



Kien Long Commercial Joint Stock Bank

Consolidated interim financial statements
for the six-month period ended 30 June 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 Registration Certificate No.

1700197787

10 October 1995

The Business Registration Certificate has been amended several times, and the most recent of which is Business Registration Certificate No. 1700197787 dated 26 April 2018 was 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
	Mr. Vu Duc Can	Deputy General Director
Registered Office	Mr. Le Trung Viet	Deputy General Director
	Mr. Nguyen Hoang An	Deputy General Director
	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 consolidated interim financial statements of the Bank and its subsidiary (collectively referred to as "the Group") for the six-month period ended 30 June 2018.

The Bank's Board of Directors is responsible for the preparation and fair presentation of the consolidated interim 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 interim financial reporting. In the opinion of the Bank's Board of Directors:

- (a) the consolidated interim financial statements set out on pages 6 to 91 give a true and fair view of the consolidated financial position of the Group as at 30 June 2018, and of their consolidated results of operations and their consolidated cash flows for the six-month period 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 interim 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 Group 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 consolidated interim financial statements for issue.

On behalf of the Board of Directors



Trần Văn Anh
General Director

Ho Chi Minh City, 21 August 2018



KPMG Limited Branch
10th Floor, Sun Wah Tower
115 Nguyen Hue Street, Ben Nghe Ward
District 1, Ho Chi Minh City, Vietnam
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INTERIM FINANCIAL STATEMENTS REVIEW REPORT

To the Shareholders Kien Long Commercial Joint Stock Bank

We have reviewed the accompanying consolidated interim financial statements of Kien Long Commercial Joint Stock Bank ("the Bank") and its subsidiary (collectively referred to as "the Group"), which comprise the consolidated balance sheet as at 30 June 2018, the consolidated statements of income and cash flows for the six-month period then ended and the explanatory notes thereto which were authorised for issue by the Bank's Board of Directors on 21 August 2018, as set out on pages 6 to 91.

The Board of Directors' Responsibility

The Bank's Board of Directors is responsible for the preparation and fair presentation of these consolidated interim 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 interim financial reporting, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review. We conducted our review in accordance with Vietnamese Standard on Review Engagements 2410 – *Review of interim financial information performed by the independent auditor of the entity*.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Vietnamese Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Auditor's Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not give a true and fair view, in all material respects, of the consolidated financial position of Kien Long Commercial Joint Stock Bank and its subsidiary as at 30 June 2018 and of their consolidated results of operations and their consolidated cash flows for the six-month period 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 interim financial reporting.

Emphasis of matter

Without qualifying our conclusion, we draw the attention to Note 4(f) 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
Review Report No.: 18-01-344/1



Chong Kwang Puay
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, 21 August 2018

	Note	30/06/2018 VND million	31/12/2017 VND million
A ASSETS			
I Cash on hand	5	466,313	433,191
II Balances with the State Bank of Vietnam	6	2,910,795	2,251,582
III Deposits with and loans to other credit institutions	7	3,937,638	4,163,859
1 Deposits with other credit institutions		3,937,638	4,163,859
V Derivatives and other financial assets	8	152	-
VI Loans and advances to customers		27,102,607	24,465,617
1 Loans and advances to customers	9	27,341,393	24,685,503
2 Allowance for losses on loans and advances to customers	10	(238,786)	(219,886)
VIII Investment securities	11	861,728	2,154,674
1 Available-for-sale securities		731,651	1,674,482
2 Held-to-maturity securities		283,876	636,789
3 Allowance for losses on investment securities		(153,799)	(156,597)
IX Long-term investments	12	14,521	14,521
4 Other long-term investments		14,521	14,521
X Fixed assets		1,475,494	1,401,126
1 Tangible fixed assets	13	767,444	689,015
a Cost		960,926	857,203
b Accumulated depreciation		(193,482)	(168,188)
3 Intangible fixed assets	14	708,050	712,111
a Cost		756,949	756,436
b Accumulated amortisation		(48,899)	(44,325)
XI Investment property	15	140,995	143,009
a Cost		148,282	148,282
b Accumulated depreciation		(7,287)	(5,273)
XII Other assets		2,342,208	2,299,226
1 Receivables	16	426,137	410,054
2 Accrued interest and fees receivable		1,512,566	1,542,115
4 Other assets	17	405,568	349,120
5 Allowance for losses on other assets		(2,063)	(2,063)
TOTAL ASSETS		39,252,451	37,326,805

The accompanying notes are an integral part of these consolidated interim financial statements

	Note	30/06/2018 VND million	31/12/2017 VND million
B			
LIABILITIES AND EQUITY			
LIABILITIES			
II			
Deposits and borrowings from other credit institutions	18	6,945,383	7,028,038
1 Deposits from other credit institutions		6,780,087	6,863,405
2 Borrowings from other credit institutions		165,296	164,633
III	19	27,936,972	26,124,192
Deposits from customers			
VII			
Other liabilities		731,307	622,978
1 Accrued interest and fees payable		477,887	480,931
3 Other liabilities	20	253,420	142,047
TOTAL LIABILITIES		35,613,662	33,775,208
EQUITY			
VIII	21	3,638,789	3,551,597
Owners' equity			
1 Capital		2,965,800	2,965,800
a Charter capital		3,000,000	3,000,000
d Treasury shares		(34,200)	(34,200)
2 Reserves		313,168	285,244
3 Foreign exchange differences		1,216	-
5 Retained profits		358,605	300,553
a Net profit for the current period		117,815	201,693
b Retained profits of prior periods		240,790	98,860
TOTAL EQUITY		3,638,789	3,551,597
TOTAL LIABILITIES AND EQUITY		39,252,451	37,326,805

		Note	30/06/2018 VND million	31/12/2017 VND million
OFF-BALANCE SHEET ITEMS				
2	Commitments on foreign exchange transactions	36	5,353	-
	▪ Commitments on purchase of foreign currencies	36	2,682	-
	▪ Commitments on sale of foreign currencies	36	2,671	-
4	Letters of credit commitments	36	5,406	11,059
5	Other guarantees	36	136,344	67,198

21 August 2018

Prepared by:



Thi Duyen
Accountant



Pham Thi My Chi
Chief Accountant





Phan 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
Consolidated statement of income for the six-month
period ended 30 June 2018

Form B03a/TCTD-HN
(Issued in accordance with Circular No.
49/2014/TT-NHNN dated 31 December 2014
of the State Bank of Vietnam)

		Note	Six-month period ended	
			30/06/2018	30/06/2017
			VND million	VND million
1	Interest and similar income	22	1,497,232	1,384,868
2	Interest and similar expenses	22	(1,035,883)	(886,821)
I	Net interest and similar income	22	461,349	498,047
3	Fee and commission income	23	31,055	23,845
4	Fee and commission expenses	23	(5,572)	(2,803)
II	Net fee and commission income	23	25,483	21,042
III	Net gain from trading of foreign currencies	24	3,165	3,329
V	Net gain from trading of investment securities	25	76,720	8,042
5	Other income	26	8,735	23,127
6	Other expenses	26	(2,846)	(6,517)
VI	Net other income	26	5,889	16,610
VII	Income from investments in other entities	27	-	445
VIII	Operating expenses	28	(405,514)	(383,928)
IX	Operating profit before allowance expenses for credit losses		167,092	163,587
X	Allowance expenses for credit losses	29	(19,560)	(31,011)
XI	Profit before tax (carried forward to the next page)		147,532	132,576

The accompanying notes are an integral part of these consolidated interim 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
Consolidated statement of income for the six-month
period ended 30 June 2018 (continued)

Form B03a/TCTD-HN
(Issued in accordance with Circular No.
49/2014/TT-NHNN dated 31 December 2014
of the State Bank of Vietnam)

		Six-month period ended	
		30/06/2018	30/06/2017
		VND million	VND million
Note			
XI	Profit before tax (brought forward from the previous page)	147,532	132,576
7	Income tax expense - current	(29,717)	(26,858)
8	Income tax expense - deferred	-	-
XII	Total income tax expense	(29,717)	(26,858)
XIII	Profit after tax	117,815	105,718

		Six-month period ended	
		30/06/2018	30/06/2017
		VND/share	VND/share
Note			
XV	Basic earnings per share		
	Basic earnings per share	398	357

21 August 2018

Prepared by:


Thi Duyen
Accountant


Pham Thi My Chi
Chief Accountant

Approved by:

Tran Tuan Anh
Legal Representative



The accompanying notes are an integral part of these consolidated interim financial statements

		Six-month period ended	
		30/06/2018	30/06/2017
		VND million	VND million
CASH FLOWS FROM OPERATING ACTIVITIES			
01	Interest and similar income received	1,526,781	1,276,726
02	Interest and similar expenses paid	(1,038,927)	(877,722)
03	Net fee and commission income received	23,685	13,700
04	Net income from foreign currencies and securities trading activities	94,070	11,371
05	Other income received	2,491	8,018
06	Collection of bad debts previously written-off	2,720	1,912
07	Salaries and operating expenses paid	(353,139)	(326,137)
08	Corporate income tax paid during the period	(30,766)	(36,192)
Cash flows from operating activities before changes in operating assets and liabilities		226,915	71,676
Changes in operating assets			
09	Increase in deposits with and loans to other credit institutions	-	(300,000)
10	Decrease in investment securities	1,295,744	466,639
11	Increase in derivatives and other financial assets	(152)	-
12	Increase in loans and advances to customers	(2,655,890)	(3,122,806)
13	Utilisation of allowances for losses	(17,643)	(4,521)
14	Increase in other operating assets	(94,308)	(21,920)
Changes in operating liabilities			
15	Decrease in borrowings from the State Bank of Vietnam	-	(200,928)
16	(Decrease)/increase in deposits and borrowings from other credit institutions	(82,655)	1,362,832
17	Increase in deposits from customers	1,812,780	2,730,151
19	Increase in grants and entrusted funds received	-	43,782
21	Increase/(decrease) in other operating liabilities	90,266	(10,738)
22	Utilisations of reserves	(29,293)	(14,017)
I	NET CASH FLOWS FROM OPERATING ACTIVITIES	545,764	1,000,150

