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VietinBank



Forbes Global 2000  
leading companies

Brand Finance  
THE WORLD'S  
**Top 400**  
BANKING BRANDS

★ BRAND VALUE: US\$ 249 million  
★ BRAND RATING: A+



VietinBank

VIETINBANK  
NATIONAL BRAND AWARD  
FOR FOUR CONSECUTIVE YEARS

2016 ANNUAL REPORT

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## MESSAGE FROM THE CHAIRMAN



## Dear Shareholders,

2016 was a year of historical changes in the world economy and politics, with signs of slowing global economic growth following the UK's Brexit decision and results of the US presidential election ... Amidst major changes in the world economy, Asian banks in general and Vietnamese banks in particular continued to face greater competition and pressure on profitability in a protracted low-interest environment while strengthening asset quality control due to global economic slowdown. Against this backdrop, the Government of Vietnam achieved important milestones in managing the macroeconomy as significant progresses have been made in many aspects including the rightful fiscal and monetary policy directions which helped build a solid foundation for local businesses to recover and grow more quickly. In particular, the financial and banking sector accomplished important results in inflation control as well as in the implementation of flexible policies in interest and exchange rate to ensure a dynamic growth. Credit growth of the banking system was maintained at a reasonable level while promoting sector reform in order to ensure the safety and soundness of financial institutions. These accomplishments created a strong economic foundation for sustainable development and further international integration.

VietinBank proudly contributes to this success, with pioneering responsibility, the Bank not only further enhanced its leading position but also emphasized on strong development as a solid pillar to maintain the stable foundation for the local banking and financial system. We directly involved in the restructuring of the credit institutions in the country while continuing to expand in terms of scale and take further steps in regional and international integration.

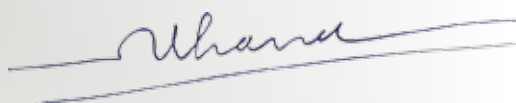
VietinBank's success in maintain momentum across all its activities was strongly reflected in 2016 financial results. The Bank's total assets as of 31 December 2016 reached VND 949 trillion, an increase of 22% compared to that of 2015, achieved 107% of objective set at the 2016 General Meeting of Shareholders; Profit before tax was reported at VND 8,569 billion; total funding up by 22% while outstanding loans rose 18% compared to the year before. NPL ratio was kept at 0.9%. Profitability ratios including ROAA and ROAE ratios were 1.0% and 11.8% respectively. We continued to strengthen our operational network with 155 domestic branches, nearly 1,000 transaction offices and savings funds. On the international market, we marked our footprint with the presence of two branches in Germany, one wholly-owned subsidiary in Laos and one representative office in Myanmar.

The strengths and contributions of our franchise were honoured by esteemed local and foreign organizations such as being named in Forbes Global 2000 for the fifth consecutive year; The Banker's list of "Top 100 ASEAN Banks"; VietinBank was the only local financial institution to be recognized in the world's Top 400 banking brands with brand value of US\$ 249 million and A+ brand rating by Brand Finance. Credit rating agencies including S&P, Moody's and Fitch continued to reaffirm VietinBank's financial health with stable outlook. The Bank's tremendous success demonstrated firm determination and unceasing efforts of more than 22,000 employees.

VietinBank is striving towards regional standard and strong international integration with the aim of becoming the leading financial and banking group in Vietnam and the region. Entering 2017, the Bank is determined to conquer new business objectives in order to create sustainable shareholder values. As part of our commitment to our shareholders and partners, we will dedicate all our efforts in 2017 and the coming years to implement our medium and long-term business plans, emphasize on growth coupled with managing asset quality; improve our technology capacity, operate towards a modern banking model; continue to work closely with the State Bank of Vietnam in sector reform and social security.

On behalf of the Board of Directors, I wish to express my appreciation to the Board of Management and more than 22,000 devoted employees for their continuous dedication and sincere efforts in implementing the Bank's strategy and achieving its goals. In addition, I would like to take the opportunity to present our sincere gratitude to our valued customers and shareholders for your trust and confidence in us over the past 28 years. Once again, I reaffirm VietinBank's constant commitment in building a sustainable and prosperous future for VietinBank!

**Alternate Member of Central Committee of the  
Communist Party of Vietnam,  
Member of the National Assembly, Chairman of the Board**



**Nguyen Van Thang**





# **VIETINBANK AT A GLANCE**



## 1

**GENERAL INFORMATION****Registered name in Vietnamese:**

NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN CÔNG THƯƠNG VIỆT NAM

**Registered name in English:**

VIETNAM JOINT STOCK COMMERCIAL BANK FOR INDUSTRY AND TRADE

**Trading name:**

VietinBank

**Banking License:**

No. 142/GP-NHNN dated 03/07/2009 by the State Bank of Vietnam

**Certificate of Business Registration:**

No.0100111948 by Hanoi Department of Planning and Investment for the first issuance on 03/07/2009, registered for the 10th amendment on 29/04/2014

**Chartered Capital:**

VND 37,234,045,560,000

**Shareholders' Equity:**

VND 60,399,430,000,000 (as at 31/12/2016)

**Head Office:**

108 Tran Hung Dao Street, Hoan Kiem District, Hanoi, Vietnam.

Tel: +84 4 39421030

Fax: +84 4 39421032

Website: [www.vietinbank.vn](http://www.vietinbank.vn)

**Securities Code:** CTG







## HISTORY OF THE BANK

### DATE OF INCORPORATION:

VietinBank was established on 26/03/1988 after its separation from the State Bank of Vietnam in accordance with Decree No.53/HDBT by the Ministers Council.

### LISTING:

VietinBank stock has been officially traded on Ho Chi Minh City Stock Exchange (HOSE) since 16/07/2009.

- Type of share: Ordinary shares
- Securities Code: CTG
- Par value per share: VND 10,000
- Total number of shares: 3,723,404,556 shares (as at 31/12/2016)

### 28 YEARS OF INCORPORATION AND DEVELOPMENT:

#### Phase I: 1988 – 2000

Established and transformed into a two-tier bank, officially put Vietnam JSC Bank for Industry and Trade into operation.

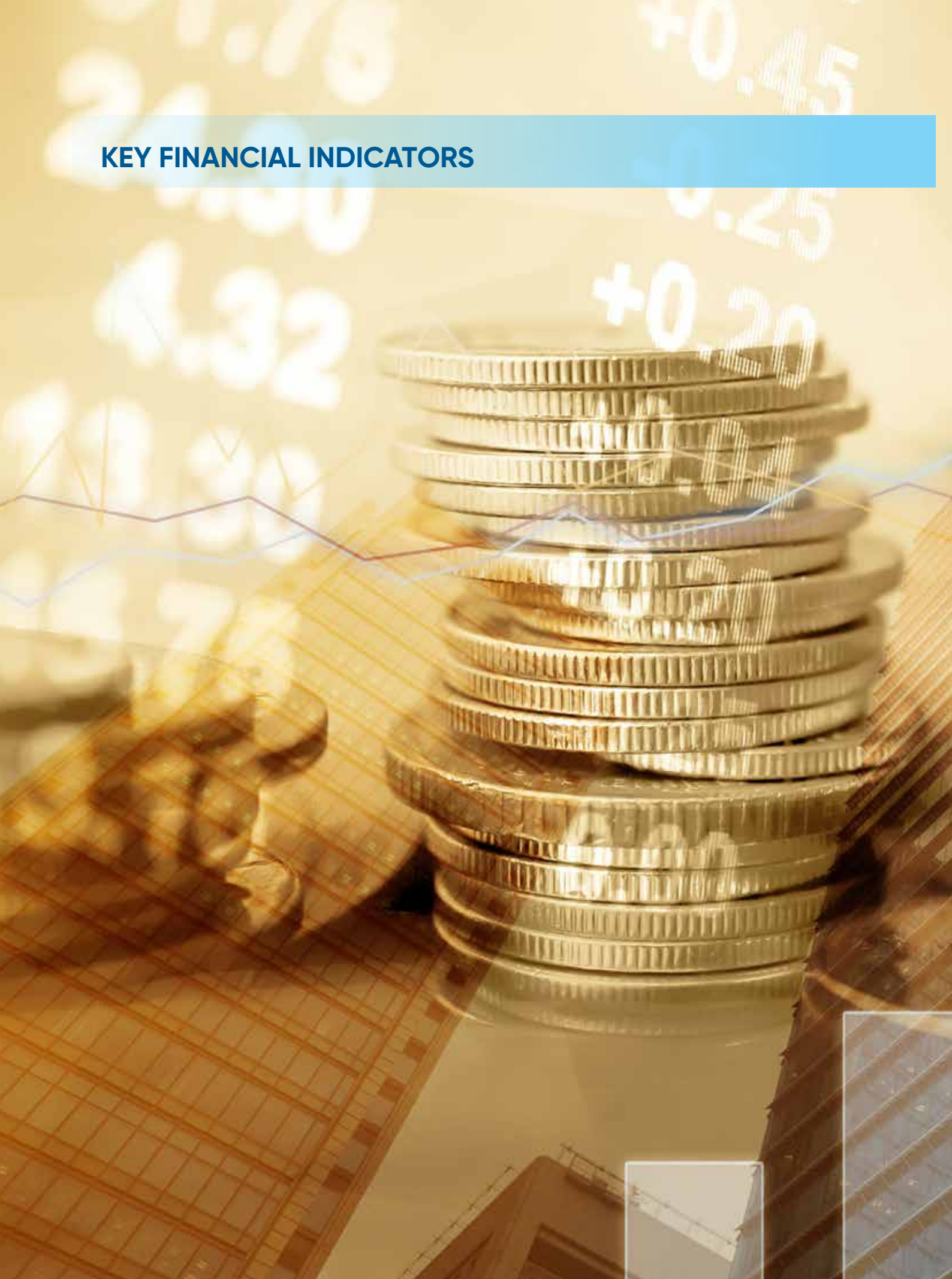
#### Phase II: 2001 – 2008

Successfully implemented the organizational restructuring project, targeting debts handling, general policies & mechanisms and business operations.

#### Phase III: 2009 to present

Successful launched IPO and conducted a complete system innovation towards modernization and standardization in all aspects of banking activities; converting organization model and corporate governance in accordance with international standards and practices.

## KEY FINANCIAL INDICATORS





Indicator	Unit	31/12/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012
Total assets	VND billion	<b>948,699</b>	779,483	661,241	576,368	503,530
Shareholders' Equity	VND billion	<b>60,399</b>	56,110	55,259	54,075	33,625
Charter capital	VND billion	<b>37,234</b>	37,234	37,234	37,234	26,218
Total Funding	VND billion	<b>870,163</b>	711,785	595,094	511,670	460,082
Gross Loans	VND billion	<b>721,798</b>	609,652	542,685	460,079	405,744
Net profit from operating activities before provisions	VND billion	<b>13,591</b>	12,024	11,226	11,874	12,526
Provisions for credit losses	VND billion	<b>(5,022)</b>	(4,679)	(3,923)	(4,123)	(4,357)
Profit before tax	VND billion	<b>8,569</b>	7,345	7,303	7,751	8,168
Corporate Income Tax	VND billion	<b>(1,712)</b>	(1,629)	(1,576)	(1,943)	(1,998)
Profit after tax	VND billion	<b>6,858</b>	5,717	5,727	5,808	6,169
ROA	%	<b>1.0%</b>	1.0%	1.2%	1.4%	1.7%
ROE	%	<b>11.8%</b>	10.3%	10.5%	13.7%	19.9%
NPL/ Gross Loans	%	<b>0.93%</b>	0.73%	0.90%	0.82%	1.35%
Capital adequacy ratio (CAR)	%	<b>10.4%</b>	10.6%	10.4%	13.2%	10.33%

## 2016 AWARDS AND ACCOLADES

### Forbes

#### 1. Forbes Global 2000

VietinBank was named in Forbes Global 2000 for the fifth consecutive year; VietinBank ranked 1,808<sup>th</sup> in 2016, an improvement of 94 spots since last year.

#### 2. Brand Finance: Banking 400 – The world's most valuable banking brands. Vietnam's 10 most valuable trademarks

### Brand Finance®

VietinBank was the only local financial institution to be recognized in the world's Top 400 banking brands with brand value of US\$ 249 million and A+ brand rating by Brand Finance. VietinBank was also recognized in Brand Finance's 10 most valuable trademarks and the strongest growing trademark in Vietnam.



### Vietnam Value

#### 3. National Brand

For the fourth consecutive year, VietinBank was honored to accept the National Brand Award. This prestigious award, initiated by the Prime Minister, was presented by National Trade Promotion Agency – Ministry of Industry and Trade, National Brand Council and Secretariat of National Brand Award.



#### 4. Vietnam's Top 10 Strongest Trademarks

VietinBank was honoured to be recognized in the list of 10 strongest trademarks in Vietnam for the 12<sup>th</sup> consecutive year. This award recognizes local firms with outstanding results in their business performance, service quality, tax contribution, in applying innovative solutions and technology to protect environment as well as in ensuring the rights of employees. This award also honours VietinBank for active participation in social activities.



#### 5. Khue Star Award

We are proud of our tailored digital banking solutions that provide our customers with a simple, fast and secure access to key banking services on their digital devices. Our three innovative digital products including VietinBank iPay Mobile App, VietinBank eFAST Mobile App and Early Warning System (EWS) for credit risks proudly received 2016 Khue Star Award for outstanding digital solutions.





## 6. 'For the Employees' Award

VietinBank was awarded with "For the Employees" Award as well as the Prime Minister's Certificate of Merit recognizing our support to employees.



## 7. 2016 ASOCIO ICT Award

VietinBank was the only local company to receive the award of outstanding digital applications, presented by ASOCIO - the biggest and the most important annual IT event of Asia.



## 8. Prestigious awards from international card organizations

VietinBank was exceptionally proud to accept five awards from JCB for Highest Payment Volume; Largest number of issued cards, Leading bank in new product development, Strategic Partner Bank and Highest Card Usage Volume. Three awards were also presented to the Bank by Visa for Highest Average Payment Volume on Visa Signature Cards, Highest Card Usage Growth and Highest Oversea Payment Volume.



## 9. 10 Best South East Asian Firms

An award presented by the Vietnam-Laos-Cambodia Association for Economic Cooperation Development (VILACAED), honoring VietinBank's achievements in outstanding business results, leading position in local market and in deepening regional integration.



## 10. Enterprise for social welfare and community development Award

This is the fourth time VietinBank was recognized as the active bank in social welfare by Ministry of Planning and Investment and.



# 2

## SCOPE OF BUSINESS AND BRANCH NETWORK



### SCOPE OF BUSINESS:

VietinBank' services include Fund Mobilization in the form of Term Deposits for Retail and Corporate clients, Foreign Exchange, Guarantees, International Settlements, Letters of Credit, Capital Markets, Money Markets, Bonds, Equity Investments, Correspondent Banking, Internet Banking and other innovative financial and investment services and solutions licensed by the State Bank of Vietnam.

### BRANCH NETWORK:

Our branch network is comprised of: Head Office located at 108 Tran Hung Dao Street, Hoan Kiem District, Hanoi; 155 local branches in 63 cities and provinces across the country; 02 foreign branches in Germany and 01 Subsidiary in Laos PDR; 02 Representative Offices in Ho Chi Minh City and Da Nang; 01 Representative Office in Myanmar. In addition to the extensive network, VietinBank has established correspondent relationship with over 1,000 financial institutions of more than 90 countries and territories worldwide.

## VISION, MISSION, CORE VALUES, BUSINESS PHILOSOPHY

### VISION

To be the largest bank of total assets value and the leading in operational effectiveness in banking system in Vietnam in 2017. Striving toward the goal of becoming a regional banking and financial group of international standard

### MISSION

To be a financial leader in Vietnam that offers a full spectrum of international standard banking services and financial solutions to individuals and corporate clients.

### CORE VALUES

- **Customer Orientation:** "Serving our customers is at the heart of our business and we are committed to constantly explore better ways to deliver advanced services and a differentiated experience to meet each and every financial need of our clients".
- **Towards Excellence:** "With internal strength and resources, VietinBank management and staff are committed to reform towards perfection".
- **Dynamic, creative, professional & modern:** "We understand that our continued success as a financial services organization is dependent on the innovative, dedicated services we provide. We always put our relationships with the clients and partners first in everything we do".
- **Integrity, Honesty & Transparency:** "We have solid foundation of openness and accountability. We ensure each and every transaction is transparent and available for public viewing".
- **Respect:** "Fair dealing is basis of our business, we treat every individual with respect and dignity".
- **Brand protection and development:** "VietinBank staff and management are proud to be responsible for the reputation of our brand name and always carry it with honour and dignity".
- **Sustainable development and social responsibility:** "Our motivation is driven by constant reform and creativity with clear objectives of strong growth, prudent business & sustainable development. It is an honour to give VietinBank staff the opportunities to participate in various volunteer programmes and to allow them to reach out further to the community and take responsibility for the society and fellow citizens".

### BUSINESS PHILOSOPHY

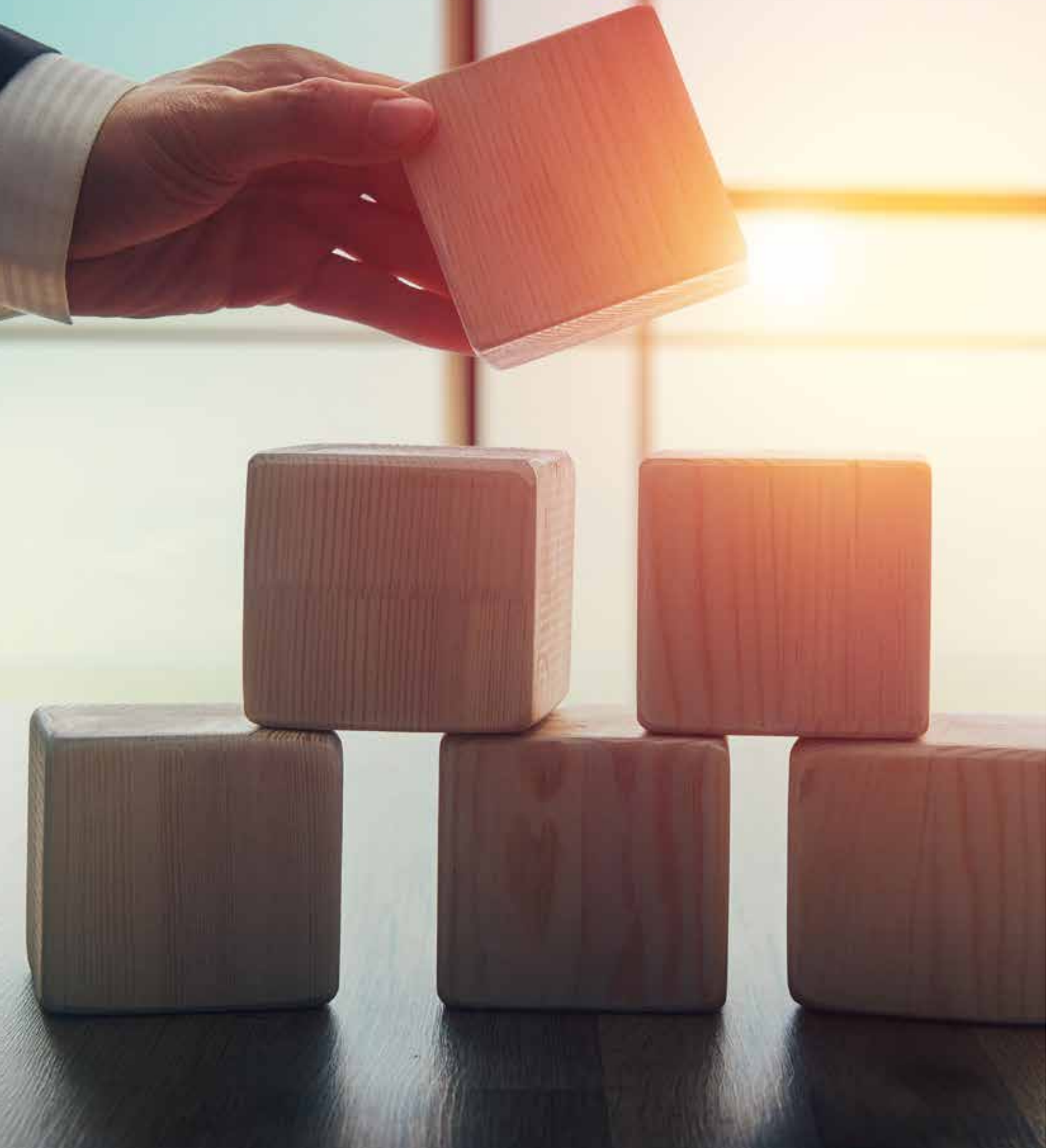
Safe, effective and sustainable.

Loyal, dedicated, passionate & committed, wise and principled.

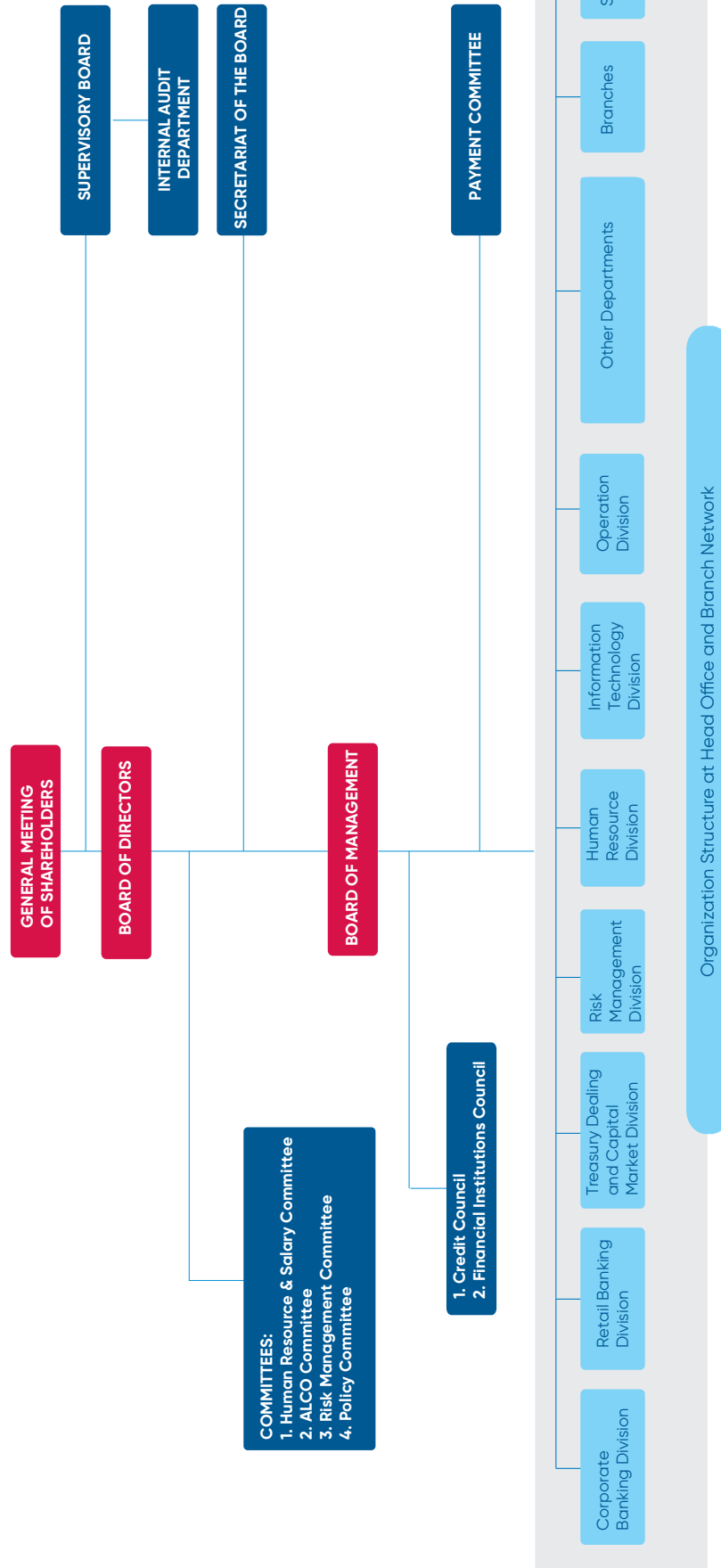
The prosperity of VietinBank customers is our ultimate success.

# 3

## GOVERNANCE MODEL & STRUCTURE



# GOVERNANCE MODEL & STRUCTURE



## SUBSIDIARIES AND ASSOCIATED COMPANIES

No.	Company Name	Address	Scope of operation	Percentage of ownership by VietinBank
1	VietinBank Leasing Company Ltd.	16 Phan Dinh Phung Street, Ba Dinh District, Ha Noi	Leasing	100%
2	VietinBank Securities Joint Stock Company	306 Ba Trieu Street, Hai Ba Trung District, Ha Noi	Capital Market	76%
3	VietinBank Debt Management and Asset Exploitation Company Ltd.	76 Nguyen Van Cu Street, District 1, HCMC.	Asset Management	100%
4	VietinBank Insurance Company Ltd.	126 Doi Can Street, Ba Dinh District, Hanoi	Non-life Insurance	100%
5	VietinBank Gold and Jewelry Trading Company Ltd.	114 Mai Hac De Street, Hai Ba Trung District, Hanoi	Gold and Gemstones Manufacturing and Trading	100%
6	VietinBank Fund Management Company Ltd.	34 Cua Nam Street, Hoan Kiem District, Hanoi	Fund Management	100%
7	VietinBank Global Money Transfer Company Ltd.	126 Doi Can Street, Ba Dinh District, Ha Noi	Monetary Intermediation	100%
8	VietinBank Lao Limited	No 029 Khounboulom, Vatchan, Chanthabouly District, Viengchan, Laos	Banking & Finance	100%
9	Indovina Bank	97A Nguyen Van Troi Street, Phu Nhuan District, TPHCM	Banking & Finance	50%
10	VietinBank Aviva Life Insurance Company Ltd.	521 Kim Ma Street, Ba Dinh District, Ha Noi	Life Insurance	50%



# 4 DEVELOPMENT PLAN

## 2017 Targets

Entering 2017, with best efforts, VietinBank will continue to closely follow set – out targets, focus resources to promote sustainable business growth in order to maintain our leading position in the market on the basis of ensuring efficiency and asset quality control. We will place strong emphasis on the development of modern products and services, particularly payment banking services to enhance the transition of income restructuring and improve our competitiveness. We will constantly standardize all aspects of VietinBank's operation including the improvement of risk management capacity, infrastructure development and the modernization of information technology according to international standards and practices, building a solid foundation towards the goal of being a regional bank.

## Medium and Long – term Development Strategy

Our strategic goal for the middle and long term remains to become one of the leading banks in the region through improving competitiveness and governance, developing strongly and comprehensively in all aspects of our business, expanding both regional and international networks and becoming an important business matching bridge to promote economic relations between Vietnam and other countries around the world, enhancing VietinBank's brand domestically and internationally. We understand that modification of business models and sales method are breakthrough factors to ensure sustainable growth and improve the competitiveness of VietinBank amidst the increasingly strong wave of integration in the near future. We will continue to grow our business while staying focus on catching up with the latest banking and financial trends of developed economies around the world as well as the most updated technology movement to promote digital banking and the development of advanced products and services with high technological content to meet the rising demands of our customers.

## Objectives for corporate environment, society and community sustainability

As a large commercial bank in the country, apart from focusing on performance improvement and profit enhancement from banking business, VietinBank always develops towards community interests. Going forward, VietinBank will continue to share with the community, the Party and the Government in social welfare, targeted mainly on social security work and implementing various green projects and environmental protection projects with local enterprises while promoting investment for education, healthcare, and infrastructure which strongly reflect the true expression of our philosophy "Improving the value of life".

# 5

## RISK FACTORS

### a. Credit risk

Despite fundamental challenges, Vietnamese economy in 2017 is expected to grow strongly with rising credit demand in new investments, business expansion and real estates. In the context of resurgence risk of protectionism and the possibility of TPP failure, the country's exports and FDI inflows may have to face certain obstacles, the financial health and competitiveness of local enterprises remains limited, especially for small and medium-sized businesses. Given these challenges, VietinBank will continue to focus on credit risk management in order to ensure an appropriate loan book structure. Screening and monitoring process will also be advanced to ensure growth targets are met on the basis of effective risks control.

In addition, the tightening risk management requirements set by the State Bank of Vietnam (SBV) in Circular 36/2014/TT-NHNN and Circular 06/2016/TT-NHNN on safety limits and prudential ratios in the operation of banks, Circular 02/2013/TT-NHNN and Circular 09/2014/TT-NHNN on loan classification and provision had certain impacts on the overall business results of local banks if effective management measures were not comprehensive employed. Moreover, the issuance of Circular 41/2016/TT-NHNN by the SBV regulating the capital adequacy ratio according to Basel II (standardized method) required VietinBank to conduct thorough research and actively structure our loan book in line with new requirements, ensuring business performance optimization on the basis of cost reduction and effective use of capital.

### b. Market risk

The 2017 world economic outlook is expected to be more volatile due to changes in political and economic policies in leading economies such as the US, China, France, Germany, especially when the UK to start Brexit process before end of March 2017. While the European economies continue to address the consequences of Greece's public debt crisis and the significant influxes of migrants and refugees as well as China is experiencing fluctuations in their financial and monetary system, the US seems to be leading of the world economic growth in 2017 with new economic protection policies, further investment in infrastructure, tax reductions ... set by US President Donald Trump. The possibility of strengthened US dollar coupled with the US economic growth and the expected rise of interest rates by the FED in 2017 will put certain pressures on USD/VND exchange rate.

Recovery in energy market is also expected in 2017, especially after the OPEC countries reached a deal to cut oil production earlier this year. However, uncertainties remain as a surge in US dollars might cause a negative impact on oil prices. Gas price, another important input of the world economy, has a major impact on inflation. Therefore, the energy market evolution will undoubtedly affect the funding and lending rates across the globe.

In addition, under the provisions of Circular 06/2016 (the amended version of Circular 36/2014), the ratio of short term capital to long-term loans decreased compared to that of 2016, and this ratio requirement will continue to decline in 2018 as directed by the SBV. As a result, pressure on liquidity and lending activities of the bank is expected to rise which demands us to focus on improving our asset and capital structure towards promoting short-term loans and discouraging long-term loans.

### c. Operational risk

- **Cyber Attacks:** International experts predict potential risks related to information security will continue to rise in 2017, especially in electronic payment and card payment. In the past few years, the cyber world witnessed a number of risk events concerning information security such as the cyber-attack of Vietnam Airlines website, SWIFT network hack in Bangladesh and ATM jackpotting malware in Thailand and Taiwan. Understanding hackers and malwares are becoming increasingly sophisticated in the future, VietinBank will continue to implement various synchronous measures to enhance its IT and ATM system security.

- **Money Laundering:** Money-laundering activities are often conducted through banking services including money transfer, savings deposit and secured financing. At the governmental level, Vietnam, as a country, is also emphasizing on strengthening Anti-Money Laundering and Anti-Terrorist Financing (AML/ATF) policies to minimize and mitigate potential losses in finance in the future.





# **2016 PERFORMANCE REVIEW**



### 1.1. 2016 Performance Review

**In 2016, our operational scale and performance continued to improved, target set at the 2016 General Meeting of Shareholders were successfully met, benefits of the shareholders were ensured. In addition, VietinBank maintained its spot in the list of highest tax-paying companies in the country.**

- **Total assets:** VietinBank achieved the asset growth rate of 22% against 2015, reached VND 949 trillion, met 107% of target set at the 2016 General Meeting of Shareholders. We were proud to have maintained our leading position in the local banking system.
- **Fund Mobilization:** Thanks to numerous fund mobilization and structuring solutions, VietinBank continued to maintain stable capital growth in the past several years. In 2016, we focused on the mobilization and utilization of the abundant fund resources at reasonable costs in both Vietnam dong and foreign currencies. Total funding as at 31/12/2016 was VND 870 trillion, an increase of 22% compared to that of 2015, reached 107% of target set at the 2016 General Meeting of Shareholders. Notably, funding from customer deposits registered a growth rate of 33%, the highest growth rate among all local joint banks.
- **Lending activities:** Along with Vietnam's future prosperity, VietinBank plays an important part in the country's economic development via adequate and timely fund provision, which helps boosting production process for companies, encourage consumption, and support sustainable economic growth. Our total credit exposure as at 31/12/2016 reached VND 722 trillion, equivalent to 102% of target set at 2016 General Meeting of Shareholders, increased by 18% compared to that of 2015.
- **Investment:** In addition to the traditional lending and funding activities, we also emphasize on the diversification of products and services as well as investment product development as a market leader. By the end of 2016, our total investment was VND 237 trillion, up 21% compared to that of 2015.
- **FOREX Trading:** Our FOREX trading activities registered good growth rate in 2016 with the second largest market share. Positive results were successfully achieved: Turnover from FOREX trading volume on primary market was up by 8.2% and profit increased 20% compared to that of 2015, delivered FOREX profit up by 20% compared to the previous year. VietinBank continued to actively contribute to the stabilization of the forex market in 2016 in accordance with the directions of the SBV.
- **Business results of subsidiaries:** Subsidiaries and foreign branches achieved strong growth rate compared to the year before with pre-tax profit of 443 billion, up 13% compared to that of 2015.

