

# **Vietnam Technological and Commercial Joint Stock Bank**

The consolidated financial statements in accordance with the  
Vietnamese Accounting Standards and Accounting System for  
Credit Institutions

For the period from 1 January 2018 to 30 June 2018

# Vietnam Technological and Commercial Joint Stock Bank

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# Vietnam Technological and Commercial Joint Stock Bank

## CORPORATE INFORMATION

<b>Banking Licence No.</b>	0038/GP-NHNN	6 March 2018
	The banking licence was issued by the State Bank of Vietnam, replacing the banking licence No 0040/NH-GP dated 06 August 1993. The operation period is 99 years since 06 August 1993.	
<b>Business Registration Certificate No.</b>	055697	7 September 1993
	The Bank's Business Registration Certificate has been amended 49 times. The most recent of which is by Business Registration Certificate No. 0100230800 issued by Hanoi Department of Planning and Investment, dated 28 December 2017.	
<b>Board of Directors</b>	Mr. Ho Hung Anh	Chairman
	Mr. Nguyen Dang Quang	The first Vice Chairman
	Mr. Nguyen Thieu Quang	Vice Chairman
	Mr. Nguyen Canh Son	Vice Chairman
	Mr. Do Tuan Anh	Vice Chairman
	Mr. Lee Boon Huat	Member
	Mr. Nguyen Doan Hung	Independent Member
<b>Board of Supervision</b>	Mr. Hoang Huy Trung	Head of Board of Supervision cum Member in charge
	Mr. Mag Rec Soc Oec Romauch Hannes	Member
	Ms. Nguyen Thu Hien	Member in charge
	Ms. Bui Thi Hong Mai	Member
<b>Board of Management</b>	Mr. Nguyen Le Quoc Anh	Chief Executive Officer
	Mr. Do Tuan Anh	Deputy Chief Executive Officer
	Mr. Pham Quang Thang	Deputy Chief Executive Officer cum Head of Compliance and Legal
	Mr. Trinh Bang	Group Chief Finance Officer (from 25 January 2018)
	Mr. Le Ba Dung	Head of Risk Management
	Ms. Tran Thi Minh Lan	Head of Strategy and Corporate Development
	Mr. Chester Gorski	Head of IT and Operations
	Mr. Vu Minh Truong	Head of Treasury and Financial Markets
	Ms. Nguyen Huong Giang	Head of Transaction Banking
	Mr. Vishal Shah	Head of Business Banking (from 02 March 2018)
	Ms. Phan Thi Thanh Binh	Head of Wholesale Banking (from 23 April 2018)
	Mr. Phung Quang Hung	Head of Sales and Distribution
	Ms. Le Thi Bich Phuong	Head of Personal Financial Services
	Ms. Pham Vu Minh Dan	Head of Human Resources
	Ms. Nguyen Thi Van Anh	Head of Marketing and Branding
	Mr. Chung Ba Phuong	Head of Insurance Division
	Mr. Ashish Sharma	Transformation Director – Transformation Office
	Mr. Phan Thanh Son	Transformation Director – Transaction Banking
	Mr. Chan Jonathan Chung Ming	Transformation Director – Personal Financial Services
<b>Legal representative</b>	Mr. Ho Hung Anh	Chairman
<b>Registered office</b>	191 Ba Trieu Street Hai Ba Trung District, Hanoi, Vietnam	

# Vietnam Technological and Commercial Joint Stock Bank

CONSOLIDATED BALANCE SHEET  
as at 30 June 2018

Form B02a/TCTD-HN

		Note	06/30/2018 VND million	12/31/2017 VND million (audited)
<b>A</b>	<b>ASSETS</b>			
<b>I</b>	<b>Cash and gold</b>	<b>4</b>	<b>3,590,328</b>	<b>2,344,362</b>
<b>II</b>	<b>Balances with the State Bank of Vietnam (“the SBV”)</b>	<b>5</b>	<b>3,211,552</b>	<b>4,279,431</b>
<b>III</b>	<b>Balances with and loans to other credit institutions</b>	<b>6</b>	<b>51,321,690</b>	<b>30,155,807</b>
1	Balances with other credit institutions		37,976,299	16,243,054
2	Loans to other credit institutions		13,345,391	13,912,753
<b>IV</b>	<b>Securities held for trading</b>	<b>7</b>	<b>7,355,832</b>	<b>6,758,094</b>
1	Securities held for trading		7,373,175	6,775,118
2	Provision for securities held for trading		(17,343)	(17,024)
<b>V</b>	<b>Derivatives and other financial assets</b>	<b>19</b>	<b>-</b>	<b>36,292</b>
<b>VI</b>	<b>Loans to customers</b>		<b>164,181,950</b>	<b>158,964,456</b>
1	Loans to customers	8	166,701,405	160,849,037
2	Provision for loans to customers	9	(2,519,455)	(1,884,581)
<b>VII</b>	<b>Debt purchased</b>	<b>10</b>	<b>-</b>	<b>10,332</b>
1	Debt purchased		1,682	12,092
2	Provision for debt purchased		(1,682)	(1,760)
<b>VIII</b>	<b>Investment securities</b>	<b>11</b>	<b>54,618,895</b>	<b>51,542,484</b>
1	Available-for-sale securities		50,610,244	46,018,398
2	Held-to-maturity securities		4,171,200	5,715,484
3	Provision for investment securities		(162,549)	(191,398)
<b>IX</b>	<b>Long-term investments</b>	<b>12</b>	<b>12,223</b>	<b>9,683</b>
4	Other long-term investments		12,883	12,084
5	Provision for long-term investments		(660)	(2,401)
<b>X</b>	<b>Fixed assets</b>		<b>1,488,775</b>	<b>1,511,446</b>
1	Tangible fixed assets	13	590,135	569,789
a	Cost		1,651,663	1,602,956
b	Accumulated depreciation		(1,061,528)	(1,033,167)
2	Intangible fixed assets	14	898,640	941,657
a	Cost		1,456,652	1,449,616
b	Accumulated amortisation		(558,012)	(507,959)
<b>XI</b>	<b>Investment property</b>	<b>15</b>	<b>1,214,224</b>	<b>1,238,030</b>
a	Cost		1,435,699	1,442,827
b	Accumulated amortisation		(221,475)	(204,797)
<b>XII</b>	<b>Other assets</b>	<b>16</b>	<b>13,409,013</b>	<b>12,541,963</b>
1	Receivables		8,658,212	9,417,589
2	Accrued interest and fees receivable		4,670,377	3,876,528
3	Deferred tax assets		-	1,773
4	Other assets		641,168	557,642
	<i>In which: Goodwill</i>		-	19,765
5	Provision for other assets		(560,744)	(1,311,569)
	<b>TOTAL ASSETS</b>		<b>300,404,482</b>	<b>269,392,380</b>

# Vietnam Technological and Commercial Joint Stock Bank

CONSOLIDATED BALANCE SHEET  
as at 30 June 2018 (continued)

Form B02a/TCTD-HN

		Note	06/30/2018 VND million	12/31/2017 VND million (audited)
<b>B</b>	<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>			
	<b>LIABILITIES</b>			
<b>I</b>	<b>Amounts due to the Government</b>		<b>2,000,000</b>	<b>1,000,000</b>
<b>II</b>	<b>Deposits and borrowings from other credit institutions</b>	<b>17</b>	<b>37,706,302</b>	<b>46,323,825</b>
1	Deposits from other credit institutions		27,935,285	21,274,375
2	Borrowings from other credit institutions		9,771,017	25,049,450
<b>III</b>	<b>Deposits from customers</b>	<b>18</b>	<b>186,283,210</b>	<b>170,970,833</b>
<b>IV</b>	<b>Derivatives and other financial liabilities</b>	<b>19</b>	<b>67,057</b>	<b>-</b>
<b>VI</b>	<b>Valuable papers issued</b>	<b>20</b>	<b>18,904,296</b>	<b>17,639,970</b>
<b>VII</b>	<b>Other liabilities</b>	<b>21</b>	<b>8,014,270</b>	<b>6,527,007</b>
1	Accrued interest and fee payables		3,066,917	2,764,162
3	Other liabilities		4,947,353	3,762,845
	<b>TOTAL LIABILITIES</b>		<b>252,975,135</b>	<b>242,461,635</b>
	<b>SHAREHOLDERS' EQUITY</b>			
<b>VIII</b>	<b>Capital and reserves</b>	<b>22</b>	<b>47,429,347</b>	<b>26,930,745</b>
1	Capital		26,126,384	9,777,116
a	Share capital		11,655,307	11,655,307
c	Share Premium		14,471,077	2,165,058
d	Treasury Share		-	(4,043,249)
2	Reserves		6,147,506	6,156,928
3	Foreign exchange differences		(350)	-
5	Retained earnings		15,155,807	10,996,701
	<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>47,429,347</b>	<b>26,930,745</b>
	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>300,404,482</b>	<b>269,392,380</b>

# Vietnam Technological and Commercial Joint Stock Bank

CONSOLIDATED BALANCE SHEET  
as at 30 June 2018 (continued)

Form B02a/TCTD-HN

## CONSOLIDATED OFF-BALANCE SHEET ITEMS

		Note	06/30/2018 VND million	12/31/2017 VND million (audited)
	<b>CONTINGENT LIABILITIES</b>		<b>179,168,149</b>	<b>179,169,524</b>
1	Guarantees for borrowings		5,766	8,558
2	Commitments for currency contracts		94,517,168	121,109,669
	<i>Commitments to buy foreign currency</i>		3,855,579	2,911,065
	<i>Commitments to sell foreign currency</i>		2,932,528	5,440,635
	<i>Commitments for currency swap contracts</i>		87,729,061	112,757,969
4	Letter of Credit		14,318,949	9,366,321
5	Other guarantees		17,129,758	16,001,135
7	Valuable papers forward commitments		11,285,093	9,638,324
8	Other commitment		41,911,415	23,045,517

Prepared by



Ms. Bui Thi Khanh Van  
Chief Accountant

20-07-2018

Approved by



Mr. Nguyen Le Quoc Anh  
Chief Executive Officer

# Vietnam Technological and Commercial Joint Stock Bank

CONSOLIDATED STATEMENT OF INCOME  
For the period from 1 January 2018 to 30 June 2018

Form B02a/TCTD-HN

		Note	Quarter 2		Accumulated	
			This year VND million	Last year VND million (reclassified)	This year VND million	Last year VND million (reclassified)
1	Interest and similar income	23	4,916,458	4,420,839	9,896,513	8,822,571
2	Interest and similar expenses	23	(2,412,512)	(2,198,923)	(4,845,895)	(4,416,478)
<b>I</b>	<b>Net interest and similar income</b>	<b>23</b>	<b>2,503,946</b>	<b>2,221,916</b>	<b>5,050,618</b>	<b>4,406,093</b>
3	Fee and commission income	24	869,954	705,434	1,530,271	1,348,924
4	Fee and commission expenses	24	(180,380)	(159,612)	(349,002)	(257,136)
<b>II</b>	<b>Net fee and commission income</b>	<b>24</b>	<b>689,574</b>	<b>545,822</b>	<b>1,181,269</b>	<b>1,091,788</b>
<b>III</b>	<b>Net gain from trading of foreign currencies</b>	<b>25</b>	<b>152,927</b>	<b>30,347</b>	<b>198,244</b>	<b>119,183</b>
<b>IV</b>	<b>Net gain/ (loss) from trading of securities held for trading</b>	<b>26</b>	<b>(12,145)</b>	<b>105,023</b>	<b>(1,583)</b>	<b>279,612</b>
<b>V</b>	<b>Net gain from investment securities</b>	<b>27</b>	<b>301,222</b>	<b>100,679</b>	<b>743,024</b>	<b>194,085</b>
5	Other income	28	549,731	578,639	919,929	850,072
6	Other expenses	28	(186,050)	(47,412)	(326,944)	(85,615)
<b>VI</b>	<b>Net gain from other activities</b>	<b>28</b>	<b>363,681</b>	<b>531,227</b>	<b>592,985</b>	<b>764,457</b>
<b>VII</b>	<b>Income from investments in other entities</b>	<b>29</b>	<b>275</b>	<b>-</b>	<b>894,703</b>	<b>355,192</b>
<b>VIII</b>	<b>Operating expenses</b>	<b>30</b>	<b>(1,151,952)</b>	<b>(1,017,084)</b>	<b>(2,418,987)</b>	<b>(2,097,477)</b>
<b>IX</b>	<b>Profit before provision for credit losses</b>		<b>2,847,528</b>	<b>2,517,930</b>	<b>6,240,273</b>	<b>5,112,933</b>
<b>X</b>	<b>Provision expenses</b>	<b>31</b>	<b>(219,961)</b>	<b>(1,108,649)</b>	<b>(1,043,921)</b>	<b>(2,378,885)</b>
<b>XI</b>	<b>Profit before tax</b>		<b>2,627,567</b>	<b>1,409,281</b>	<b>5,196,352</b>	<b>2,734,048</b>
7	Income tax expense – current	32	(526,912)	(264,489)	(1,044,895)	(529,953)
8	Income tax expense – deferred		-	(19,826)	(1,773)	(19,826)
<b>XII</b>	<b>Total income tax expense</b>		<b>(526,912)</b>	<b>(284,315)</b>	<b>(1,046,668)</b>	<b>(549,779)</b>
<b>XIII</b>	<b>Net profit after tax</b>		<b>2,100,655</b>	<b>1,124,966</b>	<b>4,149,684</b>	<b>2,184,269</b>

Prepared by



Ms. Bui Thi Khanh Van  
Chief Accountant

Approved by




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

Mr. Nguyen Le Quoc Anh  
Chief Executive Officer

20-07-2018

# Vietnam Technological and Commercial Joint Stock Bank

CONSOLIDATED STATEMENT OF CASH FLOWS  
for the period from 01 January 2018 to 30 June 2018

