

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 01 January 2018 to 31 December 2018

Vietnam Technological and Commercial Joint Stock Bank

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Vietnam Technological and Commercial Joint Stock Bank

CORPORATE INFORMATION

Banking Licence No.	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.	
Business Registration Certificate No.	055697	7 September 1993
	The Bank's Business Registration Certificate has been amended 50 times. The most recent of which is by Business Registration Certificate No. 0100230800 issued by Hanoi Department of Planning and Investment, dated 10 August 2018.	
Board of Directors	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
Board of Supervision	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

Vietnam Technological and Commercial Joint Stock Bank

CORPORATE INFORMATION

Board of Management	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. Le Ba Dung	Deputy Chief Executive Officer (from 07 January 2019) cum Head of Risk Management
	Mr. Trinh Bang	Group Chief Finance Officer (from 25 January 2018)
	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 Wholesales Banking (from 23 April 2018)
		Transform Director – Wholesales Banking (to 22 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. De Leeuw Van Weenen	Transformation Director – Human Resources (from 06 August 2018)	
Alexander Iwan Paul		
Legal representative	Mr. Ho Hung Anh	Chairman
Registered office	191 Ba Trieu Street Hai Ba Trung District, Hanoi, Vietnam	

Vietnam Technological and Commercial Joint Stock Bank

CONSOLIDATED BALANCE SHEET
as at 31 December 2018

Form B02a/TCTD-HN

		Note	12/31/2018 VND million	12/31/2017 VND million (audited)
A	ASSETS			
I	Cash and gold	4	2,606,467	2,344,362
II	Balances with the State Bank of Vietnam (“the SBV”)	5	10,555,483	4,279,431
III	Balances with and credit granting to other credit institutions	6	35,616,169	30,155,807
1	Balances with other credit institutions		24,226,318	16,243,054
2	Credit granting to other credit institutions		11,389,851	13,912,753
IV	Securities held for trading	7	7,572,229	6,758,094
1	Securities held for trading		7,583,090	6,775,118
2	Provision for securities held for trading		(10,861)	(17,024)
V	Derivatives and other financial assets	19	-	36,292
VI	Loans to customers		157,556,934	158,964,456
1	Loans to customers	8	159,942,048	160,849,037
2	Provision for loans to customers	9	(2,385,114)	(1,884,581)
VII	Debt purchased	10	-	10,332
1	Debt purchased		1,682	12,092
2	Provision for debt purchased		(1,682)	(1,760)
VIII	Investment securities	11	86,512,348	51,542,484
1	Available-for-sale securities		66,625,261	46,018,398
2	Held-to-maturity securities		20,236,200	5,715,484
3	Provision for investment securities		(349,113)	(191,398)
IX	Long-term investments	12	12,223	9,683
4	Other long-term investments		12,883	12,084
5	Provision for long-term investments		(660)	(2,401)
X	Fixed assets		1,718,596	1,511,446
1	Tangible fixed assets	13	788,016	569,789
a	Cost		1,835,272	1,602,956
b	Accumulated depreciation		(1,047,256)	(1,033,167)
2	Intangible fixed assets	14	930,580	941,657
a	Cost		1,540,037	1,449,616
b	Accumulated amortisation		(609,457)	(507,959)
XI	Investment property	15	1,196,324	1,238,030
a	Cost		1,435,699	1,442,827
b	Accumulated amortisation		(239,375)	(204,797)
XII	Other assets	16	17,702,680	12,541,963
1	Receivables		11,323,131	9,417,589
2	Accrued interest and fees receivable		5,737,907	3,876,528
3	Deferred tax assets		-	1,773
4	Other assets		717,481	557,642
	<i>In which: Goodwill</i>		-	19,765
5	Provision for other assets		(75,839)	(1,311,569)
	TOTAL ASSETS		321,049,453	269,392,380

Vietnam Technological and Commercial Joint Stock Bank

CONSOLIDATED BALANCE SHEET
as at 31 December 2018 (continued)

Form B02a/TCTD-HN

		Note	12/31/2018 VND million	12/31/2017 VND million (audited)
B	LIABILITIES AND SHAREHOLDER'S EQUITY			
	LIABILITIES			
I	Borrowings from the Government and the State Bank of Vietnam		6,025,027	1,000,000
II	Deposits and borrowings from other financial institutions and credit institutions	17	36,425,560	46,323,825
1	Deposits from other financial institutions and credit institutions		28,973,455	21,274,375
2	Borrowings from other financial institutions and credit institutions		7,452,105	25,049,450
III	Deposits from customers	18	201,471,336	170,970,833
IV	Derivatives and other financial liabilities	19	310,313	-
VI	Valuable papers issued	20	13,177,959	17,639,970
VII	Other liabilities	21	11,856,553	6,527,007
1	Accrued interest and fee payables		3,424,944	2,764,162
3	Other liabilities		8,431,609	3,762,845
	TOTAL LIABILITIES		269,266,748	242,461,635
VIII	SHAREHOLDERS' EQUITY			
	Capital and reserves	22	51,782,705	26,930,745
1	Capital		35,442,539	9,777,116
a	Share capital		34,965,922	11,655,307
c	Share Premium		476,617	2,165,058
d	Treasury Share		-	(4,043,249)
2	Reserves		3,867,846	6,156,928
5	Retained earnings		12,403,003	10,996,701
6	Non-controlling interest		69,317	-
	TOTAL SHAREHOLDERS' EQUITY		51,782,705	26,930,745
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		321,049,453	269,392,380

Vietnam Technological and Commercial Joint Stock Bank

CONSOLIDATED BALANCE SHEET
as at 31 December 2018 (continued)

Form B02a/TCTD-HN

CONSOLIDATED OFF-BALANCE SHEET ITEMS

		Note	12/31/2018 VND million	12/31/2017 VND million (audited)
	CONTINGENT LIABILITIES			
1	Guarantees for borrowings		5,957	8,558
2	Commitments for currency contracts		160,600,295	232,107,961
	<i>Commitments to buy foreign currency</i>		3,305,927	2,911,065
	<i>Commitments to sell foreign currency</i>		7,472,531	5,440,635
	<i>Commitments to buy currency swap contracts</i>		74,815,387	111,777,120
	<i>Commitments to sell currency swap contracts</i>		75,006,450	111,979,141
4	Letter of Credit		12,163,321	9,366,321
5	Other guarantees		19,043,774	16,001,135
7	Valuable papers forward commitments		8,059,426	9,638,324
8	Other commitment		202,008,746	23,045,517

(*) The balance as at 31 December 2018 of “Other commitments” additionally includes unused credit limits that the Bank has the right to cancel or automatically cancel when customers breach conditions of cancelling or deteriorate their capacity to perform obligations; and unused credit limits of credit cards in accordance with Circular No. 19/2017/TT-NHNN dated 28 December 2017 amending and supplementing some articles of the Circular No. 36/2014/TT-NHNN dated 20 November 2014 of the Governor of the State Bank of Vietnam regulating the limits and adequacy ratios in operation of credit institutions and foreign bank branches, which has been effective on 12 February 2018.

Prepared by

Approved by

Ms. Bui Thi Khanh Van
Chief Accountant

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

CONSOLIDATED STATEMENT OF INCOME
for the period from 01 January 2018 to 31 December 2018

Form B03a/TCTD-HN

	Note	Quarter 4		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	5,576,449	4,607,833	21,150,743	17,594,504
2	Interest and similar expenses	23	(2,617,437)	(2,138,874)	(10,024,208)	(8,664,092)
I	Net interest and similar income	23	2,959,012	2,468,959	11,126,535	8,930,412
3	Fee and commission income	24	1,750,460	2,424,063	4,452,604	4,519,685
4	Fee and commission expenses	24	(327,861)	(176,868)	(916,600)	(582,354)
II	Net fee and commission income	24	1,422,599	2,247,195	3,536,004	3,937,331
III	Net gain from trading of foreign currencies	25	(12,948)	75,162	233,751	278,585
IV	Net gain from securities held for trading	26	53,396	22,432	168,433	396,730
V	Net gain from investment securities	27	52,930	361,608	756,565	855,760
5	Other income	28	1,351,481	713,230	3,147,169	1,963,425
6	Other expenses	28	(771,105)	(66,015)	(1,513,392)	(248,534)
VI	Net gain from other activities	28	580,376	647,215	1,633,777	1,714,891
VII	Income from investments in other entities	29	-	63	894,703	355,526
VIII	Operating expenses	30	(2,108,849)	(1,553,432)	(5,842,507)	(4,823,712)
IX	Profit before provision for credit losses		2,946,516	4,269,202	12,507,261	11,645,523
X	Provision expenses	31	(59,710)	(1,073,277)	(1,846,245)	(3,609,226)
XI	Profit before tax		2,886,806	3,195,925	10,661,016	8,036,297
7	Income tax expense – current	32	(622,057)	(635,598)	(2,185,246)	(1,564,816)
8	Income tax expense – deferred		-	(5,200)	(1,773)	(25,886)
XII	Total income tax expense		(622,057)	(640,798)	(2,187,019)	(1,590,702)
XIII	Net profit after tax		2,264,749	2,555,127	8,473,997	6,445,595
XIV	Non-controlling interest		(11,222)	-	(11,222)	-
XV	Net profit for the Bank's shareholders		2,253,527	2,555,127	8,462,775	6,445,595

