29,476
JPY	216	210
NZD	17,249	17,249
SEK	3,078	3,078
SGD	17,229	16,975
THB	640	640
USD	23,335	23,220
XAU (*)	391,500	365,000

(*) This is the exchange rate for 0.01 tael of gold.

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Acting Chief Financial Officer

Approved by:



Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

30 July 2019