## 1.2 2016 PERFORMANCE VS. OBJECTIVES:

Unit: VND bil

Indicators	31/12/2015	31/12/2016	Compared to 31/12/2015		2016 GMS Target	Percentage achieved vs. objectives 2016
			+/- billion	+/- %		
Total assets	779,483	948,699	169,216	22%	889,550	107%
Total funding	711,785	870,163	158,378	22%	811,445	107%
Gross loans (*)	609,652	721,798	112,146	18%	707,461	102%
NPLs/ Gross loans	0.7%	0.9%			<3%	Achieved
Profit before tax	7,345	8,569	1,224	17%	7,900	108%
Charter capital	37,234	37,234	0	0%	49,209	76%
Shareholders' Equity	56,110	60,399	4,289	8%	64,455	94%
ROAA	1.0%	1.0%		0%	0.9% - 1.2%	Achieved
ROAE	10.3%	11.8%		1.5%	10.0% - 11.0%	Achieved
Capital adequacy ratio (CAR)	10.6%	10.4%		-0.2%	> 9%	Achieved
Dividend payout ratio	7%	7%				

\* As stipulated at Notice 1531/NHNN-CSTT dated 16/03/2016 và guidance at Notice 10049/NHNN-CSTT dated 30/12/2016

# 2

## ORGANIZATION AND HUMAN RESOURCE

### BOARD OF MANAGEMENT

No.	Full name	Title
1	<b>Mr. Le Duc Tho</b>	General Director
2	<b>Mr. Hiroyuki Nagata</b>	Deputy General Director
3	<b>Ms. Bui Nhu Y</b>	Deputy General Director
4	<b>Mr. Tran Minh Binh</b>	Deputy General Director
5	<b>Mr. Nguyen Hoang Dung</b>	Deputy General Director
6	<b>Mr. Nguyen Duc Thanh</b>	Deputy General Director
7	<b>Mr. Tran Cong Quynh Lan</b>	Deputy General Director
8	<b>Mr. Nguyen Dinh Vinh</b>	Deputy General Director
9	<b>Ms. Le Nhu Hoa</b>	Deputy General Director (appointed since 01/08/2016)
10	<b>Mr. Nguyen Van Du</b>	Deputy General Director (resigned since 31/05/2016)
11	<b>Mr. Nguyen Hai Hung</b>	Chief Accountant

# HR



### a. Major investments:

Major investments in 2016 (including financial investments and project investments), status of major projects: None

### b. Subsidiaries, associated companies:



#### VietinBank Fund Management Company Ltd.

- **Overview:** VietinBank Fund Management Company is a wholly owned subsidiary of Vietnam Joint Stock Commercial Bank for Industry and Trade, established under License No.50/UBCK-GP dated 26/10/2010 of the State Securities Commission and amended License No.39/GPDC-UBCK dated 30/12/2013. The Company's charter capital is VND 950 billion.
- **Registered Office:** 6th floor, 34 Cua Nam Street, Hoan Kiem District, Hanoi
- **Tel.:** 04 3938 8855 | **Fax:** 04 3938 8500
- **Major business activities:** Planning and management of securities investment funds, securities investment companies, portfolio management of investment trust, consultancy of securities investment and other services allowed by applicable laws.
- **Business results as of 31/12/2016:** Total assets as of 31/12/2016 were VND 1,041 billion, slightly increased compared to that of the previous year. Total entrusted assets were VND 3,189 billion, increased VND 791 billion compared to that of 2015. Revenue from investment were VND 75.16 billion. Profit before tax reached VND 60.23 billion, increased slightly from last year result of VND 59.91 billion.



#### VietinBank Insurance Company Ltd.

- **Overview:** VietinBank Insurance Company Ltd. (trading name: VietinBank Insurance and abbreviation: VBI) was formerly known as a joint-venture between VietinBank and Asia Insurance Singapore. On 17/12/2008, the Ministry of Finance granted Amended License to allow the change of name into VietinBank Insurance Company Ltd as VietinBank acquired the paid-up capital of former foreign partner and became the sole owner.
- **Registered Office:** 10th, 11th floor, 126 Doi Can Street, Ba Dinh District, Hanoi.
- **Tel.:** 04 3942 5650 | **Fax:** 04 3942 5646
- **Major Business activities:**
  - Non-life insurance products and services including property insurance, technical insurance, liability insurance, mixture insurance, motor vehicle insurance, marine insurance, general goods insurance, personal insurance;
  - Re-insurance;
  - Financial investment





• **Business results as of 31/12/2016:** In 2016, insurance business continued to develop and expand significantly. Total premium reached VND 674 billion, increased remarkably by 56% compared to that of 2015, 2016 was the third consecutive year that the company achieved strong growth. Thanks to strong growth in revenue, the company's market share and reputation were improved. In particular, in terms of market share, the company achieved 0.5% in 2013; 0.8% in 2014, 2% in 2015; this figure increased significantly by 2.5% in 2016. Profit before tax was VND 75.1 billion, up by VND 6.6 billion, equivalent to an increase of 9.6% compared to 2015 result.



## VietinBank Leasing Company Ltd.

• **Overview:** VietinBank Leasing Company Ltd. is an independent accounting subsidiary of Vietnam Joint Stock Commercial Bank for Industry and Trade, established under Decision no. 53/1998/QĐ-NHNN5 dated on 26/01/1998 of the Governor of the State Bank of Vietnam. Certificate of business registration was granted for the first time by Hanoi Authority for Planning and Investment on 31/08/2009, and was registered to change the 9th time on 26/10/2015. Since 08/2009, the Company was approved by VietinBank and the SBV to change into VietinBank Leasing Company Ltd. The company's current charter capital is VND 1 trillion.

• **Registered Office:** 16 Phan Dinh Phung Street, Ba Dinh District, Hanoi

• **Tel.:** 04 3823 3045 | **Fax:** 04 373 3579

• **Major Business activities:** Financial leasing for businesses, individuals, families, and other organizations that are lending subjects of credit institutions; Purchase and lease in form of financial leasing; Sell receivables from financial leasing contracts for organizations and individuals; Syndicated financial leasing as prescribed by the State Bank of Vietnam; Asset management services related to financial leasing; Raising capital of organizations; Activities of insurance agents; Other activities as prescribed by law.

• **Business results as of 31/12/2016:** As at 31/12/2016, profit before tax stood at VND 107.6 billion, slightly increased compared to VND 105.6 billion of 2015. Total assets increased by 15.2% compared to the year before. Gross leasing (before provision) was reported at VND 1,929.8 billion, up 14.4%. Asset quality of the company was remarkably enhanced as NLPs ratio was significantly reduced and kept under 2%. Debt recovery witnessed positive results as the company recovered VND 84.19 billion in terms of special-mentioned debt, bad debt and off-balance sheet debt.



## VietinBank Securities Joint Stock Company Ltd.

• **Overview:** VietinBank Securities Joint Stock Company was established in 09/2000 as one of the oldest and most reputable securities firms in Vietnam. The company operated under Business License No.107/UBCK-GP dated 01/07/2009 issued by the State Securities Commission and the amended license No.37/GPDC-UBCK dated 21/08/2009 and No.50/GPDC-UBCK dated 30/10/2015. The charter capital as of 31/12/2016 was VND 904,237,570,000, of which VietinBank holds 75.61% of the company's charter capital.

• **Registered Office:** 306 Ba Trieu Street, Hai Ba Trung District, Hanoi

• **Tel.:** 04 6278 0012 | **Fax:** 04 3974 1760

• **Major Business activities:** Securities business including: brokerage, proprietary trading, underwriting, investment advisory, financial advisory and securities custody.

• **Business results as of 31/12/2016:** In 2016, the company's revenue was reported at VND 236,014 billion, of which, strong growth was recorded in securities investment and capital investment with an increase of 57% compared to 2015. Other revenue (generated from margin activities, deposit activities, custody registration agents, bond payment agents...) increased significantly by 69.8% compared to the year before. However, revenue generated from advisory services slightly reduced in comparison with last year result. Profit before tax was VND 102.142 billion, up 7.5% compared to 2015 and exceeded the targeted profit before tax set by VietinBank.



## VietinBank Gold and Jewelry Trade Company

• **Overview:** VietinBank Gold and Jewellery Trade Company Ltd. is wholly owned by VietinBank. The company was established under Decision No.1521/QĐ-HĐQT-NHCT1 dated 15/09/2010 by VietinBank Board of Directors and Business Registration issued by Hanoi Authority for Planning and Investment No.0105011873 dated 25/11/2010. The Company's current charter capital is VND 300 billion.

• **Registered Office:** 2nd floor, Hoang Thanh Tower, 114 Mai Hắc Đức Street, Lê Đại Hành Ward, Hai Ba Trung District, Hanoi.

• **Tel.:** 04 3942 1051 | **Fax:** 04 3939 3502

• **Major Business activities:**

Retail of:

- Gold, silver, precious stones and semi-precious stones, jewellery.
- Souvenirs, knitting goods, handicraft goods.
- Paintings, photos and other artworks (except antiques).
- Watches, eyewear (except optical glasses).

Wholesale of metals and metal ores:

- Wholesale of gold, silver and other precious metals.

• **Business results as of 31/12/2016:** In 2016, the company made great efforts in deploying business activities and gained satisfactory results. The company diversified its business segments as well as flexibly adjusted business strategies to seize business opportunities in line with market developments (including markets for gold bars, diamonds and gold jewellery). Gross profit from sales and other services reached VND 27.1 billion, increased 44% compared to that of 2015 while net profit from financial operations reached VND 13.9 billion, increased slightly by 4% compared to the year 2015. Profit before tax reached VND 11.3 billion, increased by 24.9% compared to that of 2015 which exceeded assigned plan.



## VietinBank Debt Management and Asset Exploitation Company Ltd.

• **Overview:** The company was incorporated under the Business Registration Certificate No.4106000331 dated 07/01/2007 by Ho Chi Minh Authority for Planning and Investment. On 20/07/2010, the Company changed its name into VietinBank Debt and Asset Management One Member Ltd. Company. Since then, the company has been operating under the Business Registration Certificate No. 0302077030 issued by Ho Chi Minh Authority for Planning and Investment with the first registration and third amendment on 11/11/2013. The Company is a full subsidiary of VietinBank with charter capital of VND 120 billion

• **Registered Office:** 76 Nguyen Van Cu Street, Nguyen Cu Trinh Ward, District 1, Ho Chi Minh City

**Tel.:** 08 3920 2020 | **Fax:** 08 3920 3982

• **Hanoi Office:** 5th floor, 126 Doi Can Street, Doi Can Ward, Ba Dinh District, Hanoi

**Tel.:** 04 3990 9090 | **Fax:** 04 3722 8443

• **Major Business activities:** Receipt and management of mortgage, pledged assets and collateral valuation, etc.

• **Business results as of 31/12/2016:** Operated as an independent business unit under VietinBank, the primary duty of the company is to support VietinBank's branches in evaluating collaterals. The company's functions contribute significantly in the Bank risk management activities. The Company's efficiency was strongly reflected in VietinBank's final-year results. At the end of 2016, the Company's total revenue was VND 24.5 billion, in which asset evaluation activities contributed mostly to its revenue, reached VND 16.8 billion, increased by 14% compared to 2015 results. Profit before tax reached VND 6.7 billion.



## VietinBank Global Money Transfer Company Ltd.

- **Overview:** VietinBank Global Money Transfer Ltd started its operation on 01/03/2012 with business registration No.0105757686. The company's charter capital as at 31/12/2016 was VND 50 billion.
- **Registered Office:** 3rd floor, VietinBank Building, 126 Doi Can Street, Ba Dinh District, Hanoi.
- **Major Business activities:** Monetary intermediation.
- **Business results as of 31st December 2016:** In 2016, VietinBank Global Money Transfer Company achieved good outcomes, accounted for 15% market share in money transfer, once again affirming VietinBank's reputation on international market. Despite tough competition from local commercial banks, money transfer revenue of the company gained remarkably 5%, especially money transfer via Western Union, which achieved impressive growth of 8%. Profit before tax was VND 11.9 billion, increased by 7.6% compared to 2015 result. Return on equities (ROE) was reported at 16.8%.



## VietinBank Lao Limited

- **Overview:** VietinBank Lao Limited is the first overseas subsidiary and fully funded by VietinBank. The Bank was established on 01/08/2015 under License no 512/ERO dated 27/07/2015. On 31/12/2016, the charter capital of VietinBank Lao Limited was USD 50 million.
- **Registered Office:** No 029 Khounboulom, Vatchan, Chanthabouly District, Viengchan, Laos.  
**Tel.:** +856 2126 3997 | **Fax:** +856 2126 1026
- **Champasak Branch:** No. 22, Phonkung, Pakse, Champasak, Laos.  
**Tel.:** +856 3126 0379 | **Fax:** +856 3126 0371
- **Major Business activities:** Banking and Finance services
- **Business results as of 31/12/2016:** After 5 years of presence in Laos, VietinBank Lao Ltd. is currently operating effectively and on its mission to affirm its reputation in the neighbouring country. On 31/12/2016, gross loans were USD 158 million, increased 12% compared to last year. Total deposit was USD 156 million, up 18%. Total assets were USD 221 million, increased by 60%. Profit before tax was USD 2.97 million, achieving 110% target set by VietinBank. Return on equity (ROE) was well-maintained at 4%.

Apart from prospective business results, VietinBank Lao Ltd. also focuses on improving human resources and corporate governance with quality and professionalism. Attempting to provide customers with modern products as well as support the development of entrepreneurs and individuals, the contribution of VietinBank Lao Ltd. is expected to promote economic exchange of commerce and investment between the two countries.



## VietinBank Aviva Life Insurance Company Ltd.

• **Overview:** VietinBank Aviva Life Insurance Company Ltd. is a joint venture between VietinBank and the No.1 Britain Insurance Group, Aviva Group. The Company was incorporated under the License No.64/GP/KDBH by the Ministry of Finance with an aim to develop life insurance in Vietnam. As at 31/12/2016, the Company's charter capital was VND 800 billion with a 50% stake owned by VietinBank.

• **Registered Office:** 10th floor, Tower B, HandiResco Building, 521 Kim Ma Street, Ba Dinh District, Hanoi.

• **Major Business activities:** Life Insurance

• **Business results as of 31/12/2016:** Revenue from ordinary premium was above VND 718 billion, increased by 70% as compared to 2015 result as the company promoted marketing and sales activities. Agency channel was expanded rapidly in order to gain higher market share and attract new customers. Currently, the company tops insurance companies in Vietnam in Bancassurance channel (including Bancassurance Individual and Bancassurance Group). The Company was also recognized in Vietnam's top 10 insurance companies with largest market shares.



## Indovina Limited Bank (IVB)

• **Overview:** Indovina Limited Bank (IVB) is the first joint venture bank in Vietnam, established on 21/11/1990 under the License No.135/GP by the State Committee for Cooperation and Investment and later replaced by License No.08/NH-GP dated 29/10/1992 by the State Bank of Vietnam. Shareholders of the Bank are VietinBank and Cathay United Bank of Taiwan (CUB). As of 31/12/2016, IVB's charter capital was USD 193 million, of which each party contributed USD 96.5 million.

• **Registered Office:** 97A Nguyen Van Troi Street, Ward 12, Phu Nhuan District, Ho Chi Minh City.

• **Major Business activities:** Banking.

• **Business results as of 31/12/2016:** Total assets were reported at VND 37,923.2 billion, up 39.5%. In which, gross loans were VND 18,717 billion, accounted for 49.4% of total assets, up 31.5% as compared to 2015 result. Standard loans accounted for 97.7% of gross loans, while NPLs ratio was kept at 1.93%, significantly lower than that of the year before. The company's total equity was VND 5,181.7 billion, slightly increased by 4.4% compared to that of 2015; the charter capital of the company was USD 193 million as of financial year ended 31/12/2016.

Interest income was VND 1,762 billion, increased 28.2% compared to that of 2015 while interest expense decreased by 24.5%. These figures strongly reflected the Bank's operational efficiency throughout the year. Profit before tax was VND 513.9 billion, rose 164% compared to one year ago.



## 4

## 2016 FINANCIAL PRESENTATION

Unit: VND bil

Indicators	2016	2015	% Change
Total Assets	948,699	779,483	22%
Total Funding	870,163	711,785	22%
Gross Loans	721,798	609,652	18%
Income (Interest income and similar income)	52,991	42,472	25%
Profit before tax	8,569	7,345	17%
Profit after tax	6,858	5,717	20%
ROAA	1.0%	1.0%	
ROAE	11.8%	10.3%	

## Major financial benchmarks

Indicators	ĐVT	2016	2015
1. Capital			
Shareholders' Equity	VND billion	60,399	56,110
Charter capital	VND billion	37,234	37,234
Capital adequacy ratio	%	10.4%	10.6%
2. Business results			
Special mentioned loans	VND billion	5,559	3,211
NPLs	VND billion	6,743	4,924
Loans to Deposits Ratio (LDR)	%	87.96%	86.6%
Special mentioned loans/ Gross loans	%	0.77%	0.47%
NPLs/ Gross loans	%	0.93%	0.73%
3. Liquidity			
Liquid reserve ratio	%	14.34%	11.9%
Ratio of short-time capital used for medium and long term loans	%	36.45%	33.84%

# 5 SHAREHOLDERS STRUCTURE, CHANGE IN SHAREHOLDER'S EQUITY

## A. Shareholders Structure

- Total number of ordinary shares issued: **3,723,404,556**
- Total number of outstanding shares: **3,723,404,556**
- Treasury shares: **0**
- List of shareholders with restricted shares transfer:

	Name of shareholder	ID/ Business License No./ Transaction code	No. of Shares	(%)	No. of shares with restricted transfer
1	<b>State Bank of Viet Nam</b> Represented by:	15/SL	2,400,204,956	64.46%	2,400,204,956
	Mr. Nguyen Van Thang, Chairman of the Board (40%):		960,081,982	25.78%	960,081,982
	Mr. Le Duc Tho, Board member & General Director (30%):		720,061,487	19.34%	720,061,487
	Mr. Cat Quang Duong, Board member (30%):		720,061,487	19.34%	720,061,487
2	<b>Internal shareholders</b>		275,478	0.007%	275,478
	Board of Directors		259,114	0.007%	259,114
	Supervisory Board		16,364	0.0004%	16,364
3	<b>VietinBank Trade Union</b>	310/ToC-CDNH	42,734,749	1.15%	26,800,000
4	<b>Strategic shareholders</b> The Bank of Tokyo-Mitsubishi UFJ, Ltd.	CA6217	734,604,384	19.73%	734,604,384

- Shares listed on international stock exchange:

<b>Issuer:</b>	VietinBank
<b>Type of shares</b>	Ordinary shares, non-convertible, unsecured
<b>Currencies</b>	US Dollar (USD)
<b>Volume of listed shares:</b>	USD 250 million
<b>Duration of listing:</b>	05 years from the date of issue
<b>Date of issue:</b>	17/5/2012
<b>Maturity date:</b>	17/5/2017
<b>Interest rate:</b>	Fixed interest rate of 8.0%per annum
<b>Interest payment term:</b>	every 6 months
<b>Interest payment date:</b>	17/05 and 17/11 each year
<b>Stock Exchange:</b>	Singapore Exchange (SGX)
<b>Regulatory Law:</b>	New York Law

## B. Shareholder structure (as at 31/12/2016)

STT	SHAREHOLDERS	NUMBER OF SHARES	OWNERSHIP PERCENTAGE (%)
1	<b>State shareholders (State Bank of Vietnam)</b>	2,400,204,956	64.46%
	In which:		
	Mr. Nguyen Van Thang, Chairman of the Board representing 40%	960,081,982	25.78%
	Le Duc Tho, Board Member and General Director representing 30%	720,061,487	19.34%
	Mr. Cat Quang Duong, Board Member representing 30%	720,061,487	19.34%
2	<b>Founding shareholders</b>	0	0%
3	<b>Major shareholders (holding 5% or more of the charter capital)</b>	935,468,783	25.12%
3.1	The Bank of Tokyo-Mitsubishi UFJ Co., Ltd.	734,604,384	19.73%
3.2	IFC Capitalization (Equity) Fund, LP	200,864,399	5.39%
4	<b>International Finance Corporation</b>	98,017,588	2.63%
5	<b>VietinBank Trade Union</b>	42,734,749	1.15%
6	<b>Treasury shares</b>	0	0%
7	<b>Shareholders owning preferred shares</b>	0	0%
8	<b>Other shareholders</b>	246,978,480	6.63%
8.1	<b>Local shareholders</b>	169,962,244	4.56%
	- Local organizations	30,531,695	0.82%
	- Local individuals	139,430,549	3.74%
8.2	<b>Foreign shareholders</b>	77,016,236	2.07%
	- Foreign organizations	72,193,234	1.94%
	- Foreign individuals	4,823,002	0.13%
	<b>TOTAL</b>	3,723,404,556	100%
Of which:	<b>- Local organizations</b>	2,473,471,400	66.43%
	<b>- Local individuals</b>	139,430,549	3.74%
	<b>- Foreign organizations</b>	1,105,679,605	29.70%
	<b>- Foreign individuals</b>	4,823,002	0.13%

**a. Changes in shareholders' equity: None**

**b. Treasury share transactions: None**

**c. Others: None**



## 6.1. Report on corporate social responsibility

### “Developing for the interest of the community” – our motto during the past years.

VietinBank has always been a pioneer in carrying out charity and social welfare activities in favor of society's benefits. We share the responsibilities with the Communist Party, the Government and state provinces that are in need of supports. We understand that engaging ourselves in social welfare activities is not only an important political duty, but truly an enjoyment for VietinBank's staff and the Executive Management. Social work in poverty reduction and eradication made great contributions in promoting the Bank's brand name known in every corner of the country.



*VietinBank Chairman Nguyen Van Thang presented donation to a charity in Ben Tre Province.*



*VietinBank General Director Le Duc Tho presented a donation of VND 3 billion to build a kindergarten in Van Linh Commune, Thanh Ba District, Phu Tho Province.*

### Social welfare activities

To date, we sponsored nearly VND 6,500 billion, which was taken from the Welfare Fund, a part of the Bank's annual operating expenses and voluntary contributions of our employees to build over 37 thousand houses for needy families. We constructed nearly 966 bridges and rural roads, 19 water supply systems and reservoirs, supported the poor small-holder farmers with 3,158 cows and buffalos and built 73 disaster prevention infrastructure and community buildings in many state provinces. As part of the implementation of “Vietnam's marine initiative by 2020” in the spirit of Resolution TW4 to maintain the sacred sovereignty of the country, we funded over VND 131 billion to build 01 cultural center on Nam Yet Island, a multifunctional cultural house on Da Lon B Island, 01 FM station, 04 freshwater pools on Truong Sa Island, 01 memorial monument for Gac Ma Island soldiers and provided other supports to soldiers, fishermen and students on the islands. We are proud to have been a part in maintaining our national security.

In education, VietinBank funded the construction of 587 schools, over 496 classrooms and boarding schools for



Launching of Hung Nhuong clinic funded by VietinBank

ethnic students. We also granted over 10,000 scholarships for under-privileged children with good academic records (VND 1 - 3 million/each student); 26,200 pairs of lifesavers were provided to children in riverside communities, as well as other domestic utilities and educational equipment.

In healthcare, VietinBank invested to build 123 healthcare centers, expanded 3 hospitals, 1 clinic and 1 medical college; donated 253 ambulance cars, 2 specialized blood donation vehicles and 36 seven-seat vehicles used exclusively to serve the medical staff rotation according to Project 1816 of the Ministry of Health. Many other medical equipment and supplies including versatile beds, clinic beds, new-born beds, medicine cabinets, bedside cabinets, high frequency ventilators, power generators, endoscopy, ultrasound, X-rays, endoscopic surgical systems and equipment, patient monitoring and other modern medical equipment were provided for central, provincial, district hospitals and commune health stations, to improve the infrastructure







*Poverty alleviated as fishermen could access VietinBank fisheries loans.*



*VietinBank donated cattle to poor households in Ninh Thuan Province.*

and health care conditions for the people. In addition, VietinBank also supported the construction of houses for families of patients at the Hospital of Pediatrics and Cho Ray Hospital in Ho Chi Minh City to provide accommodation for their under-privileged relatives.

In gratitude activity, VietinBank has taken a life care of 300 Vietnamese Heroic Mothers (currently only 71 of them are still alive). We pay regular visits and support seriously wounded veterans in nursing centers with monthly allowances; we also embellish and upgrade a number of martyrs' cemeteries, stone houses, national hero monuments and other historical vestiges etc.... We actively support the Agent Orange victims, disabled children through many volunteer campaigns, other charity programs were also initiated to support the natural disasters victims.

With such achievements in social welfare and gratitude activities, VietinBank was honoured to receive various awards from the Government, Ministry of Labor, War Invalids, & Social Welfare, Ministry of Health, Ministry of Education, Vietnam General Confederation of Labor, Ministry of Planning and Investment to recognize our contributions to the society.

(Note: data as at 25/01/2017)



*VietinBank employees introduced products and services to customers*





*New primary school sponsored by VietinBank in Thung Sai Commune, Yen Minh District, Ha Giang.*

## Social welfare activities during the year

In 2016, a total of VND 783 billion was spend for social welfare activities in poor provinces nationwide. We built 2,574 new houses for under-privileged citizens, 11 cultural centers, 21 bridges and rural roads to help villages recover the consequences after natural disasters, 04 clean water stations and 07 canals for irrigation agricultural development.

In education, VietinBank has funded the construction of 56 schools, 3,000 pairs of lifesavers for children in riverside communities and support study encouragement fund to give scholarships for under-privileged children with good academic record with many other educational equipment.

In healthcare, VietinBank has invested to build 26 clinic centers. We donated 9 ambulance cars, 2 seven-seat vehicles (according to Project 1816). Premium medical equipment was also provided for central, provincial, district hospitals and commune health clinics.

In Gratitude activity, VietinBank has funded to embellish 3 martyrs' cemeteries, 1 martyrs' monument. Besides, we has also supported "For the beloved Truong Sa" program by taking a lifetime care of 82 Vietnamese Heroic Mothers (currently only 71 of them are still alive). Many other funding programs were initiated for the poor, soldiers, fishermen including supported fishermen in Ha Tinh Province due to the contaminated ocean and people living in Central Vietnam who suffered the devastating floods.



## 6.2 Environmental Protection Compliance

**a. Number of times the Bank fined for failing to comply with laws and regulations on environment protection:** None

**b. Total amount fined for failing to comply with laws and regulations on the environment protection:** None

## 6.3 Staff and Labour Policy

**a. Number of employees, average wages of workers**

- The Board of Directors, Board of Management and Supervisory Board are entitled to salaries, bonuses and other benefits under the salary, bonus and other welfare regimes in accordance with the prevailing regulations of the Bank. Of which, remuneration of members of the Board of Directors, Board of Management and Supervisory Board are taken from the general salary budget of the Bank and paid according to roles and responsibilities of each individual associated with level of completion.

Remuneration of the Board of Directors and Supervisory Board in 2016 was 0.35% of profit after tax.

- Total number of employees as of 31/12/2016 was 22,957 (including employees of all subsidiaries, business units, representative offices and employees working on temporary basis).



**b. Labor policies ensuring health, safety and welfare of employees:**

VietinBank employees are entitled to the following remuneration mechanisms:

- + Monthly salary is paid based on role and responsibilities of each position, individual capacity and job performance (KPIs);
- + Salary and bonuses are linked with the achievement and performance of agreed upon tasks as well as employees' contribution to final business results of their respective unit. The position and performance-related salary scheme continues to be an important motivation to our employees and helps to improve labour efficiency. 2016 statistics showed an average salary of VND 22.34 million/ employee/month;
- + Each employee is entitled to full insurance benefits under Vietnamese Labour Law which ensures the employees' rights to early retirement, sick leave and maternity leave;
- + Employees are provided with equal opportunities to develop careers by being promoted to senior management positions within VietinBank and are eligible for award consideration.
- + Training is made available to all employees to improve their professional competence;
- + Employees are also eligible for welfare regimes including holiday vacations and labor union benefits in case of sickness, personal and family issues as well as health insurance coverage.
- + Social Security Retirement Benefits are provided to former employees with 2 month's salary before their retirement date. They are also entitled to annual medical regimes and are funded for retirement activities by the Bank;

**c. Staff training**

- Annual average training hours by number of employees and position.

	System-wide scope		By position					
			Branch Managing Director/Deputy Managing Director, HO Department Head/ Deputy Head		New employees		Other functional employees	
	Number of training hours	Number of employees	Number of training hours	Number of employees	Number of training hours	Number of employees	Number of training hours	Number of employees
	11,196	21,061	784	833	5,784	2,525	4,628	17,703
Average training hours	0.53		0.94		2.29		0.26	

- Our skill development and learning programs guarantee our people with employment and career advancement.

+ In 2016, approximately 1,085 classes were organized in form of on-site training to improve professional expertise and develop necessary skills for our employees, including Model Transformation training, New Core Banking System training and others as requested by Head Office Departments and branches. Priority has been paid to Model Transformation training and New Core Banking System training while ensuring the daily business results at each business unit (others training included training in sales skills, sales management and monitoring skills, leadership skills, products, operational risk & FATCA...)

+ Typical training programs included Core Banking System training for senior employees, 76 classes were organized as scheduled and met the requirements in terms of both organizational method and quality. In addition, VietinBank Training School also completed phase 3 of the Model Transformation training program for 98 branches as planned by various divisions including Corporate Division, Retail Division and Head Office departments.

- In 2016, an aggregate of 1,532 classes were organized including e-learning tutorials, class tutorials, live-meeting/video conference covering up to 11,196 hours. These above training programs targeted at continuing practical innovation and enhancing training quality, skill-focused improvement, intensive and advanced training courses in line with international practice.





- Training programs by positions:

+ Training programs offered to Branch Managing Director/Deputy Managing Director, HO Department Head/ Deputy Head aimed to enhance senior management skills. A series of management skills training programs were introduced bank-wide for pre-appointed Branch Managing Director/Deputy Managing Director, HO Department Head/ Deputy Head such as behavioral interview training, leadership mindset training, power mentoring leaders, intensive coaching training and training programs in association with the State Bank of Vietnam and Financial Institute of Switzerland, etc.

+ At VietinBank, training plans are designed for newly recruited employees at the request of each business unit to meet the requirements of new employees under VietinBank's procedures. A total of 2,525 new employees from Corporate Banking, Retail Banking and tellers was provided with orientation and in-depth training, of which, special attention was paid to in-depth Corporate Finance Analysis, Investment Project Appraisal, International Payment and Trade Finance, Debt Settlement and Collateral Management, Risk management..., adding Eastern contents to sales skills while conducting researches to complement with other training programs







# **REPORT OF THE BOARD OF MANAGEMENT**

## **1.1 2016 Macroeconomic and banking sector**

In 2016, Vietnam economy faced difficulties relating to low economic and international trade growth, negative impacts of natural disaster as well as environment incidents at the middle part of Vietnam. However, The Government showed the highest determination in supervising the macro-economy, tightly combined fiscal/monetary policies and others policies to control inflation and economic growth towards a sustainable development. Investment environment and national competitiveness were improved and highly appreciated by international investors. 2016 GDP growth rate was expected to reach 6.21% with rising momentum quarter by quarter. Export surplus was recorded and expected to reach USD 6.68 billion with steady growth, consumption price index was stably-kept at 4.74%. Nevertheless, challenges remained in State Budget, high public debts, and slow in economic sector reform.

The local financial market witnessed significant changes in 2016 thanks to flexible monitoring of the State Bank of Vietnam. Remarkable results were made in controlling inflation rate, interest rate (in which, the interest rates were reduced for key sectors) and ensuring high liquidity to meet funding demand of economy. Exchange rates and foreign exchange market were kept stable, demand and supply were met by new foreign exchange rate policy. Credit growth rate was recorded at 18.71%, credit structure made positive shifts and met set target.

In that context, following closely the Government's management as well as market development and forecasts, VietinBank Board of Management was active, prompt and creative in managing banking operation and developing mid-term business plan. The whole system adapted strongly and synchronously every business idea on the basis of close tracking of the outlook and mid-term strategy targets. VietinBank not only aimed for rapid growth but also sustainable development from the beginning of year. Besides, operation was ensured in compliance with international standards as the leading in the local banking sector in terms of scale, operational efficiency, growth rate, benefits of investors and employees.

## **1.2 Impressive growth**

Total assets as of 31/12/2016 reached VND 949 trillion, an increase of 22% compared to that 2015, reached 107% of the 2016 General Meeting of Shareholders. VietinBank continued to be one of the largest commercial bank in terms of scale.

### 1.3 Rapid loan growth and investment growth towards sustainable development

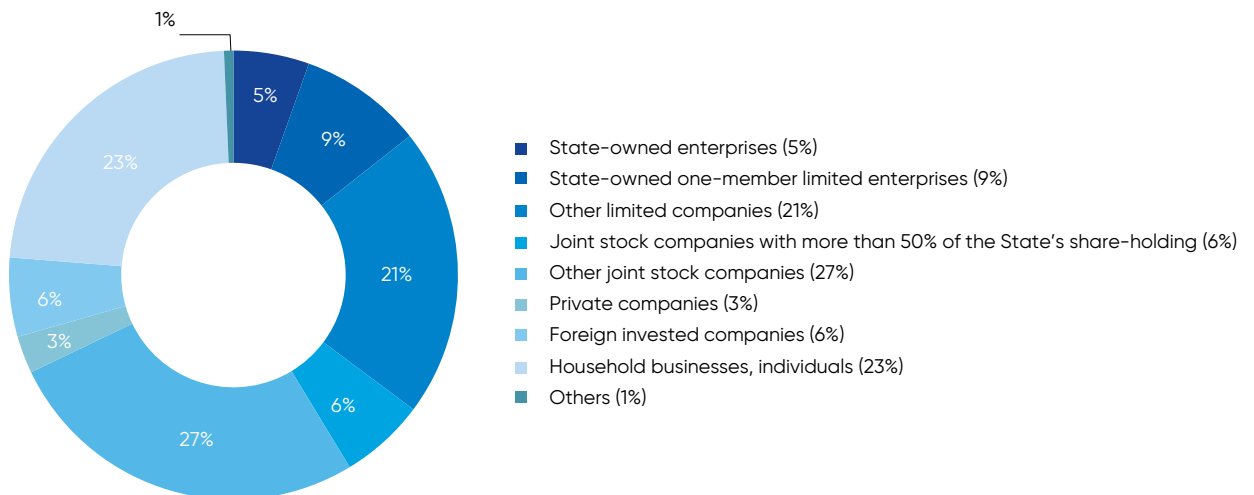
**Lending activities:** As of 31/12/2016, gross loans reached VND 722 trillion, rose 18% compared to that of the previous year, achieved 102% of target set at 2016 General Meeting of Shareholders.

+ Gross loans continued its positive and sustainable trend with significant loan growth in various business sectors prioritized by the Government.

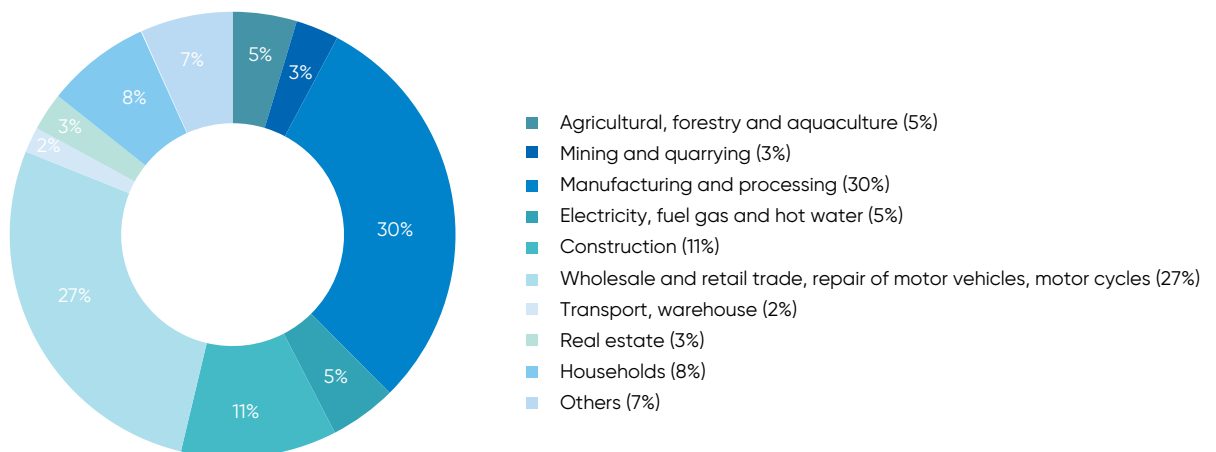
+ Loan quality was closely monitored to ensure compliance with the laws as well as requirements set by the State Bank of Vietnam with intense and consolidated measures. As of 31/12/2016, NPLs ratio was 0.9%.