Prepared by

Approved by

Ms. Bui Thi Khanh Van
Chief Accountant

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the period from 01 January 2018 to 31 December 2018

Form B04a/TCTD-HN

		Note	From 01/01/2018 to 12/31/2018 VND million	From 01/01/2017 to 12/31/2017 VND million (reclassified)
	CASH FLOWS FROM OPERATING ACTIVITIES			
1	Interest and similar income received		19,289,364	17,710,304
2	Interest and similar expenses paid		(9,363,426)	(8,095,512)
3	Fee and commission income received		3,536,004	3,872,583
4	Net received from foreign currencies, gold and securities trading activities		1,310,301	1,635,194
5	Other income received		210,882	598,071
6	Proceeds from loans previously written off	28	1,422,895	1,116,820
7	Operating and salary expenses payments		(4,432,019)	(4,293,537)
8	Current income tax paid for the period	32	(2,140,758)	(1,034,529)
	Net cash flow from operating activities before changes in operating assets and liabilities		9,833,243	11,509,394
	Changes in operating assets			
9	(Increase)/decrease in balance with and credit granting to other credit institutions		2,466,523	(1,202,041)
10	Increase in securities held for trading and investment securities		(35,935,551)	(3,337,613)
11	(Increase)/decrease in derivatives and other financial assets		36,292	(36,292)
12	(Increase)/decrease in loans to customers		906,989	(18,233,033)
13	Utilisation of provision to write off	9, 11, 16	(2,553,204)	(4,779,696)
14	Increase in other assets		(3,202,126)	(2,472,881)
	Changes in operating liabilities			
15	Increase/(decrease) in borrowings from the Government and the State Bank of Vietnam		3,024,907	(447,970)
16	Increase/(decrease) in deposits and borrowings from other financial institutions and credit institutions		(9,898,265)	20,850,316
17	Increase/(decrease) in deposits from customers (including deposits from State Treasury)		32,500,623	(2,478,096)
18	Increase/(decrease) in valuable papers issued		(1,762,011)	7,359,251
20	Increase/(decrease) in derivatives and other financial liabilities		310,313	(67,892)
21	Other liabilities		4,531,455	304,627
22	Payments from reserves		(59)	(263)
I	NET CASH FLOWS FROM OPERATING ACTIVITIES		259,129	6,967,811

Vietnam Technological and Commercial Joint Stock Bank

CONSOLIDATED STATEMENT OF CASH FLOWS
for the period from 01 January 2018 to 31 December 2018 (continued)

Form B04a/TCTD-HN

		Note	From 01/01/2018 to 12/31/2018 VND million	From 01/01/2017 to 12/31/2017 VND million (reclassified)
	CASH FLOWS FROM INVESTING ACTIVITIES			
1	Payments for purchases of fixed assets		(386,641)	(175,815)
2	Proceeds from disposals of fixed assets		775	5,795
3	Payments for disposals of fixed assets		(2,302)	(717)
8	Proceeds from investments in other entities		894,428	925,780
9	Dividends from investing in other entities		275	334
II	NET CASH FLOWS FROM INVESTING ACTIVITIES		506,535	755,377
	NET CASH FLOWS FROM FINANCING ACTIVITIES			
1	Proceeds from capital contributed by owners and/or equity issued		-	2,099,999
2	Proceeds from long-term valuable papers issued classified into owner's equity and other long-term loans		310,000	2,708,164
3	Payments for long-term valuable papers issued classified into owner's equity and other long-term loans		(3,010,000)	-
5	Payments for treasury shares		-	(4,043,249)
6	Proceeds from sales of treasury shares		16,341,177	-
7	Proceeds from capital contributed by non-controlling interest		58,201	-
III	NET CASH FLOWS FROM FINANCING ACTIVITIES		13,699,378	764,914
IV	NET CASH FLOWS DURING THE PERIOD		14,465,042	8,488,102
V	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		22,681,199	14,193,097
VI	CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	33	37,146,241	22,681,199

Prepared by

Approved by

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Ms. Thai Ha Linh
Director of Accounting,
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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 31 December 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 06 March 2018 was 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, investments in bonds and deal in foreign exchange in accordance with applicable regulations.

As at 31 December 2018, the Bank’s share capital was VND 34,965,921,600,000 (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 31 December 2018, the Bank had one (01) Head Office, two (02) representative offices and three hundred fourteen (314) transaction offices nationwide and three (03) subsidiaries.

The consolidated financial report as at 31 December 2018 included Techcombank and subsidiaries (hereinafter referred to as “the Bank”).

As at 31 December 2018, the Bank had three (03) subsidiaries as follows:

<i>Subsidiaries</i>	<i>Operating licence</i>	<i>Nature of Business</i>	<i>% owned by the Bank</i>
Techcom Securities Joint Stock Company	85/GPĐC- UBCK, dated 16 October 2018 granted by the State Securities Commission	Securities activities	94.49999%
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 31 December 2018, the Bank had 9,757 employees (31 December 2017: 8,328 employees).

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 31 December 2018 (continued)

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 01 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 which was issued on 29 April 2004 by the Governor of the State Bank of Vietnam was enacted from 01 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 and Circular No. 49/2014/TT-NHNN about changing and supplementing some Articles regarding Financial reporting regime for Credit Institutions enacted with Decision No. 16/2017/QD-NHNN 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 31 December 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. Such estimates are necessarily based on assumptions involving various degrees of subjectivity and uncertainty. Therefore, actual results may differ, resulting in future changes in relating subjects respectively.

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 the 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:

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 31 December 2018 (continued)

Circular No. 16/2018/TT-BTC ("Circular 16") provides 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 main 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. The Bank assesses that Circular 16 has no material impact on its accounting policies.

Circular No. 22/2017/TT-NHNN amends and supplements a number of articles of chart of account system applicable to credit institutions issued in connection with Decision No. 479/2004/QĐ-NHNN dated 29 April 2004 and the financial reporting regime applicable to credit institutions required under Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 by the Governor of the SBV ("Circular 22"). Circular 22 was effective on 01 April 2018

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 guidance on the accounting treatment for some accounts in the chart of account system applicable to credit institutions; and
- ▶ Amending and supplementing the guidance on the financial reporting regime applicable to credit institutions.

The Bank has carried out a comparative assessment of the consolidated financial statements in accordance with Circular 22. Accordingly, the effects on the financial statements due to the change in exchange rate policy are immaterial. As a result, the Bank does not need to restate its comparative figures due to the impact of exchange rate changes.

(b) 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.

Vietnam Technological and Commercial Joint Stock Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period from 01 January 2018 to 31 December 2018 (continued)

Form B05a/TCTD-HN

(c) Balances with and credit granting to other credit institutions

Balances with and credit granting to other credit institutions are stated at cost. The classification of credit risk for balances with and credit granting to other credit institutions and the corresponding provision are made in accordance with Circular No. 02/2013/TT-NHNN issued by the SBV on 21 January 2013 on asset classification, risk provisioning 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 a number of articles of Circular 02 ("Circular 09").

Accordingly, the Bank is required to make specific provision for balances with (except for current accounts) and credit granting to other credit institutions as described in Note 3(e).

According to Circular 02, the Bank is not required to make general provision for balances with and credit granting to other credit institutions.

(d) 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 provision for credit risk as stipulated in Circular 02 and Circular 09. Accordingly, provision for unlisted corporate bond held for trading is determined in accordance with methods described in Note 3(e).

For other debt securities held for trading, provision is 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 credit risk and provision for diminution in value of securities held-for-trading as described above are 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 sales of securities held for trading are recognised in the consolidated statement of income.

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(e) 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 9.

Asset classification and provisioning rate, risk provisioning for balances with and credit granting 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 credit granting 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.

Specific provision as at 31 December 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 30 November. The basis to determine the value and discounted value for each type of collateral is specified in Circular 02.