Form B05a/TCTD-HN

		Note	From 01/01/2018 to 06/30/2018 VND million	From 01/01/2017 to 06/30/2017 VND million (reclassified)
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1	Interest and similar income received		9,102,664	7,583,449
2	Interest and similar expenses paid		(4,543,140)	(3,724,417)
3	Fee and commission income received		1,181,269	1,091,788
4	Net received from foreign currencies, gold and securities trading activities		911,155	631,600
5	Other income received		121,721	524,413
6	Proceeds from loans previously written off	28	471,264	240,044
7	Operating and salary expenses payments		(2,651,745)	(2,301,920)
8	Current income tax paid for the period	32	(1,167,693)	(463,979)
	<b>Net cash flow from operating activities before changes in operating assets and liabilities</b>		<b>3,425,495</b>	<b>3,580,978</b>
	<b>Changes in operating assets</b>			
9	(Increase)/decrease in balance with and loans to credit institutions		548,928	(405,350)
10	Increase in securities held for trading and investment securities		(3,645,619)	(1,397,226)
11	(Increase)/decrease in derivatives and other financial assets		36,292	(60,048)
12	(Increase)/decrease in loans to customers		(5,852,368)	10,731,663
13	Utilisation of provision to write off	9, 11	(1,131,589)	(3,611,872)
14	(Increase)/decrease in other assets		581,835	(539,198)
	<b>Changes in operating liabilities</b>			
15	Decrease in amount due to the Government and SBV		-	(447,970)
16	Decrease in deposits and borrowings from other credit institutions		(8,617,523)	(4,591,553)
17	Increase/(decrease) in deposits from customers (including deposits from State Treasury)		16,312,377	(1,346,151)
18	Increase/(decrease) in valuable papers issued		2,464,326	(102,711)
20	Increase/(decrease) in derivatives and other financial liabilities		67,057	(67,892)
21	Other liabilities		1,695,559	967,809
22	Payments from funds of credit institutions		-	(24)
<b>I</b>	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>5,884,770</b>	<b>2,710,455</b>



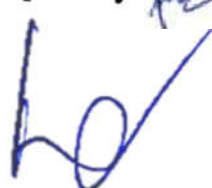
# Vietnam Technological and Commercial Joint Stock Bank

CONSOLIDATED STATEMENT OF CASH FLOWS  
for the period from 01 January 2018 to 30 June 2018 (continued)

Form B05a/TCTD-HN

		Note	From 01/01/2018 to 06/30/2018 VND million	From 01/01/2017 to 06/30/2017 VND million (reclassified)
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1	Payments for purchases of fixed assets		(43,662)	(14,386)
2	Proceeds from disposals of fixed assets		16,618	466
3	Payments for disposals of fixed assets		(8,447)	(201)
8	Proceeds from disposals, sales of investment properties		894,427	925,480
9	Proceeds from investing in other entities		276	-
<b>II</b>	<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>859,212</b>	<b>911,359</b>
	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>			
2	Proceeds from long-term valuable papers issued classified into owner's equity and other long-term loans		-	8,164
3	Payments for long-term valuable papers issued classified into owner's equity and other long-term loans		(1,200,000)	-
6	Proceeds from sales of treasury shares		16,349,268	-
<b>III</b>	<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>15,149,268</b>	<b>8,164</b>
<b>IV</b>	<b>NET CASH FLOWS DURING THE PERIOD</b>		<b>21,893,250</b>	<b>3,629,978</b>
<b>V</b>	<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>22,681,199</b>	<b>14,193,097</b>
VI	Effect of foreign exchange differences		(350)	(19,557)
<b>VII</b>	<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>33</b>	<b>44,574,099</b>	<b>17,803,518</b>

Prepared by



Ms. Bui Thi Khanh Van  
Chief Accountant

20-07-2018

Approved by



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

Mr. Nguyen Le Quoc Anh  
Chief Executive Officer

# Vietnam Technological and Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the period from 01 January 2018 to 30 June 2018

Form B05a/TCTD-HN

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

## 1. GENERAL INFORMATION

Vietnam Technological and Commercial Joint Stock Bank (hereinafter referred to as “Techcombank”) is a joint stock bank incorporated and registered in the Socialist Republic of Vietnam.

The Bank’s Banking Licence No. 0038/GP-NHNN dated 6 March 2018 issued by the State Bank of Vietnam; replacing the Licence No 0040/NH-GP dated 06 August 1993. Its operation year was 99 years since 06 August 1993.

The principal activities of the Bank are mobilising and receiving short, medium and long-term deposit funds from organisations and individuals; granting loans on short, medium and long-term basis up to the nature and ability of the Bank’s capital resources; conducting settlement and cash services and other banking services as approved by the SBV; conducting investments in associate, joint-ventures and other companies, investment in bonds and deal in foreign exchange in accordance with applicable regulations.

As at 30 June 2018, the Bank’s share capital was VND 11,655,307,200,000 (as at 31 December 2017 was VND 11,655,307,200,000).

The Bank’s Head Office is located at 191 Ba Trieu, Hai Ba Trung District, Hanoi. As at 30 June 2018, the Bank had one (01) Head Office, two (02) representative offices and three hundred and twelve (312) transaction offices nationwide and three (03) subsidiaries.

The consolidated financial report as at 30 June 2018 included Techcombank and subsidiaries (hereinafter referred to as “the Bank”).

As at 30 June 2018, the Bank had three (03) subsidiaries as follows:

<u>Subsidiaries</u>	<u>Operating licence</u>	<u>Nature of Business</u>	<u>% owned by the Bank</u>
Techcom Securities Joint Stock Company	125/GP- UBCK, dated 30 May 2018 granted by the State Securities Commission	Securities activities	99.99999%
Vietnam Technological and Commercial Joint Stock Bank – Asset Management Company Limited	0104003519 dated 18 June 2008 granted by the Hanoi Department of Planning and Investment	Asset management	100.00%
Techcom Capital Management Company Limited	40/UBCK-GP, dated 21 October 2008 granted by the State Securities Commission	Fund management	100.00%

As at 30 June 2018, the Bank had 8,765 employees (31 December 2017: 8,328 employees).

# Vietnam Technological and Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the period from 01 January 2018 to 30 June 2018 (continued)

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## 2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

### (a) Statement of compliance

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

### (b) Basis of measurement

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

### (c) Annual accounting period

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

### (d) Accounting currency

The consolidated financial statements are prepared and presented in Vietnam Dong ("VND"), rounded to the nearest million ("VND million" or "VNDm").

### (e) Applied accounting policies and regimes

The consolidated financial statements of the Bank are prepared in accordance with the Accounting System for Credit Institutions required under Decision No. 479/2004/QD-NHNN issued on 29 April 2004 by the Governor of the State Bank of Vietnam which was enacted from 1 January 2005 and decisions on amendment and supplementation of Decision No. 479/2004/QD-NHNN, Decision No. 16/2007/QD-NHNN issued on 18 April 2007 by the Governor of the State Bank of Vietnam and Vietnamese Accounting Standards and related regulations issued by the Ministry of Finance as per:

- ▶ Decision No. 149/2001/QD-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (series 1);
- ▶ Decision No. 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (series 2);
- ▶ Decision No. 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (series 3);
- ▶ Decision No. 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (series 4); and
- ▶ Decision No. 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (series 5).

# Vietnam Technological and Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the period from 01 January 2018 to 30 June 2018 (continued)

Form B05a/TCTD-HN

## (f) Basis of assumptions and uses of estimates

The preparation of the consolidated financial statements requires the Board of Management to make estimates and assumptions that affect the reported amount of assets, liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the income, expenses and the resultant provisions. Therefore, such estimates are necessarily based on assumptions involving varying degrees of subjectivity and uncertainty and actual results may differ, resulting in future changes in such provision.

### *Going concern*

The Board of Management of the Bank assessed the Bank's ability to continue as a going concern and found that the Bank has sufficient resources to continue its operation in the certain future. Furthermore, the Board of Management did not notice any material uncertainty which can affect the Bank's ability to continue as a going concern. Therefore, these consolidated financial statements are prepared on the going concern basis.

## (g) Basis of consolidation financial statement preparation

### *(i) Subsidiaries*

Subsidiaries are those companies over which Techcombank has the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is transferred to Techcombank. They are de-consolidated from the date on which control ceases.

The Bank uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equities instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of the minority interest.

### *(ii) Transactions eliminated on consolidation*

Inter-company balances, transactions and unrealised gains on transactions between those subsidiaries and the Bank are eliminated. Unrealised losses also eliminated unless transactions provide evidence of an impairment of the asset transferred. The accounting policies of subsidiaries have been changed when necessary to ensure the consistency with the policies adopted by the Bank.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Changes in accounting policies

The accounting policies adopted by the Bank in preparation of the consolidated financial statements are consistent with those followed in the preparation of the Bank's consolidated financial statements for the year ended 31 December 2017, except for the following changes in the accounting policies:

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(i) *Circular No. 16/2018/TT-BTC*

On 07 February 2018, Ministry of Finance issued Circular No. 16/2018/TT-BTC (“Circular 16”) on guidelines for financial regulations applicable to credit institutions and foreign bank branches regulated on Government's Decree No. 93/2017/ND-CP dated August 07, 2017 on financial regulations applicable to credit institutions and foreign bank branches and financial supervision, evaluation of efficiency of State capital investment in credit institutions with State owning 100% of charter capital and State-owned credit institutions.

Circular 16 includes the following amendments:

- ▶ Amending and supplementing the guideline on management and utilization of real estate hold from debt settlement activities;
- ▶ Amending and supplementing on recognition of incomes from trading securities (excluding equities);
- ▶ Amending and supplementing on recognition of expenses;

Circular 16 was affective from 26 March 2018, replacing Circular 05/2013/TT-BTC dated 09 January 2013 issued by Ministry of Finance on guidelines for financial regulations applicable to credit institutions and foreign bank branches.

(ii) *Circular No. 22/2017/TT-NHNN*

On 29 December 2017, the SBV issued Circular No. 22/2017/TT-NHNN amending and supplementing a number of articles of chart of account system applicable to credit institutions issued in connection with Decision No. 479/2004/QD-NHNN dated 29 April 2004 and the financial reporting regime applicable to credit institutions required under Decision No. 16/2007/QD-NHNN dated 18 April 2007 by the Governor of the SBV (“Circular 22”).

Circular 22 includes the following amendments:

- ▶ Amending and supplementing the guidance on the accounting treatment for foreign exchange and gold transactions;
- ▶ Amending a few accounts in the chart of account system applicable to credit institutions;
- ▶ Amending the guidances on the accounting treatment for some accounts in the chart of account system applicable to credit institutions; and
- ▶ Amending and supplementing the guidances on the financial reporting regime applicable to credit institutions.

Circular 22 was taken into effect on 01 April 2018.

**(b) Foreign currency transactions**

Monetary assets and liabilities denominated in foreign currencies are converted into VND at the exchange rates ruling at the balance sheet date, non-monetary foreign currency assets and liabilities are reported using the exchange rates effective at the date of the transactions. Income/expense transactions incurred in foreign currencies are recognised in the consolidated statement of income in VND using the exchange rates ruling on the dates of the transactions.

Translation adjustments arising from dealing activities as at the balance sheet date are recognized in “Exchange rate revaluation” and taken into the consolidated statement of income at year-end date of fiscal year.

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## (c) Financial instruments

In its business operation, the Bank regularly enters into contracts which give rise to financial assets, financial liabilities and equity instruments.

Financial assets of the Bank mainly include:

- ▶ Cash and gold on hand;
- ▶ Balances with the State Bank of Vietnam and other credit institutions;
- ▶ Loans and to customers;
- ▶ Securities held for trading;
- ▶ Investment securities;
- ▶ Long-term investments;
- ▶ Derivative financial assets; and
- ▶ Other financial assets.

Financial liabilities of the Bank mainly include:

- ▶ Amounts due to the Government and the State Bank of Vietnam;
- ▶ Deposits and borrowings from other credit institutions;
- ▶ Deposit from customers and entrusted funds;
- ▶ Valuable papers issued;
- ▶ Derivative financial liabilities; and
- ▶ Other financial liabilities.

Financial assets and financial liabilities are offset and reported on a basis in the consolidated balance sheet only when there is a currently enforceable legal right to offset financial assets against financial liabilities or vice-versa, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### (i) Recognition

The Bank initially recognises financial assets and liabilities on the trade date at which Techcombank becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are measured at costs that are directly attributable to their acquisition or issue.

### (ii) De-recognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

The Bank derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

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## **(d) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, gold on hand, balances with the SBV, Government promissory notes and other valuable papers which are eligible for discount, balances with other credit institutions with original terms to maturity not exceeding three months and investment securities with terms from the date of purchase to maturity not exceeding three months, which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

## **(e) Securities held for trading**

### *(i) Classification and Recognition*

Securities held for trading are debt or equity securities, purchased by the Bank that are intended to be sold in a short time to benefit from arbitrage opportunities. Securities held for trading are initially recognised at cost.

### *(ii) Measurement*

Listed debt securities held-for-trading are stated at cost less provision for diminution in the value by reference to the yield curve listed at the Hanoi Stock Exchange on the consolidate balance-sheet date.

Debt securities held for trading which are unlisted corporate bonds are stated at cost less allowance for credit risk as stipulated in Circular No. 02/2013/TT-NHNN issued by the SBV on 21 January 2013 regarding the asset classification, risk provision and use of provision against credit risks by credit institutions and foreign bank branches ("Circular 02") and Circular No. 09/2014/TT-NHNN issued by the SBV on 18 March 2014 amending and supplementing some articles of Circular 02 ("Circular 09") as described in Note 3(h).

Equity securities are recognized at cost at transaction date and continuously recognized at cost in the following accounting periods. Periodically, trading securities are subject to review for diminution in value.

