

Vietnam Prosperity Joint Stock Commercial Bank

Interim consolidated financial statements

Quarter III of 2019 and for the nine-month period ended 30 September 2019



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 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 September 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 September 2019, the Bank has one (1) Head Office, sixty one (61) branches, one hundred and sixty six (166) 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:

<u>Name</u>	<u>Position</u>
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 Appointed on 26 April 2019
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:

<u>Name</u>	<u>Position</u>
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 Dzung - Chairman.

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

INTERIM CONSOLIDATED BALANCE SHEET
as at 30 September 2019

	<i>Notes</i>	<i>30 September 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
ASSETS			
Cash, gold and gemstones	5	2,425,876	1,855,473
Balances with the State Bank of Vietnam	6	1,611,449	10,828,571
Placements with and credit granting to other credit institutions		16,300,937	16,571,491
Placements with other credit institutions	7.1	14,471,995	15,337,628
Credit granting to other credit institutions	7.2	1,828,942	1,233,863
Securities held for trading	8	2,856,573	4,202,413
Securities held for trading		2,864,216	4,240,742
Provision for securities held for trading		(7,643)	(38,329)
Loans to customers		249,770,615	218,395,223
Loans to customers	10	254,186,603	221,961,996
Provision for loans to customers	11	(4,415,988)	(3,566,773)
Investment securities		62,993,217	51,926,416
Available-for-sale securities	12.1	62,311,445	49,417,157
Held-to-maturity securities	12.2	1,259,392	3,564,933
Provision for investment securities	12.3	(577,620)	(1,055,674)
Long-term investments	13	186,310	190,654
Other long-term investments		227,602	227,602
Provision for long-term investments		(41,292)	(36,948)
Fixed assets		1,844,497	1,963,096
<i>Tangible fixed assets</i>	<i>14.1</i>	<i>1,317,922</i>	<i>1,385,572</i>
Cost		2,315,097	2,211,225
Accumulated depreciation		(997,175)	(825,653)
<i>Intangible fixed assets</i>	<i>14.2</i>	<i>526,575</i>	<i>577,524</i>
Cost		1,012,746	959,289
Accumulated depreciation		(486,171)	(381,765)
Other assets		20,246,988	17,357,782
Receivables	15.1	11,792,895	10,482,282
Interest and fees receivable	15.2	5,511,796	4,427,765
Other assets	15.3	2,986,208	2,473,219
Provision for other assets	15.4	(43,911)	(25,484)
TOTAL ASSETS		358,236,462	323,291,119

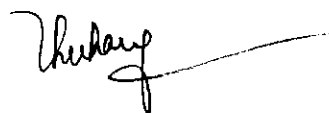
INTERIM CONSOLIDATED BALANCE SHEET (continued)
as at 30 September 2019

	<i>Notes</i>	<i>30 September 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
LIABILITIES			
Amounts due to the Government and the State Bank of Vietnam	16	2,019,968	3,781,343
Deposits and borrowings from financial institutions and other credit institutions		40,102,564	54,231,451
Deposits from other credit institutions	17.1	6,358,256	21,145,194
Borrowings from financial institutions and other credit institutions	17.2	33,744,308	33,086,257
Customer deposits	18	205,585,380	170,850,871
Derivatives and other financial liabilities	9	12,053	18,571
Other borrowed and entrusted funds	19	304,897	329,649
Valuable papers issued	20	57,533,752	48,658,036
Other liabilities		12,186,603	10,671,129
Interest and fees payable	21.1	7,002,188	5,262,931
Other liabilities	21.2	5,184,415	5,408,198
TOTAL LIABILITIES		317,745,217	288,541,050
OWNERS' EQUITY			
Charter capital		25,299,680	25,299,680
Share premium		1,289,001	1,289,001
Treasury shares		(2,491,721)	(2,491,721)
Reserves		5,821,080	5,465,879
Foreign exchange differences		(12,578)	-
Retained earnings		10,585,783	5,187,230
TOTAL OWNERS' EQUITY	23	40,491,245	34,750,069
TOTAL LIABILITIES AND OWNERS' EQUITY		358,236,462	323,291,119

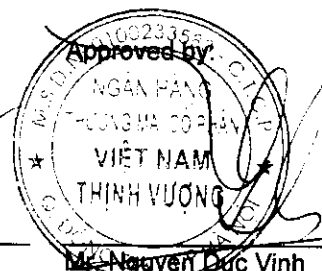
INTERIM CONSOLIDATED BALANCE SHEET (continued)
as at 30 September 2019

OFF-BALANCE SHEET ITEMS

	<i>30 September 2019</i>	<i>31 December 2018</i>
<i>Notes</i>	<i>VND million</i>	<i>VND million</i>
Credit guarantees	25,795	20,626
Foreign exchange commitments	74,467,609	66,626,741
- <i>Foreign exchange commitments - buy</i>	2,366,470	1,583,073
- <i>Foreign exchange commitments - sell</i>	533,635	1,582,743
- <i>Swap contracts</i>	71,567,504	63,460,925
Irrevocable loan commitments	-	1,860
Letters of credit	17,227,874	14,799,169
Other guarantees	16,848,559	13,860,017
Other commitments	135,262,864	111,197,304
38	243,832,701	206,505,717

Prepared by: Ms. Nguyen Thi Thu Hang
Chief Accountant

Reviewed by:

Ms. Le Hoang Khanh An
Acting Chief Financial OfficerMr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

18 October 2019

INTERIM CONSOLIDATED INCOME STATEMENT

For quarter III and the nine-month period ended 30 September 2019

	Notes	Quarter III		For the nine-month period ended 30 September	
		2019	2018	2019	2018
		VND million	VND million	VND million	VND million
Interest and similar income	25	12,969,112	9,954,794	36,459,656	29,680,578
Interest and similar expenses	26	(4,992,144)	(3,952,380)	(14,031,380)	(11,491,654)
Net interest and similar income		7,976,968	6,002,414	22,428,276	18,188,924
Fee and commission income		1,459,510	977,208	3,946,460	2,674,606
Fee and commission expenses		(750,986)	(577,406)	(2,004,297)	(1,670,569)
Net fee and commission income	27	708,524	399,802	1,942,163	1,004,037
Net gain/(loss) from trading of foreign currencies	28	(81,416)	217,852	(117,396)	251,250
Net gain/(loss) from securities held for trading	29	145,458	41,825	201,668	(40,744)
Net gain from investment securities	30	200,255	73,715	476,082	267,033
Other operating income		636,584	1,070,836	1,833,540	2,933,055
Other operating expenses		(87,715)	(204,911)	(433,458)	(492,203)
Net gain from other operating activities	31	548,869	865,925	1,400,082	2,440,852
Income from investments in other entities	32	2,635	-	2,635	845
TOTAL OPERATING INCOME		9,501,293	7,601,533	26,333,510	22,112,197
TOTAL OPERATING EXPENSES	33	(3,122,221)	(3,104,244)	(9,141,800)	(7,792,892)
Net profit before provision for credit losses		6,379,072	4,497,289	17,191,710	14,319,305
Provision expenses for credit losses	34	(3,522,665)	(2,747,838)	(9,992,692)	(8,194,334)
PROFIT BEFORE TAX		2,856,407	1,749,451	7,199,018	6,124,971
Current corporate income tax expense		(573,805)	(350,299)	(1,445,264)	(1,224,826)
Corporate income tax expense	22	(573,805)	(350,299)	(1,445,264)	(1,224,826)
PROFIT AFTER TAX		2,282,602	1,399,152	5,753,754	4,900,145
Basic earnings per share (VND)	24			2,342	2,022

Prepared by: Ms. Nguyen Thi Thu Hang
Chief AccountantReviewed by: Ms. Le Hoang Khanh An
Acting Chief Financial OfficerApproved by: Mr. Nguyen Duc Vinh
Chief Executive OfficerHanoi, Vietnam
18 October 2019

INTERIM CONSOLIDATED CASH FLOW STATEMENT
For quarter III and the nine-month period ended 30 September 2019

