Vietnam Technological and Commercial Joint Stock Bank

Consolidated financial statements under International Financial Reporting Standards

31 December 2018

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Vietnam Technological and Commercial Joint Stock Bank

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CONTENTS

GENERAL INFORMATION

THE BANK

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

The Bank was incorporated pursuant to Business License No. 0038/GP-NHNN issued by the Governor of the State Bank of Vietnam (the "SBV") on 6 March 2018 which replaces Business License No. 0040/NH-GP on 6 August 1993 and Business Registration Certificate No. 0100230800 issued by the Hanoi Department of Planning and Investment on 10 August 2018. The operating duration is 99 years since 6 August 1993.

The principal activities of the Bank are to mobilise short, medium and long-term deposits from organisations and individuals, provide short, medium and long-term loans, conduct settlement and cash services, make investments in subsidiaries, associates, joint-ventures and other companies, make investments in bonds and deal in foreign exchange in accordance with applicable regulations and provide other banking services as approved by the SBV.

BOARD OF DIRECTORS

Members of the Board of Directors of the Bank for the year ended 31 December 2018 and as at the date of these consolidated financial statements are as follows:

Name	*Position*
Mr. Ho Hung Anh	Chairman
Mr. Nguyen Dang Quang	The first Vice Chairman
Mr. Nguyen Thieu Quang	Vice Chairman
Mr. Nguyen Canh Son	Vice Chairman
Mr. Do Tuan Anh	Vice Chairman
Mr. Lee Boon Huat	Member
Mr. Nguyen Doan Hung	Independent Member

BOARD OF SUPERVISORS

Members of the Board of Supervisors of the Bank for the year ended 31 December 2018 and as at the date of these consolidated financial statements are as follows:

Name	*Position*
Mr. Hoang Huy Trung	Head of the Board of Supervisors and Member in charge
Mr. Mag Rec Soc Oec Romauch Hannes	Member
Ms. Nguyen Thu Hien	Member in charge
Ms. Bui Thi Hong Mai	Member

BOARD OF MANAGEMENT

Members of the Board of Management of the Bank for the year ended 31 December 2018 and as at the date of these consolidated financial statements are as follows:

Name	*Position*
Mr. Nguyen Le Quoc Anh	Chief Executive Officer
Mr. Do Tuan Anh	Deputy Chief Executive Officer
Mr. Pham Quang Thang	Deputy Chief Executive Officer and Head of Compliance and Legal Division
Mr. Le Ba Dung	Deputy Chief Executive Officer (from 7 January 2019) and Head of Risk Management
Mr. Trinh Bang	Group Chief Finance Officer (from 25 January 2018)
Ms. Tran Thi Minh Lan	Head of Strategy and Corporate Development
Mr. Chester Gorski	Head of IT and Operations
Mr. Vu Minh Truong	Head of Treasury and Financial Markets
Ms. Phan Thi Thanh Binh	Head of Wholesales Banking (from 23 April 2018) Transformation Director – Wholesales Banking (to 22 April 2018)
Ms. Nguyen Huong Giang	Head of Transaction Banking
Mr. Vishal Shah	Head of Business Banking (from 2 March 2018)
Mr. Phung Quang Hung	Head of Sales and Distribution
Ms. Le Thi Bich Phuong	Head of Personal Financial Services
Ms. Pham Vu Minh Dan	Head of Human Resources
Ms. Nguyen Thi Van Anh	Head of Marketing Division
Mr. Chung Ba Phuong	Head of Insurance Division
Mr. Ashish Sharma	Transformation Director – Transformation Office
Mr. Phan Thanh Son	Transformation Director – Transaction Banking
Mr. De Leeuw Van Weenen Alexander Iwan Paul	Transformation Director – Human Resources (from 6 August 2018)
Mr. Chan Jonathan Chung Ming	Transformation Director – Personal Financial Services (to 31 August 2018)

LEGAL REPRESENTATIVE

The legal representative of the Bank for the year ended 31 December 2018 and as at the date of these consolidated financial statements is Mr. Ho Hung Anh, the Chairman.

Mr. Nguyen Le Quoc Anh is authorised by Mr. Ho Hung Anh to sign operations management related reports and documents, which include the accompanying consolidated financial statements for the year ended 31 December 2018 under Decision No. 0312/UQ-HDQT dated 25 February 2016.

AUDITOR

The auditor of the Bank is Ernst & Young Vietnam Limited.

Vietnam Technological and Commercial Joint Stock Bank

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Vietnam Technological and Commercial Joint Stock Bank (the "Bank") is pleased to present its report and the consolidated financial statements of the Bank and its subsidiaries for the year ended 31 December 2018.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Management of the Bank is responsible for the consolidated financial statements of each financial year which give a true and fair view of the consolidated financial position of the Bank and its subsidiaries and of the consolidated results of their operations, their consolidated changes in equity and their consolidated cash flows for the year. In preparing those consolidated financial statements, the Board of Management is required to:

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

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

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

STATEMENT BY THE BOARD OF MANAGEMENT

The Board of Management does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2018 and of the consolidated results of their operations, their consolidated changes in equity and their consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards.

For and on behalf of the Board of Management:

M.S.D.N: 0100230800 - C.T.C.P.
NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN KỸ THƯƠNG VIỆT NAM
Q. HAI BÀ TRƯNG - TP. HÀ NỘI

Mr. Nguyen Le Quoc Anh
Chief Executive Officer

25-03-2019

Hanoi, Vietnam

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Reference: 60899747/20303658-IFRS

INDEPENDENT AUDITOR'S REPORT

To: The Shareholders of
Vietnam Technological and Commercial Joint Stock Bank

Opinion

We have audited the consolidated financial statements of Vietnam Technological and Commercial Joint Stock Bank (the "Bank") and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank and its subsidiaries as at 31 December 2018, their consolidated financial performance, their consolidated changes in equity and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank and its subsidiaries in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Vietnam, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Areas of focus	*How our audit addressed the risk factors*
Expected credit losses of loans and advances to customers and debt instruments not carried at fair value through profit or loss. As at 31 December 2018, loans and advances to customers and debt instruments not carried at fair	Our audit procedures included understanding and testing of the design and operating effectiveness of the key controls over the following: ▸ the origination, approval and monitoring; ▸ the ongoing internal credit quality assessments;

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Areas of focus	How our audit addressed the risk factors
value through profit and loss contributed approximately 78% to the Bank and its subsidiaries' total assets. The Bank's loan portfolio consists of corporate loans and retail loans, while debt instruments not carried at fair value through profit and loss comprises of Government bonds, bonds issued by local credit institutions and bonds issued by local economic entities. The allowance for impairment of loans to customers is considered to be a matter of significance as it requires the application of judgment and use of subjective assumptions by management. In addition, the adoption of IFRS 9 has fundamentally changed the Bank and its subsidiaries' assessment for impairment of loans and debt instruments not carried at fair value through profit and loss by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. The measurement of ECL requires the application of significant judgement and increased complexity which include the identification of on-balance sheet and off-balance sheet credit exposures with significant deterioration in credit quality, assumptions used in the ECL models (for exposures assessed individually or collectively) such as the expected future cash flows, forward-looking macroeconomic factors and probability-weighted multiple scenarios. *Refer to summary of significant accounting policies in Note 7.9, significant accounting judgements, estimates and assumptions in Notes 8.2 and the disclosures of loans and advances to customers and debt instruments not carried at fair value through profit or loss in Notes 26.1, 26.2, 26.4, 26.5 and 27 to the consolidated financial statements.*	▶ the transfer criteria (for the three stages of credit exposures under IFRS 9 in accordance with credit quality), impairment measurement methodologies, governance for development, maintenance and validation of ECL models, inputs, basis and assumptions used by the Bank and its subsidiaries in staging the credit exposures and calculating the ECL. We performed the following substantive procedures for impairment allowances of loans to customers in response to the identified risk: ▶ For staging and identification of credit exposures with significant deterioration in credit quality, we assessed and tested the appropriateness of the transfer criteria applied by the Bank and its subsidiaries for different types of credit exposures. We evaluated if the transfer criteria were consistent with the Bank and its subsidiaries' credit risk management practices. ▶ For the measurement of ECL, we assessed and tested the reasonableness of the Bank and its subsidiaries' ECL models, including model input, model design and model performance for significant portfolios. We challenged whether historic experience is representative of current circumstances and of the recent losses experience incurred in the portfolios and assessed the reasonableness of forward-looking adjustments, macroeconomic factor analysis and probability-weighted multiple scenarios. ▶ We evaluated if changes in modelling approaches, parameters and assumptions are needed and if any changes made were appropriate. We also assessed, tested and monitored the sensitivity of the expected credit loss provisions to changes in modelling assumptions. ▶ We reconciled the ECL model input data back to the source system and tested a sample of input data to ensure the ECL model data are accurately transferred from the source system. ▶ With respect to individually assessed ECL which are mainly in relation to the impaired financial assets in Stage 3, we reviewed and tested a sample of loans, advances, financing and investments to evaluate the timely identification by the Bank and its subsidiaries of exposures with significant deterioration in credit quality or which have been impaired. For

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Areas of focus	*How our audit addressed the risk factors*
	cases where impairment has been identified, we assessed the Bank and its subsidiaries' assumptions on the expected future cash flows, including the value of realisable collaterals based on available market information and the multiple scenarios considered. We also challenged the assumptions and compared estimates to external evidence where available. ▶ We also assessed whether the consolidated financial statement disclosures are adequate and appropriately reflect the Bank and its subsidiaries' exposures to credit risk. ▶ We involved our credit modelling specialists and IT specialists in the performance of these procedures where their specific expertise was required. ▶ We also re-computed management's calculation to assess the completeness and accuracy of the Bank and its subsidiaries' impairment allowances.
Valuation of financial assets classified as fair value through other comprehensive income ("FVOCI") with a higher degree of estimation uncertainty The valuation of the Bank and its subsidiaries' financial instruments was a key area of focus of our audit due to the degree of complexity involved in valuing certain instruments and the significance of the judgments and estimates made by management. In particular, the determination of Level 3 valuations requires a higher degree of management judgments as a result of the use of significant unobservable inputs. At 31 December 2018, 63% (VND 45,153 billion) of the Bank and its subsidiaries' total financial assets that were carried at fair value were classified as Level 3. The Level 3 instruments mainly comprised of unlisted corporate bonds and a small amount unlisted equity investment. *Refer to Notes 26.1 and 39a to the consolidated financial statements for financial assets classified as available-for-sale and Notes 26.2, 26.3 and 39a to the consolidated financial statements for financial assets at FVOCI.*	We evaluated the design of and tested the operating effectiveness of the key controls over the Bank and its subsidiaries' purchase, selling and recognition process of derivative instruments and financial assets at FVOCI. For those financial assets at FVOCI with significant unobservable valuation inputs, we critically assessed the valuation assumptions and inputs used by management, and performed an independent valuation on a sample basis. In addition, we performed a variation analysis for significant or unexpected fair value movements over the year. We also challenged the management classification of financial instruments to levels in the hierarchy, sensitivity analysis presented in the consolidated financial statements and assessment of other disclosures to ensure the classification, analysis and disclosures are reasonable and appropriate.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank and its subsidiaries' ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank and its subsidiaries' financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Bank and its subsidiaries.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank and its subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Bank and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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We communicate with those charged with governance regarding, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young Vietnam Limited

M.S.C.N: 0300611802-001 - C.T.T.N.H.H. CÔNG TY TNHH ERNST & YOUNG VIỆT NAM CHI NHÁNH HÀ NỘI - HOÀN KIẾM - T.P HÀ NỘI

Dang Phuong Ha
Deputy General Director
Audit Practising Registration Certificate No. 2400-2018-004-1

Hanoi, Vietnam

26 March 2019

Vietnam Technological and Commercial Joint Stock Bank

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2018

	Notes	2018 VND million	2017 (reclassified) VND million
Interest and similar income	11	20,595,848	16,987,472
Interest and similar expenses	12	(10,023,472)	(8,664,092)
Net interest income		10,572,376	8,323,380
Fee and commission income		4,799,247	4,715,883
Fee and commission expenses		(915,737)	(556,782)
Net fee and commission income	13	3,883,510	4,159,101
Net trading income	14	747,866	1,003,182
Other operating income	15	4,012,462	2,738,327
Total operating income		**19,216,214**	**16,223,990**
Credit loss expense on financial assets	16	(1,410,703)	(2,741,205)
Net operating income		**17,805,511**	**13,482,785**
Personnel expenses	17	(4,449,385)	(2,656,411)
Operating lease expenses		(461,748)	(441,778)
Depreciation of property and equipment	29	(169,180)	(186,948)
Amortization of intangible assets	30	(90,423)	(94,193)
Other operating expenses	18	(2,167,795)	(1,643,583)
Total operating expenses		**(7,338,531)**	**(5,022,913)**
Profit before tax		**10,466,980**	**8,459,872**
Current income tax expense	19	(2,185,246)	(1,564,816)
Deferred tax expense	20	(172,929)	(118,630)
Net profit for the year		**8,108,805**	**6,776,426**
Attributable to:			
Equity holders of the Bank		8,094,967	6,776,426
Non-controlling interest		13,838	-
		8,108,805	**6,776,426**
Earnings per share			
Basic earnings per share *(VND)*	21	3,649	8,115

Prepared by:

Ms. Bui Thi Khanh Van
Chief Accountant

Approved by:

Ms. Thai Ha Linh
Director of Accounting,
Financial Policy and Tax,
Finance and Planning Division

Approved by:

NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN KỸ THƯƠNG VIỆT NAM

Mr. Nguyen Le Quoc Anh
Chief Executive Officer

25-03-2019
Hanoi, Vietnam

Vietnam Technological and Commercial Joint Stock Bank

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Notes	2018 VND million	2017 VND million
Net profit for the year		**8,108,805**	**6,776,426**
Other comprehensive income:			
Items that will be reclassified to the consolidated statement of profit or loss			
Debt instruments at fair value through other comprehensive income			
Net change in fair value		369,734	-
Changes in allowance for expected credit losses		177,907	-
Reclassification to the statement of profit or loss		(1,029,829)	-
Income tax related to the above	20	96,438	-
Net gain on financial investments at fair value through other comprehensive income		**(385,750)**	**-**
Financial investments available-for-sale			
Net change in fair value		-	1,043,883
Recycling to the statement of profit or loss		-	(236,596)
Income tax related to the above	20	-	(161,457)
Net gain on financial investments available-for-sale		**-**	**645,830**
Total items that will be reclassified to the statement of profit or loss		*(385,750)*	*645,830*
Items that will not be reclassified to the consolidated statement of profit or loss			
Revaluation loss on equity instruments at fair value through other comprehensive income		(5,725)	-
Income tax related to the above		1,145	-
Total items that will not be reclassified to the statement of profit or loss		*(4,580)*	-
Other comprehensive gain for the year, net of income tax		**(390,330)**	**645,830**
Total comprehensive income for the year, net of income tax		**7,718,475**	**7,422,256**
Attributable to:			
Equity holders of the Bank		7,704,637	7,422,256
Non-controlling interest		13,838	-
		7,718,475	**7,422,256**

Prepared by:	Approved by:	Approved by:
Ms. Bui Thi Khanh Van Chief Accountant	Ms. Thai Ha Linh Director of Accounting, Financial Policy and Tax, Finance and Planning Division	Mr. Nguyen Le Quoc Anh Chief Executive Officer

M.S.D.N: 0100230800 NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN KỸ THƯƠNG VIỆT NAM T.C.P. HAI BÀ TRƯNG - TP. HÀ NỘI

25-03-2019
Hanoi, Vietnam

Vietnam Technological and Commercial Joint Stock Bank

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Notes	31 December 2018 VND million	31 December 2017 VND million
ASSETS			
Cash and cash equivalents	22	37,262,868	22,702,619
Due from other banks	23	11,671,923	14,282,783
Derivative financial assets	24	579,520	1,042,000
Financial assets held-for-trading	25.1	-	7,173,992
Financial assets at fair value through profit or loss	25.2	7,736,876	-
Financial investments available-for-sale	26.1	-	48,095,120
Debt instruments at fair value through other comprehensive income	26.2	64,362,440	-
Equity instruments at fair value through other comprehensive income	26.3	14,802	-
Loans and advances to customers	27	162,926,067	162,831,543
Financial investments held-to-maturity	26.4	-	5,910,687
Debt instruments at amortised cost	26.5	24,197,747	-
Other assets	28	5,252,856	4,858,351
Property and equipment	29	6,061,346	3,352,051
Goodwill and other intangible assets	30	313,321	393,292
Deferred tax assets	20	250,469	190,151
TOTAL ASSETS		**320,630,235**	**270,832,589**
LIABILITIES			
Due to the Government and the State Bank of Vietnam	31	6,033,332	1,004,111
Due to other banks	32	35,525,290	45,522,205
Derivative financial liabilities	24	832,288	1,025,640
Deposits from customers	33	203,918,466	173,254,935
Other borrowed funds	34	993,469	915,916
Debt instruments issued	35	13,359,551	17,798,040
Current tax liabilities	36	980,062	928,393
Other liabilities	37	7,962,488	3,202,472
Deferred tax liabilities	20	79,068	235,807
TOTAL LIABILITIES		**269,684,014**	**243,887,519**
SHAREHOLDERS' EQUITY			
Share capital		34,965,922	11,655,307
Share premium	38.1	1,563,953	2,165,058
Treasury shares	38.1	(56,798)	(4,044,547)
Retained earnings		10,273,242	10,429,246
Statutory reserves	38.2	3,867,372	6,156,454
Fair value reserve		232,694	583,552
Other reserves		27,903	-
Total equity attributable to the Bank		50,874,288	26,945,070
Total equity attributable to non-controlling interest		71,933	-
TOTAL SHAREHOLDERS' EQUITY		**50,946,221**	**26,945,070**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**320,630,235**	**270,832,589**

Prepared by: | Approved by: | Approved by:

M.S.D.N: 0100230800 - C.T.C.P. NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN KỸ THƯƠNG VIỆT NAM - HAI BÀ TRƯNG - TP. HÀ NỘI

Ms. Bui Thi Khanh Van
Chief Accountant

Ms. Thai Ha Linh
Director of Accounting, Financial Policy and Tax, Finance and Planning Division

Mr. Nguyen Le Quoc Anh
Chief Executive Officer

25-03-2019
Hanoi, Vietnam

Vietnam Technological and Commercial Joint Stock Bank

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

For the year ended 31 December 2018

	Share capital VND million	*Share premium VND million*	*Treasury shares VND million*	*Retained earnings VND million*	*Statutory reserves VND million*	*Fair value reserve VND million*	*Other reserves VND million*	*Total equity attributable to the Bank VND million*	*Non-controlling interest VND million*	*Total VND million*
As at 1 January 2018	**11,655,307**	**2,165,058**	**(4,344,547)**	**10,429,246**	**6,156,454**	**583,552**	**-**	**26,945,070**	**-**	**26,945,070**
Impact of adopting IFRS 9	-	-	-	(1,511,356)	-	49,341	-	(1,462,015)	-	(1,462,015)
Tax on impact of adopting IFRS 9	-	-	-	332,271	-	(9,869)	-	292,402	-	292,402
Restated opening balance under IFRS 9	**11,655,307**	**2,165,058**	**(4,344,547)**	**9,220,161**	**6,156,454**	**623,024**	**-**	**25,775,457**	**-**	**25,775,457**
Comprehensive income for the year:										
Profit for the year	-	-	-	8,094,967	-	-	-	8,094,967	13,838	8,108,805
Other comprehensive income, net of tax:										
Net change in fair value of debt instruments at fair value through other comprehensive income	-	-	-	-	-	369,734	-	369,734	-	369,734
Net amount reclassified to the statement of profit or loss on sale of debt instruments at fair value through other comprehensive income	-	-	-	-	-	(1,029,829)	-	(1,029,829)	-	(1,029,829)
Net change in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	-	-	-	-	-	177,907	-	177,907	-	177,907
Net change in fair value of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(5,725)	-	(5,725)	-	(5,725)
Tax on other comprehensive income	-	-	-	-	-	97,583	-	97,583	-	97,583
Total comprehensive income	**-**	**-**	**-**	**8,094,967**	**-**	**(390,330)**	**-**	**7,704,637**	**13,838**	**7,718,475**
Transactions with shareholders										
Issuance of shares	23,310,615	(13,986,369)	(14,587)	(5,813,067)	(3,496,592)	-	-	-	58,201	58,201
Sale of treasury shares	-	12,324,846	3,996,331	-	-	-	-	16,321,177	-	16,321,177
Equity-settled share-based payment	-	1,060,418	6,005	-	-	-	27,903	1,094,326	-	1,094,326
Total contribution by and distribution to shareholders	**23,310,615**	**(601,105)**	**3,987,749**	**(5,813,067)**	**(3,496,592)**	**-**	**27,903**	**17,415,503**	**58,201**	**17,473,704**
Movements in reserves and others										
Transfer to reserves	-	-	-	(1,236,885)	1,216,991	-	-	(19,894)	(106)	(20,000)
Utilisation of reserves	-	-	-	-	(59)	-	-	(59)	-	(59)
Other movements	-	-	-	8,066	(9,422)	-	-	(1,356)	-	(1,356)
Total movements in reserves and others	**-**	**-**	**-**	**(1,228,819)**	**1,207,510**	**-**	**-**	**(21,309)**	**(106)**	**(21,415)**
As at 31 December 2018	**34,965,922**	**1,563,953**	**(56,798)**	**10,273,242**	**3,867,372**	**232,694**	**27,903**	**50,874,288**	**71,933**	**50,946,221**

Vietnam Technological and Commercial Joint Stock Bank

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
for the year ended 31 December 2018

For the year ended 31 December 2017

	Share capital VND million	Share premium VND million	Treasury shares VND million	Retained earnings VND million	Statutory reserves VND million	Available-for-sale reserve VND million	Reserve for shares to be issued VND million	Total VND million
As at 1 January 2017	**8,878,079**	**-**	**(11,438)**	**4,590,929**	**5,218,708**	**(62,278)**	**2,842,287**	**21,456,287**
Comprehensive income for the year								
Profit for the year	-	-	-	6,776,426	-	-	-	6,776,426
Other comprehensive income, net of tax								
Financial investments available-for-sale:								
Net change in fair value	-	-	-	-	-	1,043,883	-	1,043,883
Net amount transferred to profit or loss	-	-	-	-	-	(236,596)	-	(236,596)
Tax on other comprehensive income	-	-	-	-	-	(161,457)	-	(161,457)
Total comprehensive income	**-**	**-**	**-**	**6,776,426**	**-**	**645,830**	**-**	**7,422,256**
Transactions with shareholders								
Issuance of shares	700,000	1,399,999	-	-	-	-	-	2,099,999
Conversion of convertible bonds into shares	2,077,228	765,059	-	-	-	-	(2,842,287)	-
Equity-settled share-based payment	-	-	10,140	-	-	-	-	10,140
Total contribution by and distribution to shareholders	**2,777,228**	**2,165,058**	**10,140**	**-**	**-**	**-**	**(2,842,287)**	**2,110,139**
Movements in reserves and others								
Transfer to reserves	-	-	-	(938,009)	938,009	-	-	-
Utilisation of reserves	-	-	-	-	(263)	-	-	(263)
Purchase of treasury shares	-	-	(4,043,249)	-	-	-	-	(4,043,249)
Other movements	-	-	-	(100)	-	-	-	(100)
Total movements in reserves and others	**-**	**-**	**(4,043,249)**	**(938,109)**	**937,746**	**-**	**-**	**(4,043,612)**
As at 31 December 2017	**11,655,307**	**2,165,058**	**(4,044,547)**	**10,429,246**	**6,156,454**	**583,552**	**-**	**26,945,070**

Prepared by:

Ms. Bui Thi Khanh Van
Chief Accountant

25 -03- 2019
Hanoi, Vietnam

Approved by:

Ms. Thai Ha Linh
Director of Accounting,
Financial Policy and Tax, Finance and Planning Division

Approved by:

Mr. Nguyen Le Quoc Anh
Chief Executive Officer

NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN KỸ THƯƠNG VIỆT NAM

Vietnam Technological and Commercial Joint Stock Bank

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

	Notes	*2018 VND million*	*2017 (reclassified) VND million*
OPERATING ACTIVITIES			
Profit for the year		**10,466,980**	**8,459,872**
Adjustments for:			
Depreciation expense of property and equipment		169,180	186,948
Amortisation expense of intangible assets		90,423	94,193
Credit loss expense on financial assets	16	1,410,703	2,741,205
Equity-settled share-based payment		1,094,326	10,140
Net cash flows from operating activities before changes in operating assets and liabilities		**13,231,612**	**11,492,358**
Change in due from other banks		2,606,051	(1,327,096)
Change in derivative financial assets		462,480	(543,482)
Change in financial assets held-for-trading		-	945,309
Change in financial assets at fair value through profit or loss		(562,884)	-
Change in loans and advances to customers		(3,968,893)	(19,557,157)
Change in financial investments available-for-sale		-	(6,850,277)
Change in debt instruments at fair value through other comprehensive income		(21,031,715)	-
Change in equity instruments at fair value through other comprehensive income		219,197	-
Change in financial investments held-to-maturity		-	(209,280)
Change in debt instruments at amortised cost		(14,579,633)	-
Change in other assets		(2,331,682)	(2,401,851)
Change in due to the Government and the State Bank of Vietnam		5,029,221	(444,256)
Change in due to other banks		(9,996,915)	20,374,050
Change in derivative financial liabilities		(193,352)	511,359
Change in deposits from customers		30,663,531	(1,878,728)
Change in other borrowed funds		77,553	326,030
Change in debt instruments issued		(1,725,402)	7,416,434
Change in other liabilities		4,623,133	610,263
Net change in operating assets and liabilities		**(10,709,310)**	**(3,028,682)**
Income tax paid	19	(2,140,758)	(1,034,529)
Net cash flows from operating activities		**381,544**	**7,429,147**

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
for the year ended 31 December 2018

	Notes	*2018 VND million*	*2017 (reclassified) VND million*
INVESTING ACTIVITIES			
Acquisitions of property and equipment		(349,239)	(134,407)
Proceeds from disposals of property and equipment		6,008	5,078
Proceeds from liquidation of the subsidiary and other long-term investments		915,560	355,192
Acquisitions of intangible assets		(52,335)	(41,408)
Net cash flows from investing activities		**519,994**	**184,455**
FINANCING ACTIVITIES			
Issuance of shares		-	2,099,999
Proceeds from long-term debt instruments issued qualified to classify as subordinated debts		310,000	2,708,164
Payments for long-term debt instruments issued qualified to classify as subordinated debts		(3,023,087)	-
Proceeds from selling treasury shares		16,321,177	-
Payment for purchasing treasury shares		-	(4,043,249)
Increase in charter capital from capital contribution by non-controlling shareholders		58,201	-
Net cash flows from financing activities		**13,666,291**	**764,914**
Net cash flows during the year		**14,567,829**	**8,378,516**
Cash and cash equivalents at beginning of the year		**22,702,619**	**14,324,103**
Cash and cash equivalents at end of the year		**37,270,448**	**22,702,619**
Operational cash flows from interest and dividends			
Interest received		19,627,569	17,451,628
Dividends received	15	275	334
Interest paid		(9,797,021)	(8,154,063)

Prepared by:	Approved by:	Approved by:
Ms. Bui Thi Khanh Van Chief Accountant	Ms. Thai Ha Linh Director of Accounting, Financial Policy and Tax, Finance and Planning Division	Mr. Nguyen Le Quoc Anh Chief Executive Officer

M.S.D.N: 0100230800 - C.P. NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN KỸ THƯƠNG VIỆT NAM Q. HAI BÀ TRƯNG - T.P. HÀ NỘI

25-03-2019
Hanoi, Vietnam

1. CORPORATE INFORMATION

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

Establishment and Operations

The Bank was incorporated pursuant to Business License No. 0038/GP-NHNN issued by the Governor of the State Bank of Vietnam (the "SBV") on 6 March 2018 which replaces Business License No. 0040/NH-GP on 6 August 1993 and Business Registration Certificate No. 0100230800 issued by the Hanoi Department of Planning and Investment on 10 August 2018. The operating duration is 99 years since 6 August 1993.

