

INDOVINA BANK LIMITED

(Incorporated in the Socialist Republic of Vietnam)

AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2019

INDOVINA BANK LIMITED

97A Nguyen Van Troi Street, Ward 12

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

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INDOVINA BANK LIMITED

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

STATEMENT OF THE BOARD OF EXECUTIVES

The Board of Executives of Indovina Bank Limited (the "Bank") presents this report together with the Bank's financial statements for the year ended 31 December 2019.

BOARD OF MEMBERS AND THE BOARD OF EXECUTIVES

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

Board of Members

Mr. Le Duy Hai	Chairman (appointed on 19 June 2019)
Mr. Nguyen Anh Tuan	Chairman (resigned on 19 June 2019)
Mr. Lee Ming-Hsien	Vice Chairman
Ms. Nguyen Thu Hang	Member
Mr. Jan Yei-Fong	Member
Mr. Liu Chun Hao	Member
Mr. Le Van Phu	Member

Board of Executives

Mr. Liu Chun Hao	General Director
Mr. Le Van Phu	First Deputy General Director
Mr. Chang Tsung Cheng	Deputy General Director

THE BOARD OF EXECUTIVES' STATEMENT OF RESPONSIBILITY

The Board of Executives of the Bank is responsible for preparing the financial statements, which give a true and fair view of the financial position of the Bank as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for credit institutions and legal regulations relating to financial reporting. In preparing these financial statements, the Board of Executives is required to:

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

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

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

For and on behalf of the Board of Executives,



Liu Chun Hao
General Director
5 March 2020

No.: 0355 /VN1A-HC-BC

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Indovina Bank Limited (the "Bank") prepared on 5 March 2020 as set out from page 4 to page 44, which comprise the balance sheet as at 31 December 2019 and the statement of income and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Executives Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for credit institutions and legal regulations relating to financial reporting.

INDEPENDENT AUDITORS' REPORT (Continued)

Other matters

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



Võ Thái Hòa
Audit Partner
Audit Practising Registration Certificate
No. 0138-2018-001-1
**BRANCH OF DELOITTE VIETNAM
COMPANY LIMITED**
5 March 2020
Ho Chi Minh City, S.R. Vietnam

A blue handwritten signature of Tran Van Dang, written over a horizontal line.

Tran Van Dang
Auditor
Audit Practising Registration Certificate
No. 4142-2017-001-1

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BALANCE SHEET
As at 31 December 2019

Assets	Notes	Closing balance		Opening balance	
		USD	VND million equivalent	USD	VND million equivalent
Cash on hand	5	8,982,154	208,162	9,516,559	220,974
Deposits with the State Bank of Vietnam	6	76,067,707	1,762,869	24,000,477	557,291
Deposits with other credit institutions	7	320,659,348	7,431,280	288,312,205	6,694,609
Lending to other credit institutions	8	66,807,443	1,548,262	108,144,946	2,511,126
Trading securities	9	291,344,133	6,751,901	229,365,090	5,325,858
<i>Trading securities</i>		291,616,122	6,758,204	230,707,606	5,357,031
<i>Provision for diminution in value of trading securities</i>		(271,989)	(6,303)	(1,342,516)	(31,173)
Loans to customers	10	1,282,629,782	29,724,946	1,168,106,031	27,123,422
<i>Loan to customer</i>		1,307,821,561	30,308,765	1,184,477,094	27,503,558
<i>Provision for loan losses</i>		(25,191,779)	(583,819)	(16,371,063)	(380,136)
Investment securities	11	216,296,483	5,012,670	231,677,188	5,379,545
<i>Available-for-sale securities</i>		195,251,070	4,524,944	202,036,031	4,691,277
<i>Held-to-maturity securities</i>		21,559,663	499,645	38,727,035	899,242
<i>Provision for diminution in value of investment securities</i>		(514,250)	(11,918)	(9,085,878)	(210,974)
Tangible fixed assets	12	9,299,752	215,522	9,075,022	210,722
Intangible assets	13	15,786,888	365,861	15,558,221	361,262
Other assets		25,430,886	589,361	19,511,145	453,049
<i>Other receivables</i>	14	4,804,883	111,354	3,525,478	81,862
<i>Accrued interest receivables</i>		15,661,809	362,962	12,935,305	300,358
<i>Deferred tax assets</i>		2,542,476	58,922	1,197,887	27,815
<i>Other assets</i>	15	2,421,718	56,123	1,852,475	43,014
Total assets		2,313,304,576	53,610,834	2,103,266,884	48,837,858
Resources					
Borrowings from the Government and the State Bank of Vietnam	16	-	-	20,037,168	465,263
Deposits from other credit institutions	17	298,612,620	6,920,347	368,413,822	8,554,569
Borrowings from other credit institutions	18	258,051,265	5,980,338	166,783,906	3,872,722
Deposits from customers	19	1,356,688,393	31,441,254	1,268,528,529	29,455,232
Derivatives and other financial liabilities	20	5,971,183	138,382	1,477,894	34,317
Valuable papers issued	21	78,181,701	1,811,861	-	-
Other liabilities		55,341,501	1,282,540	27,685,192	642,851
<i>Accrued interest payables</i>		26,077,074	604,336	21,770,405	505,509
<i>Other payables</i>	22	29,264,427	678,204	5,914,787	137,342
Equity and reserves	23	260,457,913	6,036,112	250,340,373	5,812,904
<i>Charter capital</i>		193,000,000	3,377,500	193,000,000	3,377,500
<i>Foreign exchange difference</i>		-	1,126,777	-	-
<i>Reserves</i>		37,298,204	826,011	32,278,661	709,319
<i>Retained earnings</i>		30,159,709	705,824	25,061,712	590,924
Total resources		2,313,304,576	53,610,834	2,103,266,884	48,837,858

The accompanying notes are an integral part of these financial statements

OFF-BALANCE SHEET ACCOUNTS

As at 31 December 2019

	Notes	Closing balance		Opening balance	
		USD	VND million equivalent	USD	VND million equivalent
Foreign exchange commitments		911,660,579	21,127,734	645,401,492	14,986,223
Currency spot purchase commitment	38	51,866,865	1,202,015	39,602,310	919,566
Currency spot sale commitment	38	50,793,843	1,177,147	38,354,910	890,601
Currency swap commitment	38	808,999,871	18,748,572	567,444,272	13,176,056
Letters of credit	38	21,996,095	509,760	33,117,522	768,989
Other guarantess	38	45,848,142	1,062,531	73,629,069	1,709,667
		979,504,816	22,700,025	752,148,083	17,464,879



Huynh Thanh Trung
Preparer



Tran Le Thuy
Chief Accountant



Liu Chun Hao
General Director
5 March 2020

INCOME STATEMENT
For the year ended 31 December 2019

	Notes	Current year		Prior year	
		USD	VND million equivalent	USD	VND million equivalent
1. Interest and similar income	24	148,182,109	3,441,959	124,429,876	2,857,837
2. Interest expense and similar charges	25	(77,625,291)	(1,803,276)	(63,578,057)	(1,461,157)
I. Net interest and similar income		70,556,818	1,638,683	60,851,819	1,396,680
1. Fee and commission income		4,353,768	101,125	3,464,481	79,687
2. Fee and commission expense		(1,655,385)	(38,445)	(1,689,622)	(38,906)
II. Net fee and commission income	26	2,698,383	62,680	1,774,859	40,781
III. Net loss from dealing in foreign currencies	27	(4,888,198)	(113,462)	(2,631,917)	(60,643)
IV. Net gain from trading of securities	28	8,662,616	201,281	9,989,268	229,839
V. Net gain from trading of investment securities	29	1,013,574	23,488	(8,349,477)	(194,051)
1. Other operating income		1,102,829	25,587	1,240,879	28,685
2. Other operating expenses		(2,195)	(51)	(7,959)	(183)
VI. Gain from other activities	30	1,100,634	25,536	1,232,920	28,502
VII. General and administration expenses	31	(24,502,024)	(569,360)	(21,598,727)	(496,032)
VIII. Net income before provision for credit losses		54,641,803	1,268,846	41,268,745	945,076
IX. Provision for credit losses	10	(10,989,863)	(254,704)	(5,496,014)	(125,117)
X. Profit before tax		43,651,940	1,014,142	35,772,731	819,959
XI. Current corporate income tax expense	32	(10,378,810)	(240,529)	(7,151,979)	(166,069)
XII. Deferred tax income	32	1,344,410	31,157	158,395	3,678
XIII. Profit after tax		34,617,540	804,770	28,779,147	657,568


Huynh Thanh Trung
Preparer


Tran Le Thuy
Chief Accountant


LIU Chun Hao
General Director
5 March 2020

CASH FLOW STATEMENT
For the year ended 31 December 2019
 (Under direct method)