#### 2016 Loan Book

##### by business type



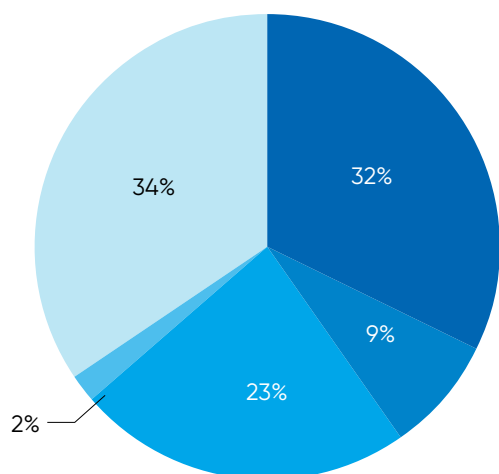
##### by industry



## Well-diversified investment portfolio towards profitability enhancement

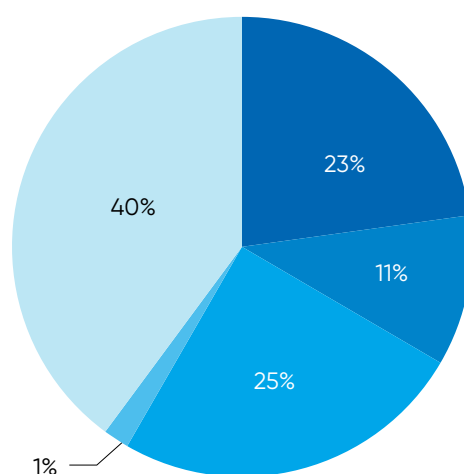
As of 31/12/2016, total investments reached VND 237 trillion, accounted for 25% of total assets. VietinBank has constantly diversified its investment portfolio on inter-bank market as well as promoted sales of interest rate derivative instruments & FOREX products; investment portfolio has been continuously adjusted in order to increase profitability, ensure liquidity reserve and enhance the Bank's role and position in the market.

### 2015 Investment Portfolio



- Debt securities issued by local business entities (32%)
- Debt securities issued by local credit institutions (9%)
- Government bonds (23%)
- Capital contribution and investment in joint venture (2%)
- Deposits from and advances to banks (34%)

### 2016 Investment Portfolio

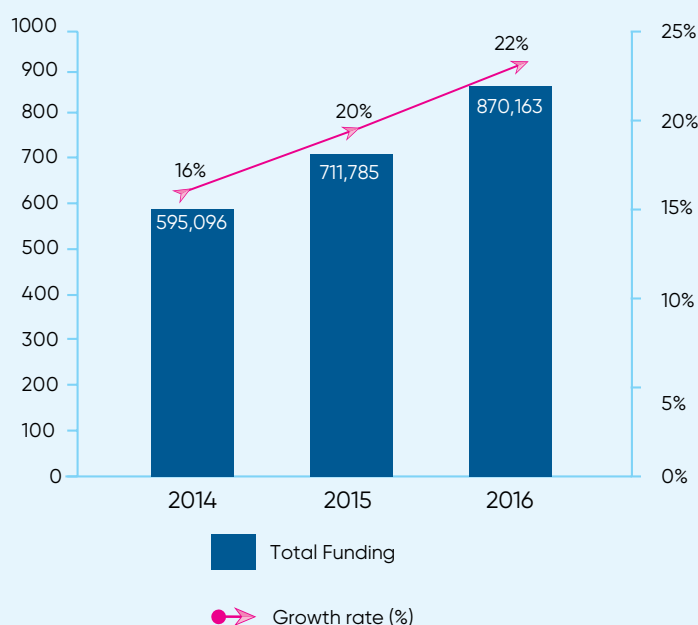


- Debt securities issued by local business entities (23%)
- Debt securities issued by local credit institutions (11%)
- Government bonds (25%)
- Capital contribution and investment in joint venture (1%)
- Deposits from and advances to banks (40%)

## Funding growth in line with demand, funding structure was well-diversified

As of 31/12/2016, total funding was VND 870 trillion, increased by 22% compared to the previous year; reached 107% of target set at 2016 General Meeting of Shareholders. Deposits from corporate clients rose by 42% while deposits from individual customers grew 26%.

VietinBank always proactively exploits the abundant fund in both VND and foreign currencies at reasonable costs, in which Vietinbank focuses on fostering the growth of current deposits and retail deposits.







#### 1.4. Scale development, service-based income improvement and performance efficiency

During the year, VietinBank introduced new product and service range to customers including non-interest products, innovative payment solutions, hence improving the Bank's income structure with 13% of total income contributed by service-based income and higher than the year before.

**- Payment services was strongly developed as the solid foundation for new business strategies:** The development of payment services was identified as a key task in Vietinbank's new business strategy and was fostered through modern and innovative solutions that closely linked to international standards. We aimed to meet the needs of the economy for payment by providing the safe, effective and convenient means of non-cash payment in accordance with the direction of the State Bank of Vietnam. We gradually consolidated our payment platform, developed diversified payment services as well as modern distribution channels and promoted cross-sale, add-on sale for many multi-utility services on high-technology platform in order to meet the increasing demands of customers.

**- Card business and internet banking continued strong growth momentum and we were proud to have maintained our dominant position in local market.** In 2016, VietinBank resonated with the launching of iPay Mobile App version 3.0. This product received many prestigious awards such as Sao Khue Award, favourite e-banking application, best e-banking solution presented by reputable organizations. Besides, VietinBank has focused on implementing key projects on payment service and modern payment system development for financial institutions and public administration units.

- **Overseas remittance continued strong growth:** Despite facing tough competition from local banks, VietinBank have proactively offered solutions to attract overseas remittance. In 2016, we were able to sign important agreements with major partners in the UK, Australia and Japan such as Earthport, Instarem, SBI ...; we expanded our network with an addition of 120 outlets. As a result, overall remittances volume grew by 5%, accounted for 15% market share of remittance through official channel, of which key services associated with Western Union, CIMB reached impressive growth of 9%.

- **Cash & vaults** services progressed with positive changes. We invested modern equipment including automated cash sorters, automatic money binding machines to significantly improve productivity.

- **Sustaining momentum in FOREX trading growth with second largest market share.** We followed closely to macroeconomic happenings and currency flows of partners, customers as well as the State Bank of Vietnam's policies to provide appropriate strategies for proprietary trading and to act ahead of the market. Our daily FOREX trading volume on interbank market accounted for 12-14%.

- **Trade finance and international payment fees:** In the circumstance of fiercer market competition, related Head Office departments and branches made great efforts to improve fee-based by flexibly considering fee exemption/fee reduction policy throughout the year to ensure sales targets and overall benefits. As a result, trade finance and international payment fees recorded 14.4% growth compared to that of 2015.

- **Investment banking services** thrived with the focus on developing both quantity and quality of M&A consultancy and equitization advisory as well as divestments for corporations and large enterprises, thus not only resulted in high revenue to the bank but also fully met the needs of clients, contributing to the development of the stock market.



## 1.5 Positive business results achieved by subsidiaries and affiliates

**Subsidiaries and overseas branches:** Strong growth was reported with aggregate pre-tax profit of VND 443 billion, up 13% compared to that of 2015. VietinBank's investment activities including contributing capital to form subsidiaries not only helps provide our customers with a full package of diversified financial products and services but also contributes significantly VietinBank's yearly business results.

**Investments in joint ventures and affiliates** are long-term and safe investments. Majority of our investments resulted in constant dividends over the years, such as investments in Indovina Bank, Saigon Bank for Industry and Trade, Vietnam National Payments Joint Stock Company with high dividend yields. Other businesses that VietinBank are investing in are of leading local enterprises with strong financial health and solid business performance.

## 1.6 Strong profitability

Profit before tax as of financial year ended 31/12/2016 was VND 8,569 billion, reached 108% of target set at 2016 General Meeting of Shareholders. Of which, positive changes were recorded in service income with an increase of 26% against 2015 which improved the proportion of fee-based income to total operating income compared to the year before. Profitability ratios such as ROAE and ROAA reached 11.8% and 1%, respectively and well met targets set at 2016 General Meeting of Shareholders.

As of 31/12/2016, shareholders' equity was VND 60,399 billion, charter capital stood at VND 37,234 billion, the Bank was proud to maintain its position as the strongest capitalized bank in the local banking sector (in both shareholders' equity and charter capital)

Performance of our subsidiaries and foreign branches continued to grow strongly and VietinBank was proud to lead local companies in State Budget contribution.





# 2

## FINANCIAL SITUATION

### 2.1. Assets

- **Total assets** as of 31/12/2016 reached VND 949 trillion, an increase of 22%, equivalent to 107% of the 2016 General Meeting of Shareholders' plan.
- **Balances with the State Bank of Vietnam:** increased 14%, VietinBank fully complied with the State Bank of Vietnam's regulations in terms of compulsory reserves.
- **Placement with and loans to other credit institutions:** reached VND 94 trillion, up 43% compared to that of 2015, of which term deposits showed a strong shift towards local currency base and accounted for 71% of total placement with and loans to other credit institutions, rose nearly 40% against last year.
- **Investment securities** registered strong growth in both size and profitability. Investment securities portfolio increased 12% during the year with strong focus on increasing Government bonds of 38% while debt securities issued by local business entities decreased by 15% compared to that of 2015.
- **Loans to customers:** In line with the recovery of economy, production and trading. Loans to customers achieved an impressive growth rate with an increase of 23%. The proportion of gross loans to total assets was kept at 70%. The growth of outstanding loans focused on the segment of individual customers and sectors encouraged by the Government as outlined in the business strategy of the Board of Directors. Impressive loan growth led to strong increase in interest revenue of 25%, reflecting remarkable improvement from last year's result.





- **Asset quality** was strictly controlled and complied with loan classification requirements of the State Bank of Vietnam. VietinBank continued to maintain the best asset quality with non-performing loans ratio of 0.9% – the lowest amongst commercial banks in Vietnam.

## 2.2.Liabilities

- **Total liabilities** reached VND 888 trillion as of 31/12/2016, up 23% compared to that of 2015.
- **Deposits and borrowings from other credit institutions** declined by 14% mostly due to 21% decrease in borrowings from credit institutions while deposits from credit institutions only decreased by 5%.
- **Deposits from customers** increased significantly by 33%, of which, demand deposits rose 21%, the proportion of demand deposits to total deposits stood at 16%.
- **Shareholders' equity** reached VND 60,399 billion, rose 8% compared to that of 2015. Charter capital remained at VND 37,234 billion. As a result, VietinBank continued to be the strongest capitalized bank in the country.
- **Undistributed profit after tax** reached VND 7,083 billion, up VND 3,141 billion compared to that of 2015.



# 3

## IMPROVEMENT IN ORGANIZATIONAL STRUCTURE, POLICIES AND MANAGEMENT

In 2016, in the context of global economic turmoil and global trade showed signs of deterioration, the local financial and monetary market made significant changes thanks to active and flexible management of the State Bank of Vietnam. Inflation was stably controlled, system liquidity was ensured to meet capital demand of the economy. Interest rates were kept stable and tended to decrease especially for production, manufacturing sectors and other industries prioritized by the Government.

Closely followed directions the Government, the State Bank of Vietnam and the Board of Directors, we flexibly applied new lending policies in most appropriate manner and in line with market movement and conditions, a team was dedicated to closely monitor and evaluate market happenings. Specifically, VietinBank implemented sustainable credit growth in line with the State Bank of Vietnam's direction and actively participated to restructure credit institutions in the country, contributing to improve financial capacity and strengthen the local banking system.

### 3.1 Implementing policies and orientation of the State Bank of Vietnam

- From the beginning of the year, in order to ensure the role of mainstreaming capital for the economy, funding at reasonable costs was emphasized. We put exceptional effort in minimizing operating costs, standardizing processes and applying best practices in corporate governance, simplifying procedures on the basis of strict compliance with the provisions of law and the State Bank of Vietnam.
- We were the first local bank to introduce new lending policies where interest rates were reduced for production loans and other five key areas in order to meet customers' requirements, especially for SMEs, individuals, households, FDI enterprises and other leading firms in the country.
- VietinBank was the leading financial institutions to conduct various business promotion campaigns where we offered assistance to enterprises that were experiencing difficulties in accessing bank credits.
- Along with the sector reform plan initiated by the Government and the State Bank of Vietnam, VietinBank prepared a detailed restructuring roadmap for GP Bank and Ocean Bank for approval from the Government and the State Bank of Vietnam in order to consolidate and strengthen the two banks in the near future. In addition, VietinBank also assigned experienced executives to assist Dong A Bank in their restructuring process according to directions given by the State Bank of Vietnam.

### 3.2. Aggressive in asset quality and NPLs control:

- With drastic and comprehensive measures applied in asset quality control, by the end of 2016, VietinBank was able to maintain the top asset quality with NPL ratio kept below 1% – the lowest ratio amongst all banks in the country. Aggressive actions were implemented in processing and recovering non-performing loans and debts sold to the Vietnam Asset Management Company (VAMC), which helped speed up the refinancing process.
- Risk management was promoted and implemented synchronously throughout the system with positive changes. Potential risks were timely identified to ensure a safe and effective loan book.



Risk culture was enhanced and disseminated throughout the system to raise awareness of all staff on risk management. Besides the continued implementation of three lines of defense in every aspect of our operation, VietinBank also prepared necessary prerequisites to ensure an appropriate implementation of Basel II in line with the requirements of the State Bank of Vietnam, aiming to be the first Vietnamese bank to successfully implement Basel II for capital requirements.

### **3.3 Modern technology platform to develop secured products and services meeting the needs of customers**

- During the year, we continued to focus on the implementation of two strategic IT projects, namely: Core Banking Replacement and Enterprise Data Warehouse. The new core banking system was expected to help provide professional financial services to the market, improving VietinBank's reputation on regional level and marking our contribution to the development of advanced and modern banking solutions.

### **3.4. Model transformation of Business Division, Operation Division. Training, personnel and network management deployed synchronously to support business activities**

- **Model transformation** made a breakthrough to support business activities: The restructuring of a uniform business model was officially accomplished bank-wide. We restructured existing business units and formed Operation Division, Credit Appraisal Division. Cash Management Center were expanded and Payment Center was consolidated to form a coherent & effective system.



- **Operational network:** To better support business activities and meet customer's rising requirements, we launched 5 new branches functioning retail banking activities, Phu Quoc branch, Champasak Branch in Laos. Cash Management Center was expanded to Hanoi, Ho Chi Minh City, Bac Ninh, Hai Phong.

- **Personnel, training, and wage mechanism:** VietinBank focused on enhancing high quality human resources, improving remuneration and benefits for employees to make sure that salary mechanism was the driving force of business and in accordance with market practices. Training, emulation and reward schemes were performed in diversity to improve the quality of our human resources and encouraged individuals to successfully complete assigned tasks in every business unit.

### 3.5 Public relation and brand promotion reform

Reform in public relation and brand promotion was carried out through various events. Especially, our VietinBank Branding Project will continue to be implemented in 2017 in accordance with set roadmap and orientation.

### 3.6 Social welfare promoted for socio-economic development and enhancing VietinBank's position and brand

VietinBank continued its leading role in charity and social welfare programs by enforcing policies and guidelines of the Party and Government on hunger elimination and poverty alleviation through social welfare programs nationwide. We are proud to be the leading bank in charity work, supporting people in the Central provinces affected by natural disasters and marine environmental incidents as well as in carrying out gratitude work to martyrs' heroes, policy families and people with meritorious services to the country.

## 4

## 2017 DEVELOPMENT PLAN

The year of 2017 is forecast to be a challenging year, but will also bring about promising opportunities for banking and financial sector as competition rises, especially when Vietnam is deemed to be an attractive environment by international financial groups to expand their businesses. Products and services demands are on their increasing trends towards modern and multi-utilitized which will also be another positive aspect for the future growth of banking and finance sector.

The year 2017 is the final year of implementing our medium and long-term business strategy, with highest effort, VietinBank shall continue to achieve set targets, concentrate resources to promote strong business growth in order to affirm VietinBank's No.1 position in local market on the basis of ensuring effectiveness and quality control. Accordingly, new range of innovative products and services will be introduced, especially banking services that promote the transition of income structure and improve the Bank's competitiveness in the market. VietinBank will emphasize on standardizing all aspects of our operation, enhancing risk management capacity, developing infrastructure, modernizing information technology in accordance with international standards and practices.

#### 4.1. Business activities:

- Banking operation will strongly be deployed in order to maintain VietinBank's role as a leading State-owned bank in providing funds to the economy, follow closely growth orientation according to mid-term business plan, emphasize on growth from SMEs and retail customers, especially micro-credit, businesses and production. FDI corporate customers group has been one of your key segments besides large corporate customers. We will strictly follow credit orientation under the guidance of the State bank of Vietnam where priority will be given to selected industries that are encouraged by the Government.
- Financial capacity shall be improved while increasing charter capital to meet rising economic development demands through various tailored solutions. Capital raising plans from annual dividends, existing shareholders and capital restructure as well as several unique solutions only applicable to Vietinbank shall be proposed to the authority in 2017.

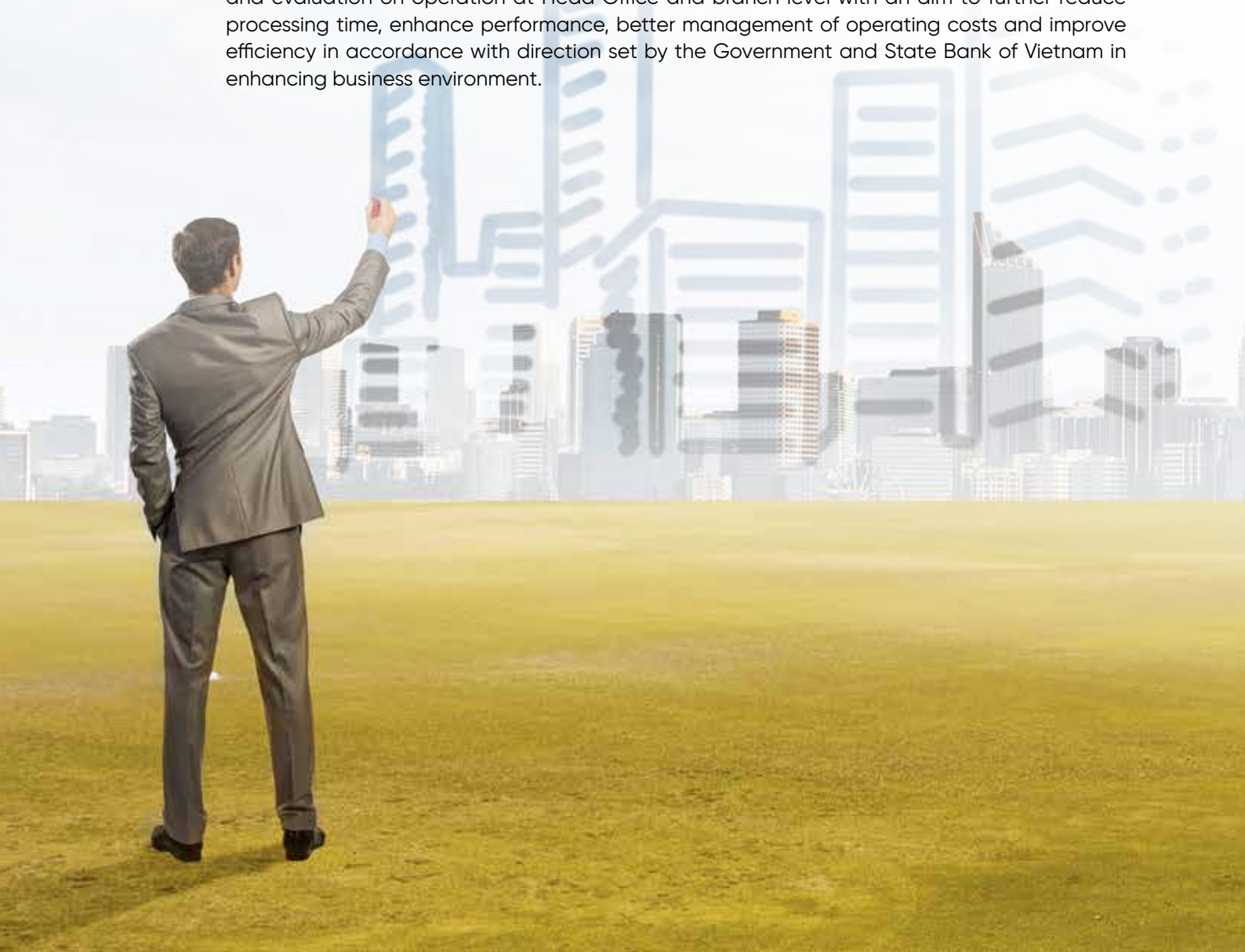
#### 4.2. Risk management:

- Improving business performance and risk control: Improving discipline in management coupled with improving risk management capacity, especially new technology-related risks. Entering 2017, VietinBank will emphasize on enhancing inspection and monitoring across the entire system, improving the efficiency of three lines of defense, including raising awareness and compliance culture at the first line of defense. As our capital raising plans will be submitted for approval, VietinBank will strive to become a pioneer commercial bank in Basel II implementation in line with the requirements of the State Bank of Vietnam.
- Closely following the State Bank of Vietnam's guidance as well as implementing various supporting mechanisms and policies of ministries and agencies in handling bad debts. The Bank will focus on implementing concrete measures to speed up the resolution of bad debts, bad debts and VAMC debts recovery in 2017.



### 4.3. Supporting activities

- Strong emphasis shall be placed on the implementation of Transaction Banking and Investment Banking to strongly contribute to the transition of income structure towards service-based income. In addition to meeting demands for traditional products and services, VietinBank will proactively engage in activities related to analyzing market movements in order to improve our investment banking activities, implementing the role of connecting enterprises and investors while delivering tailored financial solutions that suit different customer types. We will emphasize on the importance of developing a sustainable payment platform while ensuring risk control and efficiency in payment with an aim to launch Transaction Banking in the near future. Once introduced, our Transaction Banking model will be expected to provide comprehensive and modern payment solutions for all customers in accordance with international standards and in line with the orientation of payment system reform in Vietnam.
- Reducing processing time and operating costs: Our Credit Approval Division is well-positioned to be restructured in 2017 which will separate the existing Credit Approval Department into sub departments according to different customer segments to best support the credit approval process and meet the requirements of different customer types and the Bank's risk appetite for every segment from time to time. At the same time, VietinBank will also conduct regular reviews and evaluation on operation at Head Office and branch level with an aim to further reduce processing time, enhance performance, better management of operating costs and improve efficiency in accordance with direction set by the Government and State Bank of Vietnam in enhancing business environment.





#### 4.4. Modernizing banking operation

- Our new CoreBanking project will officially launch in 2017 where latest technology application shall be introduced to boost business activity, develop new products and services, increase productivity and improve management capacity. During the next year, we will introduce four strategies to promote banking modernization, including (i) cooperating with Fintech companies to enhance creativity; (ii) cooperating with strategic partners to create an ecosystem that provides new range of products and services to meet all customer needs, (iii) accelerating banking digitization to help replace the traditional banking business, (iv) developing a broad spectrum of technology applications for automation and increase labor productivity.

#### 4.5. Human resources

- Manpower simplification project shall be gradually applied with an aim to increase labor productivity and improve human resources quality towards an elite force as well as ensuring high labor income. Our operation network will be further consolidated to improve operational efficiency by reallocating various business units.

- Elevating brand reputation: Our Public Relation and Branding Division will be established in early 2017, aiming to lead local banks in developing and elevating brand value as well as to strengthen communication activities in line with new development direction of VietinBank and banking sector in general. At VietinBank, we emphasize on communication activities in various forms to strengthen VietinBank's brand value and directly support business activities, we understand the importance of promoting the Government and the State Bank of Vietnam's policies to the public to strengthen the confidence of Vietnamese people and enterprises in the local banking and finance sector.

#### 4.6. Banking sector reform

Assisting the State Bank of Vietnam in banking sector reform, VietinBank will further invest our resources into this process and comprehensively support weak banks in their corporate governance, strategies, human resources, training and other professional activities.

#### 4.7. Social security

VietinBank is honored to promote the role and responsibility of a pioneer commercial bank in vigorous implementation of social security programs by sharing with the community in hunger eradication and poverty reduction to promote sustainable growth of the country in accordance with guidelines of the Party and the Government.

In 2017, the Executive Board and employees will be united and determined to promote past years achievements, overcome difficulties to complete set targets and affirm our contribution to the development of banking sector and social-economic development of the country.

# 5

## EXPLANATION OF THE BOARD OF MANAGEMENT FOR AUDITOR'S OPINIONS

NONE

# 6

## REPORT ON ENVIRONMENTAL AND SOCIAL RESPONSIBILITY



### a. Report concerning labour policy

**Employment was guaranteed:** In 2016, over 22,000 VietinBank employees were arranged with jobs that were most suitable to their educational levels and working capacity. Employment was guaranteed to all employees with labor contracts signed in accordance with the provisions of the Labor Law.

**Salary and allowances:** At VietinBank, salary payment mechanism is closely linked to the roles and responsibilities of each title, employee's working capacity and performance (KPIs).

In 2016, despite challenges revolving the economy, we were proud to have ensured our people with salary increase. Salary was paid properly and in full to all employees, average staff salary for the year 2016 was VND 22.34 million/person/month.

**Social insurance regime:** Our employees are insured under the law and regulations. Social insurance regime benefits our employees in the event of sickness, retirement or maternity... Especially for retirement, we coordinate closely with social insurance authority to ensure that our employees can retire at their retirement age with an allowance of 02 months' salary and expenditure allowance for the last six months preceding their retirement.

## b. Review concerning corporate responsibility

**“Developing for the interest of the community” has been our motto for years.** In addition to striving to excellently accomplish business tasks assigned by the Party, the Government and the State Bank of Vietnam, VietinBank has always been a pioneer to carry out charity and social welfare activities in favour of the benefits of the society. At VietinBank, we understand that engaging ourselves in social welfare activities is not an important political duty, but truly an enjoyment for VietinBank’s Executive management and staffs. Such activities and efforts in poverty reduction and eradication made great contributions to get VietinBank’s brand name known in each corner of the country.

To date, we sponsored nearly VND 6.5 trillion to support local authorities in social security and gratitude work in 63 provinces and cities nationwide. In particular, emphasis was placed on building houses for the poor, building and upgrading schools, health clinics and new rural construction programs as well as supporting local provinces to overcome the consequences of natural disasters....

Cultural life and spirit of people from these provinces improved significantly with VietinBank’s support, the poors are now living in their new homes and starting to stabilize family life. Better healthcare programs and convenient transportation were provided to the under-privileged; children from poor provinces can now go to school every day and enjoy learning with the new school facilities. Struggling victims of natural disasters from different parts of the country were also provided with immediate support.

With positive contributions in social welfare and gratitude activities, VietinBank was honoured to receive the Certificate of Merit from the Prime Minister, Ministry of Health, Ministry of Education and Training, Ministry of Labor, Invalids and Social Affairs, Society ... and many provinces/cities in recognition of our contributions.





# **REPORT OF THE BOARD OF DIRECTORS**



In 2016, as a large and major State-owned commercial Bank in the country, VietinBank has been actively involved and implemented various policies of the Party, the Government and the State Bank of Vietnam, successfully completed the set objectives and business plans toward sustainable development.

# 1

## ASSESSMENT ON 2016 PERFORMANCE

### 1.1 Remarkable results were achieved:

Total assets as of 31/12/2016 reached VND 949 trillion, increased by 22% compared to that of 2015, completed 107% of target set by 2016 General Meeting of Shareholders. VietinBank was proud to be amongst one of the largest banks in the country by asset size. Outstanding loans reached VND 722 trillion, increased 18%, higher than industry average, exposure to economic sectors was VND 662 trillion. The credit structure was strongly diversified and shifted towards stronger growth in lending to economic sectors encouraged by the Government and key national projects. Our lending policy also strongly emphasized on supporting local businesses to achieve sustainable development and contributing significantly to the macro-economic advancement. As we grew our credit exposure, we tightened our asset quality control activities with NPL ratio of 0.9%, lower than industry average.



**- Strong transition of customer segments, income structure improved:** Under the direction of the Board of Directors, VietinBank promoted retail banking, SME banking and FDIs during the year, VietinBank was proud to have maintained its position as the bank of choice for corporate clients for years since establishment. At the same time, we also introduced to our customers a full spectrum of non-credit products, investment banking services as well as innovative payment solutions to improve our income structure. Of which, the development of payment services was identified as key by the Board of Management, VietinBank is proud to be the leading bank in the development of latest payment solutions through innovative technology of international standards. We aim to meet every payment need of the economy and provide the most convenience to our customers on the basis of risk control.

**- Our business performance was proudly recognized by local and foreign organizations:** Top 10 most valuable brand in Vietnam; Leading banking brand in Vietnam and listed in the world's Top 400 Most Valuable Banking Brand by Brand Finance; For the fifth consecutive year, the Bank was named in Top 2000 of the World's Largest Enterprises by Forbes; Best Vietnamese Retail Bank by Global Banking & Finance Review; Khue Star Award for outstanding digital solution. International credit rating agencies including Standard & Poor's and Fitch also provided VietinBank with highest credit ratings in Vietnam.

## 1.2 Shareholder's equity and investor relations

**- Shareholders Equity** as of financial year ended 31/12/2016 reached VND 60,399 billion, of which, charter capital was maintained at VND 37,234 billion. VietinBank was proud to be the best capitalised bank in the country with strongest capital structure: State Bank of Vietnam holds 64.46%, foreign strategic partners BTMU and IFC hold 19.73% and 8.03% respectively, minority shareholders account for the remaining of 7.78%. Capital adequacy ratios were well-maintained and fully complied with prevailing regulations and requirements.

### **- Investor Relations**

Investor relations were emphasized during the year to ensure its importance in connecting VietinBank's Board of Management with local and foreign investors.

VietinBank successfully held the 2016 General Meeting of Shareholders by adopting important contents as prescribed in the Law as well as obtaining investors' written opinions on cash-payment for 2015 dividends.

As part of our strategy to improve CTG share value, VietinBank successfully held 2016 Investor and Analysis Meeting with the participation of VietinBank General Director. Our Investor Relations team continued to provide important inputs about macro-economic outlook as well as VietinBank's performance and future prospects to local and international investment funds, securities companies and analysts. These activities significantly contributed to our reputation and shareholding value enhancement by timely and transparent information disclosure as well as good relations with the market.

In October 2016, VietinBank successfully held a non-deal roadshow with major investment funds in the U.S. The non-deal roadshow was well-received and appreciated by U.S investors. Several researches on Vietnamese market were planned accordingly after the non-deal roadshow where investors from the U.S worked closely with VietinBank to identify new investment opportunities. These positive signals recognized VietinBank's significant effort in connecting with international investors to improve the reputation of Vietnamese market in general and VietinBank in particular.

VietinBank is continued to be the bank that publishes sufficient and transparent information in both Vietnamese and English, in compliance with current regulation. Our website for investor relations – <http://investor.vietinbank.vn> was constantly upgraded to ensure the role of a gateway to information. Other activities including regular public relations and press release are strongly emphasized in improving VietinBank brand image.

## 1.3. Governance

### **- Senior leadership**

The year 2016 was the third year of The Board of Directors's five-year term (2014–2019) with the following members:

- Mr. Nguyen Van Thang – Chairman of the Board of Directors;
- Mr. Le Duc Tho – Member & General Director;
- Mr. Hiroyuki Nagata – Member & Deputy General Director;
- Mr. Cat Quang Duong, Ms. Tran Thu Huyen, Ms. Nguyen Hong Van, Mr. Go Watanabe (resigned since 26/04/2016), Mr. Yotaro Agari (appointed since 26/04/2016) and Mr. Michael Knight Ipson – Member;
- Mr. Phung Khac Ke – Independent Member

Members of the Boards were united to successfully complete assigned tasks, continued to promote our internal resources, managed and implemented innovation policies and led VietinBank in fulfilling 2016 business plans.

### **- Strengthening organizational model and network management**

VietinBank developed its network in all provinces and cities nationwide and gradually integrated in the international market. VietinBank has a domestic network including: Head Office in Hanoi, 155 branches nationwide (in 2016, 6 new branches were opened), 02 representative offices, 01 Trade Finance Center, 05 Cash Management Centers, 03 non-business units and nearly 1,000 transaction offices. Foreign network including: 02 branches in Germany, 01 representative office in Myanmar and 01 subsidiary bank in Laos. In 09/2016, VietinBank Lao – Champasak Branch was officially launched, marking a new development step, enhancing the position of VietinBank in the neighbouring country.

Model transformation of business units and supporting units was applied to create a uniform and efficient working mechanism, thereby preparing a solid foundation for business strategy implementation.

### **- Enhancing risk management**

Effective internal control system was identified as key for VietinBank's sustainable operations. A good internal control system is able to ensure the achievement the Bank's goals and objectives, ensuring long-term profitability goals, maintaining financial and managerial reporting. A sufficient internal control system also helps to ensure the Bank's compliance with laws and regulations as well as adherence to internal policies, rules and procedures, reducing the risk of unexpected losses as well as negative impacts on our reputation.

With that awareness, VietinBank pays high attention to enhance the risk management, ensuring the implementation of regulations on internal control and audit in accordance with contents of Circular 44/2011/TT-NHNN.

### **- Developing information technology platform for modernization enhancement**

At Vietinbank, we focus on developing and investing in modern technology platform to meet the requirements of latest product development as well as banking governance improvement. During the year 2016, we were proud to have concluded final preparation for replacement of existing CoreBanking system – this is recognized as one of our key IT projects which promises to better support business operation, improve productivity, reduce operating costs and enhance performance.

## 2 ASSESSMENT ON PERFORMANCE OF THE BOARD OF MANAGEMENT

The year 2016 was the second year of our medium-term plan (2015-2017) in the context of increasing challenges faced by local banking sector. However, with the clear direction given by the State Bank of Vietnam, on the basis market happenings, the Board of Directors, Board of Management and all employees have agreed, unitedly and closely cooperated and effectively implemented given orientation; Safe, sustainable and effective business operation was safely and efficiently conducted, contributing greatly to the overall banking industry performance. VietinBank played a pivotal role in every implementation of the Party, the Government and the State Bank of Vietnam's policies and guidance and successfully fulfilled its commitment with the shareholders.

## 3 FUTURE PLANS, ORIENTATIONS OF THE BOARD OF DIRECTORS

The year 2017 will end our medium-term plan for 2015-2017. Despite challenges facing the market, new opportunities for development and market potential are expected to improve. In this context, the whole system is required to strive with highest effort in order to successfully achieve set objectives. The Board of Directors determines the focus of management direction in completing five major tasks: Accelerating business growth to maintain the role of a major State-owned bank; Strong growth coupled with tight asset quality control, addressing bad debts sold to VAMC; Developing modern products and services, especially payment services; Operation standardization, financial capacity and risk management enhancement, infrastructure development, modernization of information technology in accordance with international standards; Building a solid foundation for becoming a regional bank.

