



Kien Long Commercial Joint Stock Bank

Separate financial statements for the year ended

31 December 2018



Kien Long Commercial Joint Stock Bank

Bank's information

Establishment and Operation Licence No.

0056/NH-GP

18 September 1995

The Establishment and Operation Licence was issued by the State Bank of Vietnam and is valid for 50 years from the licence date.

Business/Enterprise Registration Certificate No.

1700197787

10 October 1995

The Business Registration Certificate has been amended several times, and the most recent of which is Enterprise Registration Certificate No. 1700197787 dated 27 September 2018 issued by the Department of Planning and Investment of Kien Giang Province.

Board of Management

Mr. Le Khac Gia Bao

Chairman
(from 26 April 2018)

Mr. Vo Quoc Thang

Chairman
(until 25 April 2018)

Mr. Mai Huu Tin

Vice Chairman

Mr. Pham Tran Duy Huyen

Vice Chairman
(from 26 April 2018)

Member
(until 25 April 2018)

Mr. Vo Van Chau

Vice Chairman
(from 13 February 2018
to 25 April 2018)

Member
(until 12 February 2018)

Mr. Bui Thanh Hai

Member

Ms. Nguyen Thuy Quynh Huong

Member

Ms. Tran Tuan Anh

Member
(from 26 April 2018)

Mr. Le Trung Viet

Member
(from 26 April 2018)

Mr. Tran Van Trong

Member
(from 26 April 2018)

Supervisory Board

Mr. Nguyen Cao Cuong

Head of Supervisory Board
(from 26 April 2018)

Mr. Le Khac Gia Bao

Head of Supervisory Board
(until 25 April 2018)

Mr. Nguyen Thanh Minh

Member

Mr. Dang Minh Quan

Member

Mr. Nguyen Van Phu

Member
(until 25 April 2018)

Kien Long Commercial Joint Stock Bank
Bank's information (continued)

Board of Directors	Ms. Tran Tuan Anh	General Director (from 23 April 2018)
		Acting General Director (from 24 February 2018 to 22 April 2018)
		Deputy General Director (until 23 February 2018)
	Mr. Vo Van Chau	General Director (until 23 February 2018)
	Mr. Nguyen Quang Toan	Deputy General Director (until 31 August 2018)
	Mr. Vu Duc Can	Deputy General Director
	Mr. Le Trung Viet	Deputy General Director
Registered Office	Mr. Nguyen Hoang An	Deputy General Director
	Ms. Pham Thi My Chi	Deputy General Director (from 1 July 2018)
	40 – 42 – 44 Pham Hong Thai	
	Vinh Thanh Van Ward, Rach Gia City	
Auditor	Kien Giang Province, Vietnam	
	KPMG Limited	
	Vietnam	

Kien Long Commercial Joint Stock Bank Statement of the Board of Directors

The Board of Directors of Kien Long Commercial Joint Stock Bank ("the Bank") presents this statement and the accompanying separate financial statements of the Bank for the year ended 31 December 2018.

The Bank's Board of Directors is responsible for the preparation and fair presentation of the separate financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for Credit Institutions stipulated by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting. In the opinion of the Bank's Board of Directors:

- (a) the separate financial statements set out on pages 6 to 87 give a true and fair view of the unconsolidated financial position of the Bank as at 31 December 2018, and of its unconsolidated results of operations and its unconsolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for Credit Institutions stipulated by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting; and
- (b) at the date of this statement, there are no reasons for the Bank's Board of Directors to believe that the Bank will not be able to pay its debts as and when they fall due.

The Bank's Board of Directors has, on the date of this statement, authorised the accompanying separate financial statements for issue.

On behalf of the Board of Directors



Trần Tuấn Anh
General Director

Ho Chi Minh City, 29 March 2019



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10th Floor, Sun Wah Tower
115 Nguyen Hue Street, Ben Nghe Ward
District 1, Ho Chi Minh City, Vietnam
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders Kien Long Commercial Joint Stock Bank

We have audited the accompanying separate financial statements of Kien Long Commercial Joint Stock Bank ("the Bank"), which comprise the separate balance sheet as at 31 December 2018, the separate statements of income and cash flows for the year then ended and the explanatory notes thereto which were authorised for issue by the Bank's Board of Directors on 29 March 2019, as set out on pages 6 to 87.

The Board of Directors' Responsibility

The Bank's Board of Directors is responsible for the preparation and fair presentation of these separate financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for Credit Institutions stipulated by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting, and for such internal control as the Board of Directors determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these separate 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 separate financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the separate 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 Bank's Board of Directors, as well as evaluating the overall presentation of the separate financial statements.

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



Auditor's Opinion

In our opinion, the separate financial statements give a true and fair view, in all material respects, of the unconsolidated financial position of Kien Long Commercial Joint Stock Bank as at 31 December 2018 and of its unconsolidated results of operations and its unconsolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for Credit Institutions stipulated by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting.

Emphasis of matter

Without qualifying our opinion, we draw the attention to Note 4(e) and Note 9(i) referring to Official Letter No. 705/NHNN-TTGSNH issued by the State Bank of Vietnam dated 4 February 2016 and Official Letter No. 942/NHNN-TTGSNH issued by the State Bank of Vietnam dated 1 December 2016 approving debt classification and calculation method of allowance for loans to a group of customers having shares of another bank as collateral for loans.

KPMG Limited's Branch in Ho Chi Minh City

Vietnam

Audit Report No.: 18-01-00345-19-1



Ông Trương Duay
Practicing Auditor Registration
Certificate No. 0864-2018-007-1
Deputy General Director

Nguyen Ho Khanh Tan
Practicing Auditor Registration
Certificate No. 3458-2015-007-1

Ho Chi Minh City, 29 March 2019

	Note	31/12/2018 VND million	31/12/2017 VND million
A ASSETS			
I Cash on hand	5	519,751	433,191
II Balances with the State Bank of Vietnam	6	1,852,903	2,251,582
III Deposits with and loans to other credit institutions	7	5,399,327	4,163,859
1 Deposits with other credit institutions		5,399,327	4,163,859
V Derivatives and other financial assets	8	987	-
VI Loans and advances to customers		29,216,772	24,465,617
1 Loans and advances to customers	9	29,471,994	24,685,503
2 Allowance for losses on loans and advances to customers	10	(255,222)	(219,886)
VIII Investment securities	11	1,460,500	2,153,208
1 Available-for-sale securities		-	1,673,016
2 Held-to-maturity securities		1,553,963	636,789
3 Allowance for losses on investment securities		(93,463)	(156,597)
IX Long-term investments	12	514,521	514,521
1 Investments in a subsidiary		500,000	500,000
4 Other long-term investments		14,521	14,521
X Fixed assets		1,484,305	1,399,254
1 Tangible fixed assets	13	778,703	687,705
a Cost		996,334	855,512
b Accumulated depreciation		(217,631)	(167,807)
3 Intangible fixed assets	14	705,602	711,549
a Cost		758,573	755,686
b Accumulated amortisation		(52,971)	(44,137)
XII Other assets		2,086,057	2,018,364
1 Receivables	15	218,978	207,788
2 Accrued interest and fees receivable		1,561,344	1,542,115
4 Other assets	16	309,860	270,524
5 Allowance for losses on other assets		(4,125)	(2,063)
TOTAL ASSETS		42,535,123	37,399,596

The accompanying notes are an integral part of these separate financial statements

		Note	31/12/2018 VND million	31/12/2017 VND million
B	LIABILITIES AND EQUITY			
	LIABILITIES			
I	Borrowings from the State Bank of Vietnam	17	255,545	-
II	Deposits and borrowings from other credit institutions	18	7,992,502	7,028,038
1	Deposits from other credit institutions		7,829,594	6,863,405
2	Borrowings from other credit institutions		162,908	164,633
III	Deposits from customers	19	29,523,464	26,227,168
VI	Valuable papers issued	20	300,000	-
VII	Other liabilities		776,452	612,588
1	Accrued interest and fees payable		550,489	480,931
3	Other liabilities	21	225,963	131,657
	TOTAL LIABILITIES		38,847,963	33,867,794
	EQUITY			
VIII	Owners' equity	22	3,687,160	3,531,802
1	Capital		3,202,758	2,965,800
a	Charter capital		3,236,958	3,000,000
d	Treasury shares		(34,200)	(34,200)
2	Reserves		220,048	280,983
5	Retained profits		264,354	285,019
	TOTAL EQUITY		3,687,160	3,531,802
	TOTAL LIABILITIES AND EQUITY		42,535,123	37,399,596

	Note	31/12/2018 VND million	31/12/2017 VND million
OFF-BALANCE SHEET ITEMS			
4	Letters of credit commitments	36	44,351
5	Other guarantees	36	111,085
			11,059
			67,198

29 March 2019

Prepared by:

Thi Duyen

Thi Duyen
Accountant

Approved by:

Pham Thi My Chi

Pham Thi My Chi
Chief Accountant



Tran Tuan Anh

Tran Tuan Anh
Legal Representative

Kien Long Commercial Joint Stock Bank
40 – 42 – 44 Pham Hong Thai, Vinh Thanh Van Ward
Rach Gia City, Kien Giang Province, Vietnam
Separate statement of income for the year ended
31 December 2018

Form B03/TCTD
(Issued in accordance with Circular No.
49/2014/TT-NHNN dated 31 December 2014
of the State Bank of Vietnam)

		Note	2018 VND million	2017 VND million
1	Interest and similar income	23	3,171,636	2,908,703
2	Interest and similar expenses	23	(2,202,926)	(1,867,168)
I	Net interest and similar income	23	968,710	1,041,535
3	Fee and commission income	24	23,250	17,145
4	Fee and commission expenses	24	(14,536)	(10,837)
II	Net fee and commission income	24	8,714	6,308
III	Net gain from trading of foreign currencies	25	11,626	3,633
V	Net gain/(loss) from trading of investment securities	26	115,070	(4,133)
5	Other income	27	40,465	38,012
6	Other expenses	27	(8,832)	(15,777)
VI	Net other income	27	31,633	22,235
VII	Income from investments in other entities	28	16,258	12,452
VIII	Operating expenses	29	(879,133)	(768,117)
IX	Operating profit before allowance expenses for credit losses		272,878	313,913
X	Allowance expenses for credit losses	30	(37,644)	(68,757)
XI	Profit before tax (carried forward to the next page)		235,234	245,156

The accompanying notes are an integral part of these separate financial statements

Kien Long Commercial Joint Stock Bank
40 – 42 – 44 Pham Hong Thai, Vinh Thanh Van Ward
Rach Gia City, Kien Giang Province, Vietnam
Separate statement of income for the year ended
31 December 2018 (continued)

Form B03/TCTD
(Issued in accordance with Circular No.
49/2014/TT-NHNN dated 31 December 2014
of the State Bank of Vietnam)

	Note	2018 VND million	2017 VND million
XI Profit before tax (brought forward from the previous page)		235,234	245,156
7 Income tax expense – current	31	(44,207)	(46,990)
8 Income tax expense – deferred	31	-	-
XII Total income tax expense	31	(44,207)	(46,990)
XIII Profit after tax		191,027	198,166

29 March 2019


Prepared by:


Thi Duyen
Accountant

Approved by:


Pham Thi My Chi
Chief Accountant




Tran Tuan Anh
Legal Representative

	2018 VND million	2017 VND million
CASH FLOWS FROM OPERATING ACTIVITIES		
01 Interest and similar income received	3,152,407	2,641,318
02 Interest and similar expenses paid	(2,133,368)	(1,788,172)
03 Net fee and commission income received	8,714	6,308
04 Net income from foreign currencies and securities trading activities	111,623	14,573
05 Other income received	11,878	7,105
06 Collection of bad debts previously written off	11,121	5,309
07 Salaries and operating expenses paid	(814,224)	(707,603)
08 Corporate income tax paid during the year	(51,935)	(53,496)
Cash flows from operating activities before changes in operating assets and liabilities	296,216	125,342
Changes in operating assets		
10 Decrease in investment securities	755,842	740,052
11 Increase in derivatives and other financial assets	(987)	-
12 Increase in loans and advances to customers	(4,786,491)	(4,919,064)
13 Utilisation of allowances for credit losses	(50,369)	(5,336)
14 (Increase)/decrease in other operating assets	(34,760)	9,780
Changes in operating liabilities		
15 Increase/(decrease) in borrowings from the State Bank of Vietnam	255,545	(200,928)
16 Increase in deposits and borrowings from other credit institutions	964,464	3,550,563
17 Increase in deposits from customers	3,296,296	3,335,086
18 Increase in valuable papers issued	300,000	-
21 Increase in other operating liabilities	101,949	48,984
22 Utilisations of reserves	(35,581)	(16,266)
I NET CASH FLOWS FROM OPERATING ACTIVITIES	1,062,124	2,668,213

	2018 VND million	2017 VND million
CASH FLOWS FROM INVESTING ACTIVITIES		
01 Payments for purchases of fixed assets and other long-term assets	(171,995)	(158,161)
02 Proceeds from disposals of fixed assets	16,962	35,065
09 Receipts of dividends and distributions from long-term investments	16,258	12,452
II NET CASH FLOWS FROM INVESTING ACTIVITIES	(138,775)	(110,644)
IV NET CASH FLOWS FOR THE YEAR	923,349	2,557,569
V CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	6,848,632	4,291,063
VII CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 32)	7,771,981	6,848,632

29 March 2019

Prepared by:



Thi Duyen
Accountant

Approved by:



Pham Thi My Chi
Chief Accountant





Tran Tuan Anh
Legal Representative

These notes form an integral part of and should be read in conjunction with the accompanying separate financial statements.

1. Reporting entity

(a) Establishment and operations

Kien Long Commercial Joint Stock Bank (“the Bank”) is a commercial joint stock bank incorporated and operating in Vietnam.

The Bank was established under Establishment and Operation Licence No. 0056/NH-GP issued by the State Bank of Vietnam (“the SBV”) dated 18 September 1995 and Enterprise Registration Certificate No. 1700197787 issued by the Department of Planning and Investment of Kien Giang Province dated 10 October 1995 with the name of Kien Long Rural Commercial Joint Stock Bank. The Bank’s Establishment and Operation Licence is valid for 50 years from the licence date.

In 2006, the Bank was renamed to Kien Long Commercial Joint Stock Bank and its operation model was changed from a rural bank to an urban bank.

The principal activities of the Bank consisted of mobilising short, medium and long-term deposits from organisations and individuals; granting short, medium and long-term loans based on the Bank’s capital resources; providing settlement and cashier services and other banking services in accordance with the approval of the SBV; contributing capital, purchasing shares, investing in bonds and trading foreign currencies under law requirements.