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest and similar income received	145,455,605	3,379,355	123,735,339	2,831,978
Interest expense and similar charges paid	(73,318,622)	(1,704,449)	(55,945,933)	(1,272,699)
Fee and commission income received	2,698,383	62,680	1,774,859	40,781
Net gain on trading activities (foreign currencies and securities)	5,124,569	107,390	7,549,750	173,731
Receipts from other activities	238,390	5,536	195,884	4,422
Collections of bad debt previously written off	774,894	17,971	1,036,853	24,076
Cash paid to employees and related operating activities	(23,461,839)	(545,106)	(21,054,382)	(482,947)
Corporate income tax paid	(7,280,074)	(168,716)	(7,902,766)	(182,768)
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	50,231,306	1,154,661	49,389,604	1,136,574
Changes in operating assets				
Changes in deposits with and loans to other credit institutions	35,685,108	831,615	(24,243,066)	(625,132)
Changes in trading securities	(36,956,183)	(835,243)	(65,409,335)	(1,840,370)
Changes in loans to customers	(123,344,467)	(2,805,207)	(186,534,513)	(5,124,696)
Utilisation of allowance for credit losses	(11,642,636)	(270,141)	(10,136,760)	(235,376)
Changes in other operating assets	(1,848,827)	(42,551)	(250,998)	(10,722)
Changes in operating liabilities				
Change in borrowings from the government and the SBV	(20,037,168)	(465,263)	20,037,168	465,263
Changes in deposits and borrowings from other credit institutions	21,466,157	473,394	196,816,955	4,839,102
Changes in deposits from customers	88,159,864	1,986,022	81,627,782	2,838,978
Changes in issuing valuable papers	78,181,701	1,811,861	-	-
Changes in derivatives and other financial liabilities	4,493,289	104,065	(2,804,471)	(61,715)
Changes in other liabilities	21,532,904	510,563	(617,835)	(9,669)
Net cash from operating activities	105,921,048	2,453,776	57,874,531	1,372,237

The accompanying notes are an integral part of these financial statements

CASH FLOW STATEMENT (Continued)
 For the year ended 31 December 2019
 (Under direct method)

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
CASH FLOW USED IN INVESTMENT ACTIVITIES				
1. Acquisition of fixed assets	(1,775,582)	(40,040)	(492,645)	(31,859)
2. Disposal of fixed assets	87,350	2,029	183	4
Net cash used in investment activities	(1,688,232)	(38,011)	(492,462)	(31,855)
CASH FLOW USED IN FINANCING ACTIVITIES				
1. Dividends paid	(25,500,000)	(596,573)	(26,500,000)	(601,160)
Net cash used in financing activities	(25,500,000)	(596,573)	(26,500,000)	(601,160)
Net increase in cash and cash equivalents	78,732,816	1,819,192	30,882,069	739,222
Cash and cash equivalents at the beginning of the year	327,481,636	7,604,123	295,811,742	6,633,578
Effects of changes in foreign exchange rate	(505,243)	(21,005)	787,825	231,323
Cash and cash equivalents at the end of the year (Note 33)	405,709,209	9,402,310	327,481,636	7,604,123
In which:				
Cash on hand	8,982,154	208,161	9,516,559	220,974
Deposits with the State Bank of Vietnam	76,067,707	1,762,869	24,000,477	557,291
Deposits with other credit institutions (with terms of 3 months or less)	320,659,348	7,431,280	293,964,600	6,825,858
	405,709,209	9,402,310	327,481,636	7,604,123



Huynh Thanh Trung
Preparer



Tran Le Thuy
Chief Accountant



Liu Chun Hao
General Director
5 March 2020

NOTES TO THE FINANCIAL STATEMENTS

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

1. GENERAL INFORMATION

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

According to the Decision No. 158/QĐ-NHNN dated 25 January 2017 and Banking Licence No. 101/NH-GP dated 11 November 2019 issued by the Governor of the State Bank of Vietnam on the revising of establishment and operation licenses to Indovina Bank Limited, the State Bank of Vietnam ("SBV") has approved to extend the operating period of the Bank to 99 years since 29 October 1992.

Principal activities

The principal activities of the Bank are to carry out banking activities which include mobilizing and receiving short-term, medium and long-term deposits from various organizations and individuals; lending short-term, medium and long-term loans to various organizations and individuals up to the nature and ability of the Bank's capital resources; conducting foreign currency transactions, international commercial service, discounting of commercial notes, bonds and valuable papers; issuing certificates of deposit, promissory notes, bills and bonds to mobilize in accordance with Law on credit institutions, the Securities Law, the Government regulations and the SBV's guidance; borrowing from the SBV in the form of refinancing under the Law on the State Bank of Vietnam and the SBV's guidance; providing settlement services between customers; and other banking services as approved by the State Bank of Vietnam.

Location and Networks

The Bank's Head Office is located at 97A Nguyen Van Troi Street, Ward 12, Phu Nhuan District, Ho Chi Minh City, Vietnam. As at 31 December 2019 and 2018, the Bank had one (1) Head Office, thirteen (13) branches, nineteen (19) transaction offices located in cities and provinces in Vietnam.

The number of the Bank's employees as at 31 December 2019 was 819 (31 December 2018: 776).

Disclosure of information comparability in the financial statements

Comparative figures are the figures of the audited financial statements for the year ended 31 December 2018.

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

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

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

2.2 Translation of financial information into Vietnam Dong

The Bank uses USD as functional currency unit. For the purpose of compliance with the regulatory requirements under the guidance of SBV in case the functional currency other than VND, the Bank converted its financial statements prepared in USD into VND, rounded to the nearest million ("VND million"). During the year, the Bank applied the Circular No. 22/2017 / TT-NHNN ("Circular 22") dated 29 December 2017 to translate the financial statements prepared in USD to VND based on the following principles:

- Assets and liabilities are translated into Vietnam Dong at the average spot rate for buying and selling at the balance sheet date;
- Owner's equity (including contributed capital) is translated into Vietnam Dong at the actual exchange rate at the date of capital contribution;
- Retained earnings and funds deducted from retained earnings arising after the investment date are translated into Vietnam Dong by calculating according to the items of the income statement;
- Profits and dividends paid are translated into Vietnam Dong according to the average spot rate for buying and selling of commercial banks where the Bank performs the most transactions in the accounting period at the date of interest and dividend payment;
- Items in the income statement and the cash flow statement are translated into Vietnam Dong at the average spot rate for buying and selling of commercial banks that the Bank performs the most transactions in the accounting period at the date of the transaction.
- Foreign exchange differences arising from the conversion of the financial statements prepared in foreign currencies into Vietnam Dong are presented in the "Foreign exchange difference" under the "Equity" section in the Balance Sheet.

2.3 Financial year

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

3. CHANGE IN ACCOUNTING POLICY

The accounting policies adopted by the Bank in preparation of the financial statements are consistent with those followed in the preparation of the Bank's financial statements for the year ended 31 December 2018.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Estimates

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

Financial instruments

Initial recognition

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

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



Cash and cash equivalents

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

Trading securities

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

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

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

Available-for-sale investment securities

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

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

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

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

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

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

Held-to-maturity investment securities

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

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

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

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

Provision for impairment in value of trading securities and investment securities

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

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

Reclassification

According to Official Letter 2601, reclassification after transaction date is made not more than once time for each group of investment securities. In special cases or in case a large amount of securities has to be reclassified (greater than or equal to 50% total value of the portfolio), the Bank will disclose the effect of reclassification on total assets, liabilities, equity, income and expenses of the Bank in the financial statements.

Loans to customers

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

Interest income and expenses

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

Provision for loan losses

In accordance with Law of credit institutions No.47/2010/QH12 with effect from 1 January 2011, Circular No. 39/2016/TT-NHNN dated 30 December 2016 issued by the Governor of the State Bank of Vietnam on issuing regulations on lending transactions of credit institutions and/or foreign bank branches with customers, Circular No. 02/2013/TT-NHNN dated 21 January 2013 ("Circular 02") on classification of assets, levels and method of setting up of risk provisions and use of provisions against credit risks in the banking activities of credit institutions, foreign bank branches issued by the Governor of the State Bank of Vietnam and Circular No. 09/2014/TT-NHNN dated 18 March 2014 ("Circular 09") on amending Circular 02 on classification of assets, levels and method of setting up of risk provisions, and use of provisions against credit risks in the banking activities of credit institutions, foreign bank branches issued by the Governor of the State Bank of Vietnam.

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

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

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

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

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

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

At least once every quarter, the Bank classifies loans and off-balance-sheet commitments at the end of each quarter for the first three quarters and on November 30 for the fourth quarter in the financial year.

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

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

The Bank writes off loans if they are classified under Group 5 or if the borrowers are legal entities that are liquidated or go bankrupt, or if borrowers are individuals who pass away or are missing. The solution for this loan is made after the approval of Risk Settlement Committee of the Bank. Bad debts written-off through provision are recorded in the appropriate off-balance sheet account for monitoring and collecting. The amount collected from the written off loans, including from liquidation of collaterals, is recorded in the profit and loss.