Promoting 2016 achievements, we will dedicate all our effort in the coming years to overcome challenges, meet target set by the General Meeting of Shareholders, further enhance the Bank's leading position in the country and contribute remarkably to Vietnam's economy.

### 2017 Financial Objectives

INDICATORS	UNIT	2017 OBJECTIVES		
		PLAN	+/- VS 2015	+/- % VS 2015
Total assets	VND bil	1,081,634	132,935	14%
Gross loans	VND bil	826,865	114,224	16%
NPLs/Gross loans	%	< 3%		
Total funding	VND bil	996,482	126,319	15%
Profit before tax	VND bil	8,800	231	3%
ROAA	%	0.8 - 1%		
ROAE	%	10 - 11%		
Dividend payout ratio	%	5 - 7%		
Capital Adequacy Ratio	%	Complied with requirement of the State Bank of Vietnam		





# **CORPORATE GOVERNANCE**



**Mr. NGUYEN VAN THANG**  
**Chairman**

Mr. Nguyen Van Thang, born in 1973, holds PhD in Economics, was appointed Chairman of the Board in 04/2014.

He is currently Alternate Member of Central Committee XII - Communist Party of Vietnam, Member - National Assembly XIV, Member - Standing Party Committee - Communist Party of State Enterprises, Secretary - VietinBank Communist Party and Chairman of the Board of Directors of Vietnam Joint Stock Commercial Bank for Industry and Trade.

Joined VietinBank in 1996, Mr. Nguyen Van Thang has served in several senior capacities including Assistant to the General Director, Deputy Chief of Office, Deputy Director - Corporate Department, Director - Corporate Department, Managing Director - VietinBank Hanoi Branch, Member - Board of Directors & Acting General Director, Member - Board of Directors & General Director before being appointed as Chairman of the Board.



### **Mr. LE DUC THO**

#### **Member & General Director**

Mr. Le Duc Tho, born in 1970, Ph.D. in Economics, was appointed to serve as member of the Board and General Director in 04/2014.

He is currently Deputy Secretary – Vietinbank Communist Party, Member – Board of Directors & General Director of Vietnam Joint Stock Commercial Bank for Industry and Trade.

Joined Vietinbank in 1991, Mr. Le Duc Tho has served the following positions: Team Lead – Credit Approval – VietinBank Vinh Phu Branch; Deputy Head of Business Department – VietinBank Phu Tho branch; Deputy Director – ALCO Department; Deputy Director – ALCO & Treasury Department, Director – Treasury Department, Deputy General Director. Prior to his appointment as General Director of the Bank, he also served as Chief of Office at the State Bank of Vietnam.



### **Mr. CAT QUANG DUONG**

#### **Member**

Mr. Cat Quang Duong was born in 1959. He holds a Master in Banking and Finance. In 02/2012, he was appointed to serve as Member of the Board of Directors.

He is currently Deputy Head – Credit Division – State Bank of Vietnam and Member of the Board of Directors of Vietnam Joint Stock Commercial Bank for Industry and Trade.

Throughout his career as a banker, Mr. Cat Quang Duong has served as Deputy Director – Credit Department, Director – Credit Department and concurrently Deputy Director – Credit Division – State Bank of Vietnam.

## BOARD OF DIRECTORS



### **Ms. NGUYEN HONG VAN** **Member**

Ms. Nguyen Hong Van was born in 1969. She holds a Master in Banking and Finance. She was appointed to serve as Member of the Board in 09/2008.

She is currently Member of Executive Committee – VietinBank Communist Party and Member of the Board of Directors.

She started her career at VietinBank in 1990 and has served in various senior capacities including Deputy Director – ALCO Department, Director – ALCO & Treasury Department, Director – Financial Planning & Alco Supporting Department.

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### **Ms. TRAN THU HUYEN** **Member**

Ms. Tran Thu Huyen, born in 1977, holds a Master in Business Administration.

She is currently Member of Standing Committee – VietinBank Communist Party, Member of the Board of Directors and Director – Human Resource Division of Vietnam Joint Stock Commercial Bank for Industry and Trade.

Since her joining VietinBank in 2001, she has been in various positions: Deputy Director – Human Resources Department; Director – Human Resources Department before being appointed to serve as Member of the Board.

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### **Mr. PHUNG KHAC KE** **Member**

Mr. Phung Khac Ke, born in 1948, holds a PhD in Economics, was appointed to the Board of Directors in 07/2014.

He is currently Independent Member of the Board.

In his long career as a banker, he has held various positions including Deputy Director – Economics and Planning Division – State Bank of Vietnam; Deputy Chief of the Office – State Bank of Vietnam; Director – Credit Division – State Bank of Vietnam; General Director of VietinBank; Deputy Governor – State Bank of Vietnam. Prior to his appointment as Independent Board Member at VietinBank, Mr. Phung Khac Ke also served as Independent Board Member of Vietnam Prosperity Joint Stock Commercial Bank.



### **Mr. GO WATANABE** **Member**

Mr. Go Watanabe, born in 1958 in Japan, holds a Master in Business Management. He was appointed to serve as member of the Board in 07/2013 (resigned from the Board on 26/04/2016),

Prior to joining VietinBank, Mr. Go Watanabe worked at BTMU and held several senior positions including Head of Foreign Exchange and Treasury Division; Chief Manager, Executive Officer & General Manager of Global Corporate Banking Division; Deputy General Manager of Corporate Banking Human Resources Division; General Manager of Retail Banking Human Resources Division; General Manager of Corporate Banking Human Resources Division; General Manager of European Planning Division, Manager of European Head Office in UK; Executive Officer, Deputy President, General Manager of BTMU Shanghai Branch; Executive Officer & General Manager of Global Corporate Banking Division, Head of Global Financial Institutions; Managing Director and Head of Nagoya Corporate Banking Group. He is Managing Executive Officer, Chief Executive Officer for Asia and Oceania (Singapore), Bank of Tokyo-Mitsubishi Singapore.



## BOARD OF DIRECTORS



### **MR. YOTARO AGARI** **Member**

Mr. Yotaro Agari was born in 1967, he holds a Master in Management. He was appointed as a Board member in 04/2016.

Prior to joining VietinBank, Mr. Yotaro Agari held several positions at Goldman Sachs Japan including Vice President, Co-Head of Financial Institutions Group, Managing Director, Co-Head of Financial Institutions Group. At The Bank of Tokyo-Mitsubishi UFJ, Mr. Yotaro Agari served in various capacities including Deputy General Manager and Chief Manager of Global Planning Division. From May 2015 to present, he has been serving as General Manager in charge of Planning Division for Asia and Oceania of The Bank of Tokyo-Mitsubishi UFJ.

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### **Mr. HIROYUKI NAGATA** **Member & Deputy General Director**

Mr. Hiroyuki Nagata, born in 1963 in Japan, holds a Bachelor in Economics. He was appointed to serve as member of the Board of Director and Deputy General Director in 07/2013.

Prior to his joining VietinBank in 2013, he has served in various positions including Assistant to Director of BTMU Bangkok branch; Head of Japanese Corporate Banking Department; Chief Manager of Corporate Banking Division No. 4, Corporate Banking Group No. 1; Chief Manager of Corporate Banking Credit Division, BTMU General Manager of Corporate Banking Division No. 3 - Corporate Banking Group No. 1, The Bank of Tokyo-Mitsubishi UFJ.

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## **Mr. MICHAEL KNIGHT IPSON**

### **Member**

Mr. Michael Knight Ipson, born in 1947 in the United States, holds a Master in Business Administration. He was appointed to serve as a member of the Board in 07/2014.

Mr. Michael Knight Ipson has served various senior capacities including Vice President overseeing correspondent relationship between Chinese banks and enterprises in Hong Kong, Assistant to the Regional Manager for China, Hong Kong and Taiwan; Chief Representative for Chemical Bank in China; Managing Director of Chemical Bank Hong Kong Branch and Chief Executive Officer of Chemical Asia Limited, Member of Chemical Bank's Global Credit Committee; Chief Executive, IBA Credit Chairman; Senior Specialist of IFC- Beijing; IFC's Country Manager for China and Mongolia ; IFC's Consultant on East Asia banking business (IFC - Washington, DC).

• Share ownership of Board members

NO.	Full name	Number of shares	Percentage (%)
1	<b>Mr. Nguyen Van Thang – Chairman</b>	960,298,090	25.7909%
-	<i>Individual representative</i>	216,108	0.0058%
-	<i>State capital representative</i>	960,081,982	25.7851%
2	<b>Mr. Le Duc Tho – Member &amp; General Director</b>	720,099,014	19.3398%
-	<i>Individual representative</i>	37,527	0.0010%
-	<i>State capital representative</i>	720,061,487	19.3388%
3	<b>Mr. Cat Quang Duong – Member</b>	720,061,487	19.3388%
-	<i>Individual representative</i>	0	0%
-	<i>State capital representative</i>	720,061,487	19.3388%
4	<b>Ms. Nguyen Hong Van – Member</b>	4,050	0.0001%
5	<b>Ms. Tran Thu Huyen – Member</b>	1,429	0.00004%
6	<b>Mr. Phung Khac Ke – Member</b>	0	0%
7	<b>Mr. Go Watanabe – Member</b>	0	0%
8	<b>Mr. Hiroyuki Nagata – Member</b>	0	0%
9	<b>Mr. Michael Knight Ipson – Member</b>	0	0%
	<b>Total</b>	<b>2,400,464,070</b>	<b>64.4696%</b>

- **Number of Independent Board Members:**

01 independent member – Mr. Phung Khac Ke

- **Changes in members of the Board during the year**

NO.	Full name	Position	Date of appointment/resignation
1	<b>Mr. Go Watanabe</b>	Former member	Resigned from the Board under Resolution of Annual General Meeting of Shareholders No. 15/NQ-DHDCD dated 26/04/2016
2	<b>Mr. Yotaro Agari</b>	Member	Appointed to the Board under Resolution of Annual General Meeting of Shareholders No. 15/NQ-DHDCD dated 26/04/2016

## • Titles of Board members outside VietinBank

NO	Full name	Titles outside VietinBank
1	<b>Ms. Nguyen Hong Van - Member</b>	<ul style="list-style-type: none"> <li>- Chairman, VietinBank Insurance Company Ltd.</li> <li>- Chairman, VietinBank Gold and Jewellery Trading Company</li> <li>- Board member, VietinBank - Aviva Life Insurance Company Ltd.</li> <li>- Member, Central Executive Committee – Vietnam Gold Traders Association</li> </ul>
2	<b>Mr. Yotaro Agari - Member</b>	<ul style="list-style-type: none"> <li>- General Manager, Planning Division for Asia &amp; Oceania, The Bank of Tokyo-Mitsubishi UFJ, Ltd</li> <li>- Senior Manager, Mitsubishi UFJ Financial Group, Inc</li> <li>- Board Member, Ayudhya Public Company Limited, Thailand</li> </ul>
3	<b>Mr. Michael Knight Ipson - Member</b>	<ul style="list-style-type: none"> <li>- Senior Specialist, International Financial Corporation</li> </ul>

### a. Board of Directors committees

Currently, there are four (04) committees under the Board of Directors, namely Risk Management Committee, Human Resource and Remuneration Committee, Policy Committee, Asset Liability Management Committee (ALCO). Each committee operates under a particular organizational and operational set of regulations issued by the Board of Directors.

- Risk Management Committee advises the Board of Directors on issues related to risk appetite for each period; sets up risk management mechanisms and policies and risk management orientation related to credit, investment, market, operations and other risks; advises the Board of Directors on approving investments, related transactions, management policy, risk handling plan and the implementation schedule of Basel II under the State Bank of Vietnam's direction.
- Human Resource and Remuneration Committee advises the Board of Directors on organizational structure, personnel management policies, performance evaluation and remuneration policies; monitors and controls all aspects of staff management, competence, successor planning, personnel risk in line with VietinBank's business orientation and plans in each period.
- Policy Committee advises the Board of Directors on setting up and reviewing policies; ensures consistency, adequacy, effectiveness and synchronization of policies, regulations, and rules which prescribed in main operational activities of VietinBank.
- ALCO committee advises the Board of Directors on the scale, structure and growth of liabilities and assets of VietinBank in line with the operation scale and development strategies of VietinBank for each period and reviews and ensures safe rates and limits of business operations under regulations.



## b. Board meetings

In 2016, the Board of Directors held 10 periodic meetings to evaluate business results, provide directions for operations as well as exchange on other contents. In addition, the Board of Directors and the Standing Board of Directors also addressed other issues via written comments (89 times). Details of Board meetings are as follows:

No	Name of Board member	Title	No. of meeting attended	Percentage	Reasons for absence
1	Mr. Nguyen Van Thang	Chairman	99/99	100%	
2	Mr. Le Duc Tho	Member & General Director	99/99	100%	
3	Ms. Tran Thu Huyen	Member	44/44	100%	
4	Ms. Nguyen Hong Van	Member	77/78	99%	Absent on Board meeting in 05/2016 due to business trip
5	Mr. Cat Quang Duong	Member	21/24	88%	Absent on Board meeting in 07-08-12/2016 due to business trip
6	Mr. Phung Khac Ke	Member	23/23	100%	
7	Mr. Hiroyuki Nagata	Member & Deputy General Director	22/23	96%	Absent on Board meeting in 07/2016 due to business trip
8	Mr. Go Watanabe	Member	5/5	100%	
9	Mr. Michael Knight Ipson	Member	15/15	100%	
10	Mr. Yotaro Agari	Member	14/14	100%	

### **Note:**

- The Chairman and the General Director & board member: attendance rate was counted by (i) all meetings of the Board of Directors; (ii) written opinions of the Board of Directors and (iii) written opinions of the Standing Board of Directors.

- Board members Ms. Tran Thu Huyen and Ms. Nguyen Hong Van: attendance rate was counted by (i) all meetings of the Board of Directors; (ii) written opinions of the Board of Directors and (iii) written opinions of the Standing Board of Directors (according to their assigned functions and responsibilities).

- Board members Mr. Cat Quang Duong, Mr. Phung Khac Ke, Mr. Hiroyuki Nagata: attendance rate was counted by (i) all meetings of the Board of Directors; (ii) written opinions of the Board of Directors.

- Board members Mr. Go Watanabe, Mr. Michael Knight Ipson, Mr. Yotaro Agari: non-resident Board members, attendance rate was counted by (i) a number of the Board of Directors meetings; (ii) written opinions of the Board of Directors.

### **c. Duties of Independent Board Member**

Comply with the provisions of applicable Charter and Law.

#### **Activities of Board of Directors Committees**

In 2016, these committees coordinated with relevant departments and units to review, complete, revise and issue regulations, processes & rules related to risk management, human resource, remuneration, investment, capital contribution, information disclosure, etc. They are also responsible for the review of human resources under the Board of Directors' management authority and advised the Board of Directors on specific issues such as risk management policy, risk prevention, operation & development strategy of the Bank

### **d. Members of the Board of Directors holding corporate governance certificates**

At VietinBank, we determine corporate governance is pivotal in business performance as well as in maintaining a sustainable development. Accordingly, the Board of Directors provided with in-depth training courses associated with banking governance both at home and abroad.

## 2 BOARD OF MANAGEMENT

### Mr. LE DUC THO

#### Member of the Board & General Director

Mr. Le Duc Tho, born in 1970, Ph.D. in Economics, was appointed to serve as member of the Board and General Director in 04/2014.

He is currently Deputy Secretary - Vietinbank Communist Party, Member - Board of Directors & General Director of Vietnam Joint Stock Commercial Bank for Industry and Trade.

Joined Vietinbank in 1991, Mr. Le Duc Tho has served the following positions: Team Lead - Credit Approval - VietinBank Vinh Phu Branch; Deputy Head of Business Department - VietinBank Phu Tho branch; Deputy Director - ALCO Department; Deputy Director - ALCO & Treasury Department, Director - Treasury Department, Deputy General Director. Prior to his appointment as General Director of the Bank, he also served as Chief of Office at the State Bank of Vietnam.



## BOARD OF MANAGEMENT



### **Mr. HIROYUKI NAGATA**

#### **Member of the Board & Deputy General Director**

Mr. Hiroyuki Nagata, born in 1963 in Japan, holds a Bachelor in Economics. He was appointed to serve as member of the Board of Director and Deputy General Director in 07/2013.

Prior to his joining VietinBank in 2013, he has served in various positions including Assistant to Director of BTMU Bangkok branch; Head of Japanese Corporate Banking Department; Chief Manager of Corporate Banking Division No. 4, Corporate Banking Group No. 1; Chief Manager of Corporate Banking Credit Division, BTMU General Manager of Corporate Banking Division No. 3 - Corporate Banking Group No. 1, The Bank of Tokyo-Mitsubishi UFJ.

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### **Ms. BUI NHU Y**

#### **Deputy General Director**

Ms. Bui Nhu Y, born in 1962, holds a Master of Economics. She was appointed to serve as Deputy General Director in 08/2008.

Ms. Bui Nhu Y joined VietinBank in 1990, she has held various senior management positions including Deputy Director - Investment Project Management Department, Deputy Director - Project management and medium-term Credit Department, Director - Credit Management Department, Director - Credit Policy Department and Director - Corporate Banking Department.

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### **Mr. TRAN MINH BINH** **Deputy General Director**

Mr. Tran Minh Binh, born in 1974, holds a Master in Business Administration. He was appointed to serve as Deputy General Director in 05/2014.

He is currently Member of Inspection Committee – Communist Party of State Enterprise, Member of VietinBank Standing Communist Party, Chairman of Inspection Committee – VietinBank Communist Party, Deputy General Director, Director – Treasury and Capital Market Division, Director – Credit Appraisal Division.

He has been with VietinBank since 1999 and has held many senior positions: Assistant to General Director; Deputy Director – Cards Department; Director – Cards Center; Director – Investment Department; Managing Director – VietinBank Nguyen Trai Branch; Deputy Managing Director, Managing Director – Vietinbank Hanoi Branch.



### **Mr. NGUYEN HOANG DUNG** **Deputy General Director**

Mr. Nguyen Hoang Dung, born in 1962, holds a Master in Economics. He was appointed to serve as Deputy General Director in 03/2011.

He is currently Member of VietinBank Standing Communist Party and Deputy General Director of Vietnam Joint Stock Commercial Bank for Industry and Trade.

Joined VietinBank since the beginning of the Bank's operation, Mr. Nguyen Hoang Dung has held various senior positions including Deputy Director – Supervisory Department, Assistant to Director, Director – Human Resource & Admin Department – VietinBank Minh Hai Branch; Director – Business Department, Director – Ca Mai Transaction Office, Deputy Managing Director, Managing Director – VietinBank Ca Mau Branch.



## BOARD OF MANAGEMENT



### **Mr. NGUYEN DUC THANH**

#### **Deputy General Director**

Mr. Nguyen Duc Thanh, born in 1970, holds a Master in Economics. He was appointed to serve as Deputy General Director in 08/2012.

Prior to his appointment as Deputy General Director, he has held several senior positions including Commercial Attaché - Embassy of Vietnam in the Arab Republic of Egypt, Deputy Director & Secretary of Minister of Trade, Deputy Director - Department of Competition Management & Secretary of Minister of Trade, Deputy Director - Department of Competition Management - Ministry of Industry and Trade, Director - VietinBank Financial Institutions Department

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### **Mr. TRAN CONG QUYNH LAN**

#### **Deputy General Director**

Mr. Tran Cong Quynh Lan, born in 1979, holds a Master in Information Technology. He was appointed to serve as Deputy General Director in 03/2015.

He is currently Deputy General Director & Director - Information Technology Division of Vietnam Joint Stock Commercial Bank for Industry and Trade.

Prior to joining VietinBank, he has served in several senior positions including Assistant Director - OCBC Singapore, Assistant Vice President - OCBC Singapore, Vice President - Information Technology - Retail Banking, Director - Electronic Distribution Channels & Investment - OCBC Singapore. Started his career at VietinBank in 05/2012 as Director - Information Technology Center.

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**Mr. NGUYEN DINH VINH**  
**Deputy General Director**

Mr. Nguyen Dinh Vinh, born in 1980, holds a Master in Business Administration. He was appointed to serve as Deputy General Director in 07/2015.

He is currently Member – VietinBank Standing Communist Party, Chairman – Vietinbank Trade Union and Deputy General Director.

Joined VietinBank in 2002, he has held many senior positions including Deputy Director – Corporate Department – VietinBank Head Office; Director – VietinBank Hai Duong Branch; Director – Non-Performing Loan Management Department – VietinBank Head Office; Managing Director – VietinBank Hanoi Branch.



**Ms. LE NHU HOA**  
**Deputy General Director**

Ms. Le Nhu Hoa, born in 1969, holds a Master in Banking and Finance. She was appointed to serve as Deputy General Director in 08/2016.

She is currently Member – VietinBank Communist Party and Deputy General Director.

Ms. Le Nhu Hoa joined VietinBank in 1990, during her employment at the Bank, Ms. Le Nhu Hoa has held various senior management positions including Director – Accounting Department – VietinBank Phuc Yen Branch, Director – Admin and Human Resource Department – VietinBank Hanoi Branch, Deputy Managing Director – VietinBank Hanoi Branch, Director – Financial Accounting Department – VietinBank Head Office.

## BOARD OF MANAGEMENT



**Mr. NGUYEN VAN DU**  
**Deputy General Director**

Mr. Nguyen Van Du, born in 1962, holds a Master of Economics. He was appointed to serve as Deputy General Director in 08/2008. Since 06/2016, Mr. Nguyen Van Du has served as Chief of Office - State Bank of Vietnam.

He was formerly Member – VietinBank Standing Communist Party and Deputy General Director.

Joined VietinBank since the very first days of operation, he has been a devoted individual to the development of the Bank. He had held several senior positions including Deputy Director – Foreign Relations Department, Acting Director – Foreign Capital Raising Department, Director – Correspondent Banking Department, Director – Personnel and Training Department at VietinBank Head Office.

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**Mr. NGUYEN HAI HUNG**  
**Chief Accountant**

Mr. Nguyen Hai Hung, born in 1972, holds a Bachelor in Economics. He was appointed to serve as Chief Accountant in 06/2011.

Joined VietinBank since 1991, Mr. Nguyen Hai Hung has held many senior positions such as Deputy Director, Director – Accounting and Payment Department – VietinBank Head Office.

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## Changes in members of the Board of Management

No.	Full name	Position	Date of appointment/resignation
1	Mr. Nguyen Van Du	Former Deputy General Director	Date of resignation: 31/05/2016
2	Ms. Le Nhu Hoa	Deputy General Director	Date of appointment: 01/08/2016

## Number of staff. Summary of Employee Policy

- Total number of employees as of 31/12/2016 was 22,957 (including employees of all subsidiaries, business units, representative offices and employees working on temporary basis).
- VietinBank employees are entitled to the following remuneration mechanisms:
  - + Monthly salary is paid based on role and responsibilities of each position, individual capacity and job performance (KPIs);
  - + Salary and bonuses are linked with the achievement and performance of agreed upon tasks as well as employees' contribution to final business results of their respective unit. The position and performance-related salary scheme continues to be an important motivation to our employees and helps to improve labour efficiency. 2016 statistics showed an average salary of VND 22.34 million/ employee/ month;
  - + Each employee is entitled to full insurance benefits under Vietnamese Labour Law which ensures the employees' rights to early retirement, sick leave and maternity leave;
  - + Employees are provided with equal opportunities to develop careers by being promoted to senior management positions within VietinBank and are eligible for award consideration.
  - + Training is made available to all employees to improve their professional competence;
  - + Employees are also eligible for welfare regimes including holiday vacations and labor union benefits in case of sickness, personal and family issues as well as health insurance coverage.
  - + Social Security Retirement Benefits are provided to former employees with 2 month's salary before their retirement date. They are also entitled to annual medical regimes and are funded for retirement activities by the Bank;

# 3 SUPERVISORY BOARD

## a. List of members and structure of Supervisory Board



### **Mr. NGUYEN THE HUAN** **Head of Supervisory Board**

Mr. Nguyen The Huan, born in 1974, holds a Bachelor in Law, Language and Finance. He was appointed to the Supervisory Board in 04/2015.

He is currently Member of Vietinbank Communist Party and Head of Supervisory Board.

Joined VietinBank in 1995, Mr. Nguyen The Huan has held a number of senior positions including Deputy Director – Customer Department No.1 – VietinBank Ba Dinh Branch; Director – Corporate Banking Department – VietinBank Ba Dinh Branch; Deputy Director – ISO Management Department – VietinBank Bac Giang Branch; Deputy Director – Retail Banking Department, VietinBank Bac Giang Branch; Deputy Managing Director – VietinBank Bac Giang Branch; Deputy Director – Internal Control Department – Vietinbank Head Office; Deputy Director – Internal Audit Department – VietinBank Head Office





### **Ms. PHAM THI THOM**

#### **Member**

Ms. Pham Thi Thom, born in 1969, holds a Master in Banking and Finance. She was appointed to serve as member of Supervisory Board in 07/2009 and reappointed in 04/2014 (2014-2019).

She is currently Director – Policy Department – Accounting and Finance Division – State Bank of Vietnam and Member of Vietinbank Supervisory Board.

Before being appointed to the current positions, she has served as Deputy Director & Director – Accounting Department – Agribank Hanoi Branch, Deputy Director – Policy Department – Accounting and Finance Division – State Bank of Vietnam.



### **Mr. TRAN MINH DUC**

#### **Member**

Mr. Tran Minh Duc, born in 1977, holds a Bachelor in Law. He was appointed to serve as Member of VietinBank Supervisory Board in 04/2015.

Mr. Tran Minh Duc has been working at VietinBank since 2000. Prior to his appointment as Member of the Supervisory Board, Mr. Tran Minh Duc was in charge of the following positions: Deputy Head – Risk and Bad Debt Management Department – VietinBank Ba Dinh Branch; Deputy Director – Legal Department and Acting Director – Legal Department – VietinBank Head Office.



### **Ms. PHAM THI HONG PHUONG**

#### **Member**

Ms. Pham Thi Hong Phuong, born in 1963, holds a Master in Banking and Finance. She was appointed to serve as Member of VietinBank Supervisory Board in 04/2015.

Ms. Pham Thi Hong Phuong has been working at VietinBank since 1991. Prior to her appointment as Member of Supervisory Board, she served as Deputy Managing Director – Vietinbank Hanoi Branch and General Director – VietinBank Gold and Jewelry Trading Company Ltd.

## • Share ownership of Supervisory Board members

No	Full name	Title	No. of shares	Percentage (%)
1	Mr. Nguyen The Huan	Head of Supervisory Board	0	0%
2	Ms. Pham Thi Thom	Member	0	0%
3	Mr. Tran Minh Duc	Member	0	0%
4	Ms. Pham Thi Hong Phuong	Member	94	0.000003%
Total			94	0.000003%

## • Changes in members of Supervisory Board during the year

No	Full name	Title	Date of appointment/ resignation
1	Ms. Vu Thi Bich Hong	Former member	Retired since 01/07/2015. Officially resigned from VietinBank Supervisory Board according to Resolution No. 15/NQ-DHDCD dated 26/04/2016 by 2016 General Meeting of Shareholders

## b. Duties of the Supervisory Board

During the year, Supervisory Board performed specific functions according to Organizational and Operational Charter of VietinBank Supervisory Board as well as directed activities of the Supervisory Board in accordance with the 2016 General Meeting of Shareholders, including the following duties:

### • Monitoring the Bank's overall business operations and its compliance with the provisions of law and the Charter in banking governance and management as well as implementing resolutions adopted by General Meeting of Shareholders

In 2016, VietinBank Supervisory Board performed its roles through the following activities:

#### i. Periodically monitoring and updating VietinBank's information and business activities from time to time and taking part in meetings of the Board of Directors and the Board of Management:

The Supervisory Board monitored the business activities of VietinBank through reports of various divisions/departments under the Board of Management and the Supervisory board. Periodically or extraordinarily, representatives of The Supervisory Board fully took part in meetings of the Board of Directors and the Board of Management for information updates. In every meeting, representatives of Supervisory Board objectively and independently provided their opinions on VietinBank's existing issues, potential risks in the business operation and recommendations to the Board of Directors and the Board of Management..

**ii. Reviewing policies and resolutions of the Board of Directors:**

The Supervisory Board appointed its members to review policy documents issued by the Board of Directors and the General Director as well as various resolutions of the Board according to every business segment of VietinBank. After thorough reviewing, The Supervisory Board stated that all policy documents, resolutions of the Board were appropriately set out according to VietinBank's regulation and Charter and met the requirements assigned at the 2016 General Meeting of Shareholders.

**iii. Reviewed supervising reports, audit reports of Internal Audit Division:**

Through the periodical supervision reports on main business activities of VietinBank and the internal audit reports of business units produced by Internal Audit Division, all issues and recommendations were noted in the Supervisory Board's report to the Board of directors and the General Director.

**• Assessing financial statements**

In 2016, The Supervisory Board established financial statements evaluation team in order to evaluate 2015 financial statements and 2016 first-half financial statements. The evaluation results were proposed by the Supervisory Board to the Board of Directors for review, adjustment and approval for disclosure at the General Meeting of Shareholders as well as other disclosures in compliance with laws and regulations.

**• Updating list of related parties**

Related parties of members of the Board of Directors, Supervisory Board, Board of Management and other shareholders holding at least 5% shares of the Bank were regularly updated by the Supervisory Board according to rules and regulations via information exchanges with the Secretariat to the Board of Directors.

**• Directing and supervising of Internal Audit**

In 2016, the Supervisory Board regularly directed activities of Internal Audit according to their functions and responsibilities assigned by the State Bank of Vietnam and VietinBank; the Supervisory Board directed and supervised Internal Audit Department according to planned agenda and assigned workload. Performance and audit results of Internal Audit were evaluated at periodic meetings of the Supervisory Board. As of year-end 2016, Internal Audit department successfully concluded the 2016 Internal Audit plan. Audit results and recommendations of Internal Audit department were promptly delivered to the Board of Directors, Board of Management as well as relevant departments for review, necessary adjustments and improvement in compliance with applicable regulations and the Bank's operation.

# 4

## TRANSACTIONS, REMUNERATION AND INTERESTS OF THE BOARD OF DIRECTORS, BOARD OF MANAGEMENT AND SUPERVISORY BOARD

### a. Salary, bonuses and other remuneration

Remuneration policy for Board of Directors, Board of Management and Supervisory Board aligns with VietinBank's current regulations and instructions. In which, the members' salary is a component of VietinBank's general salary budget, and reflects their performance and achievement of agreed upon tasks.

In 2016, calculation of remuneration of the Board and Supervisory Board was 0.35% of profit after tax.

### b. Shares transactions of internal shareholders

No.	Name of individual	Relationship with internal shareholders	Opening number of shares		Closing number of shares		Remarks
			Number of shares	%	Number of shares	%	
1	Tran Thanh Thuy	Sister of Deputy General Director Tran Minh Binh	0	0%	0	0%	<ul style="list-style-type: none"> <li>- Bought 100 shares on 06/05/2016</li> <li>- Bought 900 shares on 10/05/2016</li> <li>- Sold 1,000 shares on 30/05/2016</li> </ul>

- **Contracts or transactions with internal shareholders:** None
- **Implementation of regulations on corporate governance:** VietinBank fully complies with applicable rules and regulations on corporate governance.







# AUDITED CONSOLIDATED FINANCIAL STATEMENTS

**For the year ended 31 December 2016**

In accordance with Vietnamese Accounting Standards  
and Accounting Regime applicable to Credit  
Institutions in Vietnam

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## 1

## STATEMENT OF THE BOARD OF MANAGEMENT

The Board of Management of Vietnam Joint Stock Commercial Bank for Industry and Trade (the “Bank”) presents this report together with the consolidated financial statements of the Bank and its subsidiaries for the year ended 31 December 2016.

## THE BOARDS OF DIRECTORS AND MANAGEMENT

The members of the Boards of Directors and Management of the Bank who held office during the year and to the date of this report are as follows:

## BOARD OF DIRECTORS

Mr. Nguyen Van Thang	Chairman
Mr. Le Duc Tho	Member
Ms. Nguyen Hong Van	Member
Mr. Michael Knight Ipson	Member
Mr. Cat Quang Duong	Member
Mr. Hiroyuki Nagata	Member
Mr. Go Watanabe	Member (resigned on 26 April 2016)
Mr. Yotaro Agari	Member (appointed on 26 April 2016)
Mr. Phung Khac Ke	Member
Ms. Tran Thu Huyen	Member

## BOARD OF MANAGEMENT

Mr. Le Duc Tho	General Director
Mr. Tran Minh Binh	Deputy General Director
Mr. Nguyen Van Du	Deputy General Director (resigned on 31 May 2016)
Ms. Bui Nhu Y	Deputy General Director
Mr. Nguyen Hoang Dung	Deputy General Director
Mr. Nguyen Duc Thanh	Deputy General Director
Mr. Hiroyuki Nagata	Deputy General Director
Mr. Tran Cong Quynh Lan	Deputy General Director
Mr. Nguyen Dinh Vinh	Deputy General Director
Ms. Le Nhu Hoa	Deputy General Director (appointed on 01 August 2016)
Mr. Nguyen Hai Hung	Chief Accountant

## Person authorized to sign the financial statements

Ms. Le Nhu Hoa	(According to Authorization Letter No. 685/UQ-HDQT-NHCT18 dated 08 August 2016 of the Chairman)
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## BOARD OF MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The Board of Management of the Bank is responsible for preparing the consolidated financial statements, which give a true and fair view of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2016 and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime applicable to credit institutions in Vietnam and legal regulations relating to financial reporting. In preparing these consolidated financial statements, the Board of Management is required to:

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

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

The Board of Management confirms that the Bank has complied with the above requirements in preparing these consolidated financial statements.

For and on behalf of the Board of Management,



**LE DUC THO**  
**General Director**

*Hanoi, 30 March 2017*



# 2 INDEPENDENT AUDITORS' REPORT

No.: **853** /VN1A-HN-BC

**To: The Shareholders**  
**The Boards of Directors and Management**  
**Vietnam Joint Stock Commercial Bank for Industry and Trade**

We have audited the accompanying consolidated financial statements of Vietnam Joint Stock Commercial Bank for Industry and Trade and its subsidiaries (the "Bank"), prepared on 30 March 2017 as set out from page 103 to page 184, which comprise the consolidated balance sheet as at 31 December 2016, the consolidated statement of income, consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## ***Management's Responsibility for the Consolidated Financial Statements***

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

## ***Auditors' Responsibility***

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

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

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

## ***Opinion***

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime applicable to credit institutions in Vietnam and legal regulations relating to financial reporting.