(b) Charter capital

As at 31 December 2018, the Bank’s charter capital is VND3,236,958 million (31/12/2017: VND3,000,000 million). The Bank has issued 323,695,796 ordinary shares with a par value of VND10,000 per share (31/12/2017: 300,000,000 ordinary shares).

The Bank registered for stock trading on securities market of unlisted public company (“UpCom”) on 29 June 2017.

(c) Location and operation network

The Bank’s Head Office is located at 40 – 42 – 44 Pham Hong Thai, Vinh Thanh Van Ward, Rach Gia City, Kien Giang Province, Vietnam. As at 31 December 2018, the Bank has one head office, 31 branches and 103 transaction offices nation-wide (31/12/2017: one head office, 28 branches and 89 transaction offices).

(d) Subsidiary

As at 31 December 2018 and 31 December 2017, the Bank had one subsidiary as follows:

Entity name	Business Registration Certificate	Principal activities	Percentage of equity owned and voting rights	
			31/12/2018	31/12/2017
KienLongBank Asset Management Company	The Enterprise Registration Certificate No. 1701452905 issued by the Department of Planning and Investment of Kien Giang Province dated 12 November 2010 and the most recent of which dated 21 February 2018.	Debts and assets management	100%	100%

The principal activities of the subsidiary include of consulting, performing business brokerage, leasing real estates, land use rights; managing loans and collateral for loans; valuating collaterals and managing collateral files; restructuring loans; buying debts from and selling debts to credit institutions.

(e) Number of employees

As at 31 December 2018, the Bank had 2,786 employees (31/12/2017: 2,419 employees).

2. Basis of preparation

(a) Statement of compliance

The separate financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for Credit Institutions stipulated by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting. These standards and statutory requirements may differ in some material respects from International Financial Reporting Standards and the generally accepted accounting principles and standards in other countries. Accordingly, the accompanying separate financial statements are not intended to present the unconsolidated financial position and unconsolidated results of operations and unconsolidated cash flows of the Bank in accordance with generally accepted accounting principles and practices in countries or jurisdictions other than Vietnam. Furthermore, their utilisation is not designed for those who are not informed about Vietnam's accounting principles, procedures and practices applicable to credit institutions.

The Bank has also prepared and issued the consolidated financial statements of the Bank and its subsidiary (collectively referred to as "the Group") in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for Credit Institutions stipulated by the SBV and the relevant statutory requirements applicable to financial reporting. These separate financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2018 in order to obtain full information on the consolidated financial position, consolidated results of operations and consolidated cash flows of the Group as a whole.

(b) Basis of measurement

The separate financial statements, except for the separate statement of cash flows, are prepared on the accrual basis using the historical cost concept. The separate statement of cash flows is prepared using the direct method.

(c) Annual accounting period

The annual accounting period of the Bank is from 1 January to 31 December.

(d) Accounting and presentation currency

The Bank's accounting currency is Vietnam Dong ("VND"), which is also the currency used for financial statement presentation purpose, rounded to the nearest million ("VND million").

3. Changes in accounting policies

Adoption of Circular No. 22/2017/TT-NHNN

On 29 December 2017, the SBV issued Circular No. 22/2017/TT-NHNN ("Circular 22") amending and supplementing certain articles on the Chart of accounts for credit institutions issued under Decision No. 479/2004/QĐ-NHNN dated 29 April 2004 and the financial reporting regimes applicable to credit institutions issued under Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 of the Governor of the SBV. Circular 22 is effective from 1 April 2018.

The changes to the Bank's accounting policies resulting from the adoption of Circular 22 and the effects on the Bank's separate financial statements (if any) are disclosed in Note 4(a).

Adoption of Circular No. 16/2018/TT-BTC

On 7 February 2018, the Ministry of Finance issued Circular No. 16/2018/TT-BTC providing guidelines on the financial regimes applicable to credit institutions and branches of foreign banks ("Circular 16"). Circular 16 is effective from 26 March 2018 and replaces Circular No. 05/2013/TT-BTC dated 9 January 2013 of the Ministry of Finance providing guidelines on the financial regimes applicable to credit institutions and branches of foreign banks.

The changes to the Bank's accounting policies resulting from the adoption of Circular 16 and the effects on the Bank's separate financial statements (if any) are disclosed in Note 4(w).

4. Summary of significant accounting policies

The following significant accounting policies have been adopted by the Bank in the preparation of these separate financial statements.

(a) Foreign currency transactions

Before 1 April 2018

All transactions of the Bank are recorded in original currencies. Monetary assets and liabilities denominated in currencies other than VND are translated into VND at rates of exchange ruling at the end of the accounting period announced by the SBV. Non-monetary assets and liabilities denominated in currencies other than VND are translated to VND at rates of exchange ruling on the transaction dates.

Income and expenses in foreign currencies are translated into VND at rates of exchange ruling on transaction dates announced by the SBV.

Foreign exchange differences arising from monthly translation of monetary assets and liabilities are recognised in the “Foreign exchange differences” account in equity caption and then transferred to the separate statement of income at the end of the annual accounting period.

From 1 April 2018

All transactions of the Bank are recorded in original currencies. Monetary assets and liabilities denominated in currencies other than VND are translated into VND at the average of buying and selling spot exchange rate of that currency (“spot exchange rate”) ruling at the end of the last working day of the accounting period if the difference between this spot exchange rate and the weighted average of the buying and selling exchange rates ruling on the last working day of the accounting period is less than 1%; in the case of this difference is equal to or greater than 1%, the Bank uses the weighted average of the buying and selling exchange rates ruling on the last working day of the accounting period. Non-monetary assets and liabilities denominated in currencies other than VND are translated to VND at exchange rates ruling on the transaction dates.

Income and expenses in foreign currencies are translated into VND at the spot exchange rates ruling on the transaction dates.

Foreign exchange differences arising from monthly translation of monetary assets and liabilities are recognised in the “Foreign exchange differences” account in equity caption and then transferred to the separate statement of income at the end of the annual accounting period.

Refer to Note 40(d)(ii) for the main exchange rates used at the end of the annual accounting period.

The changes in accounting policy mentioned above were applied prospectively and did not have material impact on the Bank’s unconsolidated profit after tax for the year ended 31 December 2018.

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, gold, precious metals and gemstones, demand deposits at the SBV, Government's promissory notes and other short-term valuable papers qualified to be discounted at the SBV, securities which have maturity dates within three months from the purchase date, deposits with and loans to other credit institutions with original term to maturity of not more than three months from the date of deposit.

(c) Deposits with and loans to other credit institutions

Deposits with other credit institutions including demand deposits and term deposits with other credit institutions with original terms to maturity of not more than three months.

Loans to other credit institutions are loans with original terms to maturity of not more than twelve months.

Demand deposits with other credit institutions are stated at the amount of outstanding principal.

Term deposits with and loans to other credit institutions are stated at the amount of outstanding principal less allowance for credit losses.

The classification of credit risk for term deposits with and loans to other credit institutions and allowance calculation thereof are made in accordance with Circular No. 02/2013/TT-NHNN issued by the SBV dated 21 January 2013 regulating the classification of assets, credit loss allowance level, allowance calculation method and utilisation of allowance to manage risk in operations of credit institutions and foreign banks' branches ("Circular 02") and Circular No. 09/2014/TT-NHNN issued by the SBV dated 18 March 2014 amending and supplementing certain articles of Circular 02 ("Circular 09"). Accordingly, the Bank has classified and made the specific allowance for credit losses on term deposits with and loans to other credit institutions in accordance with the method as described in Note 4(e).

In accordance with Circular 02, the Bank is not required to make general allowance for credit losses on deposits with and loans to other credit institutions.

(d) Loans and advances to customers

Short-term loans are those with repayment term within one year from the loan disbursement date. Medium-term loans are those with repayment term over one year to five years from the loan disbursement date. Long-term loans are those with repayment term of more than five years from the loan disbursement date.

Loans and advances to customers are stated at the amount of outstanding principal less allowance for credit losses. Allowance for credit losses on loans and advances to customers comprises specific allowance for credit losses and general allowance for credit losses.

Loans and advances to customers are derecognised when the contractual rights of the Bank to receive cash flows from the loan contracts expire, or when the Bank has transferred substantially all risks and rewards of ownership associated with the loans to other parties.

Debt classification and allowance for credit losses on loans and advances to customers are made in accordance with Circular 02 and Circular 09 as described in Note 4(e).

Loans sold to Vietnam Asset Management Company (“VAMC”) are derecognised in accordance with the accounting policies as described in Note 4(g)(v).

(e) Debt classification and allowance level, calculation method of allowance for credit losses

(i) Debt classification

Except for the special cases mentioned in Note 9(i), including of a group of customers having shares of another bank as collateral for loans which was classified in Group 1 in accordance with Official letter No. 705/NHNN-TTGSNH issued by the SBV dated 4 February 2016 and Official letter No. 942/NHNN-TTGSNH issued by the SBV dated 1 December 2016; and loans for agricultural and rural development purpose having repayment term restructured for the first time and having credit rating remained as before restructuring in accordance with Decree No. 55/2015/ND-CP (“Decree 55”) issued by the Government dated 9 June 2015 and Circular No. 10/2015/TT-NHNN (“Circular 10”) issued by the SBV dated 22 July 2015, debt classification for term deposits with and loans to other credit institutions, unlisted corporate bonds, loans and advances to customers and the debts sold but not yet collected (together referred to as “debts”) is made in accordance with the quantitative method as stipulated in Article 10 of Circular 02 as follows:

Group		Overdue status
1	Current debts	(a) Current debts being assessed as fully and timely recoverable, both principal and interest; or (b) Debts being overdue less than 10 days and being assessed as fully recoverable, both overdue principal and interest, and fully and timely recoverable, both remaining principal and interest.
2	Special mentioned debts	(a) Debts being overdue between 10 days and 90 days; or (b) Debts having terms of repayment rescheduled for the first time.
3	Sub-standard debts	(a) Debts being overdue between 91 days and 180 days; or (b) Debts having terms of repayment extended for the first time; or (c) Debts having interest exempted or reduced because customers are not able to pay the interest according to the credit contract; or (d) Debts falling in one of the following cases not yet collected within 30 days since the issuance date of recovery decision: <ul style="list-style-type: none"> ▪ Debts violating regulations specified in Clauses 1, 3, 4, 5, 6 of Article 126 of Laws on credit institutions; or ▪ Debts violating regulations specified in Clauses 1, 2, 3, 4 of Article 127 of Laws on credit institutions; or ▪ Debts violating regulations specified in Clauses 1, 2, 5 of Article 128 of Laws on credit institutions. (e) Debts in the collection process under inspection conclusions.

Group		Overdue status
4	Doubtful debts	(a) Debts being overdue between 181 days and 360 days; or (b) Debts having terms of repayment rescheduled for the first time and being overdue less than 90 days according to the first rescheduled terms of repayment; or (c) Debts having terms of repayment rescheduled for the second time; or (d) Debts specified in point (d) of sub-standard debts not yet collected between 30 days and 60 days since the issuance date of recovery decision; or (e) Debts in the collection process under inspection conclusions but being overdue up to 60 days according to recovery term.
5	Loss debts	(a) Debts being overdue more than 360 days; or (b) Debts having terms of repayment rescheduled for the first time and being overdue more than 90 days according to the first rescheduled terms of repayment; or (c) Debts having terms of repayment rescheduled for the second time and being overdue according to the second rescheduled terms of repayment; or (d) Debts having terms of repayment rescheduled for the third time or more, regardless of whether the debts are overdue or not; or (e) Debts specified in point (d) of Sub-standard debts not yet collected over 60 days since the issuance date of recovery decision; or (f) Debts in the collection process under inspection conclusions but being overdue for more than 60 days according to recovery term; or (g) Debts to other credit institutions being announced under special control status by the SBV, or to foreign banks' branches of which capital and assets are blockaded.

For off-balance sheet commitments, the Bank classified debts based on the number of overdue days from the date when the Bank performs committed obligations:

- Group 3 - Sub-standard debts: overdue below 30 days;
- Group 4 - Doubtful debts: overdue from 30 days to less than 90 days;
- Group 5 - Loss debts: overdue from 90 days and above.

Where a customer owes more than one debt to the Bank, and has any of its debts classified into a higher risk group of debts, the Bank is obliged to classify the remaining debts of such customer into the group of debts with higher risk corresponding with their level of risk.

Where the Bank participates in a syndicated loan not as the lead bank, the Bank reclassifies all debts (including the syndicated loan) of the customer into a higher risk group of debt as decided by the lead bank, participating banks and by the Bank.

The Bank is also required to use the results of debt classification as provided by the Credit Information Center of the SBV ("CIC") at the date of classification to adjust the results of its internal classification of debts. Where debts and off-balance sheet commitments of one customer are classified by the Bank into a group of debts with lower risk as compared to those provided by CIC, the Bank is required to reclassify such debts and off-balance sheet commitments to the group of debts as provided by CIC.

(ii) Specific allowances for credit losses

In accordance with Circular 02 and Circular 09, the specific allowance is calculated based on the debt classification and the debt outstanding principal on the last working date of previous quarter. For the last quarter, specific allowance is calculated based on the debt classification and the debt outstanding principal on the last working date of November. The specific allowances is calculated based on the following allowance rates for the debt outstanding principal less the allowed value of collateral assets. The specific allowance rate applied to each debt group are as follows:

	<i>Specific allowance rate</i>
Group 1 - Current debts	0%
Group 2 - Special mentioned debts	5%
Group 3 - Sub-standard debts	20%
Group 4 - Doubtful debts	50%
Group 5 - Loss debts	100%

The allowed value of collateral assets is determined in accordance with Clause 6, Article 12 of Circular 02.

Collateral assets, which are movable assets, real estate or others, excluding gold billets, Government bonds listed on the Stock Exchange, securities issued by enterprises or other credit institutions, with value of VND50 billion or more secured for debts to the Bank's related parties or other parties as prescribed in Article 127 of the Law on credit institutions or with value of VND200 billion or more are valued by the licensed asset valuation organisation. Other than these cases, collateral assets are valued in accordance with the Bank's internal policy and process.

As at 31 December 2018, the Bank made a specific allowance based on outstanding principal, allowed value of collateral assets and debt classification at 30 November 2018 (31/12/2017: based on outstanding principal, allowed value of collateral assets and debt classification at 30 November 2017).

(iii) General allowances for credit losses

In accordance with Circular 02, a general allowance is made at 0.75% of the outstanding principals of the debts at the last working day of the previous quarter or of November for the last quarter of the year, except for term deposits with and loans to other credit institutions and the debts being classified as Loss debts.