Fees and commission income

Fees and commission income, including fees received for settlement services, treasury services, guarantees services, and other services, are recognized on an accrual basis.

Tangible fixed assets and depreciation

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

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

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

Intangible assets and amortization

Land use rights

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

Computer software

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

Derivative financial instruments

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

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

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

Other receivables

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

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

According to the Bank's policy, for overdue receivable debts, the level of provisions is:

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

Off-balance sheet commitments and guarantees

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

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

Foreign currencies

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

Operating lease

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

Management-entrusted assets

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

Other provisions

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

Reserves

Compulsory reserves

According to Decree No. 93/2017/ND-CP dated 07 August 2017 issued by the Government of Vietnam on the financial regime applicable to credit institutions, foreign bank branches, the Bank is required to make the following appropriation before distribution of profits:

	Annual Appropriation	Maximum balance
Reserves to supplement contributed capital	5% of profit after tax	Contributed capital
Financial reserves	10% of profit after tax	Not specified

The financial reserve is to cover remaining losses and damages in assets incurred during the normal course of business after being compensated for losses from organizations and individuals causing the losses, the insurance organization and the provisions extracted from the expenses; used for other purposes in accordance with the law. These compulsory reserves are non-distributable and are recorded as part of equity.

Other reserves

Other reserve funds include investment and development fund and other funds which are appropriated from the Bank's profit after tax as decided by the Board of Members of the Bank. These reserves are not regulated by law and are fully distributed and recorded as part of the equity.

Benefits of the employees

Post-employment benefits: Post-employment benefits are paid to retired employees of the Bank by the Social Insurance Agency, which belongs to the Ministry of Labour, War Invalids and Social Affairs. The Bank is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 17.5% (before 01 June 2017 was 18%) of an employee's basic salary on a monthly basis. In addition, the Bank has no further obligation.

Voluntary resignation and retrenchment benefits

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

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

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

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

Taxation

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

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

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

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

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

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

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

5. CASH ON HAND

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Cash on hand in Vietnam Dong	6,800,442	157,600	6,330,326	146,990
Cash on hand in other currencies	2,181,712	50,561	3,186,233	73,984
	8,982,154	208,161	9,516,559	220,974

6. DEPOSITS WITH THE STATE BANK OF VIETNAM

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Deposits in Vietnam Dong	64,273,217	1,489,532	10,998,502	255,385
Deposits in other currencies	11,794,490	273,337	13,001,975	301,906
	76,067,707	1,762,869	24,000,477	557,291

Deposits with the State Bank of Vietnam represent demand deposits and the compulsory reserves maintained in compliance with the SBV's current regulations. The compulsory reserve per month is determined by the average compulsory reserve deposit balance of previous month multiplying by compulsory reserve ratios, respective to deposit's terms and currencies. The compulsory reserve ratios are as below:

Currencies and terms	31/12/2019	31/12/2018
Demand deposit and term deposit of less than 12 months in Vietnam Dong	3%	3%
Term deposit of greater than 12 months in Vietnam Dong	1%	1%
Demand deposit and term deposit of less than 12 months in foreign currencies	8%	8%
Term deposit of greater than 12 months in foreign currencies	6%	6%
Deposit in foreign currencies of oversea credit institutions	1%	1%

The compulsory reserve in December 2019 is VND 661,111 million (December 2018: VND 635,498 million) and USD 11,647,700 (December 2018: USD 12,744,010), respectively.

7. DEPOSITS WITH OTHER CREDIT INSTITUTIONS

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Demand deposit				
<i>In Vietnam Dong</i>	177,784,529	4,120,156	174,700,214	4,056,539
<i>In other currencies</i>	99,724,873	2,311,124	50,950,492	1,183,070
	277,509,402	6,431,280	225,650,706	5,239,609
Time deposit				
<i>In Vietnam Dong</i>	43,149,946	1,000,000	62,661,499	1,455,000
<i>In other currencies</i>	-	-	-	-
	43,149,946	1,000,000	62,661,499	1,455,000
	320,659,348	7,431,280	288,312,205	6,694,609

8. LOANS TO OTHER CREDIT INSTITUTIONS

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Loans denominated in Vietnam Dong	25,889,968	600,000	21,533,161	500,000
Loans denominated in other currencies	40,917,475	948,262	86,611,785	2,011,126
	66,807,443	1,548,262	108,144,946	2,511,126

9. TRADING SECURITIES

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Equity securities				
<i>Shares issued by local economic entities</i>	1,875,963	43,475	2,726,992	63,321
Debt securities				
<i>Government debt securities</i>	81,750,982	1,894,579	-	-
<i>Bonds issued by other local credit institutions</i>	180,786,312	4,189,723	225,771,135	5,242,406
<i>Bonds issued by other local economic entities</i>	27,202,865	630,427	2,209,479	51,304
	291,616,122	6,758,204	230,707,606	5,357,031
Provision for trading securities				
<i>General provision for credit losses</i>	(271,989)	(6,303)	(486,746)	(11,302)
<i>Provision for diminution in value of trading securities</i>	-	-	(855,770)	(19,871)
	(271,989)	(6,303)	(1,342,516)	(31,173)
	291,344,133	6,751,901	229,365,090	5,325,858

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

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Opening balance	486,746	11,302	360,407	8,082
(Reversal)/provision charged for the year	(214,757)	(5,053)	126,339	2,934
Foreign currency translation difference	-	54	-	286
Closing balance	271,989	6,303	486,746	11,302

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

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Opening balance	855,770	19,871	840,737	18,854
Provision charged for the year	-	-	15,033	349
Provision used to write-off bad debts during the year	(855,770)	(19,871)	-	-
Foreign currency translation difference	-	-	-	668
Closing balance	-	-	855,770	19,871

Trading securities categorized by listed status are as follows:

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Equity securities				
Unlisted	1,875,963	43,475	2,726,992	63,321
Debt securities				
Listed	81,750,982	1,894,579	-	-
Unlisted	207,989,177	4,820,150	227,980,614	5,293,710
	291,616,122	6,758,204	230,707,606	5,357,031

Trading debt securities represent:

- Government debt securities with maturity between one year and ten years, earning interest from 7.40% to 10.75% per annum (As at 31 December 2018: maturity between one year and ten years, earning interest from 7.40% to 10.75% per annum).
- Bonds issued by other local economic entities with maturity between one and three years, earning interest from 8.50% to 12.05% per annum (As at 31 December 2018: maturity within one year, earning interest 8.50% per annum).

10. LOANS TO CUSTOMERS

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Loans to local entities and individuals	1,307,821,561	30,308,765	1,184,477,094	27,503,558
Loans to oversea entities and individuals	-	-	-	-
	1,307,821,561	30,308,765	1,184,477,094	27,503,558

Loans to customers were analyzed as follows:

10.1 Analysis by term

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Short-term loans (within one year)	414,699,025	9,610,650	455,366,189	10,573,603
Medium-term loans (from one year to five years)	242,336,202	5,616,141	210,083,719	4,878,144
Long-term loans (above five years)	650,786,334	15,081,974	519,027,186	12,051,811
	1,307,821,561	30,308,765	1,184,477,094	27,503,558

10.2 Analysis by currency

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Loans denominated in Vietnam Dong	1,149,076,754	26,629,854	1,004,325,412	23,320,436
Loans denominated in other currencies	158,744,807	3,678,911	180,151,682	4,183,122
	1,307,821,561	30,308,765	1,184,477,094	27,503,558

10.3 Analysis by economic sectors

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Joint stock companies	526,407,344	12,199,490	460,994,315	10,704,288
Limited liability companies	438,838,454	10,170,081	394,163,049	9,152,466
State-owned enterprises	77,767,152	1,802,254	211,480,319	4,910,573
Foreign invested enterprise	96,402,688	2,234,132	4,103,833	95,291
Individuals	168,345,823	3,901,415	113,670,069	2,639,419
Private enterprises	60,100	1,393	65,509	1,521
	1,307,821,561	30,308,765	1,184,477,094	27,503,558

10.4 Analysis by loan group

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Group 1 - Current	1,282,978,650	29,733,031	1,158,990,208	26,911,752
Group 2 - Special-mentioned	9,072,887	210,264	15,329,380	355,948
Group 3 - Sub-standard	4,050,915	93,880	304,330	7,067
Group 4 - Doubtful	3,666,881	84,980	2,152,306	49,977
Group 5 - Loss	8,052,228	186,610	7,700,870	178,814
	1,307,821,561	30,308,765	1,184,477,094	27,503,558