The rates for specific provision for each group are 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"> ▪ Debts violating Clause 1, 3, 4, 5, 6 under Article 126 of Law on Credit Institutions; or ▪ Debts violating Clause 1, 2, 3, 4 under Article 127 of Law 	20%

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Group		Description	Provision
		on Credit Institutions; or ▪ Debts violating Clauses 1, 2 and 5 under Article 128 of Law on Credit Institutions. (e) Debts which are recovered under inspection conclusions	
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 (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.	100%

When a customer has more than one debt with the Bank and 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 restructuring when the following conditions are met:

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- ▶ Loans and disbursements do not violate the provisions of law;
- ▶ Restructuring 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 restructuring. For a debt, restructuring repayment schedule and keeping the same group can be done only once. Article 10, Paragraph 3a of Circular 09 was effective from 20 March 2014 and ceased from 01 April 2015.

In accordance with the requirements of Circular 02, as at 31 December 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 30 November.

(f) Investment securities

(i) Classification

Investment securities include available-for-sale investment securities and held-to-maturity investment securities. The Bank initially recognizes investment securities at cost. The Bank classifies investment securities at purchase date. According to Official Letter No. 2601/NHNN-TCKT by the SBV dated 14 April 2009 for investment securities, the Bank is allowed to reclassify maximum only once after purchase.

Held-to-maturity investment securities

Held-to-maturity investment securities are debt securities with fixed maturities and fixed or determinable payments, where the Bank has the positive intention and ability to hold until maturity.

Available-for-sale investment securities

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

(ii) Recognition

The Bank recognizes investment securities on the date that it acquires substantially all the risks and rewards of owning these securities.

(iii) Measurement

Equity securities

Listed available-for-sale equity securities are recorded at cost less provision for diminution in value of securities determined on closing prices of securities from the Ho Chi Minh City Stock Exchange and from the Hanoi Stock Exchange as at the consolidated balance sheet date.

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For unlisted available-for-sale equity securities which are actively traded on the unlisted public company market (“Upcom”), provision for diminution in value is determined by the average trading price in the market at the reporting date.

For unlisted available-for-sale equity securities which are not registered on the Upcom, provision for diminution in value is calculated based on the average quoted prices of three securities companies with their share capital of above VND 300 billion. In case the quoted prices of three securities companies cannot be obtained, these securities are recorded at cost.

Debt securities

Debt securities are initially stated at cost, including transaction costs and other directly attributable costs. They are subsequently recognized at amortized cost (affected by premium/discount amortization) less provision for impairment value. Premium and discounts arising from purchases of debt securities are amortized 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 recognized 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 impairment which is determined by reference to the yield curve quoted on Hanoi Stock Exchange at the consolidated balance sheet date.

For unlisted corporate debt securities, provision for credit risk is determined in accordance with Circular 02 as described in Note 4.6.

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

(iv) Special bonds issued by the Vietnam Assets Management Company (“VAMC”)

Special bonds issued by VAMC are term valuable papers, which aim to purchase bad debts of the Bank. Special bonds are classified as held-to-maturity securities and are initially recorded at cost at transaction date and subsequently carried at par value. Par value of special bonds is equivalent to the value of bad debts sold and equal to the principal balance minus specific provision made but not utilized for those debts.

During the period holding special bonds, the Bank is required to make specific provision for special bonds annually in accordance with requirements of Circular No. 14/2015/TT-NHNN dated 28 August 2015 by the SBV amending Circular No. 19/2013/TT-NHNN on the purchase, sales and resolution of bad debts of VAMC.

Specific provision for each special bond is recognized in the consolidated income statement in “Provision expenses for credit losses”. General provision is not required for the special bonds.

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(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 on 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) 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.

(i) 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

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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.

(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 is not recognised on the consolidated balance sheet. Fee from these brokerage services are recognised in the consolidated income statements.

(j) **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

(k) **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.

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(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.

(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.

(l) 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

(m) 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.

(n) Receivables

Account receivables other than receivables from credit activities of the Bank are initially recorded at

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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.

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.

(o) Other provision

A provision other than allowances described in Notes 3(c), 3(d), 3(e), 3(f) and 3(g) is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(p) 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 17.50% 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

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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.

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.

(q) Other payables

Other payables are stated at their cost.

(r) 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.

(s) 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>Annual allocation</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.

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(ii) Reserves and funds of subsidiaries

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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.

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.

(t) Fiduciary assets

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

(u) 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.

(v) 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.

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(w) Income and expenses from the sale of debts

Income and expenses from the sale of debts are recognized in accordance with Decision No. 59/2006/QĐ-NHNN issued by the SBV promulgating regulations on sale and purchase of debts by credit institutions. From 1 September 2015, income and expenses arising from purchase and sale of debts are recognized following Circular No. 09/2015/TT-NHNN providing guidance on the sale of debts of credit institutions and foreign bank branches.

According to Decision No. 59/2006/QĐ-NHNN and Circular No. 09/2015/TT-NHNN, the difference between the prices of debts purchased or sold and their book value are recorded as follows:

- ▶ For debts recorded in the consolidated balance sheet:
 - If the sale price is higher than the book value of the debt, the difference shall be recorded as income of the Bank in the period.
 - If the sale price is lower than the book value of the debt, the difference shall be used to offset against the indemnity paid by an individual or guarantor (in case such individual or guarantor is determined to be responsible for the damage and obliged to make indemnity under prevailing regulations), or the compensation paid by the insurer, or use of outstanding provision recognized as expense previously. The remaining balance (if any) shall be recognized as an operating expense of the Bank in the period.
- ▶ For debts written-off and monitored off-balance sheet, the proceeds from sale of debts shall be recognized as other income of the Bank.

Book value of debts purchased sold is the book value of the principal, interest and related financial obligations (if any) of debts recorded in the balance sheet or off-balance sheet at the date of debts purchased or sold; or the book value at the date of writing-off of debts; or the book value of debts written-off previously at the date of debts purchased or sold.

The purchasing or selling price is the sum of consideration to be paid by a debt buyer to a debts seller under a debt purchase or sale contract.

(x) Interest expenses

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

(y) 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.

(z) 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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(aa) 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;
- ▶ Credit granting for 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 financial and 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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(bb) 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.

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4. CASH AND GOLD

	<i>12/31/2018</i> <i>VND million</i>	<i>12/31/2017</i> <i>VND million</i> <i>(audited)</i>
Cash in VND	2,121,147	1,948,066
Cash in foreign currencies	472,445	374,120
Gold	12,875	22,176
	2,606,467	2,344,362

5. BALANCES WITH THE STATE BANK OF VIETNAM

	<i>12/31/2018</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	10,554,041	4,277,877
Balances with the State Bank of Vietnam in foreign currencies	1,442	1,554
	10,555,483	4,279,431

6. BALANCES WITH AND CREDIT GRANTING TO OTHER CREDIT INSTITUTIONS

	<i>12/31/2018</i> <i>VND million</i>	<i>12/31/2017</i> <i>VND million</i> <i>(audited)</i>
Current accounts	9,012,862	7,108,306
Current accounts in VND	5,098,989	1,359,152
Current accounts in foreign currencies	3,913,873	5,749,154
Term deposits	15,213,456	9,134,748
Term deposits in VND	6,258,483	7,071,648
Term deposits in foreign currencies	8,954,973	2,063,100
	24,226,318	16,243,054
Credit granting	11,389,851	13,912,753
Credit granting in VND	9,589,218	11,146,941
Credit granting in foreign currencies	1,800,633	2,765,812
	35,616,169	30,155,807

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7. SECURITIES HELD FOR TRADING

	<i>12/31/2018</i>	<i>12/31/2017</i>
	<i>VND million</i>	<i>VND million</i> <i>(audited)</i>
Debt securities		
- Government Bonds	3,723,271	3,822,161
- Bonds issued by local credit institutions	2,724,819	116,614
<i>In which: Bonds guaranteed by the Government for settlement</i>	<i>1,711,904</i>	<i>116,614</i>
- Bonds issued by local economics entities	1,135,000	2,836,343
	7,583,090	6,775,118
Provision for credit risk of unlisted corporate bonds (i)	(10,544)	(14,246)
Provision for diminution in value of securities held for trading (i)	(317)	(2,778)
	7,572,229	6,758,094

- (i) Movements in provision for securities held-for-trading for the period from 01/01/2018 to 12/31/2018 were as follows:

<i>VND million</i>	<i>General provision</i>	<i>Provision for diminution in value of securities</i>	<i>Total</i>
Balance at 01/01/2018	14,246	2,778	17,024
Provision reversed in the period (<i>Note 26</i>)	(3,702)	(2,461)	(6,163)
Balance at 12/31/2018	10,544	317	10,861

- (i) Movements in provision for securities held-for-trading for the period from 01/01/2017 to 12/31/2017 were as follows:

<i>VND million</i>	<i>General provision</i>	<i>Provision for diminution in value of securities</i>	<i>Total</i>
Balance at 01/01/2017	11,285	-	11,285
Provision made in the period (<i>Note 26</i>)	2,961	2,778	5,739
Balance at 12/31/2017	14,246	2,778	17,024

Vietnam Technological and Commercial Joint Stock Bank

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8. LOANS TO CUSTOMERS

	<i>12/31/2018</i>	<i>12/31/2017</i>
	<i>VND million</i>	<i>VND million</i>
		<i>(audited)</i>
Loans to local economic entities and individuals	158,974,458	158,497,737
Discounted bills	361,280	1,983,527
Payment on behalf of customers	94,473	2,166
Loans financed by trusted funds	472,609	358,449
Loans to foreign organizations, individuals	39,228	7,158
	159,942,048	160,849,037

Loan portfolio by loan group are as follows:

	<i>12/31/2018</i>		<i>12/31/2017</i>	
			<i>(audited)</i>	
	<i>VND million</i>	<i>%</i>	<i>VND million</i>	<i>%</i>
Group 1 - Current	154,550,953	96.63%	155,931,825	96.94%
Group 2 - Special mention	2,587,646	1.62%	2,333,286	1.45%
Group 3 - Substandard	237,758	0.15%	575,397	0.36%
Group 4 - Doubtful	862,510	0.54%	455,567	0.28%
Group 5 - Loss	1,703,181	1.06%	1,552,962	0.97%
	159,942,048	100%	160,849,037	100%

Loan portfolio by term are as follows:

	<i>12/31/2018</i>		<i>12/31/2017</i>	
			<i>(audited)</i>	
	<i>VND million</i>	<i>%</i>	<i>VND million</i>	<i>%</i>
Short term	60,381,950	37.76%	63,412,628	39.42%
Medium term	36,777,735	22.99%	42,896,541	26.67%
Long term	62,782,363	39.25%	54,539,868	33.91%
	159,942,048	100%	160,849,037	100%

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9. PROVISION FOR LOANS TO CUSTOMERS

Provision for loans to customers consists of:

	<i>12/31/2018</i> <i>VND million</i>	<i>12/31/2017</i> <i>VND million</i> <i>(audited)</i>
General provision	1,225,265	1,061,081
Specific provision	1,159,849	823,500
	2,385,114	1,884,581

Movements in provision for loans to customers for the period from 01/01/2018 to 12/31/2018 were as follows:

<i>VND million</i>	<i>Specific provision</i>	<i>General provision</i>	<i>Total</i>
Opening balance	823,500	1,061,081	1,884,581
Provision made during the period <i>(Note 31)</i>	2,889,509	164,184	3,053,693
Utilisation of provision during the period	(2,553,160)	-	(2,553,160)
Closing balance	1,159,849	1,225,265	2,385,114

Movements in provision for loans to customers for the period from 01/01/2017 to 12/31/2017 were as follows:

<i>VND million</i>	<i>Specific provision</i>	<i>General provision</i>	<i>Total</i>
Opening balance	494,120	1,001,355	1,495,475
Provision made during the period <i>(Note 31)</i>	2,077,770	59,726	2,137,496
Utilisation of provision during the period	(1,748,390)	-	(1,748,390)
Closing balance	823,500	1,061,081	1,884,581

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10. DEBT PURCHASED

	<i>12/31/2018</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>12/31/2018</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 were as follows:

	<i>From 01/01/2018</i> <i>to 12/31/2018</i> <i>VND million</i>	<i>From 01/01/2017</i> <i>to 12/31/2017</i> <i>VND million</i>
Opening balance	1,760	973
Provision made/(reversed) during the period <i>(Note 31)</i>	(78)	787
Closing balance	<u>1,682</u>	<u>1,760</u>

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11. INVESTMENT SECURITIES

	<i>12/31/2018</i> <i>VND million</i>	<i>12/31/2017</i> <i>VND million</i> <i>(audited)</i>
Available-for-sale securities		
Debt securities		
- Government bonds	8,793,593	13,048,507
- Bonds issued by local credit institutions	19,516,788	17,010,279
<i>In which: bonds guaranteed by the Government for settlement</i>	<i>11,114,162</i>	<i>12,459,709</i>
- Bonds issued by local economic entities	38,314,876	15,739,612
Equity securities		
- Shares issued by local economic entities	4	220,000
	66,625,261	46,018,398
Provision for credit risk of unlisted corporate bonds	(185,894)	(141,035)
Provision for diminution in value of available-for-sale securities	(3,797)	(15,816)
	66,435,570	45,861,547
Held-to-maturity securities		
Debt securities		
- Government bonds	-	569,283
- 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>
- Bonds issued by local economic entities	20,206,200	3,116,200
	20,236,200	5,715,484
Provision for credit risk of unlisted corporate bonds	(159,422)	(34,547)
	20,076,778	5,680,937
	86,512,348	51,542,484
Provision for investment securities includes:		
	<i>12/31/2018</i> <i>VND million</i>	<i>12/31/2017</i> <i>VND million</i> <i>(audited)</i>
Provision for unlisted corporate bonds	345,316	175,582
Provision for diminution of securities	3,797	15,816
Provision for special bonds issued by VAMC	-	-
	349,113	191,398

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Movements in provision for investment securities for the period from 01/01/2018 to 12/31/2018 were as follows:

<i>VND million</i>	<i>General provision</i>	<i>Provision for diminution</i>	<i>Total</i>
Opening balance	175,582	15,816	191,398
Creation/(reversal) of provision during the period (<i>Note 27</i>)	169,734	(12,019)	157,715
Closing balance	345,316	3,797	349,113

Movements of provision for investment securities for the period from 01/01/2018 to 12/31/2017 were as follows:

<i>VND million</i>	<i>General provision</i>	<i>Specific provision</i>	<i>Total</i>
Opening balance	93,018	-	93,018
Creation of provision during the period (<i>Note 27</i>)	82,564	15,816	98,380
Closing balance	175,582	15,816	191,398

Movements of provision for VAMC special bonds were as follows:

	<i>From 01/01/2018 to 12/31/2018 VND million</i>	<i>From 01/01/2017 to 12/31/2017 VND million</i>
Opening balance	-	1,367,540
Creation of provision during the period (<i>Note 31</i>)	-	1,663,766
Utilization of provision for VAMC special bonds	-	(3,031,306)
Closing balance	-	-

12. LONG-TERM INVESTMENTS

	<i>12/31/2018 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)
	12,223	9,683

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

	<i>From 01/01/2018 to 12/31/2018</i>	<i>From 01/01/2017 to 12/31/2017</i>
	<i>VND million</i>	<i>VND million</i>
Opening balance	2,401	4,926
Provision reversed for long-term investments (Note 30)	(1,741)	(2,525)
Closing balance	660	2,401

13. TANGIBLE FIXED ASSETS

For the period from 01/01/2018 to 12/31/2018

<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>
Cost					
Balance at 01/01/2018	336,742	1,115,220	148,850	2,144	1,602,956
Additions	117,122	198,398	-	-	315,520
Transfer from construction in progress	102,790	3,711	17,715	-	124,216
Disposals	(106,289)	(98,985)	(1,127)	(402)	(206,803)
Other movements	1,038	(543)	(975)	(137)	(617)
Balance at 12/31/2018	451,403	1,217,801	164,463	1,605	1,835,272
Accumulated depreciation					
Balance at 01/01/2018	32,940	907,879	90,571	1,777	1,033,167
Charge for the period	13,557	93,452	13,962	173	121,144
Disposals	(10,719)	(94,486)	(1,127)	(396)	(106,728)
Other movements	1,328	(543)	(975)	(137)	(327)
Balance at 12/31/2018	37,106	906,302	102,431	1,417	1,047,256
Net book value					
Balance at 01/01/2018	303,802	207,341	58,279	367	569,789
Balance at 12/31/2018	414,297	311,499	62,032	188	788,016

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For the period from 01/01/2017 to 12/31/2017 (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>
Cost					
Balance at 01/01/2017	241,190	1,121,608	153,345	2,144	1,518,287
Additions	95,552	29,521	8,879	-	133,952
Disposals	-	(33,091)	(13,374)	-	(46,465)
Other decreases	-	(2,818)	-	-	(2,818)
Balance at 12/31/2017	336,742	1,115,220	148,850	2,144	1,602,956
Accumulated depreciation					
Balance at 01/01/2017	21,860	833,454	84,546	1,591	941,451
Charge for the period	10,673	108,885	19,228	186	138,972
Disposals	-	(32,246)	(13,374)	-	(45,620)
Other movements	407	(2,214)	171	-	(1,636)
Balance at 12/31/2017	32,940	907,879	90,571	1,777	1,033,167
Net book value					
Balance at 01/01/2017	219,330	288,154	68,799	553	576,836
Balance at 12/31/2017	303,802	207,341	58,279	367	569,789