## ***Emphasis of matter***

We would like to draw readers' attention to Note 51 of the Notes to the consolidated financial statements

"Contingent liabilities". As at 31 December 2016, the Bank has legal rights and obligations related to the case of Huynh Thi Huyen Nhu and the other former employees of Ho Chi Minh City branch and Nha Be branch of the Bank. As at 07 January 2015, the Appeal Court of People's Supreme Court at Ho Chi Minh City ("the Appeal Court") had judged the case, sentencing the accused for swindling to appropriate assets and certain other crimes, simultaneously reaching a verdict on judgment against the accused members. In terms of civil responsibilities, Huynh Thi Huyen Nhu was responsible for reimbursement to three (03) banks, four (04) companies and three (03) individuals which were defrauded by her and the Bank neither has compensation obligations, joint liability nor incurs any financial loss with regards to the illegal actions of the accused members mentioned above. The Appeal Court has ceased the first instance judgment in part relating to Huynh Thi Huyen Nhu's illegal actions to five (05) other companies for and has been re-investigating and judging as regulated by laws. Accordingly, the responsibilities and legal obligations of the parties concerned shall be defined only when the case has been re-investigating and tried with effective judgment and verdict. Our opinion is not modified in respect of this matter.




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**Nguyen Tuan Anh**

**Audit Director**

Audit Practising Registration Certificate

No. 1291-2013-001-1

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**Nguyen Thi Thanh Van**

**Auditor**

Audit Practising Registration Certificate

No. 2543-2014-001-1

***For and on behalf of***

**DELOITTE VIETNAM COMPANY LIMITED**

*30 March 2017*

*Hanoi, S.R. Vietnam*

# 3 CONSOLIDATED BALANCE SHEET

As at 31 December 2016

Unit: Million VND

NO.	ITEMS	Notes	Closing balance	Opening balance
<b>A.</b>	<b>ASSETS</b>			
<b>I.</b>	<b>Cash, gold and gemstones</b>	<b>4</b>	<b>5,187,132</b>	<b>5,090,768</b>
<b>II.</b>	<b>Balances with the State Bank of Vietnam ("SBV")</b>	<b>5</b>	<b>13,502,594</b>	<b>11,892,969</b>
<b>III.</b>	<b>Placements with and loans to other credit institutions</b>	<b>6</b>	<b>94,469,281</b>	<b>66,018,789</b>
1.	Placements with other credit institutions		91,031,828	64,385,375
2.	Loans to other credit institutions		3,437,453	1,633,414
3.	Provisions for losses		-	-
<b>IV.</b>	<b>Trading securities</b>	<b>7</b>	<b>1,894,690</b>	<b>3,346,354</b>
1.	Trading securities		1,974,670	3,373,406
2.	Provisions for impairment of trading securities		(79,980)	(27,052)
<b>V.</b>	<b>Derivative financial instruments and other financial assets</b>	<b>8</b>	<b>682,690</b>	<b>-</b>
<b>VI.</b>	<b>Loans to customers</b>		<b>655,125,731</b>	<b>533,530,118</b>
1.	Loans to customers	9	661,987,797	538,079,829
2.	Provisions for credit losses of loans to customers	10	(6,862,066)	(4,549,711)
<b>VII.</b>	<b>Investment securities</b>	<b>11</b>	<b>134,226,686</b>	<b>120,024,229</b>
1.	Available-for-sale investment securities		125,573,894	108,940,288
2.	Held-to-maturity investment securities		11,743,021	12,928,649
3.	Provisions for impairment of investment securities	12	(3,090,229)	(1,844,708)
<b>VIII.</b>	<b>Capital contribution, long-term investments</b>	<b>13</b>	<b>3,202,637</b>	<b>3,892,314</b>
1.	Investments in joint-ventures		2,774,766	2,782,845
2.	Other long-term investments		430,445	1,131,164
3.	Provisions for impairment of long-term investments		(2,574)	(21,695)
<b>IX.</b>	<b>Fixed assets</b>		<b>10,615,318</b>	<b>8,665,767</b>
1.	Tangible fixed assets	14	6,422,471	4,374,977
a.	Cost		12,538,329	9,746,338
b.	Accumulated depreciation		(6,115,858)	(5,371,361)
2.	Intangible assets	15	4,192,847	4,290,790
a.	Cost		5,141,691	5,090,892
b.	Accumulated amortisation		(948,844)	(800,102)
<b>X.</b>	<b>Other assets</b>		<b>29,792,264</b>	<b>27,022,179</b>
1.	Other receivables	16	12,572,928	10,799,595
2.	Interest and fee receivables		14,207,830	12,863,853
3.	Other assets	17	3,013,053	3,360,668
	- In which: Goodwill	18	4,537	6,352
4.	Provisions for impairment of other balance sheet assets		(1,547)	(1,937)
<b>TOTAL ASSETS</b>			<b>948,699,023</b>	<b>779,483,487</b>

## CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2016

Unit: Million VND

STT	ITEMS	Notes	Closing balance	Opening balance
<b>B</b>	<b>LIABILITIES AND OWNERS' EQUITY</b>			
<b>I</b>	<b>Borrowings from the Government and the SBV</b>	<b>19</b>	<b>4,808,417</b>	<b>13,227,115</b>
<b>II</b>	<b>Deposits and borrowings from other credit institutions</b>	<b>20</b>	<b>85,151,867</b>	<b>99,169,216</b>
1	Deposits from other credit institutions		41,346,232	43,399,347
2	Borrowings from other credit institutions		43,805,635	55,769,869
<b>III</b>	<b>Deposits from customers</b>	<b>21</b>	<b>655,060,148</b>	<b>492,960,064</b>
<b>IV</b>	<b>Derivative financial instruments and other financial liabilities</b>	<b>8</b>	<b>-</b>	<b>117,619</b>
<b>V</b>	<b>Grants, trusted funds and borrowings at risk of the credit institutions</b>	<b>22</b>	<b>6,075,468</b>	<b>54,237,247</b>
<b>VI</b>	<b>Valuable papers issued</b>	<b>23</b>	<b>23,849,453</b>	<b>20,860,497</b>
<b>VII</b>	<b>Other liabilities</b>		<b>113,354,267</b>	<b>42,801,583</b>
1	Accrued fee and interest expenses		9,944,825	5,971,380
2	Other payables and liabilities	24	103,171,982	36,711,027
3	Other provisions	24	237,460	119,176
<b>TOTAL LIABILITIES</b>			<b>888,299,620</b>	<b>723,373,341</b>
<b>VIII</b>	<b>Capital and reserves</b>	<b>26</b>	<b>60,399,403</b>	<b>56,110,146</b>
1	Capital		46,208,767	46,208,778
a	Charter capital		37,234,046	37,234,046
b	Share premium		8,974,721	8,974,732
2	Reserves		6,366,898	5,275,032
3	Foreign exchange reserves		480,011	441,537
4	Retained earnings		7,083,394	3,942,373
5	Non-controlling interests		260,333	242,426
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>			<b>948,699,023</b>	<b>779,483,487</b>

**CONSOLIDATED BALANCE SHEET (Continued)**

As at 31 December 2016

Unit: Million VND

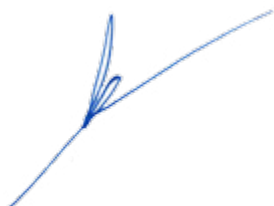
**OFF-CONSOLIDATED BALANCE SHEET ITEMS**

No.	ITEMS	Notes	Closing balance	Opening balance
1	Credit guarantees	40	2,349,067	5,338,188
2	Foreign exchange transactions commitments	40	133,764,643	65,296,692
	<i>Buying foreign currency commitments</i>		509,340	6,826,039
	<i>Selling foreign currency commitments</i>		743,152	6,733,633
	<i>Cross currency swap contracts</i>		132,512,151	51,737,020
3	Letter of credit	40	42,320,738	29,551,935
4	Other guarantees	40	46,360,864	32,145,380
5	Other commitments	40	28,605,438	30,337,607

Preparer *mb*

Approver

Approver





Ngu Bich Phan

Deputy Head of  
Financial Accounting

Management Department

Nguyen Hai Hung

Chief Accountant

Le Nhu Hoa

Deputy General Director

30 March 2017



# 4 CONSOLIDATED INCOME STATEMENT

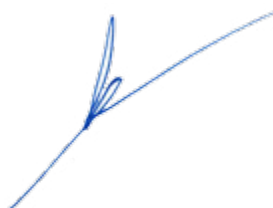
For the year ended 31 December 2016

Unit: Million VND

STT	ITEMS	Notes	Current year	Prior year
1.	Interest and similar income	27	52,990,698	42,471,731
2.	Interest and similar expenses	28	(30,585,706)	(23,632,746)
<b>I.</b>	<b>Net interest income</b>		<b>22,404,992</b>	<b>18,838,985</b>
3.	Income from services		3,334,497	2,650,863
4.	Expenses on services		(1,636,472)	(1,190,961)
<b>II.</b>	<b>Net profit from services</b>	<b>29</b>	<b>1,698,025</b>	<b>1,459,902</b>
<b>III.</b>	<b>Net gain from trading foreign currencies</b>	<b>30</b>	<b>685,139</b>	<b>19,767</b>
<b>IV.</b>	<b>Net gain from trading securities</b>	<b>31</b>	<b>183,919</b>	<b>129,177</b>
<b>V.</b>	<b>Net gain from investment securities</b>	<b>32</b>	<b>40,955</b>	<b>52,807</b>
5.	Other operating income		2,546,328	4,108,124
6.	Other operating expenses		(1,247,565)	(1,905,838)
<b>VI.</b>	<b>Net profit from other activities</b>	<b>33</b>	<b>1,298,763</b>	<b>2,202,286</b>
<b>VII.</b>	<b>Income from capital contribution, equity investments</b>	<b>34</b>	<b>150,475</b>	<b>40,960</b>
<b>VIII.</b>	<b>Operating expenses</b>	<b>35</b>	<b>(12,870,682)</b>	<b>(10,719,457)</b>
<b>IX.</b>	<b>Net profit from operating activities before credit provision expenses</b>		<b>13,591,586</b>	<b>12,024,427</b>
<b>X.</b>	<b>Provision expenses for credit losses</b>		<b>(5,022,104)</b>	<b>(4,678,986)</b>
<b>XI.</b>	<b>Profit before tax</b>		<b>8,569,482</b>	<b>7,345,441</b>
7.	Current corporate income tax expense	36	(1,711,921)	(1,628,563)
8.	Deferred tax expense		289	-

XII.	Corporate income tax expense		(1,711,632)	(1,628,563)
XIII.	Profit after corporate income tax		6,857,850	5,716,878
XIV.	Non-controlling interests		19,984	18,957
XV.	Profit attributable to the owners of the Bank		6,837,866	5,697,921
XVI.	Earnings per share (VND)	26	1,457	1,224

Preparer *mb*



**Ngu Bich Phan**

**Deputy Head of  
Financial Accounting**

**Management Department**

Approver



**Nguyen Hai Hung**

**Chief Accountant**

Approver



**Le Nhu Hoa**

**Deputy General Director**

30 March 2017

# 5 CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2016

Unit: Million VND

STT	ITEMS	Current year	Prior year
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
01.	Interest and similar income received	51,622,581	42,478,255
02.	Interest and similar expenses paid	(26,632,017)	(23,474,151)
03.	Service income received	1,745,205	1,608,083
04.	Net cash received gain from trading foreign currencies, gold and securities	2,859,345	1,471,322
05.	Other expenses	(650,253)	(322,928)
06.	Receipts from debts written-off or paid off by risk fund	1,814,476	2,241,477
07.	Payments to employees and for operating management	(11,243,918)	(9,951,632)
08.	Corporate income tax paid	(1,660,986)	(1,709,038)
	<b>Net cash from operating profit before movements in assets and working capital</b>	<b>17,854,433</b>	<b>12,341,388</b>
	<b>Movement in operating assets</b>	<b>(139,525,898)</b>	<b>(128,359,308)</b>
09.	(Increase)/Decrease in deposits at and loans to other credit institutions	(2,224,254)	6,756,363
10.	(Increase) in trading securities	(9,726,307)	(27,073,650)
11.	(Increase) in derivatives financial instruments and others financial assets	(682,690)	-
12.	(Increase) in loans to customers	(123,541,758)	(105,121,197)
13.	(Decrease) in provisions for losses	(1,482,318)	(3,458,017)
14.	(Increase)/Decrease in other operating assets	(1,868,571)	537,193
	<b>Movements in operating liabilities</b>	<b>156,101,473</b>	<b>114,814,594</b>
15.	(Decrease)/Increase in borrowings from the Government and the State Bank of Vietnam	(8,418,698)	8,495,712
16.	(Decrease) in deposits and borrowings from other credit institutions	(14,017,349)	(4,600,649)
17.	Increase in deposits from customers (including the State Treasury)	162,100,084	68,778,890
18.	Increase in issued valuable papers (excluding valuable papers charged to financial activities)	2,988,956	15,566,424
19.	(Decrease)/Increase in grants, trusted funds and borrowings at risk of the credit institution	(48,161,779)	22,215,554
20.	(Decrease) in derivatives financial instruments and other financial liabilities	(117,619)	(298,159)
21.	Increase in other operating liabilities	61,730,621	4,657,170

22.	Cash outflows from reserves of the credit institution	(2,743)	(348)
<b>I.</b>	<b>Net cash generated by/(used in) operating activities</b>	<b>34,430,008</b>	<b>(1,203,326)</b>
01.	Acquisition of fixed assets	(1,852,272)	(1,912,423)
02.	Proceeds from sales, disposals of fixed assets	13,348	233,554
03.	Expenses on sales, disposals of fixed assets	(8,573)	(18,308)
04.	Investments in other entities	(24,000)	(13,860)
05.	Proceeds from investments in other entities	219,588	39,705
06.	Dividends and profits received from long-term investments and capital contribution	112,602	373,492
<b>II.</b>	<b>Net cash (used in) investing activities</b>	<b>(1,539,307)</b>	<b>(1,297,840)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
01.	Dividends and profits paid	-	(3,723,405)
<b>III.</b>	<b>Net cash (used in) financing activities</b>	<b>-</b>	<b>(3,723,405)</b>
<b>IV.</b>	<b>Net increase/(decrease) in cash</b>	<b>32,890,701</b>	<b>(6,224,571)</b>
<b>V.</b>	<b>Cash and cash equivalents at the beginning of the year</b>	<b>80,882,722</b>	<b>87,064,648</b>
<b>VI.</b>	<b>Effects of changes in foreign exchange rates</b>	<b>41,526</b>	<b>42,645</b>
<b>VII.</b>	<b>Cash and cash equivalents at the end of the year (Note 37)</b>	<b>113,814,949</b>	<b>80,882,722</b>

Preparer



**Ngu Bich Phan**

**Deputy Head of  
Financial Accounting**

**Management Department**

Approver



**Nguyen Hai Hung**

**Chief Accountant**

Approver



**Le Nhu Hoa**

**Deputy General Director**

30 March 2017

# 6

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Vietnam Joint Stock Commercial Bank for Industry and Trade (herein referred to as the "Bank" or "Vietinbank") is a joint stock commercial bank incorporated in the Socialist Republic of Vietnam.

#### **Establishment and operation**

The Bank was established from the equitisation of Vietnam Bank for Industry and Trade – a State-owned commercial bank which had been established in accordance with Decision No. 402/CT dated 14 November 1990 by the President of Ministerial Council and subsequently reorganised into State-owned corporation in accordance with Decision No. 285/QĐ-NH5 dated 21 September 1996 by the Governor of the State Bank of Vietnam (the "SBV"). On 25 December 2008, Vietnam Bank for Industry and Trade successfully undertook its Initial Public Offering.

The Bank was equitised and renamed as Vietnam Joint Stock Commercial Bank for Industry and Trade on 03 July 2009 under License of Establishment and Operation No. 142/GP-NHNN dated 03 July 2009, issued by the State Bank of Vietnam and Business Registration Certificate No. 0103038874 dated 03 July 2009 issued by Hanoi Authority for Planning and Investment. On 29 April 2014, Hanoi Authority for Planning and Investment issued the tenth amended Business Registration Certificate No. 0100111948 to the Bank.

The Bank's main activities are to provide banking services including mobilizing and receiving short-term, medium-term, and long-term deposits from organisations and individuals; making short-term, medium-term, and long-term loans to organisations and individuals based on the nature and capability of the Bank's sources of capital; providing settlement services among organisations and individuals; conducting foreign exchange transactions, international trade funding services, discounting commercial papers, bonds and other valuable papers, and providing other banking services allowed by the SBV.

#### **Charter capital**

The Bank's charter capital under the License of Establishment and Operation No. 142/GP-NHNN dated 03 July 2009 is VND 11,252,973 million, of which State-owned capital is VND 10,040,855 million and capital raised from the Initial Public Offering is VND 1,212,118 million.

On 18 October 2010, the Bank completed its share issuance with 391,931,841 shares additionally issued, of which 76,848,603 shares were issued in form of share dividend payment and 315,083,238 shares were sold to the Bank's shareholders.

On 10 March 2011, the Bank completed its share issuance to a strategic shareholder with the total number of new issued shares of 168,581,013.

On 28 December 2011, the Bank completed its share issuance to the existing shareholders with the total number of new issued shares of 337,162,027.

On 13 April 2012, the Bank completed its share issuance to the existing shareholders with the total number of new issued shares of 598,782,376.

On 14 May 2013, the Bank completed its share issuance to the Bank of Tokyo Mitsubishi UFJ, Ltd. with the total number of new issued shares of 644,389,811.

On 22 October 2013, the Bank completed its share issuance to the existing shareholders with the total



number of new issued shares of 457,260,208.

Accordingly, as at 31 December 2016, the Bank's charter capital is VND 37,234,046 million.

### The branch network

The Head Office of the Bank is located at 108 Tran Hung Dao Street, Hoan Kiem District, Hanoi, Vietnam. As at 31 December 2016, the Bank has one (01) Head Office, one (01) Trade Finance Center, five (05) Cash Management Centers, three (03) administrative units, two (02) local representative offices, one (01) overseas representative office in Myanmar and one hundred and fifty seven (157) branches (including two (02) overseas branches).

### Subsidiaries

As at 31 December 2016, the Bank has seven (7) subsidiaries and one (1) subsidiary bank as follows:

STT	Name	Established in accordance with Decision No.	Business sector	% of ownership held by the Bank
1	VietinBank Leasing Company Ltd.	0101047075/GP dated 10 March 2011 by Hanoi Authority for Planning and Investment	Banking and finance	100%
2	VietinBank Securities Joint Stock Company	107/UBCK-GP dated 01 July 2009 by State Securities Commission of Vietnam (SSC)	Securities market	76%
3	VietinBank Debt Management and Asset Exploitation Company Ltd.	0302077030/GP dated 20 July 2010 by Department of Planning and Investment of Ho Chi Minh City	Asset management	100%
4	VietinBank Insurance Company Ltd.	21/GPDC6/KDBH dated 21 April 2009 by the Ministry of Finance	Non-life insurance	100%
5	VietinBank Gold and Jewelry Trading Company Ltd.	0105011873/GP dated 25 November 2010 by Hanoi Authority for Planning and Investment	Gold and gemstones manufacturing and trading	100%
6	VietinBank Fund Management Company Ltd.	50/UBCK-GP dated 26 October 2010 by State Securities Commission of Vietnam (SSC)	Fund management	100%
7	VietinBank Global Money Transfer Company Ltd.	0105757686 dated 03 January 2012 by Hanoi Authority for Planning and Investment	Money transfer intermediary	100%
8	VietinBank (Lao) Limited	068/NHCHDCNDL dated 08 July 2015 by Bank of the Lao People's Democratic Republic	Banking and finance	100%

## **Employees**

The total number of employees of the Bank as at 31 December 2016 is 22,957 (as at 31 December 2015: 21,024).

## **Disclosure of information comparability in the consolidated financial statements**

Comparative figures are the figures of the audited consolidated financial statements for the year ended 31 December 2015.

## **2. ACCOUNTING CONVENTION AND FINANCIAL YEAR**

### **Accounting convention**

The accompanying consolidated financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, accounting regime applicable to credit institutions in Vietnam and legal regulations relating to financial reporting. However, due to the Bank's large scale of operations, for the purpose of preparing these consolidated financial statements, the figures are rounded to and presented in millions of Vietnam Dong (million VND). This presentation does not materially impact the consolidated financial statements in terms of the consolidated financial position, the consolidated results of operations and the consolidated cash flows of the Bank and its subsidiaries. With regards to the number of shares, the Bank presented the items in unit as shown in Note 26.

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

### **Financial year**

The Bank's financial year begins on 01 January and ends on 31 December.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **Estimates**

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

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Bank and enterprises controlled by the Bank (its subsidiaries) as at 31 December 2016. Control is achieved where the Bank has the

power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Bank.

All internal transactions and balances between group enterprises are eliminated on consolidation.

Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling's share of changes in equity since the date of the combination. Losses in subsidiaries are respectively attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

### **Business combinations**

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to profit or loss in the year of acquisition.

The non-controlling interests are initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

### **Interests in joint ventures**

A joint venture is contractual arrangement whereby the Bank and other parties undertake an economic activity that is subject to joint control, i.e., the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Bank reports its interests in jointly controlled entities using the equity method of accounting. According to equity method of accounting, investments in joint ventures are initially stated at cost. Subsequently, interests in joint ventures are adjusted by post-acquisition changes in the Bank's share of the net assets of the joint ventures.

### **Goodwill**

Goodwill represents the excess of the cost of acquisition over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary or jointly controlled entity at the date of acquisition. Goodwill is recognised as an asset and is amortised on the straight-line basis over its estimated period of benefit of 10 years.

Goodwill arising on the acquisition of jointly controlled entities is included in the carrying amount of the jointly controlled entities. Goodwill arising on the acquisition of subsidiaries is presented separately as an intangible asset in the consolidated balance sheet.

On disposal of a subsidiary or jointly controlled entity, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

## Cash and cash equivalents

Cash and cash equivalents comprise cash and cash equivalents on hand, demand deposits, balances with the State Bank of Vietnam, placements with other credit institutions (including demand deposits and term deposits not exceeding three months), securities which are expected to be realised or matured not exceeding three months from the date of purchase, Government treasury bills and other short-term valuable papers eligible for re-discounting with the State Bank of Vietnam.

## Loans to customers

Loans to customers are stated at their outstanding principal amounts as at the balance sheet date except for the loans which are unable to be recovered and are written off. According to Circular No. 02/2013/TT-NHNN dated 21 January 2013 ("Circular 02"), the Bank has to establish Risk Settlement Committee in order to decide the use of provision against credit risks in the following cases:

- Customer is an organization which is dissolved, goes bankrupt as prescribed by law, or an individual who dies or is missing;
- Loans which are classified to Group 5.

## Provision for credit losses

In accordance with Law on Credit Institutions No. 47/2010/QH12 effective from 01 January 2011, Decision No. 1627/2001/QĐ-NHNN dated 31 December 2001 of the Governor of the State Bank on lending regulations of credit institutions, Decision No. 127/2005/QĐ-NHNN dated 03 February 2005 amending and supplementing a number of articles of lending regulations under Decision No. 1627/2001/QĐ-NHNN, Circular 02 of the State Bank Governor stipulating classification of assets, levels and method of provisioning and use of provision against credit risk in banking activities by credit institutions and branches of foreign banks and Circular No. 09/2014/TT-NHNN dated 18 March 2014 ("Circular 09") amending Circular 02, credit institutions are required to classify loans and make provisions for credit losses. Accordingly, the classification and making provisions for credit losses under guidance of Circular 02 and Circular 09 are applied for the following assets:

- Loans;
- Finance leases;
- Discounts, rediscounts of negotiable instruments and other valuable papers;
- Factoring;
- Credit facilities in the form of credit card issuance;
- Payments on behalf of customers under off-balance sheet commitments;
- Cost and entrusted amounts for purchase of corporate bonds unlisted on the stock market or unregistered for trading on trading market of unlisted public companies (Upcom) (hereinafter referred to as unlisted bonds), excluding purchase of unlisted bonds by entrustment amount which the trustors bear risks;
- Entrusted credit facilities;
- Deposits (excluding demand deposits) at domestic credit institutions, Vietnam-based foreign banks' branches as prescribed by law and deposits at foreign credit institutions.

Accordingly, customers risk category is the one with highest risk level when the Bank simultaneously classifies loans based on Article 10 and Article 11, Circular 02 and the loan category provided by Credit

Information Centre ("CIC") of the State Bank of Vietnam at the time of loans classification. Specifically, Article 10 of Circular 02 requires classifications of loans and off-balance-sheet commitments are made under qualitative methods; Article 11 of Circular 02 requires the Bank to classify loans and off-balance-sheet commitments based on internal credit ranking of the Bank as approved by the State Bank of Vietnam. Loans are classified by risk level into: Current, Special-mentioned, Substandard, Doubtful and Loss. Bad debts are Substandard, Doubtful and Loss.

Specific provision is made for the potential losses of each loan and established based on the net loan exposure for each individual customer using the prescribed provision rates applicable to that loan classification as follows:

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

Credit risk exposure of loans to customers is calculated by subtracting from the loan balance the related determined value of collateral which is subject to certain accepted discount rates in accordance with Circular 02. Loan classification is to be made at the end of each quarter for the first three quarters and on 30 November for the last quarter of each financial year.

General provision is made for credit losses which are yet to be identified during the loan classification. Accordingly, the Bank is required to make and maintain a general provision at 0.75% of total of loans exposures that are classified in groups 1 to 4, except for deposits at domestic credit institutions and Vietnam-based foreign bank branches as provided by law, and deposits at foreign credit institutions, loans, valuable papers repurchased and reverse-repurchased from other credit institutions and foreign bank branches in Vietnam.

These provisions are recorded in the consolidated income statement as an expense and will be used to write off any credit losses incurred. The Bank writes off loans if they are classified under Group 5 or if the borrowers are legal entities that are liquidated or go bankrupt, or if borrowers are individuals who pass away or are missing.

## Investments

### Trading securities

Trading securities include debt securities, equity securities and other securities that the Bank and/or its subsidiaries purchases and intends to sell in the short term (less than 1 year) in order to gain profits from price fluctuation. Trading securities are initially recognised at cost at transaction date and subsequently carried at cost.

Interest received while holding trading securities is recorded in the consolidated income statement on the cash basis. Cash dividends are recognised in the consolidated income statement when dividend distributions are officially announced.

## Investment securities

### Held-to-maturity investment securities

Held-to-maturity investment securities are debt securities that the Bank purchases for investment purpose in order to gain interest and the Bank has intention and ability to hold the securities until maturity. Held-





to-maturity securities have fixed or determinable payments and fixed maturities. In case the securities are sold before maturity, such securities will be reclassified to trading or available-for-sale securities.

Held-to-maturity investment securities are initially recognised at par value as at the transaction date, accumulative interest income before the purchasing date (for debt securities with interest paid in arrears) or interest income received upfront awaiting amortisations (for debt securities with interest paid in advance) is recorded in a separate account. Any discount or surplus which is the difference between par value and the amount equal to par value plus (+) accumulative interest income before the purchasing date (if any) for debt securities with interest paid in arrears or minus (-) interest income received upfront awaiting amortisation (if any) for debt securities with interest paid in advance is also recorded in a separate account.

In subsequent period, held-to-maturity investment securities are recognised at par value. Any discount or premium (if any) is amortised in the consolidated income statement using the straight-line method over the estimated remaining term of securities. Interest paid in arrears is recorded as follows: accumulative interest income before the purchasing date is recorded as a decrease in value of such securities and the same amount is credited into accrued interest; accumulative interest income after the purchasing date is recognised as the Bank's income, based on the accumulated method. Interest received upfront is recognised and amortised to net gain from investments in securities using the straight-line method over the investment period.

With regard to special bonds resulting from debts trading transactions between Vietnam Asset Management Company ("VAMC") and credit institutions

Pursuant to Official Letter No. 8499/NHNN-TCKT dated 14 November 2013 of the State Bank of Vietnam guiding the accounting treatment of the bad debts trading transactions between VAMC and credit institutions, when the Bank involves in bad debts selling transactions to receive special bonds from VAMC and the formal selling procedures are completed, the Bank will record the special bonds received from VAMC on the "Held-to-maturity investment securities" account.

Periodically, the Bank shall determine and make provision for impairment of those special bonds in accordance with the regulations stipulated in Decree No. 53/2013/ND-CP ("Decree 53") dated 18 May 2013 and Decree No. 18/2016/ND-CP dated 18 March 2016 ("Decree 18") of the Government, Circular No. 19/2013/TT-NHNN dated 06 September 2013 ("Circular 19") and Circular No. 14/2015/TT-NHNN dated 28

August 2015 of the State Bank of Vietnam amending and supplementing a certain articles of Decree 53 and Circular 19. Accordingly, during the term of the special bonds, the Bank shall record the provision for impairment of those special bonds in the operating expenses. Within 05 working days prior to the date corresponding to the maturity date of the special bonds, the Bank shall make specific minimum provision for each special bond calculated on annual basis by the following formula:

Minimum special provision made in the year = (Par value of the special bond x Number of years from issuance of special bonds to provision time)/Term of the special bond - Accumulated bad debt collection at the date of provision - Accumulated specific provision for special bonds.

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

The special bonds are redeemed in the following cases:

a) The loan loss provision made for special bonds is not lower than the carrying amount of outstanding principal of the bad debts being recorded by VAMC, including the cases below:

- VAMC sells bad debts to other organizations and individuals, including the bad debts bought with special bonds to debt-selling credit institutions at market prices or agreed prices;
- VAMC converts a portion or the whole amount of bad debts bought into charter capital, share capital of borrowers being enterprises.

b) The special bonds are matured: When the special bonds are redeemed and the Bank receives the previously sold debts from VAMC, the Bank might use the provision made annually for special bonds to settle bad debts. The difference between provisions made for special bonds and unrecoverable amount of debts is recorded as "Other operating income" in the consolidated income statement.

#### **Available-for-sale investment securities**

Available-for-sale investment securities include debt and equity securities that the Bank holds for investment purpose and that are ready for sale. These securities are not frequently traded but could be sold at any time once they are profitable, and the Bank is neither founding shareholder nor strategic partner of the investee by a written agreement on delegating personnel to take part in the Board of Directors/ Board of Management.

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

Available-for-sale debt securities are initially recognised at par value as at the transaction date. Accrued interest income before the purchasing date (for debt securities with interest paid in arrears) or interest income received upfront awaiting amortisations (for debt securities with interest paid in advance) is recorded in a separate account. Any discount or premium which is the difference between the cost and the amount equal to par value plus (+) accumulative interest income before the purchasing date for debt securities with interest paid in arrears or minus (-) interest income received upfront awaiting amortisation for debt securities with interest paid in advance is also recorded in a separate account. Subsequently, available-for-sale debt securities are recorded at par value less/plus remaining discount/premium after being amortised to the consolidated income statement using the straight-line method over the remaining term of securities. Interest paid in arrears is recorded as follows: accumulative interest income before the purchasing date is recorded as a decrease in the value of such securities and the same amount is credited into the accrued interest income; accumulative interest income after the purchasing date is recognised in the Bank's income on an accrual basis. Interest received upfront is amortised to the net gain from investment securities on the consolidated income statement using the straight-line method over the investment period.

### **Provisions for impairment of trading securities and investment securities**

For special bond issued by Vietnam Asset Management Company in order to buy the bad debts of credit institutions, provisions are made and utilised in accordance with Circular No. 19/2013/TT-NHNN dated 06 September 2013 issued by the Governor of the State Bank of Vietnam on the purchase, sale and settlement of bad debts of Vietnam Asset Management Company and other relevant regulations.

Unlisted corporate bonds are classified and made provision in accordance with Circular 02 and Circular 09 (similar to loans represented in **Provision for credit losses**).

At VietinBank Fund Management Company Ltd. and VietinBank Securities Joint Stock Company, provisions for impairment of securities are made in accordance with Circular No. 146/2014/TT-BTC ("Circular 146") dated 06 October 2014 issued by the Ministry of Finance. Accordingly, for listed securities, the companies determined the value of the investments using closing prices in the active market as at the balance sheet date.

Except for cases mentioned above, provisions for impairment of such securities are made in accordance with Official Letter No. 2601/NHNN-TCKT dated 14 April 2009 and guidance under Circular No. 228/2009/TT-BTC dated 07 December 2009 and Circular No. 89/2013/TT-BTC dated 28 June 2013 amending and supplementing Circular 228/2009/TT-BTC issued by the Ministry of Finance. Accordingly, for listed securities, the Bank determined the value of the investments using market prices in the active market as at the balance sheet date; for unlisted and liquid equity securities, the Bank collected direct quotations from three securities companies having charter capital of more than VND 300 billion each at the end of the year to determine the value of the investments. When market price increases, the gain will be offset against, but not exceed the provision made previously. The excessive amount is not recorded as income until the securities are sold.

#### **Other long-term investments**

Other long-term investments represent the investments in unlisted equity securities and other entities in which the Bank has no significant influence, control or joint control over the investee. The long-term investments are recognised at cost less provision (if any).

Provision for impairment of long-term investments is made when the investees make losses (except that such losses were intended in the entities' original business plans) in accordance with Circular No. 228/2009/TT-BTC ("Circular 228") dated 07 December 2009 and Circular No. 89/2013/TT-BTC dated 28 June 2013 amending and supplementing Circular 228 issued by the Ministry of Finance. Accordingly, provision to be made is the difference between the Bank's actual contributed capital to the investees and the Bank's share of the owner's equity of the investee. Provision for impairment of long-term investments is recorded as an operating expense in the Bank's consolidated income statement.

**Recognition**

The Bank records investment securities and other investments at the date when contracts are signed and effective (transaction-date based policy).

Investment securities and other investments are initially recorded at cost. After initial recording, investment securities and other investments are recorded under the above accounting policies. An investment in securities can be reclassified once only (as guided in Dispatch No. 2601/NHNN-TCKT dated 14 April 2009 of the SBV on checking up classification and making provisions for impairment of financial investments).

**Derecognition**

Investments in securities are derecognised when the rights to receive cash flows from the investments are ended or when the Bank has transferred significant risks and benefits attached to the ownership of the investments.

**Repurchase and Reverse Repurchase Agreements**

Securities sold under agreements to repurchase at a specific date in the future (repos) are recorded in the consolidated financial statements. The corresponding proceeds received is recognised in the consolidated balance sheet as a liability. The difference between the sale price and repurchase price is amortised to the consolidated income statement over the agreement validity period using the straight-line method based on the contractual interest rate.

Conversely, securities purchased under agreements to resell at a specific date in the future (reverse repos) are not recognised in the consolidated financial statements. The corresponding cash payment is recognised in the consolidated balance sheet as an asset. The difference between the purchasing price and resale price is amortised to the consolidated income statement over the agreement validity period using the straight-line method based on the contractual interest rate.

**Trust activities and trusted funds**

The Bank's trust activities include discretionary investment trusts and client-directed investment trusts. The value of investment trust and trusted funds received are recorded when the trust contracts have been signed and trust funds have been realised. Rights and obligations of the trustor and trustee relating to profit and profit sharing, trust fee, other rights and obligations are in compliance with the terms of the contracts. The assets that are held under custody services are not assets of the Bank and therefore, they are not included in the Bank's consolidated balance sheet but they are recorded in the off-consolidated balance sheet items.