10.5 Analysis by industry

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Mining and processing	185,643,681	4,302,292	216,895,258	5,036,308
Trading and moto vehicle repairing	445,367,820	10,321,399	424,923,620	9,866,726
Constructions	112,773,094	2,613,516	128,522,414	2,984,290
Logistics	30,260,570	701,289	35,454,128	823,245
Accomodation and restaurant services	47,536,663	1,101,662	62,549,975	1,452,410
Real estate	64,257,588	1,489,170	27,013,190	627,246
Agriculture, forestry and aquatics	2,235,645	51,811	2,977,173	69,130
Health care and social support	2,120,070	49,133	2,401,949	55,773
Financial services	23,003,471	533,105	41,761,068	969,692
Electricity, water, oil and gas supply	72,852,626	1,688,360	33,229,650	771,592
Training and education	2,409	56	2,313	54
Telecommunication	75,592	1,752	198,751	4,615
Household services	6,733,706	156,054	4,593,597	106,663
Other services	314,958,626	7,299,166	203,954,008	4,735,814
	1,307,821,561	30,308,765	1,184,477,094	27,503,558

10.6 Provision for credit losses

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
General provision	9,785,081	226,769	8,299,091	192,705
Specific provision	15,406,698	357,050	8,071,972	187,431
	25,191,779	583,819	16,371,063	380,136

10.7 Change in provision for credit losses for loans to customers

General provision

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Beginning balance	8,299,091	192,705	7,140,258	160,120
Charge for the year	1,485,990	34,474	1,158,833	26,381
Foreign currency translation difference	-	(410)	-	6,204
Closing balance	9,785,081	226,769	8,299,091	192,705

Specific provision

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Beginning balance	8,071,972	187,431	13,871,551	311,070
Charge for the year	9,503,873	220,230	4,337,181	98,736
Provision used to write-off bad debts during the year	(2,169,147)	(50,270)	(10,136,760)	(235,376)
Foreign currency translation difference	-	(341)	-	13,001
Closing balance	15,406,698	357,050	8,071,972	187,431

11. INVESTMENT SECURITIES

	Closing balance		Ending balance	
	USD	VND million equivalent	USD	VND million equivalent
Available-for-sale securities				
<i>Debt securities</i>				
Government debt securities (**)	114,862,550	2,661,940	145,059,287	3,368,277
Bonds issued by other local credit institutions (***)	20,409,924	473,000	16,063,738	373,000
Bonds issued by other local economic entities (*)	59,978,596	1,390,004	40,913,006	950,000
	195,251,070	4,524,944	202,036,031	4,691,277
<i>Provision for credit loss of available for sale securities</i>				
General provision	(352,438)	(8,168)	-	-
Specific provision	-	-	(8,605,852)	(199,828)
	194,898,632	4,516,776	193,430,179	4,491,449
Held-to-maturity securities				
<i>Debt securities</i>				
Bonds issued by other local economic entities (*)	21,559,663	499,645	38,727,035	899,242
<i>Provision for credit loss of held-to-maturity securities</i>				
General provision	(161,812)	(3,750)	(480,026)	(11,146)
	21,397,851	495,895	38,247,009	888,096

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

	Closing balance		Ending balance	
	USD	VND million equivalent	USD	VND million equivalent
Beginning balance	9,085,878	210,974	685,374	15,370
Charge for the year	46,091	1,136	8,400,504	195,060
Impairment allowances used to write-off bad debts during the year	(8,617,719)	(200,000)		
Foreign currency translation difference	-	(192)	-	544
Closing balance	514,250	11,918	9,085,878	210,974

(*) Bonds issued by other local economic entities as at 31 December 2019 included an amount of USD 68,608,414 (equivalent to VND 1,590,000 million) (as at 31 December 2018: USD 79,640,041, equivalent to VND 1,849,242 million) are secured by shares, land use rights, property using rights and receivables amounting to USD 105,097,303 (equivalent to VND 2,435,630 million) (as at 31 December 2018: USD 87,546,745 (equivalent to VND 2,041,590 million)).

These bonds have maturity between two years and five years, earning interest from 9.46% to 11.04% per annum (as at 31 December 2018: maturity between two years and ten years, earning interest from 9.00% to 11.30% per annum).

(**) Government debt securities with maturity between five years and thirty years, earning interest from 5.50% to 8.70% per annum (as at 31 December 2018: maturity between three years and thirty years, earning interest from 4.30% to 8.70% per annum). Government debt securities owned by the Bank with amount of USD 25,880,475, equivalent to VND 599,780 million (as at 31 December 2018: USD 40,706,891, equivalent to VND 945,214 million) have been mortgaged as security assets for borrowings from other credit institutions as stated in Note 18.

(***) Bonds issued by other local credit institutions with maturity of one year and ten years, earning interest from 7.50% to 10.30% per annum (as at 31 December 2018: with maturity of ten years, earning interest from 7.50% to 7.90% per annum).

12. TANGIBLE FIXED ASSETS

	Office infrastructure	Office equipment	Motor Vehicles	Total
	USD	USD	USD	USD
COST				
Opening balance	11,980,250	7,087,386	2,658,368	21,726,004
Additions	-	57,321	218,368	275,689
Disposals	(74,423)	(67,062)	(250,502)	(391,987)
Other	43,543	644,147	335,804	1,023,494
Closing balance	11,949,370	7,721,792	2,962,038	22,633,200
ACCUMULATED DEPRECIATION				
Opening balance	4,530,116	5,986,665	2,134,201	12,650,982
Charge for the year	446,749	429,369	198,335	1,074,453
Disposals	(74,423)	(67,062)	(250,502)	(391,987)
Other	-	-	-	-
Closing balance	4,902,442	6,348,972	2,082,034	13,333,448
NET BOOK VALUE				
Opening balance	7,450,134	1,100,721	524,167	9,075,022
Closing balance	7,046,928	1,372,820	880,004	9,299,752

	Office infrastructure	Office equipment	Motor Vehicles	Total
	VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent
COST				
Opening balance	278,181	164,569	61,727	504,477
Additions	-	1,328	5,061	6,389
Disposals	(1,725)	(1,554)	(5,805)	(9,084)
Other	1,009	14,928	-	15,937
Foreign currency translation difference	(538)	(318)	7,662	6,806
Closing balance	276,927	178,953	68,645	524,525
ACCUMULATED DEPRECIATION				
Opening balance	101,278	143,074	49,403	293,755
Charge for the year	10,353	9,951	4,596	24,900
Disposals	(1,725)	(1,554)	(5,805)	(9,084)
Foreign currency translation difference	3,708	(4,334)	58	(568)
Closing balance	113,614	147,137	48,252	309,003
NET BOOK VALUE				
Opening balance	176,903	21,495	12,324	210,722
Closing balance	163,313	31,816	20,393	215,522

As at 31 December 2019, the cost of the Bank's tangible fixed assets included a total amount of USD 8,564,078 (equivalent VND 198,473 million) (as at 31 December 2018: USD 7,795,742, equivalent VND 181,017 million) in respect of fully depreciated assets which are still in use.

13. INTANGIBLE ASSETS

	Land use rights	Computer Software	Total
	USD	USD	USD
COST			
Opening balance	15,291,418	2,636,831	17,928,249
Additions	-	476,399	476,399
Closing balance	<u>15,291,418</u>	<u>3,113,230</u>	<u>18,404,648</u>
ACCUMULATED AMORTIZATION			
Opening balance	256,885	2,113,143	2,370,028
Charge for the year	5,578	242,154	247,732
Closing balance	<u>262,463</u>	<u>2,355,297</u>	<u>2,617,760</u>
NET BOOK VALUE			
Opening balance	<u>15,034,533</u>	<u>523,688</u>	<u>15,558,221</u>
Closing balance	<u>15,028,955</u>	<u>757,933</u>	<u>15,786,888</u>

	Land use rights	Computer Software	Total
	VND million equivalent	VND million equivalent	VND million equivalent
COST			
Opening balance	355,067	61,227	416,294
Additions	-	11,041	11,041
Foreign currency translation difference	(688)	(119)	(807)
Closing balance	<u>354,379</u>	<u>72,149</u>	<u>426,528</u>
ACCUMULATED AMORTIZATION			
Opening balance	5,965	49,067	55,032
Charge for the year	129	5,612	5,741
Foreign currency translation difference	(11)	(95)	(106)
Closing balance	<u>6,083</u>	<u>54,584</u>	<u>60,667</u>
NET BOOK VALUE			
Opening balance	<u>349,102</u>	<u>12,160</u>	<u>361,262</u>
Closing balance	<u>348,296</u>	<u>17,565</u>	<u>365,861</u>

As at 31 December 2019, the cost of the Bank's intangible assets included a total amount of USD 1,703,099 (equivalent VND 39,469 million) (as at 31 December 2018: USD 1,414,364, equivalent VND 32,842 million) in respect of fully amortized assets which are still in use.