Six-month period ended
 30/06/2018 30/06/2017
 VND million VND million

CASH FLOWS FROM INVESTING ACTIVITIES			
01	Payments for purchases of fixed assets and other long-term assets	(83,113)	(87,075)
02	Proceeds from disposals of fixed assets	2,247	22,924
09	Receipts of dividends and distributions from long-term investments	-	445
II	NET CASH FLOWS FROM INVESTING ACTIVITIES	(80,866)	(63,706)
IV	NET CASH FLOWS FOR THE PERIOD	464,898	936,444
V	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	6,848,632	4,291,063
VI	EFFECT OF EXCHANGE RATE FLUCTUATIONS	1,216	(457)
VII	CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (NOTE 32)	7,314,746	5,227,050

21 August 2018

Prepared by:



Thi Duyen
Accountant



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 consolidated interim 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 Business Registration Certificate No. 1700197787 issued by the Department of Planning and Investment of Kien Giang Province. The Bank’s Establishment and Operation Licence is valid for 50 years from the licence date.

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 30 June 2018, the Bank’s charter capital is VND3,000 billion (31/12/2017: VND3,000 billion). The Bank has issued 300,000,000 ordinary shares with a par value of VND10,000 per share.

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 30 June 2018, the Bank has one head office, 29 branches and 92 transaction offices nation-wide (31/12/2017: one head office, 28 branches and 89 transaction offices).

(d) Group structure

As at 30 June 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	
			30/06/2018	31/12/2017
KienLongBank Asset Management Company	The Business 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 consisted of providing consultancy, brokerage services for trading, leasing real estates, land use rights; managing debts and collaterals; evaluating and managing collateral records; restructuring loans; purchasing from and sell debts to credit institutions.

The Bank's consolidated interim financial statements for the six-month period ended 30 June 2018 include the interim financial statements of the Bank and its subsidiary (collectively referred to as "the Group").

(e) Number of employees

As at 30 June 2018, the Group had 2,774 employees (31/12/2017: 2,582 employees).

2. Basis of preparation

(a) Statement of compliance

The consolidated interim financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for Credit Institutions stipulated by the SBV and the relevant statutory requirements applicable to interim 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 consolidated interim financial statements are not intended to present the consolidated financial position and consolidated results of operations and consolidated cash flows of the Group 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.

(b) Basis of measurement

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

(c) Annual accounting period

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

The consolidated interim financial statements are prepared for the six-month period ended 30 June 2018.

(d) Accounting and presentation currency

The Group'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 Group's accounting policies resulting from the adoption of Circular 22 and the effects on the Group's consolidated interim financial statements (if any) are disclosed in Note 4(b).

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 Group's accounting policies resulting from the adoption of Circular 16 and the effects on the Group's consolidated interim financial statements (if any) are disclosed in Note 4(z).

4. Summary of significant accounting policies

The following significant accounting policies have been adopted by the Group in the preparation of these consolidated interim financial statements.

In addition to changes in accounting policies that are disclosed in Note 3, the accounting policies that have been adopted by the Group in the preparation of these consolidated interim financial statements are consistent with those adopted in the preparation of the most recent consolidated annual financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of the subsidiary in order to obtain economic benefits from its activities. The financial statements of a subsidiary are included in the consolidated interim financial statements from the date that control commences until the date that control ceases.

Where the accounting policies of the subsidiary are different from those adopted by the Bank, adjustments have been made where necessary to ensure consistency of accounting policies for consolidated financial statements preparation purpose.

(ii) Transactions eliminated on consolidation

Intra-group transactions and balances, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated interim financial statements.

(b) Foreign currency transactions

Before 1 April 2018

All transactions of the Group 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 consolidated statement of income at the end of the annual accounting period.

From 1 April 2018

All transactions of the Group 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 Group 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 consolidated 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 accounting period.

The changes in accounting policy mentioned above were applied prospectively and did not have material impact on the Group's consolidated profit after tax for the six-month period ended 30 June 2018.

(c) 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 .

(d) 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 (12) 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 Group has classified and made the specific allowance for credit losses on term deposits with and loans to other credit institutions in accordance with the accounting policy as described in Note 4(f).

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

(e) 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.

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(f).

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

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

(f) 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 and loans and advances to customers (together referred to as “debts”), the debts sold but not yet collected is made in accordance with the quantitative method as stipulated in Article 10 of Circular 02 as follows:

<i>Group</i>		<i>Overdue status</i>
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.

Group		Overdue status
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.
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 Group classified debts based on the number of overdue days from the date when the Group 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 Group, and has any of its debts classified into a higher risk group of debts, the Group 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 Group participates in a syndicated loan not as the lead bank, the Group 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 Group.

The Group 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 Group into a group of debts with lower risk as compared to those provided by CIC, the Group 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:

	Specific allowance rate
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 Group’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 Group’s internal policy and process.

As at 30 June 2018, the Group made a specific allowance based on outstanding principal, allowed value of collateral assets and debt classification at 31 March 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 deposits with and loans to other credit institutions and the debts being classified as loss debts.

As at 30 June 2018, the Group made a general allowance based on above mentioned balances as at 31 March 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 consolidated statement of income upon receipt.

(v) Loans sold to VAMC

The Group 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 consolidated 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(h)(v).

(g) 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 Group's assessment, could be fully settled when they fall due.
2	Special mentioned commitments	Commitments which, according to the Group'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 Group 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(f).

(h) Investment securities

(i) Classification

Investment securities include available-for-sale securities and held-to-maturity securities. The Group 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 Group 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 Group's management has the intention and ability to hold until maturity.

(ii) Recognition

The Group 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 consolidated 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 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 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 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, 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 consolidated 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 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(f). 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 Group 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 consolidated 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 Group has transferred substantially all risks and rewards of ownership.

(v) *Special bonds issued by VAMC*

The Group 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 Group's bad debts and classified as held-to-maturity securities.

In exchange of every bad debt sold to VAMC, the Group 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 Group writes down the book value of bad debts, uses specific allowance which was made but not yet utilised. At the same time, the Group 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 Group 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 consolidated statement of income.

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

(i) Other long-term investments

Other long-term investments include equity securities and other long-term investments in equity instruments that the Group intends to hold for more than one year where the Group 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”) on amendment and supplementation to Circular 228 as described in Note 4(j).

(j) 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 Group’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.

(k) Classification of financial instruments

Solely for the purpose of providing disclosures about the significance of financial instruments to the Group’s financial position and results of operations and the nature and extent of risk arising from financial instruments, the Group 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 Group 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 Group has the positive intention and ability to hold to maturity, other than:

- those that the Group, upon initial recognition designates as at fair value through profit or loss;
- those that the Group 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 Group intends to sell immediately or in the near future, which are classified as held for trading, and those that the Group, upon initial recognition designates as at fair value through profit or loss;
- those that the Group upon initial recognition designates as available-for-sale; or
- those for which the Group 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 Group 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.

(I) 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 consolidated statement of income in the period 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	<u>5 – 10 years</u>

(ii) 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 consolidated statement of income.

(m) 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 46 to 49 years. The Group does not amortise for 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 8 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 consolidated statement of income.

(n) Investment property

(i) Cost

Investment property held by the Group is investment property held to earn rental. Investment property held to earn rental is stated at cost less accumulated depreciation. The initial cost of an investment property held to earn rental comprises its purchase price, cost of land use rights and any directly attributable expenditures of bringing the property to the condition necessary for it to be capable of operating in the manner intended by the Group. Expenditure incurred after the investment property held to earn rental has been put into operation, such as repairs and maintenance, is charged to the consolidated statement of income in the period in which the expenditure is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in future economic benefits in excess of the originally assessed standard of performance of the existing investment property held to earn rental, the expenditure is capitalised as an additional cost of the investment property held to earn rental.

(ii) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of investment property. The estimated useful live is as follows:

▪ buildings	<u>36 years</u>
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(iii) Disposals

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

(o) Derivatives financial instruments

Currency forward contracts

Currency forward contracts are recorded at net contract value in the consolidated interim 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 consolidated 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 consolidated statement of income at the end of the annual accounting period.

(p) **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 Group 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 period.

For overdue other assets, the Group 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 Group after considering the recovery of these debts.

(q) **Provisions**

A provision is recognised if, as a result of a past event, the Group 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 Group 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 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 Group 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 Group 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 Group 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 Group for the years of service is recorded as an expense in the consolidated statement of income when incurred.

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

(r) Deposits and borrowings from other credit institutions

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

(s) Deposits from customers

Deposits from customers are stated at their costs.

(t) Other payables

Other payables are stated at their costs.