The principal activities of the Bank are to mobilise short, medium and long-term deposits from organisations and individuals, provide short, medium and long-term loans, conduct settlement and cash services, make investments in subsidiaries, associate, joint-ventures and other companies, make investments in bonds and deal in foreign exchange in accordance with applicable regulations and other banking services as approved by the SBV.

Network

The Bank's Head Office is located at 191 Ba Trieu, Hai Ba Trung District, Hanoi. As at 31 December 2018, the Bank has one (1) Head Office, two (2) representative offices, three hundred and fourteen (314) transaction offices nationwide and three (3) subsidiaries.

Subsidiaries

As at 31 December 2018, the Bank has three (3) subsidiaries as follows:

No.	*Name*	*Business license No.*	*Business sector*	*% owned by the Bank*
1	Techcom Securities Joint Stock Company	85/GPDC-UBCK dated 16 October 2018 granted by the State Securities Commission	Securities activities	94.49999%
2	Vietnam Technological and Commercial Joint Stock Bank – Asset Management Company Limited	0102786255 dated 18 June 2008 granted by the Hanoi Department of Planning and Investment which was amended for the 22th time on 30 November 2018	Debt and asset management	100%
3	Techcom Capital Management Company Limited	40/UBCK-GP dated 21 October 2008 granted by the State Securities Commission	Fund management	100%

Employees

As at 31 December 2018, the Bank and its subsidiaries have 9,757 employees (31 December 2017: 8,328 employees).

2. BASIS FOR PREPARATION

The consolidated financial statements of the Bank and its subsidiaries have been prepared on a historical cost basis, except for financial assets held-for-trading, financial assets at fair value through profit or loss ("FVTPL"), financial investments available-for-sale ("AFS"), debt and equity instruments at fair value through other comprehensive income ("FVOCI") and derivative financial instruments which have been measured at fair value.

3. STATEMENT OF COMPLIANCE

The consolidated financial statements of the Bank and its subsidiaries have been prepared in accordance with International Financial Reporting Standards and Interpretations ("IFRS") that are effective for annual periods beginning on or after 1 January 2018 as issued and approved by the International Accounting Standards Board.

4. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Bank and its subsidiaries present its consolidated statement of financial position in order of liquidity.

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business;
- The event of default; or
- The event of insolvency or bankruptcy of the Bank and its subsidiaries and/or its counterparties.

5. BASIS FOR CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2018. The Bank consolidates a subsidiary from the date of control of subsidiary and continue to be consolidated until the date that such control ceases. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In case the Bank divests its equity interest in a subsidiary resulting in loss of control over the subsidiary, the Bank only consolidates the financial result of the subsidiary from the beginning of the year up to the date of the divestment without consolidating the net assets of the subsidiary. Furthermore, the Bank makes adjustments of indirect impact of the divestment transactions on the consolidated cash flow statement.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Bank's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows are eliminated in full on consolidation.

6. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

In these consolidated financial statements, the Bank and its subsidiaries have applied IFRS 9, IFRS 7R and IFRS 15, effective for annual periods beginning on or after 1 January 2018, for the first time. The Bank and its subsidiaries have not adopted early any other standards, interpretation or amendment that has been issued but is not yet effective.

6.1. IFRS 9 - Financial instruments

IFRS 9 replaces IAS 39 for annual periods beginning on or after 1 January 2018. The adoption of IFRS 9 resulted in changes in accounting policies and adjustments to the amount previously recognised in the consolidated financial statements. As permitted by the transitional provisions of IFRS 9, the Bank and its subsidiaries elect not to restate comparative figures. Any adjustments to the carrying amount of the financial assets and liabilities at the date of adoption were recognised directly in retained earnings as of 1 January 2018 and are disclosed in Note 9. The accounting policies that relates to recognition and derecognition, classification and measurement, and impairment of financial assets were amended to comply with IFRS 9 as set out from Note 7.2 to Note 7.9.

6.1.1. Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics whether it represents solely payment of principal and interest ("SPPI") on the principal amount outstanding. The IAS 39 measurement categories of financial assets (FVTPL, AFS, loans and receivables and held-to-maturity) have been replaced by:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition;
- Financial assets at FVTPL.

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in other comprehensive income ("OCI") with no subsequent reclassification to the statement of profit or loss.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms, as explained in Notes 7.3.1.1 and 7.3.1.2. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed. The Bank and its subsidiaries' accounting policies for embedded derivatives are set out in Note 7.3.2.1.

The Bank and its subsidiaries' classification of its financial assets and liabilities is explained in Notes 7.2.4 and 7.3. The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed in Note 9.

6. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

6.1. IFRS 9 - Financial instruments (continued)

6.1.2. Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Bank and its subsidiaries' accounting for loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. IFRS 9 requires the Bank and its subsidiaries to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL, together with loan commitments, financial guarantee contracts and letters of credit. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired ("POCI"), the allowance is calculated based on the change in the ECLs over the life of the asset.

Details of the Bank and its subsidiaries' impairment method are disclosed in Note 7.9.

6.2. IFRS 7R

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 - Financial Instruments: Disclosures was updated and the Bank and its subsidiaries have adopted it, together with IFRS 9, for the annual periods beginning on or after 1 January 2018. Changes include transition disclosures as shown in Note 9, detailed qualitative information about the ECL calculations such as the assumptions and inputs used are set out in Note 41.2. Reconciliations from opening to closing ECL allowances are presented in Notes 22, 23, 26.2, 26.5, 27.1, 28, and 37.

6.3. IFRS 15 - Revenue from Contracts with Customers

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and introduces new contract cost guidance. Under IFRS 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 has immaterial impact on the Bank and its subsidiaries' consolidated financial statements.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

7.1. Foreign currency translation

7.1.1. Functional and presentational currency

Currency used in accounting of the Bank and its subsidiaries is Vietnam dong ("VND") and is rounded to the nearest VND million for presentation of consolidated financial statements. For each entity in the group, the Bank and its subsidiaries determine the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Bank and its subsidiaries use the direct method of consolidation.

7.1.2. Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction.

All transactions are recorded in original currencies. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency using exchange rates ruling at the reporting date *(Note 45)*. Non-monetary assets and liabilities denominated in foreign currencies are translated into functional currency using exchange rates ruling at the transaction dates.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

7.2. Financial instruments - Initial recognition

7.2.1. Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e. the date that the Bank and its subsidiaries become a party to the contractual provisions of the instrument. This includes regular way trades - purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' account. The Bank and its subsidiaries recognise due to customer balances when funds are transferred to the Bank and its subsidiaries.

7.2.2. Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 7.3.1.1 and 7.3.1.2. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Financial receivables are measured at the transaction price.

When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank and its subsidiaries account for the Day 1 profit or loss, as described below.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2. Financial instruments - initial recognition (continued)

7.2.3. Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank and its subsidiaries recognise the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

During the year, the Bank and its subsidiaries recognised Day 1 loss for preference loans to its employees which have interest rate significantly lower than market rate in "*Personnel expenses*". The difference between the fair value of the loans (using discounted cash flow method) and their principal is amortised along their committed working time or the life of the relevant loans.

7.2.4. Measurement categories of financial assets and liabilities

From 1 January 2018, the Bank and its subsidiaries classify all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost, as explained in Note 7.3.1;
- FVOCI, as explained in Notes 7.3.4 and 7.3.5;
- FVTPL, as explained in Notes 7.3.2 and 7.3.3.

The Bank and its subsidiaries classify and measure its derivative and trading portfolio at FVTPL as explained in Notes 7.3.2 and 7.3.3. The Bank and its subsidiaries may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Before 1 January 2018, the Bank and its subsidiaries classified its financial assets as loans and receivables (amortised cost), FVTPL, available-for-sale or held-to-maturity (amortised cost) as explained in Notes 7.3.1, 7.3.8 and 7.3.9.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held-for-trading and derivative instruments.

7.3. Financial assets and liabilities

7.3.1. Due from banks, loans and advances to customers and other financial investments at amortised cost

Before 1 January 2018, due from bank and loans and advances to customers, included non–derivative financial assets with fixed or determinable payments that were not quoted in an active market, were other than those:

- that the Bank and its subsidiaries intended to sell immediately or in the near term;
- that the Bank and its subsidiaries, upon initial recognition, designated as at FVTPL or as available-for-sale;
- for which the Bank and its subsidiaries may not recover substantially all of its initial investment, other than because of credit deterioration, which were designated as available-for-sale.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.3. Financial assets and liabilities (continued)

7.3.1. Due from banks, loans and advances to customers and other financial investments at amortised cost (continued)

From 1 January 2018, the Bank and its subsidiaries only measure due from banks, loans and advances to customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

The details of these conditions are outlined below.

7.3.1.1. The SPPI test

The Bank and its subsidiaries assess the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank and its subsidiaries apply judgment and consider relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

7.3.1.2. Business model assessment

The Bank and its subsidiaries determine its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank and its subsidiaries' business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- Business strategy for the portfolios;
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- The expected frequency, value and timing of sales are also important aspects of the Bank and its subsidiaries' assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank and its subsidiaries' original expectations, the Bank and its subsidiaries do not change the classification of the remaining financial assets held in that business model, but incorporate such information when assessing newly originated or newly purchased financial assets going forward.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.3. Financial assets and liabilities (continued)

7.3.2. Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e. the 'underlying');
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors;
- It is settled at a future date.

The Bank and its subsidiaries enter into derivative transactions with various counterparties. These include interest rate swaps, cross-currency swaps, cross currency interest rate swap, forward foreign exchange contracts and options on interest rates and foreign currencies. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative.

7.3.2.1. Embedded derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

Under IAS 39, derivatives embedded in financial assets, liabilities and non-financial host contracts, were treated as separate derivatives and recorded at fair value if they met the definition of a derivative (as defined above), their economic characteristics and risks were not closely related to those of the host contract, and the host contract was not itself held-for-trading or designated at FVTPL. The embedded derivatives separated from the host were carried at fair value in the trading portfolio with changes in fair value recognised in the consolidated statement of profit or loss.

From 1 January 2018, with the introduction of IFRS 9, the Bank and its subsidiaries account in this way for derivatives embedded in financial liabilities and non-financial host contracts. Financial assets are classified based on the business model and SPPI assessments as outlined in Notes 7.3.1.1 and 7.3.1.2.

7.3.3. Financial assets and financial liabilities at FVTPL

The Bank and its subsidiaries classify financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in *"Net trading income"*. Interest and dividend income or expense is recorded in *"Net trading income"* according to the terms of the contract, or when the right to payment has been established.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.3. Financial assets and liabilities (continued)

7.3.3. Financial assets or financial liabilities at FVTPL (continued)

Included in this classification are debt securities and equities that have been acquired principally for the purpose of selling or repurchasing in the near term.

7.3.4. Debt instruments at FVOCI (Policy applicable from 1 January 2018)

The Bank and its subsidiaries apply the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset meet the SPPI test.

These instruments largely comprise assets that had previously been classified as financial investments available-for-sale under IAS 39.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income is recognised in profit or loss as *"Net interest income"*. The ECL calculation for Debt instruments at FVOCI is explained in Note 7.9.3 and recognised in "*Credit loss expense on financial assets*". On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

7.3.5. Equity instruments at FVOCI (Policy applicable from 1 January 2018)

Upon initial recognition, the Bank and its subsidiaries can elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 - Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss as "*Other operating income*" when the right of the payment has been established, except when the Bank and its subsidiaries benefit from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

7.3.6. Debt instruments issued and other borrowed funds

Financial instruments issued by the Bank and its subsidiaries that are not held-for-trading or designated at fair value through profit or loss, are classified as liabilities under debt instruments issued and other borrowed funds, where the substance of the contractual arrangement results in the Bank and its subsidiaries having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt instruments issued and other borrowed funds are subsequently measured at amortised cost using the effective interest rate ("EIR"). Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.3. Financial assets and liabilities (continued)

7.3.6. *Debt instruments issued and other borrowed funds* (continued)

The Bank issued a number of financial instruments with equity conversion. When establishing the accounting treatment of these non-derivative instruments the Bank first establishes whether the instrument is a compound instrument and classifies such instruments or components separately as financial liabilities, financial assets, or equity instruments. The Bank separately recognises the components of a financial instrument that: (a) creates a financial liability for the Bank; and (b) grants an option to the holder of the instrument to convert it into an equity instrument of the entity. Classification of the liability and equity components of a convertible Instrument is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when exercise of the option may appear to have become economically advantageous to some holders. When allocating the initial carrying amount of a compound financial instrument to its equity and liability components, the equity component is assigned the residual amount after deducting from the entire fair value of the instrument, the amount separately determined for the liability component. Once the Bank has determined the split between equity and liability, it further evaluates if the liability component has embedded derivatives which would require separation. The Bank only separates the embedded derivatives from the host contract and accounts for them as a derivative when:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative of a derivative; or
- The hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss (i.e. a derivative that is embedded in a financial asset or financial liability at FVTPL is not separated).

7.3.7. *Financial guarantees, letters of credit and undrawn loan commitments*

The Bank issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the consolidated financial statements (within "*Other liabilities*") at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of profit or loss, and – under IAS 39 – the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee, or – under IFRS 9 – an ECL provision as set out in Note. 37.1.1.

The premium received is recognised in the consolidated statement of profit or loss in "*Net fee and commission income*" on a straight-line basis over the life of the guarantee.

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitments, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, under IAS 39, a provision was made if they were an onerous contract but, from 1 January 2018, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 37.1.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.3. Financial assets and liabilities (continued)

7.3.8. Available-for-sale financial investments (Policy applicable before 1 Jan 2018)

Financial investments available-for-sale ("AFS") include equity and debt securities. Equity investments classified as AFS are those which are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, financial investment AFS are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity (Other comprehensive income) in the *"Fair value reserve"*. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the consolidated statement of profit or loss in *"Other operating income"*. Interest earned whilst holding financial investment available-for-sale is reported as interest income using the EIR. Dividends earned whilst holding financial investment available-for-sale are recognised in the consolidated statement of profit or loss as *"Other operating income"* when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the consolidated statement of profit or loss in *"Credit loss expense on financial assets"* and removed from *"Fair value reserve"*.

7.3.9. Held-to-maturity financial investments (Policy applicable before 1 Jan 2018)

Financial investments held-to-maturity ("HTM") are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank and its subsidiaries have the intention and ability to hold to maturity. After initial measurement, financial investment held-to-maturity is subsequently measured at amortised cost using the effective interest rate ("EIR") less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in *"Interest and similar income"* in the consolidated statement of profit or loss. The losses arising from impairment of such investments are recognised in the consolidated statement of profit or loss as *"Credit loss expense on financial assets"*.

The Bank and its subsidiaries shall reclassify insignificant amount of held-to-maturity investments before maturity into available-for-sale investments that:

(i) are so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;

(ii) occur after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or

(iii) are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the Bank and its subsidiaries.

If the Bank and its subsidiaries were to sell or reclassify more than an insignificant amount of financial investments held-to-maturity before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Bank and its subsidiaries would be prohibited from classifying any financial asset as held to maturity during the following two years.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.4. Reclassification of financial assets and liabilities

From 1 January 2018, the Bank and its subsidiaries do not reclassify its financial assets subsequent to their initial recognition apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Bank and its subsidiaries did not reclassify any of its financial assets or liabilities in 2017.

7.5. Derecognition of financial assets and financial liabilities

7.5.1. Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired. The Bank and its subsidiaries also derecognise the assets if they have both transferred the asset, and the transfer qualifies for derecognition.

The Bank and its subsidiaries have transferred the asset if, and only if, either:

- The Bank and its subsidiaries have transferred its contractual rights to receive cash flows from the asset; or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass–through" arrangement.

Pass-through arrangements are transactions when the Bank and its subsidiaries retain the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank and its subsidiaries have no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates;
- The Bank and its subsidiaries cannot sell or pledge the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- The Bank and its subsidiaries have to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank and its subsidiaries are not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank and its subsidiaries have transferred substantially all the risks and rewards of the asset; or
- The Bank and its subsidiaries have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

In relation to the above, the Bank and its subsidiaries consider the control to be transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

7. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

7.5. **Derecognition of financial assets and financial liabilities** (continued)

7.5.1. ***Financial assets*** (continued)

When the Bank and its subsidiaries have transferred their rights to receive cash flows from an asset or have entered into a pass–through arrangement, and have neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank and its subsidiaries' continuing involvement in it. In that case, the Bank and its subsidiaries also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank and its subsidiaries have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank and its subsidiaries could be required to repay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the Bank and its subsidiaries' continuing involvement is the amount of the transferred asset that the Bank and its subsidiaries may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

The Bank and its subsidiaries also derecognise a financial asset, in particular, a loan to customer when the terms and conditions have been renegotiated to the extent that it substantially became a new loan, with the difference recognised as an impairment in the consolidated statement of profit or loss.

7.5.2. ***Financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the consolidated statement of profit or loss.

7.6. ***Offsetting of financial instruments***

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business;
- The event of default;
- The event of insolvency or bankruptcy of the Bank and/or its counterparties.

As at 31 December 2018, the Bank and its subsidiaries have no financial assets and liabilities that are offset and recognised in net value in the consolidated financial statements.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.7. Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specific date in the future ("repo") are still recognised on the consolidated financial statements as the Bank and its subsidiaries retain substantially all of risk and rewards of ownership. The corresponding cash received from these agreements and corresponding payment responsibility of the cash received, including accrued interest payables, are recognised on the consolidated statement of financial position as a liability in *"Due to other banks"* for purpose of reflecting economic nature of these transactions as a borrowing to the Bank and its subsidiaries. The difference between the sale price and repurchase price is interest expense and accrued during the effective duration of the contract using the effective interest rate method. When the counter party has a right to sell or mortgage bonds, subject to cases that the Bank and its subsidiaries reclassify these bonds in the consolidated financial position report in financial assets held-for-trading mortgaged as collateral or financial investments available-for-sale mortgaged as collaterals.

Conversely, securities purchased under agreements to resell at a specific date in the future ("reverse repo") are not recognised in the consolidated financial statements. The corresponding cash paid under these agreements, including accrued interest receivables is recognised in the consolidated statement of financial position as an asset in *"Due from other banks"* for purpose of reflecting the economic nature of these transactions as a loan to the Bank and its subsidiaries. The difference between the purchase price and resale price is recorded in *"Net interest income"* and is accrued over the life of the agreement using the EIR.

If securities purchased under an agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within financial liabilities at fair value through profit or loss and measured at fair value with any gains or losses included in *"Net trading income"*.

7.8. Determination of fair value

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

- Level 1 financial instruments – Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Bank and its subsidiaries access to at the measurement date. The Bank and its subsidiaries consider markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available at the reporting date.
- Level 2 financial instruments – Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Bank and its subsidiaries will classify the instruments as Level 3.
- Level 3 financial instruments – Those that include one or more unobservable input that is significant to the measurement as whole.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.8. Determination of fair value (continued)

The Bank and its subsidiaries periodically review its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Bank and its subsidiaries' financial instruments such as credit risk ("CVA"), own credit ("DVA") and/or funding costs ("FVA"). Therefore, the Bank and its subsidiaries apply various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralised financial instruments. The Bank and its subsidiaries estimate the value of their own credit from market observable data, such as secondary prices for their traded debt and the credit spread on credit default swaps and traded debts by itself.

The Bank and its subsidiaries evaluate the levelling at each reporting period on an instrument-by-instrument basis and reclassify instruments when necessary based on the facts at the end of the reporting period.

7.9. Impairment of financial assets (Policy applicable from 1 January 2018)

7.9.1. Overview of the ECL principles

As described in Note 6.1, the adoption of IFRS 9 has fundamentally changed the Bank and its subsidiaries's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 1 January 2018, the Bank and its subsidiaries have been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month expected credit loss as outlined in Note 7.9.2. The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 41.2.4.5.

The 12-month ECL is the portion of life time ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both life time ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Bank's policy for grouping financial assets measured on a collective basis is explained in Note 41.2.4.6.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 41.2.4.5.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.9. Impairment of financial assets (Policy applicable from 1 January 2018) (continued)

7.9.1. Overview of the ECL principles (continued)

- Stage 1 — When loans are first recognised, the Bank and its subsidiaries recognise an allowance based on 12-month ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2 — When a loan has shown a significant increase in credit risk since origination, the Bank and its subsidiaries record an allowance for the life time ECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3 — Loans considered credit-impaired (as outlined in Note 41.2.4.1). The Bank and its subsidiaries record an allowance for the life time ECLs.
- POCI — Purchased or originated credit impaired ("POCI") assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial asset for which the Bank and its subsidiaries have no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

7.9.2. The calculation of ECLs

The Bank and its subsidiaries calculate ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the Bank and its subsidiaries expect to receive. The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- Probability of Default ("PD") — The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 41.2.4.2.
- Exposure at Default ("EAD") — The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 41.2.4.3.
- Loss Given Default ("LGD") — The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 41.2.4.4.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.9. Impairment of financial assets (Policy applicable from 1 January 2018) (continued)

7.9.2. *The calculation of ECLs* (continued)

When estimating the ECLs, the Bank and its subsidiaries consider three scenarios (base case, upper, and downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how individually significant loans are expected to be recovered, including the probability that the loans will make repayment timely and the value of collateral or the amount that might be received for selling the asset.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank and its subsidiaries have the legal right to call it earlier. For mortgage portfolio, however, the Bank and its subsidiaries account for the observed payment behaviour of their customers into their calculation of the lifetime ECL by adjusting their assessment of EAD accordingly. Behavioural lifetime is stated in the table below:

Product	Tenor	Behavioural lifetime
Mortgage (including Project Mortgage)	0 – 5 years	Contractual life
	5 – 10 years	5.5 years
	10 – 20 years	6.5 years
	20 – 99 years	7.5 years

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying amount.

Allowances for ECLs for undrawn loan commitments are assessed.