	<i>Notes</i>	<i>For the nine-month period ended 30 September 2019 VND million</i>	<i>For the nine-month period ended 30 September 2018 VND million</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and similar receipts		35,400,640	29,065,927
Interest and similar payments		(12,297,017)	(11,035,864)
Net fee and commission receipts		1,920,289	924,099
Net receipts from dealing in foreign currencies, gold and securities trading activities		441,357	586,178
Other income		145,002	844,729
Recoveries from bad debts previously written-off		1,253,725	1,596,100
Payments for employees and other operating activities		(8,542,539)	(7,715,525)
Corporate income tax paid in the period	22	(1,495,222)	(1,328,913)
Net cash flows from operating profit before changes in operating assets and liabilities		16,826,235	12,936,731
Changes in operating assets		(50,938,681)	(34,751,372)
Placements with and credit granting to other credit institutions		(595,079)	2,018,065
Investment securities		(8,876,831)	(10,986,432)
Derivatives and other financial assets		-	(78,207)
Loans to customers		(29,593,485)	(17,168,828)
Provision to write off loans to customers, securities and long-term investments		(9,910,080)	(7,095,000)
Changes in other operating assets		(1,963,206)	(1,440,970)
Changes in operating liabilities		28,217,368	18,477,975
Amounts due to the Government and the SBV		(1,761,375)	1,998,499
Deposits and borrowings from financial institutions and other credit institutions		(14,128,887)	(73,565)
Customer deposits		34,734,509	22,891,106
Valuable papers issued (except for valuable papers issued for financing activities)		9,875,716	(7,345,026)
Other borrowed and entrusted funds		(24,752)	(5,162)
Derivatives and other financial liabilities		(6,518)	(160,469)
Changes in other operating liabilities		(471,325)	1,172,592
Net cash flows used in operating activities		(5,895,078)	(3,336,666)

INTERIM CONSOLIDATED CASH FLOW STATEMENT (continued)
For quarter III and the nine-month period ended 30 September 2019

	<i>For the nine-month period ended 30 September 2019</i>	<i>For the nine-month period ended 30 September 2018</i>
<i>Notes</i>	<i>VND million</i>	<i>VND million</i>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(33,949)	(38,429)
Proceeds from sale, disposal of fixed assets	1,940	2,356
Dividends received and profit distributed from long-term investments	2,635	845
Net cash flows used in investing activities	(29,374)	(35,228)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in share capital from capital contribution and/or share issuance	-	336,951
Dividends paid and profits distributed	-	(146,439)
Payments for issuing long term valuable papers eligible to be the Bank's own capital and other long term borrowings	(1,000,000)	(2,500,000)
Payment for purchases of treasury shares	-	(2,491,721)
Net cash flows used in financing activities	(1,000,000)	(4,801,209)
Net cash flows in the period	(6,924,452)	(8,173,103)
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	21,097,220	16,080,697
35		

SIGNIFICANT NON-CASH TRANSACTIONS IN THE PERIOD

Bonus shares issued using the capital supplementary reserve and investment and development fund	-	4,731,795
Increase in charter capital from retained earnings	-	4,524,704

Prepared by: 



Ms. Nguyen Thi Thu Hang
Chief Accountant

Reviewed by:



Ms. Le Hoang Khanh An
Acting Chief Financial Officer



Mr. Nguyen Duc Vinh
Chief Executive Officer

Hanoi, Vietnam

18 October 2019

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
as at 30 September 2019 and for the nine-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 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 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 September 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 September 2019, the Bank has one (1) Head Office, sixty one (61) branches, one hundred and sixty six (166) transaction offices nationwide and two (2) subsidiaries.

Subsidiaries

As at 30 September 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 September 2019, total number of permanent employees of the Bank and its subsidiaries is 26,733 persons (31 December 2018: 27,429 persons).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 September 2019 and for the nine-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 consolidated period starts on 1 January and ends on 30 September.

2.2 Accounting currency

Currency used in preparing interim consolidated 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/QD-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/QD-NHNN; the financial reporting regime applicable to credit institutions required under Decision No. 16/2007/QD-NHNN dated 18 April 2007 and Circular No. 49/2014/TT-NHNN amending and supplementing a number of articles of Decision No. 16/2007/QD-NHNN and the chart of account system for Credit Institutions issued in connection with Decision No. 479/2004/QD-NHNN by the State Bank of Vietnam and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

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

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

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

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

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM (continued)

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 consolidation

The interim consolidated financial statements comprise the financial statements of the Bank and its subsidiaries for the nine-month period ended 30 September 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.

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 annual interim consolidated financial statements for the year ended 31 December 2018 and interim consolidated financial statements for the accounting period ended 30 September 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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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*.

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 September 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 August. The specific provision rates for each group are presented as follows:

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 September 2019 and for the nine-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
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 September 2019 and for the nine-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 September 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 August.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 September 2019 and for the nine-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 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 September 2019 and for the nine-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 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 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 September 2019 and for the nine-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 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 consolidated balance sheet as a borrowing and the difference between the sale price and repurchase price is amortized in the 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 consolidated balance sheet and the difference between the purchase price and resale price is amortized in the 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 September 2019 and for the nine-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 year end.

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 consolidated income statement.

When assets are sold or liquidated, their cost and accumulated depreciation are deducted from the consolidated balance sheet item and any gains or losses resulting from their disposal are recorded to the 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 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 September 2019 and for the nine-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 consolidated income statement in the period.

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

<u>Overdue status</u>	<u>Allowance rate</u>
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 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 Treasury shares

When VPBank repurchases its ordinary shares, the total paid amount including directly attributable costs, net off any tax effects, is recognised as a deduction from equity and referred to as treasury shares.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 *Share capital* (continued)

4.16.4 *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

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 ("VPB AMC")

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 ("VPB FC")

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 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 consolidated income statement in compliance with Circular 02. These accrued interest is reversed and monitored off-balance sheet and recognized in the consolidated income statement upon actual receipt.

Fees and commissions are recognized on an accrual basis.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 *Debts trading operation*

The accounting treatment for purchase and sale of debts 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.

Purchase debts

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 which the buyer pays for the seller 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.

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 purchase and 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 in the consolidated off-balance sheet, the proceeds from sale of debts shall be recognized as other income of the Bank.

Book value of debts purchased or sold is the book value of the principal, interest and other 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 the debt seller receives from debt buyer under the 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 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 consolidated balance sheet and will be transferred to the consolidated income statement at the end of the financial year.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

4.22 Corporate income taxes

Current income tax

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

Current income tax is recognized to the 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 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 period when the assets are recovered or liabilities are settled and on basis of effective and applicable tax rates and tax laws at period end.

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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

4.25 *Offsetting*

Financial assets and financial liabilities are offset and the net amount is reported in the 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, option contracts and future contract 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 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 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 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 September 2019 and for the nine-month period then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.26 *Derivatives* (continued)

Government bond futures contract

Government bond futures contract (GBFC) are commitments to buy or sell a certain number of underlying assets, namely government bonds or hypothetical bonds, that have similar characteristics as a government bond issued by the State Treasury (or otherwise prescribed by law) at a predetermined price on a predetermined future date.

During the holding period, on daily basis, based on the results of the evaluation of profit/loss position for each bond futures contract code, the Bank recognized in "*Income from other activities*" or "*Expenses from other activities*" under consolidated income statement.

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-BLĐTBXH 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 Bank 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 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.

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

5. CASH, GOLD AND GEMSTONES

	<i>30 September 2019</i>	<i>31 December 2018</i>
	<i>VND million</i>	<i>VND million</i>
Cash on hand in VND	1,635,954	1,227,415
Cash on hand in foreign currencies	500,102	548,625
Gold on hand	289,820	79,433
	2,425,876	1,855,473

6. BALANCES WITH THE STATE BANK OF VIETNAM

	<i>30 September 2019</i>	<i>31 December 2018</i>
	<i>VND million</i>	<i>VND million</i>
In VND	1,389,490	10,466,976
In foreign currencies	221,959	361,595
	1,611,449	10,828,571

Balances with the SBV include current account and compulsory reserves. As at 30 September 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 September 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

	<i>30 September 2019</i>	<i>31 December 2018</i>
	<i>VND million</i>	<i>VND million</i>
Demand deposits	2,231,195	12,068,678
In VND	1,239,261	9,934,829
In foreign currencies	991,934	2,133,849
Term deposits	12,240,800	3,268,950
In VND	9,770,000	2,363,370
In foreign currencies	2,470,800	905,580
	14,471,995	15,337,628

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

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

7.2 Credit granting to other credit institutions

	<i>30 September 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
In VND	1,480,942	769,463
In foreign currencies	348,000	464,400
	1,828,942	1,233,863

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

	<i>30 September 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
Current	14,069,742	4,502,813
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	-	-
	14,069,742	4,502,813