Provision for diminution in value of securities held-for-trading is made when their carrying values are greater than their market values, which are determined in accordance with Circular No. 228/2009/TT-BTC dated 07 December 2009 of the Ministry of Finance ("Circular 228") and Circular No.89/2013/TT-BTC dated 28 Jun 2013 of the Ministry of Finance ("Circular 89").

Provision for diminution in value of securities held-for-trading as described above is reversed when there is a subsequent increase in the recoverable value of securities due to the objective events occurring after the provision is made. The maximum amount to be reversed cannot exceed the book value of the securities before making provision.

Gains or losses from the disposal of securities held for trading are recognised in the consolidated statement of income.

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## **(f) Investment securities**

### *(i) Classification and Recognition*

Investment securities are classified into available-for-sale investment securities and held-to-maturity investment securities. The Bank initially recognised investment securities at cost.

### *(ii) Measurement*

Available-for-sale and held-to-maturity securities are initially stated at cost less provision for investments.

Provision for listed available for sale equity securities is determined by reference to closing prices of securities from the Ho Chi Minh City Stock Exchange and average prices from the Hanoi Stock Exchange as at consolidated balance sheet date.

Provision for diminution in the value of unlisted available for sale equity securities which are actively traded on trading market for unlisted public companies market (“Upcom”) is determined as the average transaction price at as at consolidated balance sheet date.

Provision for unlisted available for sale equity securities which are not actively traded on trading market for unlisted public companies market is determined by reference to the average price of the transaction price quotes from three securities companies having charter capital above VND billion 300.

Debt securities are initially stated at cost, including transaction costs and other directly attributable costs. They are subsequently recognised at amortised cost (affected by premium/discount amortisation) less provision for diminution in value. Premium and discounts arising from purchases of debt securities are amortised to the consolidated income statement on a straight-line basis over the period from the acquisition date to the maturity date.

Post-acquisition interest income of available-for-sale debt securities and held-to maturity investment securities is recognised in the consolidated income statement on an accrual basis.

Listed available-for-sale debt securities and held-to-maturity investment securities are measured at cost less provision for diminution in value which is determined by reference to the yield curve quoted on Hanoi Stock Exchange at the consolidated balance sheet date.

Investment securities which are unlisted corporate bonds are stated at cost less provision. Under Circular 02 and Circular 09, provisions for these securities are determined similar to the method of provision creation for loans to customers which are presented in Note 3(h).

For other unlisted available-for-sale debt securities and held-to-maturity debt securities: provision for credit risk is determined in accordance with Circular 228 and Circular 89.



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## *(iii) Special bonds issued by the VAMC*

Special bonds issued by VAMC are fixed term valuable paper, used to buy bad debts of the Bank. The special bonds are initially recognised at face value and subsequently carried at face value during the holding period. Face value of the bonds is equal to the balance of the sold debt less their unused specific provision.

During holding period, the Bank annually calculates and makes specific provision at the rate not less than 20.00% of the face value of the special bonds. The specific provision of special bonds is recognised in the consolidated statement of income.

## **(g) Long-term investments**

Other long-term investments are investments in other entities in which the Bank holds less than 11.00% of voting rights (in compliance with requirement on prudential ratio of the operations of credit institutions stipulated by the State Bank of Vietnam) and the Bank is the founding shareholder; or strategic partner; or the Bank can have certain but not significant influence on the entity's financial and operational policies under written agreement on delegating its representatives to take part in the Board of Director/Management.

Other long-term investments are carried at cost at the transaction date and continuously carried at cost minus amortisation (if any) in the subsequent holding periods.

### *Provision for long-term investments*

Provision is made when the business entities invested incur losses (unless losses were previously forecasted in the business plan). Therefore, provision for each investment is calculated as the difference between the actual contributed capital of all owners in the business entities and the outstanding equity of the business entities multiplying by (x) the proportion of capital contributed by the Bank in the business entities.

## **(h) Loans to customers**

Loans to customers are stated at the amount of the principal outstanding less any provision for loans to customers.

Short-term loans are those with a repayment date within one (01) year from the loan disbursement date, Medium-term loans are those with a repayment date from one to five (05) years from the disbursement date. Long-term loans are those with a repayment date of more than five (05) years from the disbursement date.

The classification of loans and provision for credit losses are carried out in accordance with Circular 02 and Circular 09 as described in Note 8.

### *Asset classification and provisioning rate, risk provisioning for balances with and loans to other credit institutions, investments and trusted investments in non-listed corporate bonds, loans to customers and entrustments for credit granting.*

Asset classification for balances with and loans to other credit institutions, investments and trusted investments in non-listed corporate bonds, loans to customers and entrustments for credit granting (here refer as "debts") is made by the quantitative method as regulated under Article 10 of Circular 02.

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Specific provision as at 30 June is made based on the principal balance less discounted value of collaterals multiplied by provision rates which are determined based on the loan classifications as at 31 May. The rates for specific provision for each group is presented as follows:

Group		Description	Provision
1	Current	(a) Current debts that being assessed as fully and timely recoverable, both principals and interests; or (b) Debts which are overdue for a period of less than 10 days and being assessed as fully recoverable, both overdue principals and interests, and fully and timely recoverable, both remaining principals and interests.	0%
2	Special mention	(a) Debts which are overdue for a period of between 10 days and 90 days; or (b) Debts which are restructured repayment term for the first time.	5%
3	Sub standard	(a) Debts which are overdue for a period of between 91 days and 180 days; or (b) Debts which are extended repayment term for the first time; or (c) Debts which are exempted or reduced interests because customers are not sufficient capability to pay all interests under credit contracts; or (d) Debts in one of the following cases have not been recovered in less than 30 days from the date of the decision to collect: <ul style="list-style-type: none"> <li>▪ Debts violating Clause 1, 3, 4, 5, 6 under Article 126 of Law on Credit Institutions; or</li> <li>▪ Debts violating Clause 1, 2, 3, 4 under Article 127 of Law on Credit Institutions; or</li> <li>▪ Debts violating Clauses 1, 2 and 5 under Article 128 of Law on Credit Institutions.</li> </ul> (e) Debts which are recovered under inspection conclusions	20%
4	Doubtful	(a) Debts which are overdue for a period of between 181 days and 360 days; or (b) Debts which are restructured repayment term for the first time but still overdue for a period of less than 90 days under that restructured repayment term; or (c) Debts which are restructured repayment term for the second time; or (d) Debts which are specified in point (d) of Group 3 and overdue for a period of between 30 days and 60 days after decisions on recovery have been issued; or (e) Debts which must be recovered under inspection conclusions but fail to be repaid although recovery term was overdue from 60 days ago.	50%
5	Loss	(a) (Debts which are overdue for a period of more than 360 days; or (b) Debts which are restructured repayment term for the first time but still overdue for a period of 90 days or more under that first restructured repayment term; or	100%

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Group	Description	Provision
	(c) Debts which are restructured repayment term for the second time but still overdue under that second restructured repayment term; or (d) Debts which are restructured repayment term for the third time or later, whether debts are overdue or not; or (e) Debts which are specified in point (d) of Group 3 and overdue for a period of more than 60 days after decisions on recovery have been issued; or (f) Debts which must be recovered under inspection conclusions but fail to be repaid although recovery term was overdue for more than 60 days; or (g) Debts of customers being credit institutions which are announced by the State bank to place in special control status, or foreign banks' branches of which capital and assets are blockaded.	

Where a customer has more than one debt with the Bank that have any outstanding debt is classified into a higher risk group, the Bank has to classify all the remaining debts of that customer into higher risk groups.

When the Bank participates in a syndicated loan as a participant, it classifies loans (including syndicated loans) of the customer into a higher risk group among assessment of the leading bank and its own assessment.

According to Article 10, Clause 3a of Circular 09, loans are rescheduled and classified in the same loan groups as before restructure when the following conditions are met:

- ▶ Loans and disbursements do not violate the provisions of law;
- ▶ The loan restructure is consistent with the purpose of the loan in the credit contract;
- ▶ Customer follows the loan purposes;
- ▶ Customer has the new feasible repayment plans, consistent with business conditions; and
- ▶ The Bank meets the provisions of the SBV on the limitation, safety ratios in the operation of the Bank, including the maximum ratio of short-term funds are used for medium and long-term loans in cases of restructuring short-term loan to the long-term one.

Only when these above conditions are met, the Bank can restructure its debt repayment schedule and classify in the same loan group as before restructure. For a debt, restructuring repayment schedule and keeping the same group can be done only 01 (one) time. Article 10, Paragraph 3a of Circular 09 was effective from 20 March 2014 and ceased from 01 April 2015.

The basis to determine the value and discounted value for each type of collateral is specified in Circular 02.

In accordance with the requirements of Circular 02, as at 30 June the Bank is also required to make a general provision of 0.75% of total outstanding loans excluding balance with and loans to other credit institutions and excluding any loans classified into loss loan group as at 31 May.

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## **(i) Selling bad debts to Vietnam Assets Management Company (“VAMC”)**

The Bank sold loans to VAMC based on the book value under the Decision No. 53/2013/ND-CP which is effective from 09 July 2013 on “Establishment, organisation and operation of Vietnam Assets Management Company”, the Circular 19/2013/TT-NHNN dated 06 September 2013 providing “Regulations of purchase, sale and handling bad debts of Vietnam Assets Management Company” and its amendment – Circular 14/2015/TT-NHNN and Letter No. 8499/NHNN-TCKT dated 14 November 2013 providing “Guidance on accounting for bad debts sales and purchases between VAMC and credit institutions”. Under the book value method, the selling price is determined by balance of a bad debt minus its unused specific provision and will be received in form of a special bond issued by VAMC. Upon completion of debt selling procedures, the Bank will write off both principal and provision of the sold debt and recognise the face value of the VAMC special bond, which equals to the balances of the uncollected debt less its unused specific provision. When receiving bad debts back from VAMC, the Bank will use the provision which has been made annually for the VAMC special bonds to write off such bad debts, the difference between the provisions made for the VAMC bonds and the balances of uncollected debts/bonds will be recognised in the consolidated statement of income.

## **(j) Provision for Deposits and loans to other credit institutions**

In accordance with Circular 02 and Circular 09 effective from 01 June 2014, the Bank must classify and set up provision for deposits with and loan to other credit institution similar to policies applied with loan to customers.

The specific provision policy for loans to other credit institutions is consistent with that for loans to customers as described in Note 3(h).

## **(k) Derivative financial instrument**

### *(i) Currency forwards and swaps*

For currency forwards and swaps, the difference between values in VND of the foreign currencies committed to buy/sell translated at the forward rate and at the spot rate at the effective contract date is initially recognised as an asset in the consolidated balance sheet if the difference is positive and as a liability if the difference is negative. This difference is subsequently amortised on a straight-line basis in the consolidated balance sheet over the contract year in the consolidated statement of income.

For currency option, the nominal value of the contract is not recognised in the consolidated balance sheet. Option fee paid or received is recorded as a receivable or payable and is amortised on a straight line basis into income or expense over the life of the contract. At the date of the consolidated financial statements, the profits or losses from buying or selling option contract which have been incurred but not yet realised shall be determined and recognised in the consolidated income statement on the basis of market price, the exercise price of the underlying item, trading volume and the effective term of the contract.

### *(ii) Interest rate swaps*

The nominal value of interest rate swap contracts is not recognised in the consolidated balance sheet. Differences in paid and received interest rates are recorded as receivables or payables and are amortised on a straight line basis into income or expense over the life of the contract. At the date of the consolidated financial statements, the profits or losses from buying or selling interest rate swap contracts which have incurred but not yet realised shall be determined and recognised in the consolidated income statement on the basis of market price, the exercise price of the underlying item, trading volume and the effective term of the contract.

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## *(iii) Futures commodity contracts*

The Bank acts as a broker for its customers in entering into the futures commodity contracts, therefore, value of these contracts are not recognised on the consolidated balance sheet. Fee from these brokerage services are recognised in the consolidated income statements.

## **(l) Tangible fixed assets**

### *(i) Cost*

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

### *(ii) Depreciation*

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

▶ buildings and building improvements	8 - 50 years
▶ machines and equipment	3 - 10 years
▶ vehicles	6 - 10 years
▶ other fixed assets	4 - 10 years

## **(m) Intangible fixed assets**

### *(i) Software*

The cost of acquiring new software, which is an integral part of the related hardware, is capitalised and treated as an intangible asset. Software costs are amortised on a straight-line basis from 4 to 8 years.

### *(ii) Land use rights*

#### ***Termed land use rights***

Termed land use rights are stated at cost less accumulated amortisation. The initial cost of a termed land use right comprises payments for legally land use rights plus expenses for compensations of land clearance, registration fee. Amortisation is computed on a straight-line basis over leasing period.

#### ***Land use rights with indefinite term***

Land use rights with indefinite term are stated at cost and are not amortised. The initial cost of a land use right with indefinite term comprises payments for legally land use rights plus expenses for compensations of land clearance, registration fee.

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## *(iii) Other intangible fixed assets*

Other intangible fixed assets are stated at cost less accumulated amortisation. Amortisation is computed on a straight-line basis over 4 - 8 years.

## **(n) Investment property**

### *(i) Cost*

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

### *(ii) Depreciation*

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

- ▶ Building 10 – 40 years

## **(o) Goodwill**

Goodwill arising from the merger of enterprises acquired properties are represented by a payment by the lessee to purchase the property implementation for the purpose of obtaining economic benefits in the future.

Goodwill is determined by the difference between the market value of the enterprise and a net asset of the enterprise and is recorded in the financial statements at the time of merger.

Goodwill is recognized on the consolidated balance sheet and is amortized to the consolidated statement of income on the straight-line basis over 5 years.

## **(p) Receivables**

Account receivables other than receivables from credit activities of the Bank are initially recorded at cost and always carried at cost subsequently.

Provision for impairment loss is made based on the overdue status of the receivable or estimated possible loss in case the receivable is not yet overdue but the debtors are bankrupted or liquidated for corporate entities or are dead, missing or under legal claim for individual. Provision expenses incurred are accounted for in the consolidated statement of income.