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14. INTAGIBLE FIXED ASSETS

For the period from 01/01/2018 to 12/31/2018

<i>VND million</i>	<i>Software</i>	<i>Land use rights</i>	<i>Others</i>	<i>Total</i>
Cost				
Balance at 01/01/2018	828,990	616,223	4,403	1,449,616
Additions	48,198	22,924	-	71,122
Transfer from construction in progress	12,024	4,050	-	16,074
Disposals	(1,362)	-	(42)	(1,404)
Other increases	-	4,629	-	4,629
Balance at 12/31/2018	887,850	647,826	4,361	1,540,037
Accumulated amortisation				
Balance at 01/01/2018	487,127	18,447	2,385	507,959
Charge for the period	90,345	12,120	78	102,543
Disposals	(1,003)	-	(42)	(1,045)
Balance at 12/31/2018	576,469	30,567	2,421	609,457
Net book value				
Balance at 01/01/2018	341,863	597,776	2,018	941,657
Balance at 12/31/2018	311,381	617,259	1,940	930,580

For the period from 01/01/2017 to 12/31/2017 (audited)

<i>VND million</i>	<i>Software</i>	<i>Land use rights</i>	<i>Others</i>	<i>Total</i>
Cost				
Balance at 01/01/2017	802,879	615,768	4,403	1,423,050
Additions	41,408	455	-	41,863
Disposals	(15,297)	-	-	(15,297)
Balance at 12/31/2017	828,990	616,223	4,403	1,449,616
Accumulated depreciation				
Balance at 01/01/2017	408,309	6,548	2,307	417,164
Charge for the period	94,115	11,899	78	106,092
Disposals	(15,297)	-	-	(15,297)
Balance at 12/31/2017	487,127	18,447	2,385	507,959
Net book value				
Balance at 01/01/2017	394,570	609,220	2,096	1,005,886
Balance at 12/31/2017	341,863	597,776	2,018	941,657

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15. INVESTMENT PROPERTY

For the period from 01/01/2018 to 12/31/2018

<i>VND million</i>	<i>Buildings</i>
Cost	
Balance at 01/01/2018	1,442,827
Other decrease	(7,128)
Balance at 12/31/2018	1,435,699
Accumulated amortization	
Balance at 01/01/2018	204,797
Charge for the period	35,916
Other decrease	(1,338)
Balance at 12/31/2018	239,375
Net book value	
Balance at 01/01/2018	1,238,030
Balance at 12/31/2018	1,196,324

For the period from 01/01/2017 to 12/31/2017 (audited)

<i>VND million</i>	<i>Buildings</i>
Cost	
Balance at 01/01/2017	1,447,256
Disposal	(4,429)
Balance at 12/31/2017	1,442,827
Accumulated amortization	
Balance at 01/01/2017	168,720
Charge for the period	36,077
Balance at 12/31/2017	204,797
Net book value	
Balance at 01/01/2017	1,278,536
Balance at 12/31/2017	1,238,030

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16. OTHER ASSETS

	<i>12/31/2018</i> <i>VND million</i>	<i>12/31/2017</i> <i>VND million</i> <i>(audited)</i>
Receivables		
▪ Internal receivables	76,332	25,774
▪ Deposits and advances for office rental	106,861	395,207
▪ Receivables relating to Interest Subsidy Program	20,006	21,148
▪ Deposits for purchase of office	377,467	2,352,839
▪ Advances for contracts	90,734	55,040
▪ Receivables from advance for deferred L/C	4,240,462	2,789,982
▪ Deposits for gold, commodity and foreign currencies trading in futures markets	77,349	45,586
▪ Receivables from sales of loans to customers	-	1,862,038
▪ Advances for fixed assets purchases and construction in progress expenses	3,459,747	946,456
▪ Receivables from other credit institutions	2,259,597	71,266
▪ Receivables from bond's principal and interest due on holiday	231,486	368,300
▪ Other receivables	383,090	483,953
	11,323,131	9,417,589
Accrued interest and fee receivables	5,737,907	3,876,528
Deferred tax assets	-	1,773
Other assets		
▪ Materials	10,735	24,475
▪ Prepayments	706,746	513,402
▪ Goodwill (i)	-	19,765
	717,481	557,642
Provision for other assets (ii)	(75,839)	(1,311,569)
	17,702,680	12,541,963

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(i) Movements of goodwill

	<i>From 01/01/2018 to 12/31/2018 VND million</i>	<i>From 01/01/2017 to 12/31/2017 VND million</i>
Total goodwill	49,411	49,411
Armotisation time (year)	5	5
Goodwill at the beginning of the period		
- Goodwill amortized at the beginning of the period	29,646	19,764
- Goodwill unamortized at the beginning of the period	19,765	29,647
Goodwill decreases during the period		
- Goodwill amortized during the period (<i>Note 30</i>)	(19,765)	(9,882)
Goodwill unamortized at the end of the period	-	19,765

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

	<i>From 01/01/2018 to 12/31/2018 VND million</i>	<i>From 01/01/2017 to 12/31/2017 VND million</i>
Opening balance	1,311,569	1,504,323
Provision reserved for receivables from sales of loans to customer during the period (<i>Note 31</i>)	(1,220,904)	(193,809)
Provision made for other overdue receivables during the period (<i>Note 30</i>)	44	317
Utilisation of allowance in year	(44)	-
Provision made for receivables from deferred L/C (<i>Note 31</i>)	12,675	986
Provision reversed for diminution in the value of inventory (<i>Note 30</i>)	(1,498)	(248)
Allowance made for other asset bearing credit risk (<i>Note 31</i>)	859	-
Effects of consolidation	(26,862)	
Closing balance	75,839	1,311,569

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17. DEPOSITS AND BORROWINGS FROM OTHER FINANCIAL INSTITUTIONS AND CREDIT INSTITUTIONS

	<i>12/31/2018</i>	<i>12/31/2017</i>
	<i>VND million</i>	<i>VND million</i>
		<i>(audited)</i>
Demand deposits	5,037,660	1,032,265
Demand deposits in VND	5,036,111	1,031,740
Demand deposits in foreign currencies	1,549	525
Term deposits	23,935,795	20,242,110
Term deposits in VND	22,057,000	15,999,300
Term deposits in foreign currencies	1,878,795	4,242,810
	28,973,455	21,274,375
Borrowings	7,452,105	25,049,450
Borrowings in VND	1,839,199	19,321,553
Borrowings in foreign currencies	5,612,906	5,727,897
	36,425,560	46,323,825

18. DEPOSITS FROM CUSTOMERS

	<i>12/31/2018</i>	<i>12/31/2017</i>
	<i>VND million</i>	<i>VND million</i>
		<i>(audited)</i>
Current deposits	54,669,417	38,234,560
Current accounts in VND	48,182,367	34,061,915
Current accounts in foreign currencies	6,487,050	4,172,645
Term deposits	143,613,379	129,727,778
Term deposits in VND	136,635,672	121,993,210
Term deposits in foreign currencies	6,977,707	7,734,568
Marginal deposits	3,188,540	3,008,495
Marginal deposits in VND	3,080,503	2,843,993
Marginal deposits in foreign currencies	108,037	164,502
	201,471,336	170,970,833

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19. DERIVATIVES AND OTHER FINANCIAL ASSETS/ (LIABILITIES)

	<i>12/31/2018</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>VND million</i>	<i>VND million</i>	<i>VND million</i>
Foreign exchange forward contracts	64,416,164	(64,693)	26,744,367	144,445
Foreign exchange currency swap contracts	75,166,996	(191,614)	103,970,254	(173,684)
Foreign exchange interest rate swap contracts	11,386,132	(54,006)	5,148,488	65,531
	150,969,292	(310,313)	135,863,109	36,292

20. VALUABLE PAPERS ISSUED

Valuable papers issued - categorised by terms:

	<i>12/31/2018</i>	<i>12/31/2017</i>
	<i>VND million</i>	<i>VND million (audited)</i>
Up to 12 months	6	6
From 1 year to 5 years	9,277,953	11,039,964
More than 5 years	3,900,000	6,600,000
	13,177,959	17,639,970