8. SECURITIES HELD FOR TRADING

8.1 Debt securities

	<i>30 September 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
Government and municipal securities	2,864,216	4,240,742
	2,864,216	4,240,742
Provision for securities held for trading	(7,643)	(38,329)
Provision for diminution in value of securities held for trading	(7,643)	(38,329)
	2,856,573	4,202,413

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

8. SECURITIES HELD FOR TRADING (continued)

8.1 Debt securities (continued)

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

	<i>For the nine-month period ended 30 September 2019 VND million</i>	<i>For the nine-month period ended 30 September 2018 VND million</i>
Opening balance	38,329	-
Provision (reversed)/charged in the period (Note 29)	(30,686)	18,521
Closing balance	7,643	18,521

8.2 Securities held for trading by listing status

	<i>30 September 2019 VND million</i>	<i>31 December 2018 VND million</i>
Debt securities		
Listed	2,864,216	4,240,742

9. DERIVATIVES AND OTHER FINANCIAL 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 September 2019				
Derivative financial instruments				
Currency forward contracts	43,117,918	43,092,413	(43,122,861)	(30,448)
Currency swap contracts	7,132,830	7,130,651	(7,049,863)	80,788
Other derivative financial instruments	35,985,088	35,961,762	(36,072,998)	(111,236)
	5,177,095	3,591,522	(3,573,127)	18,395
	48,295,013	46,683,935	(46,695,988)	(12,053)
As at 31 December 2018				
Derivative financial instruments				
Currency forward contracts	37,477,476	37,284,817	(37,361,354)	(76,537)
Currency swap contracts	7,030,491	7,006,722	(6,995,804)	10,918
Other derivative financial instruments	30,446,985	30,278,095	(30,365,550)	(87,455)
	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 September 2019 and for the nine-month period then ended

10. LOANS TO CUSTOMERS

	30 September 2019		31 December 2018	
	VND million	%	VND million	%
Loans to domestic economic entities and individuals	236,716,702	93.12	210,805,697	94.97
Discounted bills and valuable papers	145,846	0.06	152,527	0.07
Payments on behalf of customers	131	0.00	1,381	0.00
Loans financed by borrowed and entrusted funds	397,529	0.16	488,959	0.22
Loans to foreign economic entities and individuals	119	0.00	220	0.00
Other credit granting to customers	16,926,276	6.66	10,513,212	4.74
	254,186,603	100	221,961,996	100

10.1 Analysis of loan portfolio by quality

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

	30 September 2019	31 December 2018
	VND million	VND million
Current	232,350,505	202,527,738
Special mention	12,934,951	11,667,993
Substandard	4,981,120	4,217,034
Doubtful	1,499,931	1,691,989
Loss	2,420,096	1,857,242
	254,186,603	221,961,996

10.2 Analysis of loan portfolio by original maturity

	30 September 2019	31 December 2018
	VND million	VND million
Short term	89,355,141	73,407,839
Medium term	110,144,470	99,662,806
Long term	54,686,992	48,891,351
	254,186,603	221,961,996

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

10. LOANS TO CUSTOMERS (continued)

10.3 Analysis of loan portfolio by ownership and type of customers

	30 September 2019		31 December 2018	
	VND million	%	VND million	%
State-owned companies	2,199,564	0.87	2,149,158	0.97
One-member limited liability companies with 100% State ownership	790,546	0.31	830,083	0.37
Two or more member limited liability companies with over 50% State ownership or being controlled by the State	36,651	0.01	17,358	0.01
Other limited liability companies	40,972,076	16.12	37,131,870	16.73
Joint stock companies with over 50% State ownership or being controlled by the State	278,826	0.11	412,641	0.19
Other joint-stock companies	63,982,508	25.17	51,966,135	23.41
Private enterprises	398,324	0.16	476,169	0.22
Foreign invested enterprises	178,871	0.07	399,702	0.18
Co-operatives and unions of co-operative	48,434	0.02	68,449	0.03
Household business and individuals	145,291,664	57.16	128,503,645	57.89
Operation administration entity, the Party, unions and associations	8,225	0.00	5,826	0.00
Others	914	0.00	960	0.00
	254,186,603	100	221,961,996	100

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

10. LOANS TO CUSTOMERS (continued)

10.4 Analysis of loan portfolio by sectors

	30 September 2019		31 December 2018	
	VND million	%	VND million	%
Agricultural, forestry and aquaculture	882,377	0.35	1,149,359	0.52
Mining	878,246	0.35	391,618	0.18
Processing, manufacturing	12,686,175	4.99	11,938,173	5.38
Electricity, petroleum and steam	2,420,054	0.95	1,865,916	0.84
Water supply and waste treatment	196,810	0.08	216,406	0.10
Construction	20,323,487	8.00	19,234,916	8.67
Wholesale and retail trade, repair of motor vehicles, motor cycles and personal goods	28,398,010	11.17	24,644,053	11.10
Transportation and logistics	7,591,638	2.99	7,945,263	3.58
Hospitality and restaurants	12,807,986	5.04	9,902,603	4.46
Information and media	369,767	0.15	396,897	0.18
Finance, banking and insurance services	4,046,268	1.59	3,969,632	1.79
Real estates	28,156,444	11.07	23,502,217	10.56
Scientific research and technology	730,939	0.29	638,907	0.29
Administrative activities and support services	1,494,045	0.59	1,563,129	0.70
Activities of the Communist Party, political - social organizations, state management, security and defense	7,261	0.00	11,539	0.01
Education and vocational training	224,228	0.09	327,506	0.15
Healthcare and community development	49,914	0.02	34,359	0.02
Recreational, cultural, sporting activities	331,104	0.13	214,758	0.10
Other services	383,012	0.15	333,180	0.15
Households services, production of material products and services used by households	107,631,299	42.33	93,833,408	42.26
Individual borrowing for accommodation purpose and obtain land use rights	24,573,956	9.67	19,839,780	8.96
Activities of other foreign organizations and offices	3,583	0.00	8,377	0.00
	254,186,603	100	221,961,996	100

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

11. PROVISION FOR CREDIT LOSSES OF LOANS TO CUSTOMERS

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

	<i>30 September 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
General provision	1,878,012	1,525,190
Specific provision	2,537,976	2,041,583
	<u>4,415,988</u>	<u>3,566,773</u>

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

	<i>General provision VND million</i>	<i>Specific provision VND million</i>	<i>Total VND million</i>
Opening balance	1,525,190	2,041,583	3,566,773
Provision charged in the period (Note 34)	352,822	8,657,545	9,010,367
Change in provision due to re-purchase loans from VAMC bonds	-	378,614	378,614
Provision used to write-off bad debts	-	(8,539,766)	(8,539,766)
Closing balance	<u>1,878,012</u>	<u>2,537,976</u>	<u>4,415,988</u>

Changes in provision for credit losses in the nine-month period ended 30 September 2018 are as follows:

	<i>General provision VND million</i>	<i>Specific provision VND million</i>	<i>Total VND million</i>
Opening balance	1,290,695	1,856,709	3,147,404
Provision charged in the period (Note 34)	181,501	7,690,818	7,872,319
Provision used to write-off bad debts	-	(7,095,000)	(7,095,000)
Closing balance	<u>1,472,196</u>	<u>2,452,527</u>	<u>3,924,723</u>

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

12. INVESTMENT SECURITIES

12.1 Available-for-sale securities

	30 September 2019 VND million	31 December 2018 VND million
Debt securities	62,296,088	49,401,800
Government and municipal securities	28,714,795	23,476,465
Treasury bills	2,587,900	-
Debt securities issued by other domestic credit institutions	20,418,065	17,097,423
<i>In which: Debt securities guaranteed by the Government</i>	<i>4,266,029</i>	<i>6,533,088</i>
Debt securities issued by domestic economic entities	10,575,328	8,827,912
Equity securities	15,357	15,357
Equity securities issued by local economic entities	15,357	15,357
	62,311,445	49,417,157
Provision for available-for-sale securities	(175,254)	(265,319)
General provision	(158,124)	(181,418)
Diminution provision	(17,130)	(83,901)
	62,136,191	49,151,838

Face value of bonds pledged for capital mobilization contracts as at 30 September 2019 amounted to VND10,210,000 million (31 December 2018: VND13,277,938 million).

Face value of bonds sold under agreement to repurchase as at 30 September 2019 amounted to VND4,800,000 million (31 December 2018: VND7,550,000 million).

