

Saigon – Hanoi Joint Stock Commercial Bank

Consolidated Interim Financial Statements
for the six-month period ended
30 June 2018

Saigon – Hanoi Joint Stock Commercial Bank Corporate Information

Banking Licence No.	0041/NH-GP	13 November 1993
	The Banking Licence was granted by the State Bank of Vietnam and is valid for 50 years from the granting date.	
Business Registration Certificate No.	1800278630	17 June 2013
	The Bank's Business Registration Certificate has been amended several times, the most recent of which is by the Business Registration Certificate dated 1 March 2017 .	
Board of Directors	Mr. Do Quang Hien Mr. Vu Duc Tien Mr. Nguyen Van Le Mr. Tran Ngoc Linh Mr. Thai Quoc Minh Mr. Do Quang Huy Mr. Pham Cong Doan	Chairman Vice Chairman Member Member Independent Member Member Member
Supervisory Board	Mr. Pham Hoa Binh Ms. Nguyen Thi Hoat Mr. Nguyen Huu Duc Mr. Le Thanh Cam Ms. Pham Thi Bich Hong	Head of Supervisory Board Deputy Head of Supervisory Board Member Member Member
Board of Management and Chief Accountant	Mr. Nguyen Van Le Mr. Le Dang Khoa Mr. Nguyen Huy Tai Ms. Ngo Thu Ha Ms. Ninh Thi Lan Phuong Ms. Dang To Loan Ms. Ngo Thi Van	Chief Executive Officer Deputy Executive Officer Deputy Executive Officer Deputy Executive Officer Deputy Executive Officer Deputy Executive Officer Chief Accountant
Legal representative	Mr. Nguyen Van Le	Chief Executive Officer
Registered office	No. 77 Tran Hung Dao Street, Hoan Kiem District Hanoi, Vietnam	
Auditor	KPMG Limited Vietnam	

Saigon – Hanoi Joint Stock Commercial Bank Statement of the Board of Management

The Board of Management of Saigon – Hanoi Joint Stock Commercial Bank (“the Bank”) presents this statement and the accompanying consolidated interim financial statements of the Bank and its subsidiaries (collectively referred to as “SHB”) for the six-month period ended 30 June 2018.

The Board of Management of the Bank is responsible for the preparation and fair presentation of the accompanying consolidated interim financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for credit institutions stipulated by the State Bank of Vietnam and the relevant statutory requirements applicable to interim financial reporting. In the opinion of the Board of Management:

- (a) the consolidated interim financial statements set out on pages 5 to 80 give a true and fair view of the consolidated financial position of SHB as at 30 June 2018, and of its consolidated results of operations and the consolidated cash flows of SHB for the six-month period then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for credit institutions stipulated by the State Bank of Vietnam and the relevant statutory requirements applicable to interim financial reporting; and
- (b) at the date of this statement, there are no reasons for the Board of Management to believe that SHB will not be able to pay its debts as and when they fall due.

The Board of Management has, on the date of this statement, authorised the accompanying consolidated interim financial statements for issue.

On behalf of the Board of Management

Nguyen Van Le
Chief Executive Officer

Hanoi, 27 August 2018

INTERIM FINANCIAL STATEMENTS REVIEW REPORT

To the Shareholders Saigon – Hanoi Joint Stock Commercial Bank

We have reviewed the accompanying consolidated interim financial statements of Saigon – Hanoi Joint Stock Commercial Bank (“the Bank”) and its subsidiaries (collectively referred to as “SHB”), which comprise the consolidated balance sheet as at 30 June 2018, the related consolidated statements of income and cash flows for the six-month period then ended and the explanatory notes thereto which were authorised for issue by the Bank’s Board of Management on 27 August 2018, as set out on pages 5 to 80.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Auditor’s Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not give a true and fair view, in all material respects, of the consolidated financial position of the Bank as at 30 June 2018 and of its consolidated results of operations and its consolidated cash flows for the six-month period then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for credit institutions stipulated by the State Bank of Vietnam and the relevant statutory requirements applicable to interim financial reporting.

Emphasis of Matters

Without qualifying our opinion, we draw attention to Note 4(c) to the consolidated interim financial statements which describes accounting policies regarding allowance for credit risks and reversal of interest receivables recognised relating to outstanding financial debts in accordance with the Scheme for “Merging Hanoi Building Commercial Joint Stock Bank into Saigon – Hanoi Joint Stock Commercial Bank for the period from 2016 to 2020” (“the Scheme”). For the outstanding financial debts, mainly from Hanoi Building Commercial Joint Stock Bank (“HBB”), the Bank has been approved by the State Bank of Vietnam (“SBV”) for adoption of specific accounting policies based on the solutions for financial treatments proposed in the amended Scheme approved by the State Bank of Vietnam on 8 November 2016. For each of the years from 2016 to 2024, the Bank would make allowance for credit risks and reversal of interest receivables recognised with an amount at least equal to the amount determined in accordance with the Scheme for the aforesaid outstanding debts.

Other matter

The consolidated financial statements of SHB for the year ended 31 December 2017 and for the six-month period ended 30 June 2017, respectively were audited and reviewed by another firm of auditors whose audit report dated 6 April 2018 and review report dated 1 September 2017 expressed an unqualified audit opinion and an unqualified review conclusion on those statements and an emphasis of matters related to the adoption of the specific accounting policies for outstanding financial debts.

KPMG Limited

Vietnam

Review Report No. 18-02-064/2

Dam Xuan Lam
Practicing Auditor Registration
Certificate No. 0861-2018-007-1
Deputy General Director

Tran Dinh Vinh
Practicing Auditor Registration
Certificate No. 0339-2018-007-1

Hanoi, 27 August 2018

	Note	30/6/2018 VND million	31/12/2017 VND million
A ASSETS			
I Cash and gold on hand	5	1,699,666	1,446,548
II Balances with State Banks	6	2,106,015	3,742,659
III Balances with and loans to other credit institutions	7	39,528,572	33,513,516
1 Balances with other credit institutions		38,528,572	27,859,510
2 Loans to other credit institutions		1,000,000	5,654,006
IV Securities held for trading		444,525	1,050
1 Securities held for trading		451,004	3,889
2 Allowance for securities held for trading		(6,479)	(2,839)
V Derivatives and other financial assets	8	-	136,265
VI Loans and advances to customers		205,447,635	195,441,551
1 Loans and advances to customers	9	208,360,280	198,290,566
2 Allowance for loans and advances to customers	10	(2,912,645)	(2,849,015)
VIII Investment securities	11	25,449,127	21,207,964
1 Available-for-sale securities		12,936,934	12,268,348
2 Held-to-maturity securities		14,427,404	10,682,862
3 Allowance for investment securities		(1,915,211)	(1,743,246)
IX Long-term investments	12	216,890	215,465
4 Other long-term investments		227,250	227,250
5 Allowance for diminution in the value of long-term investments		(10,360)	(11,785)
X Fixed assets		3,977,996	3,952,317
1 Tangible fixed assets	13	453,100	425,424
<i>a Cost</i>		<i>1,081,431</i>	<i>1,011,431</i>
<i>b Accumulated depreciation</i>		<i>(628,331)</i>	<i>(586,007)</i>
3 Intangible fixed assets	14	3,524,896	3,526,893
<i>a Cost</i>		<i>3,752,835</i>	<i>3,738,489</i>
<i>b Accumulated amortisation</i>		<i>(227,939)</i>	<i>(211,596)</i>
XII Other assets	15	25,059,559	26,352,746
1 Receivables		11,163,016	13,411,455
2 Accrued interest and fee receivables		9,486,562	7,955,903
4 Other assets		4,820,480	5,395,762
5 Allowance for other assets		(410,499)	(410,374)
TOTAL ASSETS		303,929,985	286,010,081

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

	Note	30/6/2018 VND million	31/12/2017 VND million
B			
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
I			
Amounts due to the Government and State Banks	16	2,901,419	2,758,343
II			
Deposits and borrowings from other credit institutions	17	41,328,707	53,000,419
1 Deposits from other credit institutions		30,070,957	33,297,858
2 Borrowings from other credit institutions		11,257,750	19,702,561
III			
Deposits from customers	18	219,636,986	194,889,770
IV			
Derivatives and other financial liabilities	8	42,849	-
V			
Other borrowed and entrusted funds	19	1,321,154	1,064,161
VI			
Valuable papers issued	20	17,202,725	14,967,269
VII			
Other liabilities	21	5,961,601	4,638,899
1 Accrued interest and fee payables		5,183,082	4,103,201
3 Other liabilities		778,519	535,698
TOTAL LIABILITIES		288,395,441	271,318,861
SHAREHOLDERS' EQUITY			
VIII			
Shareholders' equity and reserves	22	15,534,544	14,691,220
1 Capital		12,132,617	11,293,347
<i>a</i> Share capital		12,036,161	11,196,891
<i>c</i> Share premium		101,716	101,716
<i>d</i> Treasury shares		(5,260)	(5,260)
2 Reserves		1,221,262	1,220,358
3 Foreign exchange differences		33,491	-
5 Retained earnings		2,147,174	2,177,515
TOTAL SHAREHOLDERS' EQUITY		15,534,544	14,691,220
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		303,929,985	286,010,081

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

	30/6/2018 VND million	31/12/2017 VND million	
OFF-BALANCE SHEET ITEMS			
I CONTINGENT LIABILITIES			
1	Loan guarantees	22,860	179,955
2	Foreign exchange commitments	26,255,925	18,542,149
	<i>Foreign currency purchase commitments</i>	1,422,816	-
	<i>Foreign currency sale commitments</i>	92,292	-
	<i>Swap commitments</i>	24,740,817	18,542,149
4	Letters of credit	8,804,383	14,695,470
5	Other guarantees	28,450,024	23,117,644

27 August 2018

Prepared by:

Reviewed by

Approved by:

Le Thi Nu
 Deputy Head of
 Accounting Department

Ngo Thi Van
 Chief Accountant

Ngo Thu Ha
 Deputy Executive Officer

Nguyen Van Le
 Chief Executive Officer

Saigon – Hanoi Joint Stock Commercial Bank
No. 77 Tran Hung Dao, Hoan Kiem District,
Hanoi, Vietnam
Consolidated statement of income for the six-month period
ended 30 June 2018

Form B03a/TCTD-HN
(Issued under Circular No.49/2014-TT-NHNN
dated 31 December 2014 of
the State Bank Governor)

		Note	Six-month period ended 30/6/2018 VND million	Six-month period ended 30/6/2017 VND million
1	Interest and similar income		10,141,483	8,315,469
2	Interest and similar expenses		(7,980,899)	(6,529,116)
I	Net interest income	24	2,160,584	1,786,353
3	Fee and commission income		155,077	213,602
4	Fee and commission expenses		(49,760)	(32,654)
II	Net fee and commission income	25	105,317	180,948
III	Net gain/(loss) from trading of foreign currencies	26	16,371	(6,620)
IV	Net (loss)/profit from trading securities		(3,353)	6,630
V	Net (loss)/profit from investment securities	27	264,146	(54,877)
5	Other income		124,510	263,750
6	Other expenses		(97,248)	(90,811)
VI	Net other income	28	27,262	172,939
VII	Income from capital contribution, share purchase		1,052	696
VIII	Operating expenses	29	(1,301,046)	(1,106,647)
IX	Net operating profit before allowance and provision expenses		1.270.333	979,422
X	Allowance and provision expenses	30	(249,174)	(177,714)
XI	Profit before tax (carried forward to next page)		1,021,159	801,708