The mechanics of the ECL method are summarised below:

- Stage 1 The 12-month ECL is calculated as the portion of life time ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank and its subsidiaries calculate the 12-month ECL allowances based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.
- Stage 2 When a loan has shown a significant increase in credit risk since origination, the Bank and its subsidiaries record an allowance for the life time ECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3 For loans considered credit-impaired, the Bank and its subsidiaries recognise the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- POCI POCI assets are financial assets that are credit impaired on initial recognition. The Bank and its subsidiaries only recognise the cumulative changes in life time ECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit adjusted EIR.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.9. Impairment of financial assets (Policy applicable from 1 January 2018) (continued)

7.9.2. The calculation of ECLs (continued)

► Loan commitments and letter of credit	When estimating life time ECLs for undrawn loan commitments, the Bank and its subsidiaries estimate the expected portion of the loan commitments that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For loan commitments and letters of credit, the ECL is recognised within "*Impairment losses on off-balance sheet commitments*" under *"Other liabilities"*.
► Financial guarantee contracts	The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of profit or loss, and the ECL allowances. For this purpose, the Bank and its subsidiaries estimate ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to financial guarantee contracts are recognised within "*Impairment losses on off-balance sheet commitments*" under *"Other liabilities"*.

7.9.3. Debt instruments measured at FVOCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

7.9.4. Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank and its subsidiaries only recognises the cumulative changes in life time ECL since initial recognition in the loss allowances.

7.9.5. Forward-looking information

In its ECL models, the Bank and its subsidiaries rely on a broad range of forward looking information as economic inputs, such as:

- GDP growth;
- Unemployment rates;
- Inflation;
- House price indices.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.10. Impairment of financial assets (Policy applicable before 1 January 2018)

The Bank and its subsidiaries assess at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset, or a group of financial assets, is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

7.10.1. Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as amounts due from other banks, loans and advances to customers as well as financial investments held-to-maturity), the Bank and its subsidiaries first assess whether objective evidence of impairment exists for financial assets that are individually significant or are already under specific work out by management.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of *"Interest and similar income"*. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced (but only up to the extent of the carrying amount had the impairment not been recognised) by adjusting the allowance account.

Loans and advances together with the associated allowance are written off when there is no realistic prospect of future recovery. If a write-off is later recovered, the recovery is credited to the "*Other operating income*".

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Bank and its subsidiaries have reclassified trading assets to loans, advances and finance lease to customers, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank and its subsidiaries' internal credit rating system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.10. Impairment of financial assets (Policy applicable before 1 January 2018) (continued)

7.10.1. Financial assets carried at amortised cost (continued)

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

7.10.2. Financial investment available-for-sale

For financial investment available-for-sale, the Bank and its subsidiaries assess at each reporting date of the consolidated financial statements whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available-for-sale, the Bank and its subsidiaries assess individually whether there is objective evidence of impairment such as: Observable data regarding a decline in estimated future cash-flows and or a decline in underlying collateral (in the case of asset backed securities when the Bank and its subsidiaries expect to recover the outstanding from the sale of the underlying assets) impacting the Bank and its subsidiaries' ability to recover all cash flows.

The amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of profit or loss. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of "*Interest and similar income*". If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the consolidated statement of profit or loss, the impairment loss is reversed through the consolidated statement of profit or loss.

In the case of equity investments classified as available-for-sale, objective evidence includes:

- A 'significant' or 'prolonged' decline in the fair value of the investment below its cost; and/or
- Other information about the issuer that may negatively affect an equity issuer's performance.

The Bank and its subsidiaries treat "significant" generally as 20% and "prolonged" generally as greater than six months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of profit or loss – is removed from equity and recognised in the consolidated statement of profit or loss. Impairment losses on equity investments are not reversed through the consolidated statement of profit or loss, increase in the fair value after impairment are recognised in "*Fair value reserve*".

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.11. Leasing

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Bank and its subsidiaries as lessees

Leases that do not transfer to the Bank and its subsidiaries substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the consolidated statement of profit or loss on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the year in which they are incurred.

7.12. Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and its subsidiaries and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

7.12.1. The effective interest rate method

Under both IFRS 9 and IAS 39, interest income is recorded using the effective interest rate ("EIR") method for all financial instruments measured at amortised cost, financial instruments designated at FVTPL. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9, similarly to interest bearing financial assets classified as available-for-sale or held to maturity under IAS 39 are also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Bank and its subsidiaries recognise interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk. The adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through "*Interest and similar income*" in the consolidated statement of profit or loss.

7.12.2. Interest and similar income and expenses

The Bank and its subsidiaries calculate interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. The amortised cost of the financial asset or financial liability is adjusted if the Bank and its subsidiaries revise their estimates of payments or receipts. The adjusted amortised cost is calculated based on the original or latest re-estimated EIR and the change is recorded as "*Interest and similar income*" for financial assets and "*Interest and similar expenses*" for financial liabilities.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.12. Recognition of income and expenses (continued)

7.12.2. Interest and similar income and expenses (continued)

When a financial asset becomes credit-impaired (as set out in Note 7.9.1) and is, therefore, regarded as 'Stage 3', the Bank and its subsidiaries calculate interest income by applying the effective interest rate to the net amortised cost (amortised cost net of expected credit loss) of the financial asset. If the financial assets cures and is no longer credit-impaired, the Bank and its subsidiaries revert to calculating interest income on a gross basis.

For purchased or originated credit-impaired ("POCI") financial assets (as set out in Note 7.9.4), the Bank and its subsidiaries calculate interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognised using the contractual interest rate in "*Net trading income*".

7.12.3. Fee and commission income

The Bank and its subsidiaries earn fee income from a diverse range of services they provide to their customers as follows:

- Fee income earned on the execution of a significant act

  Income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as an arrangement for the acquisition of shares or other securities).

- Fee income earned from provision of services

  Income earned from the provision of services is recognised as revenue over the period in which the services are provided (for example, asset management, portfolio and other management advisory and service fees).

- Fee income that forms an integral part of the effective interest rate of a financial instrument

  Income that forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate (for example, certain loan commitment fees) and recorded as part of 'interest income' in the consolidated statement of profit or loss.

Fee income can be divided into the following categories:

- Commission

  Income earned in respect of sales or distribution of banking, investments and insurance products. Commission earned from banking is on trade and bancassurance.

- Service charges and fees

  Income earned on the services provided to retail and corporate customers, including account management and various transaction-based services, such as interchange foreign currency transactions, money order processing and insufficient funds/overdraft transactions.

- Underwriting fees

  Income earned for the placement of a customer's debt or equity securities.

- Brokerage income

  Brokerage income includes fees earned from transaction-based services that are performed as part of investment management services.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.12. Recognition of income and expenses (continued)

7.12.3. Fee and commission income (continued)

- Fees on loans, advances and financing

  Income earned in respect of loans, advances and financing such as loan commitments, financial guarantees and standby letters of credit.

- Dividend income

  Dividend income is recognised when the Bank's right to receive the payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders have approved the dividend for unlisted equity securities.

- Customer loyalty programmes

  Award credits under the customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which they are granted. The fair value of the consideration received in respect of the initial sale is allocated between the cost of award credits and the other components of the sale. The consideration allocated to award credits is recognised in the consolidated statement of profit or loss under the caption of *"Other operating income"* when award credits are redeemed.

7.12.4. Dividend income

Revenue is recognised when the Bank and its subsidiaries' right to receive the payment is established, which is generally when the issuers' shareholders approve the dividend.

7.12.5. Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and interest income of financial assets and financial liabilities at FVTPL.

7.13. Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise of cash and gold, balances with the SBV, Government promissory notes and other debt instruments, which are eligible for discount, balances with other banks with original terms to maturity not exceeding three months from the transaction date.

7.14. Property and equipment

Property and equipment is stated at cost excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

Buildings	8 - 50 years
Office equipment	3 - 10 years
Vehicles	6 - 10 years
Other fixed assets	4 - 10 years

Property and equipment is derecognised on disposal or when no future economic benefits are expected from their use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in *"Other operating income"* in the consolidated statement of profit or loss in the year the asset is derecognised.

Definite land use rights are amortised over the lease term.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.15. Business combination and goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the consolidated statement of profit or loss in the period of acquisition.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Bank and its subsidiaries' interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank and its subsidiaries' cash–generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Bank and its subsidiaries at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment in accordance with IFRS 8 - Operating Segments.

Where goodwill has been allocated to a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the consolidated statement of profit or loss.

7.16. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is presented as a separate line item in the consolidated statement of profit or loss.

Computer software	4 - 8 years
Others	4 - 8 years

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.17. Impairment of non–financial assets

The Bank and its subsidiaries, at each reporting date, assess whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank and its subsidiaries estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets (excluding goodwill), an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank and its subsidiaries estimate the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss.

Impairment losses relating to goodwill are not reversed in future periods. The Bank and its subsidiaries have assessed and concluded that the non-financial assets are not impaired in the reported periods.

7.18. Employee benefits

7.18.1. Defined contribution plans

Post-employment benefits

Post-employment benefits are paid to retired employees of the Bank and its subsidiaries by the Social Insurance Agency which belongs to the Ministry of Labour, Invalids and Social Affairs. From 1 June 2017, according to Decision No. 595/QD-BHXH dated on 14 April 2017 and Decision No. 44/2017/ND-CP dated on 14 April 2017, the Bank and its subsidiaries are required to pay a social insurance premium at the rate of 17.5% of an employee's basic monthly salary, salary-related allowances and other supplements. Other than that, the Bank and its subsidiaries have no further obligation relating to post-employment benefits.

Unemployment allowance

According to Circular No. 28/2015/TT-BLDTBXH on guidelines for Article 52 of the Law on Employment and Decree No. 28/2015/ND-CP dated 12 March 2015 of the Government on guidelines for the Law on Employment in term of unemployment insurance, the Bank and its subsidiaries are 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.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.18. Employee benefits (continued)

7.18.1. Defined contribution plans (continued)

Health insurance contribution

According to Decision No. 595/QD-BHXH dated on 14 April 2017, the Bank and its subsidiaries are required to contribute to employee benefits by paying health insurance premium to the Health Insurance Agency at the rate of 3% of an employee's basic salary on a monthly basis.

7.18.2. Voluntary resignation benefits

The Bank and its subsidiaries have the obligation, under Section 48 of the Vietnam Labour Code 10/2012/QH13 effective from 1 May 2013, to pay allowance arising from voluntary resignation of employees, equal to one-half month's 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.

7.19. Provision

Provision is recognised when the Bank and its subsidiaries have a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Bank and its subsidiaries determine the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the consolidated statement of profit or loss, net of any reimbursement.

7.20. Corporate Income tax

7.20.1. Current taxes

Current tax assets and liabilities for the current and prior year are measured at the amount expected to be paid to (or recovered from) the taxation authorities. The tax rates and tax laws are applied and enacted at the reporting date.

Current income tax is charged or credited to the consolidated statement of profit or loss except when it relates to items recognised directly to equity the current income tax is also dealt with in equity.

Current tax assets and liabilities of the Bank and its subsidiaries are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and the Bank and its subsidiaries intend to settle their current tax assets and liabilities on a net basis.

The Bank and its subsidiaries' tax returns are subject to examination by the tax authorities. Because the applicability of tax laws and regulations on many types of transactions and susceptible to various interpretation, amounts reported in the consolidated financial statements could be changed at a later date upon final determination by the tax authorities.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.20. Corporate income tax (continued)

7.20.2. Deferred tax

Deferred tax is provided on temporary differences between the tax base of assets and liabilities and their carrying amount for financial reporting purpose at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward unused tax credit and unused tax losses can be utilised, except:

- Where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss;
- All deductible temporary differences from investments in subsidiaries, affiliates and joint ventures that are definitely temporary differences will be reversed in forecastable future and taxable profit is used for those temporary differences.

The carrying amount of deferred income tax assets is reviewed at reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred income tax assets are reassessed at reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset realised or the liability is settled based on tax rates and tax laws that have been enacted at the reporting date.

Current and deferred taxes are recognised as income tax benefits or expenses in the consolidated statement of profit or loss except for tax related to the fair value remeasurement of available-for-sale assets or FVOCI assets, foreign exchange differences, which are charged or credited to other comprehensive income ("OCI"). These exceptions are subsequently reclassified from OCI to the consolidated statement of profit or loss together with the respective deferred loss or gain. The Bank and its subsidiaries also recognise the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

The Bank and its subsidiaries only offset deferred tax assets against liabilities when there is both a legal right to offset and it is the Bank and its subsidiaries' intention to settle on a net basis.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.21. Treasury shares

Owner equity instruments of the Bank which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity. Consideration paid or received on the purchase, sale, issuance or cancellation of the Bank's own equity instruments is recognised directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issuance or cancellation of own equity instruments.

Contracts on own shares that require physical settlement of a fixed number of own shares for a fixed consideration are classified as equity and added to or deducted from equity. Contracts on own shares that require net cash settlement or provide a choice of settlement are classified as trading instruments and changes in the fair value are reported in the consolidated statement of profit or loss in *"Net trading income"*.

7.22. Fiduciary assets

The Bank and its subsidiaries provide trust and other fiduciary services that result in the holding or investing in assets. Assets held in a fiduciary capacity are not recognised in the consolidated financial statements as they are not assets of the Bank and its subsidiaries.

7.23. Share-based payments

Employees of the Bank receive remuneration in the form of share-based payments transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settle transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the Bank's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge for a period is recorded in *"Personnel expenses"* and represents the movement in cumulative expense recognised as at the beginning and end of that period and the corresponding amount is represented in share capital.

7.24. Equity reserves

The reserves recorded in equity on the Bank and its subsidiaries' consolidated financial statements include:

- Fair value reserve, which comprises changes in fair value of available-for-sale investments or FVOCI assets;
- Reserve for shares to be issued, which includes the portion of compound financial liabilities that qualify for treatment as equity.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.25. Statutory reserves

7.25.1. Reserves and funds of the Bank

The Bank is required to make the following allocations before distribution of profits:

	Basis for calculation	*Maximum level*
Capital supplementary reserve	5% of profit after tax under Vietnam Accounting Standards ("VAS")	100% charter capital
Financial reserve	10% of profit after tax under VAS	Not regulated

Other equity funds are appropriated from profit after tax. The appropriation from profit after tax and the utilisation of the other equity funds are approved by the General Meeting of Shareholders. These funds are not required by law and are fully distributable.

7.25.2. Reserves and funds of subsidiaries

Vietnam Technological and Commercial Joint Stock Bank - Asset Management Company Limited:

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

Techcom Securities Company Joint Stock Company and Techcom Capital Management Company Limited:

According to Circular No. 146/TT/2014/TT-BTC issued by the Ministry of Finance issued on 6 October 2014 guiding the financial regime for securities, fund management companies, from 2014, realised profit of the Company shall be distributed as follows:

	Basis for calculation	*Maximum level*
Capital supplementary reserve	5% profit after tax under Vietnam Accounting Standards	10% charter capital
Financial reserve	5% profit after tax under Vietnam Accounting Standards	10% charter capital

Financial reserve will be used to compensate losses in business operation. These above reserves, are made at year end, not available for distribution and classified as items in shareholder's equity.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.26. Standards issued but not yet effective

Standards issued but not yet effective up to date of issuing the consolidated financial statements are listed below. The Bank and its subsidiaries intend to apply these standards on their effective date.

a. IFRS 16 – Leases

The IASB issued the new standard for accounting for leases - IFRS 16 - Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date.

Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. The Bank and its subsidiaries are currently evaluating impact of IFRS 16 and has plan of applying new standards on compulsory effective date.

b. IFRIC 23 – Uncertainty over income tax treatments

In June 2017, the IASB issued IFRIC interpretation IFRIC 23 – Uncertainty over income tax treatments. The new interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation. The interpretation concludes that an entity shall determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty.

IFRIC 23 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

8. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Bank and its subsidiaries' consolidated financial statements requires the Board of Management of the Bank to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in the future periods.

In the process of applying the Bank and its subsidiaries' accounting policies, management has made the following judgments and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank and its subsidiaries' control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

8. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

8.1. Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable market data where possible, but where this is not feasible, estimation is required in establishing fair values. Judgments and estimations include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty) and funding value adjustments.

8.2. Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades;
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a life time ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

8.3. Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax planning strategies.

8. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

8.4. Provision and other contingent liabilities

The Bank and its subsidiaries operate in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings, arising in the ordinary course of the Bank and its subsidiaries' business. When the Bank and its subsidiaries can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank and its subsidiaries records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Bank and its subsidiaries are of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank and its subsidiaries does not include detailed, case-specific disclosures in the consolidated financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank and its subsidiaries take into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

9. TRANSITION DISCLOSURES

	IAS 39 measurement			Re-measurement			IFRS 9	
	Category	*Amount VND million*	*Re-classification VND million*	*ECL impact on RE VND million*	*ECL impact on OCI VND million*	*Other impact on OCI VND million*	*Amount VND million*	*Category*
Cash and cash equivalents	Loans & Receivables	22,702,619	-	(6,026)	-	-	22,696,593	Amortised cost
Due from other banks	Loans & Receivables	14,282,783	-	(3,728)	-	-	14,279,055	Amortised cost
Loans and advances to customers	Loans & Receivables	162,831,543	-	(990,815)	-	-	161,840,728	Amortised cost
Debt instruments at amortised cost		-	9,854,444	(28,406)	-	(39,201)	9,786,837	
From: Financial investments – AFS		-	*3,943,757*	-	-	*(39,201)*		
From: Financial investments – HTM		-	*5,910,687*	*(28,406)*	-	-		
	Loans & Receivables	**199,816,945**	**9,854,444**	**(1,028,975)**	-	**(39,201)**	**208,603,213**	**Amortised cost**
Financial investments – AFS		48,095,120	(48,095,120)	-	-	-	N/A	
To: Debt instruments at FVOCI		-	*(43,911,639)*	-	-	-		
To: Equity instruments at FVOCI		-	*(239,724)*	-	-	-		
To: Debt instruments at amortised cost		-	*(3,943,757)*	-	-	-		
	AFS	**48,095,120**	**(48,095,120)**	-	-	-	**N/A**	
Financial investments – HTM	HTM	5,910,687	(5,910,687)	-	-	-	N/A	
To: Debt instruments at amortised cost		-	*(5,910,687)*	-	-	-		
	HTM	**5,910,687**	**(5,910,687)**	-	-	-	**N/A**	
Equity instruments at FVOCI		-	239,724	-	-	-	239,724	FVOCI
From: Financial investments – AFS		-	*239,724*	-	-	-		
Debt instruments at FVOCI		-	43,911,639	(88,542)	88,542	-	43,911,639	FVOCI
From: Financial investments – AFS		-	*43,911,639*	*(88,542)*	*88,542*	-		
Derivatives financial instruments	FVTPL	1,042,000	(1,042,000)	-	-	-	-	
To: Financial assets at FVTPL		-	*(1,042,000)*	-	-	-	-	
Financial assets held for trading	FVTPL	7,173,992	(7,173,992)	-	-	-	-	
To: Financial assets at FVTPL		-	*(7,173,992)*	-	-	-	-	

9. TRANSITION DISCLOSURES (continued)

	IAS 39 measurement			Re-measurement			IFRS 9	
	Category	Amount VND million	Re-classification VND million	ECL Impact on RE VND million	ECL Impact on OCI VND million	Other Impact on OCI VND million	Amount VND million	Category
Financial assets at FVTPL		-	8,215,992	-	-	-	8,215,992	FVTPL
From: Derivative financial instruments		-	*1,042,000*	-	-	-		
From: Financial assets held for trading		-	*7,173,992*	-	-	-		
Other financial assets	**Loans and receivables**	**4,303,824**	-	**(179,365)**	-	-	**4,121,459**	Amortised cost
Non-financial assets								
Deferred tax assets		190,151	-	302,271	(17,709)	7,840	482,553	
Total assets		**266,529,719**	-	**(994,611)**	**70,833**	**(31,361)**	**265,574,580**	
Other liabilities		(3,202,472)	-	(214,474)	-	-	(3,416,946)	
Total liabilities	**Amortised cost and others**	**(3,202,472)**	-	**(214,474)**	-	-	**(3,416,946)**	
Total		**263,327,247**	-	**(1,209,085)**	**70,833**	**(31,361)**	**262,157,634**	

9. **TRANSITION DISCLOSURES** (continued)

The impact of transition to IFRS 9 on reserves and retained earnings is as follows:

Fair value reserve	*Fair value reserve and retained earnings VND million*
Closing balance under IAS 39 as at 31 December 2017	583,552
Reclassification of debt securities from AFS to amortised cost (a)	(39,201)
Recognition of expected credit losses under IFRS 9 for debt instruments at FVOCI (b)	88,542
Deferred tax in relation to the above (c)	(9,869)
Opening balance under IFRS 9 as at 1 January 2018	*623,024*
Retained earnings	
Closing balance under IAS 39 as at 31 December 2017	10,429,246
Recognition of IFRS 9 ECLs including those measured at FVOCI (see below) (d)	(1,511,356)
Deferred tax in relation to the above (e)	302,271
Opening balance under IFRS 9 as at 1 January 2018	*9,220,161*
Total impact of adopting IFRS 9 ((a)+(b)+(d))	*(1,462,015)*
Tax on impact of adopting IFRS 9 ((c)+(e))	*292,402*
Total change in equity due to adopting IFRS 9	*(1,169,613)*

The following table reconciles the aggregate opening credit loss provision allowance under IAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets to the ECL allowances under IFRS 9.

Impairment allowances for	*Credit loss provision under IAS 39/IAS 37 as at 31 December 2017 VND million*	*Re measurement VND million*	*ECL under IFRS 9 as at 1 January 2018 VND million*
Cash and cash equivalents (IAS 39)/ Cash and cash equivalents (IFRS 9)	-	6,026	6,026
Due from other banks (IAS 39)/ Due from other banks (IFRS 9)	-	3,728	3,728
Loans and advances to customers (IAS 39)/Debt instruments at amortised cost (IFRS 9)	2,003,977	990,815	2,994,792
HTM securities (IAS 39)/ Debt instruments at amortised cost (IFRS 9)	25,196	28,406	53,602
AFS debt investment securities (IAS 39)/Debt instruments at amortised cost (IFRS 9)	59,471	-	59,471
AFS debt investment securities (IAS 39)/Debt instruments at FVOCI (IFRS 9)	-	88,542	88,542
Loans sold and other financial assets (IAS 39)/Debt instruments at amortised cost (IFRS 9)	1,543,172	179,365	1,722,537
Off-balance sheet items (IAS 39)/ Off-balance sheet items (IFRS 9)	236,094	214,474	450,568
	3,867,910	**1,511,356**	**5,379,266**

10. OPERATING SEGMENT

The Bank and its subsidiaries have four reportable segments, as described below, which are their strategic business units. The strategic business units offer different products and services, and are managed separately based on the Bank and its subsidiaries' management and internal reporting structure. For each strategic business unit, the Board of Management (also the chief operating decision maker) reviews its operating results and internal management reports on a quarterly basis. The following summary describes the operations in each reportable segment.