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For overdue receivables, Techcombank use provision rates based on the overdue days in accordance with Circular 228 and Circular 89 as below:

<i>Overdue days</i>	<i>Provision rate</i>
▶ From six (06) months up to one (01) year	30.00%
▶ From one (01) year up to two (02) years	50.00%
▶ From two (02) years up to three (03) years	70.00%
▶ More than three (03) years	100.00%

## *Classifications and provisioning for debt sold*

According to Circular 02 and 09, provisions for receivables from a debt which has been sold not received payment are made base on the debt classification and collateral value as before selling date.

### **(q) Other provision**

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

### **(r) Employee benefits**

#### *(i) Post-employment benefits*

Post-employment benefits are paid to retired employees of the Bank by the Social Insurance Agency which belongs to the Ministry of Labour, Invalids and Social Affairs. The Bank is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 17.00% of an employee's basic salary on a monthly basis. The Bank has no further obligation.

#### *(ii) Provision for severance allowance*

Under the Vietnamese Labour Code, when an employee who has worked for 12 months or more ("eligible employee") voluntarily terminates his labour contract, the employer is required to pay the eligible employees severance allowance calculated based on years of service and employees' compensation at termination. Provision for severance allowance has been provided based on employees' years of service and their current salary level.

Pursuant to Law on Social Insurance, effective from 01 January 2009, the Bank and its employees are required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. The contribution to be paid by each party is calculated at 1.00% of the lower of the employees' basic salary and 20 times the general minimum salary level as specified by the Government from time to time. With the implementation of the unemployment insurance scheme, Techcombank is no longer required to provide severance allowance for the service year after 01 January 2009. However, severance allowance to be paid to existing eligible employees will be determined based on the eligible employees' years of service as of 31 December 2008 and their average salary for the six-month period prior to the termination date.

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## *iii) Retrenchment benefits*

The Bank has the obligation, under Section 17 of the Vietnam Labour Code, to pay allowance to employees who are retrenched as a result of organisational restructuring or technological changes. In such case, the Bank shall pay to employees an allowance for loss of work equivalent to the aggregate amount of one month's salary for each year of employment, but no less than two months' salary. Increase or decrease provision balance will be recognised in operating expenses of the period.

## **(s) Other payables**

Other payables are stated at their cost.

## **(t) Share capital**

### *(i) Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

### *(ii) Share premium*

Share premium reflects the difference (increase or decrease) between the issue price and the par value of shares (including reissue treasury shares), and other direct cost related to issuing ordinary shares or selling treasury shares.

### *(iii) Treasury shares*

Equity instruments acquired by the Bank (Treasury shares) are recognized at cost and deducted from equity. The Bank does not record any gain or loss on the purchase, sale, issuance or cancellation of equity instruments.

## **(u) Reserves and funds**

### *(i) Reserves and funds of Techcombank*

Techcombank is required to make the following allocations before distribution of profits in accordance with Law on Credit Institution No. 47/2010/QH12 and Decree No. 93/2017/ND-CP and Charter of the Bank:

	<i>Percentage of profit after tax</i>	<i>Maximum balance</i>
Supplement charter capital reserve	5.00% of profit after tax	100.00% share capital
Financial reserve	10.00% of profit after tax	Not regulated

Other equity funds are allocated from profit after tax. The allocation from profit after tax and the utilisation of the other equity funds are approved by the shareholders in the Annual General Meeting. These funds are not required by law and are fully distributable.

### *(ii) Reserves and funds of subsidiaries*

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

According to Circular No. 27/2002/TT-BTC dated 22 March 2002 issued by the Ministry of Finance, the reserves as allocation requirements are the same as those of the Bank.



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

According to Circular No. 146/TT/2014/TT-BTC issued by the Ministry of Finance issued on 06 October 2014 guiding the financial regime for securities, fund management companies ("Circular 146"), from 2014 onwards, realized profit of the Company shall be distributed as follows:

	<i>Annual allocation</i>	<i>Maximum</i>
Reserve to supplement chartered capital	5.00% profit after tax	10.00% chartered capital
Financial reserve	5.00% profit after tax	10.00% chartered capital

The retained earnings distribution is decided by Board of Members/ Board of Directors of the Company.

## **(v) Fiduciary assets**

Assets held in a fiduciary capacity are not recognised in the consolidated financial statements as they are not assets of the Bank.

## **(w) Revenue recognition**

### *(i) Interest income*

Interest income is recognised in the consolidated statement of income on an accrual basis, except for interest on loans classified in Group 2 to Group 5 as defined in Note 3(h) which is recognised upon receipt.

### *(ii) Fee and commission income*

Fees and commissions are recognised in the consolidated statement of income on an accrual basis.

## **(x) Dividend income**

Dividends receivable in cash are recognised in the consolidated statement of income when the Bank's right to receive payment is established.

In accordance with Circular No. 244/TT-BTC dated 31 December 2009 issued by the Ministry of Finance, dividends received in the form of shares, bonus shares and rights to purchase shares of the existing shareholders, dividends received by the Bank in form of shares distributed from retained earnings are not recognised as an increase in the value of the investment and income is not recognised in the consolidated statement of income.

## **(y) Interest expenses**

Interest expenses are recognised in the consolidated statement of income on an accrual basis.

## **(z) Operating lease payments**

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

# Vietnam Technological and Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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## **(aa) Taxation**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated statement of income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the consolidated balance sheet date, and any adjustment to tax payable in respect of previous year.

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

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

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

# Vietnam Technological and Commercial Joint Stock Bank

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## 4. CASH AND GOLD

	<i>06/30/2018</i> <i>VND million</i>	<i>12/31/2017</i> <i>VND million</i> <i>(audited)</i>
Cash in VND	3,132,485	1,948,066
Cash in foreign currencies	439,223	374,120
Gold	18,620	22,176
	<b>3,590,328</b>	<b>2,344,362</b>

## 5. BALANCES WITH THE STATE BANK OF VIETNAM

	<i>06/30/2018</i> <i>VND million</i>	<i>12/31/2017</i> <i>VND million</i> <i>(audited)</i>
Balances with the State Bank of Vietnam in VND	3,210,042	4,277,877
Balances with the State Bank of Vietnam in foreign currencies	1,510	1,554
	<b>3,211,552</b>	<b>4,279,431</b>

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

	<i>06/30/2018</i> <i>VND million</i>	<i>12/31/2017</i> <i>VND million</i> <i>(audited)</i>
<b>Current accounts</b>	<b>6,605,150</b>	<b>7,108,306</b>
Current accounts in VND	4,128,006	1,359,152
Current accounts in foreign currencies	2,477,144	5,749,154
<b>Term deposits</b>	<b>31,371,149</b>	<b>9,134,748</b>
Term deposits in VND	10,466,979	7,071,648
Term deposits in foreign currencies	20,904,170	2,063,100
<b>Loans</b>	<b>13,345,391</b>	<b>13,912,753</b>
Loans in VND	11,419,436	11,146,941
Loans in foreign currencies	1,925,955	2,765,812
	<b>51,321,690</b>	<b>30,155,807</b>

# Vietnam Technological and Commercial Joint Stock Bank

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## 7. SECURITIES HELD FOR TRADING

	<i>06/30/2018</i> <i>VND million</i>	<i>12/31/2017</i> <i>VND million</i> <i>(audited)</i>
<b>Debt securities</b>		
- Government Bonds	4,517,706	3,822,161
- Bonds issued by local credit institutions	1,913,500	116,614
<i>In which: Bonds guaranteed by the Government for settlement</i>	<i>138,969</i>	<i>116,614</i>
- Bonds issued by local economics entities	941,969	2,836,343
	<b>7,373,175</b>	<b>6,775,118</b>
Credit risk provision for securities held for trading	(17,343)	(14,246)
Provision for diminution in value of securities held for trading	-	(2,778)
	<b>7,355,832</b>	<b>6,758,094</b>

Movements in provision for securities held for trading were as follows:

	<i>From 01/01/2018 to 06/30/2018</i> <i>VND million</i>	<i>From 01/01/2017 to 06/30/2017</i> <i>VND million</i>
<b>Opening balance</b>	<b>17,024</b>	<b>11,285</b>
Provision created/(reversed) during the period (Note 26)	3,097	(4,482)
Reversal provision for diminution in value of securities held for trading (Note 26)	(2,778)	-
<b>Closing balance</b>	<b>17,343</b>	<b>6,803</b>

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## 8. LOANS TO CUSTOMERS

	<i>06/30/2018</i>	<i>12/31/2017</i>
	<i>VND million</i>	<i>VND million</i>
		<i>(audited)</i>
Loans to local economic entities and individuals	164,869,331	158,497,737
Discounted bills	1,326,203	1,983,527
Loans financed by trusted funds	410,711	358,449
Payment on behalf of customers	93,708	2,166
Loans to foreign organizations, individuals	1,452	7,158
	<b>166,701,405</b>	<b>160,849,037</b>

Loan portfolio by loan group are as follows:

	<i>06/30/2018</i>		<i>12/31/2017</i>	
			<i>(audited)</i>	
	<i>VND million</i>	<i>%</i>	<i>VND million</i>	<i>%</i>
Group 1 - Current	161,021,949	96.59%	155,931,825	96.94%
Group 2 - Special mention	2,283,259	1.37%	2,333,286	1.45%
Group 3 - Substandard	1,050,592	0.63%	575,397	0.36%
Group 4 - Doubtful	363,608	0.22%	455,567	0.28%
Group 5 - Loss	1,981,997	1.19%	1,552,962	0.97%
	<b>166,701,405</b>	<b>100%</b>	<b>160,849,037</b>	<b>100%</b>

Loan portfolio by term are as follows:

	<i>06/30/2018</i>		<i>12/31/2017</i>	
			<i>(audited)</i>	
	<i>VND million</i>	<i>%</i>	<i>VND million</i>	<i>%</i>
Short term	71,773,154	43.05%	63,412,628	39.42%
Medium term	40,521,592	24.31%	42,896,541	26.67%
Long term	54,406,659	32.64%	54,539,868	33.91%
	<b>166,701,405</b>	<b>100%</b>	<b>160,849,037</b>	<b>100%</b>

# Vietnam Technological and Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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## 9. PROVISION FOR LOANS TO CUSTOMERS

Provision for loans to customers consists of:

	<i>06/30/2018</i>	<i>12/31/2017</i>
	<i>VND</i>	<i>VND</i>
	<i>million</i>	<i>million</i>
		<i>(audited)</i>
General provision	1,250,730	1,061,081
Specific provision	<u>1,268,725</u>	<u>823,500</u>
	<b><u>2,519,455</u></b>	<b><u>1,884,581</u></b>

Movements in provision for loans to customers for the period from 01 January 2018 to 30 June 2018 are as follows:

<i>VND million</i>	<i>Specific provision</i>	<i>General provision</i>	<i>Total</i>
<b>Opening balance</b>	<b>823,500</b>	<b>1,061,081</b>	<b>1,884,581</b>
Provision made during the period ( <i>Note 31</i> )	1,576,814	189,649	1,766,463
Utilisation of provision during the period	<u>(1,131,589)</u>	<u>-</u>	<u>(1,131,589)</u>
<b>Closing balance</b>	<b><u>1,268,725</u></b>	<b><u>1,250,730</u></b>	<b><u>2,519,455</u></b>

Movements in provision for loans to customers for the period from 01 January 2017 to 30 June 2017 were as follows:

<i>VND million</i>	<i>Specific provision</i>	<i>General provision</i>	<i>Total</i>
<b>Opening balance</b>	<b>494,120</b>	<b>1,001,355</b>	<b>1,495,475</b>
Provision made/ (reversed) during the period ( <i>Note 31</i> )	833,599	(22,898)	810,701
Utilisation of provision during the period	<u>(580,566)</u>	<u>-</u>	<u>(580,566)</u>
<b>Closing balance</b>	<b><u>747,153</u></b>	<b><u>978,457</u></b>	<b><u>1,725,610</u></b>

# Vietnam Technological and Commercial Joint Stock Bank

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## 10. DEBT PURCHASED

	<i>06/30/2018</i> <i>VND million</i>	<i>12/31/2017</i> <i>VND million</i> <i>(audited)</i>
Debt purchased in VND	1,682	12,092
Provision for debt purchased	(1,682)	(1,760)
	<u>-</u>	<u>10,332</u>
	<i>06/30/2018</i> <i>VND million</i>	<i>12/31/2017</i> <i>VND million</i> <i>(audited)</i>
Principal of debt purchased	-	49,516
Interest of debt purchased	1,682	23,619
	<u>1,682</u>	<u>73,135</u>

Movements in provision for debt purchased are as follows:

	<i>From 01/01/2018</i> <i>to 06/30/2018</i> <i>VND million</i>	<i>From 01/01/2017</i> <i>to 06/30/2017</i> <i>VND million</i>
<b>Opening balance</b>	<b>1,760</b>	<b>973</b>
Provision reversed during the period ( <i>Note 31</i> )	(78)	(91)
<b>Closing balance</b>	<u><b>1,682</b></u>	<u><b>882</b></u>

# Vietnam Technological and Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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## 11. INVESTMENT SECURITIES