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

Saigon – Hanoi Joint Stock Commercial Bank
No. 77 Tran Hung Dao, Hoan Kiem District,
Hanoi, Vietnam
Consolidated statement of income for the six-month period
ended 30 June 2018 (continued)

Form B03a/TCTD-HN
(Issued under Circular No.49/2014-TT-NHNN
dated 31 December 2014 of
the State Bank Governor)

	Note	Six-month period ended 30/6/2018 VND million	Six-month period ended 30/6/2017 VND million
XI Profit before tax (brought forward from previous page)		1,021,159	801,708
7 Income tax expense - current	31	(206,405)	(166,456)
XII Income tax expense	31	(206,405)	(166,456)
XIII Net profit after tax		814,754	635,252
Attributable to:			
Net profit after tax of the Bank		814,754	635,404
Non-controlling interest		-	(152)
XV Basic earnings per share (VND/share) (restated)	32	677	528

27 August 2018

Prepared by:

Reviewed by

Approved by:

Le Thi Nu
*Deputy Head of
Accounting Department*

Ngo Thi Van
Chief Accountant

Ngo Thu Ha
Deputy Executive Officer

Nguyen Van Le
Chief Executive Officer

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

	Six-month period ended 30/6/2018 VND million	Six-month period ended 30/6/2017 VND million
CASH FLOWS FROM OPERATING ACTIVITIES		
01	Interest and similar income received	8,579,538
02	Interest and similar expenses paid	7,446,823
03	(6,837,927)	(6,119,648)
04	Net fee and commission income received	102,687
05	Net receipts for foreign currencies, gold and securities trading activities	187,870
06	249,255	72,574
07	Other income	7,280
08	Proceeds from loans previously written off	249,194
	19,982	14,556
	Operating and salary expenses payments	(1,241,729)
	Corporate income tax paid	(85,662)
	(262,453)	(85,662)
	Net cash flows from operating activities before changes in operating assets and liabilities	616,633
	616,633	730,383
Changes in operating assets		
09	Decrease in balances with and loans to other credit institutions	4,654,006
10	Increase in securities held for trading	5,569,863
11	Decrease in derivatives and other financial assets	(4,860,243)
12	136,265	44,578
13	Increase in loans and advances to customers	(10,069,714)
14	Decrease in provision for impairment	(17,350,686)
	(16,488)	(8,495)
	Decrease in other assets	2,857,150
	2,857,150	360,594
Changes in operating liabilities		
15	Increase/(decrease) in amounts due to the Government and State Banks	143,076
16	(Decrease)/increase in deposits and borrowings from other credit institutions	(1,573,631)
17	Increase in deposits from customers	(11,671,712)
18	Increase in valuable papers issued	332,427
19	Increase/(decrease) in other borrowed and entrusted funds	24,747,216
20	2,235,456	12,746,081
21	Increase in derivatives and other financial liabilities	256,993
	42,849	(14,185)
	Increase/(decrease) in operating liabilities	299,326
	299,326	(186,478)
I	NET CASH FLOWS FROM OPERATING ACTIVITIES	9,370,813
	9,370,813	(1,426,150)

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

	Six-month period ended 30/6/2018 VND million	Six-month period ended 30/6/2017 VND million
CASH FLOWS FROM INVESTING ACTIVITIES		
01	Payments for purchases of fixed assets	(86,108)
02	Proceeds from disposals of fixed assets	(9,528)
07	Payments for investments in other entities	421
09	Dividends and profit received from long-term investments	(185)
	1,052	(12,857)
II	NET CASH FLOWS FROM INVESTING ACTIVITIES	(84,820)
CASH FLOWS FROM FINANCING ACTIVITIES		
04	Dividends paid to shareholders, profits distributed	(457)
III	NET CASH FLOWS FROM FINANCING ACTIVITIES	(246)
IV	NET CASH FLOWS DURING THE PERIOD/YEAR	(457)
V	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR	9,285,536
VII	CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR (NOTE 33)	(1,447,976)
	33,048,717	26,342,147
	42,334,253	24,894,171

27 August 2018

Prepared by:

Reviewed by

Approved by:

Le Thi Nu
 Deputy Head of
 Accounting Department

Ngo Thi Van
 Chief Accountant

Ngo Thu Ha
 Deputy Executive Officer

Nguyen Van Le
 Chief Executive Officer

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

1. Reporting entity

(a) Incorporation and operation

Saigon – Hanoi Joint Stock Commercial Bank (“the Bank”) is a commercial joint stock bank incorporated and registered in Vietnam.

The Bank was established pursuant to the Banking License No. 0041/NH-GP issued by the State Bank of Vietnam (“SBV”) on 13 November 1993 initially known as Nhon Ai Rural Commercial Joint Stock Bank. The Bank was renamed as Saigon - Hanoi Joint Stock Commercial Bank under Decision No. 1764/QD-NHNN dated 11 September 2009 granted by the Governor of the SBV. The Bank successfully merged Hanoi Building Commercial Joint Stock Bank (“HBB”) and Vinaconex – Viettel Finance Joint Stock Company (“VVF”) into its operation in 2012 and 2017, respectively, which is in line with the Restructuring plan of the banking system of Vietnam.

The Bank currently operates under Business Registration Certificate No. 1800278630 of Hanoi Department of Planning and Investment amended for the 26th time on 16 May 2018.

The principal activities of the Bank are mobilising and receiving short, medium and long-term deposit funds from organisations and individuals; lending on a 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; making capital contributions, purchasing shares, investment in bonds and trading foreign currencies in accordance with the provisions of law.

(b) Location and operation network

The Bank’s Head Office is located at 77 Tran Hung Dao, Hoan Kiem District, Hanoi. As 30 June 2018, the Bank had one (1) Head Office, fifty three (53) branches and two hundred and thirty two (232) transaction offices (31/12/2017: 1 Head Office, 53 branches and 174 transaction offices).

(c) Subsidiaries

As at 30 June 2018, the Bank had four (4) subsidiaries as follows (31/12/2017: four (4) subsidiaries):

Company name	Nature of Business	% owned by the Bank
SHB Debt and Asset Management One Member Company Limited (“SHB AMC”)	Debt and Asset Management	100%
SHB One Member Limited Finance Company (“SHB FC”)	Securities investment and trading	100%

Company name	Nature of Business	% owned by the Bank
Sai Gon - Hanoi Bank Laos Limited (“SHB Laos”)	Banking/Finance	100%
Sai Gon - Hanoi Bank Cambodia Limited (“SHB Cambodia”)	Banking/Finance	100%

(d) Number of employees

As at 30 June 2018, SHB had 6,174 employees (31/12/ 2017: 6,186 employees).

2. Basis of preparation of the consolidated interim financial statements

(a) Statement of compliance

The consolidated interim financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for credit institutions stipulated by the SBV and the relevant statutory requirements applicable to interim financial reporting. These standards and statutory requirements may differ in some material respects from International Financial Reporting Standards, generally accepted accounting principles and standards of other countries. Accordingly, the accompanying consolidated interim financial statements are not intended to present SHB’s financial position, results of operations and 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 applicable to credit institutions.

(b) Basis of measurement

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

(c) Accounting period

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

The interim accounting period of SHB is from 1 January to 30 June.

(d) Accounting currency

The accounting currency of SHB is Vietnam Dong (“VND”). These consolidated interim financial statements are prepared and presented in VND, rounded to the nearest million (“VND million”).

3. Adoption of new accounting guidance

Circular No. 22/2017/TT-NHNN

On 29 December 2017, the State Bank of Vietnam issued Circular No. 22/2017/TT-NHNN (“Circular 22”) amending and supplementing a number of articles in the system of book-keeping accounts of credit institutions as stipulated in Decision No. 479/2004/QĐ-NHNN dated 29 April 2004, and a number of articles in the financial reporting regime applicable to credit institutions as stipulated in Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 of the Governor of the State Bank of Vietnam. Circular 22 is effective from 1 April 2018.

Significant changes in SHB’s accounting policies related to the adoption of Circular 22 are described in Note 4(b). Besides, there are some changes in preparation of the consolidated financial statements of the Bank in accordance with the new forms provided in Circular 22.

Circular No. 16/2018/TT-BTC

On 7 February 2018, the Ministry of Finance issued Circular No. 16/2018/TT-BTC on guidelines for financial regulations applied to credit institutions and branches of foreign banks (“Circular 16”). Circular 16 is effective from 26 March 2018 and supersedes Circular No. 05/2013/TT-BTC dated 9 January 2013 of the Ministry of Finance.

Significant changes in SHB’s accounting policies related to the adoption of Circular 16 and the effect on the consolidated financial statements of the Bank are described in Note 4(v).

4. Summary of significant accounting policies

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

The accounting policies that have been adopted by SHB in the preparation of these consolidated interim financial statements are consistent with those adopted in the preparation of the latest annual financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by SHB. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Non-controlling interests

Non-controlling interests (“NCI”) are measured at their proportionate share of the acquiree’s identifiable net assets at date of acquisition.

Changes in the SHB’s interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners. The difference between the change in the SHB’s share of net assets of the subsidiary and any consideration paid or received is recorded directly in retained profits under equity.

(iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The accounting policies of subsidiaries have been also revised when necessary to ensure consistency with the accounting policies applied by SHB.

(b) Foreign currency

Foreign currency transactions

Prior to 1 April 2018

All transactions are recorded in their original currencies. Monetary assets and liabilities denominated in currencies other than VND are translated into VND at the rates of exchange ruling at the balance sheet date, non-monetary foreign currency assets and liabilities are reported using the exchange rates effective at the dates of the transactions.

Income/expense related transactions incurred in foreign currencies are translated into VND using the exchange rates ruling on the dates of the transactions.

From 1 April 2018

All transactions are recorded in their original currencies. Monetary assets and liabilities denominated in currencies other than VND are translated into VND at the average of the account transfer buying rates and selling rates at the end of the last working day of the accounting period, non-monetary foreign currency assets and liabilities are reported using the exchange rates effective at the dates of the transactions.

Income/expense related transactions incurred in foreign currencies are translated into VND using the average of the account transfer buying rates and selling rates on the dates of the transactions.

The above changes in accounting policies are applied prospectively and have no significant effect on the consolidated financial statements of SHB.

(c) Specific accounting policies regarding allowance and reversal of interest receivables recognised for outstanding financial debts in accordance with the SHB-HBB Merging Scheme 2016 – 2020

For the outstanding financial debts, mainly from HBB, the Bank has been approved by SBV for adoption of specific accounting policies based on the solutions for financial treatments suggested in the amended SHB-HBB Merging Scheme for the period 2016 - 2020 (“the Scheme”). The outstanding financial debts comprise:

- Bonds of Vietnam Asset Management Company (“VAMC”) (Notes 4(g)(v) and 11(ii));
- Outstanding balances of loans granted to Vietnam Shipbuilding Industry Group (“Vinashin”), (renamed as Vietnam Shipbuilding Industry Corporation - (“SBIC”)), some member entities belonging to SBIC and entities previously belonging to SBIC and transferred to Vietnam National Oil and Gas Group (“PVN”), and Vietnam National Shipping Lines (“Vinalines”), including those which have been converted to special bonds and those have not (Notes 4(g)(v), 4(j), 4(n), 10, 11(ii) and 15(iv));
- Outstanding balances of loans granted to HBB (Notes 4(j) and 10); and
- Doubtful debts of HBB (Notes 4(n) and 15(v)).

For each of the years from 2016 to 2024, the Bank would make allowance for bad debts and reversal of recognised interest receivables with an amount at least equalling the amount determined in accordance with the Scheme for the aforesaid outstanding debts.