(u) Taxation

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the consolidated 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 period, using tax rates enacted at the end of the accounting period, and any adjustment to tax payable in respect of previous periods.

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 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.

(v) Capital

(i) Charter capital

Ordinary shares are stated at par value. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

(ii) Share premium

On receipt of capital from shareholders, 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.

(w) Statutory reserves

(i) The Bank

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	100% 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.

(ii) KienLongBank Asset Management Company

According to Circular No. 27/2002/TT-BTC issued by the Ministry of Finance dated 22 March 2002, statutory reserves are appropriated in accordance with the requirements applicable to the Bank.

(x) Bonus and welfare fund

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

(y) Earnings per share

The Group presents basic earnings per share, and where appropriate, diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Bank, after deducting the bonus and welfare fund made during the period, by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares, including convertible bonds and share options.

(z) Interest income

Before 26 March 2018

The Group 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(f)) being recognised in the consolidated statement of income upon receipt. When debts are classified in Group 2 to Group 5 (as described in Note 4(f)), their accrued interest receivables are derecognised from the consolidated balance sheet and recognised in the off-balance sheet and are recognised in the consolidated statement of income upon receipt.

From 26 March 2018

Interest income is recognised in the consolidated 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(f)) and debts classified in Group 1 (Current debts) resulting from implementation of special policies of the State being recognised in the consolidated statement of income upon receipt. When debts classified in Group 2 to Group 5 (as described in Note 4(f)), their accrued interest receivables are derecognised from the consolidated balance sheet and are recognised in the off-balance sheet and recognised in the consolidated 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 period is not recorded as income but recorded in the off-balance sheet. Interest income from these debts is recognised in the consolidated statement of income upon receipt.

This change in accounting policy has been applied prospectively. Accordingly, the Group's consolidated profit before tax for the six-month period ended 30 June 2018 decreased by VND12,292 million.

(aa) Fees and commission income

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

(bb) Dividend income

Dividend income in the form of cash is recognised in the consolidated statement of income when the right to receive dividend of the Group 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 consolidated statement of income. When share dividends are received, the Group 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.

(cc) Interest expense

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

(dd) Fees and commission expenses

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

(ee) Operating lease payments

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

(ff) Related parties

Parties are considered to be related to the Group 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 Group 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 Group pays attention to the substance of the relationship, and not merely the legal form.

(gg) Commitments and contingencies

At any given time the Group has undrawn credit commitments. These commitments are in the form of approved loans and overdrafts. The Group 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.

(hh) Segment reporting

A segment is a distinguishable component of the Group 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 Group's primary format for segment reporting is based on geographical segment and the Group's secondary format for segment reporting is based on business segment.

(ii) 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 consolidated interim financial statements indicate nil balances.

5. Cash on hand

	30/06/2018 VND million	31/12/2017 VND million
Cash on hand in VND	423,679	361,987
Cash on hand in foreign currencies	42,634	71,204
	<hr/>	<hr/>
	466,313	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	
	30/06/2018	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/>
	30/06/2018 VND million	31/12/2017 VND million
Current account and compulsory reserve at the SBV		
▪ In VND	2,892,836	2,229,557
▪ In foreign currencies	17,959	22,025
	<hr/>	<hr/>
	2,910,795	2,251,582
	<hr/>	<hr/>

7. Deposits with and loans to other credit institutions

	30/06/2018 VND million	31/12/2017 VND million
Demand deposits		
Demand deposits in VND	31,823	33,067
Demand deposits in foreign currencies	240,515	317,802
Term deposits		
Term deposits in VND	2,574,700	2,736,590
Term deposits in foreign currencies	1,090,600	1,076,400
	<hr/> 3,937,638	<hr/> 4,163,859

As at 30 June 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 30 June 2018)	
		Assets VND million	Liabilities VND million
Currency derivatives			
▪ Currency forward contracts	45,768	152	-

9. Loans and advances to customers

	30/06/2018 VND million	31/12/2017 VND million
Loans to domestic economic entities and individuals	27,228,444	24,575,774
Loans funded by grants and entrusted investment funds	105,341	100,721
Payments on behalf of customers	7,608	9,008
	27,341,393	24,685,503

Loan portfolio by term was as follows:

	30/06/2018 VND million	31/12/2017 VND million
Short-term loans	15,294,251	11,516,015
Medium-term loans	5,313,847	6,658,546
Long-term loans	6,733,295	6,510,942
	27,341,393	24,685,503

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

	30/06/2018 VND million	31/12/2017 VND million
Household business and individuals	18,902,956	17,227,884
Limited liability companies	4,464,759	4,926,419
Joint stock companies	3,849,522	2,387,478
Private companies	124,156	143,722
	27,341,393	24,685,503

Loan portfolio by loan group was as follows:

	30/06/2018 VND million	31/12/2017 VND million
Group 1 - Current debts (i)	26,943,748	24,366,385
Group 2 - Special mentioned debts	154,688	112,008
Group 3 - Sub-standard debts	60,532	33,115
Group 4 - Doubtful debts	33,815	23,136
Group 5 - Loss debts	148,610	150,859
	27,341,393	24,685,503

- (i) Included in balance of Group 1 – *Current debts* as at 30 June 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 for the Group 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 30 June 2018 was VND384,944 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:

	30/06/2018 VND million	31/12/2017 VND million
Hired labor in households, production of materials products and self-consumption services of households	7,048,886	5,828,269
Agriculture, forestry and aquaculture	5,624,415	5,319,804
Other service activities	4,601,196	4,260,648
Investments	2,352,241	2,661,241
Real estate trading	3,263,212	2,489,589
Wholesale and retail; repair of automobiles, motorcycles, and other vehicles with engines	1,899,955	2,095,745
Construction	1,683,280	996,083
Accommodation and catering services	313,802	350,044
Manufacturing and processing industry	88,438	298,329
Transportation and warehousing	298,415	215,068
Health care and social relief activities	142,059	145,703
Electricity, gas, hot water and steam producing and distribution	3,955	9,309
Art and entertainment	3,306	7,404
Education and training	13,268	2,971
Information and media	1,901	2,457
Water supply, trash and sewage management and treatment	1,800	1,575
Extractive industry	1,150	1,150
Administrative activities and supporting services	114	114
	27,341,393	24,685,503

10. Allowance for losses on loans and advances to customers

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

	30/06/2018 VND million	31/12/2017 VND million
General allowance (i)	198,575	180,176
Specific allowance (ii)	40,211	39,710
	<hr/> 238,786	<hr/> 219,886

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

	Six-month period ended	
	30/06/2018 VND million	30/06/2017 VND million
Opening balance	180,176	134,964
Allowance made during the period (Note 29)	18,399	27,068
Closing balance	<hr/> 198,575	<hr/> 162,032

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

	Six-month period ended	
	30/06/2018 VND million	30/06/2017 VND million
Opening balance	39,710	34,826
Allowance made during the period (Note 29)	501	222
Closing balance	<hr/> 40,211	<hr/> 35,048

11. Investment securities

	30/06/2018 VND million	31/12/2017 VND million
Available-for-sale securities		
<i>Debt securities</i>		
▪ Government bonds (i)	500,138	1,152,286
<i>Equity securities</i>		
▪ Securities issued by other local credit institutions	231,513	522,196
Available-for-sale securities	731,651	1,674,482
Allowance for losses on available-for-sale securities		
▪ Allowance for diminution in value (ii)	(29,258)	(15,073)
	702,393	1,659,409
Held-to-maturity securities (excluding special bonds issued by VAMC)		
<i>Debt securities</i>		
▪ Government bonds (iii)	61,118	266,426
Special bonds issued by VAMC		
▪ Par value of special bonds (iv)	222,758	370,363
▪ Allowance for special bonds (v)	(124,541)	(141,524)
	98,217	228,839
	861,728	2,154,674

- (i) As at 30 June 2018, included in available-for-sale securities were debt securities with total par value amounting to VND150,000 million pledged as collaterals for deposits and borrowings from other credit institutions (31/12/2017: VND600,000 million) (Note 18).