Vietnam Technological and Commercial Joint Stock Bank

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21. OTHER LIABILITIES

	<i>12/31/2018</i>	<i>12/31/2017</i>
	<i>VND million</i>	<i>VND million</i> <i>(audited)</i>
Accrued interest and fee payables	3,424,944	2,764,162
Other liabilities		
▪ Internal payables	12,582	13,465
▪ Deferred proceeds from the sales of collateral	83,833	156,580
▪ Remittance payables	5,059,137	927,230
▪ Payable to employees	686,126	615,387
▪ Tax payable (<i>Note 37</i>)	980,062	928,393
▪ Deferred income	119,833	9,141
▪ Advance from customers	1,798	52,595
▪ Salaries accrued expenses	401,467	237,113
▪ Accrued expenses	439,219	368,949
▪ Payables relating to marketing and promotion activities	1,965	20,135
▪ Disbursement waiting for settlement	22,408	6,990
▪ Fund kept for customers waiting for settlement	137,805	176,308
▪ Bonus and welfare funds	7,062	2,680
▪ Deposit of customers waiting for settlement	85,103	105,583
▪ Other payables	393,209	142,296
	8,431,609	3,762,845
	11,856,553	6,527,007

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22. CAPITAL AND RESERVES

Statement of changes in equity

Unit: VND Million

	Share capital	Share premium	Treasury share	Reserve to supplement capital	Financial reserves	Other reserves	Total Reserves	Retained earnings	Non-controlling interest	Total
Balance at 01 January 2017	8,878,079	-	-	3,658,696	1,560,012	474	5,219,182	5,489,215	-	19,586,476
Capital increase	700,000	1,399,999	-	-	-	-	-	-	-	2,099,999
Capital increase from convertible bond	2,077,228	765,059	-	-	-	-	-	-	-	2,842,287
Net profit for the year	-	-	-	-	-	-	-	6,445,595	-	6,445,595
Utilisation of reserves	-	-	-	-	(263)	-	(263)	-	-	(263)
Appropriations to reserves	-	-	-	325,056	612,953	-	938,009	(938,009)	-	-
Purchases of treasury share	-	-	(4,043,249)	-	-	-	-	-	-	(4,043,249)
Other movements	-	-	-	-	-	-	-	(100)	-	(100)
Balance at 31 December 2017	11,655,307	2,165,058	(4,043,249)	3,983,752	2,172,702	474	6,156,928	10,996,701	-	26,930,745
Capital increase	23,310,615	(13,986,369)	-	(3,496,592)	-	-	(3,496,592)	(5,827,654)	58,201	58,201
Net profit during the period	-	-	-	-	-	-	-	8,462,775	11,222	8,473,997
Sales of Treasury shares	-	12,297,928	4,043,249	-	-	-	-	-	-	16,341,177
Utilisation of reserves	-	-	-	-	(59)	-	(59)	-	-	(59)
Appropriations to reserves	-	-	-	408,270	808,721	-	1,216,991	(1,216,885)	(106)	-
Appropriations for bonus and welfare fund	-	-	-	-	-	-	-	(20,000)	-	(20,000)
Other movements	-	-	-	(3,141)	(6,281)	-	(9,422)	8,066	-	(1,356)
Balance at 31 December 2018	34,965,922	476,617	-	892,289	2,975,083	474	3,867,846	12,403,003	69,317	51,782,705

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Share capital	<i>12/31/2018</i>	<i>12/31/2017</i>
	<i>Number of shares</i>	<i>(audited)</i> <i>Number of shares</i>
Authorised share capital	<u>3,496,592,160</u>	<u>1,165,530,720</u>
Issued share capital		
Ordinary shares	<u>3,496,592,160</u>	<u>1,165,530,720</u>
Treasury shares		
Ordinary shares	<u>-</u>	<u>(172,353,345)</u>
Shares in circulation		
Ordinary shares	<u>3,496,592,160</u>	<u>993,177,375</u>

23. NET INTEREST INCOME

	<i>From 01/01/2018 to 12/31/2018</i>	<i>From 01/01/2017 to 12/31/2017</i>
	<i>VND million</i>	<i>VND million</i> <i>(audited)</i>
<i>Interest and similar income</i>		
Interest income from deposits	606,415	332,772
Interest income from loans to customers	15,460,433	13,366,312
Interest income from debt securities investment	4,140,872	3,532,332
Interest income from guarantee services	312,998	280,709
Income from other credit activities	630,025	82,379
	<u>21,150,743</u>	<u>17,594,504</u>
<i>Interest and similar expenses</i>		
Interest expenses for deposits	(8,233,979)	(7,645,664)
Interest expenses for borrowings	(465,269)	(317,362)
Interest expenses for valuable paper issued	(1,324,960)	(701,066)
	<u>(10,024,208)</u>	<u>(8,664,092)</u>
	<u>11,126,535</u>	<u>8,930,412</u>

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24. NET FEE AND COMMISSION INCOME

	<i>From 01/01/2018 to 12/31/2018 VND million</i>	<i>From 01/01/2017 to 12/31/2017 VND million (reclassified)</i>
<i>Fee and commission income from</i>		
Settlement and cash services	1,763,056	1,465,532
Cashiering services	2,523	1,355
Trustee and agency services	212,520	1,581,682
Consulting services	35,469	3,537
Bancassurance services	722,479	512,882
Income from securities issuance guarantee services	1,160,413	374,551
Income from securities brokerage services	119,435	30,360
Other services	436,709	549,786
	4,452,604	4,519,685
<i>Fee and commission expenses for</i>		
Settlement and cash services	(517,780)	(277,686)
Cashiering services	(58,102)	(53,905)
Other services	(340,718)	(250,763)
	(916,600)	(582,354)
	3,536,004	3,937,331

25. NET GAIN FROM TRADING OF FOREIGN CURRENCIES

	<i>From 01/01/2018 to 12/31/2018 VND million</i>	<i>From 01/01/2017 to 12/31/2017 VND million (audited)</i>
<i>Income from trading of foreign currencies</i>		
Foreign exchange trading	1,030,351	193,142
Financial derivatives	848,966	911,886
	1,879,317	1,105,028
<i>Expenses for trading of foreign currencies</i>		
Foreign exchange trading	(154,420)	(244,100)
Financial derivatives	(1,491,146)	(582,343)
	(1,645,566)	(826,443)
	233,751	278,585

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26. NET GAIN FROM SECURITIES HELD FOR TRADING

	<i>From 01/01/2018 to 12/31/2018 VND million</i>	<i>From 01/01/2017 to 12/31/2017 VND million (audited)</i>
Income from trading of securities held for trading	350,135	539,888
Expenses for trading of securities held for trading	(187,865)	(137,419)
Reversal/(creation) of provision for diminution in the value of trading securities (<i>Note 7</i>)	2,461	(2,778)
Reversal/(creation) of credit risk provision for unlisted corporate bonds (<i>Note 7</i>)	3,702	(2,961)
	168,433	396,730

27. NET GAIN FROM INVESTMENT SECURITIES

	<i>From 01/01/2018 to 12/31/2018 VND million</i>	<i>From 01/01/2017 to 12/31/2017 VND million (audited)</i>
Income from trading of investment securities	1,303,954	1,165,121
Expenses for trading of investment securities	(389,674)	(210,981)
Reversal/(creation) of provision for diminution in value of investment securities (<i>Note 11</i>)	12,019	(15,816)
Creation of credit risk provision for unlisted corporate bonds (<i>Note 11</i>)	(169,734)	(82,564)
	756,565	855,760

28. NET GAIN FROM OTHER ACTIVITIES

	<i>From 01/01/2018 to 12/31/2018 VND million</i>	<i>From 01/01/2017 to 12/31/2017 VND million (audited)</i>
<i>Other operating incomes</i>		
Income from other derivatives	1,544,089	193,008
Recovery of loans previously written-off	1,422,895	1,116,820
Income from entrusted debt collection	25,826	71,659
Income from early settlement of VAMC bonds	-	424,134
Other income	154,359	157,804
	3,147,169	1,963,425
<i>Other operating expenses</i>		
Expenses for other derivatives	(1,228,490)	(128,764)
Other expenses	(284,902)	(119,770)
	(1,513,392)	(248,534)
	1,633,777	1,714,891

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29. INCOME FROM INVESTMENTS IN OTHER ENTITIES

	<i>From 01/01/2018 to 12/31/2018 VND million</i>	<i>From 01/01/2017 to 12/31/2017 VND million (audited)</i>
Dividends received from long-term investment	275	334
Proceeds from the liquidation of long-term investment	894,428	355,192
	894,703	355,526