At the end of the year, if the performed profits exceed the target assigned by the General Meeting of Shareholders, the Bank would make additional allowance to an extent of the profit excess but not exceeding the current legally regulated level of allowances in order to shorten the duration of allowance made.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, gold on hand, balances with the SBV, balances with other credit institutions that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Gold is revaluated at the balance sheet date and the differences arising on revaluation are recorded in the consolidated statement of income.

(e) Balances with and loans to other credit institutions

Balances with other credit institutions, except for current deposits, are deposits at other credit institutions with original terms of not exceeding three months.

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

Balances with and loans to other credit institutions are stated at the amount of the outstanding principal less any allowance for credit risks.

Credit risk classification of deposits with credit institutions and allowance thereof is made in accordance with Circular No. 02/2013/TT-NHNN dated 21 January 2013 of the State Bank of Vietnam on classification of assets, level and method of allowance making, and use of allowance against credit risks in banking activities of credit institutions and foreign banks' branches ("Circular 02") and Circular No. 09/2014/TT-NHNN dated 18 March 2014 of the SBV on amending and supplementing a number of articles of Circular 02 ("Circular 09") which takes effects from 1 June 2014. Accordingly, the SHB has provided specific allowance for balances with and loans to other credit institutions in accordance with the method described in Note 4(j).

According to Circular 02, SHB is not required to provide general allowance for balances with and loans to other credit institutions.

(f) Securities held for trading

(i) Classification and recognition

Securities held for trading are unlisted debt securities, which are acquired principally for the purpose of selling it in the near term or there is evidence of a recent pattern of short-term profit-taking.

SHB recognises securities held for trading at the date that it becomes a party under contracts with respect to these securities (trade date accounting).

(ii) Measurement

Debt securities held for trading are stated at cost less allowance for credit risks made in accordance with Circular 02 and Circular 09 as described in Note 4(j).

An allowance for diminution in the value of securities is made if market price of the securities item falls below its carrying amount.

Interest income debt securities held for trading after the acquisition date is recognised in the consolidated statement of income when the income is received. Historical cost of the pre-acquisition accumulated interest income of SHB will be reduced upon receipt.

(iii) De-recognition

SHB derecognises trading securities when the contractual rights to the cash flows from these securities expire or when the significant risks and rewards of ownership of these securities have been transferred.

(g) Investment securities

(i) Classification

At the purchase date, investment securities are classified into two categories: held-to-maturity investment securities and available-for-sale investment securities. In accordance with Official Letter No. 2601/NHNN-TCKT issued by the SBV on 14 April 2009, SHB is allowed to reclassify investment securities once after the purchase date.

Held-to-maturity investment securities

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

Available-for-sale investment securities

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

(ii) Recognition

SHB recognises investment securities at the date that it assumes substantially all the risks and rewards of ownership of the securities. Investment securities are initially recognised at cost.

(iii) Measurement

Equity securities

Available-for-sale equity securities are stated at cost; and are subsequently recognised at the lower of the cost and market value with the difference recognised in the consolidated statement of income.

Market value of listed available-for-sale equity securities is determined by reference to closing prices of securities from the Ho Chi Minh City Stock Exchange and Hanoi Stock Exchange at the end of the accounting period.

Market value of unlisted available-for-sale equity securities which are actively traded on market for Unlisted Public Companies (“UpCom”) is determined by the closing price at the end of the accounting period.

Market value of unlisted available-for-sale equity securities which are actively traded on over-the-counter market (“OTC”) is stated at cost less allowance for securities by reference to the average price of the transaction price quotes from three securities companies having charter capital above VND300 billion.

In cases where market value of securities cannot be determined reliably, such securities are stated at cost.

Debt securities

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

Listed available-for-sale debt securities are measured at cost less allowance for securities determined by reference to closing prices on Hanoi Stock Exchange at the end of the accounting period.

Held-to-maturity debt securities and available-for-sale investment securities of unlisted enterprises are recognised at cost less allowance for securities. Debt classification and allowance for these bonds are made in accordance with the policies applicable to loans and advances to customers as described in Note 4(j). No general allowance is made for purchases of valuable papers issued by other credit institutions and foreign bank branches in Vietnam.

Post-acquisition interest income of available-for-sale debt securities and held-to maturity investment securities is recognised in the consolidated statement of income on an accrual basis. The accumulated interest income before the acquisition date is recognised as a decrease in cost when the income is received.

(iv) *De-recognition*

SHB derecognises investment securities when the contractual rights to the cash flows from these securities expire or when the significant risks and rewards of ownership of these securities have been transferred.

(v) *Special bonds issued by Vietnam Asset Management Company (“VAMC”)*

Special bonds issued by VAMC are term valuable papers issued by VAMC for purchasing bad debts of SHB. For each bad debt sold to VAMC, SHB received one special bond issued by VAMC. Par value of special bonds equals to carrying amount of loan principal balance of the bad debt less specific allowance made but not yet utilized for such bad debt.

Upon completion of bad debt factoring transactions, the Bank decreases the carrying amount of the bad debts, uses the specific allowance made but not yet utilised and settle the account balance of off-balance sheet account monitoring uncollected interest income of such bad debt. At the same time, the Bank recognises special bonds issued by VAMC in the account of debt securities issued by local economic entities and held to maturity.

For special bonds issued by VAMC, the Bank make allowance in accordance with Circular No. 19/2013/TT-NHNN dated 6 September 2013 issued by the SBV, on the purchase, sale and settlement of bad debts of VAMC (“Circular 19”) and Circular No. 14/2015/TT-NHNN dated 28 August 2014 issued by the SBV, regarding the amendments of and supplements to a number of articles of Circular 19 (“Circular 14”). Accordingly, specific allowance for special bonds issued by VAMC is calculated and provided on the principle of equal annual allocation in a manner that at the maturity date of the special bonds. Specific allowance is made on an annual basis within 05 working days prior to the maturity date of each special bond in accordance with the following formula:

$$X_{(m)} = \frac{Y}{n} \times m - (Z_m + X_{m-1})$$

In which:

- $X_{(m)}$ is the minimum specific provision for special bonds in the m^{th} year;
- X_{m-1} is the accumulated specific provision made for special bonds until the end of the $m-1^{\text{th}}$ year;
- Y is the face value of special bonds;
- n is the duration of special bonds (years);
- m is the number of years from issuance of special bonds to the provisioning date;
- Z_m is the accumulated bad debt repayment up to the provisioning date (m^{th} year).

If $(Z_m + X_{m-1}) \geq \frac{Y}{n} \times m$ the specific provision $X_{(m)}$ will be zero (0).

Specific allowance for special bonds is recorded in the consolidated statement of income in “Allowance and provision expenses”.

According to Circular 19 and Circular 10, the Bank is not required to provide general allowance for special bonds issued by VAMC.

At the date of bond redemption, the arising interests collected by the credit institution from debts is recorded in “Other income”.

Adoption of specific accounting policies under the Scheme

Upon adoption of specific accounting policies under the Scheme described in Note 4(c), for special bonds issued by VAMC, the Bank recorded allowance with an amount at least equalling the amount determined in accordance with the Scheme for the aforesaid outstanding debts. At the end of the year, if the performed profits exceed the target assigned by the General Meeting of Shareholders, the Bank would make additional allowance to an extent of the profit excess but not exceeding the current legally regulated level of allowances in order to shorten the duration of allowance made.

(h) Capital contribution, long-term investments

(i) Other long-term investments

Other long-term investments are investments in the equity of other companies without having control or significant influence. These investments are initially stated at cost, and subsequently stated at cost less allowance for diminution in the value of investments.

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

Allowance for diminution in value is required for other long-term investments when the investee companies suffer losses, except when the loss was anticipated in its business plan before the date of investment. Allowance for diminution in value is determined as the total actual contributed capital of parties to the investee less (-) the actual owner’s equity multiplied (x) by the SHB’s ownership percentage in the investee. The allowance is reversed if the recoverable amounts are subsequently increased after the allowance was recognized. An allowance is reversed only to the extent that the investment’s carrying amount does not exceed the carrying amount that has been determined if no allowance had been recognized.

(i) Loans and advances to customers

Loans and advances to customers are stated at the amount of the principal outstanding less allowance for loans and advances to customers.

Short-term loans are those with a repayment date within 1 year of the loan disbursement date. Medium-term loans are those with a repayment date between 1 to 5 years of the loan disbursement date. Long-term loans are those with a repayment date of more than 5 years from the date the loan disbursement date.

SHB derecognises loans when the contractual rights to the cash flows from these loans expire or when substantially all the risks and rewards of ownership of these loans have been transferred.

For the loans sold to Vietnam Asset Management Company (“VAMC”), SHB shall remove them from the balance sheet in accordance with the guidance in Official Letter No. 8499/NHNN-TCKT dated 14 November 2013 and Official Letter No. 925/NHNN-TCKT dated 19 February 2014 issued by the SBV.

Debt classification and allowance for credit risks are made in accordance with Circular 02 and Circular 09 as described in Note 4(j).

(j) Allowance for loans and advances to customers

(i) Debt classification

Classification of deposits with and loans to other credit institutions (excluding current deposits), purchases and entrustment to purchase of unlisted corporate bonds, loans and advances to customers, and entrusted extension of credit (collectively referred to as “loans”), loans already sold but payments not yet collected, is implemented using the method [based on the quantitative element as stipulated in Article 10 of Circular 02.

(ii) Specific allowance for credit risks

Except for the loans to SBIC, some subsidiaries within SBIC and former member entities of SBIC, which were transferred to PVN, and Vinalines and outstanding loans of HBB, specific allowance for credit risks as at 30 June under Circular 02 and Circular 09 is determined based on the allowance rates corresponding to loan principals at the last working day of March less discounted collateral value. The rates of specific allowance for individual loan groups are as follows:

<i>Loan group</i>		<i>Overdue status</i>	<i>Rate of allowance</i>
1	Current	(a) Current loans that being assessed as fully and timely recoverable, both principals and interests; or (b) Loans 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.	1
2	Special mentioned	(a) Loans which are overdue for a period of between 10 days and 90 days; or (b) Loans which are restructured repayment term for the first time.	2
3	Sub-standard	(a) Loans which are overdue for a period of between 91 days and 180 days; or (b) Loans which are extended repayment term for the first time; or (c) Loans which are exempted or reduced interests because customers are not sufficient capability to pay all interests under credit contracts; or (d) Loans in one of the following circumstances which remain unrecovered during a period of 30 days after the date of the recovery decision: <ul style="list-style-type: none"> ▪ Loans in breach of clauses 1, 3, 4, 5, 6 of Article 126 of the Law on Credit Institutions; ▪ Loans in breach of clauses 1, 2, 3, 4 of Article 127 of the Law on Credit Institutions; ▪ Loans in breach of clauses 1, 2, 5 of Article 128 of the Law on Credit Institutions; or (e) Loans which are recovered under inspection conclusions.	3

<i>Loan group</i>		<i>Overdue status</i>	<i>Rate of allowance</i>
4	Doubtful	(a) Loans which are overdue for a period of between 181 days and 360 days; or (b) Loans 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) Loans which are restructured repayment term for the second time; or (d) Loans which are specified in point (d) of loan Group 3 have not been recoverable for a period of between 30 days and 60 days after decisions on recovery have been issued; or (e) Loans which must be recovered under inspection conclusions but fail to be repaid although recovery term was overdue from 60 days ago.	4
5	Loss	(a) Loans which are overdue for a period of more than 360 days; or (b) Loans which are restructured repayment term for the first time but still overdue for a period of 90 days or more than under that first restructured repayment term; or (c) Loans which are restructured repayment term for the second time but still overdue under that second restructured repayment term; or (d) Loans which are restructured repayment term for the third time or later, whether loans are overdue or not; or (e) Loans which are specified in point (d) of Sub-standard loan have not been recoverable for a period of more than 60 days after decisions on recovery have been issued; or (f) Loans which must be recovered under inspection conclusions but fail to be repaid although recovery term was overdue for more than 60 days; or (g) Loans of customers being credit institutions which are announced by SBV to place in special control status, or foreign banks' branches of which capital and assets are blockaded.	5

From 20 March 2014 to before 1 April 2015, According to Article 10, Clause 3a of Circular 02, loans are restructured and maintained in the same loan group as before rescheduling when they meet the following criteria:

- Loans and credit granting are not in breach of the law;
- Loan rescheduling serves the purpose of borrowings in credit contracts;
- Customers use the loans for the right purpose;
- Customers have the new contracted loan repayment scheme which is feasible and aligned with their business plans; and
- SHB meets the regulations of SBV on limits, safety ratios in operations, including a maximum ratio of short-term fund used for medium- or long-term loans in cases of rescheduling short-term loans to medium- or long- term loans.