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

	Six-month period ended	
	30/06/2018	30/06/2017
	VND million	VND million
Opening balance	15,073	-
Allowance made during the period (Note 25)	14,185	-
Closing balance	29,258	-

- (iii) As at 30 June 2018, included in held-to-maturity Government bonds were bonds with total par value amounting to VND50,000 million pledged as collaterals for deposits from other credit institutions (31/12/2017: VND100,000 million) (Note 18).
- (iv) These are special bonds issued by VAMC in exchange for bad debts sold by the Group with total outstanding principal of VND263,573 million (31/12/2017: VND419,011 million). Up to the date of selling debts to VAMC, specific allowance that the Group made for these debts amounted to VND40,815 million (31/12/2017: VND48,648 million). This allowance was utilised to net off with outstanding principal when selling debts to VAMC.
- (v) Movements in the allowance for special bonds issued by VAMC were as follows:

	Six-month period ended	
	30/06/2018	30/06/2017
	VND million	VND million
Opening balance	141,524	128,199
Allowance made during the period (Note 29)	660	3,721
Allowance utilised during the period	(17,643)	(4,521)
Closing balance	124,541	127,399

12. Long-term investments

	30/06/2018 VND million	31/12/2017 VND million
Other long-term investments	14,521	14,521

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

As at 30/06/2018 and 31/12/2017			
	Percentage of equity owned and voting rights %	Cost VND million	Allowance VND million
Investments in other enterprises			
Hong Phat Investment and Construction Joint Stock Company	2.92%	5,250	-
Saigon - Rach Gia Joint Stock Company	6.96%	9,271	-
		14,521	-

13. Tangible fixed assets

Six-month period ended 30 June 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	164,456	93,928	10,947	9,855	857,203
Additions	578	-	2,300	-	-	2,878
Transfer from construction in progress (Note 16(i))	88,810	13,041	1,446	-	-	103,297
Disposals	-	(89)	(2,297)	(66)	-	(2,452)
Closing balance	667,405	177,408	95,377	10,881	9,855	960,926
Accumulated depreciation						
Opening balance	50,485	58,669	45,257	7,450	6,327	168,188
Charge for the period	12,470	7,621	4,673	509	904	26,177
Disposals	-	(89)	(728)	(66)	-	(883)
Closing balance	62,955	66,201	49,202	7,893	7,231	193,482
Net book value						
Opening balance	527,532	105,787	48,671	3,497	3,528	689,015
Closing balance	604,450	111,207	46,175	2,988	2,624	767,444

13. Tangible fixed assets (continued)

Year ended 31 December 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	143,060	92,350	11,186	9,823	705,329
Additions	922	860	-	-	32	1,814
Transfer from construction in progress (Note 16(i))	129,119	21,055	1,578	-	-	151,752
Disposals	(934)	(519)	-	(239)	-	(1,692)
Closing balance	578,017	164,456	93,928	10,947	9,855	857,203
Accumulated depreciation						
Opening balance	30,334	43,411	35,755	6,430	4,440	120,370
Charge for the year	21,085	15,777	9,502	1,259	1,887	49,510
Disposals	(934)	(519)	-	(239)	-	(1,692)
Closing balance	50,485	58,669	45,257	7,450	6,327	168,188
Net book value						
Opening balance	418,576	99,649	56,595	4,756	5,383	584,959
Closing balance	527,532	105,787	48,671	3,497	3,528	689,015

As at 30 June 2018, included in tangible fixed assets were assets costing VND37,121 million (31/12/2017: VND25,025 million) which were fully depreciated but are still in active use.

14. Intangible fixed assets

Six-month period ended 30 June 2018

	Land use rights VND million	Software VND million	Other intangible fixed assets VND million	Total VND million
Cost				
Opening balance	687,916	62,175	6,345	756,436
Transfer from construction in progress (Note 16(i))	351	-	162	513
Closing balance	688,267	62,175	6,507	756,949
Accumulated amortisation				
Opening balance	2,460	37,543	4,322	44,325
Charge for the period	330	3,811	433	4,574
Closing balance	2,790	41,354	4,755	48,899
Net book value				
Opening balance	685,456	24,632	2,023	712,111
Closing balance	685,477	20,821	1,752	708,050

14. Intangible fixed assets (continued)

Year ended 31 December 2017

	Land use rights VND million	Software VND million	Other intangible fixed assets VND million	Total VND million
Cost				
Opening balance	705,743	53,751	6,144	765,638
Additions	4,675	-	-	4,675
Transfer from construction in progress (Note 16(i))	24,627	7,674	201	32,502
Disposals	(25,244)	-	-	(25,244)
Reclassifications to other assets	(21,135)	-	-	(21,135)
Reclassifications	(750)	750	-	-
Closing balance	687,916	62,175	6,345	756,436
Accumulated amortisation				
Opening balance	2,016	30,243	2,859	35,118
Charge for the year	538	7,206	1,463	9,207
Reclassifications	(94)	94	-	-
Closing balance	2,460	37,543	4,322	44,325
Net book value				
Opening balance	703,727	23,508	3,285	730,520
Closing balance	685,456	24,632	2,023	712,111

As at 30 June 2018, included in intangible fixed assets were assets costing VND10,829 million (31/12/2017: VND10,149 million) which were fully amortised but are still in active use.

15. Investment property

Six-month period ended 30 June 2018	Warehouse VND million	Office building VND million	Total VND million
Cost			
Opening balance/closing balance	144,500	3,782	148,282
Accumulated depreciation			
Opening balance	5,138	135	5,273
Charge for the period	1,963	51	2,014
Closing balance	7,101	186	7,287
Net book value			
Opening balance	139,362	3,647	143,009
Closing balance	137,399	3,596	140,995
Year ended 31 December 2017	Warehouse VND million	Office building VND million	Total VND million
Cost			
Opening balance	-	-	-
Transfer from construction in progress (Note 16(i))	202,914	5,165	208,079
Disposals	(58,414)	(1,383)	(59,797)
Closing balance	144,500	3,782	148,282
Accumulated depreciation			
Opening balance	-	-	-
Charge for the year	5,788	150	5,938
Disposals	(650)	(15)	(665)
Closing balance	5,138	135	5,273
Net book value			
Opening balance	-	-	-
Closing balance	139,362	3,647	143,009

The investment property is a warehouse and office building located in Lot 1765, Map 3, Ben Luc Town, Ben Luc District, Long An Province.

16. Receivables

	30/06/2018 VND million	31/12/2017 VND million
Construction in progress (i)	237,350	280,143
Receivables from VAMC related to settled special bonds (ii)	12,504	-
Deductible value added tax	22,334	22,861
Advances for operating activities	20,405	15,203
Receivables from warehouse and office rentals	26,877	25,079
Deposits for office rental and advances for contracts	15,767	11,226
Receivables from Visa card business	67,536	34,339
Receivable from the SBV under interest subsidy program	3,822	3,822
Deposits at international payment institutions	2,296	2,243
Others	17,246	15,138
	426,137	410,054

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

	Six-month period ended 30/06/2018 VND million	Year ended 31/12/2017 VND million
Opening balance	280,143	549,869
Additions	80,235	159,716
Transfers to tangible fixed assets (Note 13)	(103,297)	(151,752)
Transfers to intangible fixed assets (Note 14)	(513)	(32,502)
Transfers to investment property	-	(208,079)
Transfers to other assets	(18,164)	(33,007)
Transfers to expenses	(292)	(1,442)
Deductible value added tax	(762)	(2,660)
Closing balance	237,350	280,143

Details of construction in progress were as follows:

	30/06/2018 VND million	31/12/2017 VND million
Buildings	207,854	262,744
Machinery and equipment	1,229	696
Software	19,164	16,703
Motor vehicles	9,103	-
	237,350	280,143

- (ii) These are receivables related to the amount received after debts sold to VAMC in exchange for special bonds which have been settled but not yet net off with the deposits of VAMC at the Group.

17. Other assets

	30/06/2018 VND million	31/12/2017 VND million
Prepaid expenses	263,006	209,616
Tools and supplies	11,347	7,286
Payments on behalf of other credit institutions	1,487	327
Foreclosed assets of which ownership transferred to the Bank awaiting for settlement (i)	35,579	28,855
Other assets	94,149	103,036
	<hr/> 405,568	<hr/> 349,120

- (i) Foreclosed assets of which ownership transferred to the Bank awaiting for settlement:

	30/06/2018 VND million	31/12/2017 VND million
Real estates	27,161	28,855
Others	8,418	-
	<hr/> 35,579	<hr/> 28,855

18. Deposits and borrowings from other credit institutions

	30/06/2018 VND million	31/12/2017 VND million
Demand deposits in VND	17,380	5,832
Term deposits		
Term deposits in VND (i)	5,731,803	5,534,498
Term deposits in foreign currencies	1,030,904	1,323,075
	<hr/> 6,780,087	<hr/> 6,863,405
Borrowings from other credit institutions		
Borrowings from other credit institutions in VND	164,231	163,593
Borrowings from other credit institutions in foreign currencies	1,065	1,040
	<hr/> 165,296	<hr/> 164,633
	<hr/> 6,945,383	<hr/> 7,028,038

- (i) Included in these balances were VND185,000 million of deposits from other credit institutions secured by available-for-sale debt securities with par value of VND150,000 million and held-to-maturity debt securities with par value of VND50,000 million (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) (Note 11(i) and Note 11(iii)).