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

	30 September 2019 VND million	31 December 2018 VND million
Listed bills	2,587,900	-
Listed bonds	32,980,824	30,009,553
Unlisted bonds		
<i>(Note 12.4)</i>	19,297,499	15,392,019
Other unlisted debt securities	7,429,865	4,000,228
Listed equity securities	15,357	15,357
	62,311,445	49,417,157

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

12. INVESTMENT SECURITIES (continued)

12.2 Held-to-maturity securities

	<i>30 September 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
Government bonds	350,768	403,800
Special bonds	908,624	3,161,133
	1,259,392	3,564,933
Provision for held-to-maturity securities	(402,366)	(790,355)
Provision for special bonds	(402,366)	(790,355)
	857,026	2,774,578

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

12.3 Provision for investment securities

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

	<i>Available-for- sale securities</i> <i>VND million</i>	<i>Held-to- maturity securities</i> <i>VND million</i>	<i>Total</i> <i>VND million</i>
Opening balance	265,319	790,355	1,055,674
Provision charged/(reversed) in the period	(90,065)	982,325	892,260
<i>In which:</i>			
<i>Special bonds (Note 34)</i>	-	982,325	982,325
<i>Other securities (Note 30)</i>	(90,065)	-	(90,065)
Provision used to write-off bad debts	-	(1,370,314)	(1,370,314)
Closing balance	175,254	402,366	577,620

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

12. INVESTMENT SECURITIES (continued)

12.3 Provision for investment securities (continued)

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

	<i>Available-for- sale securities</i>	<i>Held-to- maturity securities</i>	<i>Total</i>
	<i>VND million</i>	<i>VND million</i>	<i>VND million</i>
Opening balance	161,117	816,749	977,866
Provision charged in the period	56,529	322,015	378,544
<i>In which:</i>			
<i>Special bonds (Note 34)</i>	-	322,015	322,015
<i>Other securities (Note 30)</i>	56,529	-	56,529
Closing balance	<u>217,646</u>	<u>1,138,764</u>	<u>1,356,410</u>

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 September 2019</i>	<i>31 December 2018</i>
	<i>VND million</i>	<i>VND million</i>
Current	19,297,499	15,392,019
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	-	-
	<u>19,297,499</u>	<u>15,392,019</u>

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

13. LONG-TERM INVESTMENTS

	<u>30 September 2019</u>		<u>31 December 2018</u>	
	<i>Cost</i> <i>VND million</i>	<i>% owned</i>	<i>Cost</i> <i>VND million</i>	<i>% owned</i>
Investments in economic entities				
ITRACO Transportation Joint Stock Company	21	0.64	21	0.64
Dong Xuan Join Stock Company	5,000	10.00	5,000	10.00
Banking Training and Consultancy Join Stock Company	371	5.29	371	5.29
Vietnam Credit Information Join Stock Company	3,934	3.28	3,934	3.28
OPES Insurance Joint Stock Company	33,000	11.00	33,000	11.00
Sai Gon Port Joint Stock Company	185,276	7.44	185,276	7.44
	227,602		227,602	
Provision for other long-term investments				
	(41,292)		(36,948)	
	186,310		190,654	

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

	<i>For the</i> <i>nine-month</i> <i>period ended</i> <i>30 September 2019</i> <i>VND million</i>	<i>For the</i> <i>nine-month</i> <i>period ended</i> <i>30 September 2018</i> <i>VND million</i>
Opening balance		
Provision charged/(reversed) in the period (Note 33)	36,948	42,096
	4,344	(3,700)
Closing balance	41,292	38,396

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

14. FIXED ASSETS

14.1 Tangible fixed assets

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

	<i>Buildings and architectonic models VND million</i>	<i>Machines and equipment VND million</i>	<i>Motor vehicles VND million</i>	<i>Office equipment VND million</i>	<i>Other VND million</i>	<i>Total VND million</i>
Cost						
Opening balance	1,032,460	848,380	151,225	104,009	75,151	2,211,225
Purchases in the period	-	4,005	6,571	2,903	-	13,479
Other increase/(decrease)	(15,149)	75,641	5,666	25,032	2,860	94,050
Disposal	-	(434)	(1,519)	(936)	(768)	(3,657)
Closing balance	1,017,311	927,592	161,943	131,008	77,243	2,315,097
Accumulated depreciation						
Opening balance	39,961	560,641	95,574	77,150	52,327	825,653
Charge for the period	20,618	115,239	14,614	15,168	8,946	174,585
Other increase	-	-	-	10	-	10
Disposal	-	(434)	(1,012)	(936)	(691)	(3,073)
Closing balance	60,579	675,446	109,176	91,392	60,582	997,175
Net book value						
As at beginning date	992,499	287,739	55,651	26,859	22,824	1,385,572
As at closing date	956,732	252,146	52,767	39,616	16,661	1,317,922

Cost of fully-depreciated tangible fixed assets which are still in active use as at 30 September 2019 is VND517,096 million (31 December 2018: VND361,759 million).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 September 2019 and for the nine-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	-	20,469	20,469
Other increase	-	32,988	32,988
Closing balance	69,147	943,599	1,012,746
Accumulated amortization			
Opening balance	868	380,897	381,765
Charge for the period	-	104,406	104,406
Closing balance	868	485,303	486,171
Net book value			
At the beginning date	68,279	509,245	577,524
At the closing date	68,279	458,296	526,575

Cost of fully-depreciated intangible fixed assets which are still in active use as at 30 September 2019 is VND183,780 million (31 December 2018: VND165,400 million).

15. OTHER ASSETS

15.1 Receivables

	<i>30 September 2019 VND million</i>	<i>31 December 2018 VND million</i>
Internal receivables	212,950	126,920
External receivables	11,327,656	10,159,653
- <i>Receivables related to usance letters of credit</i>	8,833,204	7,730,707
- <i>Deposits and receivable for future contracts</i>		
<i>State Bond</i>	6,312	-
- <i>Deposits for economic contracts</i>	742,708	742,794
- <i>Credit risk bearing assets</i>	165	36,165
- <i>Receivables in settlement operation</i>	257,344	243,669
- <i>Advances to suppliers</i>	177,016	133,879
- <i>Other external receivables</i>	1,310,907	1,272,439
Purchase of fixed assets	249,469	155,675
Construction in progress	2,820	40,034
	11,792,895	10,482,282

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 September 2019 and for the nine-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:

	<i>30 September 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
Current	-	36,000
Special mention	-	-
Substandard	-	-
Doubtful	-	-
Loss	-	-
	165	165
	165	36,165

15.2 Accrued interest and fee receivables

	<i>30 September 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
Interest receivables from deposits	18,790	12,977
Interest receivables from investment securities	1,665,752	1,694,874
Interest receivables from credit activities	3,604,644	2,522,319
Interest receivables from derivative instruments	128,180	125,209
Other fee receivables	94,430	72,386
	5,511,796	4,427,765

15.3 Other assets

	<i>30 September 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
Materials	8,461	13,193
Prepaid expenses	2,369,749	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	607,998	700,474
- <i>In which: Real estates</i>	607,998	700,474
	2,986,208	2,473,219

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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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 nine-month period ended 30 September 2019</i>	<i>For the nine-month period ended 30 September 2018</i>
	<i>VND million</i>	<i>VND million</i>
Opening balance	25,484	21,403
Provision charged in the period	18,427	20,457
<i>In which:</i>		
<i>Charge of provision for doubtful debts (Note 33)</i>	<i>18,427</i>	<i>20,457</i>
Closing balance	43,911	41,860

Details of provision for other assets are as follows:

	<i>30 September 2019</i>	<i>31 December 2018</i>
	<i>VND million</i>	<i>VND million</i>
Provision for credit risks bearing assets	165	165
- <i>General provision</i>	-	-
- <i>Specific provision</i>	165	165
Provision for doubtful debts	43,746	25,319
	43,911	25,484

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

	<i>30 September 2019</i>	<i>31 December 2018</i>
	<i>VND million</i>	<i>VND million</i>
Borrowings from the State Bank of Vietnam	19,968	1,781,343
Discount, rediscount of valuable papers	-	1,759,184
Other borrowings	19,968	22,159
Deposits of the State Treasury	2,000,000	2,000,000
Deposits of the State Treasury	2,000,000	2,000,000
	2,019,968	3,781,343