Only when the above conditions are met, may SHB reschedule the repayment period of the loans to customers based on internal credit ratings and maintain such loans to customers in the same loan group as being currently classified. Article 10, Clause 3a of Circular 02 is effective from 20 March 2014 and expires on 1 April 2015.

The discounted value of collateral assets is determined in accordance with regulations in Circular 02, specifically as follows:

- Collateral assets with the value of VND50 billion or more for debts of customers who are related parties of SHB and others as prescribed in Article 127 of the Law on Credit Institutions and collateral assets with the value of VND200 billion or more shall be evaluated by a licensed asset valuator.

- Other than the above, collateral assets are evaluated in accordance with SHB’s internal policy and process.

The maximum discount rates for collateral assets are determined as follows:

Types of collateral assets	Maximum discount rates
Deposits from customers in VND	100%
Gold bars, except for those without listed prices, deposits from customers in foreign currencies	95%
Government bonds, negotiable instruments, valuable papers issued by SHB; saving cards, deposit certificates, treasury notes, treasury bills issued by other credit institutions, foreign banks’ branches:	
▪ With the remaining term of less than 1 year	95%
▪ With the remaining term of between 1 year and 5 years	85%
▪ With the remaining term of more than 5 years	80%
Securities issued by other credit institutions and listed on the Stock Exchange	70%
Securities issued by other enterprises and listed on the Stock Exchange	65%
Securities unlisted on the Stock Exchange, valuable papers (except securities and valuable papers specified in Point c, Clause 6, Article 12 of Circular 02), and issued by credit institutions which have registered securities listing on the Stock Exchange	50%
Securities unlisted on the Stock Exchange, valuable papers (except securities and valuable papers specified in Point c, Clause 6, Article 12 of Circular 02), and issued by credit institutions which have not registered securities listing on the Stock Exchange	30%
Securities unlisted on the Stock Exchange, valuable papers issued by enterprises which have registered securities listing on the Stock Exchange	30%
Securities unlisted on the Stock Exchange, valuable papers issued by enterprises which have not registered securities listing on the Stock Exchange	10%
Real estate	50%
Gold bars without listed prices and other gold and other collateral assets	30%

For collateral assets which fail to fully meet conditions specified in Clause 3, Article 12 of Circular 02, their discounted value must be considered as zero.

SHB makes and maintains general allowance calculated at 0.75% of outstanding loans and advances that are classified into Group 1 to 4 on the last working day of March.

Allowance is recognised as expenses in the consolidated statement of income and used to write off bad debts. SHB established a Risk Settlement Committee to write off bad debts when loans and advances have been classified to Group 5 or when borrowers have declared bankruptcy or dissolved (for borrowers being organisations, enterprises) or borrowers have been dead or missing (for borrowers being individuals).

Adoption of accounting policies under the Scheme

Upon adoption of specific accounting policies under the Scheme described in Note 4(c), for the loans to SBIC, some subsidiaries within SBIC and former member entities of SBIC, which were transferred to PVN, and Vinalines and outstanding loans of HBB, the Bank recorded allowance with an amount at least equalling the amount determined in accordance with the Scheme for the aforesaid outstanding debts. At the end of the year, if the performed profits exceed the target assigned by the General Meeting of Shareholders, the Bank would make additional allowance to an extent of the profit excess but not exceeding the current legally regulated level of allowances in order to shorten the duration of allowance made.

(iii) *Treatment of bad debts*

According to Circular 02 and Circular 09, loans and advances to customers are written off against the allowance when loans and advances to customers have been classified to Group 5 or when borrowers have been declared bankrupt or dissolved (for borrowers being organisations and enterprises) or borrowers are deceased or missing (for borrowers being individuals).

(iv) *Provision for off-balance sheet commitments*

According to Circular 02 and Circular 09, the classification of off-balance sheet items are made only for purpose of managing and supervising quality of credit provision. No provision is made for off-balance sheet commitments unless SHB is required to fulfil its payment obligation under guarantee contracts, in which case classification and allowance for such payment are made in accordance with the accounting policies described in Note 4(j).

(k) *Derivative financial instruments*

(i) *Foreign exchange contracts*

SHB is involved in currency forward contracts and currency swap contracts to facilitate customers to transfer, adjust or reduce foreign exchange risks and other market risks and also for the business purposes of SHB.

Currency forward contracts are commitments to buy or sell a specific currency at a specific date in the future with a pre-determined rate and will be paid in cash. The forwards contracts are recorded at nominal value at the transaction date and are revalued at effective exchange rate at the reporting date and are stated at net value in the consolidated balance sheet. Gains or losses from currency forward contracts are recognised in the consolidated statement of income.

The currency swap contracts are commitments to settle in cash at a future date based on the difference between the pre-determined rates, calculated on notional principal amount. Premiums/discounts arising from the difference of the spot exchange rate at the effective date of the contracts and the forward exchange rate will be recognized immediately on the effective date of the contracts as an asset if they are positive or as a liability if they are negative in the consolidated balance sheet. This difference is amortised to the consolidated statement of income on a straight-line basis over the term of the swap contracts.

(ii) *Interest rate swap contracts*

The contract value in basic interest rate swaps of the same currency is not recognised in the consolidated balance sheet.

For cross currency interest rate swaps to exchange principals denominated in two different currencies which are exchanged at the effective date, the contract value is recognised on the consolidated balance sheet. Income earned and expenses incurred are recognised on an accrual basis.

For cross currency interest rate swaps to exchange principals denominated in two different currencies which are not exchanged at the effective date, the contract value is recognised on the consolidated balance sheet in the same manner with the contract value of currency forward contracts. These contracts are accounted in the same manner with currency forward contracts. Income earned and expenses incurred due to interest rate effects are recognised on an accrual basis.

(l) Tangible fixed assets

(i) Cost

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. 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 period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of 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 structures	25 years
▪ Machines and equipment	3 - 5 years
▪ Means of transportation	6 - 10 years
▪ Office equipment	3 - 7 years
▪ Other tangible fixed assets	4 - 7 years

(m) Intangible fixed assets

(i) Software

The cost of acquiring new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software costs are amortised on a straight-line basis over 3 - 8 years.

(ii) Land use rights

Definite land use rights

Definite land use rights are stated at cost less accumulated amortisation. The initial cost of definite land use rights comprises its purchase price and any directly attributable costs incurred in conjunction with securing the land use rights. Definite land use rights are amortised on a straight-line basis over 30 - 46 years.

Indefinite land use rights

Indefinite land use rights are stated at cost and are not amortised. The initial cost of indefinite land use rights comprises its purchase price and any directly attributable costs incurred in conjunction with securing the land use rights.

(iii) Other intangible fixed assets

Copyrights, patents and other intangible fixed assets are amortised over a period from 4 years to 10 years on a straight-line basis.

(n) Other assets

Other assets, except receivables from credit activities, are stated at cost less allowance.

Except for doubtful debts of HBB, SHB considers making allowance for impairment of assets based on overdue periods of receivables or estimated loss arising from undue debts of which the indebted economic organisations fall bankrupt or are undergoing dissolution procedures; debtors are missing, have fled, are prosecuted, detained or tried by law enforcement bodies, are serving sentences or have deceased. Provision expense is recorded in “Allowance and provision expenses” during the period.

For the overdue receivables, the provision rates are determined in accordance with Circular 228 and Circular 89 as follows:

<u>Overdue period</u>	<u>Allowance rate</u>
▪ From more than six (06) months up to less than one (01) year	30%
▪ From one (01) year up to less than two (02) years	50%
▪ From two (02) years up to less than three (03) years	70%
▪ Three (03) years or more	100%

Adoption of accounting policies under the Scheme

Upon adoption of accounting policies under the Scheme described in Note 4(c), for doubtful debts of HBB, the Bank recorded allowance for bad debt/reversed recognised interest receivables with amounts determined and scheduled in accordance with the Scheme.

(o) Other provision

Other provision, except for the allowance described in Note 4(e), 4(f), 4(g), 4(h), 4(j) and 4(n) is recognised if, as a result of a past event, SHB 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) Deposits from customers

Deposits from customers are stated at their cost.

(q) Valuable papers issued

Valuable papers issued are recorded at cost minus extra allocations and discounts. Costs of valuable papers issued include amounts received from issuance minus direct expenses of issuance.

(r) Other payables

Other payables are stated at their cost.

(s) 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

On receipt of capital from shareholders, the difference between the issue price and the par value of the shares is credited to share premium account in equity.

(iii) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of tax effects, is recognized as a reduction from equity. Repurchased shares are classified as treasury shares under equity and presented as a reduction in total equity.

(t) Reserves and funds

(i) Reserves and funds of the Bank and SHB FC

According to Decree No. 57/2012/ND-CP dated 20 July 2012 issued by the Government of Vietnam on financial system for credit institutions (“Decree 57”), the Bank and SHB FC is required to make the following allocations before distribution of profits:

	Annual allocation	Maximum balance
Reserve to supplement charter capital	5% of profit after tax	Share capital
Financial reserve	10% of profit after tax	25% of share capital

The financial reserve is used to cover losses incurred during the normal course of business. These reserves are non-distributable and classified as equity.

Other equity funds are allocated from profit after tax. The allocation from profit after tax to other equity funds is approved by the shareholders in the General Shareholders Meeting. Other equity funds are not required by law and are fully distributable.

(ii) Reserves and funds of subsidiaries

SHB AMC

According to Circular No. 27/2002/TT-BTC issued by the Ministry of Finance on 22 March 2002, the allocations to reserves before distribution of retained profits are made by SHB AMC the same as that of the Bank. Reserves and other equity funds are made from profit after tax at year-end.

SHB Laos

Under the Law on Commercial Banking dated 16 January 2007, foreign banks are required to allocate part of their profits to the following reserves:

- Regulatory reserve fund
- Business expansion fund and other funds

According to Decision No. 508/BFIS issued by Bank of the Lao P.D.R on 2 October 2009, allocation rate to regulatory reserve fund applicable to foreign branches shall be notified to each branch by the Lao PDR. Under the guidance from the Accounting Department of the Lao P.D.R, the allocation rate to regulatory reserve fund applicable to the Branch is 10% of profit after tax.

	Annual allocation	Maximum balance
Regulatory reserve fund	10% of profit after tax	Unlimited
Business expansion fund and other funds	As per decision of the Board of Management	Unlimited

Other subsidiaries

Other subsidiaries make reserves and funds according to the Bank’s guidance. The allocation rates are normally consistent with those applicable to credit institutions under Decree 57.