	<i>06/30/2018</i> <i>VND million</i>	<i>12/31/2017</i> <i>VND million</i> <i>(audited)</i>
<b>Available-for-sale securities</b>		
<b>Debt securities</b>		
- Government bonds	17,327,347	13,048,507
- Bonds issued by local economic entities	15,015,398	15,739,612
- Bonds issued by local credit institutions	18,267,499	17,010,279
<i>In which: bonds guaranteed by the Government for settlement</i>	<i>11,370,614</i>	<i>12,459,709</i>
<b>Equity securities</b>		
- Shares issued by local economic entities	-	220,000
	<b>50,610,244</b>	<b>46,018,398</b>
Provision for credit risk of available-for-sale securities	(112,411)	(141,035)
Provision for diminution in value of available-for-sale securities	(15,591)	(15,816)
	<b>50,482,242</b>	<b>45,861,547</b>
<b>Held-to-maturity securities</b>		
<b>Debt securities</b>		
- Government bonds	-	569,283
- Bonds issued by local economic entities	4,141,200	3,116,200
- Bonds issued by local credit institutions	30,000	2,030,001
<i>In which: bonds guaranteed by the Government for settlement</i>	<i>30,000</i>	<i>30,001</i>
	<b>4,171,200</b>	<b>5,715,484</b>
Provision for credit risk of held-to-maturity securities	(34,547)	(34,547)
	<b>4,136,653</b>	<b>5,680,937</b>
	<b>54,618,895</b>	<b>51,542,484</b>
Provision for investment securities includes:		
	<i>06/30/2018</i> <i>VND million</i>	<i>12/31/2017</i> <i>VND million</i> <i>(audited)</i>
Provision for unlisted corporate bonds (*)	146,958	175,582
Provision for diminution of securities (**)	15,591	15,816
Provision for special bonds issued by VAMC (***)	-	-
	<b>162,549</b>	<b>191,398</b>



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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(\*) Movements of provision for unlisted corporate bonds are as follows:

	<i>From 01/01/2018 to 06/30/2018 VND million</i>	<i>From 01/01/2017 to 06/30/2017 VND million</i>
<b>Opening balance</b>	<b>175,582</b>	<b>93,018</b>
Creation/ (Reversal) of provision for unlisted corporate bonds during the period ( <i>Note 27</i> )	(28,624)	43,202
<b>Closing balance</b>	<b>146,958</b>	<b>136,220</b>

(\*\*) Movements of provision for diminution of investment securities are as follows:

	<i>From 01/01/2018 to 06/30/2018 VND million</i>	<i>From 01/01/2017 to 06/30/2017 VND million</i>
<b>Opening balance</b>	<b>15,816</b>	-
Provision reversed for diminution of investment securities during the period ( <i>Note 27</i> )	(225)	-
<b>Closing balance</b>	<b>15,591</b>	-

(\*\*\*) Movements of provision for VAMC special bonds are as follows:

	<i>From 01/01/2018 to 06/30/2018 VND million</i>	<i>From 01/01/2017 to 06/30/2017 VND million</i>
<b>Opening balance</b>	-	<b>1,367,540</b>
Provision made for VAMC special bonds during the period ( <i>Note 31</i> )	-	1,663,766
Utilisation of provision for VAMC special bonds	-	(3,031,306)
<b>Closing balance</b>	-	-

## 12. LONG-TERM INVESTMENTS

	<i>06/30/2018 VND million</i>	<i>12/31/2017 VND million (audited)</i>
Other long-term investments – cost	12,883	12,084
Provision for long-term investment (i)	(660)	(2,401)
	<b>12,223</b>	<b>9,683</b>

# Vietnam Technological and Commercial Joint Stock Bank

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(i) Movements of provision for long-term investments are as follows:

	<i>From 01/01/2018 to 06/30/2018</i>	<i>From 01/01/2017 to 06/30/2017</i>
	<i>VND million</i>	<i>VND million</i>
<b>Opening balance</b>	<b>2,401</b>	<b>4,926</b>
Provision made/ (reversed) for long-term investments ( <i>Note 30</i> )	(1,741)	103
<b>Closing balance</b>	<b>660</b>	<b>5,029</b>

## 13. TANGIBLE FIXED ASSETS

*For the period from 01 January 2018 to 30 June 2018*

<i>VND million</i>	<i>Buildings and building improvements</i>	<i>Office equipment</i>	<i>Vehicles</i>	<i>Other fixed assets</i>	<i>Total</i>
<b>Cost</b>					
<b>Balance at 1 January 2018</b>	<b>336,742</b>	<b>1,115,220</b>	<b>148,850</b>	<b>2,144</b>	<b>1,602,956</b>
Additions	27,090	11,289	-	-	38,379
Transfer from construction in progress	36,007	3,711	-	-	39,718
Other increase	5,681	-	-	-	5,681
Disposals	-	(32,188)	(1,127)	(87)	(33,402)
Other decrease	(14)	(543)	(975)	(137)	(1,669)
<b>Balance at 30 June 2018</b>	<b>405,506</b>	<b>1,097,489</b>	<b>146,748</b>	<b>1,920</b>	<b>1,651,663</b>
<b>Accumulated depreciation</b>					
<b>Balance at 1 January 2018</b>	<b>32,940</b>	<b>907,879</b>	<b>90,571</b>	<b>1,777</b>	<b>1,033,167</b>
Charge for the period	6,491	48,631	6,801	90	62,013
Other increase	1,328	-	-	-	1,328
Disposals	-	(32,111)	(1,127)	(87)	(33,325)
Other decrease	-	(543)	(975)	(137)	(1,655)
<b>Balance at 30 June 2018</b>	<b>40,759</b>	<b>923,856</b>	<b>95,270</b>	<b>1,643</b>	<b>1,061,528</b>
<b>Net book value</b>					
<b>Balance at 1 January 2018</b>	<b>303,802</b>	<b>207,341</b>	<b>58,279</b>	<b>367</b>	<b>569,789</b>
<b>Balance at 30 June 2018</b>	<b>364,747</b>	<b>173,633</b>	<b>51,478</b>	<b>277</b>	<b>590,135</b>

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*For the period from 01 January 2017 to 31 December 2017 (audited)*

<i>VND million</i>	<i>Buildings and building improvements</i>	<i>Office equipment</i>	<i>Vehicles</i>	<i>Other fixed assets</i>	<i>Total</i>
<b>Cost</b>					
<b>Balance at 1 January 2017</b>	<b>241,190</b>	<b>1,121,608</b>	<b>153,345</b>	<b>2,144</b>	<b>1,518,287</b>
Additions	95,552	29,521	8,879	-	133,952
Disposals	-	(33,091)	(13,374)	-	(46,465)
Other decreases	-	(2,818)	-	-	(2,818)
<b>Balance at 31 December 2017</b>	<b>336,742</b>	<b>1,115,220</b>	<b>148,850</b>	<b>2,144</b>	<b>1,602,956</b>
<b>Accumulated depreciation</b>					
<b>Balance at 1 January 2017</b>	<b>21,860</b>	<b>833,454</b>	<b>84,546</b>	<b>1,591</b>	<b>941,451</b>
Charge for the period	10,673	108,885	19,228	186	138,972
Other increases	407	-	171	-	578
Disposals	-	(32,246)	(13,374)	-	(45,620)
Other decreases	-	(2,214)	-	-	(2,214)
<b>Balance at 31 December 2017</b>	<b>32,940</b>	<b>907,879</b>	<b>90,571</b>	<b>1,777</b>	<b>1,033,167</b>
<b>Net book value</b>					
<b>Balance at 1 January 2017</b>	<b>219,330</b>	<b>288,154</b>	<b>68,799</b>	<b>553</b>	<b>576,836</b>
<b>Balance at 31 December 2017</b>	<b>303,802</b>	<b>207,341</b>	<b>58,279</b>	<b>367</b>	<b>569,789</b>

# Vietnam Technological and Commercial Joint Stock Bank

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## 14. INTAGIBLE FIXED ASSETS

*For the period from 01 January 2018 to 30 June 2018*

<i>VND million</i>	<i>Software</i>	<i>Land use rights</i>	<i>Others</i>	<i>Total</i>
<b>Cost</b>				
<b>Balance at 1 January 2018</b>	<b>828,990</b>	<b>616,223</b>	<b>4,403</b>	<b>1,449,616</b>
Additions	4,490	793	-	5,283
Transfer from construction in progress	2,777	-	-	2,777
Other decrease	(1,024)	-	-	(1,024)
<b>Balance at 30 June 2018</b>	<b>835,233</b>	<b>617,016</b>	<b>4,403</b>	<b>1,456,652</b>
<b>Accumulated amortisation</b>				
<b>Balance at 1 January 2018</b>	<b>487,127</b>	<b>18,447</b>	<b>2,385</b>	<b>507,959</b>
Charge for the period	44,809	5,965	39	50,813
Other decrease	(760)	-	-	(760)
<b>Balance at 30 June 2018</b>	<b>531,176</b>	<b>24,412</b>	<b>2,424</b>	<b>558,012</b>
<b>Net book value</b>				
<b>Balance at 1 January 2018</b>	<b>341,863</b>	<b>597,776</b>	<b>2,018</b>	<b>941,657</b>
<b>Balance at 30 June 2018</b>	<b>304,057</b>	<b>592,604</b>	<b>1,979</b>	<b>898,640</b>

*For the period from 01 January 2017 to 31 December 2017 (audited)*

<i>VND million</i>	<i>Software</i>	<i>Land use rights</i>	<i>Others</i>	<i>Total</i>
<b>Cost</b>				
<b>Balance at 1 January 2017</b>	<b>802,879</b>	<b>615,768</b>	<b>4,403</b>	<b>1,423,050</b>
Additions	41,408	455	-	41,863
Disposal	(15,297)	-	-	(15,297)
<b>Balance at 31 December 2017</b>	<b>828,990</b>	<b>616,223</b>	<b>4,403</b>	<b>1,449,616</b>
<b>Accumulated depreciation</b>				
<b>Balance at 1 January 2017</b>	<b>408,309</b>	<b>6,548</b>	<b>2,307</b>	<b>417,164</b>
Charge for the period	94,115	11,899	78	106,092
Disposal	(15,297)	-	-	(15,297)
<b>Balance at 31 December 2017</b>	<b>487,127</b>	<b>18,447</b>	<b>2,385</b>	<b>507,959</b>
<b>Net book value</b>				
<b>Balance at 1 January 2017</b>	<b>394,570</b>	<b>609,220</b>	<b>2,096</b>	<b>1,005,886</b>
<b>Balance at 31 December 2017</b>	<b>341,863</b>	<b>597,776</b>	<b>2,018</b>	<b>941,657</b>

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## 15. INVESTMENT PROPERTY

*For the period from 01 January 2018 to 30 June 2018*

<i>VND million</i>	<i>Buildings</i>
<b>Cost</b>	
<b>Balance at 1 January 2018</b>	<b>1,442,827</b>
Other decrease	(7,128)
<b>Balance at 30 June 2018</b>	<b>1,435,699</b>
<b>Accumulated amortization</b>	
<b>Balance at 1 January 2018</b>	<b>204,797</b>
Charge for the period	18,016
Other decrease	(1,338)
<b>Balance at 30 June 2018</b>	<b>221,475</b>
<b>Net book value</b>	
<b>Balance at 1 January 2018</b>	<b>1,238,030</b>
<b>Balance at 30 June 2018</b>	<b>1,214,224</b>

*For the period from 01 January 2017 to 31 December 2017 (audited)*

<i>VND million</i>	<i>Buildings</i>
<b>Cost</b>	
<b>Balance at 1 January 2017</b>	<b>1,447,256</b>
Disposal	(4,429)
<b>Balance at 31 December 2017</b>	<b>1,442,827</b>
<b>Accumulated amortization</b>	
<b>Balance at 1 January 2017</b>	<b>168,720</b>
Charge for the period	36,077
<b>Balance at 31 December 2017</b>	<b>204,797</b>
<b>Net book value</b>	
<b>Balance at 1 January 2017</b>	<b>1,278,536</b>
<b>Balance at 31 December 2017</b>	<b>1,238,030</b>

# Vietnam Technological and Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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## 16. OTHER ASSETS

	<i>06/30/2018</i>	<i>12/31/2017</i>
	<i>VND million</i>	<i>VND million</i>
		<i>(audited)</i>
<b>Receivables</b>		
▪ Internal receivables	56,393	25,774
▪ Deposits and advances for office rental	100,425	395,207
▪ Receivables relating to Interest Subsidy Program	20,050	21,148
▪ Deposits for purchase of office	2,352,839	2,352,839
▪ Advances for contracts	74,844	55,040
▪ Receivables from advance for deferred L/C	3,207,756	2,789,982
▪ Deposits for gold, commodity and foreign currencies trading in futures markets	19,712	45,586
▪ Receivables from sales of loans to customers	822,608	1,862,038
▪ Advances for fixed assets purchases and construction in progress expenses	1,340,282	946,456
▪ Receivables from other credit institutions	398,736	134,884
▪ Receivables from bond principal and interest due on holiday	-	368,300
▪ Other receivables	264,567	420,335
	<b>8,658,212</b>	<b>9,417,589</b>
<b>Accrued interest and fee receivables</b>	<b>4,670,377</b>	<b>3,876,528</b>
<b>Deferred tax assets</b>	<b>-</b>	<b>1,773</b>
<b>Other assets</b>		
▪ Materials	11,241	24,475
▪ Prepayments	629,927	513,402
▪ Goodwill (i)	-	19,765
	<b>641,168</b>	<b>557,642</b>
<b>Provision for other assets (ii)</b>	<b>(560,744)</b>	<b>(1,311,569)</b>
	<b>13,409,013</b>	<b>12,541,963</b>

# Vietnam Technological and Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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(i) Movements of goodwill

	<i>From 01/01/2018 to 06/30/2018 VND million</i>	<i>From 01/01/2017 to 06/30/2017 VND million</i>
<b>Total goodwill</b>	<b>49,411</b>	<b>49,411</b>
<b>Armotisation time (year)</b>	<b>5</b>	<b>5</b>
<b>Goodwill at the beginning of the period</b>		
- Goodwill amortized at the beginning of the period	29,646	19,764
- Goodwill unamortized at the beginning of the period	19,765	29,647
<b>Goodwill decreases during the period</b>		
- Goodwill amortized during the period ( <i>Note 29,30</i> )	(19,765)	(4,941)
<b>Goodwill unamortized at the end of the period</b>	<b>-</b>	<b>24,706</b>