19. Deposits from customers

	30/06/2018 VND million	31/12/2017 VND million
Demand deposits		
Demand deposits in VND	819,573	765,029
Demand deposits in foreign currencies	20,639	1,304
Term deposits in VND	881,643	898,096
Saving deposits		
Current saving deposits in VND	3,537	9,712
Current saving deposits in foreign currencies	2,914	13,215
Term saving deposits in VND	26,050,619	24,194,459
Term saving deposits in foreign currencies	151,022	233,491
Margin deposits		
Margin deposits in VND	7,013	6,871
Margin deposits in foreign currencies	12	2,015
	<hr/>	<hr/>
	27,936,972	26,124,192
	<hr/>	<hr/>

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

	30/06/2018 VND million	31/12/2017 VND million
Individuals	26,777,311	24,842,780
Joint stock companies	461,179	628,595
Limited liability companies	313,650	302,988
Private companies	799	763
Others	384,033	349,066
	<hr/>	<hr/>
	27,936,972	26,124,192
	<hr/>	<hr/>

20. Other liabilities

	30/06/2018 VND million	31/12/2017 VND million
Taxes and other payables to the State Treasury (i)	21,080	21,694
Payables to employees	19,617	7
Amounts awaiting for settlement	160,227	91,536
Bonus and welfare fund (ii)	3,962	1,416
Remittance payables	4,045	5,150
Other payables	44,489	22,244
	253,420	142,047

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

	30/06/2018 VND million	31/12/2017 VND million
Value added tax	876	562
Corporate income tax	17,996	19,045
Personal income tax	2,208	2,087
	21,080	21,694

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

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

	Six-month period ended 30/06/2018 VND million	30/06/2017 VND million
Opening balance	1,416	1,900
Appropriation during the period (Note 21)	31,839	13,279
Utilisation during the period	(29,293)	(14,017)
Closing balance	3,962	1,162

21. 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	Foreign exchange differences VND million	Retained profits VND million	Total VND million
Balance at 1 January 2018	3,000,000	(34,200)	92,011	193,230	3	-	300,553	3,551,597
Net profit for the period	-	-	-	-	-	-	117,815	117,815
Appropriation to statutory reserves	-	-	9,308	18,616	-	-	(27,924)	-
Appropriation to bonus and welfare fund	-	-	-	-	-	-	(31,839)	(31,839)
Foreign exchange differences	-	-	-	-	-	1,216	-	1,216
Balance at 30 June 2018	3,000,000	(34,200)	101,319	211,846	3	1,216	358,605	3,638,789
Balance at 1 January 2017	3,000,000	(34,200)	85,962	181,131	3	-	130,990	3,363,886
Net profit for the period	-	-	-	-	-	-	105,718	105,718
Appropriation to statutory reserves	-	-	5,449	10,898	-	-	(16,347)	-
Appropriation to bonus and welfare fund	-	-	-	-	-	-	(13,279)	(13,279)
Foreign exchange differences	-	-	-	-	-	(457)	-	(457)
Balance at 30 June 2017	3,000,000	(34,200)	91,411	192,029	3	(457)	207,082	3,455,868

(b) Charter capital

	30/06/2018		31/12/2017	
	Number of shares	Total par value VND million	Number of shares	Total par value VND million
Authorised charter capital	300,000,000	3,000,000	300,000,000	3,000,000
Issued charter capital				
Ordinary shares	300,000,000	3,000,000	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	296,200,000	2,962,000	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.

22. Net interest and similar income

	Six-month period ended	
	30/06/2018	30/06/2017
	VND million	VND million
Interest and similar income from		
Deposits with and loans to other credit institutions	57,797	52,336
Loans and advances to customers	1,407,692	1,281,681
Investment securities	28,216	49,617
Guarantee services	1,098	861
Others	2,429	373
	1,497,232	1,384,868
Interest and similar expenses on		
Deposits and borrowings from other credit institutions	(5,233)	(10,580)
Deposits from customers	(964,353)	(827,612)
Others	(66,297)	(48,629)
	(1,035,883)	(886,821)
Net interest and similar income	461,349	498,047

23. Net fee and commission income

	Six-month period ended	
	30/06/2018	30/06/2017
	VND million	VND million
<i>Fee and commission income</i>		
Settlement services	10,212	5,755
Warehouse, office leasing services	10,799	11,815
Assets valuation services	9,458	5,849
Cashier, trusted and agency services	530	373
Others	56	53
	<hr/>	<hr/>
	31,055	23,845
	<hr/>	<hr/>
<i>Fee and commission expenses</i>		
Settlement and cashier services	(3,727)	(1,802)
Others	(1,845)	(1,001)
	<hr/>	<hr/>
	(5,572)	(2,803)
	<hr/>	<hr/>
Net fee and commission income	25,483	21,042
	<hr/>	<hr/>

24. Net gain from trading of foreign currencies

	Six-month period ended	
	30/06/2018	30/06/2017
	VND million	VND million
<i>Gains from trading of foreign currencies</i>		
▪ Spot contracts	9,176	8,676
<i>Losses from trading of foreign currencies</i>		
▪ Spot contracts	(4,589)	(5,347)
▪ Currency derivatives	(1,422)	-
	<hr/>	<hr/>
Net gain from trading of foreign currencies	3,165	3,329
	<hr/>	<hr/>

25. Net gain from trading of investment securities

	Six-month period ended	
	30/06/2018	30/06/2017
	VND million	VND million
Gain from sales of investment securities	90,905	8,042
Allowance made for diminution in value of investment securities (Note 11(ii))	(14,185)	-
Net gain from sales of investment securities	76,720	8,042

26. Net other income

	Six-month period ended	
	30/06/2018	30/06/2017
	VND million	VND million
Other income		
Gain from disposals of fixed assets	678	6,680
Collections of bad debts previously written-off	2,720	1,912
Collections of debts sold to VAMC	2,016	9,168
Collections of contract penalties	-	2,206
Others	3,321	3,161
	8,735	23,127
Other expenses		
Expenses on social activities	(1,231)	(5,510)
Others	(1,615)	(1,007)
	(2,846)	(6,517)
Net other income	5,889	16,610

27. Income from investments in other entities

	Six-month period ended	
	30/06/2018	30/06/2017
	VND million	VND million
Dividends	-	445

28. Operating expenses

	Six-month period ended	
	30/06/2018	30/06/2017
	VND million	VND million
1. Tax, duties and fees	10,432	9,377
2. Salaries and related expenses	223,383	212,672
In which:		
▪ Salaries and allowances	195,177	187,794
▪ Salary related contribution	16,280	14,921
▪ Others	11,926	9,957
3. Expenses on assets	88,308	83,546
In which:		
▪ Depreciation and amortisation expenses	32,765	31,005
▪ Rental expenses	26,890	26,722
▪ Repair and maintenance expenses	19,007	17,577
▪ Purchases of tools and supplies	9,448	8,006
▪ Others	198	236
4. Administration expenses	64,955	60,099
In which:		
▪ Marketing, promotion and printing expenses	14,232	14,524
▪ Business trip expenses	1,836	1,712
▪ Electricity and water, office cleaning and gasoline expenses	14,469	13,264
▪ Communication, technology research expenses	10,729	11,061
▪ Training expenses	554	278
▪ Meeting, reception and customer care expenses	19,461	16,010
▪ Others	3,674	3,250
5. Insurance fee for deposits from customers	18,436	16,171
6. Allowance expenses for losses on other assets	-	2,063
	<hr/>	<hr/>
	405,514	383,928
	<hr/>	<hr/>

29. Allowance expenses for credit losses

	Six-month period ended	
	30/06/2018	30/06/2017
	VND million	VND million
General allowance for losses on loans and advances to customers (Note 10(i))	18,399	27,068
Specific allowance for losses on loans and advances to customers (Note 10(ii))	501	222
Allowance for special bonds issued by VAMC (Note 11(v))	660	3,721
	<u>19,560</u>	<u>31,011</u>

30. Income tax

(a) Recognised in the consolidated statement of income

	Six-month period ended	
	30/06/2018	30/06/2017
	VND million	VND million
Current income tax expense		
Current period	29,717	26,858
Deferred income tax expense	-	-
Income tax expense	<u>29,717</u>	<u>26,858</u>

(b) Reconciliation of effective tax rate

	Six-month period ended	
	30/06/2018	30/06/2017
	VND million	VND million
Profit before tax	147,532	132,576
Tax at the Bank's tax rate	29,506	26,515
Tax exempt income	-	(89)
Non-deductible expenses	211	205
Deferred tax assets not recognised	-	413
Tax incentives for subsidiary	-	(186)
Income tax expense	<u>29,717</u>	<u>26,858</u>

(c) Applicable tax rates

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

Under the terms of Investment Certificate No. 50211000449 issued by Long An Economic Zone Authority dated 19 August 2014, the investment project of Kienlongbank – Ben Luc warehouse of subsidiary is exempted from income tax for the first two years and entitled to a 50% reduction in income tax for the four succeeding years starting from the first year this project is completed and generates a taxable income. The investment project of Kienlongbank – Ben Luc warehouse has generated income from 2015, and therefore the tax exemption period was until 2016 and tax reduction periods are until 2020.

31. Basic earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six-month period ended 30 June 2018 was based on the profit attributable to ordinary shareholders after deducting the amounts appropriated to bonus and welfare fund for the accounting period, of VND117,815 million (six-month period ended 30 June 2017: VND105,718 million) and a weighted average number of ordinary shares of 296,200,000 (six-month period ended 30 June 2017: 296,200,000), calculated as follows:

(i) Net profit attributable to ordinary shareholders

	Six-month period ended	
	30/06/2018	30/06/2017
	VND million	VND million
Net profit for the period	117,815	105,718
Appropriation to bonus and welfare fund (*)	-	-
Net profit attributable to ordinary shareholders	117,815	105,718

(*) At the date of these consolidated interim financial statements, the Group had not had official decision from the General Meeting of Shareholders for appropriation to bonus and welfare funds from profit of 2018. If the Group makes appropriation to bonus and welfare funds, net profit attributable to ordinary shareholders and basic earnings per share shall be decreased.

(ii) Weighted average number of ordinary shares

	Six-month period ended	
	30/06/2018	30/06/2017
	Shares	Shares
Issued ordinary shares at the beginning of the period	296,200,000	296,200,000
Effect of shares issued during the period	-	-
Weighted average number of ordinary shares	296,200,000	296,200,000

(iii) Basic earnings per share

	Six-month period ended	
	30/06/2018	30/06/2017
	VND	VND
Basic earnings per share	398	357

(b) Diluted earnings per share

For the six-month period ended 30 June 2018 and 30 June 2017, the Bank did not have any dilutive potential ordinary shares. Accordingly, the presentation requirement for diluted earnings per share is not applied.