(u) Bonus and welfare funds

Bonus and welfare funds are allocated from profit after tax in accordance with the resolution of the annual General Meeting of Shareholders and are used primarily to make payments to SHB’s employees.

(v) Revenue

(i) Interest income

Prior to 26 March 2018

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 in accordance with the policy as described in Note 4(j) which is recognised upon receipt. When loans are classified in Group 2 to Group 5 as defined in Note 4(j), interest receivable will be removed and recorded as off-balance sheet items. Interest on these loans are recognised in the consolidated statement of income upon receipt.

From 26 March 2018

SHB adopted Circular 16 prospectively. 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 in accordance with the policy as described in Note 4(j) and loans maintained in the same current loan group to comply with the State’s policies, which are recognised upon receipt. When loans are classified in Group 2 to Group 5 as defined in Note 4(j) or maintained in the same current loan group to comply with the State’s policies, interest receivable will be removed and recorded as off-balance sheet items. Interest on these loans are recognised in the consolidated statement of income upon receipt.

The above changes in accounting policies are applied prospectively and have no significant effect on the consolidated financial statements of SHB.

(ii) Fee and commission income

Fees and commissions are recognised in the consolidated statement of income upon completion of the services rendered.

(iii) Income from investment

Differences between selling price and weighted average cost of securities are recognised as income from securities trading.

Dividend income in cash is recognised in the consolidated statement of income when SHB's right to receive payment is established.

Dividends received in the form of shares, bonus shares and rights to purchase shares given to existing shareholders, shares distributed from retained earnings are not recognized as an increase in investment and such dividend income is not recognized in the consolidated statement of income. When share dividends are received, SHB only recognises an increase in the number of shares in the notes to the consolidated financial statements.

Dividends received in connection with the period before the investment is made are recognised as a decrease in carrying amount of the investment.

(w) Interest expenses

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

(x) Fee and commission expenses

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

(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) Taxation

Income tax on the profit for the period 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 period, using tax rates enacted at the end of the accounting period, and any adjustment to tax payable in respect of previous periods.

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference 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.

(aa) Related parties

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

(bb) Commitments and contingent liabilities

At any point of time, SHB has outstanding credit commitments. These commitments are in the form of loans and approved overdraft. SHB also provides guarantees and letters of credit to guarantee the performance of customers to third parties. Many of the outstanding commitments and contingent liabilities will expire without incurring any part or all of an advance. Therefore, commitments and contingent liabilities do not necessarily reflect the cash-flows expected in the future.

(cc) Basic earnings per share

SHB presents basic earnings per share (“EPS”) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of SHB by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares.

(dd) Segment reporting

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

(ee) Related parties

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

Related companies refer to the investors and their subsidiaries and associates.

(ff) Commitments and contingent liabilities

At any point of time, SHB has outstanding credit commitments. These commitments are in the form of loans and approved overdraft. SHB also provides guarantees and letters of credit to guarantee the performance of customers to third parties. Many of the outstanding commitments and contingent liabilities will expire without incurring any part or all of an advance. Therefore, commitments and contingent liabilities do not necessarily reflect the cash-flows expected in the future.

5. Cash and gold on hand

	30/6/2018 VND million	31/12/2017 VND million
Cash on hand in VND	1,104,264	886,482
Cash on hand in foreign currencies	593,748	557,448
Gold	1,654	2,618
	1,699,666	1,446,548

6. Balances with State Banks

	30/6/2018 VND million	31/12/2017 VND million
Current account at the State Bank of Vietnam (i)	968,162	2,970,959
Balances with the Bank of Lao P.D.R	140,714	48,354
Balances with the National Bank of Cambodia	997,139	723,346
	2,106,015	3,742,659

- (i) Deposits at the State Bank of Vietnam (“the SBV”) consist of a compulsory reserve for liquidity and a current account.

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

Period-end/year-end CRR rates were as follows:

Deposits in scope

Preceding month's average balances of:

- Deposits in foreign currencies other than VND with term of less than 12 months
- Deposits in foreign currencies other than VND with term of and more than 12 months
- Deposits in VND with term of less than 12 months
- Deposits in VND with term of and more than 12 months

	CRR rates	
	30/6/2018	31/12/2017
	8.00%	8.00%
	6.00%	6.00%
	3.00%	3.00%
	1.00%	1.00%

- (ii) Balances with the Bank of Lao P.D.R (the “BOL”) include the margin deposit of the Bank in Lao Kip (“LAK”) and other foreign currencies to establish its subsidiary in Lao People’s Democratic Republic and compulsory deposits maintained in accordance with the BOL’s requirement.

Period-end/year-end annual CRR rates were as follows:

Deposits in scope	CRR rates	
	30/6/2018	31/12/2017
▪ Deposits in foreign currencies other than LAK with term of less than 12 months	10.00%	10.00%
▪ Deposits in foreign currencies other than LAK with term of and more than 12 months	0.00%	0.00%
▪ Deposits in LAK with term of less than 12 months	5.00%	5.00%
▪ Deposits in LAK with term of and more than 12 months	0.00%	0.00%

The margin deposits at the BOL are interest free.

- (iii) Balances with National Bank of Cambodia include the margin deposit of the Bank in Cambodia Riels (“KHR”) and other foreign currencies to establish its branch in the Kingdom of Cambodia and compulsory deposits maintained in accordance with National Bank of Cambodia’s requirement. The compulsory reserve deposits are calculated based on the daily average deposit balance multiplied by the corresponding CRR rate.

Period-end/year-end annual CRR rates were as follows:

Deposits in scope	CRR rates	
	30/6/2018	31/12/2017
Deposits in foreign currencies rather than KHR	12.50%	12.50%
Deposits in KHR	8.00%	8.00%

The reserve of 8.00% in KHR is interest free, while for the 12.50% of reserve in foreign currency, the reserve of 8.00% of which is interest free and the 4.50% remaining of reserve is subject to interest rate according to the rates ruled by National Bank of Cambodia regarding the interest for term deposits.

7. Balances with and loans to other credit institutions

	30/6/2018	31/12/2017
	VND million	VND million
Current accounts		
Current accounts in VND	20,609,470	19,799,397
Current accounts in foreign currencies	738,992	1,012,680
Term deposits		
Term deposits in VND	14,959,500	3,130,000
Term deposits in foreign currencies	2,220,610	3,917,433
	38,528,572	27,859,510
Loans to other credit institutions		
Loans in VND	1,000,000	5,654,006
	39,528,572	33,513,516

As at 30 June 2018 and 31 December 2017, all term deposits and loans to other credit institutions were Group 1 – Current loans.

8. Derivatives and other financial assets/(liabilities)

Details of financial derivatives at the end of the period/year were as follows:

	Total contract value (at exchange rate of the effective date of the contract) VND million	Total book value (at exchange rate of reporting date)		
		Assets VND million	Liabilities VND million	Net VND million
As at 30 June 2018				
Forward transactions	(4,245,998)	6,308,936	(6,340,220)	(31,284)
Swap transactions	(2,730,953)	12,364,626	(12,376,191)	(11,565)
	(6,976,951)	18,673,562	(18,716,411)	(42,849)
As at 31 December 2017				
Forward transactions	296,967	31,290	(28,974)	2,316
Swap transactions	4,715,795	604,182	(470,233)	133,949
	5,012,762	635,472	(499,207)	136,265

9. Loans and advances to customers

	30/6/2018 VND million	31/12/2017 VND million
Loans to domestic business entities and individuals	206,586,878	196,082,946
Loans granted from other borrowed and entrusted funds	1,728,707	2,164,713
Payments on behalf of customers	38,046	35,359
Discounted bills	6,649	7,548
	208,360,280	198,290,566

Loan portfolio by loan group was as follows:

	30/6/2018	31/12/2017
	VND million	VND million
Group 1 - Current	198,322,777	190,368,695
Group 2 - Special mentioned	4,412,460	3,298,174
Group 3 - Sub-standard	1,464,187	669,686
Group 4 - Doubtful	887,802	1,088,771
Group 5 - Loss	3,273,054	2,865,240
	<hr/>	<hr/>
	208,360,280	198,290,566
	<hr/> <hr/>	<hr/> <hr/>

Loan portfolio by term was as follows:

	30/6/2018	31/12/2017
	VND million	VND million
Short term loan	88,743,442	83,106,717
Medium term loan	51,996,429	53,433,957
Long term loan	67,620,409	61,749,892
	<hr/>	<hr/>
	208,360,280	198,290,566
	<hr/> <hr/>	<hr/> <hr/>

Portfolio of loans to customers by ownership and customer type was as follows:

	30/6/2018	%	31/12/2017	%
	VND		VND million	
	million			
Loans to economic entities				
<i>State-owned enterprises</i>	17,147,884	8.23	21,144,378	10.66
<i>Other limited companies</i>	36,473,861	17.51	35,056,234	17.68
<i>Joint stock companies in which the</i>				
<i>State's holding percentage is more than</i>				
<i>50% (dominating percentage)</i>	12,575,449	6.04	16,986,532	8.57
<i>Other joint stock companies</i>	90,316,278	43.35	80,842,480	40.77
<i>Partnerships</i>	101,289	0.05	8,321	0.00
<i>Private companies</i>	2,919,732	1.40	2,527,685	1.27
<i>Foreign invested enterprises</i>	465,950	0.22	499,434	0.25
<i>Cooperatives, cooperative unions</i>	59,921	0.03	66,194	0.03
Loans to individuals				
<i>Household business, individuals</i>	45,298,776	21.74	38,821,106	19.58
Other loans				
<i>Other economic sectors</i>	3,001,140	1.44	2,338,202	1.19
	<hr/>		<hr/>	
	208,360,280	100.00	198,290,566	100.00
	<hr/> <hr/>		<hr/> <hr/>	

Loan portfolio by industry sectors was as follows:

	30/6/2018	%	31/12/2017	%
	VND million		VND million	
Agriculture, forestry and aquaculture	45,326,647	21.75	43,249,519	21.81
Mining	6,833,822	3.28	7,659,777	3.86
Manufacturing and processing	26,896,833	12.91	27,452,713	13.84
Electricity, gas, hot water, steam and air-conditioning	12,316,033	5.91	10,757,675	5.43
Water supplying and garbage and sewage treatment and management	134,090	0.06	118,922	0.06
Construction	27,303,878	13.1	27,913,697	14.08
Wholesale and retail trade; repair of motor vehicles, motor cycles	36,865,624	17.69	32,346,233	16.31
Transport, warehouse	3,073,508	1.48	3,158,672	1.59
Hospitality services	1,303,915	0.63	1,331,461	0.67
Information and communications	105,422	0.05	111,063	0.06
Finance and insurance	1,896,257	0.91	2,263,714	1.14
Real estates trading	16,752,830	8.04	15,700,331	7.92
Science and technology	589,578	0.28	599,078	0.30
Administrative activities and supporting service	1,102,886	0.53	1,127,811	0.57
Party, unions, state management, security and national defence, social guarantee	38,320	0.02	42,649	0.02
Education and training	231,354	0.11	420,811	0.21
Health care and social work	121,693	0.06	121,718	0.06
Art, playing and recreation	275,978	0.13	257,293	0.13
Other service activities	24,884,385	11.95	20,154,350	10.17
Households services	2,307,227	1.11	3,503,079	1.77
	208,360,280	100.00	198,290,566	100.00

Period-end/year-end annual interest rates were as follows:

	30/6/2018	31/12/2017
Loans and advances in VND	6.50% - 12.60%	7.50% - 12.00%
Loans and advances in USD	2.01% - 5.30%	1.90% - 5.01%
Loans and advances in other foreign currencies	2.25% - 5.13%	1.90% - 5.01%

10. Allowance for loans and advances to customers

Allowance for loans and advances to customers consists of:

	30/6/2018 VND million	31/12/2017 VND million
General allowance (i)	1,506,460	1,459,886
Specific allowance (ii)	1,406,185	1,389,129
	2,912,645	2,849,015

Included in allowance for loans and advances to customers were allowances made for loans to SBIC, some subsidiaries within SBIC and former member entities of SBIC, which were transferred to PVN, and Vinalines and outstanding loans of HBB. Upon adoption of specific accounting policies under the Scheme described in Note 4(c), the Bank recorded allowances determined and scheduled in accordance with the SBV's approval.