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

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

17.1 Deposits from other credit institutions

	30 September 2019 VND million	31 December 2018 VND million
Demand deposits		
In VND	31,056	3,523,109
In foreign currencies	31,033	3,523,086
	23	23
Term deposits		
In VND	6,327,200	17,622,085
In foreign currencies	6,327,200	14,754,415
	-	2,867,670
	6,358,256	21,145,194

17.2 Borrowings from financial institutions and other credit institutions

	30 September 2019 VND million	31 December 2018 VND million
Payables arising from usance letters of credit	8,865,181	7,730,682
Borrowings from financial institutions and other credit institutions		
In VND	24,879,127	25,355,575
In foreign currencies (i)	6,674,300	8,470,907
	18,204,827	16,884,668
	33,744,308	33,086,257

(i) Include VND1,353,465 million borrowed from Internal Financial Company IFC (31 December 2018: VND3,103,829 million)

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

	30 September 2019 VND million	31 December 2018 VND million
Up to 6 months	6,566,166	7,268,680
From over 6 months to 12 months	10,450,000	5,314,600
From over 12 months to 5 years	7,737,065	12,580,013
Over 5 years	125,896	192,282
	24,879,127	25,355,575

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

18. CUSTOMER DEPOSITS

	30 September 2019	31 December 2018
	VND million	VND million
Demand deposits		
- In VND	20,373,334	22,630,333
- In foreign currencies	19,233,969	20,024,737
	1,139,365	2,605,596
Term deposits		
- In VND	184,358,024	147,477,943
- In foreign currencies	181,842,370	144,373,905
	2,515,654	3,104,038
Deposits for specific purposes		
- In VND	84,002	109,518
- In foreign currencies	20,100	63,262
	63,902	46,256
Margin deposits		
- In VND	770,020	633,077
- In foreign currencies	679,092	548,204
	90,928	84,873
	205,585,380	170,850,871

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

	30 September 2019		31 December 2018	
	VND million	%	VND million	%
State-owned companies	2,230,436	1.08	2,413,160	1.41
One-member limited liability companies with 100% State ownership	1,676,971	0.82	649,260	0.38
Two or more member limited liability companies with over 50% State ownership or controlled by the State	866,646	0.42	209,850	0.12
Other limited liability companies	22,270,238	10.83	19,809,772	11.59
Joint stock companies with over 50% State ownership or controlled by the State	3,030,447	1.47	1,907,339	1.12
Other joint-stock companies	39,855,335	19.39	37,128,315	21.73
Partnership companies	4,532	0.00	2,370	0.00
Private enterprises	49,527	0.02	76,874	0.04
Foreign invested enterprises	346,220	0.17	641,600	0.38
Co-operatives and unions of co-operative	18,242	0.01	28,047	0.02
Household business and individuals	132,122,901	64.27	105,126,089	61.53
Operation administration entity, the Party, unions and associations	2,997,227	1.46	2,708,927	1.59
Others	116,658	0.06	149,268	0.09
	205,585,380	100	170,850,871	100

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

19. OTHER BORROWED AND ENTRUSTED FUNDS

	<i>30 September 2019</i>	<i>31 December 2018</i>
	<i>VND million</i>	<i>VND million</i>
Borrowed and entrusted funds in VND from Official Development Assistance (ODA)	<u>304,897</u>	<u>329,649</u>

Other borrowed and entrusted funds have terms from 3 years to 10 years and bear interest at rate of 5.16% 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:

	<i>30 September 2019</i>	<i>31 December 2018</i>
	<i>VND million</i>	<i>VND million</i>
Under 12 months	6,511,631	7,792,919
From 12 months up to 5 years	46,921,666	37,338,755
From 5 years and above	4,100,455	3,526,362
	<u>57,533,752</u>	<u>48,658,036</u>

Types of valuable papers issued are as follows:

	<i>30 September 2019</i>	<i>31 December 2018</i>
	<i>VND million</i>	<i>VND million</i>
Certificates of deposit to retail customers	1,834,259	10,005,918
Certificates of deposit to corporate customers	28,183,653	23,374,914
Bonds (*)	27,515,840	15,277,204
	<u>57,533,752</u>	<u>48,658,036</u>

(*) Including bonds with the amount of VND1,876,960 million eligible to be the Bank's own capital (31 December 2018: VND2,876,960 million).

(*) Including USD300 million equivalent VND6,960,000 million International Bond in term 36 months, issued date in 17 July 2019.

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

21. OTHER LIABILITIES

21.1 Interest and fees payable

	<i>30 September 2019</i>	<i>31 December 2018</i>
	<i>VND million</i>	<i>VND million</i>
Interest payables for customer term deposits	1,545,848	1,153,443
Interest payables for customer saving deposits	2,875,926	1,755,199
Interest payables for valuable papers issued	2,228,734	2,028,502
Interest payables for borrowings from financial institutions and other credit institutions	240,283	200,434
Interest payables for other borrowed and entrusted funds	262	19,114
Interest payables for derivative financial instruments	110,174	105,448
Fee payables	961	791
	7,002,188	5,262,931

21.2 Other liabilities

	<i>30 September 2019</i>	<i>31 December 2018</i>
	<i>VND million</i>	<i>VND million</i>
Internal payables	721,463	423,965
Payables to employees	721,463	423,965
External payables	4,462,952	4,984,233
Advances from customers	1,353,975	1,289,540
Unearned income	194,829	199,935
Transfer payment awaiting settlement	432,851	553,217
Taxes payable to the State Budget (Note 22)	713,042	789,595
Payables in settlement operation	352,192	537,405
Payables to suppliers	176,708	223,702
Other liabilities	1,239,355	1,390,839
	5,184,415	5,408,198

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

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	238,653	(238,484)	30,070
Corporate income tax	688,000	1,445,264	(1,495,222)	638,042
Other taxes	71,694	470,949	(497,713)	44,930
	789,595	2,154,866	(2,231,419)	713,042

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 year. Taxable income differs from the one reported in the consolidated income statement since taxable income excludes incomes which are taxable or expenses which are deducted in prior years 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.

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

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

22.1 Current corporate income tax (continued)

Provision for current income tax expense is estimated as follows:

	<i>For the nine-month period ended 30 September 2019 VND million</i>	<i>For the nine-month period ended 30 September 2018 VND million</i>
Profit before tax	7,199,018	6,124,971
<i>Plus/(Minus)</i>		
- Non-taxable income	(2,635)	(845)
- Loss of subsidiaries	29,057	6,890
- Non-deductible expenses	801	529
- Expenses arising from consolidation	(835)	-
- Other adjustments	-	(4,303)
Estimated taxable income	7,225,406	6,127,242
Income tax expense using prevailing tax rate	1,445,081	1,225,449
Adjustment of tax expenses in previous years	183	(623)
Income tax expense for the period	1,445,264	1,224,826
Income tax payable at the beginning of the period	688,000	655,739
Income tax paid in the period	(1,495,222)	(1,328,913)
Current income tax payable at the end of the period	638,042	551,686

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.

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23. OWNERS' EQUITY AND RESERVES

23.1 Statement of changes in equity

	Charter capital VND million	Share premium VND million	Capital supplementa- -ry reserve VND million	Financial reserve VND million	Investment and development fun VND million	Foreign exchange differences VND million	Retained earnings VND million	Treasury share VND million	Total VND million
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	-	-	-	-	-	-	4,565,110	-	7,355,568
Capital increase from retained earnings	4,524,704	-	-	-	-	-	7,355,568	-	7,355,568
Capital increase from share issuance in ESOP	336,951	-	-	-	-	-	(4,524,704)	-	-
Reserves transferred from subsidiary to the Parent Bank	-	-	-	-	-	-	-	-	336,951
Issuance of ordinary shares from capital supplementary reserve and Premium share	4,731,795	(4,577,104)	(154,691)	-	(2,854,632)	-	2,854,632	-	-
Dividend paid for preferred shares	-	-	-	-	-	-	-	-	-
Appropriation to reserves	-	-	367,779	735,428	3,813,730	-	(146,439)	-	(146,439)
Transfer fee for preferred shares	-	-	-	-	-	-	(4,916,937)	-	-
Preferred shares repurchase as treasury shares	-	-	-	-	-	-	-	(2,489)	(2,489)
At 31 December 2018	25,299,680	1,289,001	703,949	2,465,423	2,296,507	-	5,187,230	(2,489,232)	(2,489,232)
Net profit for the period	-	-	-	-	-	-	5,187,230	(2,491,721)	34,750,069
Reserves transferred from subsidiary to the Parent Bank	-	-	-	-	-	-	5,753,754	-	5,753,754
Appropriation to reserves	-	-	-	-	(1,400,000)	-	1,400,000	-	-
Other	-	-	-	-	1,755,201	-	(1,755,201)	-	-
As at 30 September 2019	25,299,680	1,289,001	703,949	2,465,423	2,651,708	(12,578)	10,585,783	(2,491,721)	40,491,245

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

23. OWNERS' EQUITY AND RESERVES (continued)

23.2 Equity

	30 September 2019		31 December 2018	
	Number Shares	Face value VND million	Number Shares	Face value VND million
Number of registered shares	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-HĐQT dated 4 June 2018 by the Board of Directors. After repurchase, these treasury shares do not have characteristics of preference shares.