32. Cash and cash equivalents

	30/06/2018	31/12/2017
	VND million	VND million
Cash on hand	466,313	433,191
Balances with the SBV	2,910,795	2,251,582
Demand deposits with other credit institutions	272,338	350,869
Deposits with other credit institutions with original terms of not more than three months	3,665,300	3,812,990
Cash and cash equivalents in the consolidated statement of cash flows	7,314,746	6,848,632

33. Employees' remuneration

	Six-month period ended	
	30/06/2018	30/06/2017
	VND million	VND million
I. Average number of employees during the period (person)	2,671	2,451
II. Employees remuneration		
1. Salaries and other income	195,177	176,817
2. Bonus	29,293	24,994
3. Total income (3=1+2)	224,470	201,811
4. Average monthly salary and other income/employee	12	12
5. Average monthly remuneration/employee	14	14

34. Obligations to the State Treasury

Six-month period ended 30 June 2018	Opening balance VND million	Movements during the period Incurred VND million	Paid VND million	Closing balance VND million
Value added tax	562	2,734	(2,420)	876
Corporate income tax	19,045	29,717	(30,766)	17,996
Personal income tax	2,087	6,995	(6,874)	2,208
	21,694	39,446	(40,060)	21,080

Six-month period ended 30 June 2017	Opening balance VND million	Movements during the period Incurred VND million	Paid VND million	Closing balance VND million
Value added tax	2,024	2,519	(2,400)	2,143
Corporate income tax	23,634	26,858	(36,192)	14,300
Personal income tax	1,915	5,739	(5,660)	1,994
	27,573	35,116	(44,252)	18,437

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

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

	30/06/2018		31/12/2017	
	Par value VND million	Carrying amount VND million	Par value VND million	Carrying amount VND million
Real estates		39,339,356		34,995,209
Machinery and equipment		133,520		133,971
Motor vehicles		940,489		893,811
Shares issued by other credit institutions	1,140,980	1,317,832	1,443,838	1,465,401
Shares issued by other economic institutions	1,261,279	3,599,772	1,830,015	4,312,417
Saving deposits		2,764,575		2,823,671
Inventories		5,672		20,975
Others		427,283		224,560
		48,528,499		44,870,015

For collaterals which are listed shares, the Group 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 Group 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

	30/06/2018		31/12/2017	
	Par value VND million	Carrying amount VND million	Par value VND million	Carrying amount VND million
Investment securities				
Government bonds				
(Note 11(i) and 11(iii))	200,000	247,760	700,000	749,992

36. Contingent liabilities and commitments

	30/06/2018			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
Commitments on foreign exchange transactions	5,353	-	5,353	-	-	-
▪ Commitments on purchase of foreign currencies	2,682	-	2,682	-	-	-
▪ Commitments on sale of foreign currencies	2,671	-	2,671	-	-	-
Letters of credit commitments	6,727	(1,321)	5,406	17,958	(6,899)	11,059
Other guarantees	142,048	(5,704)	136,344	69,185	(1,987)	67,198
	154,128	(7,025)	147,103	87,143	(8,886)	78,257

37. Concentration of assets, liabilities and off-balance sheet commitments by geographical area

As at 30 June 2018	Total deposits and loans - gross VND million	Total deposits and borrowings VND million	Credit commitments - gross VND million	Investment securities - gross VND million	Derivatives (Total contractual value) VND million
Domestic	34,189,826	34,882,355	148,775	1,015,527	45,768
As at 31 December 2017	Total deposits and loans - gross VND million	Total deposits and borrowings VND million	Credit commitments - gross VND million	Investment securities - gross VND million	Derivatives (Total contractual value) VND million
Domestic	31,100,944	33,152,230	87,143	2,311,271	-

38. Significant transactions with related parties

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

Transactions during the period	Six-month period ended	
	30/06/2018 VND million	30/06/2017 VND million
Members of Board of Management		
Deposits	102,737	83,820
Interest expenses on deposits	20	14
Compensations	3,305	3,360
Members of Board of Directors		
Deposits	9,241	18,921
Interest expenses on deposits	63	22
Salaries and bonus	5,183	5,134
Members of Supervisory Board		
Deposits	2,421	6,056
Interest expenses on deposits	1	11
Compensations	1,076	1,085
Companies and individuals related to Members of Board of Management		
Deposits	1,174,330	848,300
Interest expenses on deposits	876	2,785
Income from leasing warehouse	2,846	2,118
Deposits received from leasing warehouse	-	280
Factory construction expenses	-	13,668
Other income	382	387
Companies and individuals related to Members of Board of Directors		
Deposits	72,026	19,973
Interest expenses on deposits	683	272
Companies and individuals related to Supervisory Board		
Deposits	634	5,339
Interest expenses on deposits	34	96

Balances at the period-end/year-end	30/06/2018 VND million	31/12/2017 VND million
Members of Board of Management		
Deposits	14,069	826
Interest payables	2	2
Members of Board of Directors		
Deposits	612	1,674
Interest payables	-	40
Members of Supervisory Board		
Deposits	783	328
Companies and individuals related to Members of Board of Management		
Deposits	3,236	185,241
Interest payables	64	193
Receivables from leasing warehouse	5,174	2,046
Deposits received from leasing warehouse	960	960
Companies and individuals related to Members of Board of Directors		
Deposits	24,219	20,002
Interest payables	275	449
Companies and individuals related to Supervisory Board		
Deposits	915	1,830
Interest payables	12	65

39. Segment reporting

(a) Geographical segments

Six-month period ended 30 June 2018	The Northern region VND million	The Central region VND million	The Southern region VND million	Eliminations VND million	Total VND million
I. Income	139,673	229,952	1,422,476	(154,998)	1,637,103
1. Interest and similar income					
from:					
<i>External customers</i>	138,746	226,169	1,287,315	(154,998)	1,497,232
<i>Internal</i>	71,634	199,278	1,226,320	-	1,497,232
<i>Internal</i>	67,112	26,891	60,995	(154,998)	-
2. Fee and commission income	759	1,562	28,734	-	31,055
3. Other income	168	2,221	106,427	-	108,816
II. Expenses	(129,656)	(187,559)	(1,307,794)	154,998	(1,470,011)
1. Interest and similar expenses from:					
<i>External customers</i>	(105,368)	(140,838)	(944,675)	154,998	(1,035,883)
<i>External customers</i>	(99,827)	(129,071)	(806,985)	-	(1,035,883)
<i>Internal</i>	(5,541)	(11,767)	(137,690)	154,998	-
2. Depreciation and amortisation expenses	(521)	(3,190)	(29,054)	-	(32,765)
3. Direct operating expenses	(23,767)	(43,531)	(334,065)	-	(401,363)
Operating profit before allowance expenses for credit losses	10,017	42,393	114,682	-	167,092
Allowance expense for credit losses	260	(484)	(19,336)	-	(19,560)
Segment profit before tax	10,277	41,909	95,346	-	147,532
As at 30/06/2018					
	The Northern region VND million	The Central region VND million	The Southern region VND million	Eliminations VND million	Total VND million
I. Assets	1,358,104	3,935,661	33,958,686	-	39,252,451
1. Cash on hand	37,555	77,220	351,538	-	466,313
2. Fixed assets and investment property	4,433	257,065	1,354,991	-	1,616,489
3. Other assets	1,316,116	3,601,376	32,252,157	-	37,169,649
II. Liabilities	2,837,099	4,060,227	28,716,336	-	35,613,662
1. Liabilities from external customers	2,835,702	4,056,957	28,467,583	-	35,360,242
2. Other liabilities	1,397	3,270	248,753	-	253,420

Six-month period ended 30 June 2017	The Northern region VND million	The Central region VND million	The Southern region VND million	Eliminations VND million	Total VND million
I. Income	188,829	349,102	3,291,245	(2,380,173)	1,449,003
1. Interest and similar income from:					
<i>External customers</i>	187,987	341,560	3,235,494	(2,380,173)	1,384,868
<i>Internal</i>	62,418	159,998	1,162,452	-	1,384,868
2. Fee and commission income	125,569	181,562	2,073,042	(2,380,173)	-
3. Other income	475	715	22,655	-	23,845
	367	6,827	33,096	-	40,290
II. Expenses	(178,400)	(299,129)	(3,188,060)	2,380,173	(1,285,416)
1. Interest and similar expenses from:					
<i>External customers</i>	(156,322)	(257,736)	(2,852,936)	2,380,173	(886,821)
<i>Internal</i>	(93,754)	(120,444)	(672,623)	-	(886,821)
2. Depreciation and amortisation expenses	(62,568)	(137,292)	(2,180,313)	2,380,173	-
3. Direct operating expenses	(580)	(2,517)	(27,908)	-	(31,005)
	(21,498)	(38,876)	(307,216)	-	(367,590)
Operating profit before allowance expenses for credit losses	10,429	49,973	103,185	-	163,587
Allowance expense for credit losses	(814)	(1,855)	(28,342)	-	(31,011)
Segment profit before tax	9,615	48,118	74,843	-	132,576
As at 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	32,371,856	-	37,326,805
1. Cash on hand	39,153	62,162	331,876	-	433,191
2. Fixed assets and investment property	4,487	254,883	1,284,765	-	1,544,135
3. Other assets	1,302,566	3,291,698	30,755,215	-	35,349,479
II. Liabilities	3,095,537	3,717,153	26,962,518	-	33,775,208
1. Liabilities from external customers	3,091,668	3,712,893	26,828,600	-	33,633,161
2. Other liabilities	3,869	4,260	133,918	-	142,047

(b) Business segment

The Group operates mainly in commercial banking and asset management.