### ***Tangible fixed assets and depreciation***

Tangible fixed assets are stated at cost less accumulated depreciation. The costs of purchased tangible fixed assets comprise their purchase prices, non-refundable tax and any directly attributable costs of bringing the assets to their working condition and location for their 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 income statement as 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 an item of tangible fixed assets beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

Tangible fixed assets are depreciated using the straight-line method over the following estimated useful lives:

Assetst	Estimated useful lives (Years)
Buildings and structures	05 - 40
Machinery and equipment	03 - 07
Motor vehicles	06 - 07
Other tangible fixed assets	04 - 25

Loss or gain resulting from sales and disposals of tangible fixed assets which is the difference between proceeds from sales or disposals of assets and their residual values together with their disposal expense is recognised in the consolidated income statement.

### ***Intangible assets and amortisation***

Intangible assets comprise land use rights and other intangible assets which are stated at cost less accumulated amortisation. Land use rights granted with indefinite term are not amortised; computer software and other intangible assets are amortised using the straight-line method over the period from 03 years to 05 years. Land use rights granted with definite term are amortised over granted periods of land use.

Loss or gain resulting from sales and disposals of intangible assets which is the difference between proceeds from sales or disposals of assets and their residual values together with their disposal expense is recognised in the consolidated income statement.

## **LEASING**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease.

### ***The Bank as lessor***

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Bank's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred for obtaining income from the operating lease are recognised as expenses in the year or allocated to expenses over the lease term in accordance with rental income recognition.



***The Bank as lessee***

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease.

**PREPAYMENTS**

Prepayments are expenses which have already been paid but relate to results of operations of multiple accounting periods. Prepayments comprise prepaid expenses for office rental and other prepaid expenses.

Office rental expense represents the amount which has been prepaid to lease the office. Prepaid expense for office rental is amortised to the consolidated income statement using the straight-line method over the prepaid rental period.

Other long-term prepayments include repair and maintenance costs for assets, costs of tools and supplies issued for consumption and prepaid service charges and other prepayments which are considered to bring future economic benefits to the Bank. These expenses are charged to the consolidated income statement, using the straight-line method over the prepayment term in accordance with prevailing accounting regulations, but not exceeding three years for repair, maintenance costs for assets, and not exceeding two years for costs of tools and supplies issued for consumption or over the time of service for prepaid service fee.

**OTHER RECEIVABLES**

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

Other receivables are subject to review for impairment provision which is made based on the overdue status or based on the expected loss for the following cases: institutional debtors which have fallen into bankruptcy or have been in the process of dissolution; or individual debtors who are missing, escaping, being prosecuted, on trial or passing away even though loans are not overdue. Provision expense incurred is recorded as operating expenses in the consolidated income statement during the year.

The Bank makes provision for overdue receivables in accordance with Circular No. 228/2009/TT-BTC dated 07 December 2009 issued by the Ministry of Finance.

Accordingly, provisions for overdue receivables at the end of the financial year are made based on the following provision rates applied to receivables as at the balance sheet date after deducting the value of evaluated collaterals:

Overdue status	Rate of provision
From 6 months to below 1 year	30%
From 1 year to below 2 years	50%
From 2 years to below 3 years	70%
From 3 years and above	100%



## **CAPITAL AND RESERVES**

### ***Common stocks***

Common stocks are classified as owners' equity.

### ***Share premium***

When capital is received from shareholders, the difference between selling price and par value is recorded as share premium in owners' equity. Incurred expenses that directly relate to the issuance of common stocks are recognised as a decrease in the share premium in the owners' equity.

### ***Treasury shares***

When issued stocks are repurchased, the aggregate amount paid, including expenses that directly relate to the repurchase of stocks, after deducting taxes, is recorded as treasury shares and stated as a decrease in the owners' equity.

### ***Reserves***

Reserves are used for specific purposes and are appropriated from the Bank's profit after tax based on the following regulated ratios:

- Charter capital supplementary reserve: 5% of profit after tax, not exceeding the Bank's charter capital;--
- Financial reserve fund: 10% of profit after tax but not exceeding 25% of the Bank's charter capital;
- Bonus fund for the Board of Management, bonus and welfare funds are established in accordance with the Decisions approved in the General Meetings of Shareholders;

- Other funds: are established in accordance with the prevailing regulations and the Decisions approved in the General Meetings of Shareholders.

Subsidiaries' reserves are appropriated based on the Bank's policy, except for the following subsidiaries' reserves which are appropriated based on relevant legal regulations.

VietinBank Securities Joint Stock Company and VietinBank Fund Management Company Ltd.: reserves are appropriated from profit after tax according to Circular No. 146/2014/TT-BTC issued by the Ministry of Finance dated 06 October 2014, the rates are as follows:

- Charter capital supplementary reserves: 5% of profit after tax but not exceeding 10% of the subsidiary's charter capital;
- Financial reserve fund: 5% of profit after tax but not exceeding 10% of the subsidiary's charter capital.

VietinBank Insurance Company Ltd.: reserve is appropriated from profit after tax according to Decree No. 73/2016/ND-CP issued by the Government dated 01 July 2016, the rate is as follows:

- Compulsory reserve fund: 5% of profit after tax but not exceeding 10% of the subsidiary's charter capital.

These reserve funds are appropriated at the closing date of each financial year.

## REVENUE AND EXPENSES

### ***Interest income***

Interest income is recorded on an accrual basis for the loans which are identified as being able to claim both principal and interest on time and the Bank is not required to appropriate provisions according to prevailing regulations. The interest amounts which have been recorded as income, in the event that the customer could not pay both principal and interest on the maturity date, would be recorded as a decrease in the income from operating activities and shall be tracked as off-balance sheet items to urge the collection of those loans. When collected, interests are recorded as income from operating activities.

The accrued interest income arising from the loans that are classified from either group 2 to group 5 in the year is not recognised in the consolidated income statement for the year. Accrued interest income of impaired loans is recorded as off-balance sheet item and is only recognised in the consolidated income statement when it is actually received.

### ***Borrowing costs***

Borrowing costs are recorded in the consolidated income statement on the accrual basis.

### ***Revenue from sales of goods***

Revenue from the sale of goods is recognised when all five (5) following conditions are satisfied:

- (a) the Bank has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the Bank retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the Bank; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### ***Revenue from insurance services***

Revenue from insurance services is recognised at the time when both of the following conditions are met: (a) the insurance contract has been entered into by the insurer and the insured; (b) the premium has been paid by the insured or there is an agreement between the insurer and the insured for delayed payment of insurance premium (in gross written premium) or the amount is incurred on the reinsurance notice of the cedents to the Bank (for reinsurance premium) with the following adjustments:

- (Increase)/decrease in provision for unearned premium which is made under Circular No. 125/2012/TT-BTC issued by the Ministry of Finance dated 30 July 2012;
- Deduct the reinsurance premium which is recorded based on the amount of premium payable to the reinsurer, corresponding to the gross written premium recognised in the year; and
- Add reinsurance commission which is recognised in line with the recognition of respective reinsurance premium.

### ***Recognition of dividends and profit received***

Cash dividends received and distributed profit from investment activities and capital contribution are recorded in the consolidated income statement when the Bank's right to receive dividends and distributed profit have been established. Stock dividends, which are distributed from profits of joint-stock companies, are not recognised in the consolidated financial statements.

### ***Claim settlement expenses of insurance activities***

Claim settlement expenses are recorded when claim files are completed and approved by competent people. In case the Bank assures that insurance responsibilities belong to the Bank and the Bank has advanced to client under client's request but the claim amount has not been determined reliably, the settled amount is also recorded to claim settlement expenses. Claim expenses which have not been approved at the end of the financial year are considered as deferred expense and accounted in claim reserve.

### ***Commission expense of insurance activities***

Commission expenses are recorded when incurred. Commission expenses are calculated by percentage of premium from direct insurance and recorded to the consolidated income statement for the year. Commission of each insurance product is calculated at certain percentage in accordance with Circular No. 124/2012/TT-BTC dated 30 July 2012 and Circular No. 194/2014/TT-BTC dated 17 December 2014 amending and supplementing Circular 124/2012/TT-BTC issued by the Ministry of Finance.

### ***Income and expense from other services***

Income and expense from other services are recognised on accrual basis.

## **UNDERWRITING RESERVES**

The Bank's subsidiary makes underwriting reserves as regulated in Article No. 96 of the Law on Insurance Business, Decree No. 73/2016/ND-CP dated 01 July 2016 by the Government, Circular No. 125/2012/TT-BTC issued by the Ministry of Finance dated 30 July 2012 and Circular No. 232/2012/TT-BTC dated 28 December 2012 issued by the Ministry of Finance, accordingly:

Unearned premium reserve: The reserve is provided for at the rate of 25% of the premium retained for the year for all types of cargo insurance and at 50% of the premium retained for insurance services of other types.

Claim reserve: The reserve is provided for losses that incurred and reported including direct insurance and inward reinsurance, but not yet settled, using each claim dossier method based on the retention liabilities and the amount claim reinsurers for each estimated loss.

For the incurred but not reported (IBNR) losses, claim reserve is provided for based on statistical rate of the three consecutive years to ensure that IBNR losses are carefully assessed and fully recorded.

Catastrophe reserve: On 28 December 2005, the Ministry of Finance issued Vietnamese Accounting Standard No. 19 "Insurance Contract" and Decision No. 100/2005/QĐ-BTC which were effective from 2006. In accordance with Vietnamese Accounting Standard No. 19 "Insurance Contract", reserve to cover the losses in the future of which the claims did not appear at the balance sheet date (including catastrophe reserve) is deemed not necessary. However, under regulations of Decree No. 73/2016/ND-CP dated 01 July 2016 issued by the Government and Circular No. 125/2012/TT-BTC dated 30 July 2012 issued by the Ministry of Finance, insurance companies have to make catastrophe reserve. According to Official Letter No. 17924 dated 26 December 2012 issued by the insurance supervisory authority of the Ministry of Finance, the Bank is allowed to make catastrophe reserve of 1% retained premium during the year for all types of insurance, the reserve will be appropriated until it reaches 100% of retained earnings for the year.

## **FOREIGN CURRENCIES**

According to the Bank's accounting system, all transactions are recorded in the original currency. Income and expense arising in foreign currency during the year are translated into VND at central exchange rate quoted by the State Bank of Vietnam for USD and at bank transfer rate for other foreign currencies at the end of the transaction date. Monetary assets and liabilities and the balance of equity reserves denominated in foreign currencies as at the balance sheet date are translated into VND using the above exchange rate as at the balance sheet date (see list of applicable exchange rates of foreign currencies against VND as at 31 December 2016 in Note 55). Foreign exchange differences arising from the revaluation of monetary assets and liabilities denominated in foreign currencies into VND are recognised in the consolidated income statement.

For the purpose of preparing the consolidated financial statements, assets and liabilities of subsidiaries and joint ventures of which financial statements are prepared in currencies other than VND (including comparative figures) are translated into VND at the above exchange rate at the end of the year. Income and expenses are translated at the average exchange rate during the year; in circumstances of significant fluctuation, those are translated at the exchange rates at the transaction dates. All foreign exchange differences, if any, are classified as equity and recorded as "Foreign exchange reserves". Foreign exchange reserves are recognised in the consolidated income statement when investments in subsidiaries or joint ventures are disposed.

## **OTHER PAYABLE PROVISIONS**

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

## **TAXATION**

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred tax is recognised on temporary differences between carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of



taxable profit. Deferred tax liabilities are generally recognised for all temporary differences except that deferred tax liabilities arise from the initial recognition of an asset or a liability in a transaction which affects neither the accounting profit nor taxable profit (or tax loss) at the transaction date. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

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

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

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

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

## **EMPLOYEE BENEFITS**

### ***Post-employment benefits***

When retiring, employees of the Bank are entitled to receive post-employment benefits from the Social Insurance Fund and a 2-month payment based on the average of actual monthly salary and cost of living allowance of 6 months adjacent to the date of employees' retirement paid by the Bank (appropriated from the Bank's provision for salary reserve).

Employees who are forced to early retire as a part of employment rearrangement are entitled to receive a half of the Social Security Wage Base for one year (12 months) of employment and a half of the Social Security Wage Base for each month of early retirement period (maximum of 48 months of early retirement).

### ***Resignation allowance***

When employees of the Bank terminate the labor contracts, they are entitled to receive severance allowance equal to a half of the Social Security Wage Base for each year of service (12 months) at the Bank up to 31 December 2008.

### ***Unemployment allowance***

Since 01 January 2009, the Bank has contributed to the Unemployment Insurance Fund an amount equal to 1% of its employees' basic salary in accordance with laws and regulations.

## **DERIVATIVES**

### ***Forward, swap and future contracts***

For currency forward, swap and future contracts, the difference of VND amounts equivalent to the foreign currencies committed for trading between forward exchange rate and spot exchange rate as at effective date of the contract is recognised as asset - "Interest receivables from derivative financial instruments" when it is positive, or as liabilities - "Interest payables from derivative financial instruments" when it is negative. The difference is subsequently amortised in the consolidated income statement as "Net gain/loss from trading foreign currencies" over contractual terms. Commitments of currency forward and future contracts are revalued on a monthly basis at interbank exchange rate quoted by the State Bank of Vietnam for USD and at bank transfer rate for other foreign currencies and recorded in foreign exchange reserve

and then transferred to "Net gain/loss from trading foreign currencies" as at the balance sheet date.

### **Currency option contracts**

Commitment amount for the currency option contracts is not recognised in the consolidated balance sheet. The option premium paid or received is recorded as receivable from or payable to derivative transactions, and is amortised to income or expense using the straight-line method over the period of the contracts. As at the balance sheet date, unrealised gain or loss arising from selling/buying option contracts are determined based on market price, cost of the contract, sales volume and maturity of the contract, and recorded in the consolidated income statement in "Net gain/loss from trading foreign currencies".

## **RELATED PARTIES**

The parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making decisions on financial and operating policies. A party is considered as a related party with the Bank if:

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

- Has capability to control the Bank or is controlled by the Bank (including the holding company and subsidiaries);
- Has contributed capital to the Bank that accordingly, gives it significant influence over the Bank;
- Has joint control over the Bank;

(b) The party is a joint venture or an associate in which the Bank is a venturer;

(c) The party has a close member of the Board of Directors, Board of Management and Board of Supervisors of the Bank;



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

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

## OFF-CONSOLIDATED BALANCE SHEET COMMITMENTS AND GUARANTEES

At any time during the course of business, the Bank always has outstanding commitments. These commitments are in the form of approved loans and overdraft facilities. The Bank also provides financial guarantee services to guarantee the contract performance of customers to third parties. These transactions are recorded in the consolidated financial statements when performed or when related expenses are incurred or received.

According to Circular 02 and Circular 09 issued by the State Bank of Vietnam, credit institutions are required to classify guarantee amounts, payment acceptances, lending commitments which are unconditional and irrevocable and have specific date of the implementation (hereinafter referred to as off-balance sheet commitments) as prescribed in Circular 02 in order to manage and supervise quality of credit extension activity. Accordingly, the off-balance sheet commitments are graded using the following risk classifications: Current, Special-mentioned, Sub-standard, Doubtful and Loss based on the overdue status and other qualitative factors.

The Bank does not make general provision and specific provisions for off-consolidated balance sheet commitments in accordance with the guidance in Circular 02 and Circular 09.

## 4. CASH, GOLD AND GEMSTONES

Unit: Million VND

	Closing balance	Opening balance
Cash in VND	4,509,334	4,392,024
Cash in foreign currencies	649,086	643,793
Valuable papers in foreign currencies	-	14,239
Monetary gold	5,784	15,450
Non-monetary gold	1,181	1,139
Gold, other precious metal and gemstones	21,747	24,123
	<b>5,187,132</b>	<b>5,090,768</b>

**5. BALANCES WITH THE STATE BANK OF VIETNAM ("SBV")**

Unit: Million VND

	Closing balance	Opening balance
Current account at the State Bank of Vietnam		
- in VND	10,410,791	8,786,477
- in foreign currencies	3,091,803	3,106,492
	<b>13,502,594</b>	<b>11,892,969</b>

Deposit at the State Bank of Vietnam ("SBV") consists of compulsory reserves for deposits and current accounts. Pursuant to regulations of the State Bank of Vietnam on the compulsory reserve, part of banks' compulsory reserve can be a floating balance. In details, according to Decision No. 379/QĐ-NHNN dated 24 February 2009, Decision No. 1925/QĐ-NHNN dated 26 August 2011 and Decision No. 1972/QĐ-NHNN dated 31 August 2011:

Compulsory reserve balances for VND deposits applicable to credit institutions as at 31 December 2016 are as follows:

- Compulsory reserve balance is 3% of the preceding month's average balance for demand deposits and term deposits in VND with terms of less than 12 months;
- Compulsory reserve balance is 1% of the preceding month's average balance for deposits in VND with terms of 12 months or more.

Compulsory reserve balances for deposits in foreign currencies applicable to credit institutions as at 31 December 2016 are as follows:

- Compulsory reserve balance is 8% of the preceding month's average balance for demand deposits and term deposits in foreign currencies with terms of less than 12 months;
- Compulsory reserve balance is 6% of the preceding month's average balance for deposits in foreign currencies with terms of 12 months or more;
- Compulsory reserve balance is 1% of the balance for deposits in foreign currencies from overseas credit institutions.

## 6. PLACEMENTS WITH AND LOANS TO OTHER CREDIT INSTITUTIONS

Unit: Million VND

	Closing balance	Opening balance
<b>Placements with other credit institutions</b>		
Demand deposits	40,154,261	15,685,526
- In VND	31,149,125	7,360,065
- In foreign currencies	9,005,136	8,325,461
Term deposits	50,877,567	48,699,849
- In VND	32,719,580	12,318,625
- In foreign currencies	18,157,987	36,381,224
- Provisions for credit losses	-	-
	<b>91,031,828</b>	<b>64,385,375</b>
<b>Loans to other credit institutions</b>		
- In VND	2,783,762	1,353,564
<i>Include: discounts, rediscounts</i>	<i>2,183,763</i>	<i>303,564</i>
- In foreign currencies	653,691	279,850
<i>Include: discounts, rediscounts</i>	-	-
- Provisions for credit losses	-	-
	<b>3,437,453</b>	<b>1,633,414</b>
<b>Placements with and loans to other credit institutions</b>	<b>94,469,281</b>	<b>66,018,789</b>

### ANALYSIS ON QUALITY OF PLACEMENTS WITH AND LOANS TO OTHER CREDIT INSTITUTIONS:

Unit: Million VND

	Closing balance	Opening balance
Current loans	54,315,020	50,333,263
Special-mentioned loans	-	-
Sub-standard loans	-	-
Doubtful loans	-	-
Loss loans	-	-
<b>Total</b>	<b>54,315,020</b>	<b>50,333,263</b>



## 7. TRADING SECURITIES

Unit: Million VND

	Closing balance	Opening balance
<b>Debt securities</b>	<b>1,502,806</b>	<b>3,200,074</b>
- Government bonds	1,502,806	3,200,074
<b>Equity securities</b>	<b>471,864</b>	<b>173,332</b>
- Equity securities issued by other local credit institutions	1,767	4,670
- Equity securities issued by local business entities	470,097	168,662
	<b>1,974,670</b>	<b>3,373,406</b>
Provisions for impairment of trading securities	(79,980)	(27,052)
	<b>1,894,690</b>	<b>3,346,354</b>

## LISTING STATUS OF TRADING SECURITIES

Unit: Million VND

	Closing balance	Opening balance
<b>Debt securities</b>		
Government bonds		
- Listed	1,502,806	3,200,074
<b>Equity securities</b>		
Equity securities issued by other local credit institutions		
- Listed	1,767	4,670
Equity securities issued by local business entities		
- Listed	56,043	129,822
- Unlisted	414,054	38,840
	<b>1,974,670</b>	<b>3,373,406</b>

## 8. DERIVATIVE FINANCIAL INSTRUMENTS AND OTHER FINANCIAL ASSETS/ LIABILITIES

Unit: Million VND

Net book value (at the exchange rate as of the reporting date)		
	Assets	Liabilities
<b>Closing balance</b>		
<b>Currency derivative financial instruments</b>	<b>682,690</b>	<b>-</b>
Forward contracts	184,888	-
Swap contracts	497,802	-
Future contracts	-	-
<b>Opening balance</b>		
<b>Currency derivative financial instruments</b>	<b>-</b>	<b>117,619</b>
Swap contracts	-	23,589
Forward contracts	-	94,030

## 9. LOANS TO CUSTOMERS

Unit: Million VND

	Closing balance	Opening balance
Loans to local business entities and individuals	652,250,039	530,370,007
Discounting promissory notes and valuable papers	1,193,140	632,317
Finance leases	1,929,817	1,687,147
Payments made on behalf of customers	32,956	33,497
Loans by grants, investment trusts	682,632	834,517
Loans to foreign organisations and individuals	5,899,213	4,454,458
Frozen loans and loans pending for resolution	-	67,886
	<b>661,987,797</b>	<b>538,079,829</b>

**ANALYSIS OF LOAN BALANCES BY QUALITY**

Unit: Million VND

	Closing balance	Opening balance
Current loans	649,686,016	529,926,538
Special-mentioned loans	5,558,981	3,211,051
Sub-standard loans	2,111,187	1,411,357
Doubtful loans	811,972	735,343
Loss loans	3,819,641	2,795,540
	<b>661,987,797</b>	<b>538,079,829</b>

**ANALYSIS OF LOAN BALANCES BY TERM**

Unit: Million VND

	Closing balance	Opening balance
Short-term loans	374,736,785	301,472,059
Medium-term loans	73,115,713	60,120,242
Long-term loans	214,135,299	176,487,528
	<b>661,987,797</b>	<b>538,079,829</b>

Short-term, medium-term and long-term loans have initial terms of less than 1 year, from 1 year to 5 years and more than 5 years, respectively.

## ANALYSIS OF LOAN BALANCES BY TYPE OF BUSINESS ENTITY

Unit: Million VND

	Closing balance	Opening balance
State-owned enterprises	36,108,050	33,123,792
State-owned one-member limited enterprises	59,059,510	61,176,526
Two or more member limited liability enterprises with more than 50% of the State's share holding	5,578,225	4,097,319
Other limited companies	132,337,779	102,560,849
Joint stock companies with more than 50% of the State's share-holding	40,569,939	35,683,155
Other joint stock companies	175,651,457	142,518,950
Partnership companies	31,921	39,384
Private companies	17,805,279	15,588,031
Foreign invested enterprises	37,704,068	27,263,603
Cooperatives, cooperative unions	1,075,014	987,490
Household businesses, individuals	152,700,606	112,178,323
Administrative units, the Party, unions and associations	3,352,178	2,181,783
Others	13,771	680,624
	<b>661,987,797</b>	<b>538,079,829</b>

## ANALYSIS OF LOAN BALANCES BY INDUSTRY

Unit: Million VND

	Closing balance	Opening balance
Agricultural, forestry and aquaculture	30,779,162	20,129,999
Mining and quarrying	20,716,612	19,917,579
Manufacturing and processing	197,138,338	157,510,377
Electricity, fuel gas and hot water	32,131,389	31,221,063
Water supplying, garbage and sewage treatment and management	2,091,832	1,559,824
Construction	74,903,882	59,026,326
Wholesale and retail trade; repair of motor vehicles, motor cycles	181,044,008	152,123,602
Transport, warehouse	12,240,836	7,343,728
Hospitality services	10,432,691	3,551,927
Information and communications	1,578,642	1,590,299
Financial, banking and insurance activities	207,416	299,496
Real estate	18,230,958	42,522,609
Profession, science and technology	44,645	62,638
Administrative activities and supporting services	477,968	476,643
Education and training	1,673,079	791,863
Health care and social work	3,014,178	1,789,363
Art and entertainment	13,131	-
Other service activities	22,835,429	9,363,428
Households	50,066,963	26,978,616
International organisations and bodies	418,805	459,689
Others	1,947,833	1,360,760
	<b>661,987,797</b>	<b>538,079,829</b>

The Bank has classified loan balance by type of business entity and industry based on the customer's purpose of loans according to guidance in Circular No. 31/2013/TT-NHNN dated 13 December 2013 issued by the State Bank of Vietnam.



## 10. PROVISIONS FOR CREDIT LOSSES OF LOANS TO CUSTOMERS

The Bank reclassified loans to customers in accordance with Circular 02, Circular 09, amendments, supplements and policies on loan classification and credit loss provisioning of the Bank. Provision for credit losses as at 31 December 2016 was set up based on loan classification results as at 30 November 2016. Provision for credit losses of loans at overseas branches is made in accordance with prevailing regulations in their local jurisdictions.

Movement in provision for credit losses of loans to customers for the year ended 31 December 2016 is as follows:

Unit: Million VND

	General provision	Specific provision	Total
<b>Opening balance</b>	<b>3,815,343</b>	<b>734,368</b>	<b>4,549,711</b>
Provision charged for the year	1,078,862	1,904,572	2,983,434
Provision utilised in the year	-	(671,079)	(671,079)
<b>Closing balance</b>	<b>4,894,205</b>	<b>1,967,861</b>	<b>6,862,066</b>

Movement in provision for credit losses of loans to customers for the year ended 31 December 2015 is as follows:

Unit: Million VND

	General provision	Specific provision	Total
<b>Prior year's opening balance</b>	<b>3,159,793</b>	<b>1,206,709</b>	<b>4,366,502</b>
Provision charged for the year	655,550	2,585,718	3,241,268
Provision utilised to write off bad debts	-	(2,464,840)	(2,464,840)
Decrease in provision during the year	-	(593,219)	(593,219)
<b>Prior year's closing balance</b>	<b>3,815,343</b>	<b>734,368</b>	<b>4,549,711</b>

## 11. INVESTMENT SECURITIES

Unit: Million VND

	Closing balance	Opening balance
<b>Available-for-sale investment securities</b>	<b>125,573,894</b>	<b>108,940,288</b>
<b>Debt securities</b>	<b>124,945,799</b>	<b>108,666,252</b>
- Government bonds	55,310,868	39,468,438
- Debt securities issued by other local credit institutions	25,133,435	16,554,359
- Debt securities issued by local business entities	44,501,496	52,643,455
<b>Equity securities</b>	<b>628,095</b>	<b>274,036</b>
- Equity securities issued by local business entities	628,095	274,036
<b>Provisions for impairment of available-for-sale investment securities</b>	<b>(472,121)</b>	<b>(454,031)</b>
<i>In which:</i>		
- Provisions for impairment of available-for-sale equity investment securities	(164,496)	(62,164)
- General provision for impairment of available-for-sale debt investment securities	(307,625)	(391,867)
	<b>125,101,773</b>	<b>108,486,257</b>
<b>Held-to-maturity investment securities</b>	<b>11,743,021</b>	<b>12,928,649</b>
Government bonds	2,200,000	2,200,000
Debt securities issued by local business entities	9,543,021	10,728,649
<b>Provisions for impairment of held-to-maturity investment securities</b>	<b>(2,618,108)</b>	<b>(1,390,677)</b>
	<b>9,124,913</b>	<b>11,537,972</b>
<b>Total</b>	<b>134,226,686</b>	<b>120,024,229</b>

## ANALYSIS OF SECURITIES QUALITY CLASSIFIED AS CREDIT RISK ASSETS

Unit: Million VND

	Closing balance	Opening balance
Current loans	44,888,244	52,730,203
Special-mentioned loans	-	-
Sub-standard loans	-	-
Doubtful loans	-	-
Loss loans	-	-
<b>Total</b>	<b>44,888,244</b>	<b>52,730,203</b>

As at 31 December 2016, the Bank has implemented classification of debt securities of business entities ("BEs") which are unlisted (not including any special bonds issued by VAMC) in accordance with Circular 02 and Circular 09. Provision for losses on debt securities of unlisted BEs as at 31 December 2016 is made based on the results of loan classification as at 30 November 2016.

## SPECIAL BONDS ISSUED BY VAMC

Unit: Million VND

	Closing balance	Opening balance
Par value of special bonds	9,156,273	10,341,901
Provision for special bonds	(2,615,207)	(1,387,776)
<b>Total</b>	<b>6,541,066</b>	<b>8,954,125</b>

## 12. PROVISIONS FOR IMPAIRMENT OF INVESTMENT SECURITIES

Movement in provisions for impairment of investment securities for the year ended 31 December 2016 is as follows:

Unit: Million VND

	Provision for available-for-sale investment securities			Provision for held-to-maturity investment securities		Total
	Debt securities issued by unlisted business entities	Other debt securities	Equity securities	Debt securities issued by unlisted business entities	Other debt securities	
<b>Opening balance</b>	<b>391,867</b>	<b>-</b>	<b>62,164</b>	<b>1,390,677</b>	<b>-</b>	<b>1,844,708</b>
Provision charged/ (reversed) for the year (see Note 32)	(84,242)	-	102,332	2,038,670	-	2,056,760
Provision utilised for the year	-	-	-	(811,239)	-	(811,239)
<b>Closing balance</b>	<b>307,625</b>	<b>-</b>	<b>164,496</b>	<b>2,618,108</b>	<b>-</b>	<b>3,090,229</b>

Movement in provisions for impairment of investment securities for the year ended 31 December 2015 is as follows:

Unit: Million VND

	Provision for available-for-sale investment securities			Provision for held-to-maturity investment securities		Total
	Debt securities issued by unlisted business entities	Other debt securities	Equity securities	Debt securities issued by unlisted business entities	Other debt securities	
<b>Prior year's opening balance</b>	<b>240,267</b>	<b>-</b>	<b>15,990</b>	<b>387,153</b>	<b>-</b>	<b>643,410</b>
Provision charged/ (reversed) for the year (see Note 32)	151,600	-	(18,263)	1,437,718	-	1,571,055
Provision utilised for the year	-	-	-	(434,194)	-	(434,194)
Reclassification	-	-	64,437	-	-	64,437
<b>Prior year's closing balance</b>	<b>391,867</b>	<b>-</b>	<b>62,164</b>	<b>1,390,677</b>	<b>-</b>	<b>1,844,708</b>

#### **Detail of provisions for impairment of debt securities of unlisted business entities**

Movement in provisions for impairment of debt securities of unlisted business entities for the year ended 31 December 2016 is as follows:

Unit: Million VND

	General provision	Specific provision	Total
<b>Opening balance</b>	<b>394,767</b>	<b>1,387,776</b>	<b>1,782,543</b>
Provision (reversed)/charged for the year	(84,241)	2,038,670	1,954,429
Provision utilised for the year	-	(811,239)	(811,239)
<b>Closing balance</b>	<b>310,526</b>	<b>2,615,207</b>	<b>2,925,733</b>

Movement in provisions for impairment of debt securities of unlisted business entities for the year ended 31 December 2015 is as follows:

Unit: Million VND

	General provision	Specific provision	Total
<b>Prior year's opening balance</b>	<b>243,168</b>	<b>384,252</b>	<b>627,420</b>
Provision reversed for the year	151,599	1,437,718	1,589,317
Provision utilised for the year	-	(434,194)	(434,194)
<b>Prior year's closing balance</b>	<b>394,767</b>	<b>1,387,776</b>	<b>1,782,543</b>

### **13. CAPITAL CONTRIBUTION, LONG-TERM INVESTMENTS**

Unit: Million VND

	Closing balance	Opening balance
Investments in joint ventures	2,774,766	2,782,845
Other long-term investments	430,445	1,131,164
Provisions for impairment of long-term investments	(2,574)	(21,695)
	<b>3,202,637</b>	<b>3,892,314</b>

## INVESTMENTS IN JOINT VENTURES

Details of investments in joint ventures of the Bank as at the balance sheet date are as follows:

	Closing balance				Opening balance			
	Cost in original currency	Cost equivalent	Net value of investment using equity method	Proportion of ownership interest	Cost in original currency	Cost equivalent	Net value of investment using equity method	Proportion of ownership interest
	USD	million VND	million VND	%	USD	million VND	million VND	%
Indovina Bank Ltd.	96,500,000	1,688,788	2,590,905	50	96,500,000	1,688,788	2,464,219	50
Vietinbank Aviva Life Insurance Company Limited	Non-applicable	400,000	183,861	50	Non-applicable	400,000	318,626	50
		<b>2,088,788</b>	<b>2,774,766</b>			<b>2,088,788</b>	<b>2,782,845</b>	

Indovina Bank Ltd. was established in Vietnam with the head office located in Ho Chi Minh City; its principal activity is providing banking services. Indovina Bank Ltd. is a joint venture between the Bank and a Taiwanese bank, Cathay United Bank. Indovina Bank Ltd. received Operation License No. 08/NH-GP dated 29 October 1992 and amendments issued by the SBV for the operating period of 40 years with the initial charter capital of USD 10,000,000.

Since its establishment, the charter capital of Indovina Bank Ltd. has been increased several times under the approval of the SBV, while the proportions of ownership interest of the joint venture partners remain unchanged. As at 31 December 2016, Indovina Bank Ltd.'s charter capital was USD 193,000,000.

VietinBank Aviva Life Insurance Company Limited was established in Vietnam, with the head office located in Hanoi. Its principal activities are providing life insurance services, health insurance services, reinsurance services and investing in some sectors such as bonds, securities, real estate, capital contribution, etc. ... This company is the joint venture between the Bank and a company incorporated in the United Kingdom - Aviva International Holdings Limited. The joint venture received Establishment and Operation License No. 64 GP/KDBH dated 29 July 2011 issued by the Ministry of Finance for the operating period of 50 years with the initial charter capital of VND 800 billion.