(ii) Movements in provision for other assets are as follows:

	<i>From 01/01/2018 to 06/30/2018 VND million</i>	<i>From 01/01/2017 to 06/30/2017 VND million</i>
<b>Opening balance</b>	<b>1,311,569</b>	<b>1,504,323</b>
Provision reserved for receivables from sales of loans to customer during the period ( <i>Note 31</i> )	(724,599)	(91,252)
Provision made/ (reversed) for receivables from deferred L/C ( <i>Note 31</i> )	2,135	(4,239)
Provision reversed for diminution in the value of inventory ( <i>Note 30</i> )	(1,499)	(178)
Effects of consolidation	(26,862)	-
<b>Closing balance</b>	<b>560,744</b>	<b>1,408,654</b>

# Vietnam Technological and Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the period from 01 January 2018 to 30 June 2018 (continued)

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## 17. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

	<i>06/30/2018</i>	<i>12/31/2017</i>
	<i>VND million</i>	<i>VND million</i>
		<i>(audited)</i>
<b>Demand deposits</b>	<b>4,029,671</b>	<b>1,032,265</b>
Demand deposits in VND	4,027,839	1,031,740
Demand deposits in foreign currencies	1,832	525
<b>Term deposits</b>	<b>23,905,614</b>	<b>20,242,110</b>
Term deposits in VND	22,849,500	15,999,300
Term deposits in foreign currencies	1,056,114	4,242,810
<b>Borrowings</b>	<b>9,771,017</b>	<b>25,049,450</b>
Borrowings in VND	1,424,803	19,321,553
Borrowings in foreign currencies	8,346,214	5,727,897
	<b>37,706,302</b>	<b>46,323,825</b>

## 18. DEPOSITS FROM CUSTOMERS

	<i>06/30/2018</i>	<i>12/31/2017</i>
	<i>VND million</i>	<i>VND million</i>
		<i>(audited)</i>
<b>Current deposits</b>	<b>41,640,707</b>	<b>38,234,560</b>
Current accounts in VND	37,477,224	34,061,915
Current accounts in foreign currencies	4,163,483	4,172,645
<b>Term deposits</b>	<b>140,420,483</b>	<b>129,727,778</b>
Term deposits in VND	133,928,176	121,993,210
Term deposits in foreign currencies	6,492,307	7,734,568
<b>Marginal deposits</b>	<b>4,222,020</b>	<b>3,008,495</b>
Marginal deposits in VND	4,151,512	2,843,993
Marginal deposits in foreign currencies	70,508	164,502
	<b>186,283,210</b>	<b>170,970,833</b>



# Vietnam Technological and Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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## 19. DERIVATIVES AND OTHER FINANCIAL ASSETS/LIABILITIES

	<i>06/30/2018</i>		<i>12/31/2017 (audited)</i>	
	<i>Total contract nominal value (at the rate of the value date)</i>	<i>Total carrying value</i>	<i>Total contract nominal value (at the rate of the value date)</i>	<i>Total carrying value</i>
	<i>VND million</i>	<i>Assets/ (liabilities) VND million</i>	<i>VND million</i>	<i>Assets/ (liabilities) VND million</i>
Foreign exchange forward contracts	22,735,483	(93,869)	18,133,992	144,445
Foreign exchange swap contracts	87,729,061	26,812	112,757,969	(108,153)
	<b>110,464,544</b>	<b>(67,057)</b>	<b>130,891,961</b>	<b>36,292</b>

## 20. VALUABLE PAPERS ISSUED

Valuable papers issued - categorised by terms:

	<i>06/36/2018</i> <i>VND million</i>	<i>12/31/2017</i> <i>VND million</i> <i>(audited)</i>
Up to 12 months	6	6
From 1 year to 5 years	13,504,290	11,039,964
More than 5 years	5,400,000	6,600,000
	<b>18,904,296</b>	<b>17,639,970</b>

# Vietnam Technological and Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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## 21. OTHER LIABILITIES

	<i>06/30/2018</i>	<i>12/31/2017</i>
	<i>VND million</i>	<i>VND million</i>
		<i>(audited)</i>
<b>Accrued interest and fee payables</b>	<b>3,066,917</b>	<b>2,764,162</b>
<b>Other liabilities</b>		
▪ Internal payables	15,759	13,465
▪ Deferred proceeds from the sale of collateral	99,758	156,580
▪ Remittance payables	2,232,527	927,230
▪ Payable to employees	447,545	615,387
▪ Tax payable ( <i>Note 37</i> )	824,871	928,393
▪ Deferred income	71,464	9,141
▪ Advance from customers	2,067	52,595
▪ Salaries Accrued expenses	233,740	237,113
▪ Accrued expenses	134,698	368,949
▪ Payables relating to marketing and promotion activities	1,747	20,135
▪ Disbursement waiting for settlement	23,672	6,990
▪ Fund kept for customers waiting for settlement	134,695	176,308
▪ Bonus and welfare funds	19,372	2,680
▪ Deposit of customers waiting for settlement	317,775	105,583
▪ Other payables	387,663	142,296
	<b>4,947,353</b>	<b>3,762,845</b>
	<b>8,014,270</b>	<b>6,527,007</b>

# Vietnam Technological and Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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## 22. CAPITAL AND RESERVES

### Statement of changes in equity

*Unit: VND Million*

	Share capital	Share premium	Treasury share	Foreign exchange differences	Reserve to supplement capital	Financial reserve	Other reserves	Total Reserves	Retained profits	Total
<b>Balance at 31 December 2016</b>	<b>8,878,079</b>	-	-	-	<b>3,658,696</b>	<b>1,560,012</b>	<b>474</b>	<b>5,219,182</b>	<b>5,489,215</b>	<b>19,586,476</b>
Capital increase from convertible bond	2,077,228	765,059	-	-	-	-	-	-	-	<b>2,842,287</b>
Capital increase	700,000	1,399,999	-	-	-	-	-	-	-	<b>2,099,999</b>
Net profit for the year	-	-	-	-	-	-	-	-	6,445,595	<b>6,445,595</b>
Purchases of treasury share	-	-	(4,043,249)	-	-	-	-	-	-	<b>(4,043,249)</b>
Appropriations to reserves	-	-	-	-	325,056	612,953	-	938,009	(938,009)	-
Utilisations of reserves	-	-	-	-	-	(263)	-	(263)	-	<b>(263)</b>
Other movements	-	-	-	-	-	-	-	-	(100)	<b>(100)</b>
<b>Balance at 31 December 2017</b>	<b>11,655,307</b>	<b>2,165,058</b>	<b>(4,043,249)</b>	-	<b>3,983,752</b>	<b>2,172,702</b>	<b>474</b>	<b>6,156,928</b>	<b>10,996,701</b>	<b>26,930,745</b>
Net profit during the period	-	-	-	-	-	-	-	-	4,149,684	<b>4,149,684</b>
Sale Treasury shares	-	12,306,019	4,043,249	-	-	-	-	-	-	<b>16,349,268</b>
Other movements	-	-	-	(350)	(3,141)	(6,281)	-	(9,422)	9,422	<b>(350)</b>
<b>Balance at 31 June 2018</b>	<b>11,655,307</b>	<b>14,471,077</b>	-	<b>(350)</b>	<b>3,980,611</b>	<b>2,166,421</b>	<b>474</b>	<b>6,147,506</b>	<b>15,155,807</b>	<b>47,429,347</b>

# Vietnam Technological and Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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<b>Share capital</b>	<i>06/30/2018</i>	<i>12/31/2017</i> <i>(audited)</i>
	<i>Number of shares</i>	<i>Number of shares</i>
<b>Authorised share capital</b>	<b><u>1,165,530,720</u></b>	<b><u>1,165,530,720</u></b>
<b>Issued share capital</b>		
Ordinary shares	<u>1,165,530,720</u>	<u>1,165,530,720</u>
<b>Treasury shares</b>		
Ordinary shares	<u>-</u>	<u>(172,353,345)</u>
<b>Shares in circulation</b>		
Ordinary shares	<b><u>1,165,530,720</u></b>	<b><u>933,177,375</u></b>

## 23. NET INTEREST INCOME

	<i>From 01/01/2018</i> <i>to 06/30/2018</i> <i>VND million</i>	<i>From 01/01/2017</i> <i>to 06/30/2017</i> <i>VND million</i> <i>(reviewed)</i>
<b><i>Interest and similar income</i></b>		
Interest income from deposits	268,967	210,660
Interest income from loans to customers	7,646,765	6,700,820
Interest income from debt securities investment	1,720,256	1,676,246
Interest income from guarantee services	126,313	108,922
Income from other credit activities	134,212	125,923
	<b><u>9,896,513</u></b>	<b><u>8,822,571</u></b>
<b><i>Interest and similar expenses</i></b>		
Interest expenses for deposits	(3,923,510)	(3,898,818)
Interest expenses for borrowings	(211,791)	(198,777)
Interest expenses for valuable paper issued	(710,594)	(318,883)
	<b><u>(4,845,895)</u></b>	<b><u>(4,416,478)</u></b>
	<b><u>5,050,618</u></b>	<b><u>4,406,093</u></b>

# Vietnam Technological and Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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## 24. NET FEE AND COMMISSION INCOME

	<i>From 01/01/2018 to 06/30/2018 VND million</i>	<i>From 01/01/2017 to 06/30/2017 VND million (reclassified)</i>
<b><i>Fee and commission income from</i></b>		
Settlement and cash services	802,361	681,966
Cashiering services	954	854
Trustee and agency services	11,024	10,485
Consulting services	34,386	2,679
Bancainurance services	292,054	260,197
Income from securities issuance services	122,341	74,325
Income from securities brokerage services	61,528	23,117
Other services	205,623	295,301
	<b>1,530,271</b>	<b>1,348,924</b>
<b><i>Fee and commission expenses for</i></b>		
Settlement and cash services	(186,929)	(120,186)
Cashiering services	(22,927)	(26,022)
Consulting services	(21,454)	(4,659)
Other services	(117,692)	(106,269)
	<b>(349,002)</b>	<b>(257,136)</b>
	<b>1,181,269</b>	<b>1,091,788</b>

## 25. NET GAIN FROM TRADING OF FOREIGN CURRENCIES

	<i>From 01/01/2018 to 06/30/2018 VND million</i>	<i>From 01/01/2017 to 06/30/2017 VND million (reviewed)</i>
<b><i>Income from trading of foreign currencies</i></b>		
Foreign exchange trading	364,145	113,099
Financial derivatives	358,418	473,239
	<b>722,563</b>	<b>586,338</b>
<b><i>Expenses for trading of foreign currencies</i></b>		
Foreign exchange trading	(24,326)	(139,626)
Financial derivatives	(499,993)	(327,529)
	<b>(524,319)</b>	<b>(467,155)</b>
	<b>198,244</b>	<b>119,183</b>

# Vietnam Technological and Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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## 26. NET GAIN/ (LOSS) FROM TRADING OF SECURITIES HELD FOR TRADING

	<i>From 01/01/2018 to 06/30/2018 VND million</i>	<i>From 01/01/2017 to 06/30/2017 VND million (reviewed)</i>
Income from trading of securities held for trading	138,662	329,075
Expenses for trading of securities held for trading	(139,926)	(53,945)
Reversal of provision for diminution in the value of trading securities ( <i>Note 7</i> )	2,778	-
Reversal/ (Creation) of credit risk provision for trading securities ( <i>Note 7</i> )	(3,097)	4,482
	<b>(1,583)</b>	<b>279,612</b>

## 27. NET GAIN FROM INVESTMENT SECURITIES

	<i>From 01/01/2018 to 06/30/2018 VND million</i>	<i>From 01/01/2017 to 06/30/2017 VND million (reclassified)</i>
Income from trading of investment securities	932,091	334,756
Expenses for trading of investment securities	(217,916)	(97,469)
Creation of provision for diminution in value of investment securities ( <i>Note 11</i> )	225	-
Creation/(Reversal) of credit risk provision for investment securities ( <i>Note 11</i> )	28,624	(43,202)
	<b>743,024</b>	<b>194,085</b>

## 28. NET GAIN FROM OTHER ACTIVITIES

	<i>From 01/01/2018 to 06/30/2018 VND million</i>	<i>From 01/01/2017 to 06/30/2017 VND million (reviewed)</i>
<b><i>Other operating incomes</i></b>		
Income from other derivatives	349,329	88,685
Recovery of loans previously written-off	471,264	240,044
Income from entrusted debt collection	17,001	34,426
Income from office rental	1,545	1,935
Income from debt purchase	28,844	1,825
Income from early settlement of VAMC bonds	-	424,134
Other income	51,946	59,023
	<b>919,929</b>	<b>850,072</b>
<b><i>Other operating expenses</i></b>		
Expenses for other derivatives	(260,510)	(61,059)
Other expenses	(66,434)	(24,556)
	<b>(326,944)</b>	<b>(85,615)</b>
	<b>592,985</b>	<b>764,457</b>

# Vietnam Technological and Commercial Joint Stock Bank

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## 29. INCOME FROM INVESTMENTS IN OTHER ENTITIES

	<i>From 01/01/2018 to 06/30/2018 VND million</i>	<i>From 01/01/2017 to 06/30/2017 VND million (reviewed)</i>
Dividends received from long-term investment	276	-
Proceeds from the liquidation of long-term investment	894,427	355,192
	<b>894,703</b>	<b>355,192</b>