14. OTHER RECEIVABLES

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Short-term deposits	497,195	11,522	419,299	9,736
Receivables from the SBV relating to Interest Subsidy Program	164,755	3,818	164,436	3,818
Construction in progress	2,865,367	66,405	2,574,986	59,791
Advances for operating activities	32,982	764	38,381	891
Other receivables	1,244,584	28,845	328,376	7,626
	<u>4,804,883</u>	<u>111,354</u>	<u>3,525,478</u>	<u>81,862</u>

15. OTHER ASSETS

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Prepaid expenses	1,401,421	32,477	1,384,485	32,147
Office tools and supplies	177,767	4,120	131,678	3,058
Others	842,530	19,526	336,312	7,809
	2,421,718	56,123	1,852,475	43,014

16. BORROWINGS FROM THE GOVERNMENT AND THE STATE BANK OF VIETNAM

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Borrowing from the SBV				
Discounted and re-discounted valuable papers	-	-	20,037,168	465,263
	-	-	20,037,168	465,263

17. DEPOSITS FROM OTHER CREDIT INSTITUTIONS

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
<u>Demand deposits</u>				
In Vietnam Dong	173,896,976	4,030,062	182,721,015	4,242,782
In other currencies	798,708	18,510	341,386	7,927
	174,695,684	4,048,572	183,062,401	4,250,709
<u>Time deposits</u>				
In Vietnam Dong	50,916,936	1,180,000	72,351,421	1,680,000
In other currencies	73,000,000	1,691,775	113,000,000	2,623,860
	123,916,936	2,871,775	185,351,421	4,303,860
	298,612,620	6,920,347	368,413,822	8,554,569

18. BORROWINGS FROM OTHER CREDIT INSTITUTIONS

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
In Vietnam Dong	43,149,946	1,000,000	33,290,267	773,000
In other currencies	214,901,319	4,980,338	133,493,639	3,099,722
	258,051,265	5,980,338	166,783,906	3,872,722

The borrowings from other credit institutions as at 31 December 2019 included borrowings balance was pledged by Government bonds of the Bank with amount of USD 25,880,475 (equivalent VND 599,780 million) (as at 31 December 2018: USD 40,706,891, equivalent VND 945,214 million) as described in Note 11.

The annual interest rate of Borrowings from other credit institutions as at the balance sheet date is as follows:

	31/12/2019	31/12/2018
In USD	2.17%-2.65%	2.91%-3.62%
In Vietnam Dong	4.70%-5.50%	4.05%-5.50%

19. DEPOSITS FROM CUSTOMERS

By type of term deposit

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
<u>Demand deposits</u>				
In Vietnam Dong	333,766,036	7,735,028	248,028,566	5,759,223
In other currencies	120,407,522	2,790,444	121,935,355	2,831,339
<u>Time deposits</u>				
In Vietnam Dong	881,718,879	20,433,835	870,794,571	20,219,850
In other currencies	19,858,991	460,232	26,413,695	613,326
<u>Margin deposits</u>				
In Vietnam Dong	936,965	21,715	1,299,862	30,183
In other currencies	-	-	56,480	1,311
	1,356,688,393	31,441,254	1,268,528,529	29,455,232

By type of customer

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Economic entities	922,859,177	21,387,262	780,838,932	18,131,080
Individuals	433,829,216	10,053,992	487,689,597	11,324,152
	1,356,688,393	31,441,254	1,268,528,529	29,455,232

20. DERIVATIVES AND OTHER FINANCIAL ASSETS/ FINANCIAL LIABILITIES

Opening balance

	Net contract value (at the foreign exchange rate at 31 December)	
	USD	VND million Equivalent
Foreign currency forward contracts	180,150	4,183
Foreign currency swap contracts	(1,658,044)	(38,500)
	(1,477,894)	(34,317)

Closing balance

	Net contract value (at the foreign exchange rate at 31 December)	
	USD	VND million Equivalent
Foreign currency forward contracts	(205,224)	(4,756)
Foreign currency swap contracts	(5,765,959)	(133,626)
	(5,971,183)	(138,382)

21. VALUABLE PAPERS ISSUED

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Valuable papers issued				
Less than 12 months	17,801,942	412,560	-	-
From 1 year to 5 years	60,379,759	1,399,301	-	-
	78,181,701	1,811,861	-	-

These are valuable papers issued under certificates with term from 2 months to 2 years, interest paid in arrears on an annual basis which bear interest rate from 4.7% to 7.5% per annum.

22. OTHER PAYABLES

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Deferred income from guarantees	110,305	2,556	87,414	2,030
Remittance payable	3,223,556	74,706	1,170,822	27,186
Bonus and welfare fund	328,872	7,622	1,610,872	37,404
Escrow fund	18,141,695	420,434	87,094	2,022
Taxes payable (Note 35)	3,467,652	80,370	270,215	6,274
Other payables	3,992,347	92,516	2,688,370	62,426
	29,264,427	678,204	5,914,787	137,342

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23. EQUITY AND RESERVES

	Charter capital USD	Reserves to supplement contributed capital USD	Financial development reserve USD	Investment and development reserve USD	Retained earnings USD	Total USD
Prior year's opening balance	193,000,000	9,570,911	18,335,394	199,380	20,455,541	241,561,226
Profit for the year	-	-	-	-	28,779,147	28,779,147
Transfer to statutory reserves	-	1,438,957	2,734,019	-	(4,172,976)	-
Transfer to Reward fund	-	-	-	-	(1,000,000)	(1,000,000)
Profits distribution	-	-	-	-	(19,000,000)	(19,000,000)
Prior year's closing balance	193,000,000	11,009,868	21,069,413	199,380	25,061,712	250,340,373
Profit for the year	-	-	-	-	34,617,540	34,617,540
Transfer to statutory reserves	-	1,730,877	3,288,666	-	(5,019,543)	-
Profits distribution (*)	-	-	-	-	(25,500,000)	(25,500,000)
Transfer from Reward fund	-	-	-	-	1,000,000	1,000,000
Current year's closing balance	193,000,000	12,740,745	24,358,079	199,380	30,159,709	260,457,913



	Charter capital	Foreign exchange difference	Reserves to supplement contributed capital	Financial reserve	Investment development reserve and	Retained earnings	Total
	VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent
Prior year's opening balance	4,328,025	-	214,628	411,171	4,471	458,716	5,417,011
Profit for the year	-	-	-	-	-	657,568	657,568
Transfer to statutory reserves	-	-	32,878	62,469	-	(95,347)	-
Profits distribution	-	-	-	-	-	(432,725)	(432,725)
Transfer to reward fund	-	-	-	-	-	(22,775)	(22,775)
Foreign currency translation difference	(950,525)	1,135,161	(5,624)	(10,681)	7	25,487	193,825
Prior year's closing balance	3,377,500	1,135,161	241,882	462,959	4,478	590,924	5,812,904
Profit for the year	-	-	-	-	-	804,770	804,770
Transfer to statutory reserves	-	-	40,239	76,453	-	(116,692)	-
Profits distribution (*)	-	-	-	-	-	(596,573)	(596,573)
Transfer from reward fund	-	-	-	-	-	23,395	23,395
Foreign currency translation difference	-	(8,384)	-	-	-	-	(8,384)
Current year's closing balance	3,377,500	1,126,777	282,121	539,412	4,478	705,824	6,036,112

The Bank's charter capital is USD 193,000,000, has been owned by Vietinbank and CUB with the rate of 50/50, respectively. Charter capital has been fully contributed by the owners as at balance sheet dates.

(*) On 9 May 2019, the Board of Members of the Bank approved the dividend from prior year's profit amounting to USD 25,500,000 (equivalent VND 596,573 million) (2018: USD 19,000,000 (equivalent VND 441,180 million) to its owners.

The compulsory reserves have been appropriated in accordance to prevailing regulations.