As at 31 December 2018, the Bank made a general allowance based on above mentioned balances as at 30 November 2018 (31/12/2017: based on above mentioned balances as at 30 November 2017).

(iv) Writing-off bad debts

Bad debts are debts in Group 3, 4 and 5.

Bad debts are written off at the discretion of the Bank's Risk Resolution Committee when they consider that all reasonable efforts for recovery of bad debts, including legal actions, have been exhausted.

Bad debts are written off against the allowance when the debts have been classified to Group 5 or when borrowers have declared bankrupt or dissolved (for borrowers being organisations and enterprises), or borrowers are deceased or missing (for borrowers being individuals).

Bad debts written-off against allowance are recorded as off-balance sheet items. The amount collected from previously written-off bad debts, including the amount from sales of collaterals secured for those bad debts, is recognised in the separate statement of income upon receipt.

(v) Loans sold to VAMC

The Bank has sold loans and advances to customers to VAMC in accordance with Decree No. 53/2013/ND-CP issued by the Government dated 18 May 2013 ("Decree 53"), Decree No. 34/2015/ND-CP issued by the Government dated 31 March 2015 amending and supplementing several articles of Decree 53 ("Decree 34"), Circular No. 19/2013/TT-NHNN issued by the SBV dated 6 September 2013 ("Circular 19"), Circular No. 14/2015/TT-NHNN issued by the SBV dated 28 August 2015 ("Circular 14"), Circular No. 08/2015/TT-NHNN issued by the SBV dated 16 June 2016 ("Circular 08"), Circular No. 09/2017/TT-NHNN issued by the SBV dated 14 August 2017 (Circular 09") amending and supplementing several articles of Circular 19 and has derecognised them from the separate balance sheet in accordance with the guidance in Official letter No. 8499/NHNN-TCKT issued by the SBV dated 14 November 2013 ("Official letter 8499") and Official letter No. 925/NHNN-TCKT issued by the SBV dated 19 February 2014 ("Official letter 925").

Accounting policies for debts sold to VAMC are described in Note 4(g)(v).

(f) Off-balance sheet commitments

Off-balance sheet commitments consist of guarantees, settlement acceptances, and unconditional and irrevocable commitments with specific time for settlement.

Off-balance sheet commitments are classified as follows:

Group		Definition
1	Current commitments	Commitments which, according to the Bank's assessment, could be fully settled when they fall due.
2	Special mentioned commitments	Commitments which, according to the Bank's assessment, could not be fully settled when they fall due.
3	Sub-standard commitments and higher risk groups	Commitments falling into one of the following cases: <ul style="list-style-type: none"> ▪ Commitments violating regulations specified in clauses 1, 3, 4, 5, 6 of Article 126 of Law on credit institutions; or ▪ Commitments violating regulations specified in clauses 1, 2, 3, 4 of Article 127 of Law on credit institutions; or ▪ Commitments violating regulations specified in clauses 1, 2, 5 of Article 128 of Law on credit institutions.

In accordance with Circular 02 and Circular 09, the classification of off-balance sheet commitments is conducted solely for the purpose of management and credit quality supervision of credit granting activities. No allowance is made for off-balance sheet commitments, except when the Bank is required to make payment under the guarantee contract, in this case, the payment on behalf is classified and allowance is made in accordance with accounting policy as described in Note 4(e).

(g) Investment securities

(i) Classification

Investment securities include available-for-sale securities and held-to-maturity securities. The Bank classifies investment securities at the purchase date as available-for-sale securities or held-to-maturity securities. In accordance with Official Letter No. 2601/NHNN-TCKT issued by the SBV on 14 April 2009, the Bank is allowed to reclassify investment securities maximum once after the initial classification at the purchase date.

Available-for-sale securities:

Available-for-sale securities are debt securities or equity securities which are intended to be held for an indefinite period and may be sold at any time.

Held-to-maturity securities:

Held-to-maturity securities are debt securities with fixed maturities and fixed or determinable payments where the Bank's management has the intention and ability to hold until maturity.

(ii) Recognition

The Bank recognises investment securities on the date it becomes a party to the contractual purchase agreement of these securities (trade date accounting).

(iii) Measurement

Equity securities

Available-for-sale equity securities are initially recognised at cost which includes purchase price plus any directly attributable transaction costs such as brokerage fees, transaction fees, information fees, bank charges (if any). Subsequently, these securities are stated at the lower of book value and market value with diminution value being recognised in the separate statement of income.

For listed available-for-sale equity securities, the market price is the closing price of securities obtained from the Ho Chi Minh City Stock Exchange or the Hanoi Stock Exchange at the end of the annual accounting period.

For unlisted available-for-sale equity securities that have been registered for trading on the UpCom market, the market price is the closing price obtained from the UpCom market at the end of the annual accounting period.

For unlisted available-for-sale equity securities that have been registered for trading on the over-the-counter market ("OTC"), the market price is the average of the transaction prices quoted by three securities companies having charter capital of more than VND300 billion at the end of the annual accounting period.

In case, the market price of those securities cannot be determined, such securities are stated at cost.

Debt securities

Available-for-sale debt securities and held-to-maturity debt securities are initially recognised at cost which includes purchase price plus any directly attributable transaction costs such as brokerage fees, transaction fees, information fees, tax, duties and bank charges (if any). Subsequently, these securities are stated at amortised cost (affected by the amortisation of discounts and premiums) less allowance for losses on investment securities (including allowance for credit losses and allowance for diminution in value of securities). Premiums and discounts arising from purchases of debt securities are amortised to the separate statement of income on a straight line basis from its purchase date to its maturity date.

Listed available-for-sale debt securities are stated at amortised cost less allowance for diminution in value of securities by referring to the average trading price quoted on the Hanoi Stock Exchange at the end of the annual accounting period.

For unlisted available-for-sale debt securities and held-to-maturity unlisted corporate bonds are stated at cost less allowance for credit losses in accordance with the requirements of Circular 02 and Circular 09 as described in Note 4(e). Allowance for diminution in value of other held-to-maturity debt securities is made when there is an indicator of long-term decline or strong evidence that the Bank might not be able to fully recover the investment.

Post-acquisition interest income of available-for-sale debt securities and held-to-maturity debt securities is recognised in the separate statement of income on an accrual basis. Pre-acquisition interest income is recognised as a reduction to cost when received.

The allowance for credit losses on unlisted corporate bonds and allowance for diminution in value of other investment securities as mentioned above is reversed if the recoverable amount of the securities subsequently increases after the allowance was recognised. An allowance is reversed only to the extent that the investment's carrying value does not exceed the investment's carrying value that would have been determined if no allowance had been recognised.

(iv) *Derecognition*

Investment securities are derecognised when the rights to receive cash flows from the investments have expired or the Bank has transferred substantially all risks and rewards of ownership.

(v) *Special bonds issued by VAMC*

The Bank accounts for bad debts sold in exchange for special bonds in accordance with the guidance of Official Letter 8499 and Official Letter 925.

Special bonds issued by VAMC are term valuable papers issued by VAMC to purchase the Bank's bad debts and classified as held-to-maturity securities.

In exchange of every bad debt sold to VAMC, the Bank receives a corresponding special bond issued by VAMC. Par value of the special bond is equal to the carrying value of bad debts sold net of specific allowance which was made but not yet utilised.

After completing the procedure of selling bad debts, the Bank writes down the book value of bad debts, uses specific allowance which was made but not yet utilised. At the same time, the Bank initially recognises the special bonds issued by VAMC as held-to-maturity securities issued by local economic entities at par value and subsequently at par value less allowance for losses.

For the special bonds issued by VAMC, specific allowance is calculated and made in accordance with the guidance of Circular 19, Circular 14, Circular 08 and Circular 09. Accordingly, the Bank makes specific allowance for each special bond annually, within 5 working days prior to the date of that year corresponding to the maturity date of such bond, the minimum specific allowance required to make annually during the term of the special bonds is the positive difference between 20% of the par value of the special bonds deducting the collected amounts of the underlying bad debts during the year. Allowance for the special bonds is recognised in the separate statement of income.

The Bank is not required to make general allowance for these special bonds.

(h) Long-term investments

(i) *Investments in subsidiary*

Subsidiary is entity controlled by the Bank. Control exists when the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Investments in subsidiary are stated at cost less allowance for diminution in value recognised in the separate financial statements (see Note 4(i)).

(ii) *Other long-term investments*

Other long-term investments include equity securities and other long-term investments in equity instruments that the Bank intends to hold for more than one year where the Bank has no control or significant influence.

Other long-term investments are stated at cost less allowance for diminution in value which are made in accordance with guidance of Circular No. 228/2009/TT-BTC issued by the Ministry of Finance dated 7 December 2009 (“Circular 228”) and Circular No. 89/2013/TT-BTC issued by the Ministry of Finance dated 28 June 2013 (“Circular 89”) amending and supplementing Circular 228 as described in Note 4(i).

(i) Allowance for diminution in value of long-term investments

Allowance for diminution in value of long-term investments is made if the investees have suffered losses (except when the loss was anticipated in the initial business plan of the investee before the investment) in accordance with Circular 228 and Circular 89. Accordingly, the allowance for diminution in value is equal to the difference between the total actual capital contributed by all investors and the owner’s equity of the investee multiplied (x) by the Bank’s percentage of equity interest in the investee. The allowance is reversed if the recoverable amount subsequently increases after the allowance was recognised. An allowance is reversed only to the extent that the investment’s carrying value does not exceed the investment’s carrying value that would have been determined if no allowance had been recognised.

(j) Classification of financial instruments

Solely for the purpose of providing disclosures about the significance of financial instruments to the Bank's financial position and results of operations and the nature and extent of risk arising from financial instruments, the Bank classifies its financial instruments as follows:

(i) Financial assets

Financial assets at fair value through profit or loss

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

- It is considered by the Board of Directors as held for trading. A financial asset is classified as held for trading if:
 - it is acquired principally for the purpose of selling it in the near future;
 - there is evidence of a recent pattern of short-term profit-taking; or
 - it is a derivative (except for a derivative that is financial guarantee contract or a designated and effective hedging instrument).
- Upon initial recognition, it is designated by the Bank as at fair value through profit or loss.

Held-to-maturity investments

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

- those that the Bank, upon initial recognition, designates as at fair value through profit or loss;
- those that the Bank designates as available-for-sale; and
- those that meet the definition of loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Bank intends to sell immediately or in the near future, which are classified as held for trading, and those that the Bank, upon initial recognition, designates as at fair value through profit or loss;
- those that the Bank, upon initial recognition, designates as available-for-sale; or
- those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available-for-sale.

Available-for-sale financial assets

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

- financial assets at fair value through profit or loss;
- held-to-maturity investments; or
- loans and receivables.

The above described classification of financial assets is solely for presentation and disclosure purposes and is not intended to be a description of how the financial instruments are measured. Accounting policies for measurement of financial assets are disclosed in other relevant notes.

(ii) Financial liabilities

Financial liabilities at fair value through profit or loss

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

- It is considered by the Board of Directors as held for trading. A financial liability is classified as held for trading if:
 - it is incurred principally for the purpose of repurchasing it in the near future;
 - there is evidence of a recent pattern of short-term profit-taking; or
 - it is a derivative (except for a derivative that is financial guarantee contract or a designated and effective hedging instrument).
- Upon initial recognition, it is designated by the Bank as at fair value through profit or loss.

Financial liabilities carried at amortised cost

Financial liabilities which are not classified as financial liabilities at fair value through profit or loss are classified as financial liabilities carried at amortised cost.

The above described classification of financial liabilities is solely for presentation and disclosure purpose and is not intended to be a description of how the instruments are measured. Accounting policies for measurement of financial liabilities are disclosed in other relevant notes.

(k) Tangible fixed assets

(i) Cost

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the tangible fixed assets have been put into operation, such as repairs, maintenance and overhaul costs, is charged to the separate statement of income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of tangible fixed assets beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

(ii) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of tangible fixed assets. The estimated useful lives are as follows:

▪ buildings and structures	5 – 50 years
▪ machinery and equipment	5 – 15 years
▪ motor vehicles	6 – 10 years
▪ office equipment	3 – 8 years
▪ other tangible fixed assets	5 – 10 years

(iii) Disposals

Gains and losses on disposal of tangible fixed assets are the difference between the net proceeds from disposals and the carrying amount of fixed assets and are recognised as other income or other expenses in the separate statement of income.

(l) Intangible fixed assets

(i) Land use rights

Land use rights are stated at cost less accumulated amortisation. The initial cost of a land use right comprises its purchase price and any directly attributable costs incurred in conjunction with securing the land use rights. Amortisation of definite land use rights is computed on a straight-line basis over a period ranging from 36 to 49 years. The Bank does not amortise the indefinite land use rights.

(ii) Software

Cost of acquiring new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible fixed asset. Software cost is amortised on a straight-line basis over a period ranging from 3 to 10 years.

(iii) Disposals

Gains or losses on disposal of intangible fixed assets are the difference between the net proceeds from disposals and the carrying amount of fixed assets and are recognised as other income or other expenses in the separate statement of income.

(m) Derivative financial instruments

Currency forward contracts

Currency forward contracts are recorded at net contract value in the separate financial statements. Differences between the currency amounts which are committed to buy/sell at the contractual exchange rate and the buy/sell committed currency amounts translated at the spot exchange rate at the effective date of the currency forward contracts are amortised to the separate statement of income on a straight-line basis over the terms of these contracts.

Currency forward contracts are revalued at the spot exchange rate ruling at each month-end. Unrealised gains/losses are recognised in the “Foreign exchange differences” account in equity caption at each month-end and then transferred to the separate statement of income at the end of the annual accounting period.

(n) Other assets

(i) Construction in progress

Construction in progress represents the costs of construction and upgrading of software which have not been fully completed. No depreciation is provided for construction in progress during the period of construction and upgrading.

(ii) Foreclosed assets

Foreclosed assets are assets of which the ownership was transferred to the Bank and awaiting for settlement.

(iii) Other assets

Other assets, except for receivables from credit activities, are stated at cost less allowance for credit losses on other assets.

Allowance for losses on other assets are made based on the overdue status of debts or expected losses on undue debts which may occur when an economic organisation is bankrupted or liquidated; or debtor is missing, running away, being prosecuted, in prison, under a trial or pending execution of sentences or deceased. The allowance expenses are recorded as operating expenses during the year.

For overdue other assets, the Bank makes allowance for losses using the allowance rates that are applied for overdue status in accordance with Circular 228 as follows:

Overdue status	Allowance rate
Over 6 months to less than 1 year	30%
From 1 to less than 2 years	50%
From 2 to less than 3 years	70%
From 3 years and above	100%

Allowance for losses on other assets based on the expected losses of undue debts is determined by the Bank after considering the recovery of these debts.