## 30. OPERATING EXPENSES

	<i>From 01/01/2018 to 06/30/2018 VND million</i>	<i>From 01/01/2017 to 06/30/2017 VND million (reclassified)</i>
Salaries and related expenses	1,439,028	1,162,179
Publication, marketing and promotion	52,975	89,066
Office and asset rental	226,230	214,756
Depreciation of fixed assets	130,842	141,741
Tax, duties and fees	53,434	39,335
Tools and equipment expenses	27,890	17,171
Telecommunication expenses	14,113	16,959
Expenses for maintenance and repair of assets	90,993	98,963
Utilities expenses	23,099	23,120
Expenditure on payment of insurance premium for customers' deposits	91,698	72,749
Per diem expenses	39,936	27,103
Provision made/(reversed) for long-term investment ( <i>Note 12</i> )	(1,741)	103
Provision expenses reversed for diminution in the value of inventory ( <i>Note 16</i> )	(1,499)	(178)
Amortisation of goodwill ( <i>Note 16</i> )	-	4,941
Training expenses	5,296	4,047
Ceremonies expenses	1,588	1,755
Consulting expenses	74,672	45,444
Other operating expenses	150,433	138,223
	<b>2,418,987</b>	<b>2,097,477</b>

# Vietnam Technological and Commercial Joint Stock Bank

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## 31. PROVISION EXPENSES

	<i>Note</i>	<i>From 01/01/2018 to 06/30/2018 VND million</i>	<i>From 01/01/2017 to 06/30/2017 VND million (reclassified)</i>
Creation/(Reversal) of general provision for loans to customers	9	189,649	(22,898)
Creation of specific provision for loans to customers	9	1,576,814	833,599
Creation of provision for VAMC bonds	11	-	1,663,766
Reversal of provision for receivables from debt factoring contracts	16	(724,599)	(91,252)
Reversal of provision for debt purchased	10	(78)	(91)
Creation/(Reversal) of provision for receivables from loan sold to customers	16	2,135	(4,239)
		<b>1,043,921</b>	<b>2,378,885</b>



# Vietnam Technological and Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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## 32. CURRENT INCOME TAX

The Bank has an obligation to pay the government corporate income tax at the rate of 20.00% of taxable profit (2017: 20.00%). The corporate income tax computation is subject to the review and approval by local tax authority. The corporate income tax computation is calculated as follow:

	<i>From 01/01/2018 to 06/30/2018</i>	<i>From 01/01/2017 to 06/30/2017</i>
	<i>VND million</i>	<i>VND million (Reviewed)</i>
<b>Profit before tax</b>	<b>5,196,352</b>	<b>2,734,048</b>
Adjustments for:		
- Income from tax exempt dividends	(276)	-
- Non-deductible expenses	5,004	246
- Tax exempt income	(239)	(890)
- Other adjustment	168	-
- Temporary differences from previous years	(8,865)	(99,130)
- Effect of consolidation	29,609	14,760
<b>Taxable Corporate income</b>	<b>5,221,753</b>	<b>2,649,034</b>
<b>Current Corporate income tax</b>	<b>1,044,351</b>	<b>529,807</b>
- Adjustments of tax expenses from previous years	544	146
<b>Current Corporate income tax incurred during the period</b>	<b>1,044,895</b>	<b>529,953</b>
<b>CIT payable at the beginning of the period</b>	<b>866,900</b>	<b>336,613</b>
- CIT paid during the period	(1,167,693)	(463,979)
<b>CIT payable at the end of the period</b>	<b>744,102</b>	<b>402,587</b>

# Vietnam Technological and Commercial Joint Stock Bank

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## 33. CASH AND CASH EQUIVALENTS

	<i>06/30/2018</i>	<i>06/30/2017</i>
	<i>VND million</i>	<i>VND million</i>
Cash and gold ( <i>Note 4</i> )	3,590,328	2,872,547
Balances with the State Bank of Vietnam ( <i>Note 5</i> )	3,211,552	7,044,002
Balances with other credit institutions with original terms of not exceeding three months	37,672,219	7,886,969
	<u>44,474,099</u>	<u>17,803,518</u>

## 34. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

Related party transactions are transactions undertaken with other entities to which the Bank is related. A party is considered to be related to the Bank if:

- (a) Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting Bank. (This includes holding companies, subsidiaries and fellow subsidiaries);
- (b) Associates (see VAS No. 07 “Accounting for Investments in Associates”);
- (c) Individuals owning, directly or indirectly, an interest in the voting power of the reporting Bank that gives them significant influence over the Bank, and close members of the family of any such individual. Close members of the family of an individual are those that may be expected to influence, or be influenced by, that person in their dealings with the Bank, for examples: parent, spouse, progeny, siblings, etc;
- (d) Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the reporting Bank, including directors and officers of the Bank and close members of the families of such individuals
- (e) Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting Bank and enterprises that have a member of key management in common with the reporting Bank.

As at 30 June 2018, there were the following significant balances and transactions with related parties:

# Vietnam Technological and Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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<i>Related party</i>		<i>Balance</i>	
		<i>06/30/2018</i>	<i>12/31/2017</i>
		<i>VND million</i>	<i>VND million</i>
			<i>(audited)</i>
<b>Loans from the Bank</b>			
The European Plastic Window JSC	(ii)	510,985	394,097
<i>In which: Increase</i>		266,279	285,092
<i>Decrease</i>		(149,391)	(298,601)
Nui Phao Mining Company Ltd.,	(ii)	1,013,742	890,802
<i>In which: Increase</i>		745,705	1,192,178
<i>Decrease</i>		(622,766)	(938,358)
<b>Par value bond of the bank</b>			
Masan Group Corporation	(i)	70,002	274,155
Masan JSC	(ii)	1,165	6,012
<b>Deposits at the bank</b>			
Masan Group Corporation	(i)	(114,634)	(172,521)
MapleLeaf Company Limited	(i)	(316)	(315)
Masan JSC	(ii)	(68,799)	(851)
The European Plastic Window JSC	(ii)	(3,430)	(23,793)
Masan Resources Corporation	(ii)	(1,376)	(484)
Nui Phao Mining Company Ltd.,	(ii)	(365,762)	(167,262)
Masan Consumer Corporation	(ii)	(423,991)	(311,562)
Vinh Hao Mineral Water JSC	(iii)	(28,147)	(62,706)
Vinacafe Bien Hoa JSC	(iii)	(889)	(1,486,643)
Masan Consumer Holdings Company Limited	(iii)	(6,596)	(6,449)
Masan Brewery Distribution One Member Company Limited	(iii)	(10,861)	(47,369)
Quang Ninh Mineral Water Corporation	(iii)	(3,095)	(37,354)

# Vietnam Technological and Commercial Joint Stock Bank

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	<i>Related party</i>	<i>Transaction</i>	
		<i>From 01/01/2018 to 06/30/2018 VND million</i>	<i>From 01/01/2017 to 06/30/2017 VND million</i>
<b>Interest income</b>			
The European Plastic Window JSC	(ii)	20,687	16,456
Nui Phao Mining Company Ltd.,	(ii)	21,769	18,097
<b>Interest expense</b>			
Masan Group Corporation	(i)	(7,118)	(3,033)
MapleLeaf Company Limited	(i)	(6)	(7)
Masan JSC	(ii)	(40)	(4,076)
The European Plastic Window JSC	(ii)	(4)	(6)
Masan Resources Corporation	(ii)	(33)	(1)
Nui Phao Mining Company Ltd.,	(ii)	(2,094)	(222)
Masan Consumer Corporation	(ii)	(16,852)	(53,166)
Vinh Hao Mineral Water JSC	(iii)	(2,031)	(2,609)
Vinacafe Bien Hoa JSC	(iii)	(6,378)	(5,919)
Masan Consumer Holdings Company Limited	(iii)	(165)	(177)
Masan Brewery Distribution One Member Company Limited	(iii)	(873)	(365)
Quang Ninh Mineral Water Corporation	(iii)	(625)	(578)

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

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

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

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## 35. GEOGRAPHICAL DISPERSION OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS

*As at 30 June 2018*

	<i>Total loans VND million</i>	<i>Total deposit VND million</i>	<i>Total commitments VND million</i>	<i>Derivatives VND million</i>	<i>Trading and investment securities VND million</i>
Domestic	180,045,344	213,651,886	73,365,888	110,464,544	62,154,619
Overseas	1,452	566,609	-	-	-
	<b>180,046,796</b>	<b>214,218,495</b>	<b>73,365,888</b>	<b>110,464,544</b>	<b>62,154,619</b>

*As at 31 December 2017 (audited)*

	<i>Total loans VND million</i>	<i>Total deposit VND million</i>	<i>Total commitments VND million</i>	<i>Derivatives VND million</i>	<i>Trading and investment securities VND million</i>
Domestic	174,754,632	191,691,596	48,421,531	130,891,961	58,509,000
Overseas	7,158	553,612	-	-	-
	<b>174,761,790</b>	<b>192,245,208</b>	<b>48,421,531</b>	<b>130,891,961</b>	<b>58,509,000</b>

## 36. EMPLOYEE BENEFITS

	<i>From 01/01/2018 to 06/30/2018 VND million</i>	<i>From 01/01/2017 to 06/30/2017 VND million (reclassified)</i>
Total employees as at 30 June (person)	8,765	7,640
Average number of employees during the year (person)	8,547	7,714
Employees' remuneration		
1. Basic salaries (VND million)	1,204,492	870,269
2. Allowances and other income (VND million)	234,536	291,910
	<b>1,439,028</b>	<b>1,162,179</b>
Average monthly salary (VND million/person)	23	19
Average monthly remuneration (VND million/person)	28	25

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### 37. OBLIGATIONS TO THE STATE BUDGET

*For the period from 01 January 2018 to 30 June 2018*

<i>VND million</i>	<i>1/1/2018</i>	<i>Incurred</i>	<i>Adjustment</i>	<i>Paid</i>	<i>06/30/2018</i>
Value added tax	10,406	82,852	2	(74,156)	19,104
Corporate income tax	866,900	1,044,895	-	(1,167,693)	744,102
Other taxes	51,087	323,085	(255)	(312,252)	61,665
	<b>928,393</b>	<b>1,450,832</b>	<b>(253)</b>	<b>(1,554,101)</b>	<b>824,871</b>

*For the period from 01 January 2017 to 31 December 2017 (audited):*

*VND million*

	<i>01/01/2017</i>	<i>Incurred</i>	<i>Adjustment</i>	<i>Paid</i>	<i>12/31/2017</i>
Value added tax	13,438	308,343	-	(311,375)	10,406
Corporate income tax	336,613	1,564,816	-	(1,034,529)	866,900
Other taxes	26,816	341,851	(2,370)	(315,210)	51,087
	<b>376,867</b>	<b>2,215,010</b>	<b>(2,370)</b>	<b>(1,661,114)</b>	<b>928,393</b>

# Vietnam Technological and Commercial Joint Stock Bank

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## 38. RISK MANAGEMENT DISCLOSURE

This section provides details of the Bank's exposure to risk and describes the policies, the methods used by management to control risk. The most important types of financial risk to which the Bank is exposed are credit risk, liquidity risk and market risk.

### (i) Risk management policy

The Bank's business goal is to be a multi-purpose financial group. Accordingly, the utilisation of financial instruments including customers' deposits (customers' deposits and valuable papers issued) and investments in highly profitable financial assets is the key to achieve the premium interest difference for the Bank. In terms of risk management, the Bank is required to maintain a healthy structure for its assets, liabilities and equity (including both consolidated balance sheet and off-balance sheets items) for safety and risk minimisation purpose in the Bank's operations. In addition, the Bank has used some of its working capital to invest in securities or loans to other banks. Foreign currency risk and interest rate risk are controlled by limitations to avoid over-concentration and the Bank also involves in diversifying activities with risk balancing effect in order to minimize the risks. The ownership of highly profitable financial instruments helps smoothing the structure of the consolidated balance sheet and reducing liquidity risk. Moreover, the Bank engages in hedging activities like currency swaps for interest rate risk management.

While managing the credit risks, the Bank has made good use of the credit manuals which entails the policies, procedures and guidance to standardize the credit activities of the Bank. Liquidity risk is reduced thanks to cash and cash equivalents on hand in forms of Nostro accounts, term-deposits at the SBV and other credit institutions. Ratios which take risk into account are also used to keep control of liquidity risks. The Bank evaluates interest rates on a regular basis, compares local interest rates with international ones for timing adjustments. In addition, internal audit has become more efficient because of the Centralized Capital Management System and Centralized Payment System which enables all treasury activities and payments to be conducted by the Head Office. This gives the Bank closer supervision on the changes in capital to reduce errors and unnecessary procedures.

### (ii) Credit risk

Credit risk is the inherent risk incurred in banking activities that the Bank may face when clients do not or cannot fulfil its obligations as committed.

The Bank has maintained a policy of credit risk management to ensure the following basic principles:

- ▶ Set up an appropriate credit risk management environment;
- ▶ Operate in a healthy process for granting credit facilities;
- ▶ Maintain an appropriate management, measurement and monitoring credit process; and
- ▶ Ensure adequate controls for credit risk.

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The approval process for granting credit must go through several management levels to ensure a credit facility is reviewed independently together with the credit limit applied to each competent level. In addition, the participation of Credit Council in the credit approval model also helps to ensure a highest quality and concentrated approval process.

Details of collaterals held by the Bank at the reporting date are shown below:

	<i>06/30/2018</i>	<i>12/31/2017</i>
	<i>VND million</i>	<i>VND million</i>
		<i>(audited)</i>
Real estate	197,619,312	182,200,811
Equipment and machinery	52,650,225	52,230,799
Valuable papers issued	102,839,144	74,638,896
Others	120,081,138	99,198,221
	<u>473,189,819</u>	<u>408,268,727</u>

### (iii) Liquidity Risk

Liquidity risk arises in the general funding of the Bank's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The maturity term of assets and liabilities represents the remaining period from the date of the consolidated financial statements to the contractual maturity date of assets and liabilities.