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

	Six-month period ended 30/6/2018 VND million	Six-month period ended 30/6/2017 VND million
Opening balance	1,459,886	1,066,332
Allowance made in the period (Note 30)	45,365	54,062
Foreign exchange differences	1,209	818
	1,506,460	1,121,212

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

	Six-month period ended 30/6/2018 VND million	Six-month period ended 30/6/2017 VND million
Opening balance	1,389,129	731,053
Allowance made/(reversed) in the period (Note 30)	31,369	(25,934)
Allowance utilised during the period	(16,488)	(3,358)
Foreign exchange differences	2,175	320
	1,406,185	702,081

11. Investment securities

	30/6/2018 VND million	31/12/2017 VND million
Available-for-sale securities (i)	12,810,706	12,142,444
Held-to-maturity securities (ii)	12,638,421	9,065,520
	25,449,127	21,207,964

(i) Available-for-sale securities

	30/6/2018 VND million	31/12/2017 VND million
Debt securities		
▪ Government Securities	9,920,735	7,996,543
▪ Securities issued by other local credit institutions	1,309,489	2,799,851
▪ Securities issued by local economic entities	1,673,111	1,438,356
Equity securities		
▪ Securities issued by other local credit institutions	796	796
▪ Securities issued by local economic entities	32,803	32,802
	12,936,934	12,268,348
Allowance for available-for-sale securities	(126,228)	(125,904)
	12,810,706	12,142,444

Movements in allowance for available-for-sale securities in the period were as follows:

Six-month period ended 30 June 2018

	Allowance for diminution in the value of equity securities VND million	General allowance for available-for- sale debt securities VND million	Specific allowance for available-for- sale debt securities VND million	Total VND million
Opening balance	32,901	18,003	75,000	125,904
Allowance (reversed)/made during the period	(33)	357	-	324
	32,868	18,360	75,000	126,228

Six-month period ended 30 June 2017

	Allowance for diminution in the value of equity securities VND million	General allowance for available-for- sale debt securities VND million	Specific allowance for available-for- sale debt securities VND million	Total VND million
Opening balance	33,050	17,740	75,000	125,790
Allowance made during the period	1,438	35,231	-	36,669
	34,488	52,971	75,000	162,459

(ii) Held-to-maturity securities

	30/6/2018 VND million	31/12/2017 VND million
Government Securities	3,270,317	149,719
Securities issued by other local credit institutions	2,509,986	1,799,797
Securities issued by local economic entities	614,536	614,536
Special bonds issued by VAMC	8,032,565	8,118,810
	14,427,404	10,682,862
Allowance for held-to-maturity securities	(1,788,983)	(1,617,342)
	12,638,421	9,065,520

Movements of allowance for held-to-maturity securities in the period were as follows:

Six-month period ended 30 June 2018

	Allowance for bonds issued by VAMC (*)	Allowance for other held-to- maturity bonds	Total
Opening balance	1,602,984	14,358	1,617,342
Allowance made during the period	172,315	(674)	171,641
	1,775,299	13,684	1,788,983

(*) Included in allowance for bonds issued by VAMC was allowance for VAMC bonds to which specific accounting policies under the Scheme described in Note 4(c) are adopted. Accordingly, the Bank recorded allowances determined and scheduled in accordance with the SBV's approval. At the end of the year, if the performed profits exceed the target assigned by the General Meeting of Shareholders, the Bank would make additional allowance to an extent of the profit excess but not exceeding the current legally regulated level of allowances in order to shorten the duration of allowance made.

Six-month period ended 30 June 2017

	Allowance for bonds issued by VAMC (*)	Allowance for other bonds	Total
Opening balance	1,254,887	1,050	1,255,937
Allowance made during the period	139,766	1,406	141,172
	<hr/> 1,394,653	<hr/> 2,456	<hr/> 1,397,109

The term and annual interest of debt securities at the period-end/year-end were as follows:

	30/6/2018		31/12/2017	
	Term	Interest rate per annum	Term	Interest rate per annum
Available-for-sale securities				
Government bonds	5 years	4.6% - 12.2%	3 - 10 years	4.6% - 12.2%
Bonds issued by local credit institutions	3 - 10 years	6.7% - 9%	1 - 10 years	6.7% - 9%
Bonds issued by local economic entities	3 - 15 years	8.98%	1 - 15 years	8.98%
<hr/>				
Held-to-maturity securities				
Government bonds	-	7.4%	20 years	7.4%
Bonds issued by local credit institutions	10 years	7% - 8.2%	6 – 10 years	7% - 8.2%
Bonds issued by local economic entities	7 - 10 years	8.9% - 15.25%	9 – 10 years	8.9% - 15.25%

Portfolio of unlisted debt securities (excluding Government bonds, Government-guaranteed bonds and special bonds) classified as assets exposed to credit risk by loan group was as follows:

	30/6/2018 VND million	31/12/2017 VND million
Current	5,342,232	5,914,895
Doubtful	88,000	-
Loss	150,354	150,000
	<hr/> 5,580,586	<hr/> 6,064,895

12. Long-term investments

Portfolio by type of investments was as follows:

	30/6/2018 VND million	31/12/2017 VND million
Other long-term investments - cost (i)	227,250	227,250
Allowance for diminution in the value of long-term investments (ii)	(10,360)	(11,785)
	<hr/> 216,890	<hr/> 215,465

(i) Details of other long-term investments were as follows:

	30/6/2018 VND million	31/12/2017 VND million
Investments in economic entities	183,236	183,236
Investments in financial institutions	44,014	44,014
	<hr/> 227,250	<hr/> 227,250

(ii) Movements in allowance for diminution in the value of long-term investments in the period were as follows:

	Six-month period ended 30/6/2018 VND million	Six-month period ended 30/6/2017 VND million
Opening balance	11,785	5,838
Allowance made in the period (Note 29)	(1,425)	10,344
	<hr/> 10,360	<hr/> 16,182

13. Tangible fixed assets

Six-month period ended 30 June 2018

	Buildings and structures VND million	Machines and equipment VND million	Means of transportation VND million	Office equipment VND million	Other tangible fixed assets VND million	Total VND million
Cost						
Opening balance	363,131	320,296	208,414	92,705	26,885	1,011,431
Additions	25,211	31,562	6,175	1,824	5,745	70,517
Disposals	(173)	(104)	(1,239)	(286)	-	(1,802)
Foreign exchange difference	576	317	215	176	1	1,285
Closing balance	388,745	352,071	213,565	94,419	32,631	1,081,431
Accumulated depreciation						
Opening balance	90,347	250,441	136,584	84,611	24,024	586,007
Charge for the period	11,845	19,389	8,997	2,329	2,111	44,671
Disposals	(173)	(104)	(2,580)	(286)	-	(3,143)
Foreign exchange difference	301	217	153	125	-	796
Closing balance	102,320	269,943	143,154	86,779	26,135	628,331
Net book value						
Opening balance	272,784	69,855	71,830	8,094	2,861	425,424
Closing balance	286,425	82,128	70,411	7,640	6,496	453,100

Six-month period ended 30 June 2017

	Buildings and structures VND million	Machines and equipment VND million	Means of transportation VND million	Office equipment VND million	Other tangible fixed assets VND million	Total VND million
Cost						
Opening balance	325,290	314,867	202,081	93,743	26,723	962,704
Additions	3,952	1,502	-	2,318	1,001	8,773
Disposals	-	(152)	(923)	(17)	(79)	(1,171)
Other movements	-	-	-	(2,544)	-	(2,544)
Foreign exchange difference	460	78	46	87	-	671
Closing balance	329,702	316,295	201,204	93,587	27,645	968,433
Accumulated depreciation						
Opening balance	83,639	227,524	121,024	82,601	23,870	538,658
Charge for the period	9,935	18,048	9,890	2,463	1,512	41,848
Disposals	-	(150)	(888)	(15)	(69)	(1,122)
Foreign exchange difference	200	46	29	55	-	330
Closing balance	93,774	245,468	130,055	85,104	25,313	579,714
Net book value						
Opening balance	241,651	87,343	81,057	11,142	2,853	424,046
Closing balance	235,928	70,827	71,149	8,483	2,332	388,719

14. Intangible fixed assets

Six-month period ended 30 June 2018

	Land use rights VND million	Software VND million	Other intangible fixed assets VND million	Total VND million
Cost				
Opening balance	3,486,801	211,811	39,877	3,738,489
Additions	-	9,705	4,371	14,076
Disposals	-	(154)	-	(154)
Foreign exchange difference	-	191	233	424
Closing balance	3,486,801	221,553	44,481	3,752,835
Accumulated amortisation				
Opening balance	5,805	178,174	27,617	211,596
Charge for the period	79	13,573	2,419	16,071
Disposals	-	(154)	-	(154)
Foreign exchange difference	-	191	235	426
Closing balance	5,884	191,784	30,271	227,939
Net book value				
Opening balance	3,480,996	33,637	12,260	3,526,893
Closing balance	3,480,917	29,769	14,210	3,524,896

Six-month period ended 30 June 2017

	Land use rights VND million	Software VND million	Other intangible fixed assets VND million	Total VND million
Cost				
Opening balance	3,478,880	207,848	40,188	3,726,916
Additions	-	1,291	-	1,291
Foreign exchange difference	-	22	27	49
Closing balance	3,478,880	209,161	40,215	3,728,256
Accumulated amortisation				
Opening balance	5,647	160,748	22,515	188,910
Charge for the period	78	13,267	2,760	16,105
Foreign exchange difference	-	19	17	36
Closing balance	5,725	174,034	25,292	205,051
Net book value				
Opening balance	3,473,233	47,100	17,673	3,538,006
Closing balance	3,473,155	35,127	14,923	3,523,205

15. Other assets

	30/6/2018 VND million	31/12/2017 VND million
Receivables	11,163,016	13,411,455
▪ <i>Receivables (i)</i>	11,081,372	13,326,319
▪ <i>Purchase of fixed assets and construction in progress (ii)</i>	81,644	85,136
Accrued interest and fee receivables (iii)	9,486,562	7,955,903
Other assets (iv)	4,820,480	5,395,762
▪ <i>Trusted investments</i>	1,926,309	1,926,309
▪ <i>Other assets</i>	2,894,171	3,469,453
Allowance for other assets (v)	(410,499)	(410,374)
	25,059,559	26,352,746

(i) Receivables

	30/6/2018 VND million	31/12/2017 VND million
Internal receivables	43,876	113,775
▪ <i>Receivables from employees</i>	34,206	19,637
▪ <i>Other internal receivables</i>	9,670	94,138
External receivables	11,037,496	13,212,544
▪ <i>Receivables from deferred letters of credit</i>	6,768,049	8,095,834
▪ <i>Receivables from sale of securities</i>	1,867,860	3,495,389
▪ <i>Deposit for securities brokerage</i>	895,000	-
▪ <i>Receivables from land rental</i>	656,600	625,557
▪ <i>Advances on on-going contracts according to stage of completion</i>	79,070	63,081
▪ <i>Advances for card payments</i>	67,136	66,970
▪ <i>Security deposits for renting offices and spaces for ATM booths</i>	37,842	34,816
▪ <i>Receivables from provision of advisory services</i>	-	416,070
▪ <i>Receivables from State Budget</i>	-	24,816
▪ <i>Other receivables</i>	665,939	390,011
	11,081,372	13,326,319

(ii) Purchase of fixed assets and construction in progress

	30/6/2018 VND million	31/12/2017 VND million
Office and land use rights	45,295	43,333
Construction in progress	32,590	26,903
Others	3,759	14,900
	81,644	85,136

(iii) Accrued interest and fees receivables include the interest receivables from entrusted amounts outstanding from HBB. With the adoption of the special accounting policy under the Scheme mentioned in Note 4(c), the Bank accounted for the accrued interest receivable according to the roadmap approved by SBV.