## 14. TANGIBLE FIXED ASSETS

Movement in tangible fixed assets for the year ended 31 December 2016 is as follows:

Unit: Million VND

	Buildings, structures	Machinery, equipment	Motor vehicles	Others	Total
<b>Cost</b>					
Opening balance	4,351,033	4,243,435	997,730	154,140	9,746,338
Acquisitions during the year	1,646,667	197,398	181,476	55,612	2,081,153
Transfer from construction in progress	713,903	14,799	3,528	5,523	737,753
Other additions	28,501	1,806	770	-	31,077
Disposals	(16,401)	(26,541)	(8,451)	(1,389)	(52,782)
Reclassification	(421)	1,900	-	(1,709)	(230)
Other decreases	(2,918)	(1,553)	(111)	(398)	(4,980)
<b>Closing balance</b>	<b>6,720,364</b>	<b>4,431,244</b>	<b>1,174,942</b>	<b>211,779</b>	<b>12,538,329</b>
<b>Accumulated depreciation</b>					
Opening balance	1,170,495	3,425,503	670,409	104,954	5,371,361
Charge for the year	256,275	374,871	116,422	23,898	771,466
Other additions	14,422	927	31	-	15,380
Disposals	(3,456)	(26,524)	(8,446)	(1,495)	(39,921)
Reclassification	(20)	1,716	-	(1,696)	-
Other decreases	(1,194)	(1,134)	(80)	(20)	(2,428)
<b>Closing balance</b>	<b>1,436,522</b>	<b>3,775,359</b>	<b>778,336</b>	<b>125,641</b>	<b>6,115,858</b>
<b>Net book value</b>					
<b>Closing balance</b>	<b>5,283,842</b>	<b>655,885</b>	<b>396,606</b>	<b>86,138</b>	<b>6,422,471</b>
<b>Opening balance</b>	<b>3,180,538</b>	<b>817,932</b>	<b>327,321</b>	<b>49,186</b>	<b>4,374,977</b>

## 15. INTANGIBLE ASSETS

Movement in intangible assets for the year ended 31 December 2016 is as follows:

Unit: Million VND

	Land use rights	Others	Total
<b>Cost</b>			
Opening balance	4,218,797	872,095	5,090,892
Acquisitions during the year	67,834	16,364	84,198
Other additions	1,840	-	1,840
Disposals	(35,259)	-	(35,259)
Reclassification	230	-	230
Other decreases	(5)	(205)	(210)
<b>Closing balance</b>	<b>4,253,437</b>	<b>888,254</b>	<b>5,141,691</b>
<b>Accumulated amortisation</b>			
Opening balance	181,736	618,366	800,102
Charge for the year	37,964	111,787	149,751
Other additions	64	-	64
Disposals	(886)	-	(886)
Reclassification	-	-	-
Other decreases	-	(187)	(187)
<b>Closing balance</b>	<b>218,878</b>	<b>729,966</b>	<b>948,844</b>
<b>Net book value</b>			
<b>Closing balance</b>	<b>4,034,559</b>	<b>158,288</b>	<b>4,192,847</b>
<b>Opening balance</b>	<b>4,037,061</b>	<b>253,729</b>	<b>4,290,790</b>

## 16. OTHER RECEIVABLES

Unit: Million VND

	Closing balance	Opening balance
Construction in progress	5,258,628	5,218,948
Purchases and major repair of fixed assets	1,878,792	2,579,371
External receivables	4,471,507	2,490,062
Internal receivables	964,001	511,214
	<b>12,572,928</b>	<b>10,799,595</b>

## CONSTRUCTION IN PROGRESS

Unit: Million VND

	Closing balance	Opening balance
Constructions in the Northern area	4,954,640	4,467,228
Constructions in the Central area	132,063	416,177
Constructions in the Southern area	171,925	335,543
	<b>5,258,628</b>	<b>5,218,948</b>

## 17. OTHER ASSETS

Unit: Million VND

	Closing balance	Opening balance
Materials and tools	161,463	144,250
Prepaid expenses (*)	2,844,929	3,208,078
Goodwill (Note 18)	4,537	6,352
Other assets	2,124	1,988
	<b>3,013,053</b>	<b>3,360,668</b>

(\*) Prepaid expenses mainly include those of the head office and other office rentals of the Bank, the credit facilities arrangement fee and the carrying amount of assets which do not meet the conditions for fixed assets in accordance with Circular No. 45/2013/TT-BTC dated 25 April 2013 issued by the Ministry of Finance.

As at 31 December 2016, the Bank does not hold other assets classified as credit risk bearing assets.

## 18. GOODWILL

Goodwill represents business goodwill resulted from the business valuation for equitisation of a subsidiary of the Bank – VietinBank Securities Company (currently known as VietinBank Securities Joint Stock Company).

Unit: Million VND

	Closing balance	Opening balance
Total goodwill	18,149	18,149
Amortisation period	10 năm	10 năm
Accumulated amortised goodwill as at the beginning of the year	(11,797)	(9,982)
Goodwill not yet amortised at the beginning of the year	6,352	8,167
<b>Goodwill decrease during the year</b>	<b>(1,815)</b>	<b>(1,815)</b>
- Goodwill amortised for the year	(1,815)	(1,815)
<b>Total goodwill not yet amortised at the end of the year</b>	<b>4,537</b>	<b>6,352</b>

## 19. BORROWINGS FROM THE GOVERNMENT AND THE STATE BANK OF VIETNAM

Unit: Million VND

	Số cuối năm	Số đầu năm
<b>Borrowings from the SBV</b>	<b>4,808,227</b>	<b>13,205,353</b>
Loans under credit contracts	4,797,369	3,147,931
Discounting and rediscounting valuable papers	-	10,039,754
Borrowings for grants to SOEs	10,858	12,472
Other borrowings	-	5,196
<b>Current accounts held by the State Treasury</b>	<b>190</b>	<b>21,762</b>
- In VND	185	158
- In foreign currency	5	21,604
	<b>4,808,417</b>	<b>13,227,115</b>

## 20. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

### PLACEMENTS OF OTHER CREDIT INSTITUTIONS

Unit: Million VND

	Closing balance	Opening balance
<b>Demand deposits from other credit institutions</b>	<b>23,986,765</b>	<b>5,196,801</b>
- In VND	22,675,898	2,627,269
- In foreign currencies	1,310,867	2,569,532
<b>Term deposits from other credit institutions</b>	<b>17,359,467</b>	<b>38,202,546</b>
- In VND	11,253,000	27,828,501
- In foreign currencies	6,106,467	10,374,045
	<b>41,346,232</b>	<b>43,399,347</b>

### BORROWINGS FROM OTHER CREDIT INSTITUTIONS

Unit: Million VND

	Closing balance	Opening balance
- In VND	11,980,000	13,090,000
- In foreign currencies	31,825,635	42,679,869
	<b>43,805,635</b>	<b>55,769,869</b>

In the year 2016, the Bank does not have any borrowing which the Bank does not have the ability to repay or the Bank violates the contracts.

## 21. DEPOSITS FROM CUSTOMERS

Unit: Million VND

	Closing balance	Opening balance
<b>Demand deposits</b>	<b>86,007,168</b>	<b>71,433,115</b>
- Demand deposits in VND	72,366,017	59,039,033
- Demand deposits in foreign currencies	13,641,151	12,394,082
<b>Term deposits</b>	<b>548,031,303</b>	<b>404,632,198</b>
- Term deposits in VND	518,598,290	374,945,005
- Term deposits in foreign currencies	29,433,013	29,687,193
<b>Deposits for specific purpose</b>	<b>4,777,797</b>	<b>3,061,924</b>
- Deposits for specific purpose in VND	2,902,435	1,218,004
- Deposits for specific purpose in foreign currencies	1,875,362	1,843,920
<b>Margin deposits</b>	<b>16,243,880</b>	<b>13,832,827</b>
- Margin deposits in VND	15,738,389	13,088,839
- Margin deposits in foreign currencies	505,491	743,988
	<b>655,060,148</b>	<b>492,960,064</b>



## ANALYSIS OF DEPOSITS FROM CUSTOMERS BY TYPE OF BUSINESS

Unit: Million VND

	Closing balance	Opening balance
State-owned enterprises	91,619,723	45,294,680
State-owned one-member limited enterprises	52,266,511	38,472,306
Two or more member limited liability enterprises with more than 50% of the State's share-holding	994,156	1,685,370
Other limited companies	19,013,792	14,788,091
Joint stock companies with more than 50% of the State's share-holding	31,467,920	28,237,783
Other joint stock companies	34,306,646	26,420,395
Partnership companies	71,241	41,730
Private companies	2,213,889	1,095,496
Foreign invested enterprises	36,464,620	27,358,408
Cooperatives, cooperative unions	434,301	410,304
Household businesses, individuals	348,446,993	277,282,319
Administrative units, the Party, unions and associations	26,705,147	20,947,746
Others	11,055,209	10,925,436
	<b>655,060,148</b>	<b>492,960,064</b>

## 22. GRANTS, TRUSTED FUNDS AND BORROWINGS AT RISK OF THE CREDIT INSTITUTIONS

Unit: Million VND

	Closing balance	Opening balance
Funds received from other organisations and individuals in VND	-	45,282,155
Funds received from other organisations and individuals in foreign currencies	1,595,448	4,524,936
Funds received from international organisations in VND	808,445	766,009
Funds received from international organisations in foreign currencies	3,671,575	3,664,147
	<b>6,075,468</b>	<b>54,237,247</b>

## 23. VALUABLE PAPERS ISSUED

Unit: Million VND

	Closing balance	Opening balance
<b>Valuable papers in VND</b>	<b>18,313,003</b>	<b>15,401,637</b>
Par value	18,313,003	15,401,637
<b>Valuable papers in foreign currencies</b>	<b>5,536,450</b>	<b>5,458,860</b>
Par value	5,540,615	5,474,048
Discount	(4,165)	(15,188)
	<b>23,849,453</b>	<b>20,860,497</b>

## DETAILS OF ISSUED VALUABLE PAPERS BY TERM:

Unit: Million VND

Valuable papers	Bill	Bearer bonds	Book-entry bonds	Certificate of deposit	Total
<b>Closing balance</b>					
<b>Term under 12 months</b>					
Par value	229	-	-	1,219	1,448
<b>Term from 12 months to 5 years</b>					
Par value	-	5,539,915	2,000,000	12,255	7,552,170
Discount	-	(4,165)	-	-	(4,165)
<b>Term over 5 years</b>					
Par value	-	-	16,300,000	-	16,300,000
	<b>229</b>	<b>5,535,750</b>	<b>18,300,000</b>	<b>13,474</b>	<b>23,849,453</b>
<b>Opening balance</b>					
<b>Term under 12 months</b>					
Par value	476	-	-	5,778,457	5,778,933
<b>Term from 12 months to 5 years</b>					
Par value	-	5,472,670	-	1,624,082	7,096,752
Discount	-	(15,188)	-	-	(15,188)
<b>Term over 5 years</b>					
Par value	-	-	8,000,000	-	8,000,000
	<b>476</b>	<b>5,457,482</b>	<b>8,000,000</b>	<b>7,402,539</b>	<b>20,860,497</b>

## 24. OTHER PAYABLES AND LIABILITIES

Unit: Million VND

	Closing balance	Opening balance
Internal payables	2,664,669	2,029,586
External payables	100,178,366	33,436,848
Other provisions	237,460	119,176
Bonus and welfare fund	328,947	1,244,593
	<b>103,409,442</b>	<b>36,830,203</b>

### 24. 1. DETAILS OF INTERNAL PAYABLES

Unit: Million VND

	Closing balance	Opening balance
Payables to employees	2,043,300	1,475,064
Others	621,369	554,522
	<b>2,664,669</b>	<b>2,029,586</b>

### 24. 2. DETAILS OF EXTERNAL PAYABLES

Unit: Million VND

	Closing balance	Opening balance
Payments/receipts on behalf of other organisations	95,217,477	31,213,296
Amount due to customers and deferred payment	246,723	44,055
Corporate income tax payables	200,743	155,920
Other pending payments	822,837	933,961
Fund transfer	4,942	13,727
Other payables relating to securities activities	224,709	303,526
Taxes and fees payable	119,600	83,759
Payables to the SBV from recovery of written-off bad debts	85,290	79,484
Payables relating to trade finance activities	6,000	7,799
Money transfer payables	147,345	94,118
Payables to building constructors	51,735	80,753
Dividends payable	2,606,383	-
Other payables	444,582	426,450
	<b>100,178,366</b>	<b>33,436,848</b>

**25. THE BANK'S OBLIGATIONS TO THE STATE BUDGET**

Unit: Million VND

	Opening balance	Payable in the year	Paid in the year	Closing balance
Value added tax	2,135	277,900	250,002	30,033
Corporate income tax	155,920	1,705,809	1,660,986	200,743
Other taxes	74,815	449,516	444,696	79,635
	<b>232,870</b>	<b>2,433,225</b>	<b>2,355,684</b>	<b>310,411</b>

## 26. CAPITAL AND RESERVES

### MOVEMENT IN MAJOR ITEMS OF OWNERS' EQUITY:

Unit: Million VND

	Charter capital	Share pre- mium	Foreign exchange reserves	Investment and development fund	Financial reserve fund	Capital supplementary reserve	Retained earnings	Non-controlling interest	Total
<b>Opening balance</b>	<b>37,234,046</b>	<b>8,974,732</b>	<b>441,537</b>	<b>4,424</b>	<b>3,478,726</b>	<b>1,791,882</b>	<b>3,942,373</b>	<b>242,426</b>	<b>56,110,146</b>
Profit for the year	-	-	-	-	-	-	6,837,866	19,984	6,857,850
Appropriation to reserves for the current year	-	-	-	10,178	688,111	348,373	(1,046,662)	(2,073)	(2,073)
Dividends payment							(2,606,383)	-	(2,606,383)
Reclassification of funds	-	-	-	33,702	(33,702)	-	-	-	-
Utilisation of reserves in the year	-		-	-	(2,743)	-			(2,743)
Capital increase from share issuance of subsidiaries in the year	-	-	-	-	-	50,601	(50,601)	-	-
Increase from translation of financial statements for consolidation purpose	-	-	38,474	-	90	-	-	-	38,564
Others	-	(11)	-	-	(2,744)	-	6,801	(4)	4,042
<b>Closing balance</b>	<b>37,234,046</b>	<b>8,974,721</b>	<b>480,011</b>	<b>48,304</b>	<b>4,127,738</b>	<b>2,190,856</b>	<b>7,083,394</b>	<b>260,333</b>	<b>60,399,403</b>

As at 31 December 2016, the Bank made temporary appropriation to reserves and profit distribution based on the operating result in 2015. Official decision on reserve appropriation of the year 2016 shall be made in the annual General Meeting of Shareholders.

The Resolution No. 716/NQ-HDQT-NHCT44 dated 30 December 2016 issued by the Board of Directors approved 2015 cash dividends payment at the rate of 7% per share, equivalent to VND 700 per ordinary share. On 16 February 2017, the Bank actually made the cash dividends payment to its shareholders.

**26. CAPITAL AND RESERVES (Continued)****DETAILS OF THE BANK'S NUMBER OF SHARES ARE AS FOLLOWS:**

	Closing balance		Opening balance	
	Total shares	Ordinary shares	Total shares	Ordinary shares
	units	million VND	units	million VND
Capital of the Government	2,400,204,956	24,002,050	2,400,204,956	24,002,050
Contributed capital (shareholders, members)	1,323,199,600	13,231,996	1,323,199,600	13,231,996
Share premium	non-applicable	8,974,721	non-applicable	8,974,732
	<b>3,723,404,556</b>	<b>46,208,767</b>	<b>3,723,404,556</b>	<b>46,208,778</b>

**DETAILS OF THE BANK'S SHARES ARE AS FOLLOWS:**

	Closing balance	Opening balance
Number of registered shares for issue (unit)	3,723,404,556	3,723,404,556
Number of shares in circulation (unit)	3,723,404,556	3,723,404,556
- Ordinary shares (unit)	3,723,404,556	3,723,404,556
Par value of shares (VND)	10,000	10,000

**BASIC EARNINGS PER SHARE:**

*Earnings for the purpose of calculating basic earnings per share*

Unit: Million VND

	Current year	Prior year
Profit after corporate income tax	6,837,866	5,697,921
Appropriation to bonus and welfare fund for the current year (*)	(1,412,266)	(1,140,000)
<b>Profit for the year attributable to equity holder</b>	<b>5,425,600</b>	<b>4,557,921</b>

(\*): Appropriation to bonus and welfare fund for the previous year was reduced by VND 60,000 million in accordance with the approval of 2016 General Meeting of Shareholders dated 26 April 2016. Appropriation to bonus and welfare fund for the current year is the Board of Management's estimate, the actual figure could be subject to change in accordance with the approval of 2017 General Meeting of Shareholders.



Number of shares for the purpose of calculating basic earnings per share

Unit: Share

	Current year	Prior year
Number of ordinary shares issued carried forward from previous year	3,723,404,556	3,723,404,556
Influence of ordinary shares issued in the year	-	-
<b>Weighted average number of ordinary shares for the purpose of calculating basic earnings per share</b>	<b>3,723,404,556</b>	<b>3,723,404,556</b>

Earnings per share

Unit: VND

	Current year	Prior year
Basic earnings per share	1,457	1,224

## 27. INTEREST AND SIMILAR INCOME

Unit: Million VND

	Current year	Prior year
Interest from deposits	1,361,746	1,517,608
Interest from loans to customers	41,574,019	31,702,025
Interest from debt securities	8,958,282	8,524,178
Income from guarantee services	571,482	393,602
Interest income from finance leases	188,625	156,199
Other income from credit activities	336,544	178,119
	<b>52,990,698</b>	<b>42,471,731</b>

## 28. INTEREST AND SIMILAR EXPENSES

Unit: Million VND

	Current year	Prior year
Interest expense on deposits	26,394,962	20,124,990
Interest expense on borrowings	2,675,173	2,609,950
Interest expense on valuable papers issued	1,405,656	773,922
Expense on other credit activities	109,915	123,884
	<b>30,585,706</b>	<b>23,632,746</b>

**29. NET GAIN FROM SERVICES**

Unit: Million VND

	Current year	Prior year
<b>Income from services</b>	<b>3,334,497</b>	<b>2,650,863</b>
Income from remittance services	1,618,757	1,303,888
Income from trust and agency services	84,960	52,142
Others	1,630,780	1,294,833
<b>Expense for services</b>	<b>1,636,472</b>	<b>1,190,961</b>
Expense for remittance services	251,185	117,673
Expense for trust and agency services	16,225	5,720
Expense for treasury services	182,301	171,439
Others	1,186,761	896,129
<b>Net profit from services</b>	<b>1,698,025</b>	<b>1,459,902</b>

**30. NET GAIN FROM TRADING FOREIGN CURRENCIES**

Unit: Million VND

	Current year	Prior year
<b>Income from trading foreign currencies</b>	<b>4,196,092</b>	<b>3,033,835</b>
- Income from spot trading foreign currencies	1,872,548	1,631,684
- Income from trading gold	1,171,482	622,842
- Income from trading derivative financial instruments	1,152,062	779,309
<b>Expense for trading foreign currencies</b>	<b>3,510,953</b>	<b>3,014,068</b>
- Expenses for spot trading foreign currencies	902,248	851,493
- Expenses for trading gold	1,159,432	617,901
- Expense for currency trading derivative financial instruments	1,449,273	1,544,674
<b>Net gain from trading foreign currencies</b>	<b>685,139</b>	<b>19,767</b>

### 31. NET GAIN FROM TRADING SECURITIES

Unit: Million VND

	Current year	Prior year
Income from trading securities held for trading	225,155	150,895
Expense for trading securities held for trading	(5,810)	(1,102)
Provision charged for impairment of securities held for trading	(35,426)	(20,616)
<b>Net gain from securities held for trading</b>	<b>183,919</b>	<b>129,177</b>

### 32. NET GAIN FROM INVESTMENT SECURITIES

Unit: Million VND

	Current year	Prior year
Income from trading investment securities	63,407	196,161
Expense for trading investment securities	(4,362)	(10,017)
Provision (charged) for impairment of investment securities (see Note 12)	(18,090)	(133,337)
<b>Net gain from investment securities</b>	<b>40,955</b>	<b>52,807</b>

### 33. NET PROFIT FROM OTHER ACTIVITIES

Unit: Million VND

	Current year	Prior year
<b>Other operating income</b>	<b>2,546,328</b>	<b>4,108,124</b>
Income from recovery of bad debts	2,056,782	2,618,092
Income from transfer, disposals of assets	57,050	42,298
Income from other derivatives	78,700	936,562
Other income	353,796	511,172
<b>Other operating expenses</b>	<b>1,247,565</b>	<b>1,905,838</b>
Expenses for other derivatives	290,391	1,044,392
Expenses for transfer, disposals of assets	47,773	18,308
Other expenses	909,401	843,138
<b>Net gain from other activities</b>	<b>1,298,763</b>	<b>2,202,286</b>

**34. INCOME FROM CAPITAL CONTRIBUTION, EQUITY INVESTMENTS**

Unit: Million VND

	Current year	Prior year
<b>Dividends received in cash from capital contribution, equity investments</b>	<b>77,150</b>	<b>29,589</b>
– from investment equity securities	10,294	2,654
– from other long-term investments	66,856	26,935
<b>Share from net profit under equity method of investments in joint ventures</b>	<b>73,325</b>	<b>11,371</b>
	<b>150,475</b>	<b>40,960</b>

**35. OPERATING EXPENSES**

Unit: Million VND

	Current year	Prior year
<b>Taxes, fees and charges</b>	<b>36,345</b>	<b>74,570</b>
<b>Staff cost</b>		
– Salaries and allowances	5,843,000	4,725,164
– Salary-based expenses	347,067	271,371
– Other benefits	27,283	43,140
– Other expenses	744,436	452,474
<b>Expenses for fixed assets</b>		
– Depreciation and amortisation expenses	921,217	927,251
– Others	1,228,022	1,117,926
<b>Expenses for operating management</b>		
– Per diem	213,317	173,451
– Expenses for union activities	26,668	25,700
– Others	2,991,682	2,499,702
<b>Insurance premium for customers' deposits</b>	<b>431,509</b>	<b>268,409</b>
<b>Other provision expenses</b>	<b>60,136</b>	<b>140,299</b>
	<b>12,870,682</b>	<b>10,719,457</b>

### 36. CORPORATE INCOME TAX ("CIT") EXPENSES

Unit: Million VND

	Current year	Prior year
<b>Profit before tax</b>	<b>8,569,482</b>	<b>7,345,441</b>
<i>Adjustments for:</i>		
- Non-taxable dividend income	(31,916)	(11,603)
- Profit before tax of subsidiaries	(443,130)	(390,903)
- Income from increase in interest in joint ventures	(73,325)	(11,371)
- Movement in general provision for credit losses of loans for consolidation	532	(127)
- Others	94,789	53,978
<b>Taxable profit of the Holding Bank</b>	<b>8,116,432</b>	<b>6,985,415</b>
CIT expense of the Holding Bank on local taxable profit	1,623,286	1,536,791
CIT expense of the Bank on overseas taxable profit	-	8,635
CIT expense of subsidiaries	88,635	83,137
<b>CIT expense on taxable profit</b>	<b>1,711,921</b>	<b>1,628,563</b>

### 37. CASH AND CASH EQUIVALENTS

Cash and cash equivalents presented in the consolidated cash flow statement include the following consolidated balance sheet items:

Unit: Million VND

	Closing balance	Opening balance
Cash, gold and gemstones (*)	5,187,132	5,090,768
Balances with the State Bank of Vietnam (*)	13,502,594	11,892,969
Current deposits at other credit institutions (*)	40,154,261	15,685,526
Placements with other credit institutions with terms not exceeding 3 months	49,970,962	48,213,459
Securities with maturity or recovery term not exceeding 3 months from the date of purchase	5,000,000	-
	<b>113,814,949</b>	<b>80,882,722</b>

(\*) Balances of cash, gold and gemstones, balances with the State Bank of Vietnam and current deposits at other credit institutions are presented in Note 4, Note 5 and Note 6, respectively.

**38. EMPLOYEES' REMUNERATIONS**

	Current year	Prior year
<b>I. Total number of employees (person) (*)</b>	<b>22,957</b>	<b>21,024</b>
<b>II. Employees' income (million VND)</b>		
1. Totalsalaryfund	5,843,000	4,725,164
2. Bonus	-	-
3. Otherallowances	169,113	145,943
4. Totalincome(1+2+3)	6,012,113	4,871,107
5. Average monthly salary (**)	22.34	19.38
6. Average monthly income (**)	22.99	19.38

(\*) Figures as at 31 December.

(\*\*) Calculations were made based on average total number of employees for the year.

**39. VALUABLE PAPERS AND ASSETS AS COLLATERALS, MORTGAGES AND DISCOUNTING, RE-DISCOUNTING****VALUABLE PAPERS AND ASSETS AS COLLATERALS, MORTGAGES AND DISCOUNTING**

	Carrying value at balance sheet date (million VND)	
	Closing balance	Opening balance
Real estate	676,252,304	573,334,087
Movable assets	54,524,968	40,871,174
Valuable papers	111,143,618	109,954,562
Other assets	406,004,900	345,878,561
	<b>1,247,925,790</b>	<b>1,070,038,384</b>

Collaterals and mortgages held by the Bank which are permitted to sell to or re-pledge for a third party in the absence of default by the customers (owner of the collaterals) who are able to pay off the debt according to the law.

As at 31 December 2016, the Bank did not hold any collateral which the Bank is permitted to sell or re-pledge for a third party in the absence of default by the customers (owner of the collaterals) who are able to pay off the debt according to the law.



## 40. CONTINGENT LIABILITIES AND COMMITMENTS

In normal course of business, the Bank uses financial instruments which are related to off-consolidated balance sheet items. These financial instruments mainly comprise financial guarantees and commercial letters of credit. These instruments involve elements of credit risk apart from those recognised in the consolidated balance sheet.

Credit risk of off-balance sheet financial instruments is defined as the possibility of the Bank's sustaining a loss because any other party to a financial instrument fails to meet contractual obligations.

Financial guarantees are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party including guarantee for borrowings, settlement, contract performance and bidding, etc. The credit risk associated with issuing guarantees is essentially the same as that associated with loans to customers; other guarantees have risk concentration at lower level.

Letter of credit (L/C) transaction is a transaction where the Bank issues a financial guarantee to its customers (normally buyer or importer) in which the seller or the exporter is the beneficiary. There are 2 types of L/C by term: L/C at sight and usance L/C.

Credit risk of L/C is limited if the Bank can manage the receipt of goods. Usance L/C represents higher risk than L/C at sight. If the Bank makes payment to the beneficiary under L/C or financial guarantees conditions but the Bank's customer does not reimburse to the Bank, the Bank has the right to record a loan to the customer under their agreement signed before issuing L/C or financial guarantees.

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

In addition, the Bank engages conditional commitments, in forms of commitments in interest swap contracts, commitments in valuable papers trading contracts and other commitments.

### DETAILS OF CONTINGENT LIABILITIES AND COMMITMENTS AS AT 31 DECEMBER 2016:

Unit: Million VND

	Closing balance	Opening balance
<b>Contingent liabilities</b>	<b>91,030,669</b>	<b>67,035,503</b>
Credit guarantees	2,349,067	5,338,188
Letters of Credit	42,320,738	29,551,935
Other guarantees	46,360,864	32,145,380
<b>Commitments</b>	<b>162,370,081</b>	<b>95,634,299</b>
Foreign exchange transactions commitments	133,764,643	65,296,692
Other commitments	28,605,438	30,337,607

As at 31 December 2016, the Bank classified contingent liabilities based on quality of loans under Circular 02 and Circular 09.

**41. RISK-FREE TRUST AND AGENCY ACTIVITIES**

Unit: Million VND

	Closing balance	Opening balance
Trusted fund from organisations	5,765,752	8,200,424
	<b>5,765,752</b>	<b>8,200,424</b>

**42. RELATED PARTY TRANSACTIONS AND BALANCES**

During the course of operations, the Bank had deposits, borrowings and other transactions with its related parties.

**SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES FOR THE YEAR ENDED 31 DECEMBER 2016 ARE AS FOLLOWS:**

Unit: Million VND

Related parties	Relationship	Transactions	Current year
The State Bank of Vietnam	Direct owner and management	Increase in deposits at the SBV	<b>1,609,625</b>
The State Bank of Vietnam	Direct owner and management	Decrease in borrowings from the SBV	<b>(8,397,126)</b>
Indovina Bank Ltd.	Joint venture	Increase in deposits from Indovina	<b>4,003,724</b>
Indovina Bank Ltd.	Joint venture	Increase in deposits from Indovina	<b>1,320,545</b>
Vietinbank Aviva Life Insurance Company Ltd.	Joint venture	Decrease in deposits from Aviva	<b>(47,941)</b>

**SIGNIFICANT BALANCES WITH RELATED PARTIES AS AT 31 DECEMBER 2016 ARE AS FOLLOWS:**

Unit: Million VND

Related parties	Relationship	Transactions	Receivables	Payables
The State Bank of Vietnam	Direct owner and management	Demand deposits and compulsory reserves	<b>13,502,594</b>	-
The State Bank of Vietnam	Direct owner and management	Borrowings	-	<b>4,808,227</b>
Indovina Bank Ltd.	Joint venture	Deposits from Indovina	-	<b>4,239,457</b>
Indovina Bank Ltd.	Joint venture	Deposits at Indovina	<b>4,003,724</b>	-
Vietinbank Aviva Life Insurance Company Ltd.	Joint venture	Deposits from Aviva	-	<b>146,869</b>

## 43. GEOGRAPHICAL STRUCTURE OF ASSETS, LIABILITIES AND OFF-CONSOLIDATED BALANCE SHEET ITEMS

Unit: Million VND

**AS AT 31 DECEMBER 2016:**

	Total loan balance	Total placements (assets)	Total deposits (liabilities)	Credit commitments	Derivatives (Difference between debit - credit)	Trading and investment securities (Difference between debit - credit)
Domestic	660,082,641	102,556,092	692,433,062	90,853,242	682,690	139,291,585
Overseas	5,342,609	1,978,330	3,973,508	177,427	-	-
	<b>665,425,250</b>	<b>104,534,422</b>	<b>696,406,570</b>	<b>91,030,669</b>	<b>682,690</b>	<b>139,291,585</b>

## 44. SEGMENT REPORT

A business segment is a distinguishable component of the Bank that is engaged in providing services and that is subject to risks and returns that are different from those of other business segments.

A geographical segment is a distinguishable component of the Bank that is engaged in providing services and that is subject to risks and returns that are different from those of components operating in other economic environments.

Primary segment report of Vietinbank is divided by business; secondary segment report of Vietinbank is divided by geography.

## 44. SEGMENT REPORT (Continued)

## BUSINESS SEGMENT REPORT

Unit: Million VND

NO.	ITEMS	Banking financial services	Non-banking financial services	Others	Off-set	Total
<b>I.</b>	<b>Income</b>	<b>60,951,148</b>	<b>1,335,713</b>	<b>1,456,972</b>	<b>(237,181)</b>	<b>63,506,652</b>
1.	Interest and similar income	52,626,389	346,981	106,625	(89,297)	52,990,698
	- External interest and similar income	52,556,600	335,220	98,878	-	52,990,698
	- Internal interest and similar income	69,789	11,761	7,747	(89,297)	-
2.	Income from services	2,552,924	887,521	24,408	(130,356)	3,334,497
3.	Other income	5,771,835	101,211	1,325,939	(17,528)	7,181,457
<b>II.</b>	<b>Expenses</b>	<b>(47,623,472)</b>	<b>(1,163,563)</b>	<b>(1,359,389)</b>	<b>231,358</b>	<b>(49,915,066)</b>
1.	Interest and similar expenses	(30,631,689)	(31,702)	(13,665)	91,350	(30,585,706)
	- External interest and similar expenses	(30,570,061)	(4,033)	(11,612)	-	(30,585,706)
	- Internal interest and similar expenses	(61,628)	(27,669)	(2,053)	91,350	-
2.	Depreciation and amortisation expenses	(908,907)	(7,247)	(5,063)	-	(921,217)
3.	Expenses related to operating business	(16,082,876)	(1,124,614)	(1,340,661)	140,008	(18,408,143)
	<b>Net profit from operating activities before credit provision expenses</b>	<b>13,327,676</b>	<b>172,150</b>	<b>97,583</b>	<b>(5,823)</b>	<b>13,591,586</b>
	<b>Provision expenses for credit losses</b>	<b>(5,009,505)</b>	<b>(10,992)</b>	<b>(1,607)</b>	<b>-</b>	<b>(5,022,104)</b>
	<b>Segment profit before tax</b>	<b>8,318,171</b>	<b>161,158</b>	<b>95,976</b>	<b>(5,823)</b>	<b>8,569,482</b>
	Current corporate income tax expense	(1,642,110)	(48,430)	(21,381)		(1,711,921)
	Deferred tax expense	-	289	-	-	289
	<b>Segment profit after corporate income tax</b>	<b>6,676,061</b>	<b>113,017</b>	<b>74,595</b>	<b>(5,823)</b>	<b>6,857,850</b>
<b>III.</b>	<b>Assets</b>	<b>949,489,135</b>	<b>4,556,952</b>	<b>1,921,656</b>	<b>(7,268,720)</b>	<b>948,699,023</b>
1.	Cash on hand	5,155,469	3,324	28,339	-	5,187,132
2.	Fixed assets	10,509,410	57,880	48,028	-	10,615,318
3.	Other assets	933,824,256	4,495,748	1,845,289	(7268,720)	932,896,573
<b>IV.</b>	<b>Liabilities</b>	<b>889,157,815</b>	<b>1,830,120</b>	<b>542,687</b>	<b>(3,231,002)</b>	<b>888,299,620</b>
1.	External liabilities	886,648,726	1,373,865	519,897	(3,231,002)	885,311,486
2.	Internal liabilities	2,509,089	456,255	22,790	-	2,988,134

## 44. SEGMENT REPORT (Continued)

### GEOGRAPHICAL SEGMENT REPORT

Unit: Million VND

No.	ITEMS	Northern (*)	Southern	Others	Off-set	Total
I.	<b>Segment profit before tax</b>	<b>3,767,338</b>	<b>3,393,000</b>	<b>1,409,144</b>	<b>-</b>	<b>8,569,482</b>
	Current corporate income tax expense	(1,694,172)	(1,360)	(16,389)	-	(1,711,921)
	Deferred tax expense	289	-	-	-	289
II.	<b>Segment profit after corporate income tax</b>	<b>2,073,455</b>	<b>3,391,640</b>	<b>1,392,755</b>	<b>-</b>	<b>6,857,850</b>
III.	<b>Segment assets</b>	<b>594,891,924</b>	<b>288,307,301</b>	<b>72,768,518</b>	<b>(7,268,720)</b>	<b>948,699,023</b>
IV.	<b>Segment liabilities</b>	<b>537,845,292</b>	<b>283,392,081</b>	<b>70,293,249</b>	<b>(3,231,002)</b>	<b>888,299,620</b>

(\*) As at 31 December 2016, the Head Office in the Northern region calculated and paid corporate income tax for all Bank's branches.

## 45. FINANCIAL INSTRUMENTS

On 06 November 2009, the Ministry of Finance issued Circular No. 210/2009/TT-BTC ("Circular 210") guiding the application of International Financial Reporting Standards on presentation of financial statements and disclosures of financial instruments, which is effective for the financial year beginning on or after 01 January 2011. Circular 210 provides the definition of financial instruments, including financial assets, financial liabilities, derivative financial instruments and equity instruments and requirements on classification, presentation and disclosures of these financial instruments.

As Circular 210 only regulates the presentation and disclosure of financial instruments, the following terms under Circular 210 are adopted for this Note to the consolidated financial statements. Assets and liabilities of the Bank are recognised in accordance with Vietnamese Accounting Standards, accounting regime applicable to credit institutions in Vietnam and legal regulations relating to financial reporting.

### FINANCIAL ASSETS

Under Circular 210, the Bank's financial assets include cash, gold and gemstones, balances with the State Bank of Vietnam, placements with and loans to other credit institutions, loans to customers, trading securities, investment securities, other long-term investments, receivables, other assets and assets under currency derivative contracts.