24. INTEREST AND SIMILAR INCOME

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
From loans	116,231,113	2,700,155	91,237,885	2,095,380
From deposits	1,356,744	31,503	1,966,640	45,157
From investments	29,815,842	692,224	29,870,877	686,363
From guarantee	778,335	18,076	1,354,467	30,937
Others	75	1	7	-
	148,182,109	3,441,959	124,429,876	2,857,837

25. INTEREST EXPENSES AND SIMILAR CHARGES

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
For deposits from other credit institution and customers	67,888,004	1,577,111	59,090,493	1,357,753
For borrowings from other credit institutions	7,261,151	168,680	3,890,091	89,601
For issuance of valuable papers	1,963,313	45,561		
Other expenses	512,823	11,924	597,473	13,803
	77,625,291	1,803,276	63,578,057	1,461,157

26. NET FEE AND COMMISSION INCOME

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Fee and commission income				
Settlement services	3,814,212	88,595	2,983,052	68,620
Treasury services	122,286	2,840	148,031	3,404
Other services	417,270	9,690	333,398	7,663
	4,353,768	101,125	3,464,481	79,687
Fee and commission expense				
Settlement services	(1,263,055)	(29,332)	(1,289,797)	(29,729)
Treasury services	(176,167)	(4,093)	(200,873)	(4,614)
Other services	(216,163)	(5,020)	(198,952)	(4,563)
	(1,655,385)	(38,445)	(1,689,622)	(38,906)
	2,698,383	62,680	1,774,859	40,781

27. NET LOSS FROM DEALING IN FOREIGN CURRENCIES

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Gain from trading foreign currency spot	2,423,558	56,304	2,597,735	59,970
Loss from trading foreign currency spot	(848,535)	(19,678)	(3,141,032)	(72,853)
Gain from derivatives	37,135	862	425,885	9,870
Loss from derivatives	(6,500,356)	(150,950)	(2,514,505)	(57,630)
	(4,888,198)	(113,462)	(2,631,917)	(60,643)

28. NET GAIN FROM TRADING SECURITIES

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Net gain from trading securities	8,447,859	196,228	10,130,640	233,184
Reverse provision	214,757	5,053	360,407	8,369
Provision expense for trading securities	-	-	(501,779)	(11,714)
	8,662,616	201,281	9,989,268	229,839

29. NET GAIN/(LOSS) FROM TRADING OF INVESTMENT SECURITIES

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Net gain from investment securities	1,059,665	24,624	51,027	1,190
Provision expense for investment securities	(46,091)	(1,136)	(8,400,504)	(195,241)
	1,013,574	23,488	(8,349,477)	(194,051)

30. NET GAIN FROM OTHER ACTIVITIES

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Other income				
- Collection of bad debt previously written off	774,894	17,971	1,036,853	24,076
- Other income	327,935	7,616	204,026	4,609
	1,102,829	25,587	1,240,879	28,685
Other expenses				
- Net book value of fixed assets disposed	-	-	-	-
- Other expenses	(2,195)	(51)	(7,959)	(183)
	(2,195)	(51)	(7,959)	(183)
Net gain from other activities	1,100,634	25,536	1,232,920	28,502

31. GENERAL AND ADMINISTRATION ON EXPENSES

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Tax, duties and fees	291,527	6,773	131,305	3,016
Employee expense				
- Salary and allowance	6,946,236	161,054	7,677,244	175,284
- Bonus	4,691,739	109,523	2,680,000	62,230
- Other expenses for employees	3,483,533	80,900	2,788,461	64,228
Asset relating expenditures				
- Depreciation and mortization	1,281,936	29,778	1,547,660	35,541
- Asset leasing	1,328,753	30,871	1,260,959	28,967
- Office material expenses	52,100	1,209	51,894	1,174
- Maintainance and repairing expenses	1,595,317	37,057	1,306,770	30,084
- Tools and equipment expenses	178,435	4,143	153,263	3,508
- Marketing, promotion and printing expenses	1,209,941	28,099	1,068,718	24,572
- Travelling expenses	286,545	6,655	226,141	5,208
- Non deductible value added tax	337,467	7,837	324,100	7,461
- Telecommunication expenses	313,534	7,283	313,718	7,206
- Office material expenses	103,705	2,409	96,502	2,216
- Electric, water and hygiene	478,879	11,128	445,750	10,286
- Oil and gas expenses	122,373	2,843	122,365	2,813
- Expenses on research and application of technological science, innovation, improvement	22,601	524	-	-
- Other expenses	1,105,074	25,661	782,856	17,984
Insurance for customer deposits	672,329	15,613	621,021	14,254
	24,502,024	569,360	21,598,727	496,032

32. CORPORATE INCOME TAX

31.1 Current Corporate Income Tax Expense

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Profit before tax	43,651,940	1,014,142	35,772,731	819,959
<i>Less: Adjustments to decrease profit before tax</i>	<i>(1,992,526)</i>	<i>(45,082)</i>	<i>(2,018,736)</i>	<i>(45,280)</i>
<i>Add: Adjustments to increase profit before tax</i>	<i>9,011,790</i>	<i>209,278</i>	<i>2,409,530</i>	<i>55,457</i>
Taxable profit	50,671,204	1,178,338	36,163,525	830,136
Tax rate	20%	20%	20%	20%
Corporate income tax calculated based on current year taxable profit	10,134,241	235,668	7,232,705	166,027
Previous year corporate income tax	209,358	4,861	1,801	42
Income tax adjustment for prior years	35,211	-	(82,527)	-
Current corporate income tax expense	10,378,810	240,529	7,151,979	166,069

31.2 Deferred Tax Income/Assets

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Deferred corporate income tax income				
Deductible temporary differences	1,344,410	31,157	158,395	3,678
	1,344,410	31,157	158,395	3,678

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Temporary tax differences	12,712,380	294,609	5,989,435	139,075
Corporate income tax rates	20%	20%	20%	20%
Deferred tax assets related to deductible temporary differences	2,542,476	58,922	1,197,887	27,815

33. CASH AND CASH EQUIVALENTS

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Cash on hand	8,982,154	208,161	9,516,559	220,974
Deposits with the State Bank of Vietnam	76,067,707	1,762,869	24,000,477	557,291
Deposits with and loans to other credit institutions (with terms of 3 months or less)	320,659,348	7,431,280	293,964,600	6,825,858
	405,709,209	9,402,310	327,481,636	7,604,123

34. EMPLOYEES' REMUNERATION

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Average number of employees	819	819	776	776
Employees' remuneration				
<i>Total salary fund</i>	6,946,236	161,317	6,361,413	145,925
<i>Bonus</i>	4,691,739	109,260	2,680,000	60,706
<i>Other remuneration</i>	1,385,492	32,170	864,493	20,018
Total remuneration	13,023,467	302,747	9,905,906	226,649
Average annual salary/employee	8,481	197	8,198	188
Average annual remuneration/employee	15,902	370	12,765	292

35. OBLIGATIONS TO THE STATE'S BUDGET

	Opening balance	Movement during the year		Closing balance
	USD	Payables	Paid	USD
Value Added Tax	37,166	428,165	413,120	52,211
Corporate Income Tax	172,454	10,378,810	7,280,074	3,271,190
Personal Income Tax	43,842	883,163	823,488	103,517
Foreign Contractor Tax	16,753	295,146	271,165	40,734
Total	270,215	11,985,284	8,787,847	3,467,652

	Opening balance	Movement during the year		Closing balance
	VND million equivalent	Payables	Paid	VND million equivalent
Value Added Tax	863	9,942	9,595	1,210
Corporate Income Tax	4,004	240,529	168,716	75,817
Personal Income Tax	1,018	20,457	19,076	2,399
Foreign Contractor Tax	389	6,840	6,285	944
Total	6,274	277,768	203,672	80,370

36. TYPE AND VALUE OF COLLATERAL RECEIVED FROM CUSTOMERS

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Real estates	1,539,682,093	35,682,133	1,412,482,378	32,797,841
Machinery and equipment	186,794,431	4,328,961	209,082,758	4,854,902
Inventories	29,371,521	680,685	16,356,287	379,793
Shares and valuable papers	109,249,006	2,531,846	408,108,827	9,476,287
Others	982,400,302	22,767,126	580,217,134	13,472,642
Total	2,847,497,353	65,990,751	2,626,247,384	60,981,465



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

	Total loan balances	Total deposit balances	Credit commitments	Derivatives	Trading and investment securities
	USD	USD	USD	USD	USD
Domestic	1,374,629,004	1,496,771,003	67,844,237	(5,971,183)	508,426,855
Overseas	-	158,530,010	-	-	-
	<u>1,374,629,004</u>	<u>1,655,301,013</u>	<u>67,844,237</u>	<u>(5,971,183)</u>	<u>508,426,855</u>

	Total loan balances	Total deposit balances	Credit commitments	Derivatives	Trading and investment securities
	VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent
Domestic	31,857,027	34,687,668	1,572,290	(138,382)	11,782,792
Overseas	-	3,673,933	-	-	-
	<u>31,857,027</u>	<u>38,361,601</u>	<u>1,572,290</u>	<u>(138,382)</u>	<u>11,782,792</u>