(o) Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Severance allowance and unemployment insurance

Under Vietnamese Labour Code, when an employee who has worked for the Bank for 12 months or more (“eligible employee”) voluntarily terminates his/her labour contract in accordance with the laws, the employer is required to pay him/her severance allowance calculated based on years of service and employee’s compensation at termination. Severance allowance has been provided based on employees’ years of service and their average salary for the six-month period prior to the end of the annual accounting period. For the purpose of determining the number of years of service by an employee, the period for which the employee participated in and contributed to unemployment insurance in accordance with prevailing laws and regulations and the period for which severance allowance has been paid by the Bank are excluded.

On 24 October 2012, the Ministry of Finance issued Circular No. 180/2012/TT-BTC (“Circular 180”) providing guidance on the financial treatment for redundancy allowance to employees of enterprises. Circular 180 provides that, in preparation of 2012 financial statements, if an enterprise’s provision for redundancy allowance still has the outstanding balance, the enterprise must reverse the balance to other income for 2012 and must not carry forward the balance to the following year. The Bank’s Board of Directors believed that Circular 180 also applies to provision for severance allowance. Accordingly, the Bank reversed the outstanding balance of provision for severance allowance at as 31 December 2012 to other income for the year ended 31 December 2012 and will no longer make provision for severance allowance. This change in accounting policy has been applied prospectively from 2012.

Pursuant to the Law on Social Insurance, effective from 1 January 2009, the Bank and its employees are required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. The unemployment insurance paid by the Bank for the years of service is recorded as an expense in the separate statement of income when incurred.

Unemployment insurance is recognised as a part of salary and related expenses in the separate statement of income.

(p) Deposits and borrowings from other credit institutions

Deposits and borrowings from other credit institutions are stated at their costs.

(q) Deposits from customers

Deposits from customers are stated at their costs.

(r) Other payables

Other payables are stated at their costs.

(s) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the separate statement of income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the annual accounting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the end of the annual accounting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(t) Capital

(i) *Charter capital*

Ordinary shares are recognised at issuance price less incremental costs directly attributable to the issue of shares, net of tax effects. Such costs are recognised as a deduction from share premium.

(ii) Share premium

On issuance of shares, the difference between the issue price and the par value of the shares is recorded to the share premium account in equity.

(iii) Treasury shares

When the Bank repurchases its ordinary shares (“treasury shares”), the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity.

When treasury shares are reissued subsequently, the amount received is recognised as an increase in equity, and the difference between reissued price and book value of these treasury shares is recognised as share premium.

(u) Statutory reserves

According to Decree No. 93/2017/ND-CP issued by the Government dated 7 August 2017, the Bank is required to make the following statutory reserves before distribution of profits:

	Annual allocation	Maximum balance
Reserve to supplement charter capital	5% of profit after tax	Charter capital
Financial reserve	10% of profit after tax	Not specified

The purpose of financial reserve is to cover the remaining losses and damage occurring in the course of business after such losses have been offset with compensation paid by the organisations, individuals causing the loss, indemnity paid by insurers and with allowance recognised as expenses; and to use for other purposes in accordance with the laws.

The statutory reserves are non-distributable and are classified as part of equity.

(v) Bonus and welfare fund

Bonus and welfare fund is appropriated from unconsolidated profit after tax as approved of shareholders at the Annual General Meeting of Shareholders and are used primarily to make payments to the Bank’s employees. These funds are not required by law and are fully distributable. Bonus and welfare fund is recognised as the Bank’s liabilities.

(w) Interest income

Before 26 March 2018

The Bank recognises interest income on an accrual basis, except for interest income from debts classified in Group 2 to Group 5 (as described in Note 4(e)(i)) being recognised in the separate statement of income upon receipt. When debts are classified in Group 2 to Group 5 (as described in Note 4(e)(i)), their accrued interest receivables are derecognised from the separate balance sheet and recognised in the off-balance sheet and are recognised in the separate statement of income upon receipt.

From 26 March 2018

Interest income is recognised in the separate statement of income on the accrual basis, except for interest income from debts classified in Group 2 to Group 5 (as described in Note 4(e)(i)) and debts classified in Group 1 (Current debts) resulting from implementation of special policies of the State being recognised in the separate statement of income upon receipt. When debts classified in Group 2 to Group 5 (as described in Note 4(e)(i)), their accrued interest receivables are derecognised from the separate balance sheet and are recognised in the off-balance sheet and recognised in the separate statement of income upon receipt.

When debts classified as Current debt resulting from implementation of special policies of the State, their interest income incurring during the year is not recorded as income but recorded in the off-balance sheet. Interest income from these debts is recognised in the separate statement of income upon receipt.

This change in accounting policy has been applied prospectively. Accordingly, the Bank's unconsolidated profit before tax for the year ended 31 December 2018 decreased by VND26,267 million.

(x) Fees and commission income

Fees and commission income include the income from the settlement services, cashier services, guarantee services and other services. Income from the guarantee services is recognised on an accrual basis. Income from the settlement services, cashier services and other services is recognised upon receipt.

(y) Dividend income

Dividend income in the form of cash is recognised in the separate statement of income when the right to receive dividend of the Bank is established.

Dividend received in the form of shares, bonus shares and share purchase options for existing shareholders, shares distributed from retain earnings is not recognised as an increase in investments value and is not recognised as income in the separate statement of income. When share dividends are received, the Bank only records the increase in number of shares.

Dividends received which are attributable to the pre-acquisition period are deducted from the carrying value of the investments.

(z) Interest expense

Interest expense is recognised in the separate statement of income on an accrual basis.

(aa) Fees and commission expenses

Fees and commission expenses are recognised in the separate statement of income when incurred.

(bb) Operating lease payments

Payments made under operating leases are recognised in the separate statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the separate statement of income as an integral part of the total lease expense.

(cc) Related parties

Parties are considered to be related to the Bank if one party has the ability, directly or indirectly, to control other party or exercise significant influence over the other party in making financial and operating decisions, or where the Bank and the other party are subject to common control or significant influence. Related parties may be corporate entities or individuals, include close family members of any individual considered to be a related party.

In considering each possible related party relationship, the Bank pays attention to the substance of the relationship, and not merely the legal form.

(dd) Commitments and contingencies

At any given time the Bank has undrawn credit commitments. These commitments are in the form of approved loans and overdrafts. The Bank also provides financial guarantees and letters of credit to guarantee the performance of the customer contracts for third parties. Many commitments and contingencies will expire without arising any part or all of an advanced payment. Thus, these commitments and contingencies do not necessarily reflect the cash flows expected in the future.

(ee) Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format for segment reporting is based on geographical segment and the Bank's secondary format for segment reporting is based on business segment.

(ff) Nil balance

Items or balances required by Circular No. 49/2014/TT-NHNN issued by the SBV dated 31 December 2014 (“Circular 49”) that are not shown in these separate financial statements indicate nil balances.

5. Cash on hand

	31/12/2018 VND million	31/12/2017 VND million
Cash on hand in VND	438,469	361,987
Cash on hand in foreign currencies	81,282	71,204
	<hr/>	<hr/>
	519,751	433,191
	<hr/>	<hr/>

6. Balances with the State Bank of Vietnam

These balances consist of compulsory reserve and current account at the SBV.

Under the SBV’s regulations relating to the compulsory reserve, banks are permitted to maintain a floating balance for the compulsory reserve requirement (“CRR”). The monthly average balance of the reserve must not be less than CRR rates multiplied by the preceding month’s average balances of deposits in scope as follows:

Deposits in scope	CRR rates	
	31/12/2018	31/12/2017
Preceding month’s average balances of:		
<i>Customers:</i>		
▪ Deposits in foreign currencies with term of less than 12 months	8%	8%
▪ Deposits in foreign currencies with term of 12 months and above	6%	6%
▪ Deposits in VND with term of less than 12 months	3%	3%
▪ Deposits in VND with term of 12 months and above	1%	1%
<i>Foreign credit institutions:</i>		
▪ Deposits in foreign currencies	1%	1%
	<hr/>	<hr/>
	31/12/2018 VND million	31/12/2017 VND million
Current account and compulsory reserve at the SBV		
▪ In VND	1,839,380	2,229,557
▪ In foreign currencies	13,523	22,025
	<hr/>	<hr/>
	1,852,903	2,251,582
	<hr/>	<hr/>

7. Deposits with and loans to other credit institutions

	31/12/2018 VND million	31/12/2017 VND million
Demand deposits		
Demand deposits in VND	859,375	33,067
Demand deposits in foreign currencies	243,626	317,802
Term deposits		
Term deposits in VND	2,786,700	2,736,590
Term deposits in foreign currencies	1,509,626	1,076,400
	<hr/> 5,399,327	<hr/> 4,163,859

As at 31 December 2018 and 31 December 2017, all term deposits with other credit institutions are classified in Group 1 – *Current debts*.

8. Derivatives and other financial assets

	Total contract value (at foreign exchange rate at the contract date) VND million	Total carrying value (at foreign exchange rate as at 31 December 2018) Assets VND million	Liabilities VND million
Currency derivatives			
▪ Currency forward contracts	93,887	987	-

9. Loans and advances to customers

	31/12/2018 VND million	31/12/2017 VND million
Loans to domestic economic entities and individuals	29,379,435	24,575,774
Loans funded by grants and entrusted investment funds	85,959	100,721
Payments on behalf of customers	6,600	9,008
	29,471,994	24,685,503

Loan portfolio by term was as follows:

	31/12/2018 VND million	31/12/2017 VND million
Short-term loans	16,566,294	11,516,015
Medium-term loans	5,139,220	6,658,546
Long-term loans	7,766,480	6,510,942
	29,471,994	24,685,503

Loan portfolio by type of customers and type of business was as follows:

	31/12/2018 VND million	31/12/2017 VND million
Household business and individuals	21,094,562	17,227,884
Limited liability companies	3,879,917	4,926,419
Joint stock companies	4,446,231	2,387,478
Private companies	51,284	143,722
	29,471,994	24,685,503

Loan portfolio by loan group was as follows:

	31/12/2018 VND million	31/12/2017 VND million
Group 1 - Current debts (i)	28,904,562	24,366,385
Group 2 - Special mentioned debts	289,714	112,008
Group 3 - Sub-standard debts	63,407	33,115
Group 4 - Doubtful debts	44,399	23,136
Group 5 - Loss debts	169,912	150,859
	29,471,994	24,685,503

- (i) Included in balance of Group 1 – *Current debts* as at 31 December 2018 was VND1,898,260 million (31/12/2017: VND1,898,260 million) of loans to a group of customers having shares of another bank as collaterals for loans. These loans have been extended the repayment term of principals and interests at least once. In accordance with Official letter No. 705/NHNN-TTGSNH issued by the SBV dated 4 February 2016 and Official letter No. 942/NHNN-TTGSNH issued by the SBV dated 1 December 2016, the SBV approved the Bank to maintain debt classification of those loans as Group 1 – *Current debts* until the SBV has further approval on the Restructuring project for this bank and Resolution for related debts.

Also included in balance of Group 1 – *Current debts* as at 31 December 2018 was VND239,124 million (31/12/2017: VND406,109 million) of loans to customers for the agricultural and rural development purpose, having repayment term restructured for the first time and remained the same debt group as before restructuring in accordance with the provisions of Decree 55 and Circular 10.

Loan portfolio by business sector of customers was as follows:

	31/12/2018 VND million	31/12/2017 VND million
Hired labor in households, production of materials products and self-consumption services of households	7,469,464	5,828,269
Agriculture, forestry and aquaculture	6,220,714	5,319,804
Other service activities	5,042,922	4,260,648
Real estate trading	3,731,623	2,489,589
Investments	2,174,138	2,661,241
Wholesale and retail; repair of automobiles, motorcycles, and other vehicles with engines	2,172,107	2,095,745
Construction	1,321,688	996,083
Transportation and warehousing	496,371	215,068
Manufacturing and processing industry	320,565	298,329
Accommodation and catering services	318,310	350,044
Health care and social relief activities	135,111	145,703
Information and media	49,796	2,457
Education and training	12,782	2,971
Electricity, gas, hot water and steam producing and distribution	2,245	9,309
Water supply, trash and sewage management and treatment	1,600	1,575
Art and entertainment	1,434	7,404
Extractive industry	1,010	1,150
Administrative activities and supporting services	114	114
	29,471,994	24,685,503

10. Allowance for losses on loans and advances to customers

Allowance for losses on loans and advances to customers consists of:

	31/12/2018 VND million	31/12/2017 VND million
General allowance (i)	206,043	180,176
Specific allowance (ii)	49,179	39,710
	<hr/>	<hr/>
	255,222	219,886
	<hr/>	<hr/>

- (i) Movements in general allowance for losses on loans and advances to customers during the year were as follows:

	2018 VND million	2017 VND million
Opening balance	180,176	134,964
Allowance made during the year (Note 30)	25,867	45,212
	<hr/>	<hr/>
Closing balance	206,043	180,176
	<hr/>	<hr/>

- (ii) Movements in specific allowance for losses on loans and advances to customers during the year were as follows:

	2018 VND million	2017 VND million
Opening balance	39,710	34,826
Allowance made during the year (Note 30)	9,469	4,884
	<hr/>	<hr/>
Closing balance	49,179	39,710
	<hr/>	<hr/>

11. Investment securities

	31/12/2018 VND million	31/12/2017 VND million
Available-for-sale securities		
<i>Debt securities</i>		
▪ Government bonds	-	1,152,286
<i>Equity securities</i>		
▪ Securities issued by other local credit institutions	-	520,730
Available-for-sale securities	-	1,673,016
Allowance for losses on available-for-sale securities		
▪ Allowance for diminution in value (i)	-	(15,073)
	-	1,657,943
Held-to-maturity securities (excluding special bonds issued by VAMC)		
<i>Debt securities</i>		
▪ Government bonds (ii)	1,401,464	266,426
Special bonds issued by VAMC		
▪ Par value of special bonds (iii)	152,499	370,363
▪ Allowance for special bonds (iv)	(93,463)	(141,524)
	59,036	228,839
	1,460,500	2,153,208

- (i) Movements in the allowance for diminution in value of available-for-sale securities during the year were as follows:

	2018 VND million	2017 VND million
Opening balance	15,073	-
Allowance (reversed)/made during the year (Note 26)	(15,073)	15,073
Closing balance	-	15,073