Financial assets within the scope of Circular 210 are properly classified, for disclosures in the consolidated financial statements, into either of the followings:

- *Financial assets at fair value through profit or loss:*

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

- A financial asset is classified as held for trading if:
  - It is acquired or incurred principally for the purpose of selling or repurchasing in the near term;
  - There is evidence of a recent actual pattern of short-term profit-taking; or
  - It is a derivative (except for the derivative that is a financial guarantee contract or effective hedging instrument).
- Upon initial recognition, it is designated by the Bank as at fair value through profit or loss.
  - *Held-to-maturity investments:*

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

    - Those that the Bank designates at fair value through profit or loss upon initial recognition;
    - Those that the Bank designates as available for sale;
    - 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, except for:

- Those that the Bank intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the Bank designates as at fair value through profit or loss upon initial recognition;



b) Those that the Bank designates as available for sale upon initial recognition; or

c) Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be 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 or are not classified as:

a) Loans and receivables;

b) Held-to-maturity investments; or

c) Financial assets designated as at fair value through profit or loss.

## **FINANCIAL LIABILITIES**

According to Circular 210, the Bank's financial liabilities include borrowings from the Government and the SBV, deposits and borrowings from other credit institutions, deposits from customers, bonds, grants, trusted funds and borrowings at risk of the credit institutions, valuable papers issued, other payables and payables under currency derivative contracts.

Financial liabilities within the scope of Circular 210 are classified, for disclosures in the consolidated financial statements, into either of the followings:

- *Financial liabilities at fair value through profit or loss:*

a) A financial liability must meet either of the following conditions:

- It is acquired or incurred principally for the purpose of selling or repurchasing in the near term;

- There is evidence of a recent actual pattern of short-term profit-taking; or

- It is a derivative (except for the derivative that is a financial guarantee contract or effective hedging instrument).

b) Upon initial recognition, it is designated by the Bank as at fair value through profit or loss.

- *Financial liabilities at amortised cost:*

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

## **OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## **THE RISK MANAGEMENT POLICY RELATED TO FINANCIAL INSTRUMENTS**

Under the guidance of the State Bank on enhancing the role of risk management in credit institutions, the Bank continues implementing risk management policies for its entire business to support the safe and steady growth of business activities.

The Bank's Risk Management Division is heading towards the risk management activities in accordance with Basel II. Model of risk management related to financial instruments is associated with the modern risk management model of the Bank. This model based on the "3 stages of control" includes: (i) the business units in Round 1 acts as a unit directly and fully responsible for risk identification, assessment, control and mitigation; (ii) Round 2 is the Risk Management Department with responsibility to establish the policies,

principles, control limit and independently supervise the risk management; (iii) Round 3 is the Internal Audit Department with the responsibility to ensure the rationality and effectiveness of the risk management at Round 1 and Round 2. All financial instruments are reviewed, assessed for all related risks before implementation, to ensure that the Bank can effectively control risks related to financial instruments.

In 2016, the Bank has continued to implement sub-projects on fund management, risk management within the Basel II Project in order to comprehensively enhance the risk management system as described in Basel II.

Moreover, the Bank has continued to complete its policies system in 5 levels, namely: (i) general policy regime, (ii) detailed policies, (iii) guidance documents on policies, (iv) general processes, (v) detailed processes for each product in order to ensure consistency and overall effectiveness of the policy system.

The activities related to the Bank's financial instruments including foreign exchange trading products, gold trading, cross currency swaps, interest rate swaps etc. mainly serve the demands of corporate customers in the preferential and key sectors and corporate and individual customers that have strong financial conditions. In addition, to ensure management of liquidity risk, interest rate risk as well as profit maximization, in the year 2016, the Bank has enhanced the investment in highly liquid assets such as Credit Institution bonds with more attractive interest rate but not much riskier than Government bonds and Government Treasury bills as newly invested bonds are guaranteed by the Government.

To manage risk related to financial instruments, the Bank issues regulations, procedures, detailed guidance and internal indicators as well as strictly manages the balance between assets and liabilities, tightly controls the growth in business activities and credit quality; complies with limitation and safety rate for its operation and requirements on risk management as stipulated in Circular 36 and regulations of the State Bank of Vietnam and meets requirements on risk management in accordance with Basel II. Accordingly, risks related to financial instruments are strictly managed as follows:

**General policies to manage the risk of financial instruments:** The Bank has issued regulation on splitting the data of Banking and Trading, providing criteria for risk management standardization based on the features of each activity.

**Credit risk management:** Management activities of credit risk of the Banks are deployed through standardized models to organize, create and establish risk control limits based on the risk appetite of the Board of Directors, consistent with the business strategy in each period, ensuring secure and sustainable growth targets. Planning activities are standardized in order to appropriately combine growth and risk management. The mechanism and policies system related to activities of credit risk management is standardized under 05 document levels. The Bank is one of the first banks to implement credit risk measuring models under Basel II standards (according to the statistical analysis method) in replacement to the internal credit ratings system (according to expert method previously) and apply in credit approval, loan pricing and efficient customer management. Information technology infrastructure is a priority of investment, to make sure scoring of credit ratings, loan initialising, collateral management, extraction of credit portfolio management information, early warning are performed automatically, with operational errors, processing time reduced and the quality of information improved.

**Management of liquidity risk and interest rate risk:** The Bank has continued to synchronize and improve the liquidity risk and interest risk management model on Banking book according to international practice. The Bank has separated the function and responsibility between Transaction Unit and Risk Management Unit to ensure independence and cross check to mitigate possible risks. The Bank has also issued regulations and processes on liquidity risk and interest rate risk on banking book to ensure consistent implementation. The Asset-Liability Management System (ALM) is also continuingly operated and upgraded to create standardised data sources and measurement and monitor tools for the management of liquidity risk and interest rate risk.

**Management of currency risk:** The Bank has successfully and simultaneously implanted Treasury model from organisational model, policy document system to supporting tools according to international practices. The Bank has separated the function and responsibility of the Front-to-Back (the Straight Through Process)

system to ensure independence and cross check to mitigate possible risks. The Bank uses Treasury Murex 3 system, which is one of the most modern ones, for automatic management of fund under the Straight Through System. The reporting system measure and monitor the risks to ensure complete express of profit to market value, risk measurement to each product/transaction counter and monitoring mechanism of delegation in capital business. On that basis, currency risk reports are periodically sent to the managers and transaction unit to support in decision making process to ensure secure and effective operation.

The policies on currency risk, interest rate risk, credit risk and liquidity risk are analysed in details in Notes 46, 47, 48 and 49.

## **DETERMINATION OF FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Bank uses the method and assumptions to estimate fair value as follows: Fair value of cash and short-term deposits is measured at the carrying value of such items because these are short-term instruments.

The Bank's financial instruments are detailed as follows:

	Carrying value (Excluding provisions)		Fair value	
	Closing balance	Opening balance	Closing balance	Opening balance
	million VND	million VND	million VND	million VND
<b>Financial assets</b>				
Cash, gold and gemstones	5,187,132	5,090,768	5,187,132	5,090,768
Balances with the State Bank of Vietnam	13,502,594	11,892,969	13,502,594	11,892,969
Placements with and loans to other credit institutions	94,469,281	66,018,789	(*)	(*)
Trading securities - Equity securities with market price reference	441,257	161,502	363,960	135,498
Trading securities - Equity securities without market price reference	30,606	11,830	(*)	(*)
Trading securities - Debt securities	1,502,806	3,200,074	(*)	(*)
Derivative financial instruments and other financial assets	682,690	-	(*)	(*)
Loans to customers	661,987,797	538,079,829	(*)	(*)
Investment securities - Equity securities with market price reference	499,902	274,036	335,048	211,872
Investment securities - Equity securities without market price reference	128,193	-	(*)	(*)
Investment securities - Debt securities	136,688,820	121,594,901	(*)	(*)
Other long-term investments	430,445	1,131,164	(*)	(*)
Other receivables	2,694,038	1,098,294	(*)	(*)
Interest and fee receivables	14,207,830	12,863,853	(*)	(*)
Other assets	1,436	1,320	(*)	(*)
	<b>932,454,827</b>	<b>761,419,329</b>		
<b>Financial liabilities</b>				
Borrowings from the Government and the SBV	4,808,417	13,227,115	(*)	(*)
Deposits and borrowings from other credit institutions	85,151,867	99,169,216	(*)	(*)
Deposits from customers	655,060,148	492,960,064	(*)	(*)
Derivative financial instruments and other financial liabilities	-	117,619	(*)	(*)
Grants, trusted funds and borrowings at risk of the credit institution	6,075,468	54,237,247	(*)	(*)
Valuable papers issued	23,849,453	20,860,497	(*)	(*)
Accrued fee and interest expenses	9,944,825	5,971,380	(*)	(*)
Other payables and liabilities	99,856,373	33,145,285	(*)	(*)
	<b>884,746,551</b>	<b>719,688,423</b>		

(\*) The Bank has not assessed fair value of these financial assets and financial liabilities as at 31 December 2016 since Vietnamese Accounting Standards as well as prevailing regulations have not had specific guidance on the fair value determination of such items.

## 45. FINANCIAL INSTRUMENTS (Continued)

### CLASSIFICATION OF FINANCIAL ASSETS AS AT 31 DECEMBER 2016

Unit: Million VND

	Financial assets				
	Held-for-trading	Held-to-maturity	Loans and receivables	Available-for-sale	Total
Cash, gold and gemstones	5,187,132	-	-	-	5,187,132
Balances with the State Bank of Vietnam	13,502,594	-	-	-	13,502,594
Placements with and loans to other credit institutions	-	-	94,469,281	-	94,469,281
Trading securities	1,974,669	-	-	-	1,974,669
Derivative financial instruments and other financial assets	682,690	-	-	-	682,690
Loans to customers	-	-	661,987,797	-	661,987,797
Investment securities	-	11,743,021	-	125,573,894	137,316,915
Other long-term investments	-	-	-	430,445	430,445
Other receivables	-	-	2,694,038	-	2,694,038
Interest and fee receivables	-	-	14,207,830	-	14,207,830
Other assets	-	-	1,436	-	1,436
	<b>21,347,085</b>	<b>11,743,021</b>	<b>773,360,382</b>	<b>126,004,339</b>	<b>932,454,827</b>

### CLASSIFICATION OF FINANCIAL LIABILITIES AS AT 31 DECEMBER 2016:

Except for derivative financial instruments which are classified as held-for-trading, all financial liabilities of the Bank as at 31 December 2016 are classified as financial liabilities measured at amortised cost.

## 46. CURRENCY RISK

Currency risk is the risk that values of financial instruments will be affected by changes in foreign exchange rate.

The Bank was incorporated and operates in Vietnam and its reporting currency is Vietnam Dong (VND), while a part of the Bank's asset-equity is in foreign currencies (USD, EUR, etc.). Thus, currency risk may arise.

The Bank is exposed to the following risks:

- Currency risks in foreign currency trading;
- Currency risks in fund mobilisation and lending;
- Currency risks in investments.

**The economic situation and macroeconomic policies during the year which had significant effects on the Bank's operations:**

After the event of Brexit, various major currencies such as USD, GBP, JPY, etc. fluctuated dramatically due to the effect of market behavior, which leads to increase in the USD/VND exchange rate. However, the SBV has taken flexible measures to ensure exchange rate stability.

**To prevent the risk of exchange rate fluctuations, the Bank has applied the following synchronous measures:**

Based on actual data, the growth demand of affiliates and business orientation, Treasury and Financial Planning Department analyses and projects cash inflows and outflows and proposes fund planning projection for each currency unit (in VND, USD, and EUR equivalent) to the Bank's management based on actual cash flows to ensure safety and effectiveness of the whole system. All foreign currency loans are financed through mobilised funds in the same currency, thus no currency risk arises in lending and mobilisation activities.

**For investment activities:**

The Bank faces currency risk with regards to its investment in Indovina Bank Ltd. and the investment in the establishment of new branches in Germany and Vietinbank Laos Limited. Currency risk for these investments is closely monitored by the Bank through the analysis and forecast of changes in exchange rates of these currencies against VND.

**For foreign currency trading activities:**

Regulations on currency position for each currency unit and stop-loss limits in foreign exchange trading are developed by the Market Risk Management Department at the Head Office and approved by the General Director, which are within the Bank's risk tolerance. The market risk limits are controlled and executed by the Treasury Dealing Department at the Head Office and independently supervised and reported by the Market Risk Management Department. The currency position is managed on a daily basis and hedging strategies are used to ensure that the currency position is maintained within established limits.



## 46. CURRENCY RISK (Continued)

Carrying amounts of assets and liabilities by currencies as at 31 December 2016 are as follows:

ITEMS	EUR equivalent	USD equivalent	VND	Other currencies equivalent	Total
	million VND	million VND	million VND	million VND	million VND
<b>Assets</b>					
Cash, gold and gemstones	120,114	548,152	4,509,333	9,533	5,187,132
Balances with the State Bank of Vietnam	-	3,091,803	10,410,791	-	13,502,594
Placements with and loans to other credit institutions (*)	3,334,212	23,820,091	66,652,468	662,510	94,469,281
Trading securities (*)	-	-	1,974,670	-	1,974,670
Derivative financial instruments and other financial assets	-	-	682,690	-	682,690
Loans to customers (*)	2,171,734	78,411,074	581,404,989	-	661,987,797
Investment securities (*)	-	-	137,316,915	-	137,316,915
Capital contribution, long-term investments (*)	-	1,688,788	1,516,423	-	3,205,211
Fixed assets	68,141	-	10,547,177	-	10,615,318
Other assets (*)	924,406	1,689,985	27,179,420	-	29,793,811
<b>Total assets</b>	<b>6,618,607</b>	<b>109,249,893</b>	<b>842,194,876</b>	<b>672,043</b>	<b>958,735,419</b>
<b>Liabilities and owners' equity</b>					
Borrowings from the Government and the SBV	-	-	4,808,417	-	4,808,417
Deposits and borrowings from other credit institutions	1,367,393	37,875,038	45,908,898	538	85,151,867
Deposits from customers	3,649,467	41,686,641	609,605,131	118,909	655,060,148
Grants, trusted funds and borrowings at risk of the credit institution	192,709	5,072,233	808,445	2,081	6,075,468
Valuable papers issued	-	5,536,450	18,313,003	-	23,849,453
Other liabilities (*)	1,469,646	1,115,186	110,531,975	-	113,116,807
Capital and reserves	-	-	60,399,403	-	60,399,403
<b>Total liabilities and owners' equity</b>	<b>6,679,215</b>	<b>91,285,548</b>	<b>850,375,272</b>	<b>121,528</b>	<b>948,461,563</b>
<b>Balance sheet currency position</b>	<b>(60,608)</b>	<b>17,964,345</b>	<b>(8,180,396)</b>	<b>550,515</b>	<b>10,273,856</b>

(\*) Excluding risk provision.

## 47. INTEREST RATE RISK

Interest rate risk is the possibility of the Bank's income or asset value being affected when market interest rate fluctuates.

Interest rate risk to the Bank possibly derives from investment activities and fund mobilisation and lending activities.

The effective interest rate re-pricing term of assets and liabilities is the remaining period from the date of consolidated financial statements to the nearest interest rate re-pricing date. The following assumptions and conditions have been adopted in the analysis of effective interest rate re-pricing term of the Bank's assets and liabilities:

- Cash, gold and gemstones; long-term investments and other assets (including fixed assets, investment properties and other assets) are classified as non-interest-bearing items;
- Balances with the SBV are considered settlement deposits, thus the effective interest rate re-pricing term is assumed to be within one month;
- The effective interest rate re-pricing term of trading securities is determined based on the contractual re-pricing term or the re-pricing term in accordance with the regulation on the maximum holding period of the Bank, whichever comes earlier;
- The effective interest rate re-pricing term of placements with and loans to other credit institutions; investment securities; loans to customers; borrowings from the Government and the SBV; deposits and borrowings from other credit institutions; deposits from customers, valuable papers issued, grants, trusted fund and borrowing at risk of the credit institution is determined as follows:
  - Items with fixed interest rate during the contractual period: the effective interest rate re-pricing term is determined from the balance sheet date to maturity date;
  - Items with floating interest rate: the effective interest rate re-pricing term is determined from the balance sheet date to the nearest interest rate re-pricing date.

### THE BANK'S INTEREST RATE RISK POLICIES

For inter-bank lending (short-term activities), investment interest rate is based on the fluctuation of the market and the Bank's funding cost. The inter-bank loans usually have short terms (less than 3 months).

The Bank forecasts fluctuation of the market interest rate and its fund balancing ability in order to make appropriate investment decisions. In case that the interest rates are forecasted to decline, the Bank will focus on long-term investments to increase profitability. Conversely, if interest rates are forecasted to have increasing trend, the Bank will increase short-term investments.

For fund mobilisation: interest rate for fund mobilisation is determined based on the market price, business orientation of the Bank's management, the Bank's fund balance and regulations of the State Bank of Vietnam. Fund is mobilised mainly with short interest rate re-pricing term.

For lending activities: The Bank determines lending interest rate based on the funding cost, management expenses, risk considerations, collateral value and market interest rate to ensure competitiveness as well as the efficiency. The Head Office regulates the lending interest rate floor for each period; branches can themselves decide lending interest rates for each period based on credit risk analysis and assessment provided that the rates are not less than the regulated floor rate and annual budgeted profit is assured. Besides, due to the fact that assets were mainly financed by the short interest rate re-pricing term funds, the Bank requires that all medium-term and long-term loans' interest must be floating (interest rates are not fixed during the whole loans' periods) to minimize possible interest rate risk to arise.

## **INTEREST RATE RISK MANAGEMENT**

The Bank manages interest rate risk at 2 levels: transaction level and portfolio level, of which the former is more focused.

### **Interest rate risk management at portfolio level**

- The Bank has been implementing the completed systems of the rules, regulations and procedures of interest rate management in the Bank in accordance with international rules and Basel II regulations; implementing interest rate management under "3 control stages" rule.
- The Bank completed the design, officially applied and continuously upgraded the software system of Assets-Liabilities Management (ALM), which runs to the transaction level under international practices, automatically provides reports of term differences, revaluation under nominal term and behaviour, scenarios analysis reports on interest rate increase/decrease situation, etc. in order to facilitate the Bank's interest rate management activities.
- Re-pricing terms of all loans are required to be adjusted based on the re-pricing terms of funds mobilised and are controlled within established limits by the Bank.

### **Interest Rate Management at transaction level**

- All credit contracts are required to include terms relating to interest rate risk prevention to ensure that the Bank can hold initiative in coping with fluctuations of the market, lending interest rate must reflect the Bank's actual funding cost;
- Management through the Fund Transfer Pricing (FTP) system: The Bank completed stage 2 of internal fund transfer pricing system - FTP, which enhanced the Bank's capital and interest management; the Bank also completed stage 2 of ALM system project of managing assets-liabilities for creating standardised data source and effective measures and control for the Bank's capital and interest management. Depending on the orientation of the Bank and the market movements, the Head Office can change the fund price for each type of customers or products, etc. to give signals for the business units to determine their lending/fund mobilisation rates.

With the experience and sensitivity in managing, the Bank has been cautiously, flexibly managing the deposit and loan interest rate mechanism to ensure the safety and effectiveness of the business operation. As shown in the interest rate re-pricing gap report, the majority of interest bearing assets of the Bank has re-pricing term within 01 month, which is in line with the re-pricing structure of the mobilised funds that have short interest rate re-pricing term.

### **Interest rate sensitivity**

Since Circular 210 does not provide specific guidance on implementation of interest rate sensitivity analysis, the Bank has not disclosed such information herein.

## 47. INTEREST RATE RISK (Continued)

Unit: Million VND

	Non-interest bearing	Overdue			Current					Over 5 years	Total
		Over 3 months	Within 3 months	Within 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years			
Assets											
Cash, gold and gemstones	5,187,132	-	-	-	-	-	-	-	-	-	5,187,132
Balances with the State Bank of Vietnam	-	-	-	13,502,594	-	-	-	-	-	-	13,502,594
Placements with and loans to other credit institutions (*)	-	-	-	84,705,564	8,014,627	500,000	1,249,090	-	-	-	94,469,281
Trading securities (*)	-	-	-	1,974,670	-	-	-	-	-	-	1,974,670
Derivative financial instruments and other financial assets	-	-	-	682,690	-	-	-	-	-	-	682,690
Loans to customers (*)	-	6,742,800	5,558,981	522,055,453	95,206,917	26,070,476	1,631,951	1,889,673	2,831,546	661,987,797	
Investment securities (*)	628,095	-	-	15,552,900	24,713,336	7,728,288	9,479,821	56,702,761	22,511,714	137,316,915	
Long-term investments (*)	3,205,211	-	-	-	-	-	-	-	-	3,205,211	
Fixed assets	10,615,318	-	-	-	-	-	-	-	-	10,615,318	
Other assets (*)	29,793,811	-	-	-	-	-	-	-	-	29,793,811	
Total assets	49,429,567	6,742,800	5,558,981	638,473,871	127,934,880	34,298,764	12,360,862	58,592,434	25,343,260	958,735,419	
Liabilities											
Borrowings from the Government and the SBV	-	-	-	241,271	1,065,455	1,270,540	2,231,151	-	-	4,808,417	
Deposits and borrowings from other credit institutions	-	-	-	51,471,241	18,693,292	12,394,257	2,593,077	-	-	85,151,867	
Deposits from customers	-	-	-	213,934,130	154,326,414	136,822,162	141,733,340	8,242,620	1,482	655,060,148	
Grants, trusted funds and borrowings at risk of the credit institutions	-	-	-	3,286	1,410	3,285,897	15,000	2,769,875	-	6,075,468	
Derivative financial instruments and other financial liabilities	-	-	-	-	-	-	-	-	-	-	
Valuable papers issued	-	-	-	187	10,508	5,538,758	-	18,300,000	-	23,849,453	
Other liabilities (*)	113,116,807	-	-	-	-	-	-	-	-	113,116,807	
Total liabilities	113,116,807	-	-	265,650,115	174,097,079	159,311,614	146,572,568	29,312,495	1,482	888,062,160	
Balance sheet net interest gap	(63,687,240)	6,742,800	5,558,981	372,823,756	(46,162,199)	(125,012,850)	(134,211,706)	29,279,939	25,341,778	70,673,259	

(\*) Excluding risk provision.

## 48. CREDIT RISK

Credit risk is the risk that results in the Bank's loss because its customer or counterparties default on their contractual obligations or fail to fulfill their committed obligations.

Tools that the Bank uses to manage credit risk include:

**For credit activities:** The Bank manages and controls credit risk by setting credit limits for each counterparty and geographical and industrial concentration, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the financial position as well as solvency of counterparties based on the qualitative and quantitative factors. Credit limits is established for each counterparty based on its risk rating assigned by the credit rating system. Risk rating is subject to regular assessment.

**For investment activities/interbank lending activities:** The Bank controls and manages risks by setting the interbank and investment limit for each specific counterparty based on the analysis and assessment of the counterparty's risks. These limits are set by the Financial Institution Committee and executed by the Treasury Dealing Department.

### FINANCIAL ASSETS OVERDUE BUT NOT IMPAIRED

The Bank's overdue financial assets that are not impaired include overdue loans with no provision required under Vietnamese Accounting Standards, accounting regime applicable to credit institutions in Vietnam and legal regulations relating to financial reporting. The aging of such financial assets as at 31 December 2016 is presented below:

	Overdue			
	Within 90 days	91-180 days	181-360 days	Over 360 days
	million VND	million VND	million VND	million VND
Loans to customers	482,085	134,849	95,805	986,982

The Bank is currently holding collaterals in the forms of real estate, movable assets, valuable papers and others in kind for the above financial assets. For the purpose of determining whether the assets are impaired and any provision is needed in accordance with Vietnamese Accounting Standards, these assets' values are measured in accordance with Circular 02 and Circular 09 (see Note 39).

## 49. LIQUIDITY RISK

Liquidity risk is defined as the risk that results in the Bank's difficulty in meeting obligations associated with its financial liabilities. Liquidity risk arises because the Bank might be unable to meet its payment obligations when they fall due under both normal and stressed circumstances or when the Bank has to mobilise funds at a higher cost to meet its payment obligations.

The Bank had issued regulations and procedures on the liquidity management which establishes rules of managing the liquidity gap through maturity, liquidity risk ratios, designs stress test scenarios and backup plan to proactively handle measures in facing with the market volatility. To minimise this risk, management plans to diversify its funding sources and also develops fund management report system to calculate liquidity position on a daily basis as well as prepares analysis and forecast report on future liquidity position on a regular basis.

On a monthly basis, at ALCO Committee meeting, fund balance and liquidity of the Bank is one of the key contents to be discussed. Based on analysis and evaluation, ALCO Committee makes recommendations to the Board of Directors and the Board of Management to best remain the Bank's solvency in a safe and effective way.

In addition, the Bank also maintains a list of secondary liquid assets such as government bonds, which may be sold or under repurchased contracts with the State Bank of Vietnam. It is not only the secondary reserve in liquidity stress circumstances (if any) but also the profitable investments, providing funds for key national projects. The maturity of assets and liabilities represents the remaining time to the contractual maturity date from the balance sheet date until the payment date regulated in the contract or terms of issuance.

The following assumptions and conditions have been adopted in the analysis of the Bank's maturity relating to its assets and liabilities:

- Balance with the State Bank of Vietnam is considered as current deposit including the compulsory reserve, which is determined upon the composition and maturity of the Bank's customer deposits.
- The maturity term of investment securities is based on the contractual maturity date.
- The maturity date of trading securities is based on contractual maturity date or the maturity date in accordance with the regulation on the maximum holding period of the Bank, whichever comes earlier.
- The maturity term of deposits with and loans to other credit institutions and loans to customers is based on the contractual maturity date. The actual due date may be different from contractual term when the contract is extended.
- The maturity term of equity investment is considered to be over five years as equity investments have indefinite maturity.
- The maturity term of deposits, loans from other credit institutions is based on the contractual maturity date.
- The maturity term of deposits from customers are determined based on the customer behaviour analysis and the forecast on interest rate policy and other macroeconomic factors.
- Vostro accounts and current accounts paid upon customers' demand are considered to be current.

Based on the management's approval of annual business plan, the Treasury and Financial Planning Department together with some other departments does analysis and makes forecasts of cash inflows and outflows of the system according to the approved plans; and also based on the actual daily fluctuations of fund mobilisation and utilisation, the Bank makes decisions on appropriate management of capital adequacy.



Based on the projection of capital adequacy, the Treasury Dealing Department creates the Bank's liquidity buffer through purchasing highly liquid valuable papers, which could be converted into cash on the secondary market. The Treasury Dealing Department may decide to sell valuable papers to the SBV in the open market, or to borrow to replenish working capital's deficiency to ensure liquidity position of the whole system.

Based on the SBV's regulations, the Treasury and Financial Planning Department in cooperation with the Treasury Dealing Department proposes available fund management plan in order to assure that the actual average balance of deposits in VND and foreign currencies at the SBV is not less than the required level of compulsory reserve. Besides, the Bank also establishes credit limit with other banks and other credit institutions for mutual support when needed. The Market Risk Management Department acts as an independent supervisor to ensure that the liquidity risks are managed and comply with the regulations and procedures on the liquidity management of the Bank.

The process of capital adequacy of the Bank is performed in the INCAS, the interbank payment program CITAD. On the basis of centralised payment at the Head Office, the Bank actively performs liquidity risk management on a daily basis. Currently, the Bank is promptly completing and developing the procedures as well as applying and upgrading software for risk management in accordance with international standards.

The data in the Liquidity Risk Report as at 31 December 2016 shows that the Bank's funds are fairly plentiful with terms ranging from 01 to 12 months, the longer-term funds are quite limited. This is a common situation of commercial banks in Vietnam. In fact, the Bank still maintains an appropriate rate of short-term funds utilisation for medium and long-term loans within the limit set by the State Bank.

The Bank's liquidity risk management activities are monitored closely in compliance with the regulations of the State Bank and the Bank's criteria for internal liquidity management for each major currency unit (such as VND, USD, EUR) on deposits and loans portfolios.

## 49. LIQUIDITY RISK (Continued)

Unit: Million VND

	Overdue		Current				Total
	Over 3 months	Within 3 months	Within 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	
<b>Assets</b>							
Cash, gold and gemstones	-	-	5,187,132	-	-	-	5,187,132
Balances with the State Bank of Vietnam	-	-	13,502,594	-	-	-	13,502,594
Placements with and loans to other credit institutions (*)	-	-	84,705,564	8,014,627	1,749,090	-	94,469,281
Trading securities (*)	-	-	1,974,670	-	-	-	1,974,670
Derivative financial instruments and other financial assets	-	-	682,690	-	-	-	682,690
Loans to customers (*)	6,742,800	5,558,981	39,113,708	142,685,332	228,533,135	92,217,730	661,987,797
Investment securities (*)	-	-	5,908,654	4,370,135	9,505,290	27,084,280	137,316,915
Long-term investments (*)	-	-	-	-	-	3,205,211	3,205,211
Fixed assets	-	-	-	-	-	10,615,318	10,615,318
Other assets (*)	-	-	-	-	-	29,793,811	29,793,811
<b>Total assets</b>	<b>6,742,800</b>	<b>5,558,981</b>	<b>151,075,012</b>	<b>155,070,094</b>	<b>239,787,515</b>	<b>162,916,350</b>	<b>958,735,419</b>
<b>Liabilities</b>							
Borrowings from the Government and the SBV	-	-	241,271	1,065,455	3,501,691	-	4,808,417
Deposits and borrowings from other credit institutions	-	-	39,796,177	11,658,728	19,761,540	231,957	85,151,867
Deposits from customers	-	-	105,124,731	154,326,414	278,555,502	16,385	655,060,148
Grants, trusted funds and borrowings at risk of the credit institution	-	-	3,286	1,410	15,000	2,751,618	6,075,468
Valuable papers issued	-	-	187	10,508	5,538,758	-	23,849,453
Other liabilities (*)	-	-	60,236,360	6,092,392	9,132,636	275,147	113,116,807
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>205,402,012</b>	<b>173,154,907</b>	<b>316,505,127</b>	<b>21,575,107</b>	<b>888,062,160</b>
<b>Net liquidity difference</b>	<b>6,742,800</b>	<b>5,558,981</b>	<b>(54,327,000)</b>	<b>(18,084,813)</b>	<b>(76,717,612)</b>	<b>141,341,243</b>	<b>70,673,259</b>

(\*) Excluding risk provision.

## 50. CAPITAL AND OPERATING LEASE COMMITMENTS

Unit: Million VND

	Closing balance	Opening balance
<b>Capital commitments: office construction and equipment acquisition</b>	<b>908,016</b>	<b>935,197</b>
<b>Irrevocable operating lease commitments</b>	<b>581,233</b>	<b>507,670</b>
Of which:		
- due within one year	141,147	126,607
- due from two to five years	348,999	325,948
- due after five years	91,087	55,115

## 51. CONTINGENT LIABILITIES

As at 31 December 2016, the Bank has legal rights and obligations related to the case of Huynh Thi Huyen Nhu and the other former employees of Ho Chi Minh City branch and Nha Be branch of the Bank. As at 07 January 2015, the Appeal Court of People's Supreme Court at Ho Chi Minh City ("the Appeal Court") had judged the case, sentencing the accused for swindling to appropriate assets and certain other crimes, simultaneously reaching a verdict on judgment against the accused members. In terms of civil responsibilities, Huynh Thi Huyen Nhu was responsible for reimbursement to three (03) banks, four (04) companies and three (03) individuals which were defrauded by her and the Bank neither has compensation obligations, joint liability nor incurs any financial loss with regards to the illegal actions of the accused members mentioned above. The Appeal Court has ceased the first instance judgment in part relating to Huynh Thi Huyen Nhu's illegal actions to five (05) other companies and has been re-investigating and judging as regulated by laws. Accordingly, the responsibilities and legal obligations of the parties concerned shall be defined only when the case has been re-investigated and tried with effective judgment and verdict. However, based on the results of the reconciliation, examination and cross-check procedures performed as well as the investigation and judgement results which the Bank is aware of up to the reporting date, the Bank's management believes that the Bank neither has joint liability nor incurs any financial loss with regards to the illegal actions of the accused individuals mentioned above.

## 52. OTHER COMMITMENT

On 22 May 2015, the Bank and Petrolimex Joint Stock Commercial Bank ("PG Bank") signed the Merger agreement under approval by the General Shareholders' Meeting according to Resolution No. 14/NQ-DHDCD dated 14 April 2015. On 27 April 2016, the Bank and PG Bank signed the Merger agreement replacing the Merger agreement which was signed on 22 May 2015 under approval by the General Shareholders' Meeting according to Resolution No. 15/NQ-DHDCD dated 26 April 2016. Up to the reporting date, the Bank and PG Bank have been implementing the procedures for the State authorities' approval for the merger.

## 53. SUBSEQUENT EVENTS

Except for the cash dividends payment on 16 February 2017 which is presented in Note 26, there is no other subsequent event that needs to be presented in these consolidated financial statements.

## 54. NOTES TO CHANGES IN PROFIT

The increase in net profit after tax of the Bank in the year 2016 by VND 1,140 billion (equivalent to 20%) in comparison to that in the year 2015, was driven by a VND 1,224 billion increase in its profit before tax for the same period, increased by 17% in comparison to that in the year 2015. The increase mainly comes from the following items:

	Impact	
	Absolute value	Relative value
	million VND	%
Items of significant movement		
Increase in Net gain from trading foreign currencies	665,372	9.06%
Increase in Net profit from services	238,123	3.24%
Increase in Income from capital contribution, equity investments	109,515	1.49%

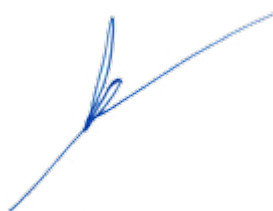
## 55. EXCHANGE RATES OF SOME FOREIGN CURRENCIES AT THE BALANCE SHEET DATE

	Closing balance	Opening balance
	VND	VND
USD	22,159	21,890
EUR	23,780	24,560
GBP	27,911	33,303
CHF	22,215	22,695
JPY	193.46	186.61
SGD	15,617	15,893
CAD	16,835	16,193
AUD	16,338	16,401
NZD	15,694	15,390
THB	626.86	612.78
SEK	2,483	2,672
NOK	2,618	2,560
DKK	3,201	3,292
HKD	2,916	2,899
CNY	3,247	3,451
KRW	18.64	19.13
LAK	2.78	2.76
MYR	5,042	5,238

Preparer 

Approver

Approver



**Ngũ Bích Phan**  
Deputy Head of  
Financial Accounting  
Management Department



**Nguyễn Hải Hưng**  
Chief Accountant



**Le Nhu Hoa**  
Deputy General Director  
Nguyễn Hải Hưng

30 March 2017



**VIETNAM JOINT STOCK COMMERCIAL BANK FOR INDUSTRY AND TRADE**

Head Office: 108 Tran Hung Dao, Hoan Kiem, Hanoi

Tel: +844 3 942 1030 | Fax: +844 3 942 1032

Website: [www.vietinbank.vn](http://www.vietinbank.vn)