Six-month period ended 30 June 2018	Commercial Banking VND million	Asset Management VND million	Eliminations VND million	Total VND million
Income	1,615,850	30,337	(9,084)	1,637,103
Expenses	(1,442,028)	(23,862)	9,084	(1,456,806)
Depreciation and amortisation expenses of fixed assets and investment property	(30,496)	(2,269)	-	(32,765)
Profit before tax	143,326	4,206	-	147,532
As at 30 June 2018	Commercial Banking VND million	Asset Management VND million	Eliminations VND million	Total VND million
Segment assets	39,319,383	544,952	(611,884)	39,252,451
Segment liabilities	35,703,754	21,792	(111,884)	35,613,662
Six-month period ended 30 June 2017	Commercial Banking VND million	Asset Management VND million	Eliminations VND million	Total VND million
Income	1,428,128	24,569	(3,694)	1,449,003
Expenses	(1,270,220)	(18,896)	3,694	(1,285,422)
Depreciation and amortisation expenses of fixed assets and investment property	(28,446)	(2,559)	-	(31,005)
Profit before tax	129,462	3,114	-	132,576
As at 31 December 2017	Commercial Banking VND million	Asset Management VND million	Eliminations VND million	Total VND million
Segment assets	37,399,596	531,465	(604,256)	37,326,805
Segment liabilities	33,867,794	11,670	(104,256)	33,775,208

40. Financial risk management

(a) Financial risk management

The Group 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 Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

The Group 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 Group 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 Group'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 Group 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 Group manages and monitors credit risk by setting the risk limit which the Group is willing to accept for individual counterparty, and by monitoring exposures in relation to such limits.

The Group 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 Group 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 Group enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the consolidated balance sheet, they do contain credit risk and are therefore included as part of the overall risk of the Group.

Concentration of credit risk

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

Not considering collaterals, the Group's maximum exposure to credit risk at the reporting date was as follows:

	30/06/2018 VND million	31/12/2017 VND million
Loans and receivables		
Balances with the SBV	2,910,795	2,251,582
Deposits with and loans to other credit institutions – gross	3,937,638	4,163,859
Loans and advances to customers – gross	27,341,393	24,685,503
Accrued interest and fees receivable	1,512,566	1,542,115
Other financial assets – gross	167,940	107,377
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	35,870,332	32,750,436
Available-for-sale financial assets		
Available-for-sale debt securities – gross	500,138	1,152,286
Held-to-maturity investments		
Held-to-maturity securities – gross	283,876	636,789
Off-balance sheet commitments – gross		
Letters of credit commitments	6,727	17,958
Other guarantees	142,048	69,185
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	148,775	87,143
	<hr/>	<hr/>
	36,803,121	34,626,654
	<hr/>	<hr/>

An analysis of financial assets which are neither past due nor impaired against collaterals at the reporting date was as follows:

As at 30 June 2018	Secured VND million	Unsecured VND million	Total VND million
Loans and receivables			
Balances with the SBV	-	2,910,795	2,910,795
Deposits with other credit institutions – gross (i)	-	3,937,638	3,937,638
Loans and advances to customers – gross (ii)	26,411,949	531,799	26,943,748
Accrued interest and fees receivable	-	1,512,566	1,512,566
Other financial assets – gross	-	167,940	167,940
	26,411,949	9,060,738	35,472,687
Available-for-sale financial assets			
Available-for-sale debt securities – gross (iii)	-	500,138	500,138
Held-to-maturity investments			
Held-to-maturity securities – gross (iii)	-	61,118	61,118
Off-balance sheet commitments – gross			
Letters of credit commitments	6,727	-	6,727
Other guarantees	-	142,048	142,048
	6,727	142,048	148,775
	26,418,676	9,764,042	36,182,718

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	-	107,377	107,377
	24,112,753	8,318,565	32,431,318
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	9,806,462	33,937,173

An analysis of financial assets which are not past due but impaired against collaterals at the reporting date was as follows:

As at 30 June 2018

	Secured VND million	Unsecured VND million	Total VND million
Loans and receivables			
Other financial assets – gross	-	2,063	2,063
Held-to-maturity investments			
Held-to-maturity securities – gross	-	222,758	222,758
	-	224,821	224,821

As at 31 December 2017	Secured VND million	Unsecured VND million	Total VND million
Loans and receivables			
Other financial assets – gross	-	2,063	2,063
Held-to-maturity investments			
Held-to-maturity securities – gross	-	370,363	370,363
	-	372,426	372,426

(i) **Deposits with other credit institutions**

The Group'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 Group.

(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 Group. 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 Group.

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

As at 30 June 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	28,528	25,495	6,260	41,268	101,551

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
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Loans and receivables

Loans and advances to customers – gross	22,188	5,816	4,346	39,847	72,197
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An aging analysis of impaired financial assets was as follows:

As at 30 June 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
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Loans and receivables

Loans and advances to customers – gross	126,160	35,037	27,555	107,342	296,094
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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
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Loans and receivables

Loans and advances to customers – gross	89,820	27,299	18,790	111,012	246,921
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Refer to Note 35(a) for the types and carrying values of collaterals received from customers.

(c) Liquidity risk

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

Management of liquidity risk

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

In which, Treasury Department is responsible for the Group'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 Group; 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 Group in order to ensure liquidity capacity of the Group.

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 Group.

The liquidity ratios according to the regulations of the SBV

The Group 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 Group by groups based on the remaining period from the reporting date 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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As at 30 June 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	-	-	466,313	-	-	-	-	466,313
Balances with the SBV	-	-	2,910,795	-	-	-	-	2,910,795
Deposits with and loans to other credit institutions – gross	-	-	1,891,198	2,046,440	-	-	-	3,937,638
Derivatives and other financial assets	-	-	152	-	-	-	-	152
Loans and advances to customers – gross (*)	242,957	154,688	3,234,320	2,389,417	9,669,149	5,231,099	6,419,763	27,341,393
Investment securities – gross	-	-	-	-	82,139	701,875	231,513	1,015,527
Long-term investments	-	-	-	-	-	-	14,521	14,521
Fixed assets	-	-	-	-	-	855,473	620,021	1,475,494
Investment property	-	-	-	-	-	-	140,995	140,995
Other assets – gross	-	-	1,512,566	49,009	345,673	437,023	-	2,344,271
	242,957	154,688	10,015,344	4,484,866	10,096,961	7,225,470	7,426,813	39,647,099
Liabilities								
Deposits and borrowings from other credit institutions	-	-	2,651,370	4,126,716	47,874	110,755	8,668	6,945,383
Deposits from customers	-	-	7,913,875	7,110,768	11,735,278	1,176,391	660	27,936,972
Other liabilities	-	-	731,307	-	-	-	-	731,307
	-	-	11,296,552	11,237,484	11,783,152	1,287,146	9,328	35,613,662
Net liquidity gap	242,957	154,688	(1,281,208)	(6,752,618)	(1,686,191)	5,938,324	7,417,485	4,033,437

As at 31 December 2017	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	-	-	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	522,196	2,311,271
Long-term investments	-	-	-	-	-	-	14,521	14,521
Fixed assets	-	-	-	-	-	858,841	542,285	1,401,126
Investment property	-	-	-	-	-	-	143,009	143,009
Other assets – gross	-	-	1,590,064	30,353	175,383	495,384	10,105	2,301,289
	207,110	112,008	10,122,332	3,935,765	9,005,385	7,585,461	6,737,290	37,705,351
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	-	-	7,441,427	5,510,347	12,450,198	721,502	718	26,124,192
Other liabilities	-	-	622,978	-	-	-	-	622,978
	-	-	11,065,872	8,965,316	12,885,547	846,766	11,707	33,775,208
Net liquidity gap	207,110	112,008	(943,540)	(5,029,551)	(3,880,162)	6,738,695	6,725,583	3,930,143

(*) 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 Group'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 Group estimates, evaluates and forecasts the impact of market fluctuations on its results of operation in short term and long 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 Group 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 Group's assets and liabilities categorised by the earlier of contractual repricing period or period from the reporting date 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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	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	-	466,313	-	-	-	-	-	-	466,313
Balances with the SBV	-	581,049	2,329,746	-	-	-	-	-	2,910,795
Deposits with and loans to other credit institutions – gross	-	-	1,891,198	2,046,440	-	-	-	-	3,937,638
Derivatives and other financial assets	-	152	-	-	-	-	-	-	152
Loans and advances to customers – gross	397,645	-	3,214,310	2,304,683	2,737,192	18,687,563	-	-	27,341,393
Investment securities – gross	-	454,271	-	-	-	33,050	528,206	-	1,015,527
Long-term investments	-	14,521	-	-	-	-	-	-	14,521
Fixed assets	-	1,475,494	-	-	-	-	-	-	1,475,494
Investment property	-	140,995	-	-	-	-	-	-	140,995
Other assets – gross	-	2,344,271	-	-	-	-	-	-	2,344,271
	397,645	5,477,066	7,435,254	4,351,123	2,737,192	18,720,613	528,206	-	39,647,099
Liabilities									
Deposits and borrowings from other credit institutions	-	-	2,651,370	4,126,716	2,333	45,541	110,755	8,668	6,945,383
Deposits from customers	-	-	7,913,875	7,110,768	6,101,012	5,634,266	1,176,391	660	27,936,972
Other liabilities	-	731,307	-	-	-	-	-	-	731,307
	-	731,307	10,565,245	11,237,484	6,103,345	5,679,807	1,287,146	9,328	35,613,662
Total sensitivity interest gap on-balance sheet	397,645	4,745,759	(3,129,991)	(6,886,361)	(3,366,153)	13,040,806	(758,940)	(9,328)	4,033,437