- Commercial banking: Includes loans, deposits and other transactions and balances with banks, corporate and retail customers;
- Asset management: Undertakes the Bank's loan collaterals and restructured loans management;
- Securities investment: Conducts securities brokerage activities, securities trading activities, securities underwriting activities and consultancy services; and
- Fund management: Operates funds management activities and entrusted fund management.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Board of Management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

10. OPERATING SEGMENT (continued)

As at and for the year ended 31 December 2018

	Commercial banking VND million	*Asset management VND million*	*Securities investment VND million*	*Fund management VND million*	*Consolidation adjustments VND million*	*Total VND million*
For the year ended 31 December 2018						
Net interest income	10,486,694	(37,778)	102,051	6,729	14,680	10,572,376
Net fee and commission income	2,509,557	-	1,310,040	64,025	(112)	3,883,510
Net trading income	747,813	-	-	-	53	747,866
Other operating income	4,465,818	247,572	295,950	(116)	(996,762)	4,012,462
Credit loss expense on financial assets	(1,398,398)	499	(12,097)	(644)	(63)	(1,410,703)
Net operating income	**16,811,484**	**210,293**	**1,695,944**	**69,994**	**(982,204)**	**17,805,511**
Personnel expenses	(4,210,855)	(104,554)	(115,892)	(17,787)	(297)	(4,449,385)
Operating lease expenses	(613,368)	(10,437)	(8,096)	(1,639)	171,792	(461,748)
Depreciation of property and equipment	(130,331)	(37,920)	(920)	-	(9)	(169,180)
Amortisation of intangible assets	(86,296)	(1,156)	(2,925)	(46)	-	(90,423)
Other operating expenses	(1,899,500)	(33,752)	(59,919)	(2,047)	(172,577)	(2,167,795)
Profit before tax	**9,871,134**	**22,474**	**1,508,192**	**48,475**	**(983,295)**	**10,466,980**
Income tax expense	(2,033,894)	(11,464)	(303,145)	(9,695)	23	(2,358,175)
Net profit for the year	**7,837,240**	**11,010**	**1,205,047**	**38,780**	**(983,272)**	**8,108,805**
As at 31 December 2018						
Reportable segment assets	**318,272,696**	**1,425,350**	**4,333,309**	**118,002**	**(3,519,122)**	**320,630,235**
Reportable segment liabilities	**269,807,029**	**676,358**	**1,245,155**	**11,364**	**(2,055,892)**	**269,684,014**

10. OPERATING SEGMENT (continued)

As at and for the year ended 31 December 2017

	Commercial banking VND million	*Asset management VND million*	*Securities investment VND million*	*Fund management VND million*	*Consolidation adjustments VND million*	*Total VND million*
For the year ended 31 December 2017						
Net interest income	8,250,286	(43,913)	111,244	5,763	-	8,323,380
Net fee and commission income	3,669,773	-	457,942	31,405	(19)	4,159,101
Net trading income	1,004,803	62	253	(1,883)	(53)	1,003,182
Other operating income	2,223,563	278,856	454,568	104	(218,764)	2,738,327
Impairment losses on financial assets	(2,732,882)	72	(476)	-	(7,919)	(2,741,205)
Net operating income	**12,415,543**	**235,077**	**1,023,531**	**35,389**	**(226,755)**	**13,482,785**
Personnel expenses	(2,496,530)	(80,720)	(66,153)	(13,716)	708	(2,656,411)
Operating lease expenses	(591,670)	(7,951)	(5,848)	(1,585)	165,276	(441,778)
Depreciation of property and equipment	(147,894)	(38,572)	(482)	-	-	(186,948)
Amortisation of intangible assets	(89,893)	(1,000)	(3,257)	(43)	-	(94,193)
Other operating expenses	(1,584,940)	(28,918)	(30,623)	(2,139)	3,037	(1,643,583)
Profit before tax	**7,504,616**	**77,916**	**917,168**	**17,906**	**(57,734)**	**8,459,872**
Income tax expense	(1,477,070)	(15,364)	(187,285)	(3,581)	(146)	(1,683,446)
Net profit for the year	**6,027,546**	**62,552**	**729,883**	**14,325**	**(57,880)**	**6,776,426**
As at 31 December 2017						
Reportable segment assets	**270,556,091**	**1,492,762**	**2,796,445**	**75,341**	**(4,088,050)**	**270,832,589**
Reportable segment liabilities	**244,812,394**	**752,375**	**211,876**	**6,726**	**(1,895,852)**	**243,887,519**

11. INTEREST AND SIMILAR INCOME

	2018 VND million	2017 (reclassified) VND million
Due from other banks	1,147,989	620,822
Loans and advances to customers	15,381,622	13,070,546
Financial investments AFS	-	2,903,093
Debt instruments at FVOCI	3,150,273	-
Financial investments HTM	-	393,011
Debt instruments at amortised cost	915,964	-
	20,595,848	**16,987,472**

12. INTEREST AND SIMILAR EXPENSES

	2018 VND million	2017 VND million
Due to the Government and the SBV	94,128	86,304
Due to other banks	757,863	452,836
Deposits from customers	7,763,869	7,383,300
Other borrowed funds	54,705	40,586
Debt instruments issued	1,352,907	701,066
	10,023,472	**8,664,092**

13. NET FEE AND COMMISSION INCOME

	2018 VND million	2017 (reclassified) VND million
Fee and commission income	**4,799,247**	**4,715,883**
Guarantee services	347,526	196,198
Settlement and cash services	1,763,054	1,465,532
Bancassurance services	722,481	512,882
Income from guarantee for securities issuance	1,160,413	374,551
Trustee and agency services	212,520	1,543,389
Income from securities trading brokerage	118,572	50,676
Other services	474,681	572,655
Fee and commission expenses	**(915,737)**	**(556,782)**
Settlement and cash services	(517,780)	(277,686)
Treasury services	(58,102)	(53,905)
Expenses for securities trading brokerage	(30,526)	(11,247)
Other services	(309,329)	(213,944)
	3,883,510	**4,159,101**

14. NET TRADING INCOME

	2018 *VND million*	2017 *(reclassified)* *VND million*
Net gain from trading of derivatives	473,203	288,288
Net gain from trading of financial assets held-for-trading	-	478,665
Net gain from trading of financial assets at FVTPL	156,489	-
Interest income from financial assets held-for-trading	-	236,229
Interest income from financial assets at FVTPL	118,174	-
	747,866	**1,003,182**

15. OTHER OPERATING INCOME

	2018 *VND million*	2017 *(reclassified)* *VND million*
Net gain on sale of financial investments AFS	-	954,140
Net gain on sale of financial assets at FVOCI	914,301	-
Proceeds from the liquidation of other long-term investments	-	355,192
Recovery of bad debts previously written off	1,422,895	1,116,820
Income from entrusted debt collection	25,826	71,659
Dividend income	275	334
Net gain from the liquidation of the subsidiary (*)	864,782	-
Income from loans sold	630,025	77,612
Others	154,358	162,570
	4,012,462	**2,738,327**

(*) This is the income from the divestment of the Bank's entire capital in Techcom Finance Limited One Member Company.

16. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS

The table below shows the ECL movements on financial instruments for the year 2018:

Unit: VND million

	Notes	*Stage 1 Individual*	*Stage 1 Collective*	*Stage 2 Individual*	*Stage 2 Collective*	*Stage 3 Individual*	*Stage 3 Collective*	*POCI*	*Total*
Cash and cash equivalents	22	-	1,554	-	-	-	-	-	1,554
Due from other banks	23	-	1,081	-	-	-	-	-	1,081
Loans and advances to customers	27.1	(10,961)	(414,771)	336,092	766,638	(342,966)	333,582	2,215,940	2,883,554
Debt instruments measured at FVOCI	26.2	-	98,726	-	-	-	-	-	98,726
Debt instruments measured at amortised cost	26.5	-	(9,722)	-	-	178,445	-	-	168,723
Receivables from loans sold	28	-	-	-	-	-	(1,647,504)	-	(1,647,504)
Other financial assets	28	-	(3,649)	-	-	-	44	-	(3,605)
Financial guarantees		-	2,809	-	(2,995)	100	(76,294)	-	(76,380)
Undrawn loan commitments		-	12,563	-	(6,412)	-	51	-	6,202
Letters of credit		-	(517)	-	41,230	-	(62,361)	-	(21,648)
Total impairment loss		**(10,961)**	**(311,926)**	**336,092**	**798,461**	**(164,421)**	**(1,452,482)**	**2,215,940**	**1,410,703**

The table below shows the impairment expenses charged to the consolidated statement of profit or loss under IAS 39 for the year 2017:

	Individual VND million	*Collective (reclassified) VND million*	*Total (reclassified) VND million*
Credit loss expense on loans and advances to customers	3,526,738	154,369	3,681,107
- *Corporate loans*	*1,704,688*	*63,857*	*1,768,545*
- *Retail loans*	*1,822,050*	*90,512*	*1,912,562*
Credit loss expense on financial investments AFS and HTM	(263,476)	20,800	(242,676)
Receivables from loans sold	-	(640,005)	(640,005)
Other financial assets	-	317	317
Off-balance sheet items	-	(57,538)	(57,538)
	3,263,262	**(522,057)**	**2,741,205**

17. PERSONNEL EXPENSES

	2018 VND million	2017 VND million
Salaries, bonuses and other related expenses	3,275,449	2,616,259
Employee preference loans	79,610	30,012
Share-based payment	1,094,326	10,140
	4,449,385	**2,656,411**

Equity-settled share-based payment

Shares are granted to the key management personnel and employees of the Bank. A portion of the shares granted is subject to restriction of transfer for a period of 2 or 4 years. After each year, shares are proportionately released from the transfer restriction.

Expenses arising from share-based payment transactions are presented by terms and conditions as follows:

Employees entitled	*2018* *VND million*	*2017* *VND million*	*Conditions*
Shares granted to key management personnel	37,745	6,000	Immediately
Shares granted to key management personnel	-	4,140	Minimum 2 years of employment after the grant date
Employee Stock Ownership Plan ("ESOP") program to employees	1,028,678	-	Immediately
ESOP program to employees	27,903	-	Minimum 4 years of employment after the grant date
	1,094,326	**10,140**	

Number of instruments relating to share-based payment transactions during the year are as follows:

	Number of instruments		
Employees entitled	*2018*	*2017*	*Conditions*
Shares granted to key management personnel	1,300,000	600,000	Immediately
Shares granted to key management personnel	-	414,000	Minimum 2 years of employment after the grant date
ESOP program to employees	12,699,730	-	Immediately
ESOP program to employees	2,000,000	-	Minimum 4 years of employment after the grant date (*)
	15,999,730	**1,014,000**	

(*) Shares are proportionately released from the transfer restriction each year.

17. PERSONNEL EXPENSES (continued)

Equity-settled share-based payment (continued)

The fair value of shares granted is determined based on the market price of share at the grant date. Reconciliation of outstanding share-based payment arrangements is as follows:

Number of instruments	*2018*	*2017*
As at 1 January	-	414,000
Granted during the year	2,000,000	-
Vested during the year	-	(414,000)
As at 31 December	**2,000,000**	**-**

18. OTHER OPERATING EXPENSES

	2018 *VND million*	*2017 (reclassified)* *VND million*
Publication, marketing and promotion	300,951	263,412
Tax, duties and fees	102,603	77,426
Tools and equipment expenses	87,907	51,593
Telecommunication expenses	39,694	35,469
Expenses for maintenance and repair of assets	210,795	218,704
Utilities expenses	67,513	53,710
Expenditure on payment of insurance premium for deposits from customers	193,813	166,187
Per diem expenses	99,747	71,397
Training expenses	34,930	29,455
Provision reversed for other non-financial assets *(Note 28)*	(1,498)	(248)
Expense for social activities	32,375	83,975
Consultancy expenses	151,611	114,182
Conference expenses	75,687	41,958
Expenses on disposal of assets	119,441	793
Other debt handling cost	78,177	41,532
Office management fee	50,383	45,745
Expenses on security guard	72,707	60,280
Others	450,959	288,013
	2,167,795	**1,643,583**

19. CURRENT INCOME TAX

Current corporate income tax ("CIT") payable is based on taxable income of the current period. Taxable income differs from the income reported in the consolidated statement of profit or loss as taxable income excludes items of income or expenses that are taxable deductible in other years due to the difference between the recorded under the accounting policies of the Bank and its subsidiaries and the current tax regulations, and also does not include items not taxable or deductible for tax purposes. Corporate income tax is payable by the Bank and its subsidiaries is calculated using tax rates that have been enacted at the reporting date.

19. CURRENT INCOME TAX (continued)

Provision for income tax expense in the current year is calculated as follows:

	2018 *VND million*	*2017* *VND million*
Profit before tax	**10,466,980**	**8,459,872**
Adjustments under VAS:		
Non-taxable dividend income	(275)	(334)
Income transferred from previous year	(144,636)	-
Other non-taxable income	-	(682)
Temporary difference arising from prior year which is deductible in this year	-	(129,430)
Adjustment on profit for consolidation purpose	12,304	27,833
Non-deductible expenses	548,123	239,978
Prior year non-deductible expenses reverted or deductible this year	(190,213)	(268,418)
Adjustments under IFRS:		
Adjustment for goodwill amortisation under VAS	29,646	(9,882)
Adjustments for loans and advances to customers and due from other banks	(518,993)	309,922
Adjustments for debt and equity instruments at FVOCI and amortised cost	67,458	-
Adjustments for financial assets AFS and held-to-maturity	-	(338,531)
Adjustment for financial assets at FVTPL	88,090	-
Adjustment for financial assets held-for-trading	-	(27,394)
Adjustments for other assets/liabilities	(465,638)	(361,685)
Employee expenses	1,085,299	61,533
Allowance for expected credit loss of off-balance sheet commitments	(91,826)	(57,538)
Taxable Income	**10,886,319**	**7,905,244**
Income tax expense	2,177,264	1,581,049
Income tax of prior year which has been under/(over) provisioned	7,982	(16,233)
Current income tax expense for the year	**2,185,246**	**1,564,816**
Income tax receivable at beginning of the year	-	(112)
Income tax payable at beginning of the year	866,900	336,725
Income tax paid during the year	(2,140,758)	(1,034,529)
Income tax adjusted for the previous years	3,666	-
Income tax payable at end of the year	**915,054**	**866,900**

The statutory income tax rate applied to the Bank and its subsidiaries is 20% of taxable income.

20. DEFERRED TAX

Deferred tax assets and liabilities are attributable to the followings:

	31 December 2018			31 December 2017		
	Assets VND million	Liabilities VND million	Net VND million	Assets VND million	Liabilities VND million	Net VND million
The Bank						
Cash and cash equivalents	1,511	-	1,511	-	-	-
Due from other banks	958	-	958	-	-	-
Loans and advances to customers	126,964	-	126,964	39,866	(6,740)	33,126
Financial assets held-for-trading	-	-	-	-	(35,278)	(35,278)
Financial assets at FVTPL	-	(32,929)	(32,929)	-	-	-
Financial investments available-for-sale	-	-	-	11,894	(180,911)	(169,017)
Debt instruments at FVOCI	-	(16,581)	(16,581)	-	-	-
Equity instruments at FVOCI	-	(515)	(515)	-	-	-
Financial investments held-to-maturity	-	-	-	5,039	(6,909)	(1,870)
Debt instruments at amortised cost	-	(29,043)	(29,043)	-	-	-
Derivative financial instruments	17,982	-	17,982	2,753	-	2,753
Goodwill	-	-	-	-	(5,929)	(5,929)
Other assets	18,282	-	18,282	61,533	-	61,533
Off-balance sheet commitments	81,745	-	81,745	64,121	-	64,121
Subsidiaries						
Cash and cash equivalents	5	-	5	-	-	-
Due from other banks	3	-	3	-	-	-
Financial assets held-for-trading	-	-	-	-	(40)	(40)
Financial investments available-for-sale	-	-	-	3,172	-	3,172
Debt instruments at FVOCI	3,019	-	3,019	-	-	-
Other deductible temporary tax differences	-	-	-	1,773	-	1,773
Net tax assets/(liabilities)	**250,469**	**(79,068)**	**171,401**	**190,151**	**(235,807)**	**(45,656)**

20. DEFERRED TAX (continued)

Movements of tax on temporary differences during the year:

	Balance at beginning of the year VND million	Remeasured balance at beginning of the year under IFRS 9 VND million	Recognised in profit or loss VND million	Recognised in other comprehensive income VND million	Balance at end of the year VND million
For the year ended 31 December 2018					
The Bank					
Cash and cash equivalents	-	1,205	306	-	1,511
Due from other banks	-	746	212	-	958
Loans and advances to customers	33,126	231,289	(104,325)	-	126,964
Financial assets at FVTPL	(35,278)	(35,278)	2,349	-	(32,929)
Debt instruments at FVOCI	(169,017)	(173,781)	59,416	97,784	(16,581)
Equity instruments at FVOCI	-	(78)	-	(437)	(515)
Debt instruments at amortised cost	(1,870)	15,705	(44,748)	-	(29,043)
Derivative financial instruments	2,753	2,753	15,229	-	17,982
Goodwill	(5,929)	(5,929)	5,929	-	-
Other assets	61,533	97,406	(79,124)	-	18,282
Off-balance sheet commitments	64,121	107,016	(25,271)	-	81,745
Subsidiaries					
Cash and cash equivalents	-	-	5	-	5
Due from other banks	-	-	3	-	3
Financial assets at FVTPL	(40)	(40)	40	-	-
Debt instruments at FVOCI	3,172	5,410	(1,045)	(1,346)	3,019
Equity instruments at FVOCI	-	(1,450)	(132)	1,582	-
Other deductible temporary tax differences	1,773	1,773	(1,773)	-	-
	(45,656)	**246,747**	**(172,929)**	**97,583**	**171,401**
For the year ended 31 December 2017					
The Bank					
Loans and advances to customers	244,650	-	(211,524)	-	33,126
Financial assets held-for-trading	(18,554)	-	(16,724)	-	(35,278)
Investment securities	(213,915)	-	204,485	(161,457)	(170,887)
Derivative financial instruments	(8,156)	-	10,909	-	2,753
Goodwill	(3,953)	-	(1,976)	-	(5,929)
Other assets	146,496	-	(84,963)	-	61,533
Off-balance sheet commitments	58,726	-	5,395	-	64,121
Other deductible temporary tax differences	17,626	-	(17,626)	-	-
Subsidiaries					
Financial assets held-for-trading	(377)	-	337	-	(40)
Investment securities	1,855	-	1,317	-	3,172
Other deductible temporary tax differences	10,033	-	(8,260)	-	1,773
	234,431	**-**	**(118,630)**	**(161,457)**	**(45,656)**

21. EARNINGS PER SHARE

Earnings per share

Basic earnings per share are calculated by dividing the profit or loss after tax which is attributable to shareholders holding ordinary shares of the Bank to the weighted average of the number of common shares outstanding during the year.

Diluted earnings per share are calculated by dividing the profit or loss after tax which is attributable to shareholders holding ordinary shares of the Bank to the total weighted average number of ordinary shares outstanding during the year and the weighted average number of ordinary shares which are issued in case all potential ordinary shares which have a diluted impact are converted into ordinary shares.

The following information is used for calculating earnings per share:

	2018	*2017*
Profit after tax attributable to shareholders holding ordinary shares of the Bank for calculating basic earnings per share (VND million)	8,094,967	6,776,426
Adjusted for appropriation to bonus and welfare funds (VND million)	(20,000)	-
Profit after tax attributable to ordinary shareholders of the Bank for calculation of basic earnings per share (VND million)	**8,074,967**	**6,776,426**
Weighted average number of ordinary shares used for calculation of basic earnings per share	**2,212,707,967**	**835,039,242**
Earnings per share (VND)		
Basic earnings per share	3,649	8,115

Dividends

Dividend payout shall be decided at Annual General Shareholders' Meeting.

22. CASH AND CASH EQUIVALENTS

	31 December 2018 *VND million*	*31 December 2017* *VND million*
Cash and gold	2,606,467	2,344,362
Balances with the State Bank of Vietnam (SBV)	10,555,483	4,279,431
Investment securities with original terms of three months or less	11,632	-
Due from other banks with original term of three months or less	24,096,866	16,078,826
Allowance for expected credit losses	(7,580)	-
	37,262,868	**22,702,619**

Impairment allowance for due from other banks and investment securities with original terms of three months or less

The table below shows the credit quality and maximum exposure to credit risk based on the Bank's internal credit rating system and stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 41.2.4.2.

	31 December 2018		*31 December 2017*
	Stage 1 *Collective* *VND million*	*Total* *VND million*	*Total* *VND million*
Performing	**24,108,498**	**24,108,498**	**16,078,826**
Group A rating	22,300,944	22,300,944	13,746,200
Group B rating	1,807,554	1,807,554	2,332,626
	24,108,498	**24,108,498**	**16,078,826**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

	Stage 1 *Collective* *VND million*	*Total* *VND million*
Gross carrying amount as at 1 January 2018	**16,078,826**	**16,078,826**
New assets originated or purchased	24,108,498	24,108,498
Assets derecognised or repaid (excluding write offs)	(16,078,826)	(16,078,826)
As at 31 December 2018	**24,108,498**	**24,108,498**

	Stage 1 *Collective* *VND million*	*Total* *VND million*
ECL allowances as at 1 January 2018	**6,026**	**6,026**
New assets originated or purchased	7,580	7,580
Assets derecognised or repaid (excluding write offs)	(6,026)	(6,026)
As at 31 December 2018	**7,580**	**7,580**

23. DUE FROM OTHER BANKS

	31 December 2018 VND million	31 December 2017 VND million
Due from other banks		
- Balances with original term of over three months	137,399	191,703
- Loans to other banks	11,539,333	14,091,080
Allowance for expected credit losses	(4,809)	-
	11,671,923	**14,282,783**

Impairment allowance for due from banks

The table below shows the credit quality and maximum exposure to credit risk based on the Bank's internal credit rating system and stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 41.2.4.2.

	31 December 2018		31 December 2017
	Stage 1 Collective VND million	Total VND million	Total VND million
Performing	**11,676,732**	**11,676,732**	**14,282,783**
Group A rating	6,437,369	6,437,369	5,999,921
Group B rating	5,239,363	5,239,363	8,282,862
	11,676,732	**11,676,732**	**14,282,783**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

	Stage 1 Collective VND million	Total VND million
Gross carrying amount as at 1 January 2018	**14,282,783**	**14,282,783**
New assets originated or purchased	11,644,197	11,644,197
Assets derecognised or repaid (excluding write offs)	(14,250,248)	(14,250,248)
As at 31 December 2018	**11,676,732**	**11,676,732**

	Stage 1 Collective VND million	Total VND million
ECL allowances as at 1 January 2018	**3,728**	**3,728**
New assets originated or purchased	4,804	4,804
Assets derecognised or repaid (excluding write offs)	(3,728)	(3,728)
Changes to inputs used for ECL calculations	5	5
As at 31 December 2018	**4,809**	**4,809**

24. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2018		
	Assets VND million	*Liabilities VND million*	*Nominal value VND million*
Foreign exchange contracts	413,073	(408,224)	139,583,160
- *Forward contracts*	*121,964*	*(117,057)*	*64,416,164*
- *Swap contracts*	*291,109*	*(291,167)*	*75,166,996*
Cross currency swap and interest rate swap contracts	166,447	(424,064)	11,386,132
	579,520	**(832,288)**	**150,969,292**

	31 December 2017		
	Assets VND million	*Liabilities VND million*	*Nominal value VND million*
Foreign exchange contracts	933,956	(963,188)	127,589,061
- *Forward contracts*	*251,366*	*(125,294)*	*25,783,251*
- *Swap contracts*	*682,590*	*(837,894)*	*101,805,810*
Cross currency swap and interest rate swap contracts	108,044	(62,452)	5,194,635
	1,042,000	**(1,025,640)**	**132,783,696**

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

25.1. Financial assets held-for-trading

	31 December 2018 VND million	*31 December 2017 VND million*
Debt securities held-for-trading		
- Government bonds	-	4,240,758
- Bonds issued by local credit institutions	-	123,652
In which: Bonds with settlement guaranteed by the Government	-	*123,652*
- Bonds issued by local economic entities	-	2,809,582
	-	**7,173,992**

25.2. Financial assets at fair value through profit or loss

	31 December 2018 VND million	*31 December 2017 VND million*
Debt securities at FVTPL		
- Government bonds	3,810,818	-
- Bonds issued by local credit institutions	2,766,674	-
In which: Bonds with settlement guaranteed by the Government	*1,717,424*	-
- Bonds issued by local economic entities	1,159,384	-
	7,736,876	**-**

26. FINANCIAL ASSETS OTHER THAN THOSE MEASURED AT FVTPL

26.1. Financial investments available-for-sale

	31 December 2018 VND million	*31 December 2017 VND million*
Debt securities		
Government bonds	-	13,987,522
Bonds issued by local credit institutions	-	18,119,635
In which: Bonds with settlement guaranteed by the Government	-	*13,053,188*
Bonds issued by local economic entities	-	15,807,710
	-	**47,914,867**
Allowances for impairment losses	-	(59,471)
Equity securities		
Equity securities measured at fair value	-	228,057
Equity securities measured at cost	-	11,667
	-	**239,724**
Total financial investments available-for-sale	-	**48,095,120**

26.2. Debt instruments at fair value through other comprehensive income

	31 December 2018 VND million	*31 December 2017 VND million*
Government bonds	5,414,927	-
Bonds issued by local credit institutions	20,441,322	-
In which: Bonds with settlement guaranteed by the Government	*11,430,099*	-
Bonds issued by local economic entities	38,506,191	-
Total debt instruments at FVOCI	**64,362,440**	-

The table below shows the fair value of the Bank's debt instruments measured at FVOCI by credit risk as at 31 December 2018, based on the Bank's internal credit rating system and stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 41.2.4.2 and policies about whether ECL allowances are calculated on an individual or collective basis are set out in Note 41.2.4.6.

	Stage 1 Collective VND million	*Total VND million*
Performing	**64,362,440**	**64,362,440**
Group A rating	42,186,868	42,186,868
Group B rating	15,187,921	15,187,921
Group C rating	480,899	480,899
Group D rating	6,506,752	6,506,752
	64,362,440	**64,362,440**

26. FINANCIAL ASSETS OTHER THAN THOSE MEASURED AT FVTPL (continued)

26.2. Debt instruments at fair value through other comprehensive income (continued)

An analysis of changes in the fair value and the corresponding ECL allowances is as follows:

	For the year 2018	
	Stage 1 Collective VND million	*Total VND million*
Fair value as at 1 January 2018	**43,911,638**	**43,911,638**
New assets originated or purchased	53,610,379	53,610,379
Assets derecognised or repaid (excluding write offs)	(33,529,311)	(33,529,311)
Change in fair value	369,734	369,734
As at 31 December 2018	**64,362,440**	**64,362,440**

	For the year 2018	
	Stage 1 Collective VND million	*Total VND million*
ECL as at 1 January 2018	**88,542**	**88,542**
New assets originated or purchased	180,246	180,246
Assets derecognised or repaid (excluding write offs)	(79,181)	(79,181)
Changes to inputs used for ECL calculations	(2,339)	(2,339)
As at 31 December 2018	**187,268**	**187,268**

26.3. Equity instruments at fair value through other comprehensive income

	31 December 2018 VND million	*31 December 2017 VND million*
Equity securities at FVOCI	14,802	-

26. FINANCIAL ASSETS OTHER THAN THOSE MEASURED AT FVTPL (continued)

26.4. Financial investments held-to-maturity

	31 December 2018 VND million	*31 December 2017 VND million*
Government bonds	-	613,968
Bonds issued by local credit institutions	-	2,149,201
In which: Bonds with settlement guaranteed by the Government	-	*32,396*
Bonds issued by local economic entities	-	3,172,714
	-	**5,935,883**
Allowances for impairment losses	-	(25,196)
Total financial investments held-to-maturity	**-**	**5,910,687**

26.5. Debt instruments at amortised cost

	31 December 2018 VND million	*31 December 2017 VND million*
Government bonds	3,853,144	-
Bonds issued by local credit institutions	32,373	-
In which: Bonds with settlement guaranteed by the Government	*32,373*	-
Bonds issued by local economic entities	20,594,026	-
In which: Bonds with settlement guaranteed by the Government	*118,029*	-
Allowance for expected credit losses	(281,796)	-
Total debt instruments at amortised cost	**24,197,747**	**-**

The table below shows the credit quality and maximum exposure to credit risk as at 31 December 2018 based on the Bank's internal credit rating system and stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 41.2.4.2.