30. OPERATING EXPENSES

	<i>From 01/01/2018 to 12/31/2018 VND million</i>	<i>From 01/01/2017 to 12/31/2017 VND million (reclassified)</i>
Salaries and related expenses	3,239,958	2,594,878
Publication, marketing and promotion	300,951	263,412
Office and asset rental	461,748	441,778
Depreciation of fixed assets	259,603	281,141
Tax, duties and fees	102,603	77,426
Tools and equipment expenses	87,907	51,593
Telecommunication expenses	39,694	35,469
Expenses for maintenance and repair of assets	210,795	218,704
Utilities expenses	67,513	53,710
Expenditure on payment of insurance premium for customers' deposits	193,813	166,187
Per diem expenses	99,747	71,397
Provision reversed for long-term investment (Note 12)	(1,741)	(2,525)
Provision made for other assets (Note 16)	44	317
Provision reversed for diminution in the value of inventory (Note 16)	(1,498)	(248)
Armotisation of goodwill (Note 16)	19,765	9,882
Training expenses	34,930	29,455
Ceremonies expenses	75,687	41,958
Consulting expenses	39,376	125,430
Other operating expenses	611,612	363,748
	5,842,507	4,823,712

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31. PROVISION EXPENSES FOR CREDIT LOSSES

	<i>Note</i>	<i>From 01/01/2018 to 12/31/2018 VND million</i>	<i>From 01/01/2017 to 12/31/2017 VND million (audited)</i>
Creation of general provision for loans to customers	9	164,184	59,726
Creation of specific provision for loans to customers	9	2,889,509	2,077,770
Creation of provision for VAMC bonds	11	-	1,663,766
Reversal of provision for receivables from loan sold contracts	16	(1,220,904)	(193,809)
Creation/(Reversal) of provision for debt purchased	10	(78)	787
Provision made for other assets bearing credit risk	16	859	-
Creation of provision for receivables from advance for deffered L/C	16	12,675	986
		1,846,245	3,609,226

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32. CURRENT INCOME TAX

The Bank has an obligation to pay the government corporate income tax (“CIT”) 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 12/31/2018 VND million</i>	<i>From 01/01/2017 to 12/31/2017 VND million (audited)</i>
Profit before tax	10,661,016	8,036,297
Adjustments for:		
- Income from tax exempt dividends	(275)	(334)
- Non-deductible expenses	548,123	239,978
- Prior year income deductible in this year	(144,636)	-
- Tax exempt income	-	(682)
- Prior year non-deductible expense reverted or deductible this year	(190,213)	(268,418)
- Temporary differences from previous years	-	(129,430)
- Effect of consolidation	12,305	27,833
Taxable Corporate income	10,886,320	7,905,244
Current Corporate income tax		
- Corporate income tax calculated on taxable income of current period	2,177,264	1,581,049
- Adjustments of tax expenses from previous years	7,982	(16,233)
Current Corporate income tax incurred during the period	2,185,246	1,564,816
Opening corporate income tax payable	866,900	336,613
Adjustment	3,666	-
- CIT paid during the period	(2,140,758)	(1,034,529)
CIT payable at the end of the period	915,054	866,900

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33. CASH AND CASH EQUIVALENTS

	<i>12/31/2018</i>	<i>12/31/2017</i>
	<i>VND million</i>	<i>VND million</i>
		<i>(audited)</i>
Cash and gold (<i>Note 4</i>)	2,606,467	2,344,362
Balances with the State Bank of Vietnam (<i>Note 5</i>)	10,555,483	4,279,431
Balances with other credit institutions with original terms of not exceeding three months	23,984,291	16,057,406
	<u>37,146,241</u>	<u>22,681,199</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 31 December 2018, there were the following significant balances and transactions with related parties:

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<i>Related party</i>		<i>Balance</i>	
		<i>12/31/2018</i>	<i>12/31/2017</i>
		<i>VND million</i>	<i>VND million</i>
			<i>(audited)</i>
Loans from the Bank			
The European Plastic Window JSC	(ii)	487,336	394,097
<i>In which: Increase</i>		<i>652,705</i>	<i>285,092</i>
<i>Decrease</i>		<i>(559,466)</i>	<i>(298,601)</i>
Nui Phao Mining Company Ltd.,	(ii)	1,158,160	890,802
<i>In which: Increase</i>		<i>1,648,913</i>	<i>1,192,178</i>
<i>Decrease</i>		<i>(1,381,555)</i>	<i>(938,358)</i>
T&M Vietnam Investment JSC	(iii)	590,000	590,000
Par value of investment bond			
Masan Group Corporation	(i)	39,472	274,155
Masan JSC	(ii)	-	6,012
Nui Phao Mining Company Ltd.,	(ii)	547,520	-
Masan Resources Corporation	(ii)	287,938	-
Deposits at the Bank (*)			
Masan Group Corporation	(i)	(354,845)	(172,521)
MapleLeaf Company Limited	(i)	(323)	(315)
Masan JSC	(ii)	(761)	(851)
The European Plastic Window JSC	(ii)	(10,670)	(23,793)
Masan Resources Corporation	(ii)	(3,289)	(484)
Nui Phao Mining Company Ltd.,	(ii)	(60,159)	(167,262)
Masan Consumer Corporation	(ii)	(208,973)	(311,562)
Vinh Hao Mineral Water JSC	(iii)	(54,353)	(62,706)
Vinacafe Bien Hoa JSC	(iii)	(141)	(1,486,643)
Masan Consumer Holdings Company Limited	(iii)	(6,770)	(6,449)
Masan Brewery Distribution One Member Company Limited	(iii)	(6,705)	(47,369)
Quang Ninh Mineral Water Corporation	(iii)	(19,188)	(37,354)
Members of the Board of Directors, the Boards of Supervision, the Board of Management and their close members	(i), (iii)	(1,246,758)	(541,745)

(*) Including current deposits, term deposits and marginal deposits

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<i>Related party</i>		<i>Transaction</i>	
		<i>From 01/01/2018 to 12/31/2018 VND million</i>	<i>From 01/01/2017 to 12/31/2017 VND million (audited)</i>
Interest income			
The European Plastic Window JSC	(ii)	41,343	32,075
Nui Phao Mining Company Ltd.,	(ii)	47,421	38,461
T&M Vietnam Investment JSC	(iii)	61,314	3,278
Interest expense			
Masan Group Corporation	(i)	(48,206)	(10,399)
MapleLeaf Company Limited	(i)	(14)	(7)
Masan JSC	(ii)	(102)	(4,078)
The European Plastic Window JSC	(ii)	(9)	(8)
Masan Resources Corporation	(ii)	(85)	(6)
Nui Phao Mining Company Ltd.,	(ii)	(3,822)	(532)
Masan Consumer Corporation	(ii)	(34,551)	(54,832)
Vinh Hao Mineral Water JSC	(iii)	(2,545)	(2,889)
Vinacafe Bien Hoa JSC	(iii)	(6,387)	(7,534)
Masan Consumer Holdings Company Limited	(iii)	(335)	(252)
Masan Brewery Distribution One Member Company Limited	(iii)	(1,096)	(735)
Quang Ninh Mineral Water Corporation	(iii)	(879)	(1,021)
Members of the Board of Directors, the Boards of Supervision, the Board of Management and their close members	(i), (iii)	(6,008)	(3,394)

(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 31 December 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	171,292,671	229,702,910	108,612,258	150,969,292	94,444,551
Overseas	39,228	741,881	-	-	-
	171,331,899	230,444,791	108,612,258	150,969,292	94,444,551

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	-	-	-
	174,761,790	192,245,208	48,421,531	130,891,961	58,509,000

36. EMPLOYEE BENEFITS

	<i>From 01/01/2018 to 12/31/2018 VND million</i>	<i>From 01/01/2017 to 12/31/2017 VND million</i>
Total employees as at 31 December (person)	9,757	8,328
Average number of employees during the period (person)	9,043	8,058
Employees' remuneration		
1. Basic salaries (VND million)	2,710,518	2,069,106
2. Allowances and other income (VND million)	529,440	525,772
	3,239,958	2,594,878
Average monthly salary (VND million/person)	25	21
Average monthly remuneration (VND million/person)	30	27

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37. OBLIGATIONS TO THE STATE BUDGET

For the period from 01/01/2018 to 12/31/2018

<i>VND million</i>	<i>01/01/2018</i>	<i>Incurred</i>	<i>Adjustment</i>	<i>Paid</i>	<i>12/31/2018</i>
Value added tax	10,406	179,588	2	(173,916)	16,080
Corporate income tax	866,900	2,185,246	3,666	(2,140,758)	915,054
Other taxes	51,087	546,669	(344)	(548,484)	48,928
	928,393	2,911,503	3,324	(2,863,158)	980,062

For the period from 01/01/2017 to 12/31/2017 (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
	376,867	2,215,010	(2,370)	(1,661,114)	928,393

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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>12/31/2018</i>	<i>12/31/2017</i>
	<i>VND million</i>	<i>VND million</i>
Real estate	222,246,316	182,200,811
Equipment and machinery	52,218,872	52,230,799
Valuable papers issued	127,069,423	74,638,896
Others	127,122,314	99,198,221
	528,656,925	408,268,727