- (ii) As at 31 December 2018, included in held-to-maturity Government bonds were bonds with total par value amounting to VND950,000 million pledged as collaterals for deposits from other credit institutions (31/12/2017: VND100,000 million) (Note 18) and Government bonds with total par value amounting to VND249,816 million were rediscounted by the Bank to borrow from the SBV (31/12/2017: Nil) (Note 17).
- (iii) These are special bonds issued by VAMC in exchange for bad debts sold by the Bank with total outstanding principal of VND172,614 million (31/12/2017: VND426,392 million). Up to the date of selling debts to VAMC, specific allowance that the Bank made for these debts amounted to VND20,115 million (31/12/2017: VND56,029 million). This allowance was utilised to net off with outstanding principal when selling debts to VAMC.
- (iv) Movements in the allowance for special bonds issued by VAMC were as follows:

	2018 VND million	2017 VND million
Opening balance	141,524	128,199
Allowance made during the year (Note 30)	2,308	18,661
Allowance utilised during the year	(50,369)	(5,336)
Closing balance	93,463	141,524

12. Long-term investments

	31/12/2018 VND million	31/12/2017 VND million
Investment in a subsidiary (i)	500,000	500,000
Other long-term investments (ii)	14,521	14,521
	<u>514,521</u>	<u>514,521</u>

(i) Investment in a subsidiary

Name	As at 31/12/2018 and 31/12/2017			
	Percentage of equity owned and voting rights %	Cost VND million	Allowance VND million	Fair value VND million
KienLongBank Asset Management Company	100%	500,000	-	(*)

(ii) Other long-term investments where the Bank has equity interest of not more than 11% of charter capital or of share capital with voting rights:

	31/12/2018				31/12/2017			
	Percentage of equity owned and voting rights %	Cost VND million	Allowance VND million	Fair value VND million	Percentage of equity owned and voting rights %	Cost VND million	Allowance VND million	Fair value VND million
Investments in other enterprises								
▪ Hong Phat Investment and Construction Joint Stock Company	2.50%	5,250	-	(*)	2.92%	5,250	-	(*)
▪ Saigon - Rach Gia Joint Stock Company	6.96%	9,271	-	(*)	6.96%	9,271	-	(*)
		<u>14,521</u>	<u>-</u>			<u>14,521</u>	<u>-</u>	

(*) The Bank has not determined fair values of these investments for disclosure in the separate financial statements because there is no quoted price in the market for these financial investments and currently no guidance on determination of fair value using valuation techniques under Vietnamese Accounting Standards or the Vietnamese Accounting System for Credit Institutions stipulated by the SBV. The fair values of these investments may differ from their carrying amounts.

13. Tangible fixed assets

2018	Buildings and structures VND million	Machinery and equipment VND million	Motor vehicles VND million	Office equipment VND million	Other tangible fixed assets VND million	Total VND million
Cost						
Opening balance	578,017	163,756	93,201	10,683	9,855	855,512
Additions	972	413	48	-	-	1,433
Transfer from construction in progress (Note 15(i))	99,875	20,798	19,882	3,960	246	144,761
Disposals	-	(677)	(4,465)	(230)	-	(5,372)
Reclassifications	(71)	(108,972)	(655)	99,317	10,381	-
Closing balance	678,793	75,318	108,011	113,730	20,482	996,334
Accumulated depreciation						
Opening balance	50,485	58,545	45,069	7,381	6,327	167,807
Charge for the year	25,732	14,439	9,325	1,875	1,818	53,189
Disposals	-	(677)	(2,458)	(230)	-	(3,365)
Reclassifications	(12)	(48,415)	(479)	48,637	269	-
Closing balance	76,205	23,892	51,457	57,663	8,414	217,631
Net book value						
Opening balance	527,532	105,211	48,132	3,302	3,528	687,705
Closing balance	602,588	51,426	56,554	56,067	12,068	778,703

13. Tangible fixed assets (continued)

2017	Buildings and structures VND million	Machinery and equipment VND million	Motor vehicles VND million	Office equipment VND million	Other tangible fixed assets VND million	Total VND million
Cost						
Opening balance	448,910	142,599	91,623	10,922	9,823	703,877
Additions	922	621	-	-	32	1,575
Transfer from construction in progress (Note 15(i))	129,119	21,055	1,578	-	-	151,752
Disposals	(934)	(519)	-	(239)	-	(1,692)
Closing balance	578,017	163,756	93,201	10,683	9,855	855,512
Accumulated depreciation						
Opening balance	30,334	43,357	35,640	6,394	4,440	120,165
Charge for the year	21,085	15,707	9,429	1,226	1,887	49,334
Disposals	(934)	(519)	-	(239)	-	(1,692)
Closing balance	50,485	58,545	45,069	7,381	6,327	167,807
Net book value						
Opening balance	418,576	99,242	55,983	4,528	5,383	583,712
Closing balance	527,532	105,211	48,132	3,302	3,528	687,705

As at 31 December 2018, included in tangible fixed assets were assets costing VND47,395 million (31/12/2017: VND25,025 million) which were fully depreciated but are still in active use.

14. Intangible fixed assets

2018

	Land use rights VND million	Software VND million	Other intangible fixed assets VND million	Total VND million
Cost				
Opening balance	687,916	61,425	6,345	755,686
Additions	-	-	88	88
Transfer from construction in progress (Note 15(i))	2,464	6,082	1,401	9,947
Disposals	(7,148)	-	-	(7,148)
Closing balance	683,232	67,507	7,834	758,573
Accumulated amortisation				
Opening balance	2,460	37,355	4,322	44,137
Charge for the year	1,047	7,687	927	9,661
Disposals	(827)	-	-	(827)
Closing balance	2,680	45,042	5,249	52,971
Net book value				
Opening balance	685,456	24,070	2,023	711,549
Closing balance	680,552	22,465	2,585	705,602

14. Intangible fixed assets (continued)

2017

	Land use rights VND million	Software VND million	Other intangible fixed assets VND million	Total VND million
Cost				
Opening balance	704,993	53,751	6,144	764,888
Additions	4,675	-	-	4,675
Transfer from construction in progress (Note 15(i))	24,627	7,674	201	32,502
Disposals	(25,244)	-	-	(25,244)
Reclassifications to other assets	(21,135)	-	-	(21,135)
Closing balance	687,916	61,425	6,345	755,686
Accumulated amortisation				
Opening balance	1,922	30,243	2,859	35,024
Charge for the year	538	7,112	1,463	9,113
Closing balance	2,460	37,355	4,322	44,137
Net book value				
Opening balance	703,071	23,508	3,285	729,864
Closing balance	685,456	24,070	2,023	711,549

As at 31 December 2018, included in intangible fixed assets were assets costing VND10,324 million (31/12/2017: VND10,149 million) which were fully amortised but are still in active use.

15. Receivables

	31/12/2018 VND million	31/12/2017 VND million
Construction in progress (i)	65,015	128,643
Receivable from the SBV under interest subsidy program	3,822	3,822
Deposits for office rental and advances for contracts	11,007	8,404
Advances for operating activities	6,343	15,203
Receivables from Visa card business and Banknetvn	109,597	34,339
Deposits at international payment institutions	2,323	2,243
Others	20,871	15,134
	218,978	207,788

(i) Movements in construction in progress during the year were as follows:

	2018 VND million	2017 VND million
Opening balance	128,643	195,435
Additions	170,474	151,911
Transfers to tangible fixed assets (Note 13)	(144,761)	(151,752)
Transfers to intangible fixed assets (Note 14)	(9,947)	(32,502)
Transfers to other assets	(78,388)	(33,007)
Transfers to expenses	(1,006)	(1,442)
Closing balance	65,015	128,643

Details of construction in progress were as follows:

	31/12/2018 VND million	31/12/2017 VND million
Buildings	46,288	111,244
Software	18,727	16,703
Machinery and equipment	-	696
	65,015	128,643

16. Other assets

	31/12/2018 VND million	31/12/2017 VND million
Prepaid expenses	186,849	131,020
Tools and supplies	6,152	7,286
Payments on behalf of other credit institutions	1,101	327
Foreclosed assets of which ownership was transferred to the Bank and being awaited for settlement (i)	22,598	28,855
Other assets	93,160	103,036
	<hr/>	<hr/>
	309,860	270,524

(i) Foreclosed assets of which ownership was transferred to the Bank and being awaited for settlement:

	31/12/2018 VND million	31/12/2017 VND million
Real estates	22,598	28,855

17. Borrowings from the State Bank of Vietnam

	31/12/2018 VND million	31/12/2017 VND million
Rediscounted valuable papers	255,545	-

These borrowings were from rediscounting Government bonds with total par value amounting to VND249,816 million (Note 11(ii)).

18. Deposits and borrowings from other credit institutions

	31/12/2018 VND million	31/12/2017 VND million
Demand deposits in VND	855,108	5,832
Term deposits		
Term deposits in VND (i)	5,599,566	5,534,498
Term deposits in foreign currencies	1,374,920	1,323,075
	<hr/> 7,829,594	<hr/> 6,863,405
Borrowings from other credit institutions		
Borrowings from other credit institutions in VND	161,898	163,593
Borrowings from other credit institutions in foreign currencies	1,010	1,040
	<hr/> 162,908	<hr/> 164,633
	<hr/> 7,992,502	<hr/> 7,028,038

- (i) Included in these balances were VND797,440 million of deposits from other credit institutions secured by held-to-maturity debt securities with par value of VND950,000 million (Note 11(ii)) (31/12/2017: VND578,000 million of deposits from other credit institutions secured by available-for-sale debt securities with par value of VND600,000 million and held-to-maturity debt securities with par value of VND100,000 million).

19. Deposits from customers

	31/12/2018 VND million	31/12/2017 VND million
Demand deposits		
Demand deposits in VND	908,812	769,005
Demand deposits in foreign currencies	13,348	1,304
Term deposits		
Term deposits in VND	1,967,541	997,096
Saving deposits		
Current saving deposits in VND	14,531	9,712
Current saving deposits in foreign currencies	5,994	13,215
Term saving deposits in VND	26,439,040	24,194,459
Term saving deposits in foreign currencies	165,052	233,491
Margin deposits		
Margin deposits in VND	8,660	6,871
Margin deposits in foreign currencies	486	2,015
	<hr/> 29,523,464	<hr/> 26,227,168

Deposits from customers by type of customer and type of business were as follows:

	31/12/2018 VND million	31/12/2017 VND million
Individuals	27,080,759	24,842,780
Joint stock companies	1,259,393	628,595
Limited liability companies	593,522	405,964
Private companies	16,510	763
Others	573,280	349,066
	<hr/> 29,523,464	<hr/> 26,227,168

20. Valuable papers issued

	31/12/2018 VND million	31/12/2017 VND million
Deposit certificates with term less than 12 months	300,000	-

21. Other liabilities

	31/12/2018 VND million	31/12/2017 VND million
Taxes and other payables to the State Treasury (i)	11,389	18,929
Payables to employees	4	7
Amounts awaiting for settlement	188,807	91,536
Bonus and welfare fund (ii)	872	784
Remittance payables	3,397	5,150
Other payables	21,494	15,251
	<hr/> 225,963	<hr/> 131,657

(i) Taxes and other payables to the State Treasury:

	31/12/2018 VND million	31/12/2017 VND million
Value added tax	392	562
Corporate income tax	8,579	16,307
Personal income tax	2,418	2,060
	<hr/> 11,389	<hr/> 18,929

Movements of taxes and other payables to the State Treasury during the year were presented in Note 34.

(ii) Movements of bonus and welfare fund during the year were as follows:

	2018 VND million	2017 VND million
Opening balance	784	1,270
Appropriation during the year (Note 22)	31,839	13,279
Utilisation during the year	(31,751)	(13,765)
	<hr/> 872	<hr/> 784

22. Owners' equity

(a) Statement of changes in equity

	Charter capital VND million	Treasury shares VND million	Reserve to supplement charter capital VND million	Financial reserve VND million	Other reserves VND million	Retained profits VND million	Total VND million
Balance at 1 January 2017	3,000,000	(34,200)	85,143	179,490	3	118,980	3,349,416
Net profit for the year	-	-	-	-	-	198,166	198,166
Appropriation to statutory reserves	-	-	5,449	10,898	-	(16,347)	-
Appropriation to bonus and welfare fund	-	-	-	-	-	(13,279)	(13,279)
Transfer to make reserves at subsidiary	-	-	-	-	-	(2,501)	(2,501)
Balance at 1 January 2018	3,000,000	(34,200)	90,592	190,388	3	285,019	3,531,802
Net profit for the year	-	-	-	-	-	191,027	191,027
Appropriation to statutory reserves	-	-	9,308	18,616	-	(27,924)	-
Increasing capital by issuing share dividends and converting reserve to supplement charter capital	236,958	-	(88,859)	-	-	(148,099)	-
Appropriation to bonus and welfare fund	-	-	-	-	-	(31,839)	(31,839)
Transfer to make reserves at subsidiary	-	-	-	-	-	(3,830)	(3,830)
Balance at 31 December 2018	3,236,958	(34,200)	11,041	209,004	3	264,354	3,687,160

The amount of appropriation to statutory reserves and bonus and welfare fund in 2018 represents the appropriation to statutory reserves and bonus and welfare fund from retained profits for the year ended 31 December 2017.

The Bank has not appropriated reserve to supplement charter capital and financial reserve from the Bank's profit after tax for the year ended 31 December 2018 in accordance with Decree 93. Statutory reserves and bonus and welfare fund will be appropriated in the next fiscal year after being approved by the General Meeting of Shareholders.

(b) Charter capital

	31/12/2018		31/12/2017	
	Number of shares	Total par value VND million	Number of shares	Total par value VND million
Authorised charter capital	323,695,796	3,236,958	300,000,000	3,000,000
Issued charter capital				
Ordinary shares	323,695,796	3,236,958	300,000,000	3,000,000
Treasury shares				
Ordinary shares	(3,800,000)	(38,000)	(3,800,000)	(38,000)
Shares in circulation				
Ordinary shares	319,895,796	3,198,958	296,200,000	2,962,000

All ordinary shares of the Bank have a par value of VND10,000. Each share is entitled to one vote at general meetings of shareholders of the Bank. Shareholders are entitled to receive dividends as declared by the Bank from time to time. All ordinary shares are ranked equally with regard to the Bank's residual assets. In respect of shares bought back by the Bank, all rights are suspended until those shares are reissued.

In 2018, the Bank issued 14,809,905 shares to distribute dividends for 2017 and issued 8,885,891 shares from the reserve to supplement charter capital to increase capital. These issuances of additional shares were approved by the General Meeting of Shareholders and the State Bank of Vietnam on 26 April 2018 and 30 November 2018, respectively. The Bank also received approval from Hanoi Stock Exchange on changing the stock trading registration on 3 December 2018.