	Stage 1 Collective VND million	*Stage 3 Individual VND million*	*Total VND million*
Performing			
Group A rating	2,562,631	-	2,562,631
Group B rating	12,367,543	-	12,367,543
Group C rating	5,578,196	-	5,578,196
Group D rating	-	3,971,173	3,971,173
	20,508,370	**3,971,173**	**24,479,543**

26. FINANCIAL ASSETS OTHER THAN THOSE MEASURED AT FVTPL (continued)

26.5. Debt instruments at amortised cost (continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

	For the year 2018		
	Stage 1 Collective VND million	*Stage 3 Individual VND million*	*Total VND million*
Gross carrying amount as at 1 January 2018	**5,935,883**	**3,964,027**	**9,899,910**
New assets originated or purchased	18,742,888	7,146	18,750,034
Assets derecognised or repaid (excluding write offs)	(4,170,401)	-	(4,170,401)
As at 31 December 2018	**20,508,370**	**3,971,173**	**24,479,543**

	For the year 2018		
	Stage 1 Collective VND million	*Stage 3 Individual VND million*	*Total VND million*
ECL allowances as at 1 January 2018	**53,602**	**59,471**	**113,073**
New assets originated or purchased	38,053	730	38,783
Assets derecognised or repaid (excluding write offs)	(43,333)	-	(43,333)
Changes to inputs used for ECL calculations	(4,442)	177,715	173,273
As at 31 December 2018	**43,880**	**237,916**	**281,796**

27. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2018 VND million	*31 December 2017 VND million*
Non-retail	93,819,613	99,839,640
Retail	72,431,641	64,995,880
	166,251,254	**164,835,520**
Allowances for expected credit losses/impairment losses	(3,325,187)	(2,003,977)
	162,926,067	**162,831,543**

Allowances for expected credit loss/impairment losses on loans and advances to customers comprises of:

	31 December 2018 VND million	*31 December 2017 VND million*
Individually assessed allowances for expected credit losses/impairment losses	828,385	846,221
Collectively assessed allowances for expected credit losses/impairment losses	2,496,802	1,157,756
	3,325,187	**2,003,977**

27. LOANS AND ADVANCES TO CUSTOMERS (continued)

27.1. *Allowances for credit losses on loans and advances to customers*

27.1.1. *Loans and advances to non-retail customers*

The table below shows the credit quality and maximum exposure to credit risk based on the Bank's internal credit rating system and stage classification. The amounts presented are gross of allowances for credit losses. Details of the Bank's internal grading system are explained in Note 41.2.4.2 and policies about whether ECL allowances are calculated on an individual or collective basis are set out in Note 41.2.4.6.

Unit: VND million

	31 December 2018								*31 December 2017*
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*POCI*	*Total*	*Total*
Performing	**74,013,337**	-	**12,706,705**	**5,709,182**	**192,807**	-	-	**92,622,031**	**99,084,525**
Group A rating	40,496,225	-	366,272	-	20,710	-	-	40,883,207	47,801,366
Group B rating	31,218,532	-	1,665,116	-	40,611	-	-	32,924,259	32,778,919
Group C rating	2,001,367	-	469,588	4,318,349	111,426	-	-	6,900,730	9,314,723
Group D rating	297,213	-	10,205,729	1,390,833	20,060	-	-	11,913,835	9,189,517
Non-performing	-	-	-	-	**71,574**	**1,124,326**	**1,682**	**1,197,582**	**755,115**
Group E rating	-	-	-	-	71,574	1,124,326	1,682	1,197,582	755,115
	74,013,337	-	**12,706,705**	**5,709,182**	**264,381**	**1,124,326**	**1,682**	**93,819,613**	**99,839,640**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

Unit: VND million

	For the year 2018							
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*FOCI*	*Total*
Gross carrying amount as at 1 January 2018	**87,697,870**	**1,771,847**	**8,067,350**	**1,199,472**	**375,386**	**715,623**	**12.092**	**99,839,640**
New assets originated or purchased	62,191,977	138,496	1,952,026	2,461,014	94,735	210,673	1,147.840	68,196,763
Assets derecognised or repaid (excluding write offs)	(55,451,525)	(931,063)	(5,804,494)	(464,724)	(160,222)	(264,173)	(10,410)	(73,086,611)
Transfer to stage 1 – individually impaired	-	-	-	-	-	-	-	-
Transfer to stage 2 – individually impaired	-	(589,110)	(1,946,333)	2,535,443	-	-	-	-
Transfer to stage 3 – individually impaired	(385,671)	-	(4,407)	(2,486)	(179,331)	571,895	-	-
Transfer to stage 1 – collective	520,984	(388,529)	(127,289)	(4,832)	(334)	-	-	-
Transfer to stage 2 – collective	(10,562,777)	(529)	10,574,348	(10,778)	(264)	-	-	-
Transfer to stage 3 – collective	(7,836)	(1,114)	(4,496)	(3,487)	134,392	(117,459)	-	-
Amounts written off	(13)	-	-	(440)	-	-	(1,147,840)	(1,148,293)
Foreign exchange adjustments	10,328	-	-	-	19	7,767	-	18,114
As at 31 December 2018	**74,013,337**	-	**12,706,705**	**5,709,132**	**264,381**	**1,124,326**	**1 682**	**93,819,613**

27. LOANS AND ADVANCES TO CUSTOMERS (continued)

27.1. *Allowances for credit losses on loans and advances to customers* (continued)

27.1.1. *Loans and advances to non-retail customers* (continued)

Unit: VND million

	For the year 2018							
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*POCI*	*Total*
ECL allowances as at 1 January 2018	**785,566**	**7,090**	**346,918**	**1,061**	**230,701**	**357,846**	**12,092**	**1,741,274**
New assets originated or purchased	210,852	837	38,498	158,739	53,611	144.879	1,147,840	1,755,256
Assets derecognised or repaid (excluding write offs)	(667,310)	(911)	(162,868)	(452)	(94,498)	(216,696)	(10,410)	(1,153,145)
Transfer to stage 1 – individually impaired	-	-	-	-	-	-	-	-
Transfer to stage 2 – individually impaired	-	(6,907)	(166,634)	173,541	-	-	-	-
Transfer to stage 3 – individually impaired	(1,820)	-	(241)	-	(117,569)	119.630	-	-
Transfer to stage 1 – collective	3,090	(109)	(2,129)	(732)	(120)	-	-	-
Transfer to stage 2 – collective	(20,772)	-	20,869	-	(97)	-	-	-
Transfer to stage 3 – collective	(155)	-	(245)	-	47,092	(46,692)	-	-
Impact on ECL of exposures transferred between stages during the year	(2,502)	-	959,158	(6,879)	4,558	964	-	955,299
Changes to inputs used for ECL calculations	6,444	-	4,592	21,005	6,757	31.480	-	70,278
Amounts written off	-	-	-	-	-	-	(1,147,840)	(1,147,840)
Foreign exchange adjustments	9	-	-	-	19	2.187	-	2,215
As at 31 December 2018	**313,402**	**-**	**1,037,918**	**346,283**	**130,454**	**393.598**	**1,682**	**2,223,337**

27. LOANS AND ADVANCES TO CUSTOMERS (continued)

27.1. *Allowances for credit losses on loans and advances to customers* (continued)

27.1.2. *Loans and advances to retail customers*

Unit: VND million

	31 December 2018							*31 December 2017*
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*	*Total*
Performing	**66,544,892**	-	**3,684,506**	-	**252,452**	**418,956**	**70,900,806**	**63,144,796**
Group A rating	40,834,604	-	30,499	-	55,044	-	40,920,147	38,349,063
Group B rating	22,693,673	-	1,227,043	-	191,855	418,956	24,531,527	18,998,982
Group C rating	2,877,029	-	1,814,767	-	5,517	-	4,697,313	4,910,739
Group D rating	139,586	-	612,197	-	36	-	751,819	886,012
Non-performing	**1,025**	-	**46**	-	**1,161,273**	**368,491**	**1,530,835**	**1,851,084**
Group E rating	1,025	-	46	-	1,161,273	368,491	1,530,835	1,851,084
	66,545,917	-	**3,684,552**	-	**1,413,725**	**787,447**	**72,431,641**	**64,995,880**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

Unit: VND million

	For the year 2018							
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*POCI*	*Total*
Gross carrying amount as at 1 January 2018	**60,066,016**	**193,269**	**2,417,758**	**368,496**	**1,279,578**	**670,763**	-	**64,995,880**
New assets originated or purchased	38,106,151	16,514	1,298,915	36,305	225,269	57,450	1,078,510	40,819,114
Assets derecognised or repaid (excluding write offs)	(30,025,318)	(72,413)	(1,036,196)	(82,976)	(441,067)	(318,964)	-	(31,976,934)
Transfer to stage 1 – individually impaired	-	-	-	-	-	-	-	-
Transfer to stage 2 – individually impaired	-	-	-	-	-	-	-	-
Transfer to stage 3 – individually impaired	(493,674)	-	(18,256)	(38,116)	(5,750)	555,796	-	-
Transfer to stage 1 – collective	858,189	(124,613)	(641,879)	(61,908)	(12,401)	(17,388)	-	-
Transfer to stage 2 – collective	(1,786,966)	(12,757)	1,860,840	(31,773)	(18,462)	(10,882)	-	-
Transfer to stage 3 – collective	(177,408)	-	(195,312)	(190,028)	712,076	(149,328)	-	-
Amounts written off	(1,073)	-	(1,318)	-	(325,518)	-	(1,078,510)	(1,406,419)
As at 31 December 2018	**66,545,917**	-	**3,684,552**	-	**1,413,725**	**787,447**	-	**72,431,641**

27. LOANS AND ADVANCES TO CUSTOMERS (continued)

27.1. *Allowances for credit losses on loans and advances to customers* (continued)

27.1.2. *Loans and advances to retail customers* (continued)

Unit: VND million

	For the year 2018							
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*POCI*	*Total*
ECL allowances as at 1 January 2018	**232,453**	**3,871**	**97,633**	**9,130**	**443,209**	**467,222**	**-**	**1,253,518**
New assets originated or purchased	147,145	406	56,674	832	214,067	29,431	1,078,510	1,527,065
Assets derecognised or repaid (excluding write offs)	(103,940)	(1,399)	(34,837)	(3,928)	(104,061)	(216,876)	-	(465,041)
Transfer to stage 1 – individually impaired	-	-	-	-	-	-	-	-
Transfer to stage 2 – individually impaired	-	-	-	-	-	-	-	-
Transfer to stage 3 – individually impaired	(11,958)	-	(1,742)	(1,641)	(3,689)	19,030	-	-
Transfer to stage 1 – collective	40,809	(2,283)	(16,428)	(2,854)	(5,416)	(13,828)	-	-
Transfer to stage 2 – collective	(11,074)	(595)	25,312	(1,537)	(6,289)	(5,817)	-	-
Transfer to stage 3 – collective	(3,478)	-	(27,502)	(2)	132,644	(101,632)	-	-
Impact on ECL of exposures transferred between stages during the year	(27,203)	-	61,440	-	208,306	33,452	-	275,995
Changes to inputs used for ECL calculations	27,092	-	12,721	-	(1,733)	(122,448)	-	(84,368)
Amounts written off	-	-	(1,291)	-	(325,518)	-	(1,078,510)	(1,405,319)
As at 31 December 2018	**289,846**	**-**	**171,980**	**-**	**551,520**	**88,504**	**-**	**1,101,850**

27.2. *Impairment allowances as at 31 December 2017*

	Individual VND million	*Collective VND million*	*Total VND million*
As at 1 January 2017	**2,099,179**	**1,003,387**	**3,102,566**
Allowances charged for the year	3,526,738	154,369	3,681,107
Allowances written off during the year	(4,779,696)	-	(4,779,696)
As at 31 December 2017	**846,221**	**1,157,756**	**2,003,977**

28. OTHER ASSETS

	31 December 2018 VND million	31 December 2017 VND million
Financial assets		
Deposits for office rent (i)	106,861	395,207
Prepayment to suppliers	90,734	55,040
Deposits for economic contracts	77,349	45,586
Deposits for land purchase (ii)	-	2,352,839
Receivables from loans sold (iii)	-	1,862,038
Receivables from principal and interest of bonds due on holiday	231,486	368,300
Settlements on behalf of other credit institutions (iv)	2,259,597	134,884
Other financial assets	589,732	630,102
	3,355,759	**5,843,996**
Non-financial assets		
Deposits for land purchase (ii)	377,467	-
Receivables related to Interest Subsidy Program	20,006	21,148
Materials	10,735	24,475
Prepaid expenses	706,746	513,402
Other non-financial assets	826,664	-
	1,941,618	**559,025**
	5,297,377	**6,403,021**
Allowances for ECL/impairment losses (v)	(44,521)	(1,544,670)
	5,252,856	**4,858,351**

(i) These are deposits for office rent of the Bank's headquarter and branches.

(ii) These are deposits to purchase the Bank's offices in Hanoi and Ho Chi Minh City.

(iii) These are outstanding receivables from loans sold to authorised debt purchasing companies.

(iv) This represents the amounts pending for settlement at NAPAS due to timing difference. The outstanding items have been cleared in January 2019.

(v) Allowances for ECL/impairment losses of other assets includes:

	31 December 2018 VND million	31 December 2017 VND million
Receivables from loans sold	-	1,475,421
Other financial assets	44,521	67,751
Other non-financial assets	-	1,498
	44,521	**1,544,670**

28. OTHER ASSETS (continued)

An analysis of changes in allowances for ECL/impairment losses on receivables during the years is as follows:

	2018 VND million	*2017 VND million*
Balance as at 1 January	**1,724,035**	**2,184,606**
Allowances reversed from receivables from loans sold *(Note 16)*	(1,647,504)	(640,005)
Allowances (reversed)/made for other financial assets *(Note 16)*	(3,605)	317
Allowances reversed due to the liquidation of subsidiary (*)	(26,863)	-
Utilisation of allowances	(44)	-
Allowances reversed for other non-financial assets *(Note 18)*	(1,498)	(248)
Balance as at 31 December	**44,521**	**1,544,670**

(*) This is the reversal of allowances for other assets previously owned by Techcom Finance Limited One Member Company.

An analysis of changes in the gross carrying amount and the corresponding ECL allowances for receivables from loans sold is as follows:

	Stage 3 Collective VND million	*Total VND million*
Gross carrying amount as at 1 January 2018	**1,862,038**	**1,862,038**
Write offs	(1,862,038)	(1,862,038)
As at 31 December 2018	**-**	**-**

	Stage 3 Collective VND million	*Total VND million*
ECL allowances as at 1 January 2018	**1,647,504**	**1,647,504**
Write offs	(1,647,504)	(1,647,504)
As at 31 December 2018	**-**	**-**

29. PROPERTY AND EQUIPMENT

	31 December 2018 VND million	*31 December 2017 VND million*
Tangible assets	2,601,599	2,405,595
Construction in progress ("CIP")	3,459,747	946,456
	6,061,346	**3,352,051**

29. PROPERTY AND EQUIPMENT (continued)

Movement of tangible assets during the year ended 31 December 2018 is as follows:

	Buildings & improvements VND million	*Machines & equipment VND million*	*Means of transportation VND million*	*Definite land use rights VND million*	*Others VND million*	*Total VND million*
Cost						
As at 1 January 2018	1,779,569	1,115,220	148,850	616,223	2,144	3,662,006
Additions	117,122	198,398	10,795	22,924	-	349,239
Transfer from CIP	102,790	3,711	6,920	4,050	-	117,471
Reclassification	(4,629)	-	-	4,629	-	-
Disposals	(106,289)	(98,623)	-	-	(402)	(205,314)
Others	(1,461)	(905)	(2,102)	-	(137)	(4,605)
As at 31 December 2018	1,887,102	1,217,801	164,463	647,826	1,605	3,918,797
Accumulated depreciation						
As at 1 January 2018	237,737	907,839	90,611	18,447	1,777	1,256,411
Charge for the year	49,473	93,454	13,980	12,120	153	169,180
Disposals	(10,719)	(94,142)	-	-	(396)	(105,257)
Others	(10)	(887)	(2,102)	-	(137)	(3,136)
As at 31 December 2018	276,481	906,264	102,489	30,567	1,397	1,317,198
Net book value						
As at 1 January 2018	1,541,832	207,381	58,239	597,776	367	2,405,595
As at 31 December 2018	1,610,621	311,537	61,974	617,259	208	2,601,599

29. PROPERTY AND EQUIPMENT (continued)

Movement of tangible assets during the year ended 31 December 2017 is as follows:

	Buildings & improvements VND million	*Machines & equipment VND million*	*Means of transportation VND million*	*Definite land use rights VND million*	*Others VND million*	*Total VND million*
Cost						
As at 1 January 2017	1,688,446	1,121,608	153,345	615,768	2,144	3,581,311
Additions	95,552	29,521	8,879	455	-	134,407
Disposals	(4,429)	(33,091)	(13,374)	-	-	(50,894)
Others	-	(2,818)	-	-	-	(2,818)
As at 31 December 2017	1,779,569	1,115,220	148,850	616,223	2,144	3,662,006
Accumulated depreciation						
As at 1 January 2017	190,580	833,414	84,586	6,548	1,591	1,116,719
Charge for the year	46,750	108,885	19,228	11,899	186	186,948
Disposals	-	(32,246)	(13,374)	-	-	(45,620)
Others	407	(2,214)	171	-	-	(1,636)
As at 31 December 2017	237,737	907,839	90,611	18,447	1,777	1,256,411
Net book value						
As at 1 January 2017	1,497,866	288,194	68,759	609,220	553	2,464,592
As at 31 December 2017	1,541,832	207,381	58,239	597,776	367	2,405,595

30. GOODWILL AND OTHER INTANGIBLE ASSETS

Movement of goodwill and other intangible assets during year ended 31 December 2018 is as follows:

	Goodwill VND million	*Computer software VND million*	*Others VND million*	*Total VND million*
Cost				
As at 1 January 2018	49,411	828,990	4,403	882,804
Additions	-	52,335	-	52,335
Transfer from CIP	-	7,888	-	7,888
Disposals	(49,411)	(339)	(42)	(49,792)
Others	-	(1,024)	-	(1,024)
As at 31 December 2018	-	887,850	4,361	892,211
Accumulated amortisation				
As at 1 January 2018	-	487,127	2,385	489,512
Charge for the year	-	90,345	78	90,423
Disposals	-	(243)	(42)	(285)
Others	-	(760)	-	(760)
As at 31 December 2018	-	576,469	2,421	578,890
Net book value				
As at 1 January 2018	49,411	341,863	2,018	393,292
As at 31 December 2018	-	311,381	1,940	313,321

Movement of goodwill and other intangible assets during year ended 31 December 2017 is as follows:

	Goodwill VND million	*Computer software VND million*	*Others VND million*	*Total VND million*
Cost				
As at 1 January 2017	49,411	802,879	4,403	856,693
Additions	-	41,408	-	41,408
Others	-	(15,297)	-	(15,297)
As at 31 December 2017	49,411	828,990	4,403	882,804
Accumulated amortisation				
As at 1 January 2017	-	408,309	2,307	410,616
Charge for the year	-	94,115	78	94,193
Others	-	(15,297)	-	(15,297)
As at 31 December 2017	-	487,127	2,385	489,512
Net book value				
As at 1 January 2017	49,411	394,570	2,096	446,077
As at 31 December 2017	49,411	341,863	2,018	393,292

31. DUE TO THE GOVERNMENT AND THE STATE BANK OF VIETNAM

	31 December 2018 VND million	*31 December 2017 VND million*
Deposits from the State Treasury	2,008,425	1,004,111
Borrowings from the State Bank of Vietnam	4,024,907	-
	6,033,332	**1,004,111**

32. DUE TO OTHER BANKS

	31 December 2018 VND million	*31 December 2017 VND million*
Demand deposits	5,037,660	1,034,798
Term deposits	23,970,642	20,291,787
Borrowings	6,516,988	24,195,620
	35,525,290	**45,522,205**

33. DEPOSITS FROM CUSTOMERS

	31 December 2018 VND million	*31 December 2017 VND million*
Retail customers:	143,822,470	122,660,942
- *Term deposits*	*118,297,204*	*106,577,694*
- *Current accounts*	*25,524,063*	*16,081,658*
- *Marginal deposits*	*1,203*	*1,590*
Corporate customers:	60,095,996	50,593,993
- *Term deposits*	*27,101,539*	*24,883,196*
- *Current accounts*	*29,767,481*	*22,663,700*
- *Marginal deposits*	*3,226,976*	*3,047,097*
	203,918,466	**173,254,935**

34. OTHER BORROWED FUNDS

	31 December 2018 VND million	*31 December 2017 VND million*
Other borrowed funds in VND:		
- International credit project with Japan Bank for International Cooperation	111,247	160,983
- Joint Stock Commercial Bank for Investment and Development of Vietnam	882,222	754,933
	993,469	**915,916**

35. DEBT INSTRUMENTS ISSUED

	31 December 2018 VND million	*31 December 2017 VND million*
Bonds	7,027,302	13,301,849
- *From 1 year to 5 years*	*3,082,405*	*6,648,184*
- *Over 5 years*	*3,944,897*	*6,653,665*
Certificates of deposits	6,332,249	4,496,191
- *Up to 12 months*	*6*	*6*
- *From 1 year to 5 years*	*6,332,243*	*4,496,185*
	13,359,551	**17,798,040**

A reconciliation of liabilities arising from financing activities is as follows:

	Bonds with term over 5 years VND million
As at 1 January 2018	**6,653,665**
Proceeds from long-term debt instruments issued qualified to classify as subordinated debts	310,000
Payments for long-term debt instruments issued qualified to classify as subordinated debts	(3,023,087)
Accrued interest	4,319
As at 31 December 2018	**3,944,897**

36. CURRENT TAX LIABILITIES

	31 December 2018 VND million	*31 December 2017 VND million*
Value added tax	16,080	10,406
Corporate income tax	915,054	866,900
Other taxes	48,928	51,087
	980,062	**928,393**

36. CURRENT TAX LIABILITIES (continued)

Movements of taxation are as follows:

	As at 1 January		*Incurred during the year*			*As at 31 December*	
	Payable VND million	*Receivable VND million*	*Payable VND million*	*Adjustment VND million*	*Paid VND million*	*Payable VND million*	*Receivable VND million*
For the year ended 31 December 2018							
Value added tax	10,406	-	179,588	2	(173,916)	16,080	-
Corporate income tax	866,900	-	2,185,246	3,666	(2,140,758)	915,054	-
Other taxes	51,087	-	546,669	(344)	(548,484)	48,928	-
Total	**928,393**	**-**	**2,911,503**	**3,324**	**(2,863,158)**	**980,062**	**-**
For the year ended 31 December 2017							
Value added tax	13,438	-	308,343	-	(311,375)	10,406	-
Corporate income tax	336,725	(112)	1,564,816	-	(1,034,529)	866,900	-
Other taxes	26,816	-	341,851	(2,370)	(315,210)	51,087	-
Total	**376,979**	**(112)**	**2,215,010**	**(2,370)**	**(1,661,114)**	**928,393**	**-**

37. OTHER LIABILITIES

	31 December 2018 *VND million*	*31 December 2017* *VND million*
Remittance payables (*) (i)	5,059,137	927,230
Payables for marketing and promotion activities (*)	1,965	20,135
Reimbursements awaiting settlement (*)	19,577	6,990
Deposit certificates of customers awaiting settlement (*)	85,103	105,583
Amount awaiting settlement (*)	137,805	176,308
Deferred proceeds from sales of collaterals	83,833	156,580
Bonus and welfare	7,062	2,680
Payable to employees	794,768	668,538
Deferred income	169,815	91,510
Accrued salaries	401,467	237,113
Advance from customers (*)	1,798	52,595
Accrued operating expenses	441,414	368,949
Allowances for credit losses on off-balance sheet commitments (*Note 37.1*)/Provision for off-balance sheet commitments (*Note 37.2*)	358,742	236,094
Other payables (*)	400,002	152,167
	7,962,488	**3,202,472**
In which:		
Total financial liabilities	*5,705,387*	*1,441,008*

(*) These are financial liabilities.

(i) This represents the amounts pending for settlement at NAPAS due to timing difference. The outstanding items have been cleared in January 2019.