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(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 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 12/31/2018 (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>
Assets								
Cash and gold on hand	-	-	2,606,467	-	-	-	-	2,606,467
Balances with the SBV	-	-	10,555,483	-	-	-	-	10,555,483
Balances with and loans to other credit institutions – gross	-	-	23,000,351	8,325,791	4,190,027	100,000	-	35,616,169
Securities held for trading - gross	-	-	-	807,800	1,340,115	2,153,431	3,281,744	7,583,090
<i>In which: Government bonds and bonds guaranteed by the Government for settlement</i>	-	-	-	-	-	2,153,431	3,281,744	5,435,175
Loans to customers – gross	2,587,646	2,803,449	10,349,458	15,502,564	34,202,921	37,259,157	57,236,853	159,942,048
Loan purchased - cost	-	1,682	-	-	-	-	-	1,682
Investment securities – gross	62,709	188,128	2,029,330	1,606,574	39,509,525	32,355,121	11,110,074	86,861,461
<i>In which: Government bonds and bonds guaranteed by the Government for settlement</i>	62,709	188,128	1,990,930	1,606,574	1,830,496	8,874,571	5,464,546	20,017,954
Long term investments - cost	-	-	-	-	-	-	12,883	12,883
Fixed assets and investment properties	-	-	95,239	1,143	14,642	337,039	2,466,857	2,914,920
Other assets – gross	-	250,774	10,809,431	2,368,667	2,721,884	1,300,011	327,752	17,778,519
	2,650,355	3,244,033	59,445,759	28,612,539	81,979,114	73,504,759	74,436,163	323,872,722
Liabilities								
Amounts due to the Government	-	-	5,025,027	1,000,000	-	-	-	6,025,027
Deposits and borrowings from other credit institutions	-	-	29,470,618	2,861,178	3,223,287	866,976	3,501	36,425,560
Deposits from customers	-	-	110,003,652	33,207,610	52,166,232	6,028,430	65,412	201,471,336
Derivatives and other financial liabilities	-	-	34,406	(17,530)	165,418	128,019	-	310,313
Valuable papers issued	-	-	-	-	2,728,824	7,251,135	3,198,000	13,177,959
Other liabilities	-	-	8,870,593	869,593	1,444,217	663,706	8,444	11,856,553
	-	-	153,404,296	37,920,851	59,727,978	14,938,266	3,275,357	269,266,748
Net liquidity gap	2,650,355	3,244,033	(93,958,537)	(9,308,312)	22,251,136	58,566,493	71,160,806	54,605,974

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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 12/31/2018</i> <i>(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>
Assets									
Cash and gold on hand	-	2,606,467	-	-	-	-	-	-	2,606,467
Balances with the SBV	-	10,555,483	-	-	-	-	-	-	10,555,483
Balances with and loans to other credit institutions – gross	-	8,956,048	14,044,303	8,325,791	2,366,686	1,823,341	100,000	-	35,616,169
Securities held for trading – gross	-	-	-	1,357,800	585,000	205,115	2,153,431	3,281,744	7,583,090
<i>In which: Government bonds and bonds guaranteed by the Government for settlement</i>	-	-	-	-	-	-	2,153,431	3,281,744	5,435,175
Loans to customers – gross	5,391,095	-	67,973,058	25,037,221	23,564,142	14,310,803	20,798,072	2,867,657	159,942,048
Loan purchased - cost	1,682	-	-	-	-	-	-	-	1,682
Investment securities - gross	250,837	671,104	13,027,067	31,194,711	17,706,548	6,114,646	12,438,991	5,457,557	86,861,461
<i>In which: Government bonds and bonds guaranteed by the Government for settlement</i>	250,837	668,061	1,988,667	1,599,500	1,157,709	710,296	8,333,327	5,309,557	20,017,954
Long term investments - cost	-	12,883	-	-	-	-	-	-	12,883
Fixed assets and investment properties	-	2,914,920	-	-	-	-	-	-	2,914,920
Other assets - gross	250,774	17,527,745	-	-	-	-	-	-	17,778,519
	5,894,388	43,244,650	95,044,428	65,915,523	44,222,376	22,453,905	35,490,494	11,606,958	323,872,722
Liabilities									
Amounts due to the Government and the SBV	-	-	5,025,027	1,000,000	-	-	-	-	6,025,027
Deposits and borrowings from other credit institutions	-	5,037,660	24,432,957	2,861,178	1,606,533	1,616,755	866,976	3,501	36,425,560
Deposits from customers	-	58,778,812	52,848,536	33,525,858	26,468,638	25,277,518	4,554,077	17,897	201,471,336
Derivatives and other financial liabilities	-	-	15,308,314	7,491,852	(1,605,644)	(3,826,665)	(17,057,544)	-	310,313
Valuable papers issued	-	-	1,920,806	2,740,200	1,595,500	5,928,824	992,629	-	13,177,959
Other liabilities	-	11,856,553	-	-	-	-	-	-	11,856,553
	-	75,673,025	99,535,640	47,619,088	28,065,027	28,996,432	(10,643,862)	21,398	269,266,748
Total interest sensitivity gap	5,894,388	(32,428,375)	(4,491,212)	18,296,435	16,157,349	(6,542,527)	46,134,356	11,585,560	54,605,974

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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 12/31/2018
(VND million)

	<i>USD</i>	<i>EUR</i>	<i>Gold</i>	<i>Other currencies</i>	<i>Total</i>
Assets					
Cash and gold on hand	317,505	55,879	12,875	99,061	485,320
Balances with the SBV	1,442	-	-	-	1,442
Balances with and loans to other credit institutions - gross	13,725,401	455,883	-	488,195	14,669,479
Loans to customers - gross	9,338,756	13,974	-	-	9,352,730
Other assets - gross	3,776,750	754,002	-	36,752	4,567,504
	27,159,854	1,279,738	12,875	624,008	29,076,475
Liabilities					
Deposits and borrowings from other credit institutions	6,713,214	754,005	-	26,031	7,493,250
Deposits from customers	12,538,066	494,912	-	539,816	13,572,794
Derivatives and other financial liabilities	2,749,867	22,572	-	19,734	2,792,173
Other liabilities	662,829	9,001	-	13,437	685,267
	22,663,976	1,280,490	-	599,018	24,543,484
FX position on balance sheet	4,495,878	(752)	12,875	24,990	4,532,991
FX position off-balance sheet	(4,162,093)	-	-	(4,511)	(4,166,604)
Total FX position on and off-balance sheet	333,785	(752)	12,875	20,479	366,387

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39. PROFIT MOVEMENTS

Profit before tax (PBT) up to 12/31/2018 increase by VND 2,624,719 million, which is equivalent to 32.66% compared to 12/31/2017, as a result of the following factors:

	Profit before tax (VND million)
Increase/(Decrease) PBT as a result of:	
Increase in net interest income	2,196,123
Decrease in net fee and commission income	(401,327)
Decrease in net gain from trading of foreign currencies and gold	(44,834)
Decrease in net gain from trading of securities held for trading	(228,297)
Increase in net gain from investment securities	(99,195)
Decrease in net gain from other activities	(81,114)
Increase in income from investments in other entities	539,177
Increase in operating expense	(1,018,795)
Decrease in provision expenses for credit losses	1,762,981
Total of increase	2,624,719

40. CORRESPONDING FIGURES

CONSOLIDATED INCOME STATEMENT

<i>VND million</i>	<i>From 01/01/2017 to 12/31/2017 (as previously reported)</i>	<i>12/31/2017 (reclassified)</i>
Fee and commission expenses	(707,783)	(582,354)
Operating expenses	<u>(4,698,283)</u>	<u>(4,823,712)</u>

CONSOLIDATED STATEMENT OF CASHFLOWS

<i>VND million</i>	<i>From 01/01/2017 to 12/31/2017 (as previously reported)</i>	<i>12/31/2017 (reclassified)</i>
Fee and commission income received	3,747,154	3,872,583
Operating and salary expenses payments	<u>(4,168,108)</u>	<u>(4,293,537)</u>

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41. FOREIGN CURRENCY EXCHANGE AT THE END OF PERIOD

	<i>12/31/2018</i>	<i>12/31/2017</i>
	<i>VND</i>	<i>VND</i>
AUD	16,378	17,718
CAD	17,039	18,053
CHF	23,553	23,306
CNY	3,372	3,490
DKK	3,553	3,660
EUR	26,529	27,246
GBP	29,548	30,691
HKD	2,962	2,907
JPY	211	202
NOK	2,669	2,766
SEK	2,593	2,768
SGD	17,025	16,979
THB	716	697
USD	23,195	22,425

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