23. Net interest and similar income

	2018 VND million	2017 VND million
<i>Interest and similar income from</i>		
Deposits with and loans to other credit institutions	132,962	91,771
Loans and advances to customers	2,981,052	2,726,028
Investment securities	51,070	87,575
Guarantee services	1,811	1,692
Others	4,741	1,637
	<hr/> 3,171,636	<hr/> 2,908,703
<i>Interest and similar expenses on</i>		
Deposits and borrowings from the SBV and other credit institutions	(11,373)	(15,440)
Deposits from customers	(2,026,711)	(1,741,762)
Valuable papers issued	(678)	-
Others	(164,164)	(109,966)
	<hr/> (2,202,926)	<hr/> (1,867,168)
Net interest and similar income	<hr/> 968,710	<hr/> 1,041,535

24. Net fee and commission income

	2018 VND million	2017 VND million
<i>Fee and commission income</i>		
Settlement services	22,011	16,028
Cashier, trusted and agency services	1,100	1,016
Others	139	101
	<hr/> 23,250	<hr/> 17,145
<i>Fee and commission expenses</i>		
Settlement and cashier services	(9,285)	(7,541)
Others	(5,251)	(3,296)
	<hr/> (14,536)	<hr/> (10,837)
Net fee and commission income	<hr/> 8,714	<hr/> 6,308

25. Net gain from trading of foreign currencies

	2018 VND million	2017 VND million
<i>Gains from trading of foreign currencies</i>		
▪ Spot contracts	19,339	13,756
▪ Currency derivatives	494	-
<i>Losses from trading of foreign currencies</i>		
▪ Spot contracts	(6,250)	(10,123)
▪ Currency derivatives	(1,957)	-
	<hr/> 11,626	<hr/> 3,633
Net gain from trading of foreign currencies	<hr/> 11,626	<hr/> 3,633

26. Net gain/(loss) from trading of investment securities

	2018 VND million	2017 VND million
Gain from trading of investment securities	100,426	10,940
Loss from trading of investment securities	(429)	-
Allowance reversed/(made) for diminution in value of investment securities (Note 11(i))	15,073	(15,073)
Net gain/(loss) from trading of investment securities	115,070	(4,133)

27. Net other income

	2018 VND million	2017 VND million
Other income		
Gain from disposals of fixed assets	8,634	9,821
Collections of bad debts previously written-off	11,121	5,309
Collections of debts sold to VAMC	11,915	18,256
Others	8,795	4,626
	40,465	38,012
Other expenses		
Expenses on social activities	(5,685)	(12,901)
Others	(3,147)	(2,876)
	(8,832)	(15,777)
Net other income	31,633	22,235

28. Income from investments in other entities

	2018 VND million	2017 VND million
Dividends	16,258	12,452

29. Operating expenses

	2018 VND million	2017 VND million
1. Tax, duties and fees	22,965	19,560
2. Salaries and related expenses	476,684	420,328
In which:		
▪ <i>Salaries and allowances</i>	414,118	367,490
▪ <i>Salary related contribution</i>	32,595	28,059
▪ <i>Others</i>	29,971	24,779
3. Expenses on assets	179,380	159,144
In which:		
▪ <i>Depreciation and amortisation expenses</i>	62,850	58,447
▪ <i>Rental expenses</i>	52,965	47,891
▪ <i>Repair and maintenance expenses</i>	44,202	35,475
▪ <i>Purchases of tools and supplies</i>	19,102	16,821
▪ <i>Others</i>	261	510
4. Administration expenses	160,114	133,126
In which:		
▪ <i>Marketing, promotion and printing expenses</i>	45,513	37,629
▪ <i>Business trip expenses</i>	3,665	3,541
▪ <i>Electricity and water, office cleaning and gasoline expenses</i>	29,853	25,544
▪ <i>Communication, technology research expenses</i>	23,866	22,603
▪ <i>Training expenses</i>	1,120	634
▪ <i>Meeting, reception and customer care expenses</i>	49,338	37,068
▪ <i>Others</i>	6,759	6,107
5. Insurance fee for deposits from customers	37,928	33,896
6. Allowance expenses for losses on other assets	2,062	2,063
	<hr/> 879,133	<hr/> 768,117

30. Allowance expenses for credit losses

	2018 VND million	2017 VND million
General allowance for losses on loans and advances to customers (Note 10(i))	25,867	45,212
Specific allowance for losses on loans and advances to customers (Note 10(ii))	9,469	4,884
Allowance for special bonds issued by VAMC (Note 11(iv))	2,308	18,661
	<u>37,644</u>	<u>68,757</u>

31. Income tax

(a) Recognised in the separate statement of income

	2018 VND million	2017 VND million
Current income tax expense Current year	44,207	46,990

(b) Reconciliation of effective tax rate

	2018 VND million	2017 VND million
Profit before tax	235,234	245,156
Tax at the Bank's tax rate	47,047	49,031
Tax exempt income	(3,252)	(2,490)
Non-deductible expenses	412	449
Income tax expense	<u>44,207</u>	<u>46,990</u>

(c) Applicable tax rates

The income tax rate of the Bank is 20%. The income tax computation is subject to the review and approval of tax authorities.

32. Cash and cash equivalents

	31/12/2018 VND million	31/12/2017 VND million
Cash on hand	519,751	433,191
Balances with the SBV	1,852,903	2,251,582
Demand deposits with other credit institutions	1,103,001	350,869
Deposits with other credit institutions with original terms of not more than 3 months	4,296,326	3,812,990
	<hr/>	<hr/>
Cash and cash equivalents in the separate statement of cash flows	7,771,981	6,848,632
	<hr/>	<hr/>

33. Employees' remuneration

	2018 VND million	2017 VND million
I. Average number of employees during the year (person)	2,622	2,337
II. Employees remuneration:		
1. Salaries and other income	382,367	353,725
2. Bonus	31,751	13,765
	<hr/>	<hr/>
3. Total income (3=1+2)	414,118	367,490
	<hr/>	<hr/>
4. Average monthly salary and other income/employee	12.2	12.6
5. Average monthly remuneration/employee	13.2	13.1
	<hr/>	<hr/>

34. Obligations to the State Treasury

2018	Opening balance VND million	Movements during the year Incurred VND million	Paid VND million	Closing balance VND million
Value added tax	562	5,385	(5,555)	392
Corporate income tax	16,307	44,207	(51,935)	8,579
Personal income tax	2,060	12,195	(11,837)	2,418
	18,929	61,787	(69,327)	11,389

2017	Opening balance VND million	Movements during the year Incurred VND million	Paid VND million	Closing balance VND million
Value added tax	228	3,854	(3,520)	562
Corporate income tax	22,813	46,990	(53,496)	16,307
Personal income tax	1,900	10,191	(10,031)	2,060
	24,941	61,035	(67,047)	18,929

35. Assets, valuable papers mortgaged, pledged, discounted and rediscounted

(a) Assets, valuable papers mortgaged, pledged, discounted and rediscounted from customers

	31/12/2018		31/12/2017	
	Par value VND million	Carrying amount VND million	Par value VND million	Carrying amount VND million
Real estates		43,678,668		34,995,209
Machinery and equipment		196,147		133,971
Motor vehicles		1,126,696		893,811
Shares issued by other credit institutions	2,151,510	2,497,123	1,443,838	1,465,401
Shares issued by other economic institutions	2,274,827	2,965,833	1,830,015	4,312,417
Saving deposits		3,103,887		2,823,671
Inventories		46,901		20,975
Others		463,725		224,560
		54,078,980		44,870,015

For collaterals which are listed shares, the Bank refers to the closing price on the Ho Chi Minh City Stock Exchange or the Hanoi Stock Exchange to determine the value of collaterals. The value of collaterals is lower of the initial valuation value for loan and the market value. For other collaterals (such as real estates, machinery and equipment, inventories, etc.), the Bank re-evaluates annually or irregularly at request of the authority level to ensure that the value of the collaterals is comparable with the market value.

(b) Assets, valuable papers used to mortgage, pledge, discount and rediscount

	31/12/2018		31/12/2017	
	Par value VND million	Carrying amount VND million	Par value VND million	Carrying amount VND million
Investment securities				
Government bonds	1,199,816	1,255,336	700,000	749,992

36. Contingent liabilities and commitments

	31/12/2018			31/12/2017		
	Contractual amount – gross VND million	Marginal deposits VND million	Contractual amount – net VND million	Contractual amount – gross VND million	Marginal deposits VND million	Contractual amount – net VND million
Letters of credit commitments	51,949	(7,598)	44,351	17,958	(6,899)	11,059
Other guarantees	112,633	(1,548)	111,085	69,185	(1,987)	67,198
	164,582	(9,146)	155,436	87,143	(8,886)	78,257

Kien Long Commercial Joint Stock Bank
40 – 42 – 44 Pham Hong Thai, Vinh Thanh Van Ward
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37. Concentration of assets, liabilities and off-balance sheet commitments by geographical area

As at 31 December 2018	Total deposits and loans - gross VND million	Total deposits and borrowings VND million	Valuable papers issued VND million	Credit commitments - gross VND million	Investment securities - gross VND million	Derivatives (Total contractual value) VND million
Domestic	36,724,224	37,771,511	300,000	164,582	1,553,963	93,887
<hr/>						
As at 31 December 2017	Total deposits and loans - gross VND million	Total deposits and borrowings VND million	Valuable papers issued VND million	Credit commitments - gross VND million	Investment securities - gross VND million	Derivatives (Total contractual value) VND million
Domestic	31,100,944	33,255,206	-	87,143	2,309,805	-

38. Significant transactions with related parties

Significant transactions and balances with related parties during the year and as at the year-end were as follows:

Transactions during the year	2018 VND million	2017 VND million
KienLongBank Asset Management Company – a subsidiary		
Interest expenses on deposits	6,162	97
Office rental expenses	8,957	7,705
Dividends	15,534	12,007
Expense for asset appraisal	2,925	1,047
Other expenses	826	660
Payment transferred to subsidiary to make reserves	3,830	2,051
Deposits received from leasing office	770	280
Income from leasing office	4,091	-
Members of Board of Management		
Deposits	124,819	113,041
Interest expenses on deposits	37	42
Compensations	7,575	7,364
Members of Board of Directors		
Deposits	21,627	36,862
Interest expenses on deposits	185	72
Salaries and bonus	9,414	8,660
Members of Supervisory Board		
Deposits	44,353	10,733
Interest expenses on deposits	8	13
Compensations	2,006	2,327
Companies and individuals related to Members of Board of Management		
Deposits	1,247,323	2,422,064
Interest expenses on deposits	3,526	6,822
Companies and individuals related to Members of Board of Directors		
Deposits	69,674	91,084
Interest expenses on deposits	1,022	1,067
Companies and individuals related to Supervisory Board		
Deposits	637	10,282
Interest expenses on deposits	50	133

Balances at the year-end	31/12/2018 VND million	31/12/2017 VND million
KienLongBank Asset Management Company – a subsidiary		
Deposits	317,308	102,976
Interest payables	1,557	-
Office rental deposits	2,050	1,280
Members of Board of Management		
Deposits	483	826
Interest payables	1	2
Members of Board of Directors		
Deposits	324	1,674
Interest payables	4	40
Members of Supervisory Board		
Deposits	150	328
Interest payables	2	-
Companies and individuals related to Members of Board of Management		
Deposits	462	185,241
Interest payables	47	193
Companies and individuals related to Members of Board of Directors		
Deposits	268	20,002
Interest payables	393	449
Companies and individuals related to Supervisory Board		
Deposits	5	1,830
Interest payables	30	65

39. Segment reporting

(a) Geographical segments

2018	The Northern region VND million	The Central region VND million	The Southern region VND million	Eliminations VND million	Total VND million
I. Income	294,224	499,079	3,016,981	(423,343)	3,386,941
1. Interest and similar income from:	291,519	489,159	2,814,301	(423,343)	3,171,636
<i>External customers</i>	152,038	426,337	2,593,261	-	3,171,636
<i>Internal</i>	139,481	62,822	221,040	(423,343)	-
2. Fee and commission income	1,633	3,383	18,234	-	23,250
3. Other income	1,072	6,537	184,446	-	192,055
II. Expenses	(270,971)	(416,892)	(2,849,543)	423,343	(3,114,063)
1. Interest and similar expenses from:	(221,045)	(304,954)	(2,100,270)	423,343	(2,202,926)
<i>External customers</i>	(204,029)	(271,388)	(1,727,509)	-	(2,202,926)
<i>Internal</i>	(17,016)	(33,566)	(372,761)	423,343	-
2. Depreciation and amortisation expenses	(850)	(6,559)	(55,441)	-	(62,850)
3. Direct operating expenses	(49,076)	(105,379)	(693,832)	-	(848,287)
Operating profit before allowance expenses for credit losses	23,253	82,187	167,438	-	272,878
Allowance expense for credit losses	(6,808)	(4,807)	(26,029)	-	(37,644)
Segment profit before tax	16,445	77,380	141,409	-	235,234
31/12/2018	The Northern region VND million	The Central region VND million	The Southern region VND million	Eliminations VND million	Total VND million
I. Assets	1,481,188	4,657,885	36,396,050	-	42,535,123
1. Cash on hand	50,304	72,758	396,689	-	519,751
2. Fixed assets	5,366	269,748	1,209,191	-	1,484,305
3. Other assets	1,425,518	4,315,379	34,790,170	-	40,531,067
II. Liabilities	2,941,037	4,216,600	31,690,326	-	38,847,963
1. Liabilities from external customers	2,940,074	4,214,180	31,467,746	-	38,622,000
2. Other liabilities	963	2,420	222,580	-	225,963

2017	The Northern region VND million	The Central region VND million	The Southern region VND million	Eliminations VND million	Total VND million
I. Income	341,080	573,304	4,664,739	(2,578,115)	3,001,008
1. Interest and similar income from:	338,712	562,097	4,586,009	(2,578,115)	2,908,703
<i>External customers</i>	131,079	335,616	2,442,008	-	2,908,703
<i>Internal</i>	207,633	226,481	2,144,001	(2,578,115)	-
2. Fee and commission income	1,334	2,231	13,580	-	17,145
3. Other income	1,034	8,976	65,150	-	75,160
II. Expenses	(317,527)	(492,495)	(4,455,188)	2,578,115	(2,687,095)
1. Interest and similar expenses from:	(271,737)	(404,397)	(3,769,149)	2,578,115	(1,867,168)
<i>External customers</i>	(196,621)	(245,605)	(1,424,942)	-	(1,867,168)
<i>Internal</i>	(75,116)	(158,792)	(2,344,207)	2,578,115	-
2. Depreciation and amortisation expenses	(1,156)	(5,775)	(51,516)	-	(58,447)
3. Direct operating expenses	(44,634)	(82,323)	(634,523)	-	(761,480)
Operating profit before allowance expenses for credit losses	23,553	80,809	209,551	-	313,913
Allowance expense for credit losses	(8,473)	(9,606)	(50,678)	-	(68,757)
Segment profit before tax	15,080	71,203	158,873	-	245,156
31/12/2017	The Northern region VND million	The Central region VND million	The Southern region VND million	Eliminations VND million	Total VND million
I. Assets	1,346,206	3,608,743	32,444,647	-	37,399,596
1. Cash on hand	39,153	62,162	331,876	-	433,191
2. Fixed assets	4,487	254,883	1,139,884	-	1,399,254
3. Other assets	1,302,566	3,291,698	30,972,887	-	35,567,151
II. Liabilities	3,105,621	3,717,153	27,045,020	-	33,867,794
1. Liabilities from external customers	3,101,752	3,712,893	26,921,492	-	33,736,137
2. Other liabilities	3,869	4,260	123,528	-	131,657

(b) Business segment

The Bank operates mainly in one commercial banking business.