37.1. Allowances for credit losses on off-balance sheet commitments

An analysis of changes in the gross carrying amount and the corresponding allowances for credit losses in relation to off-balance sheet commitments is as follows:

37. OTHER LIABILITIES (continued)

37.1. *Allowances for credit losses on off-balance sheet commitments* (continued)

37.1.1. *Financial guarantees*

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and stage classification. The amounts presented are gross of allowances for credit losses. Details of the Bank's internal grading system are explained in Note 41.2.4.2 and policies on whether ECLs are calculated on an individual or collective basis are set out in Note 41.2.4.6.

Unit: VND million

	31 December 2018							*31 December 2017*
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*	*Total*
Performing	**18,696,716**	**-**	**305,306**	**20,404**	**11,373**	**-**	**19,033,799**	**15,904,237**
Group A rating	17,734,127	-	233,562	-	3,051	-	17,970,740	14,515,221
Group B rating	726,181	-	57,898	-	83	-	784,162	556,387
Group C rating	23,826	-	5,554	20,404	8,000	-	57,784	625,416
Group D rating	212,582	-	8,292	-	239	-	221,113	207,213
Non-performing	**-**	**-**	**-**	**-**	**13,662**	**100**	**13,762**	**105,456**
Group E rating	-	-	-	-	13,662	100	13,762	105,456
	18,696,716	**-**	**305,306**	**20,404**	**25,035**	**100**	**19,047,561**	**16,009,693**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

Unit: VND million

	For the year 2018						
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Gross carrying amount as at 1 January 2018	**14,769,206**	**-**	**1,107,222**	**20,404**	**112,761**	**100**	**16,009,693**
New assets originated or purchased	16,462,915	-	193,725	-	8,373	-	16,665,013
Assets derecognised or repaid	(12,536,435)	-	(996,159)	-	(96,099)	-	(13,628,693)
Foreign exchange adjustments	1,030	-	518	-	-	-	1,548
As at 31 December 2018	**18,696,716**	**-**	**305,306**	**20,404**	**25,035**	**100**	**19,047,561**

Unit: VND million

	For the year 2018						
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
ECL allowances as at 1 January 2018	**28,637**	**-**	**8,446**	**-**	**82,925**	**-**	**120,008**
Allowance made/(reversed)	2,808	-	(2,997)	-	(76,294)	100	(76,383)
Foreign exchange adjustments	1	-	2	-	-	-	3
As at 31 December 2018	**31,446**	**-**	**5,451**	**-**	**6,631**	**100**	**43,628**

37. OTHER LIABILITIES (continued)

37.1. *Allowances for credit losses on off-balance sheet commitments* (continued)

37.1.2. *Letters of credit*

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 41.2.4.2 and policies on whether ECLs are calculated on an individual or collective basis are set out in Note 41.2.4.6.

Unit: VND million

	31 December 2018							*31 December 2017 (*)*
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*	*Total*
Performing	**7,785,330**	-	**13,043**	**127,969**	**1,777**	-	**7,928,119**	**6,587,490**
Group A rating	6,951,476	-	12,283	-	-	-	6,963,759	6,185,468
Group B rating	695,290	-	760	-	1,777	-	697,827	338,733
Group C rating	1,617	-	-	127,969	-	-	129,586	8,339
Group D rating	136,947	-	-	-	-	-	136,947	54,950
Non-performing	-	-	-	-	-	**626**	**626**	**2,750**
Group E rating	-	-	-	-	-	626	626	2,750
	7,785,330	-	**13,043**	**127,969**	**1,777**	**626**	**7,928,745**	**6,590,240**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

Unit: VND million

	For the year 2018						
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Gross carrying amount as at 1 January 2018 (*)	**6,389,072**	-	**196,913**	**817**	**688**	**2,750**	**6,590,240**
New assets originated or purchased	7,685,356	-	6,892	127,174	1,777	-	7,821,199
Assets derecognised or repaid	(6,291,381)	-	(190,966)	-	(688)	(2,145)	(6,485,180)
Foreign exchange adjustments	2,283	-	204	(22)	-	21	2,486
As at 31 December 2018	**7,785,330**	-	**13,043**	**127,969**	**1,777**	**626**	**7,928,745**

Unit: VND million

	For the year 2018						
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
ECL allowances as at 1 January 2018	**12,670**	-	**6,513**	-	-	-	**19,183**
Allowance made/(reversed)	12,542	-	(6,419)	-	51	-	6,174
Foreign exchange adjustments	21	-	7	-	-	-	28
As at 31 December 2018	**25,233**	-	**101**	-	**51**	-	**25,385**

(*) The balance subjected to ECL provisioning is determined by conversion factors in ECL models.

37. OTHER LIABILITIES (continued)

37.1. *Allowances for credit losses on off-balance sheet commitments* (continued)

37.1.3. *Undrawn loan commitments*

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 41.2.4.2 and policies on whether ECLs are calculated on an individual or collective basis are set out in Note 41.2.4.6.

Unit: VND million

	31 December 2018							*31 December 2017 (*)*
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*	*Total*
Performing	**92,690,918**	-	**8,263,071**	-	**43,586**	-	**100,997,575**	**87,031,725**
Group A rating	82,443,961	-	2,863,133	-	35,191	-	85,342,285	71,357,226
Group B rating	8,970,331	-	1,355,185	-	-	-	10,325,516	10,362,861
Group C rating	915,543	-	1,692,557	-	-	-	2,608,100	2,650,703
Group D rating	361,083	-	2,352,196	-	8,395	-	2,721,674	2,660,935
Non-performing	**676**	-	-	-	**43,854**	-	**44,530**	**749,964**
Group E rating	676	-	-	-	43,854	-	44,530	749,964
	92,691,594	-	**8,263,071**	-	**87,440**	-	**101,042,105**	**87,781,689**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

Unit: VND million

	For the year 2018						
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Gross carrying amount as at 1 January 2018 (*)	**76,691,369**	-	**10,213,590**	-	**876,730**	-	**87,781,689**
New assets originated or purchased	53,682,387	-	2,074,780	-	660	-	55,757,827
Assets derecognised or repaid	(37,682,162)	-	(4,025,299)	-	(789,950)	-	(42,497,411)
As at 31 December 2018	**92,691,594**	-	**8,263,071**	-	**87,440**	-	**101,042,105**

Unit: VND million

	For the year 2018						
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
ECL allowances as at 1 January 2018	**172,622**	-	**44,832**	-	**93,923**	-	**311,377**
Allowance made/(reversed)	(517)	-	41,230	-	(62,361)	-	(21,648)
As at 31 December 2018	**172,105**	-	**86,062**	-	**31,562**	-	**289,729**

(*) The balance subjected to ECL provisioning is determined by conversion factors in ECL models.

37. OTHER LIABILITIES (continued)

37.2. Provision for off-balance sheet commitments as at 31 December 2017

	Individual VND million	*Collective VND million*	*Total VND million*
As at 1 January 2017	-	**293,632**	**293,632**
Allowances written off during the year	-	(57,538)	(57,538)
As at 31 December 2017	**-**	**236,094**	**236,094**

38. CAPITAL AND RESERVES

38.1. Share capital

Authorised

	31 December 2018 Number of shares	*31 December 2017 Number of shares*
Ordinary shares	3,496,592,160	1,165,530,720

Ordinary shares

	Number of shares	*VND million*
As at 1 January 2018	**1,165,530,720**	**11,655,307**
Issuance of shares	2,331,061,440	23,310,615
As at 31 December 2018	**3,496,592,160**	**34,965,922**

Treasury shares and Share premium

	Share premium VND million	*Treasury shares VND million*
As at 1 January 2018	**2,165,058**	**(4,044,547)**
Issuance of shares	(13,986,369)	(14,587)
Equity-settled share-based payment	1,060,418	6,005
Sale of treasury shares	12,324,846	3,996,331
As at 31 December 2018	**1,563,953**	**(56,798)**

Nominal value of the Bank's ordinary share is VND 10,000. Each share is entitled to one vote at shareholders' meeting of the Bank. All shareholders are entitled to receive dividend as declared from time to time. All ordinary shares are ranked equally with regard to the Bank's residual assets.

During the year, the Bank sold 14,699,730 treasury shares to their employees under Employee Stock Ownership Plan program and 157,653,615 treasury shares to foreign investors.

The Bank increased its charter capital from VND 11,655,307 million to VND 34,965,922 million by issuing ordinary shares using owner's equity in pursuant to Decision No. 1624/QD-NHNN dated 10 August 2018 granted by the SBV, Official Letter No. 4331/UBCK-QLCB dated 12 July 2018 issued by the State Securities Commission and Business Registration Certificate with business code No. 0100230800 amended for the 50th time on 10 August 2018 by Hanoi Department of Planning and Development.

38. CAPITAL AND RESERVES (continued)

38.2. Statutory reserves

	2018			2017		
	Capital supplementary reserve VND million	*Financial reserve VND million*	*Total VND million*	*Capital supplementary reserve VND million*	*Financial reserve VND million*	*Total VND million*
As at 1 January	**3,983,752**	**2,172,702**	**6,156,454**	**3,658,696**	**1,560,012**	**5,218,708**
Issuance of shares	(3,496,592)	-	(3,496,592)	-	-	-
Appropriation to reserves	408,270	808,721	1,216,991	325,056	612,953	938,009
Utilisation of reserves	-	(59)	(59)	-	(263)	(263)
Others	(3,141)	(6,281)	(9,422)	-	-	-
As at 31 December	**892,289**	**2,975,083**	**3,867,372**	**3,983,752**	**2,172,702**	**6,156,454**

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

a. Financial instruments recorded at fair value

The following section describes how to determine the fair value of financial instruments recorded at fair value using valuation methods. The method is based on estimates and assumptions of the Bank and its subsidiaries which are made on the views of market participants.

Methods for determination of fair value and fair value level

The Bank and its subsidiaries use the following levels to assess and present the fair value of financial instruments:

Level 1: Listed (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Valuation techniques

Government debt securities

Government debt securities are financial instruments issued by sovereign governments and include both long-term bonds and short-term bills with fixed or floating rate interest payments. These instruments are mostly highly liquid and traded in active markets resulting in a Level 1 classification. When active market prices are not available, the Bank uses discounted cash flow models with observable market inputs of similar instruments and bond prices to estimate future index levels and extrapolates yields outside the range of active market trading, in which instances the Bank classifies those securities as Level 2.

Debt securities issued by credit institutions and corporates

Whilst most of these instruments are standard fixed or floating rate securities, some may have more complex coupon or embedded derivative characteristics. The Bank uses active market prices when available, or other observable inputs in discounted cash flow models and the relevant credit spreads to estimate the corresponding fair value. Bonds issued by corporates and credit institutions are Level 1 instruments when the bonds are listed in active market, Level 2 instruments where inputs are observable data or Level 3 instruments where significant inputs cannot be referenced to observable data and, therefore, inputs are adjusted for relative tenor and issuer quality.

Equity instruments

Some equity instruments are actively traded on public stock exchanges with readily available active prices on a regular basis. Such instruments are classified as Level 1.

Equity investments in non-listed entities are initially recognised at transaction price and re-measured (to the extent information is available) and valued on a case-by-case basis and classified as Level 3.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

a. Financial instruments recorded at fair value (continued)

Cross currency swap and interest rate swap

The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations by estimating future cash flows and discounting them with the appropriate yield curves incorporating funding costs relevant to the position. The Bank's cross currency swap and interest rate swap contracts are generally Level 2.

Foreign exchange contracts

Foreign exchange contracts include foreign exchange forward and swap contracts. These instruments are valued by either observable foreign exchange rates, observable or calculated forward points and option valuation models. The Bank classifies foreign exchange contracts as Level 2 financial instruments when no unobservable inputs are used for their valuation or the unobservable inputs used are not significant to the measurement (as a whole).

The following table presents the fair value of the financial instruments by levels as at 31 December 2018:

	Level 1 VND million	*Level 2 VND million*	*Level 3 VND million*	*Total VND million*
Cash and cash equivalents				
Investment securities (*)	-	-	11,632	11,632
Financial assets at FVTPL				
Government bonds	2,073,954	1,736,864	-	3,810,818
Credit institution bonds	1,658,525	58,899	1,049,250	2,766,674
Corporate bonds	-	-	1,159,384	1,159,384
	3,732,479	**1,795,763**	**2,208,634**	**7,736,876**
Derivative financial assets				
Foreign exchange contracts	-	413,073	-	413,073
Cross currency swap and interest rate swap	-	166,447	-	166,447
	-	**579,520**	**-**	**579,520**
Debt instruments at FVOCI				
Government bonds	1,917,092	3,497,835	-	5,414,927
Credit institution bonds	3,742,098	7,688,001	9,011,223	20,441,322
Corporate bonds	4,598,799	-	33,907,392	38,506,191
	10,257,989	**11,185,836**	**42,918,615**	**64,362,440**
Equity instruments at FVOCI	**623**	**-**	**14,179**	**14,802**
Derivative financial liabilities				
Foreign exchange contracts	-	(408,224)	-	(408,224)
Cross currency swap and interest rate swap	-	(424,064)	-	(424,064)
	-	**(832,288)**	**-**	**(832,288)**
Total	**13,991,091**	**12,728,831**	**45,153,060**	**71,872,982**

(*) Investment securities which have original term of three months or less are reclassified into cash and cash equivalents.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

a. Financial instruments recorded at fair value (continued)

The following table presents the fair value of the financial instruments by levels as at 31 December 2017:

	Level 1 *VND million*	*Level 2* *VND million*	*Level 3* *VND million*	*Total* *VND million*
Financial assets held-for-trading				
Government bonds	3,611,728	629,030	-	4,240,758
Credit institution bonds	123,652	-	-	123,652
Corporate bonds	241,449	-	2,568,133	2,809,582
	3,976,829	**629,030**	**2,568,133**	**7,173,992**
Derivative financial assets				
Foreign exchange contracts	-	933,956	-	933,956
Cross currency interest rate swap	-	108,044	-	108,044
	-	**1,042,000**	**-**	**1,042,000**
Financial investments available-for-sale				
Government bonds	7,624,332	6,315,060	-	13,939,392
Credit institution bonds	2,104,071	10,949,117	5,066,447	18,119,635
Corporate bonds	721,786	99,553	14,975,030	15,796,369
Equity securities	808		227,249	228,057
	10,450,997	**17,363,730**	**20,268,726**	**48,083,453**
Derivative financial liabilities				
Foreign exchange contracts	-	(963,188)	-	(963,188)
Cross currency interest rate swap	-	(62,452)	-	(62,452)
	-	**(1,025,640)**	**-**	**(1,025,640)**
Total	**14,427,826**	**18,009,120**	**22,836,859**	**55,273,805**

39. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

b. Financial instruments not recorded at fair value

Fair value of financial assets and financial liabilities which are not measured at fair value is as below:

- Debt instruments at amortised cost:

	Level 1 VND million	*Level 2 VND million*	*Level 3 VND million*	*Total VND million*
As at 31 December 2018				
Government bonds	-	3,681,247	-	3,681,247
Credit institution bonds	-	32,571	-	32,571
Corporate bonds	-	91,082	20,233,478	20,324,560
	-	**3,804,900**	**20,233,478**	**24,038,378**
As at 31 December 2017				
Government bonds	638,260	-	-	638,260
Credit institution bonds	-	34,184	2,157,881	2,192,065
Corporate bonds	-	-	3,136,069	3,136,069
	638,260	**34,184**	**5,293,950**	**5,966,394**

- Financial assets being cash and balances at the State Bank of Vietnam and due from other banks and financial liabilities being due to the Government, the State Bank of Vietnam and other banks are short term with interest rates in line with the rates applied by other banks and interbank rates. Therefore, their carrying amount approximates their fair value.

- Financial assets being loans and advances to customers, and financial liabilities being deposits from customers and debt instruments issued:
  - Deposits from customers, other borrowed funds and debts issued: the majority of the deposits, other borrowed funds and debt instruments issued by the Bank bear interest at rates which are similar to prevailing market rates (which is the average interest rates of deposits issued in the current period). Hence, the carrying value of these financial liabilities shall be a reasonable approximation of the fair value.
  - Loans to customers: most of the Bank and its subsidiaries' loan portfolio earns interest at rates which are floating in line with the market rates. Also, the Bank and its subsidiaries' loan portfolio does not have significant transaction costs, discount or premium on the loan to customer transactions. Hence, the carrying value of the loans shall be a reasonable approximation of the fair value.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

c. The determination of levels of the fair value of financial instruments was conducted at beginning of the year

The table below shows a reconciliation of the opening and closing amount of Level 3 financial assets which were recorded at fair value:

	Financial assets at FVTPL			*Debt and equity instruments at FVOCI*		
	Credit institution bonds VND million	*Corporate bonds VND million*	*Equity securities VND million*	*Credit institution bonds VND million*	*Corporate bonds VND million*	*Equity securities VND million*
For the year ended 31 December 2018						
As at 1 January 2018	-	2,568,133	-	5,066,447	14,975,030	227,249
Total gains or losses	36,335	78,638	-	112,336	309,158	-
▶ *in profit or loss*	*36,335*	*78,638*	-	(1,851)	247,887	-
▶ *in other comprehensive income*	-	-	-	114,187	61,271	-
Purchase	1,012,915	1,135,000	-	5,183,020	31,045,167	-
Settlement	-	(2.622,387)	-	(1,350,580)	(12,421,963)	(227,249)
Transferred to level 3 (**)	-	-	-	-	-	14,179
As at 31 December 2018	**1,049,250**	**1,159,384**	**-**	**9,011,223**	**33,907,392**	**14,179**
For the year ended 31 December 2017						
As at 1 January 2017	-	1,187,031	-	4,761,934	6,761,870	717,658
Total gains or losses	-	(6,829)	-	441,889	14,983	-
▶ *in profit or loss*	-	*(6,829)*	-	-	*(3,036)*	-
▶ *in other comprehensive income*	-	-	-	*441,889*	*18,019*	-
Purchase	-	1,528,950	-	1,351,727	9,753,896	*227,249*
Settlement	-	(141,019)	-	(1,489,103)	(4,401,651)	*(147,253)*
Reclassify	-	-	-	-	2,845,932	-
Transferred from level 3 (*)	-	-	-	-	-	(570,405)
As at 31 December 2017	**-**	**2,568,133**	**-**	**5,066,447**	**14,975,030**	**227,249**

(*) These instruments were transferred from Level 3 to Level 1 because they were listed in the Stock Exchange during the year.

(**) These instruments were measured at cost as at 31 December 2017 under IAS 39.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

d. Information about significant unobservable inputs used in Level 3 fair value measurements

As at 31 December 2018, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) included unquoted corporate bonds, unquoted credit institution bonds, unquoted equity securities which are summarised as follows:

	Classification	*Valuation technique*	*Unobservable inputs*
Assets			
Financial instruments at fair value through profit and losses			
Unquoted credit instruction bonds	FVTPL	Discounted cash flow	Discount rates
Unquoted corporate bonds	FVTPL	Discounted cash flow	Discount rates
Financial instruments at fair value through other comprehensive income			
Unquoted credit institution bonds	FVOCI	Discounted cash flow	Discount rates
Unquoted corporate bonds	FVOCI	Discounted cash flow	Discount rates
Unquoted equity securities	FVOCI	Net asset value	Net asset value, earnings and financial ratio multiples

The discount rates of unquoted corporate bonds are determined based on the average interest rate of loans and advances to customers with similar characteristics: same sector, tenor and repricing period while the discount rates of unquoted credit institution bonds are determined based on the interest rate of governmental credit institution bonds with similar tenors. A significant increase/decrease in the average interest rate of loans and advances to customers and interest rate of governmental credit institution bonds would result in a significant lower/higher fair value measurement of the unquoted corporate bonds and credit institution bonds.

Valuation of unquoted equity securities includes unobservable inputs such as net asset value, earnings and financial ratio multiples. A significant increase/decrease in the net asset value, earnings and financial ratios multiples would result in a significant higher/lower fair value measurement.

The movement in fair value arising from reasonably possible changes to the significant unobservable input is assessed as not significant.

40. REPO AND REVERSE REPO AGREEMENTS AND ASSETS HELD OR PLEDGED AS COLLATERAL

The following table summarises the consideration paid, including accrued interest which is recorded in the consolidated statement of financial position under "reverse repos", reflecting the transaction's economic substance as a loan to other bank and the liability arising from the consideration received, including accrued interest which is recorded in the consolidated of financial position under "repos", reflecting the transaction's economic substance as a borrowing from other bank.

	31 December 2018 VND million	*31 December 2017 VND million*
Reverse repo agreements		
Consideration paid for reverse repos	3,783,441	8,406,845
Repo agreements		
Consideration received for repos	4,028,270	17,130,565

The following table summarises the assets which are pledged and held as collateral for repo and reverse repo agreements.

	31 December 2018 VND million	*31 December 2017 VND million*
Assets pledged as collateral		
Assets pledged as collateral under repo agreements	3,358,000	16,826,000
Assets held as collateral		
Assets held as collateral under reverse repo agreements (*)	3,653,000	8,213,500

(*) The assets are classified as debt instruments at fair value through other comprehensive income as at 31 December 2018 and financial investments available-for-sale as at 31 December 2017.

41. RISK MANAGEMENT

41.1. Introduction

Risk is inherent in the Bank and its subsidiaries' activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank and its subsidiaries' continuing profitability and each person within the Bank and its subsidiaries is accountable for the risk exposures relating to his or her responsibilities. The Bank and its subsidiaries are exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non–trading risks. It is also subject to country risk and various operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Bank's policy is to monitor those business risks through the Bank and its subsidiaries' strategic planning process.

(i) Risk Management Structure

The Board of Management is responsible for the detection and control of risks. However, each separate member will be responsible for monitoring and managing the risks.

(ii) Board of Directors

The Board of Directors is responsible for the overall risk management in the Bank and its subsidiaries.

(iii) Risk Committee

The Risk Committee consults with the Board of Directors in promulgating the process and policies related to risks in banking activities which are under the authority of the Board of Directors.

The Risk Committee analyses and recommends the warnings on safety level of the Bank on potential effectible risk and prevention methods in short-term and long-term.

The Risk Committee reviews and assesses suitability and effectiveness of current risk management processes and policies of the Bank to recommend with the Board of Directors on requirements of changes in the current processes, policies and operating strategy.

(iv) Board of Supervisors

The Board of Supervisors is responsible for overall risk management in the Bank and its subsidiaries.

(v) Internal Audit

According to the annual internal audit plan, the operating procedures of the Bank and its subsidiaries will be audited by the internal audit unit to examine the adequacy and compliance of the procedures. Internal audit discusses the evaluation results with the Board of Directors and reports findings and recommendations to the Board of Supervisors.

41. RISK MANAGEMENT (continued)

41.1. Introduction (continued)

(vi) Audit Risk Committee ("ARCO")

Audit Risk Committee ("ARCO") is established by the Board of Directors for the purpose of undertaking a number of functions and tasks related to the audit, supervising and monitoring risk management of the Bank's operating activities which are assigned/authorised by the Board of Directors.

ARCO is responsible for promulgating and monitoring risk management framework, risk appetites and risk management policies in the Bank's operating activities and approving market risk limit, credit risk limit for each industry, business line and other general risk limits of the Bank.

(vii) Risk measurement and reporting system

The Bank and its subsidiaries' risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models.

Monitoring and controlling risks are primarily performed based on limits established by the Bank and its subsidiaries and complied with safety regulations of the State Bank of Vietnam. These limits reflect the business strategy and market environment of the Bank and its subsidiaries as well as the level of risk that the Bank and its subsidiaries are willing to accept.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Management, the Board of Directors and the Head of each business division. The report includes aggregate credit exposure, credit metric forecasts, limit exceptions, liquidity ratios and risk profile changes. The Board of Directors assesses the appropriateness of the allowance for expected credit losses on a quarterly basis. The Board of Directors receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Bank and its subsidiaries.

For all levels throughout the Bank and its subsidiaries, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

(viii) Risk reduction

The Bank and its subsidiaries have been actively using collateral assets to reduce credit risk.

(ix) Excessive risk concentration

Risk concentrations arise when a number of counterparties of the Bank and its subsidiaries are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations indicate the relative sensitivity of the Bank and its subsidiaries' performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Bank and its subsidiaries' policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Bank and its subsidiaries to manage risk concentrations at both the relationship and industry levels.

41. RISK MANAGEMENT (continued)

41.2. Credit risk

Credit risk is the risk that the Bank and its subsidiaries incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank and its subsidiaries manage and control credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank and its subsidiaries have established credit quality review processes to provide early identification of possible changes in the creditworthiness of counterparties. Counterparty limits are established through the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to quarter revision. The credit quality review process aims to allow the Bank and its subsidiaries to assess the potential loss as a result of the risks to which they are exposed and take corrective action.

41.2.1. Credit quality and credit risk

Currently, the Bank and its subsidiaries have already set up internal credit ratings to score customers based on risk level. The Bank and its subsidiaries have not established internal credit rating for other financial assets based on their risk level.

41.2.2. Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded on the consolidated statement of financial position. In the case of credit derivatives, the Bank is also exposed to, or protected from, the risk of default of the underlying entity referenced by the derivative.

With gross-settled derivatives, the Bank is also exposed to a settlement risk, being the risk that the Bank honours its obligation, but the counterparty fails to deliver the counter value.