(iv) Other assets

	30/6/2018 VND million	31/12/2017 VND million
Outstanding receivables of HBB		
Trusted investments for REPO	1,405,398	1,405,398
Other trusted investments	520,911	520,911
	1,926,309	1,926,309
Other assets		
Foreclosed assets awaiting resolution	1,421,546	1,428,242
Materials and equipment	8,420	-
Prepaid expenses	478,484	345,267
Loss on swap of SBIC loans awaiting resolution (*)	828,584	828,584
Real estates for sale	22,090	97,191
Other assets	135,047	770,169
	2,894,171	3,469,453
	4,820,480	5,395,762

(*) On 12 September 2013, SHB swapped the loans to SBIC with DATC bonds. The difference between carrying value of the loans and the amount of DATC bonds are recognised as Other assets and amortised to expenses according to the roadmap approved under the Scheme mentioned in Note 4(c).

(v) Allowance for other assets

Allowance for other on-balance sheet assets for sale includes:

	30/6/2018 VND million	31/12/2017 VND million
Allowance for receivables outstanding of HBB (*)	386,400	386,400
Allowance for other assets	24,099	23,974
	410,499	410,374

(*) With the adoption of the special accounting policy under the Scheme mentioned in Note 4(c), the receivables outstanding of HBB were allocated with allowance with an amount at least equaling the value specified in the Scheme. At the year-end, if the realised profit exceeds the planned profit approved by the General Meeting of Shareholders, the Bank shall add more allowance for the excessive profit, provided that the total allowance does not exceed the amount of allowance required by prevailing regulations, so as to shorten the time for making allowance for losses.

Movements in allowance for other on-balance sheet assets were as follows:

Six-month period ended 30 June 2018

	Allowance for outstanding receivables of HBB VND million	Allowance for other assets VND million	Total VND million
Opening balance	386,400	23,974	410,374
Allowance made during the period (Note 30)	-	125	125
Closing balance	386,400	24,099	410,499

Six-month period ended 30 June 2017

	Allowance for outstanding receivables of HBB VND million	Allowance for other assets VND million	Total VND million
Opening balance	129,700	13,635	143,335
Allowance made during the period (Note 30)	-	8,385	8,385
Closing balance	129,700	22,020	151,720

16. Amounts due to the Government and the State Banks

	30/6/2018 VND million	31/12/2017 VND million
Deposits in VND from the State Treasury of Vietnam	2,000,000	-
Borrowings from SBV		
Borrowings based on credit facilities	901,419	1,224,351
Borrowings on discounted and rediscounted valuable papers	-	1,533,992
	2,901,419	2,758,343

The deposits in VND from the State Treasury of Vietnam has a term of 2 months, interest rate of 2.03% per annum (31/12/2017: Nil).

The borrowings based on credit facilities of the Bank at SBV has a term of 1 year, interest rate of 3.5% per annum (31/12/2017: term ranging from 6 months to 1 year, interest rate from 3.5% to 4.25% per annum).

17. Deposits and borrowings from other credit institutions

	30/6/2018 VND million	31/12/2017 VND million
Demand deposits		
Demand deposits in VND	17,120,417	19,036,291
Demand deposits in foreign currencies	2,181	959,233
Term deposits		
Term deposits in VND	9,530,000	11,250,300
Term deposits in foreign currencies	3,418,359	2,052,034
	30,070,957	33,297,858
Borrowings from other credit institutions		
Borrowings in VND	3,006,668	10,261,036
Borrowings in foreign currencies	872,320	905,643
Borrowings under financial projects (*)	610,713	440,048
Payables for deferred letters of credit	6,768,049	8,095,834
	11,257,750	19,702,561
	41,328,707	53,000,419

(*) These are borrowings from International Development Association (World Bank) under Rural Finance Project II and III through the Ministry of Finance to provide loans to households for the rural development and poverty reduction in Vietnam. Loans to households bear interest rates as declared by SHB from period to period.

Period/year-end annual interest rates were as follows:

	30/6/2018	31/12/2017
Term deposits in VND	0.80% - 3.00%	1.20% - 5.00%
Term deposits in foreign currencies	2.00% - 2.70%	1.60% - 3.00%
Borrowings in VND	1.10% - 4.90%	1.10% - 5.95%
Borrowings in foreign currencies	2.30% - 2.50%	0.75% - 2.79%

18. Deposits from customers

	30/6/2018 VND million	31/12/2017 VND million
Demand deposits		
Demand deposits in VND	15,843,001	16,214,179
Demand deposits in foreign currencies	981,999	1,538,702
Term deposits		
Term deposits in VND	191,961,259	164,002,428
Term deposits in foreign currencies	9,943,102	12,150,138
Deposits for specific purposes		
Deposits for specific purposes in VND	12,530	89,809
Deposits for specific purposes in foreign currencies	9,763	22
Margin deposits		
Margin deposits in VND	862,445	872,353
Margin deposits in foreign currencies	22,887	22,139
	219,636,986	194,889,770

Deposits from customers by type of customers/enterprises were as follows:

	30/6/2018 VND million	31/12/2017 VND million
Economic entities	65,972,157	58,819,060
Individuals	138,031,917	125,990,775
Others	15,632,912	10,079,935
	219,636,986	194,889,770

Period-end annual interest rates were as follows:

	30/6/2018	31/12/2017
Term deposits in VND	1.00% - 8.60%	1.00% - 7.60%
Term deposits in foreign currencies	0.00% - 2.00%	0.00% - 2.00%

In case customers withdraw term saving deposits prior to the maturity date, interest shall be applied in accordance with SHB's policy from time to time in conformity with SBV's regulations.

19. Other borrowed and entrusted funds

	30/6/2018 VND million	31/12/2017 VND million
Medium-term, long-term borrowings from Small and Medium Enterprise Development Fund - Phase II and Phase III (i)	438,816	418,205
Long - term borrowings from Renewable Energy Development Project (ii)	700,475	470,391
Medium and long-term borrowings from the Smart Power Grid Funding Project	181,863	2,166
Medium and long-term borrowings from the Sustainable Rural Transformation Project	-	173,399
	<hr/> 1,321,154	<hr/> 1,064,161

- (i) Borrowings from Small and Medium Enterprises Development Fund - Phase II and Phase III are borrowings from Japan International Cooperation Agency (JICA) through Project Management Unit of ODA International Credit to provide loans to eligible small and medium enterprises. For loans to small and medium enterprises, applied interest rates are declared by SHB from time to time. Principal and interest on these loans are paid every three months.
- (ii) Long-term borrowings from Renewable Energy Development Project are borrowings from International Development Association through the Ministry of Finance, the Ministry of Industry and Trade to provide loans to renewable energy projects. Interest rate of these loans is a weighted average of interest rates of customer deposits in VND with terms ranging from 0 to 12 months published quarterly by the SBV, adjusted by interest margin and the deduction rate as regulated by the Ministry of Finance. Principal and interest on these loans are paid every six months.

20. Valuable papers issued

Valuable papers issued represent promisory notes classified by term as follows:

Term	30/6/2018 VND million	31/12/2017 VND million
Promisory notes – below 12 months	10,798,792	11,744,634
Bonds – more than 5 years	6,403,933	3,000,000
Certificates of deposit	-	222,635
	<hr/> 17,202,725	<hr/> 14,967,269

21. Other liabilities

	30/6/2018 VND million	31/12/2017 VND million
Accrued interest and fee payables	5,183,082	4,103,201
Other payables and liabilities		
Internal payables		
▪ <i>Payables to employees</i>	4,843	4,086
▪ <i>Bonus and welfare funds</i>	29,707	34,383
▪ <i>Other internal payables</i>	XX	9,507
External payables		
▪ <i>Taxes and others payable to State Budget (i)</i>	132,092	229,513
▪ <i>Payables on payment intermediary services</i>	479,325	256,349
▪ <i>Unearned revenue</i>	33,818	-
▪ <i>Other payables</i>	98,734	1,860
	<hr/> 778,519	<hr/> 535,698
	<hr/> 5,961,601	<hr/> 4,638,899

(i) Taxes and others payable to State Budget

	30/6/2018 VND million	31/12/2017 VND million
Value added tax	4,935	43,051
Corporate income tax	122,178	178,226
Other taxes	4,979	8,236
	<hr/> 132,092	<hr/> 229,513

Details of taxes payable are presented in Note 36.

22. Capital and reserves

Changes in capital and reserves of SHB for the six-month period ended 30 June 2018 and 30 June 2017 were as follows:

	Share capital	Share premium	Treasury shares	Investment and development fund	Financial reserve	Supplemental capital reserve	Other reserves	Foreign exchange difference	Retained earnings	Total
	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million
As at 1 January 2018	11,196,891	101,716	(5,260)	25,013	803,621	390,702	1,022	-	2,177,515	14,691,220
Shares issued for dividend payment	839,270	-	-	-	-	-	-	-	(839,270)	-
Net profit for the period	-	-	-	-	-	-	-	-	814,754	814,754
Appropriation to equity funds	-	-	-	-	415	207	-	-	(622)	-
Foreign exchange difference	-	-	-	-	-	282	-	33,491	(5,203)	28,570
As at 30 June 2018	12,036,161	101,716	(5,260)	25,013	804,036	391,191	1,022	33,491	2,147,174	15,534,544

Saigon – Hanoi Joint Stock Commercial Bank
No. 77 Tran Hung Dao, Hoan Kiem District, Hanoi, Vietnam
Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued)

Form B05a/TCTD-HN
(Issued under Circular No.49/2014-TT-NHNN
dated 31 December 2014 of the State Bank Governor)

	Share capital	Share premium	Treasury shares	Investment and development fund	Financial reserve	Supplemental capital reserve	Other reserves	Foreign exchange difference	Noncontrolling interest	Retained earnings	Total
	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million
As at 1 January 2017	11,196,891	101,716	(5,260)	25,013	682,932	329,292	1,022	-	2,306	897,661	13,231,573
Net profit for the period	-	-	-	-	-	-	-	-	(151)	635,404	635,253
Appropriation to equity funds	-	-	-	-	-	1,391	-	-	229	(21,620)	(20,000)
Tax retained from transfer of profit from subsidiary	-	-	-	-	-	-	-	-	-	(5,566)	(5,566)
Restatement of tax payables	-	-	-	-	-	-	-	-	-	(153)	(153)
Foreign exchange difference	-	-	-	-	-	18	-	18,677	-	237	18,932
As at 30 June 2017	11,196,891	101,716	(5,260)	25,013	682,932	330,701	1,022	18,677	2,384	1,505,963	13,860,039

Share capital

	30/6/2018		31/12/2017	
	Number of shares	Par value VND million	Number of shares	Par value VND million
Shares registered for issuance	1,203,616,110	12,036,161	1,119,689,100	11,196,891
Issued share capital				
Ordinary shares	1,203,616,110	12,036,161	1,119,689,100	11,196,891
Number of shares repurchased				
Ordinary shares	496,186	4,962	496,186	4,962
Shares in circulation				
Ordinary shares	1,203,119,924	12,031,199	1,119,192,914	11,191,929

All ordinary shares of the Bank have a par value of VND10,000. Each share is entitled to one vote at meetings of the shareholders. Shareholders are entitled to receive dividend as declared from time to time. All ordinary shares are ranked equally with regard to the Bank's residual assets.