40. Financial risk management

(a) Financial risk management

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

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

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

The Bank established a Risk Management Committee ("RMC") and set out its organisation and operations as follows:

- The RMC is responsible for:
 - Consulting the Board of Management ("BOM") on issuing the procedures and policies relating to risk management in the Bank's activities as stipulated in the prevailing laws and the Bank's charter.
 - Analysing risks and alerting the Bank to the potential risk exposures and their potential impact and providing preventive measures in short-term as well as in long-term.
 - Reviewing and evaluating the appropriateness and the effectiveness of the Bank's current risk management policies in order to recommend and propose to the BOM required changes to existing procedures, policies and operational strategies.
 - Consulting the BOM on investment decisions, related party transactions, management policies and risk management solutions within its responsibility.

The RMC is responsible for reporting to BOM and holding meeting on a regular basis or an ad-hoc basis but at least semi-annually.

(b) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Management of credit risk

Credit risk arises mainly from lending activities and investment activities in debt securities. The Bank manages and monitors credit risk by setting the risk limit which the Bank is willing to accept for individual counterparty, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties. Limits for each counterparty are established by the use of a credit risk classification system in accordance with the SBV's regulations. Accordingly, the system assigns each counterparty a risk rating. Risk ratings are subject to quarterly review. The credit quality review process allows the Bank to assess potential loss as a result of the risks to which it is exposed to and take corrective actions on a timely basis.

Collaterals

The value and type of collaterals depend on the credit risk assessment of the counterparty. Guidelines are issued and implemented regarding the acceptability of types of collateral and collaterals assessment. The main types of collaterals are real estates, inventories, machinery and equipment, motor vehicles, shares and valuable papers.

Commitments and guarantees

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the separate balance sheet, they do contain credit risk and are therefore included as part of the overall risk of the Bank.

Concentration of credit risk

The Bank's concentrations of risk are managed by customer, by geographical region and by industry sector.

Not considering collaterals, the Bank's maximum exposure to credit risk at the end of annual accounting period was as follows:

	31/12/2018 VND million	31/12/2017 VND million
Loans and receivables		
Balances with the SBV	1,852,903	2,251,582
Deposits with and loans to other credit institutions – gross	5,399,327	4,163,859
Loans and advances to customers – gross	29,471,994	24,685,503
Accrued interest and fees receivable	1,561,344	1,542,115
Other financial assets – gross	159,189	83,597
	<hr/>	<hr/>
	38,444,757	32,726,656
Available-for-sale financial assets		
Available-for-sale debt securities – gross	-	1,152,286
Held-to-maturity investments		
Held-to-maturity securities – gross	1,553,963	636,789
Off-balance sheet commitments		
Letters of credit commitments – gross	51,949	17,958
Other guarantees – gross	112,633	69,185
	<hr/>	<hr/>
	164,582	87,143
	<hr/>	<hr/>
	40,163,302	34,602,874
	<hr/>	<hr/>

An analysis of financial assets which are neither past due nor impaired against collaterals at the end of annual accounting period was as follows:

As at 31 December 2018

	Secured VND million	Unsecured VND million	Total VND million
Loans and receivables			
Balances with the SBV	-	1,852,903	1,852,903
Deposits with other credit institutions – gross (i)	-	5,399,327	5,399,327
Loans and advances to customers – gross (ii)	28,558,514	346,048	28,904,562
Accrued interest and fees receivable	-	1,561,344	1,561,344
Other financial assets – gross	-	155,064	155,064
	28,558,514	9,314,686	37,873,200
Held-to-maturity investments			
Held-to-maturity securities – gross (iii)	-	1,401,464	1,401,464
Off-balance sheet commitments			
Letters of credit commitments – gross	51,949	-	51,949
Other guarantees – gross	-	112,633	112,633
	51,949	112,633	164,582
	28,610,463	10,828,783	39,439,246

As at 31 December 2017

	Secured VND million	Unsecured VND million	Total VND million
Loans and receivables			
Balances with the SBV	-	2,251,582	2,251,582
Deposits with other credit institutions – gross (i)	-	4,163,859	4,163,859
Loans and advances to customers – gross (ii)	24,112,753	253,632	24,366,385
Accrued interest and fees receivable	-	1,542,115	1,542,115
Other financial assets – gross	-	79,472	79,472
	24,112,753	8,290,660	32,403,413
Available-for-sale financial assets			
Available-for-sale debt securities – gross (iii)	-	1,152,286	1,152,286
Held-to-maturity investments			
Held-to-maturity securities – gross (iii)	-	266,426	266,426
Off-balance sheet commitments			
Letters of credit commitments – gross	17,958	-	17,958
Other guarantees – gross	-	69,185	69,185
	17,958	69,185	87,143
	24,130,711	9,778,557	33,909,268

An analysis of financial assets which are not past due but impaired against collaterals at the end of annual accounting period was as follows:

As at 31 December 2018

	Secured VND million	Unsecured VND million	Total VND million
Loans and receivables			
Other financial assets – gross	-	4,125	4,125
Held-to-maturity investments			
Held-to-maturity securities – gross	-	152,499	152,499
	-	156,624	156,624

As at 31 December 2017	Secured VND million	Unsecured VND million	Total VND million
Loans and receivables			
Other financial assets – gross	-	4,125	4,125
Held-to-maturity investments			
Held-to-maturity securities – gross	-	370,363	370,363
	-	374,488	374,488

(i) Deposits with other credit institutions

The Bank's deposits with other credit institutions are mainly held with well-known credit institutions. The Board of Directors does not foresee any significant credit risks from these deposits and does not expect that these credit institutions may default and cause losses to the Bank.

(ii) Loans and advances to customers

Loans and advances to customers that are neither past due nor impaired are mostly due from customers with good credit history with the Bank. The Bank's Board of Directors believes that these loans are of high credit quality.

(iii) Available-for-sale debt securities and held-to-maturity securities

The Board of Directors does not foresee any significant credit risks from these investments and does not expect that these organisations may default and cause losses to the Bank.

An aging analysis of past due but not impaired financial assets was as follows:

As at 31 December 2018	Overdue from 10 to 90 days VND million	Overdue from 91 to 180 days VND million	Overdue from 181 to 360 days VND million	Overdue over 360 days VND million	Total VND million
Loans and receivables					
Loans and advances to customers – gross	191,993	28,580	9,678	45,455	275,706
As at 31 December 2017	Overdue from 10 to 90 days VND million	Overdue from 91 to 180 days VND million	Overdue from 181 to 360 days VND million	Overdue over 360 days VND million	Total VND million
Loans and receivables					
Loans and advances to customers – gross	22,188	5,816	4,346	39,847	72,197

An aging analysis of impaired financial assets was as follows:

As at 31 December 2018	Overdue from 10 to 90 days VND million	Overdue from 91 to 180 days VND million	Overdue from 181 to 360 days VND million	Overdue over 360 days VND million	Total VND million
Loans and receivables					
Loans and advances to customers – gross	97,721	34,827	34,721	124,457	291,726
As at 31 December 2017	Overdue from 10 to 90 days VND million	Overdue from 91 to 180 days VND million	Overdue from 181 to 360 days VND million	Overdue over 360 days VND million	Total VND million
Loans and receivables					
Loans and advances to customers – gross	89,820	27,299	18,790	111,012	246,921

Refer to Note 35(a) for the types and values of collaterals received from customers.

(c) Liquidity risk

Liquidity risk is the risk that the Bank will not be able to meet its financial obligations as they fall due.

Management of liquidity risk

The Bank has established procedures and internal regulations on liquidity risk management in accordance with the SBV's regulations and common practices in Vietnam. The Bank's regulations on liquidity management is in order to: determine liquidity status and demand of the Bank for each period; establish and maintain the usable funds in necessary cases; set liquidity limits; ensure liquidity ability of the Bank against market's fluctuations; help the Bank to operate stably, safely and effectively.

In which, Treasury Department is responsible for the Bank's liquidity risk management. Treasury Department's liquidity management team is responsible for organising regular meetings and preparing reports of liquidity status of the Bank to submit to Asset and Liability Committee ("ALCO").

ALCO is responsible for reviewing quarterly reports relating to liquidity status of the Bank; proposing changes to terms, interest rates, prices of products and services of the Bank in order to ensure that liquidity risk is within the acceptable range and meet business goals; purchasing or selling securities with certain natures and purposes to ensure that liquidity risk is within the acceptable range and meet business goals; supervising terms of borrowings, fundings of the Bank in order to ensure liquidity capacity of the Bank.

Liquidity ratio reports are managed daily to meet requirements for frequent risk management such as general requirements for the Bank's liquidity, requirements for maintaining daily liquidity, general requirements for liquidity allowance, daily liquidity determination and to resolve situations that are shortage of liquidity in short-term, emergency or long-term. In addition, detail reports on prediction of ability to meet short-term obligations are also calculated based on updated data in order to mitigate liquidity risk of the Bank.

The liquidity ratios according to the regulations of the SBV

The Bank maintains a minimum ratio of 10% of the total high liquid assets to the total liabilities.

A minimum ratio between the high liquid assets being due within the next 30 working days and the liabilities being due within the next 30 working days is 50% for VND and 10% for foreign currencies converted into VND using day-end central-bank rate.

Analysis of assets and liabilities by remaining contractual maturities

The following table presents an analysis of assets and liabilities of the Bank by groups based on the remaining period from the end of annual accounting period to the maturity date. The actual maturity of assets or liabilities may differ from contractual terms based on addenda to the contracts (if any).

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40 – 42 – 44 Pham Hong Thai, Vinh Thanh Van Ward
Rach Gia City, Kien Giang Province, Vietnam
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As at 31 December 2018	Overdue		Current					Total VND million
	Over 3 months VND million	Up to 3 months VND million	Up to 1 month VND million	Over 1 month to 3 months VND million	Over 3 months to 12 months VND million	Over 1 year to 5 years VND million	Over 5 years VND million	
Assets								
Cash on hand	-	-	519,751	-	-	-	-	519,751
Balances with the SBV	-	-	1,852,903	-	-	-	-	1,852,903
Deposits with and loans to other credit institutions – gross	-	-	3,650,752	1,748,575	-	-	-	5,399,327
Derivatives and other financial assets	-	-	987	-	-	-	-	987
Loans and advances to customers – gross (*)	277,718	289,714	4,083,044	2,219,890	9,784,151	4,889,471	7,928,006	29,471,994
Investment securities – gross	-	-	-	-	86,141	1,467,822	-	1,553,963
Long-term investments	-	-	-	-	-	-	514,521	514,521
Fixed assets	-	-	637,932	107	6,178	49,680	790,408	1,484,305
Other assets – gross	-	-	1,310,671	46,178	398,779	233,648	100,906	2,090,182
	277,718	289,714	12,056,040	4,014,750	10,275,249	6,640,621	9,333,841	42,887,933
Liabilities								
Borrowings from the SBV	-	-	255,545	-	-	-	-	255,545
Deposits and borrowings from other credit institutions	-	-	3,842,740	4,012,921	25,305	102,925	8,611	7,992,502
Deposits from customers	-	-	9,221,151	5,919,900	13,473,477	908,114	822	29,523,464
Valuable papers issued	-	-	-	-	300,000	-	-	300,000
Other liabilities	-	-	340,179	160,827	271,785	3,562	99	776,452
	-	-	13,659,615	10,093,648	14,070,567	1,014,601	9,532	38,847,963
Net liquidity gap	277,718	289,714	(1,603,575)	(6,078,898)	(3,795,318)	5,626,020	9,324,309	4,039,970

(*) These amounts are calculated on the loan basis instead of customer basis.

As at 31 December 2017	Overdue		Current					Total
	Over 3 months VND million	Up to 3 months VND million	Up to 1 month VND million	Over 1 month to 3 months VND million	Over 3 months to 12 months VND million	Over 1 year to 5 years VND million	Over 5 years VND million	
Assets								
Cash on hand	-	-	433,191	-	-	-	-	433,191
Balances with the SBV	-	-	2,251,582	-	-	-	-	2,251,582
Deposits with and loans to other credit institutions – gross	-	-	2,663,859	1,500,000	-	-	-	4,163,859
Loans and advances to customers – gross (*)	207,110	112,008	3,183,636	2,254,348	8,703,964	4,719,263	5,505,174	24,685,503
Investment securities – gross	-	-	-	151,064	126,038	1,511,973	520,730	2,309,805
Long-term investments	-	-	-	-	-	-	514,521	514,521
Fixed assets	-	-	-	-	-	858,841	540,413	1,399,254
Other assets – gross	-	-	1,542,115	30,337	175,215	261,375	11,385	2,020,427
	207,110	112,008	10,074,383	3,935,749	9,005,217	7,351,452	7,092,223	37,778,142
Liabilities								
Deposits and borrowings from other credit institutions	-	-	3,001,467	3,454,969	435,349	125,264	10,989	7,028,038
Deposits from customers	-	-	7,544,403	5,510,347	12,450,198	721,502	718	26,227,168
Other liabilities	-	-	612,588	-	-	-	-	612,588
	-	-	11,158,458	8,965,316	12,885,547	846,766	11,707	33,867,794
Net liquidity gap	207,110	112,008	(1,084,075)	(5,029,567)	(3,880,330)	6,504,686	7,080,516	3,910,348

(*) These amounts are calculated on the loan basis instead of customer basis.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and share prices will affect the Bank's results of operations or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Management of market risk

The Bank estimates, evaluates, and forecasts the impact of market fluctuations on its results of operation in short term and medium term then provides alerts as well as solutions to improve profits and minimise the adverse impact on the financial position. ALCO organises regular meetings to update the market information so as to make decisions quickly and timely to minimise the market risk to the lowest level as possible.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Bank calculates and determines factors relating to interest rate on a monthly basis or when there are the market fluctuations such as the gap between average interest rate input and output; structure of interest rate for mobilisation and lending by terms; calculates the difference in term between assets and liabilities, etc. as basis for adjusting interest rate as well as estimating business effectiveness.