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

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38. FINANCIAL RISK MANAGEMENT

a. Interest rate risk

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

As at 31 December 2019	Overdue	Non-interest bearing	Up to 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Total
	USD	USD	USD	USD	USD	USD	USD	USD	USD
Assets									
Cash on hand	-	8,982,154	-	-	-	-	-	-	8,982,154
Deposits with the State Bank of Vietnam	-	76,067,707	-	-	-	-	-	-	76,067,707
Deposits and lendings to other credit institutions (*)	-	277,509,401	43,961,117	106,306	28,629,989	37,259,978	-	-	387,466,791
Trading securities (*)	-	1,875,963	48,932,527	27,264,094	22,013,899	5,179,242	-	186,350,397	291,616,122
Loans to customers (*)	24,842,911	-	74,433,488	89,690,743	266,250,119	-	247,277,897	605,326,403	1,307,821,561
Investment securities (*)	-	-	-	-	53,922,122	162,888,611	-	-	216,810,733
Fixed assets	-	25,086,640	-	-	-	-	-	25,086,640	25,086,640
Other assets (*)	-	25,430,886	-	-	-	-	-	-	25,430,886
Total assets	24,842,911	414,952,751	167,327,132	117,061,143	370,816,129	205,327,831	247,277,897	816,763,440	2,339,282,594
Liabilities									
Deposits and borrowings from other credit institutions	-	-	252,086,648	76,574,973	94,816,183	127,939,396	4,916,285	330,400	556,663,885
Deposits from customers	-	-	724,317,049	171,318,808	199,038,983	217,301,166	44,710,963	1,424	1,356,688,393
Derivatives and other financial liabilities	-	-	-	5,971,183	-	-	-	-	5,971,183
Valuable papers issued	-	-	-	-	-	17,801,942	60,379,759	-	78,181,701
Other liabilities	-	55,341,501	-	-	-	-	-	-	55,341,501
Total liabilities	-	55,341,501	976,403,697	253,864,964	293,855,166	363,042,504	110,007,007	331,824	2,052,846,663
Interest gap of balance sheet items	24,842,911	359,611,250	(809,076,565)	(136,803,821)	76,960,963	(157,714,673)	137,270,890	791,344,976	286,435,931
Total interest gap	24,842,911	359,611,250	(809,076,565)	(136,803,821)	76,960,963	(157,714,673)	137,270,890	791,344,976	286,435,931

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As at 31 December 2019	Non-interest bearing		Up to 1 month	1-3 months		3-6 months		6-12 months		1-5 years		Over 5 years		Total
	Overdue	VND million equivalent		VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent	
Assets														
Cash on hand	-	208,161	-	-	-	-	-	-	-	-	-	-	-	208,161
Deposits with the State Bank of Vietnam	-	1,762,869	-	-	-	-	-	-	-	-	-	-	-	1,762,869
Deposits and lendings to other credit institutions (*)	-	6,431,280	1,018,799	2,463	663,500	863,500	-	-	-	-	-	-	-	8,979,542
Trading securities (*)	-	43,475	1,134,011	631,846	510,172	120,030	-	-	-	-	-	-	-	6,758,204
Loans to customers (*)	575,734	-	1,724,996	2,078,583	6,170,347	-	-	-	-	5,730,665	14,028,439	-	-	30,308,764
Investment securities (*)	-	-	-	-	1,249,645	3,774,944	-	-	-	-	-	-	-	5,024,589
Fixed assets	-	581,383	-	-	-	-	-	-	-	-	-	-	-	581,383
Other assets (*)	-	589,361	-	-	-	-	-	-	-	-	-	-	-	589,361
Total assets	575,734	9,616,529	3,877,806	2,712,892	8,593,664	4,758,474	5,730,665	18,928,492	54,212,873					
Liabilities														
Deposits and borrowings from other credit institutions	-	-	5,842,108	1,774,625	2,197,365	2,964,995	113,935	7,657	12,900,685					
Deposits from customers	-	-	16,786,048	3,970,313	4,612,728	5,035,955	1,036,177	33	31,441,254					
Derivatives and other financial liabilities	-	-	-	138,382	-	-	-	-	138,382					
Valuable papers issued	-	-	-	-	-	412,560	1,399,301	-	1,811,861					
Other liabilities	-	1,282,540	-	-	-	-	-	-	1,282,540					
Total liabilities	-	1,282,540	22,628,156	5,883,320	6,810,093	8,413,510	2,549,413	7,690	47,574,722					
Interest gap of balance sheet items	575,734	8,333,989	(18,750,350)	(3,170,428)	1,783,571	(3,655,036)	3,181,252	18,339,419	6,638,151					
Total interest gap	575,734	8,333,989	(18,750,350)	(3,170,428)	1,783,571	(3,655,036)	3,181,252	18,339,419	6,638,151					

(*): the above balances exclude provision.

Interest rate sensitivity

The Bank has not performed interest sensitivity analysis for the year ended 31 December 2019 due to the insufficiency of input database system.

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

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b. Liquidity risk

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

As at 31 December 2019	Overdue		Current					Total
	Over 3 months USD	Up to 3 months USD	Up to 1 month USD	1-3 months USD	3-12 months USD	1-5 years USD	Over 5 years USD	
Assets								
Cash on hand	-	-	8,982,154	-	-	-	-	8,982,154
Deposits with the State Bank of Vietnam	-	-	76,067,707	-	-	-	-	76,067,707
Deposits and lendings to other credit institutions (*)	-	-	321,470,518	106,306	65,889,967	-	-	387,466,791
Trading securities (*)	-	-	50,808,490	27,264,094	27,193,141	-	186,350,397	291,616,122
Loans to customers (*)	15,770,024	9,072,887	74,433,488	89,690,743	266,250,119	247,277,897	605,326,403	1,307,821,561
Investment securities (*)	-	-	-	-	216,810,733	-	-	216,810,733
Fixed assets	-	-	-	-	-	-	25,086,640	25,086,640
Other assets (*)	-	-	25,430,886	-	-	-	-	25,430,886
Total assets	15,770,024	9,072,887	557,193,243	117,061,143	576,143,960	247,277,897	816,763,440	2,339,282,594
Liabilities								
Deposits and borrowings from other credit institutions	-	-	252,086,648	76,574,973	222,755,578	4,916,286	330,400	556,663,885
Deposits from customers	-	-	662,013,096	128,796,330	374,037,367	191,840,176	1,424	1,356,688,393
Derivatives and other financial liabilities	-	-	-	5,971,183	-	-	-	5,971,183
Valuable papers issued	-	-	-	-	17,801,942	60,379,759	-	78,181,701
Other liabilities	-	-	55,341,501	-	-	-	-	55,341,501
Total liabilities	-	-	969,441,245	211,342,486	614,594,887	257,136,221	331,824	2,052,846,663
Net liquidity gap	15,770,024	9,072,887	(412,248,002)	(94,281,343)	(38,450,927)	(9,858,324)	816,431,616	286,435,931



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

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As at 31 December 2019	Overdue		Current				Total
	Over 3 months VND million equivalent	Up to 3 months VND million equivalent	Up to 1 month VND million equivalent	1-3 months VND million equivalent	3-12 months VND million equivalent	1-5 years VND million equivalent	
Assets							
Cash on hand	-	-	208,161	-	-	-	208,161
Deposits with the State Bank of Vietnam	-	-	1,762,869	-	-	-	1,762,869
Deposits and lendings to other credit instituti	-	-	7,450,079	2,463	1,527,000	-	8,979,542
Trading securities (*)	-	-	1,177,486	631,846	630,202	-	6,758,204
Loans to customers (*)	365,470	210,264	1,724,996	2,078,583	6,170,347	5,730,665	30,308,765
Investment securities (*)	-	-	-	-	5,024,589	-	5,024,589
Fixed assets	-	-	-	-	-	581,383	581,383
Other assets (*)	-	-	589,361	-	-	-	589,361
Total assets	365,470	210,264	12,912,952	2,712,892	13,352,138	5,730,665	54,212,874
Liabilities							
Deposits and borrowings from other credit ins	-	-	5,842,108	1,774,625	5,162,361	113,935	12,900,685
Deposits from customers	-	-	15,342,153	2,984,855	8,668,316	4,445,896	31,441,254
Derivatives and other financial liabilities	-	-	-	138,382	-	-	138,382
Valuable papers issued	-	-	-	-	412,560	1,399,301	1,811,861
Other liabilities	-	-	1,282,540	-	-	-	1,282,540
Total liabilities	-	-	22,466,801	4,897,862	14,243,237	5,959,132	47,574,722
Net liquidity gap	365,470	210,264	(9,553,849)	(2,184,970)	(891,099)	(228,467)	6,638,152

(*): the above balances exclude provision.