24. BASIC EARNINGS PER SHARE

	For the nine-month period ended 30 September 2019 VND million	For the nine-month period ended 30 September 2018 VND million
Profit attributed to ordinary shareholders of the Bank (VND million)	5,753,754	4,900,145
Weighted average number of ordinary shares (Share)	2,456,748,366	2,423,546,973
Basic earnings per share (VND)	2,342	2,022

Profit attributed to ordinary shareholders is equal to the 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 bonus shares to existing shareholders issuing shares from the reserve fund to supplement charter capital and equity surplus and increase the profit from retained earnings in the period from 30 September 2018 to 30 September 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)
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25. INTEREST AND SIMILAR INCOME

	<i>For the nine-month period ended 30 September 2019 VND million</i>	<i>For the nine-month period ended 30 September 2018 VND million</i>
Interest income from deposits	219,467	202,700
Interest income from loans to customers	32,093,417	25,388,089
Interest income from securities held for trading and investment securities	2,755,245	2,933,295
- <i>Interest income from securities held-for-trading</i>	156,087	163,409
- <i>Interest income from investment securities</i>	2,599,158	2,769,886
Income from guarantee activities	153,840	114,975
Interest income from debts purchased	-	19,763
Other income from credit activities	1,237,687	1,021,756
	36,459,656	29,680,578

26. INTEREST AND SIMILAR EXPENSES

	<i>For the nine-month period ended 30 September 2019 VND million</i>	<i>For the nine-month period ended 30 September 2018 VND million</i>
Interest expenses for deposits	9,030,278	6,176,709
Interest expenses for borrowings	1,257,101	773,309
Interest expenses for valuable papers issued	3,210,899	4,138,544
Other expenses for credit activities	533,102	403,092
	14,031,380	11,491,654

27. NET FEE AND COMMISSION INCOME

	<i>For the nine-month period ended 30 September 2019 VND million</i>	<i>For the nine-month period ended 30 September 2018 VND million</i>
Fee and commission income	3,946,460	2,674,606
Settlement and treasury services	510,157	329,541
Advisory activities	182,534	80,846
Income from business and insurance services	2,079,560	1,538,247
Other services	1,174,209	725,972
Fee and commission expenses	(2,004,297)	(1,670,569)
Settlement services and treasury services	(181,685)	(223,873)
Advisory activities	(19,425)	(6,364)
Brokerage fees	(1,254,134)	(1,013,349)
Other expenses	(549,053)	(426,983)
	1,942,163	1,004,037

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

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

	<i>For the nine-month period ended 30 September 2019 VND million</i>	<i>For the nine-month period ended 30 September 2018 VND million</i>
Income from trading of foreign currencies	493,195	1,356,941
Income from spot trading of foreign currencies	189,281	309,140
Income from gold trading	7,770	3,889
Income from trading of monetary derivatives	296,144	1,043,912
Expenses for trading of foreign currencies	(610,591)	(1,105,691)
Expenses for spot trading of foreign currencies	(101,380)	(691,796)
Expenses for gold trading	(38,223)	(8,448)
Expenses for trading of monetary derivatives	(470,988)	(405,447)
	(117,396)	251,250

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

	<i>For the nine-month period ended 30 September 2019 VND million</i>	<i>For the nine-month period ended 30 September 2018 VND million</i>
Income from trading of securities held for trading	307,996	138,842
Expenses for trading of securities held for trading	(137,014)	(161,065)
Provision reverse/(expense) for securities held for trading (Note 8.1)	30,686	(18,521)
	201,668	(40,744)

30. NET GAIN FROM INVESTMENT SECURITIES

	<i>For the nine-month period ended 30 September 2019 VND million</i>	<i>For the nine-month period ended 30 September 2018 VND million</i>
Income from trading of investment securities	444,220	387,762
Expenses for trading of investment securities	(58,203)	(64,200)
Provision reversed/(charged) for investment securities (Note 12.3)	90,065	(56,529)
	476,082	267,033

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

31. NET GAIN FROM OTHER OPERATING ACTIVITIES

	<i>For the nine-month period ended 30 September 2019 VND million</i>	<i>For the nine-month period ended 30 September 2018 VND million</i>
Other operating income	1,833,540	2,933,055
Income from other derivatives	227,244	220,908
Bad debt recoveries	1,253,725	1,596,100
Income from disposal of fixed assets	1,427	22
Income from disposal of other assets	12,675	21,916
Income from debt purchase activities	192,392	112,845
Income from contracts penalty receivables	20,058	40,251
Support received and other income	126,019	941,013
Other operating expenses	(433,458)	(492,203)
Expenses for other derivatives	(265,527)	(268,909)
Expenses from disposal of fixed assets	(72)	(1,248)
Expenses from disposal of other assets	(8,978)	(19,631)
Other expenses	(158,881)	(202,415)
	1,400,082	2,440,852

32. INCOME FROM INVESTMENTS IN OTHER ENTITIES

	<i>For the nine-month period ended 30 September 2019 VND million</i>	<i>For the nine-month period ended 30 September 2018 VND million</i>
Dividend income	2,635	845
	2,635	845

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

33. OPERATING EXPENSES

	<i>For the nine-month period ended 30 September 2019 VND million</i>	<i>For the nine-month period ended 30 September 2018 VND million</i>
Tax, duties and fees	1,855	188,907
Personnel expenses	5,574,170	4,536,207
<i>In which:</i>		
Salary and allowances	4,967,441	3,997,102
Expenses related to salary	376,570	322,079
Subsidy	130,325	123,173
Other allowances	99,834	93,853
Fixed asset expenses	1,178,881	1,009,202
<i>In which:</i>		
Depreciation and amortization of fixed assets	278,991	218,544
Operating leases	594,279	494,376
Administrative expenses	1,122,801	952,953
<i>In which:</i>		
Expenses on per diem	39,610	37,293
Other provision expenses	22,771	16,757
- Charged/(Reversed) of provision for other long-term investments (Note 13)	4,344	(3,700)
- Charged of provision for doubtful debts (Note 15.4)	18,427	20,457
Insurance fee for customer deposits	134,198	120,869
Other operating expenses	1,107,124	967,997
	9,141,800	7,792,892

34. PROVISION EXPENSE FOR CREDIT LOSSES

	<i>For the nine-month period ended 30 September 2019 VND million</i>	<i>For the nine-month period ended 30 September 2018 VND million</i>
Provision expense for loans to customers (Note 11)	9,010,367	7,872,319
Provision expense for VAMC bonds (Note 12.3)	982,325	322,015
	9,992,692	8,194,334

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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35. CASH AND CASH EQUIVALENTS

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

	<i>30 September 2019</i> <i>VND million</i>	<i>30 September 2018</i> <i>VND million</i>
Cash and cash equivalents on hand	2,425,876	2,520,653
Balances with the SBV	1,611,449	7,396,314
Demand accounts at other credit institutions	2,231,195	3,972,560
Placements with other credit institutions with original term of three months or less	12,240,800	2,191,170
Treasury bills with original maturity of not more than 3 months	2,587,900	-
	21,097,220	16,080,697

36. EMPLOYEES' REMUNERATIONS

	<i>For the nine-month period ended 30 September 2019</i> <i>VND million</i>	<i>For the nine-month period ended 30 September 2018</i> <i>VND million</i>
I. Total average number of employees (persons) <i>(only official employees)</i>	27,081	24,946
II. Employees' remuneration (VND million)		
1. Total salary fund	4,685,893	3,731,676
2. Other remuneration	347,166	296,259
3. Total remuneration (1+2)	5,033,059	4,027,935
4. Average monthly salary	19.23	16.62
5. Average monthly remuneration	20.65	17.94

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:

	<i>Book value</i>	
	<i>30 September 2019</i> <i>VND million</i>	<i>31 December 2018</i> <i>VND million</i>
Real estates	243,395,560	223,266,429
Mobile assets	44,361,234	43,147,192
Valuable papers	143,385,664	126,804,811
Others	190,587,460	130,344,800
	621,729,918	523,563,232

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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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 as at the end of the period are as follows:

	<i>Face value</i>	
	<i>30 September 2019</i>	<i>31 December 2018</i>
	<i>VND million</i>	<i>VND million</i>
Valuable papers	1,006,473	-

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 follows:

	<i>30 September 2019</i>	<i>31 December 2018</i>
	<i>VND million</i>	<i>VND million</i>
Valuable papers pledged or mortgaged	10,510,000	13,683,517
Valuable papers sold under agreements to repurchase	4,800,000	7,550,000
Other assets for mortgage, pledge and discount, rediscount	23,726,328	21,708,817
	39,036,328	42,942,334

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

38. CONTINGENT LIABILITIES AND COMMITMENTS

Detail of contingent liabilities and commitments as at 30 September 2019 are as follows:

	30 September 2019 VND million	31 December 2018 VND million
Credit guarantees	25,795	20,626
Foreign exchange commitments	74,467,609	66,626,741
- Foreign exchange commitments - buy	2,366,470	1,583,073
- Foreign exchange commitments - sell	533,635	1,582,743
- Swap contracts	71,567,504	63,460,925
Irrevocable loan commitments	-	1,860
Letters of credit	17,227,874	14,799,169
Other guarantees	16,848,559	13,860,017
- Payment guarantees	4,477,727	2,285,892
- Contract performance guarantees	4,326,450	3,415,185
- Tender guarantees	577,941	360,921
- Other guarantees	7,466,441	7,798,019
Other commitments	135,262,864	111,197,304
<i>In which:</i>		
- Buying position of Government bond future's contract	-	-
- Selling position of Government bond future's contract	10,600	-
	243,832,701	206,505,717
Minus: Margin deposits (Note 18)	(770,020)	(633,077)
Contingent liabilities and commitments	243,062,681	205,872,640

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

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

39. RELATED PARTY TRANSACTIONS (continued)

- (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 year are as follows:

<i>Related parties</i>	<i>Transactions</i>	<i>Amount</i>	
		<i>For the nine-month period ended 30 September 2019 VND million</i>	<i>For the nine-month period ended 30 September 2018 VND million</i>
Members of the Board of Management, Board of Supervision and Board of Directors	Remuneration expenses	(84,429)	(64,003)
	Interest expenses for deposits of management	(1,423)	(2,610)

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

<i>Related parties</i>	<i>Transactions</i>	<i>Receivables/Payables</i>	
		<i>30 September 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	62,122	53,314

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

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 September 2019 are as follows:

	<i>Domestic</i> <i>VND million</i>	<i>Foreign</i> <i>VND million</i>	<i>Total</i> <i>VND million</i>
Loans to customers and credit granting to other credit institutions	256,015,426	119	256,015,545
Total fund mobilization	285,642,461	19,904,100	305,546,561
Credit commitments and other guarantees	34,102,228	-	34,102,228
Derivative instruments	11,809	244	12,053
Securities held for trading and investment securities	66,435,054	-	66,435,054

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 September 2019 and for the nine-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 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 September 2019 and for the nine-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 consolidated balance sheet, are listed below:

	<i>Not past due</i>	<i>Past due but not impaired</i>	<i>Past due and individually impaired</i>	<i>Total</i>
	<i>VND million</i>	<i>VND million</i>	<i>VND million</i>	<i>VND million</i>
Placements with and credit granting to other credit institutions	16,300,937	-	-	16,300,937
- Placements with other credit institutions	14,471,995	-	-	14,471,995
- Credit granting to other credit institutions	1,828,942	-	-	1,828,942
Securities held for trading	2,864,216	-	-	2,864,216
Loans to customers	232,350,505	2,891,010	18,945,088	254,186,603
Investment securities	63,570,837	-	-	63,570,837
- Available-for-sale securities	62,311,445	-	-	62,311,445
- Held-to-maturity securities	1,259,392	-	-	1,259,392
Other assets	20,203,705	2,323	84,871	20,290,899
Total	335,290,200	2,893,333	19,029,959	357,213,492

The above table presents the worst scenario in which the Bank will incur the maximum credit exposures as at 30 September 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)
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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 of 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.

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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 September 2019.

	Overdue VND million	Non-interest bearing VND million	Interest re-pricing period					Over 5 years VND million	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		
Assets									
Cash, gold and gemstones	-	2,425,876	-	-	-	-	-	-	2,425,876
Balances with the State Bank of Vietnam	-	-	1,611,449	-	-	-	-	-	1,611,449
Placements with and credit granting to other credit institutions - gross	-	-	15,584,273	113,238	247,814	355,812	-	-	16,300,937
Securities held for trading - gross	-	-	2,864,216	-	-	-	-	-	2,864,216
Loans to customers - gross	10,082,367	-	146,693,289	42,348,648	14,584,585	13,583,721	25,804,375	1,089,618	254,186,603
Investment securities - gross	-	15,357	5,884,972	7,632,796	2,326,449	7,529,151	25,473,709	14,708,403	63,570,837
Long-term investments - gross	-	227,802	-	-	-	-	-	-	227,802
Fixed assets	-	1,844,497	-	-	-	-	-	-	1,844,497
Other assets - gross	87,194	20,203,705	-	-	-	-	-	-	20,290,899
Total assets	10,169,561	24,717,037	172,638,199	50,094,682	17,158,848	21,468,484	51,278,084	15,798,021	363,322,916
Liabilities									
Amounts due to the Government and the SBV	-	-	2,000,030	-	2,223	17,715	-	-	2,019,968
Deposits and borrowings from financial institutions and other credit institutions	-	-	21,962,122	9,870,383	3,899,273	4,206,599	153,139	11,048	40,102,564
Customer deposits	-	-	57,424,914	37,804,208	65,270,334	33,654,677	11,429,783	1,464	205,585,380
Derivatives and other financial liabilities	-	-	2,116,816	(8,512)	(284,923)	(992,736)	(818,592)	-	12,053
Other borrowed and entrusted funds	-	-	152,448	152,449	-	-	-	-	304,897
Valuable papers issued	-	-	1,773,761	7,257,227	5,902,574	19,957,488	22,642,702	-	57,533,752
Other liabilities	-	12,099,443	-	87,180	-	-	-	-	12,186,603
Total liabilities	-	12,099,443	85,430,091	55,162,915	74,789,481	56,843,743	33,407,032	12,512	317,745,217
Interest sensitivity gap (balance sheet)	10,169,561	12,617,594	87,208,108	(5,068,233)	(57,630,633)	(35,375,259)	17,871,052	15,785,509	45,577,699
Interest sensitivity gap (off-balance sheet)	-	-	(128,760)	541,858	386,837	(231,861)	(568,075)	-	-
Interest sensitivity gap (on, off- balance sheet)	10,169,561	12,617,594	87,079,348	(4,526,375)	(57,243,796)	(35,607,120)	17,302,977	15,785,509	45,577,699

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
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41. FINANCIAL RISK MANAGEMENT POLICIES (continued)

41.2 Market risk (continued)

(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 September 2019 and for the nine-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 September 2019.

	<i>EUR equivalent VND million</i>	<i>USD equivalent VND million</i>	<i>Gold equivalent VND million</i>	<i>Other currencies equivalent VND million</i>	<i>Total VND million</i>
Assets					
Cash, gold and gemstones	75,726	143,631	289,820	280,745	789,922
Balances with the State Bank of Vietnam	-	221,959	-	-	221,959
Placements with and credit granting to other credit institutions - gross	177,137	3,552,753	-	80,843	3,810,733
Loans to customers - gross	4,033	4,750,016	-	-	4,754,049
Other assets - gross	45,270	6,053,021	-	19,770	6,118,061
Total assets	302,166	14,721,380	289,820	381,358	15,694,724
Liabilities					
Deposits and borrowings from the Government and the SBV, financial institutions and other credit institutions	45,206	23,949,437	-	19,751	24,014,394
Customer deposits	236,210	3,193,595	-	380,044	3,809,849
Derivatives and other financial liabilities	-	(18,733,202)	-	(72,098)	(18,805,300)
Valuable papers issued	-	6,916,433	-	-	6,916,433
Other liabilities	7,620	508,435	-	10,106	526,161
Total liabilities	289,036	15,834,698	-	337,803	16,461,537
FX position on balance sheet	13,130	(1,113,318)	289,820	43,555	(766,813)
FX position off-balance sheet	3,819	1,820,276	-	8,740	1,832,835
Net on, off-balance sheet FX position	16,949	706,958	289,820	52,295	1,066,022

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 September 2019 and for the nine-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 consolidated balance sheet date to repayment date.