The following assumptions and conditions are applied in the analysis of overdue status of the Bank's assets and liabilities:

- ▶ Balances with the State Bank of Vietnam are classified as demand deposits which include compulsory deposits. The balance of compulsory deposits depends on the proportion and terms of the Bank's customer deposits;
- ▶ The maturity term of investment securities is calculated based on the maturity date of each category of securities; In which, securities issued by Government/ guaranteed by Government, although classified based on residual maturity, but considered as liquid assets in the market that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value;
- ▶ The maturity term of balances with and loans to other credit institutions; and loans to customers is determined on the maturity date as stipulated in contracts. The actual maturity term may be altered because loan contracts may be extended/prepaid;
- ▶ The maturity term of equity investments is considered as more than five years because these investments do not have specific maturity date;
- ▶ The maturity term of deposits and borrowings from credit institutions and customers' deposits is determined based on features of these items or the maturity date as stipulated in contracts. Demand deposits are transacted as required by customers and therefore being classified as current accounts, however, a large proportion of this deposits type of customers remain stable at the Bank over one year. The maturity term of borrowings and



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term deposits is determined based on the maturity date in contracts. In fact, these amounts may be rotated and therefore they last beyond the original maturity date;

- ▶ The maturity term of fixed assets is determined on the remaining useful life of assets;
- ▶ The maturity term of valuable papers issued is calculated based on the maturity date of each category of valuable paper;
- ▶ The maturity term of other liabilities is determined on the actual maturity date of each liability.

The following table shows the analysis of financial assets and liabilities of the Bank by maturity groups as follows:

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<i>As at 30 June 2018 (VND million)</i>	<i>Overdue less than 3 months</i>	<i>Overdue more than 3 months</i>	<i>Up to 1 month</i>	<i>From 1 to 3 months</i>	<i>From 3 to 12 months</i>	<i>From 1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
<b>Assets</b>								
Cash and gold on hand	-	-	3,590,328	-	-	-	-	3,590,328
Balances with the SBV	-	-	3,211,552	-	-	-	-	3,211,552
Balances with and loans to other credit institutions – gross	-	-	29,472,342	16,992,092	4,803,118	54,138	-	51,321,690
Securities held for trading - gross	-	-	-	-	964,892	1,938,005	4,470,278	7,373,175
<i>In which: Government bonds and bonds guaranteed by the Government for settlement</i>	-	-	-	-	-	710,927	3,945,748	4,656,675
Loans to customers – gross	2,282,789	3,396,667	6,815,834	15,675,296	48,444,093	40,653,259	49,433,467	166,701,405
Loan purchased - cost	470	1,212	-	-	-	-	-	1,682
Investment securities – gross	-	-	560,092	5,335,663	10,107,129	25,621,745	13,156,815	54,781,444
<i>In which: Government bonds and bonds guaranteed by the Government for settlement</i>	-	-	60,091	359,563	5,171,550	6,865,396	10,201,050	22,657,650
Long term investments - cost	-	-	-	-	-	-	12,883	12,883
Fixed assets and investment properties	-	-	30,599	1,553	19,550	290,762	2,360,535	2,702,999
Other assets – gross	-	39,720	5,448,109	1,477,627	3,968,945	2,582,923	452,433	13,969,757
	<b>2,283,259</b>	<b>3,437,599</b>	<b>49,128,856</b>	<b>39,482,231</b>	<b>68,307,727</b>	<b>71,140,832</b>	<b>69,886,411</b>	<b>303,666,915</b>
<b>Liabilities</b>								
Amounts due to the Government	-	-	1,000,000	1,000,000	-	-	-	2,000,000
Deposits and borrowings from other credit institutions	-	-	27,816,155	6,333,259	2,634,468	908,897	13,523	37,706,302
Deposits from customers	-	-	98,574,859	28,251,376	49,608,131	9,781,005	67,839	186,283,210
Derivatives and other financial liabilities	-	-	(23,802)	27,131	5,001	58,727	-	67,057
Valuable papers issued	-	-	-	-	1,580,270	14,126,026	3,198,000	18,904,296
Other liabilities	-	-	5,736,640	767,114	1,148,921	333,802	27,793	8,014,270
	-	-	<b>133,103,852</b>	<b>36,378,880</b>	<b>54,976,791</b>	<b>25,208,457</b>	<b>3,307,155</b>	<b>252,975,135</b>
<b>Net liquidity gap</b>	<b>2,283,259</b>	<b>3,437,599</b>	<b>(83,974,996)</b>	<b>3,103,351</b>	<b>13,330,936</b>	<b>45,932,375</b>	<b>66,579,256</b>	<b>50,691,780</b>

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## (iv) Market Risk

### *Interest rate risk*

Interest rate risk arises when there is a difference of term in valuation of interest rate between assets and liabilities. All loans activities, mobilization activities, investments activities of the Banks create interest rate risk.

On the basis of the state of “interest rate sensitivity” according to periodic changes in interest rates, the indicators which are assets, equity and off-balance sheet assets are classified by terms into the table “interest gap” of the whole Bank.

Interest rate repricing terms for items with fixed interest rate for remaining period until maturity date of assets, as for floating interest rate which is remaining period until changes in interest rate.

The followings assumptions and conditions are applied when constructing “interest gap” table:

- ▶ Cash and gold; capital contribution; long-term investments; fixed assets, other receivables and other liabilities are classified as non-interest sensitivity items;
- ▶ Balances with the State Bank of Vietnam, demand balances with and loans to other credit institutions, demand deposits are classified as non-interest sensitivity items;
- ▶ Interest rate repricing of trading securities and investment securities are based on the actual maturity date at the reporting date if such securities have a fixed interest rate or based on revaluation of interest rate if such securities have a floating interest rate;
- ▶ Interest rate repricing of balances with and loans to other credit institutions; loans to customers; deposits and borrowings from Government and State Bank of Vietnam are identified as follows:
  - Items with fixed interest rate for the duration of contract: interest rate repricing based on actual maturity date since reporting date of the consolidated financial statements;
  - Items with floating interest rate: interest rate repricing based on nearest interest since reporting date of the consolidated financial statements;
- ▶ Interest rate repricing of valuable papers issued based on the actual maturity date of each type of valuable papers if there is a fixed interest rate or time-based revaluation if there is a floating interest rate;

The following table shows the classification of the Bank’s assets and liabilities according to “Interest rate gap” model as at reporting date:

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<i>As at 30 June 2018 (VND million)</i>	<i>Overdue</i>	<i>Not influence by changes of interest rate</i>	<i>Up to 1 month</i>	<i>From 1 to 3 months</i>	<i>From 3 to 6 months</i>	<i>From 6 to 12 months</i>	<i>Over 1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
<b>Assets</b>									
Cash and gold on hand	-	3,590,328	-	-	-	-	-	-	3,590,328
Balances with the SBV	-	3,211,552	-	-	-	-	-	-	3,211,552
Balances with and loans to other credit institutions – gross	-	6,543,802	25,478,527	14,446,728	2,820,526	1,977,969	54,138	-	51,321,690
Securities held for trading – gross	-	-	-	400,000	841,891	950,078	710,927	4,470,279	7,373,175
<i>In which: Government bonds and bonds guaranteed by the Government for settlement</i>	-	-	-	-	-	-	710,927	3,945,748	4,656,675
Loans to customers – gross	5,679,456	-	75,655,227	29,449,373	20,880,818	16,963,162	15,432,114	2,641,255	166,701,405
Loan purchased - cost	1,682	-	-	-	-	-	-	-	1,682
Investment securities - gross	-	1,649,614	660,001	8,686,900	10,203,092	10,577,627	13,282,954	9,721,256	54,781,444
<i>In which: Government bonds and bonds guaranteed by the Government for settlement</i>	-	1,651,290	60,000	404,600	2,134,486	2,773,167	6,360,851	9,273,256	22,657,650
Long term investments - cost	-	12,883	-	-	-	-	-	-	12,883
Fixed assets and investment properties	-	2,702,999	-	-	-	-	-	-	2,702,999
Other assets - gross	39,720	13,930,037	-	-	-	-	-	-	13,969,757
	<b>5,720,858</b>	<b>31,641,215</b>	<b>101,793,755</b>	<b>52,983,001</b>	<b>34,746,327</b>	<b>30,468,836</b>	<b>29,480,133</b>	<b>16,832,790</b>	<b>303,666,915</b>
<b>Liabilities</b>									
Amounts due to the Government and the SBV	-	-	1,000,000	1,000,000	-	-	-	-	2,000,000
Deposits and borrowings from other credit institutions	-	4,029,670	23,794,206	6,330,408	1,526,848	1,102,750	918,521	3,899	37,706,302
Deposits from customers	-	46,775,805	53,318,358	29,255,767	26,263,626	25,138,809	5,515,607	15,238	186,283,210
Derivatives and other financial liabilities	-	-	(522,629)	(1,894,724)	34,910	(14,576)	2,464,076	-	67,057
Valuable papers issued	-	-	1,500,000	2,300,000	1,849,999	430,271	9,626,026	3,198,000	18,904,296
Other liabilities	-	8,014,270	-	-	-	-	-	-	8,014,270
	-	<b>58,819,745</b>	<b>79,089,935</b>	<b>36,991,451</b>	<b>29,675,383</b>	<b>26,657,254</b>	<b>18,524,230</b>	<b>3,217,137</b>	<b>252,975,135</b>
<b>Total interest sensitivity gap</b>	<b>5,720,858</b>	<b>(27,178,530)</b>	<b>22,703,820</b>	<b>15,991,550</b>	<b>5,070,944</b>	<b>3,811,582</b>	<b>10,955,903</b>	<b>13,615,653</b>	<b>50,691,780</b>

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## *Currency risk*

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

The Bank was incorporated and operates in Vietnam, with VND as its reporting currency. The major currency in which the Bank transacts is VND. The Bank's loans were mainly denominated in VND with the remainder mainly in USD. However, some of the Bank's other assets are in currencies other than the reporting currency and USD.

The Bank's management has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

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*As at 30 June 2018*  
*(VND million)*

	<i>USD</i>	<i>EUR</i>	<i>Gold</i>	<i>Other currencies</i>	<i>Total</i>
<b>Assets</b>					
Cash and gold on hand	282,810	44,020	18,620	112,393	457,843
Balances with the SBV	1,510	-	-	-	1,510
Balances with and loans to other credit institutions - gross	24,605,038	444,810	-	257,421	25,307,269
Loans to customers - gross	10,105,865	26,878	-	-	10,132,743
Other assets - gross	3,264,760	136,646	-	2,918	3,404,324
	<b>38,259,983</b>	<b>652,354</b>	<b>18,620</b>	<b>372,732</b>	<b>39,303,689</b>
<b>Liabilities</b>					
Deposits and borrowings from other credit institutions	9,267,711	136,449	-	-	9,404,160
Deposits from customers	9,761,998	456,092	-	508,208	10,726,298
Derivatives and other financial liabilities	15,505,431	11,420	-	(154,091)	15,362,760
Other liabilities	181,409	4,382	-	7,107	192,898
	<b>34,716,549</b>	<b>608,343</b>	<b>-</b>	<b>361,224</b>	<b>35,686,116</b>
<b>FX position on balance sheet</b>	<b>3,543,434</b>	<b>44,011</b>	<b>18,620</b>	<b>11,508</b>	<b>3,617,573</b>
<b>FX position off-balance sheet</b>	<b>12,391,868</b>	<b>2,117,727</b>	<b>-</b>	<b>160,653</b>	<b>14,670,248</b>
<b>Total FX position on and off-balance sheet</b>	<b>15,935,302</b>	<b>2,161,738</b>	<b>18,620</b>	<b>172,161</b>	<b>18,287,821</b>

## Vietnam Technological and Commercial Joint Stock Bank

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### 39. PROFIT MOVEMENTS

Profit before tax (PBT) up to 30 June 2018 increase by VND 2,462,303 million, which is equivalent to 90.96% compared to 30 June 2017, as a result of the following factors:

Million VND	PBT
Increase PBT as a result of increase in net interest income	644,525
Increase PBT as a result of increase in net fee and commission income	89,481
Increase PBT as a result of gain from trading of foreign currencies and gold	79,061
Increase PBT as a result of gain from trading of securities held for trading	(281,195)
Increase PBT as a result of gain from investment securities	548,939
Increase PBT as a result of gain from other income	(164,661)
Increase BPT as a result of gain from income from investments in other entities	539,511
Increase PBT as a result of decrease in operating expense	(328,322)
Increase PBT as a result of decrease in allowance and provision expenses	1,334,964
<b>Total increase in PBT</b>	<b><u>2,462,303</u></b>

### 40. CORRESPONDING FIGURES

#### CONSOLIDATED INCOME STATEMENT

<i>VND million</i>	<i>From 01/01/2017 to 06/30/2017</i>	
	<i>(as previously reported)</i>	<i>(reclassified)</i>
Fee and commission expenses	(302,581)	(257,136)
Operating expenses	<u>(2,052,032)</u>	<u>(2,097,477)</u>

#### CONSOLIDATED STATEMENT OF CASHFLOWS

<i>VND million</i>	<i>From 01/01/2017 to 06/30/2017</i>	
	<i>(as previously reported)</i>	<i>(reclassified)</i>
Fee and commission income received	1,046,343	1,091,788
Operating and salary expenses payments	<u>(2,256,475)</u>	<u>(2,301,920)</u>

# Vietnam Technological and Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Form B05a/TCTD-HN

for the period from 01 January 2018 to 30 June 2018 (continued)

## 41. FOREIGN CURRENCY EXCHANGE AT THE END OF PERIOD

	30/06/2018	31/12/2017
	<u>VND</u>	<u>VND</u>
AUD	17,001	17,718
CAD	17,475	18,053
CHF	23,175	23,306
CNY	3,468	3,490
DKK	3,600	3,660
EUR	26,472	27,246
GBP	29,695	30,691
HKD	2,926	2,907
JPY	204	202
NOK	2,819	2,766
SEK	2,566	2,768
SGD	16,505	16,979
THB	695	697
USD	22,959	22,425

Prepared by



Ms. Bui Thi Khanh Van  
Chief Accountant  
20-07-2018

Approved by



Mr. Nguyen Le Quoc Anh  
Chief Executive Officer