41.2.3. Credit-related commitments risks

The Bank and its subsidiaries make available to their customers guarantees that may require that the Bank and its subsidiaries make payments on their behalf and enter into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank and its subsidiaries to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank and its subsidiaries to similar risks to loans and are mitigated by the same control processes and policies.

41. RISK MANAGEMENT (continued)

41.2. Credit risk (continued)

41.2.4. Impairment assessment (Policy applicable from 1 January 2018)

For the purpose of presenting consolidated financial statements under IFRS, the Bank and its subsidiaries use an expected loss model for the recognition of losses on impaired financial assets. This means that the Bank and its subsidiaries always account for ECLs and update the loss allowance for change in these ECLs at each reporting date to reflect changes in credit risk since initial recognition. Consequently, the Bank and its subsidiaries need to take into account the following information:

- The probability-weighted outcome;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort.

41.2.4.1. Definition of default and cure

The Bank and its subsidiaries consider a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Bank and its subsidiaries consider a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank and its subsidiaries carefully consider whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

For treasury and money market, non-retail and retail lending portfolio:

- The financial instruments being rescheduled/restructured for the second time or extended its maturity date for the first time;
- The borrower failing to fulfil Off-balance sheet commitments (including financial guarantee and letters of credit) and the Bank has to grant them a loan to cover that obligation;
- The borrower having interest exemption or deduction;
- The borrower having non-performing loans at other credit institutions;
- The borrower having written off exposure or sold loans;
- Internal rating of the borrower indicating default; or
- The borrower having early warning signals ("EWS") indicating default or near-default.

For share margin financing portfolio:

- A material decrease in the underlying collateral value where the collateral value coverage does not meet 170%.

It is the Bank and its subsidiaries' policy to consider a financial instrument as "cured" and therefore re-classified out of Stage 3 when none of the default criteria has been present for at least one month for short term debts or three consecutive months for middle and long-term debts since the day the Bank and its subsidiaries received full repayment of the overdue principals and interests or at the decision by relevant committees to remove it out of Default portfolio. The decision on whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

41. RISK MANAGEMENT (continued)

41.2. *Credit risk* (continued)

41.2.4. *Impairment assessment (Policy applicable from 1 January 2018)* (continued)

41.2.4.2. *The Bank's internal rating and probability of default estimation process*

The Bank and its subsidiaries' Risk Management Department operates its internal rating models. The Bank and its subsidiaries run separate models for their key portfolios in which their customers are rated from Aaa to E3 using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. These information sources are first used to determine the PDs within the Bank's Basel II framework. The internal credit grades are assigned based on these Basel II grades. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 Stage classification of the exposure. This is repeated for each economic scenarios as appropriate.

Treasury, trading and interbank relationships

The Bank and its subsidiaries' treasury, trading and interbank relationships and counterparties comprise of financial services institutions, banks, broker-dealers, and exchanges. For these relationships with local financial institutions, the Bank's internal risk department analyses publicly available information such as financial information and other external data, and assigns the internal rating that will be mapped to internal Master PD scale to identify PD, as shown in the table below. For the relationships with foreign financial institutions, the Bank and its subsidiaries use external data, e.g. Moody's, to identify PD for its counterparties, as shown in the table below.

Foreign financial institutions:

Moody's rating	*12 month Moody's PD*	*12 month IFRS PD*
Aaa	0.00%	0.00%
Aa1	0.01%	0.01%
Aa2	0.02%	0.01%
Aa3	0.02%	0.01%
A1	0.04%	0.02%
A2	0.06%	0.03%
A3	0.09%	0.05%
Baa1	0.14%	0.08%
Baa2	0.22%	0.13%
Baa3	0.33%	0.19%
Ba1	0.51%	0.30%
Ba2	0.79%	0.46%
Ba3	1.22%	0.72%
B1	1.88%	1.11%
B2	2.88%	1.70%
B3	4.39%	2.61%
Caa1	6.64%	3.99%
Caa2	9.92%	6.04%
Caa3	14.57%	9.05%
Ca-C	20.89%	13.36%

41. RISK MANAGEMENT (continued)

41.2. Credit risk (continued)

41.2.4. Impairment assessment (Policy applicable from 1 January 2018) (continued)

41.2.4.2. The Bank's internal rating and probability of default estimation process (continued)

Treasury, trading and interbank relationships (continued)

Local financial institutions:

Internal rating grade	*Master scale rating grade*	*12 month Basel II PD*	*12 month IFRS PD*
AAA - AA	Aa3	0.28%	0.14%
A -BBB	A1	0.58%	0.29%
BB	A2	0.89%	0.45%
B	A3	1.35%	0.68%
CCC	B1	2.04%	1.03%
CC	B2	2.97%	1.50%
C	B3	4.27%	2.17%

Corporate lending

For corporate lending, the borrowers are assessed by specialised credit risk employees of the Bank and its subsidiaries. The credit risk assessment is based on a credit scoring model that takes into account various historical, current and forward-looking information such as:

- Financial report component, including the following criteria:
  - Financial structure;
  - Liquidity ratio;
  - Solvency ratio;
  - Revenue size & activities;
  - Financial growth perspective.
- Transaction and past due behaviour, including the following criteria:
  - Delinquency status;
  - Relationship with the Bank;
  - CASA balance;
  - Transactional information.
- Other criteria that evaluate corporate customers' credit ability:
  - Characteristic, objective of corporate;
  - Competitive strategy;
  - Boards of Directors;
  - Product and TT objective;
  - Supply and production;
  - Distribution and sales;
  - Industry risk.

The complexity and granularity of the rating techniques varies based on the exposure of the Bank and its subsidiaries and the complexity and size of the customer.

41. RISK MANAGEMENT (continued)

41.2. Credit risk (continued)

41.2.4. Impairment assessment (Policy applicable from 1 January 2018) (continued)

41.2.4.2. The Bank's internal rating and probability of default estimation process (continued)

Corporate lending (continued)

Internal rating grade	*12 month Basel II PD range*	*12 month IFRS 9 PD range*
Performing		
Aaa – A3	0.03% - 1.75%	0.00% - 0.85%
B1 – B3	1.75% - 4.90%	0.85% - 2.53%
C1 – C3	4.90% - 11.00%	2.53% - 5.90%
D1 – D4	11.00% - 99.99%	5.90% - 99.99%
Non-performing		
E1 – E3	100.00%	100.00%

Retail lending

Retail lending comprises of auto, mortgage, credit cards, overdraft and other personal loans. These products are rated by a scorecard with the following key inputs:

- Demographic information;
- Past-due information;
- Transaction behaviour;
- Limit utilisation behaviour;
- Financial ability.

Retail lending - Secured - Real estates

Internal rating grade	*12 month Basel II PD*	*12 month IFRS 9 PD*
Performing		
Aaa – A3	0.03% - 1.75%	0.01% - 0.62%
B1 – B3	1.75% - 4.90%	0.62% - 1.86%
C1 – C3	4.90% - 11.00%	1.86% - 4.38%
D1 – D4	11.00% - 99.99%	4.38% - 99.99%
Non-performing		
E1 – E3	100.00%	100.00%

Retail lending - Unsecured

Internal rating grade	*12 month Basel II PD*	*12 month IFRS 9 PD*
Performing		
Aaa – A3	0.03% - 1.75%	0.06% - 3.24%
B1 – B3	1.75% - 4.90%	3.24% - 9.19%
C1 – C3	4.90% - 11.00%	9.19% - 19.59%
D1 – D4	11.00% - 99.99%	19.59% - 99.99%
Non-performing		
E1 – E3	100.00%	100.00%

41. RISK MANAGEMENT (continued)

41.2. Credit risk (continued)

41.2.4. Impairment assessment (Policy applicable from 1 January 2018) (continued)

41.2.4.2. The Bank's internal rating and probability of default estimation process (continued)

Retail lending - Secured - Other collaterals

Internal rating grade	*12 month Basel II PD*	*12 month IFRS 9 PD*
Performing		
Aaa – A3	0.03% - 1.75%	0.03% - 1.76%
B1 – B3	1.75% - 4.90%	1.76% - 5.15%
C1 – C3	4.90% - 11.00%	5.15% - 11.57%
D1 – D4	11.00% - 99.99%	11.57% - 99.99%
Non-performing		
E1 – E3	100.00%	100.00%

41.2.4.3. Exposure at default

The exposure at default ("EAD") represents the gross carrying amount of the financial instruments subjected to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Bank and its subsidiaries assess the possible default events within 12 months for the calculation of the 12-month ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Bank and its subsidiaries determine EAD by modelling the range of possible exposure outcomes at various points in time, corresponding to the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of the Bank and its subsidiaries' models.

41.2.4.4. Loss given default

For corporate lending, LGD values are assessed at least every three months by account managers and reviewed and approved by the Bank's specialised credit risk department. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison with the amount expected to be recovered or realised from any collateral held.

The Bank and its subsidiaries segment their retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g. product type, months on book, etc.) as well as borrower characteristics.

41. RISK MANAGEMENT (continued)

41.2. Credit risk (continued)

41.2.4. Impairment assessment (Policy applicable from 1 January 2018) (continued)

41.2.4.4. Loss given default (continued)

Recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the group. The Bank and its subsidiaries estimate regulatory and IFRS 9 LGDs on a different basis. Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

41.2.4.5. Significant increase in credit risk

The Bank and its subsidiaries continuously monitor all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subjected to 12-month ECL or life time ECL, the Bank and its subsidiaries assess whether there has been a significant increase in credit risk since initial recognition.

The Bank and its subsidiaries apply a qualitative method for triggering a significant increase in credit risk for an asset, such as the rating downgrade in notches. In certain cases, the Bank and its subsidiaries may also consider that events explained in Note 41.2.4.1 are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets (as set out in Note 41.2.4.6), the Bank and its subsidiaries apply the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

41. RISK MANAGEMENT (continued)

41.2. Credit risk (continued)

41.2.4. Impairment assessment (Policy applicable from 1 January 2018) (continued)

41.2.4.6. Grouping financial assets measured on a collective basis

As explained in Note 7.9.1, being dependant on the factors below, the Bank calculates ECLs either on a collective or an individual basis.

The Bank and its subsidiaries determine the allowances appropriate for each individually significant loan or advance on an individual basis, taking into account any overdue payments of interests, credit rating downgrades, or infringements of the original terms of the contract. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty, projected receipts and the expected payout should bankruptcy ensue, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. Expected credit loss allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

All the other assets which are not individually significant will be measured on a collective basis. The Banks and its subsidiaries group these exposures into smaller homogeneous portfolios, based on the combination of internal and external characteristics of the loans, as described below:

For retail lending:

- Months on book;
- Days past due;
- Product segment.

For corporate lending:

- Customer segment;
- Days past due.

41.2.5. Collateral assets

To mitigate its credit risks on financial assets, the Bank and its subsidiaries seek to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collaterals, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Bank and its subsidiaries use active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models.

41. RISK MANAGEMENT (continued)

41.2. *Credit risk* (continued)

41.2.6. Analysis by sector

The following table shows the risk concentration by sector for financial assets (not including allowance for impairment) on the consolidated financial statements:

	Cash and cash equivalents *VND million*	*Due from other banks* *VND million*	*Financial investments at FVTPL* *VND million*	*Derivative financial assets* *VND million*	*Loans and advances to customers* *VND million*	*Financial investments at FVOCI* *VND million*	*Financial investments at amortised cost* *VND million*	*Other financial assets* *VND million*	*Off-balance sheet commitments* *VND million*
As at 31 December 2018									
Government	10,555,483	-	3,810,818	-	-	5,414,926	3,853.144	-	-
Banking	24,096,866	11,676,732	2,243,515	456,976	-	20,441,322	32.372	2,627,876	-
Corporate	11,632	-	1,682,543	122,544	93,819,612	38,506,192	20,594.027	713,028	124,930,675
Retail	-		-	-	72,431,642	-	-	14,855	3,087,736
	34,663,981	**11,676,732**	**7,736,876**	**579,520**	**166,251,254**	**64,362,440**	**24,479,543**	**3,355,759**	**128,018,411**

	Cash and cash equivalents *VND million*	*Due from other banks* *VND million*	*Financial investments held-for-trading* *VND million*	*Derivative financial assets* *VND million*	*Loans and advances to customers* *VND million*	*Financial investments available-for-sale* *VND million*	*Financial investments held-to-maturity* *VND million*	*Other financial assets* *VND million*	*Off-balance sheet commitments* *VND million*
As at 31 December 2017									
Government	4,279,431	-	4,240,757	-	-	14,098,416	613.968	-	-
Banking	16,078,826	14,282,783	429,312	949,430	-	18,223,533	2,149,201	-	-
Corporate	-	-	2,503,923	92,570	99,839,640	15,592,918	3,172,714	827,412	25,363,137
Retail	-	-	-	-	64,995,880	-	-	5,016,584	12,877
	20,358,257	**14,282,783**	**7,173,992**	**1,042,000**	**164,835,520**	**47,914,867**	**5,935,883**	**5,843,996**	**25,376,014**

41. RISK MANAGEMENT (continued)

41.2. Credit risk (continued)

41.2.7. Commitments and guarantees

To meet the financial needs of customers, the Bank and its subsidiaries enter into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the consolidated statement of financial position, they do contain credit risk and are, therefore, part of the overall risk of the Bank and its subsidiaries.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank and its subsidiaries would have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the consolidated financial statements.

The following table presents the maximum credit risk of the Bank and its subsidiaries for the commitments and guarantees:

	31 December 2018 VND million	*31 December 2017 VND million*
Letters of credit	7,928,745	9,366,321
Financial guarantees	19,047,561	16,009,693
Undrawn loan commitments	101,042,105	-
	128,018,411	**25,376,014**

41.2.8. Analysis of non-performing loans

Non-performing loans comprise of loans of group E rating.

	31 December 2018 VND million	*31 December 2017 VND million*
Non-performing loans	2,728,417	2,606,199
Non-performing loan ratio	1.64%	1.58%
Individual impairment loss of non-performing loans	(453,627)	(824,273)

41. RISK MANAGEMENT (continued)

41.2. *Credit risk* (continued)

41.2.9. *Overview of modified and forborne loans*

VND million

	Performing portfolio				*Impairment provision of forborne loans*		
	Gross carrying amount	*Permanent modification*	*Total performing forborne*	*Total forborne loans*	*Gross carrying amount*	*Total allowance*	*Forbearance ratio*
As at 31 Dec 2018							
Due from other banks	11,676,732	-	-	-	-	-	0.00%
Loans and advances to customers	166,251,254	297,864	297,864	297,864	35,291	35,291	0.18%
- *Corporate*	*93,819,613*	*278,297*	*278,297*	*278,297*	*29,515*	*29,515*	*0.30%*
- *Retail*	*72,431,641*	*19,567*	*19,567*	*19,567*	*5,776*	*5,776*	*0.03%*
Total	**177,927,986**	**297,864**	**297,864**	**297,864**	**35,291**	**35,291**	**0.17%**
As at 31 Dec 2017							
Due from other banks	14,282,783	-	-	-	-	-	0.00%
Loans and advances to customers	164,835,520	76,373	76,373	76,373	353	353	0.05%
- *Corporate*	*99,839,640*	*25,000*	*25,000*	*25,000*	*343*	*343*	*0.03%*
- *Retail*	*64,995,880*	*51,373*	*51,373*	*51,373*	*10*	*10*	*0.08%*
Total	**179,118,303**	**76,373**	**76,373**	**76,373**	**353**	**353**	**0.04%**

41. RISK MANAGEMENT (continued)

41.3. *Liquidity risk and funding management*

Liquidity risk is defined as the risk that the Bank and its subsidiaries might be unable to meet their payment obligations when they fall due under both normal and stress circumstances. To limit this risk, the Bank and its subsidiaries have arranged for diversified funding sources in addition to their core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank and its subsidiaries have developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank and its subsidiaries maintain a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank and its subsidiaries also have committed lines of credit that it can access to meet liquidity needs. In addition, the Bank and its subsidiaries maintain a compulsory reserve at the SBV based on deposits from customers (*Note 22*). The most important is to maintain limits on the ratio of net liquid assets to customer liabilities, to reflect market conditions. Liquid assets consist of cash, gold; balances with the SBV; debt instruments negotiable by the SBV; demand deposits in correspondent banks, except for commitments for specific payment purpose; zero term deposits in credit institutions and Government provisionary notes.

Analysis of financial assets and liabilities by remaining contractual maturities

a. Maturity profile of the discounted cash flows of financial assets and liabilities

The table below summarises the maturity profile of the discounted cash flows of the Bank and its subsidiaries' financial assets and liabilities as at year end. Repayments subjected to notice are treated as if notice were to be given immediately. However, the Bank and its subsidiaries expect that many customers will not request repayment on the earliest date it could be required to pay and the table does not reflect the expected cash flows indicated by its deposit retention history.

41. RISK MANAGEMENT (continued)

41.3. *Liquidity risk and funding management* (continued)

As at 31 December 2018	Overdue up to 3 months VND million	Overdue over 3 months VND million	On demand VND million	Up to 1 month VND million	From 1 to 3 months VND million	From 3 to 12 months VND million	From 1 to 5 years VND million	Over 5 years VND million	Total VND million
Financial assets									
Cash and cash equivalents	-	-	22,118,006	10,571,033	4,581,409	-	-	-	37,270,448
Due from other banks	-	-	-	3,666,436	3,643,742	4,366,554	-	-	11,676,732
Financial assets at FVTPL	-	-	-	-	839,456	1,369,178	2,162,534	3,365,708	7,736,876
In which: Government bonds and bonds with settlement guaranteed by the Government	-	-	-	-	-	-	*2,162,534*	*3,365,708*	*5,528,242*
Derivative financial assets	-	-	-	142,988	173,109	159,764	103,659	-	579,520
Loans and advances to customers	2,675,086	2,717,691	-	14,577,191	17,211,915	35,219,244	36,525,533	57,324,594	166,251,254
Debt instruments at FVOCI	-	-	-	2,157,920	1,667,750	22,361,094	31,206,040	6,969,636	64,362,440
In which: Government bonds and bonds with settlement guaranteed by the Government	-	-	-	*2,119,245*	*1,667,267*	*1,883,069*	*8,710,495*	*2,464,950*	*16,845,026*
Equity instruments at FVOCI	-	-	-	-	-	-	-	14,802	14,802
Debt instruments at amortised cost	-	3,971,173	-	-	32,373	17,206,974	1,941,343	1,327,680	24,479,543
In which: Government bonds and bonds with settlement guaranteed by the Government	-	*3,971,173*	-	-	*32,373*	-	-	-	*4,003,546*
Other financial assets	-	39,650	-	58,639	3,134,647	6,563	105,867	10,393	3,355,759
Total financial assets	**2,675,086**	**6,728,514**	**22,118,006**	**31,174,207**	**31,284,401**	**80,689,371**	**72,044,976**	**69,012,813**	**315,727,374**
Liabilities									
Due to the Government and the SBV	-	-	-	5,032,850	1,000,482	-	-	-	6,033,332
Due to other banks	-	-	5,037,660	24,451,735	3,082,260	2,950,124	-	3,511	35,525,290
Derivative financial liabilities	-	-	-	92,116	73,777	7,863	658,532	-	832,288
Deposits from customers	-	-	57,801,153	53,046,786	33,790,561	53,079,148	6,134,258	66,560	203,918,466
Other borrowed funds	-	-	-	-	22,953	20,771	949,745	-	993,469
Debt instruments issued	-	-	-	307,345	-	2,485,724	7,325,316	3,241,166	13,359,551
Other financial liabilities	-	-	-	5,406,665	16,007	67,430	206,888	8,397	5,705,387
Total financial liabilities	**-**	**-**	**62,838,813**	**88,337,497**	**37,986,040**	**58,611,060**	**15,274,739**	**3,319,634**	**266,367,783**
Net liquidity gap	**2,675,086**	**6,728,514**	**(40,720,807)**	**(57,163,290)**	**(6,701,639)**	**22,078,311**	**56,770,237**	**65,693,179**	**49,359,591**

41. RISK MANAGEMENT (continued)

41.3. *Liquidity risk and funding management* (continued)

As at 31 December 2017	*Overdue up to 3 months VND million*	*Overdue over 3 months VND million*	*On demand VND million*	*Up to 1 month VND million*	*From 1 to 3 months VND million*	*From 3 to 12 months VND million*	*From 1 to 5 years VND million*	*Over 5 years VND million*	*Total VND million*
Financial assets									
Cash and cash equivalents	-	-	13,732,099	4,225,339	4,745,181	-	-	-	22,702,619
Due from other banks	-	-	-	2,902,378	7,780,823	3,523,111	76,471	-	14,282,783
Financial assets held-for-trading	-	-	-	-	-	777,387	2,264,696	4,131,909	7,173,992
In which: Government bonds and bonds with settlement guaranteed by the Government	-	-	-	-	-	-	*232,501*	*4,131,909*	*4,364,410*
Derivative financial assets	-	-	-	516,214	266,201	232,804	26,781	-	1,042,000
Loans and advances to customers	2,349,549	2,599,245	-	10,646,803	16,383,698	40,253,788	42,926,182	49,676,255	164,835,520
Financial investments available-for-sale	-	3,892,337	-	416,681	-	8,733,265	26,231,774	8,880,534	48,154,591
In which: Government bonds and bonds with settlement guaranteed by the Government	-	*3,892,337*	-	*189,431*	-	*3,990,736*	*13,082,002*	*5,997,097*	*27,151,603*
Financial investments held-to-maturity	-	-	-	-	-	2,627,233	3,308,650	-	5,935,883
In which: Government bonds and bonds with settlement guaranteed by the Government	-	-	-	-	-	-	*646,364*	-	*646,364*
Other financial assets	-	86,034	-	1,336,267	1,339,704	1,828,097	958,961	294,933	5,843,996
Total financial assets	**2,349,549**	**6,577,616**	**13,732,099**	**20,043,682**	**30,515,607**	**57,975,685**	**75,793,515**	**62,983,631**	**269,971,384**
Liabilities									
Due to the Government and the SBV	-	-	-	1,004,111	-	-	-	-	1,004,111
Due to other banks	-	-	1,034,798	33,861,177	9,647,489	939,834	36,247	2,660	45,522,205
Derivative financial liabilities	-	-	-	548,989	332,479	94,669	49,503	-	1,025,640
Deposits from customers	-	-	38,745,358	49,205,426	30,219,817	36,184,050	18,831,289	68,995	173,254,935
Other borrowed funds	-	-	-	-	3,537	13,869	869,716	28,794	915,916
Debt instruments issued	-	-	-	-	-	1,160,305	9,980,611	6,657,124	17,798,040
Other financial liabilities	-	-	-	721,243	475,870	356,725	41,212	2,538	1,597,588
Total financial liabilities	**-**	**-**	**39,780,156**	**85,340,946**	**40,679,192**	**38,749,452**	**29,808,578**	**6,760,111**	**241,118,435**
Net liquidity gap	**2,349,549**	**6,577,616**	**(26,048,057)**	**(65,297,264)**	**(10,163,585)**	**19,226,233**	**45,984,937**	**56,223,520**	**28,852,949**

41. RISK MANAGEMENT (continued)

41.3. *Liquidity risk and funding management* (continued)

b. *Maturity profile of the undiscounted cash flows of financial liabilities*

The table below summarises the maturity profile of the undiscounted cash flows of the Bank and its subsidiaries' financial liabilities as at year end.

	On demand VND million	*Up to 1 month VND million*	*From 1 to 3 months VND million*	*From 3 to 12 months VND million*	*From 1 to 5 years VND million*	*Over 5 years VND million*	*Total VND million*
As at 31 December 2018							
Due to the Government and the SBV	-	5,038,605	1,007,474	-	-	-	6,046,079
Due to other banks	5,037,660	24,497,830	3,079,233	2,983,236	-	4,084	35,602,043
Derivative financial liabilities	-	206,530	147,864	436,621	127,905	-	918,920
Deposits from customers	57,801,153	52,794,323	34,304,719	55,211,479	6,982,952	142,632	207,237,258
Other borrowed funds	-	-	27,091	25,075	1,200,307	-	1,252,473
Debt instruments issued	-	300,388	-	2,994,580	8,879,627	5,899,132	18,073,727
Other financial liabilities	-	5,406,665	16,007	67,430	206,888	8,397	5,705,387
Total financial liabilities	**62,838,813**	**88,244,341**	**38,582,388**	**61,718,421**	**17,397,679**	**6,054,245**	**274,835,887**
As at 31 December 2017							
Due to the Government and the SBV	-	1,006,778	-	-	-	-	1,006,778
Due to other banks	1,034,798	34,815,625	9,841,765	1,295,509	95,353	4,866	47,087,916
Derivative financial liabilities	-	549,252	446,884	130,560	-	-	1,126,696
Deposits from customers	38,745,358	56,103,380	30,980,150	37,792,060	20,635,867	128,080	184,384,895
Other borrowed funds	-	-	4,030	16,702	1,094,981	34,888	1,150,601
Debt instruments issued	-	66	50,165	2,168,402	16,878,536	7,154,000	26,251,169
Other financial liabilities	-	721,243	475,870	356,725	41,212	2,538	1,597,588
Total financial liabilities	**39,780,156**	**93,196,344**	**41,798,864**	**41,759,958**	**38,745,949**	**7,324,372**	**262,605,643**

41. RISK MANAGEMENT (continued)

41.3. *Liquidity risk and funding management* (continued)

The table below presents the status of the remaining maturity of the commitments and liabilities:

	Up to 1 month VND million	*From 1 to 3 months VND million*	*From 3 to 12 months VND million*	*From 1 to 5 years VND million*	*Over 5 years VND million*	*Total VND million*
As at 31 December 2018						
Letters of credit	-	-	13,059	7,915,686	-	7,928,745
Financial guarantees	2,167,167	3,364,563	7,060,437	6,336,981	118,413	19,047,561
Undrawn loan commitments	9,758,320	7,204,892	19,360,296	38,025,175	26,693,422	101,042,105
Total commitments and guarantees	**11,925,487**	**10,569,455**	**26,433,792**	**52,277,842**	**26,811,835**	**128,018,411**
As at 31 December 2017						
Letters of credit	-	-	14,718	9,351,603	-	9,366,321
Financial guarantees	3,980,478	2,927,324	5,039,601	3,947,816	114,474	16,009,693
Total commitments and guarantees	**3,980,478**	**2,927,324**	**5,054,319**	**13,299,419**	**114,474**	**25,376,014**

41.4. *Market risk*

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Bank and its subsidiaries classify exposures to market risk into either trading or non–trading portfolios and manage each of those portfolios separately. Non–trading positions are managed and monitored using other sensitivity analysis.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board of Directors has established limits on the non–trading interest rate gaps for stipulated periods. The Bank and its subsidiaries' policy is to monitor positions on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

The table below analyses the interest rate risk for financial assets and financial liabilities of the Bank and its subsidiaries presented at the gross carrying amount and classified by the repricing date or maturity, whichever is earlier.