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	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	-	892,559	-	-	-	-	1,418,712	-	2,311,271
Long-term investments	-	14,521	-	-	-	-	-	-	14,521
Fixed assets	-	1,401,126	-	-	-	-	-	-	1,401,126
Investment property	-	143,009	-	-	-	-	-	-	143,009
Other assets – gross	-	2,301,289	-	-	-	-	-	-	2,301,289
	319,118	5,717,896	7,566,876	3,754,348	3,105,349	15,823,052	1,418,712	-	37,705,351
Liabilities									
Deposits and borrowings from other credit institutions	-	-	3,001,467	3,454,969	8,765	562,837	-	-	7,028,038
Deposits from customers	-	-	7,441,427	5,510,347	6,514,671	5,935,527	722,220	-	26,124,192
Other liabilities	-	622,978	-	-	-	-	-	-	622,978
	-	622,978	10,442,894	8,965,316	6,523,436	6,498,364	722,220	-	33,775,208
Total sensitivity interest gap on-balance sheet	319,118	5,094,918	(2,876,018)	(5,210,968)	(3,418,087)	9,324,688	696,492	-	3,930,143

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

As at 30 June 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	(*)	2.18%	2.63%	(*)	(*)	(*)	(*)
▪ Foreign currencies	(*)	1.63%	2.33%	(*)	(*)	(*)	(*)
Loans and advances to customers							
▪ VND	13.31%	11.41%	9.97%	10.54%	9.55%	(*)	(*)
▪ Foreign currencies	(*)	2.55%	(*)	(*)	(*)	(*)	(*)
Investment securities							
▪ VND	(*)	(*)	(*)	(*)	5.50%	5.67%	(*)
Liabilities							
Deposits and borrowings from other credit institutions							
▪ VND	(*)	2.36%	2.69%	5.99%	5.99%	5.98%	5.99%
▪ Foreign currencies	(*)	2.22%	2.57%	(*)	(*)	(*)	0.75%
Deposits from customers							
▪ VND	(*)	5.33%	6.46%	7.03%	7.49%	7.50%	7.19%
▪ Foreign currencies	(*)	0.00%	0.00%	0.00%	0.00%	0.00%	(*)

(*) 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	(*)	5.20%	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 Group.

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

The Group 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 Group at the reporting date:

	30/06/2018	31/12/2017
	VND	VND
USD/VND	22,960	22,425
EUR/VND	26,818	26,527
AUD/VND	16,981	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	423,679	38,222	3,199	1,213	466,313
Balances with the SBV	2,892,836	17,959	-	-	2,910,795
Deposits with and loans to other credit institutions – gross	2,606,523	1,321,658	1,842	7,615	3,937,638
Derivatives and other financial assets	(45,768)	45,920	-	-	152
Loans and advances to customers – gross	27,300,760	40,633	-	-	27,341,393
Investment securities – gross	1,015,527	-	-	-	1,015,527
Long-term investments	14,521	-	-	-	14,521
Fixed assets	1,475,494	-	-	-	1,475,494
Investment property	140,995	-	-	-	140,995
Other assets – gross	2,341,975	2,296	-	-	2,344,271
	38,166,542	1,466,688	5,041	8,828	39,647,099
Liabilities and equity					
Deposits and borrowings from other credit institutions	5,913,414	1,031,969	-	-	6,945,383
Deposits from customers	27,762,385	173,787	754	46	27,936,972
Other liabilities	730,898	80	67	262	731,307
Owners' equity	3,638,789	-	-	-	3,638,789
	38,045,486	1,205,836	821	308	39,252,451
FX position on-balance sheet	121,056	260,852	4,220	8,520	394,648
FX position off-balance sheet	-	(2,671)	2,682	-	11
FX position on and off-balance sheet	121,056	258,181	6,902	8,520	394,659

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	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	2,311,271	-	-	-	2,311,271
Long-term investments	14,521	-	-	-	14,521
Fixed assets	1,401,126	-	-	-	1,401,126
Investment property	143,009	-	-	-	143,009
Other assets – gross	2,301,289	-	-	-	2,301,289
	36,112,703	1,578,920	5,003	8,725	37,705,351
Liabilities and equity					
Deposits and borrowings from other credit institutions	5,703,923	1,324,115	-	-	7,028,038
Deposits from customers	25,874,167	248,966	968	91	26,124,192
Other liabilities	622,978	-	-	-	622,978
Owners' equity	3,551,597	-	-	-	3,551,597
	35,752,665	1,573,081	968	91	37,326,805
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 30 June 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 consolidated profit after tax for the period would increase or decrease by VND4,131 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 as at the reporting date:

	30/06/2018		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	152	(*)	-	-
<i>Categorised as held-to-maturity investments:</i>				
- Held-to-maturity securities	159,335	(*)	495,265	(*)
<i>Categorised as loans and receivables:</i>				
- Balances with the SBV	2,910,795	2,910,795	2,251,582	2,251,582
- Deposits with and loans to other credit institutions	3,937,638	(*)	4,163,859	(*)
- Loans and advances to customers	27,102,607	(*)	24,465,617	(*)
- Accrued interest and fees receivable	1,512,566	(*)	1,542,115	(*)
- Receivables	167,940	(*)	107,377	(*)
<i>Categorised as available-for-sale financial assets:</i>				
- Available-for-sale equity securities				
▪ Listed price available	200,789	200,789	505,657	505,657
▪ Listed price not available	1,466	(*)	1,466	(*)
- Available-for-sale debt securities				
▪ Listed price available	500,138	515,098	866,856	926,056
▪ Listed price not available	-	-	285,430	(*)
- Long-term investments	14,521	(*)	14,521	(*)

	30/06/2018		31/12/2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	VND million	VND million	VND million	VND million
Financial liabilities				
<i>Categorised as financial liabilities at amortised cost:</i>				
- Deposits and borrowings from other credit institutions	(6,945,383)	(*)	(7,028,038)	(*)
- Deposits from customers	(27,936,972)	(*)	(26,124,192)	(*)
- Accrued interest and fees payable	(477,887)	(*)	(480,931)	(*)
- Other liabilities	(228,378)	(*)	(118,937)	(*)

- (*) The Group has not determined fair values of these financial instruments for disclosure in these consolidated interim 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 Group had the following capital commitments related to construction activities approved but not provided for in the consolidated balance sheet:

	30/06/2018	31/12/2017
	VND million	VND million
Approved and contracted	61,208	74,273

(b) Lease commitments

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

	30/06/2018 VND million	31/12/2017 VND million
Within one year	62,090	56,542
Over one year to five years	225,345	195,632
More than five years	184,139	165,371
	<hr/> 471,574 <hr/>	<hr/> 417,545 <hr/>

43. Seasonality or cyclical factors

The Group's consolidated interim financial statements are not affected by seasonality or cyclical factors except for the following items:

(a) Foreign exchange differences

As described in Note 4(b) and Note 4(o), unrealised foreign exchange differences are recognised in "Foreign exchange differences" account in equity. The balance of the "Foreign exchange differences" account shall be transferred to the consolidated statement of income at the end of the annual accounting period.

(b) Employees' bonus

The Group did not accrue for the year-end employee bonus because this bonus cannot be reliably estimated as at 30 June 2018.

(c) Taxation

In accordance with the current tax regulations, corporate income tax is computed and finalised at the end of the annual accounting period. The interim corporate income tax was calculated by applying the tax rate of 20% to the interim taxable profit.

(d) Statutory reserves

The Group is required to make allocations to reserves to supplement charter capital and financial reserve annually, therefore the Group will make allocations to these statutory reserves at the end of the annual accounting period.

(e) **Basic earnings per share**

As described in Note 31, the amounts appropriated to bonus and welfare funds for the six-month period ended 30 June 2018 is nil since the Bank had not had official decision from the Annual General Meeting of Shareholders for the appropriation to bonus and welfare funds from profit of 2018 at the issuance date of this consolidated interim financial statements. The amounts appropriated to bonus and welfare funds will be estimated to calculate basic earnings per share in the consolidated annual financial statements.

44. Changes in accounting estimates

In preparing these consolidated interim financial statements, the Bank's Board of Directors has made several accounting estimates. Actual results may differ from these estimates.

There is no significant changes in accounting estimates adopted in the preparation of these consolidated interim financial statements in comparison with those adopted in the preparation of the most recent consolidated annual financial statements.

45. Unusual items

There is no significant unusual items incurred during the six-month period ended 30 June 2018.

46. Changes in the composition of the Group

From 1 January 2018 to the issuing date of these consolidated interim financial statements, there is no significant changes in the composition of the Group.

21 August 2018

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