Daily, based on the regular updates interest rate of inter-bank and mobilised market of individuals and organisations, the Treasury Department prepares reports, makes decisions for business plans and recommends necessary adjustment of interest rates.

The following table shows the Bank's assets and liabilities categorised by the earlier of contractual repricing period or period from the end of annual accounting period to maturity date. The expected repricing and maturity dates may differ significantly from contractual dates, particularly with regard to the maturity of customers' deposits.

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As at 31 December 2018

	Overdue VND million	Free of interest VND million	Up to 1 month VND million	Over 1 month to 3 months VND million	Over 3 months to 6 months VND million	Over 6 months to 12 months VND million	Over 1 year to 5 years VND million	Over 5 years VND million	Total VND million
Assets									
Cash on hand	-	519,751	-	-	-	-	-	-	519,751
Balances with the SBV	-	1,264,999	587,904	-	-	-	-	-	1,852,903
Deposits with and loans to other credit institutions – gross	-	-	3,650,752	1,748,575	-	-	-	-	5,399,327
Derivatives and other financial assets	-	-	987	-	-	-	-	-	987
Loans and advances to customers – gross	567,432	-	4,083,044	2,219,890	3,249,970	6,534,181	4,889,471	7,928,006	29,471,994
Investment securities – gross	-	152,499	-	-	33,021	-	1,368,443	-	1,553,963
Long-term investments	-	514,521	-	-	-	-	-	-	514,521
Fixed assets	-	1,484,305	-	-	-	-	-	-	1,484,305
Other assets – gross	-	2,090,182	-	-	-	-	-	-	2,090,182
	567,432	6,026,257	8,322,687	3,968,465	3,282,991	6,534,181	6,257,914	7,928,006	42,887,933
Liabilities									
Borrowings from the SBV	-	-	255,545	-	-	-	-	-	255,545
Deposits and borrowings from other credit institutions	-	-	3,842,740	4,012,921	19,475	5,830	102,925	8,611	7,992,502
Deposits from customers	-	-	9,221,151	5,919,900	6,652,508	6,820,969	908,114	822	29,523,464
Valuable papers issued	-	-	-	-	-	300,000	-	-	300,000
Other liabilities	-	776,452	-	-	-	-	-	-	776,452
	-	776,452	13,319,436	9,932,821	6,671,983	7,126,799	1,011,039	9,433	38,847,963
Total sensitivity interest gap on-balance sheet	567,432	5,249,805	(4,996,749)	(5,964,356)	(3,388,992)	(592,618)	5,246,875	7,918,573	4,039,970

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As at 31 December 2017

	Overdue VND million	Free of interest VND million	Up to 1 month VND million	Over 1 month to 3 months VND million	Over 3 months to 6 months VND million	Over 6 months to 12 months VND million	Over 1 year to 5 years VND million	Over 5 years VND million	Total VND million
Assets									
Cash on hand	-	433,191	-	-	-	-	-	-	433,191
Balances with the SBV	-	532,201	1,719,381	-	-	-	-	-	2,251,582
Deposits with and loans to other credit institutions – gross	-	-	2,663,859	1,500,000	-	-	-	-	4,163,859
Loans and advances to customers – gross	319,118	-	3,183,636	2,254,348	3,105,349	15,823,052	-	-	24,685,503
Investment securities – gross	-	891,093	-	-	-	-	1,418,712	-	2,309,805
Long-term investments	-	514,521	-	-	-	-	-	-	514,521
Fixed assets	-	1,399,254	-	-	-	-	-	-	1,399,254
Other assets – gross	-	2,020,427	-	-	-	-	-	-	2,020,427
	319,118	5,790,687	7,566,876	3,754,348	3,105,349	15,823,052	1,418,712	-	37,778,142
Liabilities									
Deposits and borrowings from other credit institutions	-	-	3,001,467	3,454,969	8,765	562,837	-	-	7,028,038
Deposits from customers	-	-	7,544,403	5,510,347	6,514,671	5,935,527	722,220	-	26,227,168
Other liabilities	-	612,588	-	-	-	-	-	-	612,588
	-	612,588	10,545,870	8,965,316	6,523,436	6,498,364	722,220	-	33,867,794
Total sensitivity interest gap on-balance sheet	319,118	5,178,099	(2,978,994)	(5,210,968)	(3,418,087)	9,324,688	696,492	-	3,910,348

The following table presents the average annual interest rates of interest bearing financial instruments with different terms and currencies:

As at 31 December 2018

	Overdue	Up to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Over 1 year to 5 years	Over 5 years
Assets							
Balances with the SBV							
▪ VND	(*)	1.20%	(*)	(*)	(*)	(*)	(*)
▪ Foreign currencies	(*)	0.05%	(*)	(*)	(*)	(*)	(*)
Deposits with and loans to other credit institutions							
▪ VND	(*)	4.63%	5.26%	(*)	(*)	(*)	(*)
▪ Foreign currencies	(*)	2.63%	2.81%	(*)	(*)	(*)	(*)
Loans and advances to customers							
▪ VND	12.76%	12.47%	11.31%	11.50%	10.98%	6.55%	12.20%
▪ Foreign currencies	(*)	3.20%	2.78%	1.93%	(*)	(*)	(*)
Investment securities							
▪ VND	(*)	(*)	(*)	(*)	(*)	6.27%	(*)
Liabilities							
Borrowings from the SBV							
▪ VND	(*)	4.75%	(*)	(*)	(*)	(*)	(*)
Deposits and borrowings from other credit institutions							
▪ VND	(*)	3.41%	5.60%	5.97%	5.97%	5.97%	5.97%
▪ Foreign currencies	(*)	2.84%	2.77%	(*)	(*)	(*)	0.75%
Deposits from customers							
▪ VND	(*)	1.00%	6.58%	7.14%	7.47%	7.67%	7.38%
▪ Foreign currencies	(*)	0.00%	0.00%	0.00%	0.00%	0.00%	(*)
Valuable papers issued							
▪ VND	(*)	(*)	(*)	(*)	7.50%	(*)	(*)

(*) Not applicable

As at 31 December 2017

	Overdue	Up to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Over 1 year to 5 years	Over 5 years
Assets							
Balances with the SBV							
▪ VND	(*)	1.20%	(*)	(*)	(*)	(*)	(*)
▪ Foreign currencies	(*)	0.05%	(*)	(*)	(*)	(*)	(*)
Deposits with and loans to other credit institutions							
▪ VND	(*)	3.36%	4.48%	(*)	(*)	(*)	(*)
▪ Foreign currencies	(*)	1.84%	(*)	(*)	(*)	(*)	(*)
Loans and advances to customers							
▪ VND	14.16%	11.04%	9.97%	10.15%	10.90%	(*)	(*)
▪ Foreign currencies	(*)	(*)	2.43%	2.93%	3.64%	(*)	(*)
Investment securities							
▪ VND	(*)	(*)	(*)	(*)	(*)	6.86%	(*)
Liabilities							
Deposits and borrowings from other credit institutions							
▪ VND	(*)	3.11%	4.85%	4.85%	4.58%	(*)	(*)
▪ Foreign currencies	(*)	2.32%	(*)	(*)	(*)	(*)	(*)
Deposits from customers							
▪ VND	(*)	1.00%	6.47%	7.15%	7.56%	7.25%	(*)
▪ Foreign currencies	(*)	0.00%	0.00%	0.00%	0.00%	(*)	(*)

(*) Not applicable

(ii) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate because of changes in foreign exchange rates against VND, the accounting currency of the Bank.

The major currency in the Bank's transactions is also VND. The Bank's loans and advances to customers were mainly denominated in VND with the remainder in USD.

The Bank implements position management system centralised at the Head office to ensure the position complied with the SBV's regulations. Currency position is managed daily to ensure the positions not exceeding the limits as stipulated by the SBV. All transactions leading to open positions at branches must have counter-transactions with the Head office.

The exchange rates are continuously updated by the Treasury Department to ensure the competitiveness of exchange rates against inter-bank market and ensure the safety of exchange rate risk. Based on forecast analysis, the Treasury Department makes decisions on currency positions (under regulations of the SBV) as well as ensure to mitigate risks against exchange rate fluctuations.

The followings are the significant exchange rates applied by the Bank at the end of annual accounting period:

	31/12/2018	31/12/2017
	VND	VND
USD/VND	23,225	22,425
EUR/VND	26,581	26,527
AUD/VND	16,342	17,099

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	VND VND million	USD VND million	EUR VND million	Other currencies VND million	Total VND million
Assets					
Cash on hand	438,469	75,807	3,478	1,997	519,751
Balances with the SBV	1,839,380	13,523	-	-	1,852,903
Deposits with and loans to other credit institutions – gross	3,646,075	1,743,415	2,460	7,377	5,399,327
Derivatives and other financial assets	93,887	(92,900)	-	-	987
Loans and advances to customers – gross	29,425,806	46,188	-	-	29,471,994
Investment securities – gross	1,553,963	-	-	-	1,553,963
Long-term investments	514,521	-	-	-	514,521
Fixed assets	1,484,305	-	-	-	1,484,305
Other assets – gross	2,084,044	6,138	-	-	2,090,182
	41,080,450	1,792,171	5,938	9,374	42,887,933
Liabilities and equity					
Borrowings from the SBV	255,545	-	-	-	255,545
Deposits and borrowings from other credit institutions	6,616,572	1,375,930	-	-	7,992,502
Deposits from customers	29,338,584	184,201	662	17	29,523,464
Valuable papers issued	300,000	-	-	-	300,000
Other liabilities	772,760	3,692	-	-	776,452
Owners' equity	3,687,160	-	-	-	3,687,160
	40,970,621	1,563,823	662	17	42,535,123
FX position on-balance sheet	109,829	228,348	5,276	9,357	352,810
FX position off-balance sheet	-	-	-	-	-
FX position on and off-balance sheet	316,930	321,248	5,276	9,357	652,811

As at 31 December 2017

	VND VND million	USD VND million	EUR VND million	Other currencies VND million	Total VND million
Assets					
Cash on hand	361,987	67,544	2,691	969	433,191
Balances with the SBV	2,229,557	22,025	-	-	2,251,582
Deposits with and loans to other credit institutions – gross	2,769,657	1,384,134	2,312	7,756	4,163,859
Loans and advances to customers – gross	24,580,286	105,217	-	-	24,685,503
Investment securities – gross	2,309,805	-	-	-	2,309,805
Long-term investments	514,521	-	-	-	514,521
Fixed assets	1,399,254	-	-	-	1,399,254
Other assets – gross	2,020,427	-	-	-	2,020,427
	36,185,494	1,578,920	5,003	8,725	37,778,142
Liabilities and equity					
Deposits and borrowings from other credit institutions	5,703,923	1,324,115	-	-	7,028,038
Deposits from customers	25,977,143	248,966	968	91	26,227,168
Other liabilities	612,588	-	-	-	612,588
Owners' equity	3,531,802	-	-	-	3,531,802
	35,825,456	1,573,081	968	91	37,399,596
FX position on-balance sheet	360,038	5,839	4,035	8,634	378,546
FX position off-balance sheet	-	-	-	-	-
FX position on and off-balance sheet	360,038	5,839	4,035	8,634	378,546

As at 31 December 2018 and 31 December 2017, assuming that all other variables, in particular interest rates, remain constant, if USD strengthened or weakened against VND by 2%, the unconsolidated profit after tax for the year would increase or decrease by VND5,140 million (31/12/2017: VND93 million).

41. Fair value

The following table presents the carrying amounts and the fair values of financial assets and financial liabilities of the Bank as at 31 December 2018 and 31 December 2017:

	31/12/2018		31/12/2017	
	Carrying amount VND million	Fair value VND million	Carrying amount VND million	Fair value VND million
Financial assets				
<i>Categorised as financial assets at fair value through profit or loss</i>				
- Derivatives and other financial assets	987	(*)	-	-
<i>Categorised as held-to-maturity investments:</i>				
- Held-to-maturity securities – net	1,460,500	(*)	495,265	(*)
<i>Categorised as loans and receivables:</i>				
- Balances with the SBV	1,852,903	1,852,903	2,251,582	2,251,582
- Deposits with and loans to other credit institutions	5,399,327	(*)	4,163,859	(*)
- Loans and advances to customers	29,216,772	(*)	24,465,617	(*)
- Accrued interest and fees receivable	1,561,344	(*)	1,542,115	(*)
- Receivables	155,064	(*)	81,534	(*)
<i>Categorised as available-for-sale financial assets:</i>				
- Available-for-sale equity securities	-	-	505,657	505,657
- Available-for-sale debt securities				
▪ <i>Listed price available</i>	-	-	866,856	926,056
▪ <i>Listed price not available</i>	-	-	285,430	(*)
- Long-term investments	14,521	(*)	14,521	(*)

	31/12/2018		31/12/2017	
	Carrying amount VND million	Fair value VND million	Carrying amount VND million	Fair value VND million
Financial liabilities				
<i>Categorised as financial liabilities at amortised cost:</i>				
- Borrowings from the SBV	255,545	(*)	-	-
- Deposits and borrowings from other credit institutions	7,992,502	(*)	7,028,038	(*)
- Deposits from customers	29,523,464	(*)	26,227,168	(*)
- Valuable papers issued	300,000	(*)	-	-
- Accrued interest and fees payable	550,489	(*)	480,931	(*)
- Other liabilities	213,702	(*)	111,944	(*)

- (*) The Bank has not determined fair values of these financial instruments for disclosure in these separate financial statements because there is no quoted price in the market for these financial instruments, and currently no guidance on determination of fair value using valuation techniques under Vietnamese Accounting Standards, the Vietnamese Accounting System for credit institutions stipulated by the SBV and the relevant statutory requirements. The fair values of these financial instruments may differ from their carrying amounts.

42. Commitments

(a) Capital expenditure commitments

At the reporting date, the Bank had the following capital commitments related to construction activities approved but not provided for in the separate balance sheet:

	31/12/2018 VND million	31/12/2017 VND million
Approved and contracted	9,687	35,752

(b) **Lease commitments**

At the reporting date, the future minimum lease payments under non-cancellable operating leases were as follows:

	31/12/2018 VND million	31/12/2017 VND million
Within one year	48,560	42,502
Over one year to five years	157,420	134,970
More than five years	91,408	76,188
	<hr/> 297,388	<hr/> 253,660

29 March 2019

Prepared by:



Thi Duyen
Accountant



Pham Thi My Chi
Chief Accountant

Approved by:





Tran Tuan Anh
Legal Representative