41. RISK MANAGEMENT (continued)

41.4. *Market risk* (continued)

Interest rate risk (continued)

		Interest rate repricing period							
As at 31 December 2018	*Gross carrying amount VND million*	*Up to one month VND million*	*1 to 3 months VND million*	*3 to 6 months VND million*	*6 to 12 months VND million*	*From 1 to 5 years VND million*	*Over 5 years VND million*	*Overdue VND million*	*Non-interest bearing VND million*
Assets									
Cash and cash equivalents	37,270,448	10,571,033	4,581,409	-	-	-	-	-	22,118,006
Due from other banks	11,676,732	3,666,436	3,643,742	2,364,692	2,001,862	-	-	-	-
Financial assets at FVTPL	7,736,876	257,409	3,635,383	1,910,184	1,933,900	-	-	-	-
In which: Government bonds and bonds with settlement guaranteed by the Government	*5,528,242*	*257,409*	*2,030,590*	*1,306,342*	*1,933,901*	-	-	-	-
Derivative financial assets	579,520	142,988	173,109	103,856	55,908	103,659			
Loans and advances to customers	166,251,254	68,683,435	25,372,549	23,879,741	14,502,470	21,073,756	2,906,064	5,392,777	4,240,462
Debt instruments at FVOCI	64,362,440	7,673,756	34,208,343	8,963,306	13,516,744	-	-	-	291
In which: Government bonds and bonds with settlement guaranteed by the Government	*16,845,026*	*3,469,215*	*3,197,165*	*3,921,447*	*6,257,199*	-	-	-	-
Equity instruments at FVOCI	14,802	-	-	-	-	-	-	-	14,802
Debt instruments at amortised cost	24,479,543	10,401,918	8,885,222	-	1,221,230	-	-	3,971,173	-
In which: Government bonds and bonds with settlement guaranteed by the Government	*4,003,546*	-	*32,373*	-	-	-	-	*3,971,173*	-
Other financial assets	3,355,759	-	-	-	-	-	-	39,650	3,316,109
Total assets	**315,727,374**	**101,596,975**	**80,499,757**	**37,221,779**	**33,232,114**	**21,177,415**	**2,906,064**	**9,403,600**	**29,689,670**
Liabilities									
Due to the Government and the SBV	6,033,332	5,032,850	1,000,482	-	-	-	-	-	-
Due to other banks	35,525,290	24,474,664	3,061,700	1,620,160	1,327,595	-	3,511	-	5,037,660
Derivative financial liabilities	832,288	92,115	73,777	7,864	-	658,532		-	-
Deposits from customers	203,918,466	53,721,327	34,114,396	26,930,439	25,721,258	4,634,023	18,211	-	58,778,812
Other borrowed funds	993,469	-	22,953	2,372	18,399	949,745	-	-	-
Debt instruments issued	13,359,551	2,228,151	2,740,200	1,595,500	5,685,724	1,066,810	43,166	-	-
Other financial liabilities	5,705,387	-	-	-	-	-	-	-	5,705,387
Total liabilities	**266,367,783**	**85,549,107**	**41,013,508**	**30,156,335**	**32,752,976**	**7,309,110**	**64,888**	**-**	**69,521,859**
Total interest sensitivity gap	**49,359,591**	**16,047,868**	**39,486,249**	**7,065,444**	**479,138**	**13,868,305**	**2,841,176**	**9,403,600**	**(39,832,189)**

41. RISK MANAGEMENT (continued)

41.4. *Market risk* (continued)

Interest rate risk (continued)

		Interest rate repricing period					
As at 31 December 2017	*Gross carrying amount VND million*	*Up to 3 months VND million*	*From 3 to 12 months VND million*	*From 1 to 5 years VND million*	*Over 5 years VND million*	*Overdue VND million*	*Non-interest bearing VND million*
Assets							
Cash and cash equivalents	22,702,619	20,353,257	-	-	-	-	2,344,362
Due from other banks	14,282,783	10,659,994	3,545,887	76,902	-	-	-
Financial assets held-for-trading	7,173,992	3,969,622	3,204,370	-	-	-	-
In which: Government bonds and bonds with settlement guaranteed by the Government	*4,364,410*	*2,830,368*	*1,534,042*	-	-	-	-
Derivative financial assets	1,042,000	782,415	232,804	26,781	-	-	-
Loans and advances to customers	164,835,520	102,400,300	30,262,361	22,438,809	2,004,856	4,948,794	2,780,400
Financial investments available-for-sale	48,154,591	11,395,999	32,515,640	-	110,891	3,892,337	239,724
In which: Government bonds and bonds with settlement guaranteed by the Government	*27,151,603*	*8,176,788*	*14,971,587*	-	*110,891*	*3,892,337*	-
Financial investments held-to-maturity	5,935,883	2,393,410	3,542,473	-	-	-	-
In which: Government bonds and bonds with settlement guaranteed by the Government	*646,364*	*646,364*	-	-	-	-	-
Other financial assets	5,843,996	-	-	-	-	86,034	5,757,962
Total assets	**269,971,384**	**151,959,997**	**73,303,535**	**22,542,492**	**2,115,747**	**8,927,165**	**11,122,448**
Liabilities							
Due to the Government and the SBV	1,004,111	1,004,111	-	-	-	-	-
Due to other banks	45,522,205	44,542,100	941,250	34,969	3,886	-	-
Derivative financial liabilities	1,025,640	881,468	94,669	49,503	-	-	-
Deposits from customers	173,254,935	126,585,123	40,740,428	5,911,425	17,959	-	-
Other borrowed funds	915,916	3,537	13,867	869,718	28,794	-	-
Debt instruments issued	17,798,040	-	1,160,305	13,411,280	3,226,455	-	-
Other financial liabilities	1,597,588	-	-	-	-	-	1,597,588
Total liabilities	**241,118,435**	**173,016,339**	**42,950,519**	**20,276,895**	**3,277,094**	**-**	**1,597,588**
Total interest sensitivity gap	**28,852,949**	**(21,056,342)**	**30,353,016**	**2,265,597**	**(1,161,347)**	**8,927,165**	**9,524,860**

41. RISK MANAGEMENT (continued)

41.4. *Market risk* (continued)

Interest rate risk (continued)

Interest rate sensitivity

Assuming that all other variables unchanged, the fluctuation in interest rates that affect the pre-tax profit and equity of the Bank and its subsidiaries as follows:

	Increase in interest rate %	*Effect on Profit before tax VND million*	*Effect on Equity VND million*
As at 31 December 2018			
USD	1.50	103,589	82,871
VND	3.00	2,394,467	1,915,574
As at 31 December 2017			
USD	1.50	12,513	-
VND	3.00	143,866	(118,841)

The increase/decrease in basis points used to analyse the sensitivity to interest rates is assumed based on the conditions that can be observed on the current market.

A 3.00% decrease of VND interest rate and a 1.50% decrease of USD interest rate as at 31 December 2018 and 31 December 2017 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Bank and its subsidiaries are established and incorporated in Vietnam and accounting currency is Vietnam dong, the main transaction currencies of the Bank and its subsidiaries are Vietnam dong, gold, US dollar, Euro and other foreign currencies. The Bank and its subsidiaries establish limits on positions by currency. In accordance with the Bank's policy, positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

Classification of assets and liabilities by currency converted into VND of the Bank and its subsidiaries as at 31 December 2018 and as at 31 December 2017 is as follows:

41. RISK MANAGEMENT (continued)

41.4. *Market risk* (continued)

Currency risk (continued)

As at 31 December 2018	VND *VND million*	*USD converted* *VND million*	*EUR converted* *VND million*	*Gold converted* *VND million*	*Other currencies converted* *VND million*	*Total* *VND million*
Assets						
Cash and cash equivalents	23,874,767	12,283,787	511,762	12,875	587,257	37,270,448
Due from other banks	9,856,965	1,819,767	-	-	-	11,676,732
Financial assets at FVTPL	7,736,876	-	-	-	-	7,736,876
In which: Government bonds and bonds with settlement guaranteed by the Government	*5,528,242*	-	-	-	-	*5,528,242*
Derivative financial assets	242,935	321,379	3,659	-	11,547	579,520
Loans and advances to customers	152,630,430	12,826,819	767,974	-	26,031	166,251,254
Debt instruments at FVOCI	64,362,440	-	-	-	-	64,362,440
In which: Government bonds and bonds with settlement guaranteed by the Government	*16,845,026*	-	-	-	-	*16,845,026*
Equity instruments at FVOCI	14,802	-	-	-	-	14,802
Debt instruments at amortised cost	24,479,543	-	-	-	-	24,479,543
In which: Government bonds and bonds with settlement guaranteed by the Government	*4,003,546*	-	-	-	-	*4,003,546*
Other financial assets	3,278,212	77,547	-	-	-	3,355,759
Total financial assets	**286,476,970**	**27,329,299**	**1,283,395**	**12,875**	**624,835**	**315,727,374**
Liabilities						
Due to the Government and the State Bank of Vietnam	6,033,332	-	-	-	-	6,033,332
Due to other banks	27,978,119	6,764,160	756,937	-	26,074	35,525,290
Derivative financial liabilities	311,742	495,951	10,470	-	14,125	832,288
Deposits from customers	190,223,179	12,647,381	501,746	-	546,160	203,918,466
Other borrowed funds	993,469	-	-	-	-	993,469
Debt instruments issued	13,359,551	-	-	-	-	13,359,551
Other financial liabilities	5,020,120	662,829	9,000	-	13,438	5,705,387
Total financial liabilities	**243,919,512**	**20,570,321**	**1,278,153**	**-**	**599,797**	**266,367,783**
Net gap	**42,557,458**	**6,758,978**	**5,242**	**12,875**	**25,038**	**49,359,591**

41. RISK MANAGEMENT (continued)

41.4. *Market risk* (continued)

Currency risk (continued)

As at 31 December 2017	VND *VND million*	*USD converted* *VND million*	*EUR converted* *VND million*	*Gold converted* *VND million*	*Other currencies converted* *VND million*	*Total* *VND million*
Assets						
Cash and cash equivalents	14,491,486	6,698,924	1,001,556	22,176	488,477	22,702,619
Due from other banks	11,500,649	2,782,133	-	-	1	14,282,783
Financial assets held-for-trading	7,173,992	-	-	-	-	7,173,992
In which: Government bonds and bonds with settlement guaranteed by the Government	*4,364,410*	-	-	-	-	*4,364,410*
Derivative financial assets	7,890	1,034,028	19	-	63	1,042,000
Loans and advances to customers	153,559,079	11,052,109	220,081	-	4,251	164,835,520
Financial investments available-for-sale	48,154,591	-	-	-	-	48,154,591
In which: Government bonds and bonds with settlement guaranteed by the Government	*27,151,603*	-	-	-	-	*27,151,603*
Financial investments held-to-maturity	5,935,883	-	-	-	-	5,935,883
In which: Government bonds and bonds with settlement guaranteed by the Government	*646,364*	-	-	-	-	646,364
Other financial assets	5,663,505	175,685	37	-	4,769	5,843,996
Total financial assets	**246,487,075**	**21,742,879**	**1,221,693**	**22,176**	**497,561**	**269,971,384**
Liabilities						
Due to the Government and the State Bank of Vietnam	1,004,111	-	-	-	-	1,004,111
Due to other banks	35,526,371	9,806,263	189,571	-	-	45,522,205
Deposits from customers	161,021,950	11,080,675	544,049	-	608,261	173,254,935
Derivative financial liabilities	869,218	66,872	77,727	-	11,823	1,025,640
Other borrowed funds	915,916	-	-	-	-	915,916
Debt instruments issued	17,798,040	-	-	-	-	17,798,040
Other financial liabilities	1,544,861	46,766	4,356	-	1,605	1,597,588
Total financial liabilities	**218,680,467**	**21,000,576**	**815,703**	**-**	**621,689**	**241,118,435**
Net gap	**27,806,608**	**742,303**	**405,990**	**22,176**	**(124,128)**	**28,852,949**

41. RISK MANAGEMENT (continued)

41.4. Market risk (continued)

Currency risk (continued)

Exchange rate sensitivity

On the assumption that other variances are unchanged, the table below shows the sensitivity of profit before tax of the Bank and its subsidiaries (due to changes in fair value of assets and liabilities) to changes occurring at suitable level of US dollar, Euro and gold exchange rate. Risk due to changes in exchange rate to other foreign currencies of the Bank and its subsidiaries is not significant.

	Level of increase (%)	*Effects on Profit before tax VND million*
As at 31 December 2018		
USD	1.00	67,590
EUR	1.00	52
Gold	3.00	386
As at 31 December 2017		
USD	1.00	7,423
EUR	1.00	4,060
Gold	3.00	665

A 1.00% strengthening in the VND against USD, EUR and 3.00% against gold as at 31 December 2018 and as at 31 December 2017 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

41.5. Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank and its subsidiaries cannot expect to eliminate all operational risks, but they endeavour to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

42. OPERATING LEASE COMMITMENTS

The Bank and its subsidiaries have entered into commercial leases for premises and equipment. These leases have an average life of between three and five years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases (e.g. such as those concerning dividends, additional debt and further leasing). Future minimum lease payments under non–cancellable operating leases are as follows:

	31 December 2018 *VND million*	*31 December 2017* *VND million*
Within one year	120,019	118,242
After one year but not more than five years	229,575	131,768
More than five years	12,936	-
	362,530	**250,010**

43. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

Related party transactions include all transactions undertaken with other entities to which the Bank and its subsidiaries are related. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. A party is deemed to be a related party to the Bank and its subsidiaries if:

(a) Directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control by the Bank and its subsidiaries (this includes parents and subsidiaries);
- has contribution (own from 5% of chartered capital or share equity with voting right) in the Bank and its subsidiaries that gives it significant influence over the Bank and its subsidiaries; or
- has joint control over the Bank and its subsidiaries;

(b) The party is a joint-venture, associate in which the Bank and its subsidiaries are the ventures, investors (own over 11% of chartered capital or share equity with voting right but not subsidiaries);

(c) The party is a member of the key management personnel of the Bank and its subsidiaries;

(d) The party is a close member of the family of any individual referred to in (a) or (c); or

(e) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such the Bank resides with, directly or indirectly, any individual referred to in (c) or (d).

43. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES (continued)

Bond transactions

VND million

		2018				2017			
Related party	*Relationship*	*Opening balance*	*Increase*	*Decrease*	*Closing balance*	*Opening balance*	*Increase*	*Decrease*	*Closing balance*
Masan Group Corporation Joint Stock Company	(i)								
Face value		274,155	913,109	(1,148,772)	38,492	94,000	3,562,434	(3,382,279)	274,155
Interest receivables		2,864	8,294	(10,784)	374	21	18,527	(15,684)	2,864
Masan Corporation Joint Stock Company	(ii)								
Face value		6,012	2,847,892	(2,853,904)	-	-	1,735,000	(1,728,988)	6,012
Interest receivables		16	3,225	(3,241)	-	-	27	(11)	16
Nui Phao Mining Company Limited	(ii)								
Face value		-	1,725,319	(1,178,021)	547,298	-	-	-	-
Interest receivables		-	20,439	(798)	19,641	-	-	-	-
Masan Resources Joint Stock Company	(ii)								
Face value		-	1,346,161	(1,064,071)	282,090	-	-	-	-
Interest receivables		-	1,636	(472)	1,164	-	-	-	-

43. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES (continued)

Loans to customers

VND million

		2018				2017			
Related party	*Relationship*	*Opening balance*	*Increase*	*Decrease*	*Closing balance*	*Opening balance*	*Increase*	*Decrease*	*Closing balance*
The European Plastic Window Joint Stock Company	(ii)								
Loans to customers - principal		394,097	652,705	(559,466)	487,336	407,606	285,092	(298,601)	394,097
Interest receivables		1,978	41,343	(41,192)	2,129	1,225	32,075	(31,322)	1,978
Nui Phao Mining Company Limited	(ii)								
Loans to customers - principal		890,802	1,648,913	(1,381,555)	1,158,160	681,982	1,192,178	(983,358)	890,802
Interest receivables		696	47,421	(47,258)	859	430	38,451	(38,195)	696
Vietnam Investment T&M Joint Stock Company	(iii)								
Loans to customers - principal		590,000	-	-	590,000	-	590,000	-	590,000
Interest receivables		3,278	61,314	(61,694)	2,898	-	3,278	-	3,278

Term deposits from customers

VND million

		2018				2017			
Related party	*Relationship*	*Opening balance*	*Increase*	*Decrease*	*Closing balance*	*Opening balance*	*Increase*	*Decrease*	*Closing balance*
Masan Group Corporation Joint Stock Company and a group of related companies	(iv)								
Term deposits from customers		2,231,676	16,999,304	(18,578,058)	652,922	3,972,472	14,499,276	(16,240,072)	2,231,676
Interest payables		4,058	98,283	(100,151)	2,190	11,965	91,318	(99,225)	4,058
Members of the Board of Directors, Supervisors, Management and other related individuals	(i), (iii)								
Term deposits from customers		396,937	6,148,743	(5,499,570)	1,046,110	297,706	5,958,388	(5,859,157)	396,937
Interest payables		8,259	68,329	(64,520)	12,068	2,772	30,474	(24,987)	8,259

43. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES (continued)

Demand deposits from customers

VND million

Related party	*Relationship*	*31 December 2018*	*31 December 2017*
The European Plastic Window Joint Stock Company	(ii)	10,670	23,793
Masan Group Corporation Joint Stock Company and a group of related companies	(iv)	67,984	64,877
Members of the Board of Directors, Supervisors, Management and other related individuals	(i), (iii)	200,648	172,702

Remuneration of the Board of Directors, Supervisors and Management

VND million

Related party	*Amount*	
	2018	*2017*
Remuneration of the Board of Directors, Supervisors and Management		
Remuneration of the Board of Directors and Supervisors	(31,099)	(28,903)
Remuneration of the Board of Management	(154,886)	(65,511)

(i) Shareholder has its representative in the Board of Directors of the Bank

(ii) Related party has its representative in the Board of Directors of the Bank

(iii) Related party has its representative related to members of the Board of Directors, or Board of Management or Board of Supervisors of the Bank

(iv) Masan Group Corporation Joint Stock Company and a group of related companies of Masan Group Corporation Joint Stock Company have its representative in the Board of Directors of the Bank or its representative related to members of the Board of Directors, or the Board of Management or the Board of Supervisors of the Bank

44. CAPITAL

The Bank and its subsidiaries maintain an actively managed capital base to cover risks inherent in the business and meet the capital adequacy requirements of the SBV. The adequacy of the Bank and its subsidiaries' capital is among other measures and adopted by the SBV in supervising the Bank.

Capital Management

The primary objectives of the Bank's capital management policy are to ensure that the Bank and its subsidiaries comply with externally imposed capital requirements and maintain strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Bank and its subsidiaries manage their capital structure and make adjustments to it according to changes in economic conditions and the risk characteristics of their activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes have been made to the objectives, policies and processes from the prior periods. However, they are under constant review by the Board of Management.

Regulatory capital

The table below shows the regulatory capital and capital adequacy ratio of the Bank as at 31 December 2018 and 31 December 2017. According to regulations of the SBV, the regulatory capital and capital adequacy ratio are calculated following the guideline of Circular No. 13/VBHN-NHNN ("regulations on prudential ratios") and determined based on the audited consolidated financial statements of the Bank and its subsidiaries in accordance with Vietnam Accounting Standards, Vietnamese Accounting System for Credit Institutions, regulations stipulated by the SBV and the statutory requirements relevant to preparation and presentation of the consolidated financial statements.

	31 December 2018 *VND million*	*31 December 2017* *VND million*
Tier 1 Capital	44,498,544	19,228,990
Tier 2 Capital	4,267,845	8,741,372
Total equity capital	**48,766,389**	**27,970,362**
Risk weighted assets	341,024,380	220,662,985
Tier 1 capital adequacy ratio	13.05%	8.71%
Total capital adequacy ratio	14.30%	12.68%
Minimum adequacy for total capital ratio required by regulations on prudential ratios	9.00%	9.00%

45. EXCHANGE RATE OF FOREIGN CURRENCIES AS AT END OF THE YEAR

	31 December 2018 VND	*31 December 2017 VND*
USD	23,195	22,425
EUR	26,529	27,246
Gold	3,641,000	3,648,000

46. CORRESPONDING FIGURES

Certain corresponding figures presented in prior year's consolidated financial statements have been reclassified to conform to the current year's presentation:

	Notes	*2017 (as previously reported) VND million*	*Reclassification VND million*	*2017 (reclassified) VND million*
CONSOLIDATED STATEMENT OF PROFIT OR LOSS				
Interest and similar income	(i)	17,306,079	(318,607)	16,987,472
Net trading income	(i)	702,709	300,473	1,003,182
Other operating income	(i)	2,720,193	18,134	2,738,327
Fee and commission expenses	(ii)	(707,783)	151,001	(556,782)
Credit loss expense on financial assets	(ii)	(2,798,743)	57,538	(2,741,205)
Other operating expenses	(ii)	(1,435,044)	(208,539)	(1,643,583)
CONSOLIDATED STATEMENT OF CASH FLOWS				
Credit loss expense on financial assets	(iii)	2,798,743	(57,538)	2,741,205
Change in other liabilities	(iii)	552,725	57,538	610,263
Change in other assets	(iv)	(2,046,659)	(355,192)	(2,401,851)
Proceed from liquidation of the subsidiary and other long-term investments	(iv)	-	355,192	355,192

(i) Reclassify "Interest and similar income" to "Net trading income" and "Other operating income".

(ii) Reclassify "Fee and commission expenses" to "Other operating expenses" and reclassify "Other operating expenses" to "Credit loss expense on financial assets".

(iii) Reclassify "Credit loss expense on financial assets" to "Change in other liabilities".

(iv) Reclassify "Change in other assets" to "Proceed from liquidation of the subsidiary and other long-term investments".

47. SIGNIFICANT EVENTS DURING THE YEAR

On 12 March 2018, the Bank divested its entire capital in Techcom Finance Limited One Member Company.

On 4 June 2018, the Bank's shares were officially listed on Ho Chi Minh City Stock Exchange.

On 30 May 2018, Techcom Securities Company Limited successfully transformed its legal form from a limited company to a joint stock company under Establishment and Operating License No. 125/GP-UBCK issued by the State Security Commission of Vietnam dated 30 May 2018. The Company's new name has been changed to Techcom Securities Joint Stock Company.

48. EVENTS AFTER THE REPORTING DATE

On 30 January 2019, Techcom Capital Management Company Limited successfully transformed its legal form from a limited company to a joint stock company under Establishment and Operating Licence No. 57/GP-UBCK issued by the State Security Commission of Vietnam dated 30 January 2019, replacing Establishment and Operating Licence No. 40/UBCK-GP issued by the State Security Commission of Vietnam on 21 October 2008. There is no difference in term of permitted operating activities between these two official documents. Accordingly, the Company's name is changed to Techcom Capital Management Joint Stock Company.

There has not been any other matter or circumstance that has arisen since the reporting date that has affected or may significantly affect the operations of the Bank and its subsidiaries, the results of those operations or the state of affairs of the Bank and its subsidiaries in subsequent periods.

Prepared by:	Approved by:	Approved by:
Ms. Bui Thi Khanh Van Chief Accountant	Ms. Thai Ha Linh Director of Accounting, Financial Policy and Tax, Finance and Planning Division	Mr. Nguyen Le Quoc Anh Chief Executive Officer

M.S.D.N: 0100230800 T.C.P
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25-03-2019
Hanoi, Vietnam