c. Currency risk

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

As at 31 December 2019	EUR		USD		VND		Other currencies		Total
	USD	USD	USD	USD	USD	USD	USD	USD	
Assets									
Cash on hand	6,122	2,162,371	6,800,442		13,219				8,982,154
Deposits with the State Bank of Vietnam	-	11,794,490	64,273,217		-				76,067,707
Deposits and lendings to other credit institutions (*)	55,485,428	60,415,820	246,824,442		24,741,101				387,466,791
Trading securities (*)	-	-	291,616,122		-				291,616,122
Derivatives and other financial assets	-	460,330,109	116,393,640		-				576,723,749
Loans to customers (*)	-	158,744,807	1,149,076,754		-				1,307,821,561
Investment securities (*)	-	-	216,810,733		-				216,810,733
Fixed assets	-	25,086,640	-		-				25,086,640
Other assets (*)	-	7,182,366	18,248,520		-				25,430,886
Total assets	55,491,550	725,716,603	2,110,043,870		24,754,320				2,916,006,343
Liabilities and owners' equity									
Deposits and borrowings from other credit institutions	-	288,700,026	267,963,859		-				556,663,885
Deposits from customers	1,100,610	139,054,467	1,216,421,881		111,435				1,356,688,393
Derivatives and other financial liabilities	-	116,330,109	466,364,823		-				582,694,932
Valuable papers issued	-	-	78,181,701		-				78,181,701
Other liabilities	12,309	11,638,778	43,689,897		517				55,341,501
Equity and reserves	-	260,457,913	-		-				260,457,913
Total liabilities and owners' equity	1,112,919	816,181,293	2,072,622,161		111,952				2,890,028,325
Net on-balance sheet position	54,378,631	(90,464,690)	37,421,709		24,642,368				25,978,018
Total position	54,378,631	(90,464,690)	37,421,709		24,642,368				25,978,018

INDOVINA BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)

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As at 31 December 2019

	EUR	USD	VND	Other	Total
	VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent	VND million equivalent
Assets					
Cash on hand	142	50,112	157,600	307	208,161
Deposits with the State Bank of Vietnam	-	273,337	1,489,532	-	1,762,869
Deposits and lendings to other credit institutions (*)	1,285,874	1,400,137	5,720,156	573,375	8,979,542
Trading securities (*)	-	-	6,758,204	-	6,758,204
Derivatives and other financial assets	-	10,668,150	2,697,423	-	13,365,573
Loans to customers (*)	-	3,678,911	26,629,854	-	30,308,765
Investment securities (*)	-	-	5,024,589	-	5,024,589
Fixed assets	-	581,383	-	-	581,383
Other assets (*)	-	166,452	422,909	-	589,361
Total assets	1,286,016	16,818,482	48,900,267	573,682	67,578,447
Liabilities and owners' equity					
Deposits and borrowings from other credit institutions	-	6,690,623	6,210,062	-	12,900,685
Deposits from customers	25,507	3,222,587	28,190,577	2,583	31,441,254
Derivatives and other financial liabilities	-	2,695,950	10,808,005	-	13,503,955
Valuable papers issued	-	-	1,811,861	-	1,811,861
Other liabilities	286	269,729	1,012,513	12	1,282,540
Equity and reserves	-	6,036,112	-	-	6,036,112
Total liabilities and owners' equity	25,793	18,915,001	48,033,018	2,595	66,976,407
Net on-balance sheet position	1,260,223	(2,096,519)	867,249	571,087	602,040
Total position	1,260,223	(2,096,519)	867,249	571,087	602,040

(*): the above balances exclude provision.

39. CONTINGENT LIABILITIES AND COMMITMENTS

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

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

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

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

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

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

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Currency spot purchase commitment	51,866,865	1,202,015	39,602,310	919,566
Currency spot sale commitment	50,793,843	1,177,147	38,354,910	890,601
Currency swap commitment	808,999,871	18,748,572	567,444,272	13,176,056
Outstanding letters of credit	21,996,095	509,760	33,117,522	768,989
Other guarantess	45,848,142	1,062,531	73,629,069	1,709,667
	979,504,816	22,700,025	752,148,083	17,464,879

40. FINANCIAL INSTRUMENTS

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in Note 4.



	Carrying amounts		Fair Value	
	Closing balance USD	Opening balance USD	Closing balance USD	Opening balance USD
Financial assets				
Cash on hand	8,982,154	9,516,559	8,982,154	9,516,559
Deposits with the State Bank of Vietnam	76,067,707	24,000,477	76,067,707	24,000,477
Deposits with other credit institutions	320,659,348	288,312,205	320,659,348	288,312,205
Lending to other credit institutions	66,807,443	108,144,946	66,807,443	108,144,946
Trading securities	291,344,133	229,365,090	(*)	(*)
Loans to customers	1,282,629,782	1,168,106,031	(*)	(*)
Available for sales securities	216,296,483	231,677,188	(*)	(*)
Accrued interest receivables	15,661,809	12,935,305	(*)	(*)
Other receivables	4,804,883	3,525,478	(*)	(*)
Financial liabilities				
Deposits from other credit institutions	298,612,620	368,413,822	(*)	(*)
Borrowings from other credit institutions	258,051,265	166,783,906	(*)	(*)
Deposits from customers	1,356,688,393	1,268,528,529	(*)	(*)
Derivatives and other financial liabilities	5,971,183	1,477,894	(*)	(*)
Accrued interest payables	26,077,074	21,770,405	(*)	(*)
Other payables	29,264,427	5,914,787	(*)	(*)

	Carrying amounts		Fair Value	
	Closing balance VND million equivalent	Opening balance VND million equivalent	Closing balance VND million equivalent	Opening balance VND million equivalent
Financial assets				
Cash on hand	208,161	220,974	208,161	220,974
Deposits with the State Bank of Vietnam	1,762,869	557,291	1,762,869	557,291
Deposits with other credit institutions	7,431,280	6,694,609	7,431,280	6,694,609
Lending to other credit institutions	1,548,262	2,511,126	1,548,262	2,511,126
Trading securities	6,751,901	5,325,858	(*)	(*)
Loans to customers	29,724,946	27,123,422	(*)	(*)
Available for sales securities	5,012,672	5,379,545	(*)	(*)
Accrued interest receivables	362,962	300,358	(*)	(*)
Other receivables	111,353	81,862	(*)	(*)
Financial liabilities				
Deposits from other credit institutions	6,920,347	8,554,569	(*)	(*)
Borrowings from other credit institutions	5,980,338	3,872,722	(*)	(*)
Deposits from customers	31,441,254	29,455,232	(*)	(*)
Derivatives and other financial liabilities	138,382	34,317	(*)	(*)
Accrued interest payables	604,336	505,509	(*)	(*)
Other payables	678,203	137,341	(*)	(*)

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

41. OPERATING LEASE COMMITMENTS

	<u>Current year</u>		<u>Prior year</u>	
	USD	VND million equivalent	USD	VND million equivalent
Minimum lease payments under operating leases recognized in the income statement for the year	1,328,753	30,871	1,260,959	29,279

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

	<u>Closing balance</u>		<u>Opening balance</u>	
	USD	VND million equivalent	USD	VND million equivalent
Within one year	1,333,656	30,907	1,165,299	27,058
In the second to fifth year inclusive	2,532,522	58,691	2,297,328	53,344
After five years	538,167	12,472	303,984	7,059
	4,404,345	102,070	3,766,611	87,461

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

42. RELATED PARTY TRANSACTIONS AND BALANCES

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

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



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

	Current year		Prior year	
	USD	VND million equivalent	USD	VND million equivalent
Deposits with other credit institutions				
Vietinbank HO	174,523,190	4,044,575	173,763,411	4,034,786
Deposits from other credit institutions				
Vietinbank HO	173,281,910	4,015,808	172,773,240	4,011,795
Borrowings from other credit institutions				
Cathay United Bank	984,000,000	22,804,200	410,500,000	9,531,810
Profit distribution				
Vietinbank HO	12,750,000	298,287	9,500,000	216,363
Cathay United Bank	12,750,000	298,287	9,500,000	216,363
Interest expense				
Vietinbank HO	173,188	4,014	172,680	4,010
Cathay United Bank	4,860,770	112,648	1,605,018	37,269
Cathay United Bank Chu Lai Branch	9,106	211	24,523	569
Interest income				
Vietinbank HO	161,777	3,749	173,423	4,027
Remuneration of the Board of Executives				
	229,885	5,328	212,462	4,933

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The related parties' significant balances as at the balance sheet date were as follows:

	Closing balance		Opening balance	
	USD	VND million equivalent	USD	VND million equivalent
Deposits with other credit institutions				
Vietinbank HO	173,266,720	4,015,456	172,758,094	4,011,443
Branches of Vietinbank	1,256,470	29,119	1,253,712	29,111
Cathay United Bank	585,379	13,566	1,400,476	32,519
Deposits from other credit institutions				
Vietinbank HO	173,281,910	4,015,808	172,773,240	4,011,795
Cathay United Bank- Chu Lai Branch	1,328,666	30,792	10,212,067	237,124
Cathay United Bank Representative Office	39,341	912	39,711	922
Borrowings from other credit institutions				
Cathay United Bank	199,000,000	4,611,825	129,000,000	2,995,380
Interest payables				
Cathay United Bank	1,943,666	45,044	1,625,509	37,744
Bonds holding				
Vietinbank HO	16,094,930	373,000	16,063,738	373,000



Huynh Thanh Trung
Preparer



Tran Le Thuy
Chief Accountant



Lưu Chun Hao
General Director
5 March 2020