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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 September 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	-	-	2,425,876	-	-	-	-	2,425,876
Balances with the State Bank of Vietnam	-	-	1,611,449	-	-	-	-	1,611,449
Placements with and credit granting to other credit institutions - gross	-	-	15,584,273	113,238	603,426	-	-	16,300,937
Securities held for trading - gross	-	-	2,864,216	-	-	-	-	2,864,216
Loans to customers - gross	6,705,491	3,376,876	30,694,401	31,705,373	67,162,880	87,121,757	27,419,825	254,186,603
Investment securities - gross	-	-	2,829,417	1,542,842	9,124,945	34,709,430	15,364,203	63,570,837
Long-term investments - gross	-	-	-	-	-	-	227,602	227,602
Fixed assets	-	-	-	-	-	379,427	1,465,070	1,844,497
Other assets - gross	84,871	2,323	12,069,742	2,280,424	5,853,539	-	-	20,290,899
Total assets	6,790,362	3,379,199	68,079,374	35,641,877	82,744,790	122,210,614	44,476,700	363,322,916
Liabilities								
Amounts due to the Government and the SBV	-	-	2,000,030	-	19,938	-	-	2,019,968
Deposits and borrowings from financial institutions and other credit institutions	-	-	12,492,790	9,676,077	13,805,228	4,117,421	11,048	40,102,564
Customer deposits	-	-	57,428,214	37,800,908	98,925,013	11,429,781	1,464	205,585,380
Derivatives and other financial liabilities	-	-	29,261	(8,957)	(1,659)	(6,592)	-	12,053
Other borrowed and entrusted funds	-	-	110	30,514	56,698	204,568	13,007	304,897
Valuable papers issued	-	-	1,774,182	7,006,806	22,660,063	26,092,701	-	57,533,752
Other liabilities	-	-	11,133,318	345,819	650,842	56,624	-	12,186,603
Total liabilities	-	-	84,857,905	54,851,167	136,116,123	41,894,503	25,519	317,745,217
Net liquidity gap	6,790,362	3,379,199	(16,778,531)	(19,209,290)	(53,371,333)	80,316,111	44,451,181	45,577,699

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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)
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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 September 2019 and for the nine-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 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.

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42. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

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

	Carrying value						Fair value VND million
	<i>Financial assets at fair value through profit and loss</i>	<i>Held-to- maturity</i>	<i>Loans and receivables</i>	<i>Available-for- sale</i>	<i>Other assets and liabilities recorded at amortized cost</i>	<i>Total</i>	
	VND million	VND million	VND million	VND million	VND million	VND million	
Cash, gold and gemstones	-	-	2,425,876	-	-	2,425,876	2,425,876
Balances with the State Bank of Vietnam	-	-	1,611,449	-	-	1,611,449	(*)
Placements with and credit granting to other credit institutions - gross	-	-	16,300,937	-	-	16,300,937	(*)
Securities held for trading - gross	2,864,216	-	-	-	-	2,864,216	(*)
Loans to customers - gross	-	-	254,186,603	-	-	254,186,603	(*)
Available-for-sale securities - gross	-	-	-	62,311,445	-	62,311,445	(*)
Held-to-maturity securities - gross	-	1,259,392	-	-	-	1,259,392	(*)
Long-term investments - gross	-	-	-	227,602	-	227,602	(*)
Other assets - gross	128,180	15,049	14,962,606	1,650,702	-	16,756,537	(*)
	2,992,396	1,274,441	289,487,471	64,189,749	-	357,944,057	
Amounts due to the Government and the SBV	-	-	-	-	2,019,968	2,019,968	(*)
Deposits and borrowings from financial institutions and other credit institutions	-	-	-	-	40,102,564	40,102,564	(*)
Customer deposits	-	-	-	-	205,585,380	205,585,380	(*)
Derivatives and other financial liabilities	12,053	-	-	-	-	12,053	(*)
Other borrowed and entrusted funds	-	-	-	-	304,897	304,897	(*)
Valuable papers issued	-	-	-	-	57,533,752	57,533,752	(*)
Other liabilities	110,174	-	-	-	10,405,652	10,515,826	(*)
	122,227	-	-	-	315,952,213	316,074,440	

(*) 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)
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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 and liabilities management:	Asset and liabilities management.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 September 2019 and for the nine-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 September 2019 and for the period then ended is as follows:

	<i>Banking and credit granting VND million</i>	<i>Asset and liabilities management VND million</i>	<i>Inter-segment adjustments VND million</i>	<i>Total VND million</i>
I. Income				
1. Interest and similar income	36,459,656	1,279	(1,279)	36,459,656
<i>External interest and similar income</i>	36,459,656	-	-	36,459,656
<i>Inter-segment interest and similar income</i>	-	1,279	(1,279)	-
2. Net fee and commission income	1,942,213	252,815	(252,865)	1,942,163
3. Other operating income	1,962,955	116	-	1,963,071
	40,364,824	254,210	(254,144)	40,364,890
II. Expenses				
1. Interest and similar expenses	(14,032,659)	-	1,279	(14,031,380)
<i>External interest and similar expenses</i>	(14,031,380)	-	-	(14,031,380)
<i>Inter-segment interest and similar expenses</i>	(1,279)	-	1,279	-
charges	(278,674)	(317)	-	(278,991)
3. Other direct operating expenses	(8,832,724)	(282,950)	252,865	(8,862,809)
	(23,144,057)	(283,267)	254,144	(23,173,180)
Net profit before provision for credit losses	17,220,767	(29,057)	-	17,191,710
Provision expense for credit losses	(9,992,692)	-	-	(9,992,692)
Segmental profit before tax	7,228,075	(29,057)	-	7,199,018
III. Total assets				
1. Cash, gold and gemstones	2,425,876	-	-	2,425,876
2. Fixed assets	1,843,194	1,303	-	1,844,497
3. Other assets	353,851,684	217,439	(103,034)	353,966,089
	358,120,754	218,742	(103,034)	358,236,462
IV. Total liabilities				
1. External liabilities to customers	312,607,177	-	(46,375)	312,560,802
2. Other internal liabilities	671,950	49,513	-	721,463
3. Other liabilities	4,481,964	37,647	(56,659)	4,462,952
	317,761,091	87,160	(103,034)	317,745,217

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.

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

44. CHANGE IN NET PROFIT BEFORE TAX FOR THE YEAR

The consolidated profit before tax for the quarter III of 2019 of the Bank and its subsidiaries increased by VND1,106,956 million compared to the consolidated profit before tax for the quarter III of 2018, equivalent to 63.27% decrease due to the following reasons:

	<i>Profit before tax</i> <i>VND million</i>
Profit increase due to increase in interest and similar income	1,974,554
Profit increase due to increase in net fee and commission income	308,722
Profit decrease due to decrease in net gain from trading of foreign currencies	(299,268)
Profit increase due to increase in net gain from securities held for trading	103,633
Profit increase due to increase in net gain from investment securities	126,540
Profit decrease due to decrease in net gain from other operating activities	(317,056)
Profit increase due to increase in income from investments in other entities	2,635
Profit decrease due to increase in operating expenses	(17,977)
Profit decrease due to increase in provision for credit losses	(774,827)
	<u><u>1,106,956</u></u>

45. EVENTS AFTER THE 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.

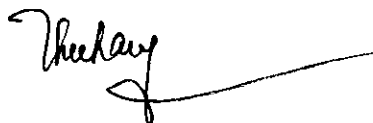
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 September 2019 and for the nine-month period then ended

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

	30 September 2019	31 December 2018
	VND	VND
AUD	15,672	16,338
CAD	17,515	17,015
CHF	23,399	23,565
CNY	3,253	3,368
DKK	3,160	3,160
EUR	25,464	26,566
GBP	28,529	29,476
JPY	215	210
NZD	17,249	17,249
SEK	3,078	3,078
SGD	16,796	16,975
THB	640	640
USD	23,200	23,220
XAU (*)	418,500	365,000


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

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

18 October 2019