Movements in share capital during the period were as follows:

	Six-month period ended 30 June 2018		Six-month period ended 30 June 2017	
	Number of shares	Par value VND million	Number of shares	Par value VND million
Opening balance	1,119,689,100	11,196,891	1,119,192,914	11,191,929
Payment of dividends in the form of shares	83,927,010	839,270	-	-
Closing balance	1,203,616,110	12,036,161	1,119,192,914	11,191,929

23. Dividends

The resolution of the Annual General Meeting of Shareholders in 2017 No. 01/NQ-DHDCD dated 27 April 2017 passed the plan to list more shares for payment of dividends to shareholders at the rate of 7.5% (for every 1,000 shares, a shareholder is entitled to 75 additionally issued shares). According to the Report No. 286/TGD dated 24 January 2018 on results of issuing shares for dividend payment, which has been sent to the State Securities Commission, the Bank completed the issuance of 83,927,010 shares to existing shareholders.

24. Net interest income

	Six-month period ended 30 June 2018 VND million	Six-month period ended 30 June 2017 VND million
Interest and similar income from		
Balances with other credit institutions	143,328	234,839
Loans to customers and other credit institutions	9,348,176	6,763,009
Investments in debt securities	588,272	551,682
Fees from guarantee services	29,079	70,505
Other credit activities	32,628	695,434
	10,141,483	8,315,469
Interest and similar expenses for		
Deposits from customers and other credit institutions	(7,146,840)	(5,417,905)
Borrowed and entrusted funds	(182,361)	(227,138)
Valuable papers issued	(628,665)	(498,835)
Other credit activities	(23,033)	(385,238)
	(7,980,899)	(6,529,116)
Net interest income	2,160,584	1,786,353

25. Net fee and commission income

	Six-month period ended 30 June 2018 VND million	Six-month period ended 30 June 2017 VND million
Fee and commission income from		
Settlement and cash services	98,530	105,202
Treasury services	6,277	10,295
Agency services	12,310	1,377
Consulting services	-	60,296
Other services	37,960	36,432
	155,077	213,602
Fee and commission expenses for		
Consulting services	(14,593)	(6,055)
Settlement and cash services	(14,260)	(11,336)
Telecommunication expenses	(11,540)	(8,547)
Treasury services	(7,297)	(4,739)
Other services	(2,070)	(1,977)
	(49,760)	(32,654)
Net fee and commission income	105,317	180,948

26. Net gain/(loss) from trading of foreign currencies

	Six-month period ended 30 June 2018 VND million	Six-month period ended 30 June 2017 VND million
Gain from trading of foreign currencies		
Spot foreign exchange trading	163,895	342,017
Financial derivatives	155,064	145,735
Income from trading of gold	57	119
	319,016	487,871
Loss from trading of foreign currencies		
Spot foreign exchange trading	(141,678)	(357,127)
Financial derivatives	(160,950)	(137,296)
Expenses for trading of gold	(17)	(68)
	(302,645)	(494,491)
Net gain/(loss) from trading of foreign currencies	16,371	(6,620)

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

	Six-month period ended 30 June 2018 VND million	Six-month period ended 30 June 2017 VND million
Gain /(loss) from trading of available-for-sale securities		
Gain from trading of available-for-sale securities	268,129	86
Loss from trading of available-for-sale securities	(4,333)	(15,005)
Addition of allowance for available-for-sale securities (Note 11(i))	(324)	(36,669)
	<hr/> 263,472	<hr/> (51,588)
Net loss from trading of held-to-maturity securities		
Loss from trading of held-to-maturity securities	-	(1,883)
Reversal/(addition) of allowance for held-to-maturity bonds (Note 11(ii))	674	(1,406)
	<hr/> 674	<hr/> (3,289)
Net gain/(loss) from trading of investment securities	<hr/> 264,146	<hr/> (54,877)

28. Net income from other activities

	Six-month period ended 30 June 2018 VND million	Six-month period ended 30 June 2017 VND million
Income from other activities		
Collection of debts written off in prior years	19,982	20,448
Proceeds from disposals of fixed assets	23,079	21,918
Other income	81,449	221,384
Income from other activities	<hr/> 124,510	<hr/> 263,750
Expenses for other activities		
Payment for social work	(2,181)	(25,751)
Expenses for disposals of assets	(7,341)	(37,494)
Other expenses	(87,726)	(27,566)
Expenses for other activities	<hr/> (97,248)	<hr/> (90,811)
	<hr/> 27,262	<hr/> 172,939

29. Operating expenses

	Six-month period ended 30 June 2018 VND million	Six-month period ended 30 June 2017 VND million
Tax, duties and fees	14,760	12,666
Expenses for employees	728,008	610,582
<i>In which:</i>		
<i>Salary and allowances</i>	618,280	512,012
<i>Salary based contributions</i>	42,438	42,417
<i>Allowances and other expenses to employees</i>	67,290	56,153
Expenses on assets	205,694	207,053
<i>In which:</i>		
<i>Depreciation of fixed assets</i>	60,742	58,009
Administration expenses:	268,275	187,659
Insurance fee for customers' deposits	85,734	67,528
(Reversal)/addition of allowance for diminution in the value of other long-term equity investments (Note 12(ii))	(1,425)	10,344
Other allowance	-	10,815
	1,301,046	1,106,647

30. Allowance and provision expenses

	Note	Six-month period ended 30 June 2018 VND million	Six-month period ended 30 June 2017 VND million
General allowance made for loans and advances to customers	10(i)	45,365	54,062
Specific allowance made for loans and advances to customers	10(ii)	31,369	(25,934)
Allowance made for special shares issued by VAMC	11(ii)	172,315	139,766
Allowance made for other on-balance sheet assets	15(v)	125	-
		249,174	177,714

31. Income tax

(a) Recognised in the consolidated statement of income

	Six-month period ended 30 June 2018 VND million	Six-month period ended 30 June 2017 VND million
Current tax expense		
Current year	206,405	166,456

(b) Reconciliation of effective tax rate

	Six-month period ended 30 June 2018 VND million	Six-month period ended 30 June 2017 VND million
Profit before tax	1,021,159	801,708
Tax at the Bank's tax rate	204,232	160,342
Effect of different tax rates in subsidiaries	928	5,971
Tax exempt income	(210)	(139)
Non-deductible expenses	1,455	282
	206,405	166,456

(c) Applicable tax rate

The usual income tax rate applicable to the Bank is 20% for the six-month period ended 30 June 2018 (six-month period ended 30 June 2017: 20%).

32. Basic earnings per share

(i) Net profit attributable to ordinary shareholders

	Six-month period ended 30 June 2018 VND million	Six-month period ended 30 June 2017 VND million
Net profit attributable to ordinary shareholders for the period (*)	814,754	635,404

(*) Bonus and welfare fund is to be made at the year end. Therefore, net profit used for calculation of earnings per share for the six-month period ended 30 June has not been downwardly adjust for the portion allocated to bonus and welfare fund of the corresponding period.

(ii) Weighted average number of ordinary shares

	Six-month period ended 30/6/2018	Six-month period ended 30/6/2017 (as restated)	Six-month period ended 30/6/2017 (as previously reported)
Issued ordinary shares at the beginning of the year	1,119,192,914	1,119,192,914	1,119,192,914
Effect of shares issued to pay dividends in 2018	83,927,010	83,927,010	-
Weighted average number of ordinary shares for the period	1,203,119,924	1,203,119,924	1,119,192,914

(iii) Basic earnings per share

	Six-month period ended 30/6/2018 VND	Six-month period ended 30/6/2017 (as restated) VND	Six-month period ended 30/6/2017 (as previously reported) VND
Basic earnings per share	677	528	568

33. Cash and cash equivalents

	30/6/2018 VND million	31/12/2017 VND million
Cash on hand and gold	1,699,666	1,446,548
Balances with the State Bank	2,106,015	3,742,659
Current accounts at other credit institutions	21,348,462	20,812,077
Deposits at other credit institutions with original term not exceeding 3 months	17,180,110	27,859,510
	<hr/> 42,334,253	<hr/> 53,860,794

34. Employee benefits

	Six-month period ended 30 June 2018 VND million	Six-month period ended 30 June 2017 VND million
Average number of employees (person)	6,170	6,229
Employees' income	618,280	512,012
	<hr/> 16.7	<hr/> 13.7

35. Significant transactions with related parties

In the normal course of banking business, SHB carries out transactions with related parties. The terms of these transactions are in accordance with SHB's regulations.

Balances of significant transactions with related parties at period/year end were as follows:

	Số dư	
	30/6/2018 VND million	31/12/2017 VND million
	Assets/ (Liabilities and owner's equity)	Assets/ (Liabilities and owner's equity)
Major shareholders		
<i>T&T Group Joint Stock Company</i>		
▪ Capital contribution	(9,968)	(9,968)
▪ Demand deposits	(4,321)	(12,218)

Other long-term investments

Sai Gon - Hanoi Insurance Corporation

▪ Capital contribution	42,857	42,857
▪ Demand deposits	(10,098)	(3,989)

Details of transactions with related parties during the period are as follows:

	Transactions	
	Six-month period ended 30 June 2018 VND million Revenue/ (expenses)	Six-month period ended 30 June 2017 VND million Revenue/ (expenses)
Board of Directors and Supervisory Board		
▪ Remuneration for Board of Directors and Supervisory Board	11,258	8,550

36. Obligations to the State Budget

Six-month period ended 30 June 2018

	1/1/2018 Payable VND million	Incurred during the period		30/6/2018 Payable VND million
		Addition VND million	Decrease VND million	
Corporate income tax	178,226	206,405	(262,453)	122,178
Value added tax	43,501	26,004	(64,570)	4,935
Other taxes	8,236	48,968	(52,225)	4,979
	229,963	281,377	(379,248)	132,092

Six-month period ended 30 June 2017

	1/1/2017 Payable VND million	Incurred during the period		30/6/2017 Payable VND million
		Addition VND million	Decrease VND million	
Corporate income tax	60,315	166,456	(85,592)	141,179
Value added tax	41,836	37,755	(42,633)	36,958
Other taxes	15,455	42,111	(43,538)	14,028
	117,606	246,322	(171,763)	192,165

37. Segment reporting

Geographical segment reporting

Six-month period ended 30 June 2018	The North VND million	The Central VND million	The South VND million	Foreign countries VND million	Total VND million
Net interest income	1,060,768	656,013	262,295	181,508	2,160,584
Net fee and commission income	80,016	9,290	1,573	14,438	105,317
Net gain from trading of foreign currencies	9,936	5,286	899	250	16,371
Net loss from trading securities	(3,353)	-	-	-	(3,353)
Net gain from investment securities	264,146	-	-	-	264,146
Net gain from other activities	21,150	4,387	1,033	692	27,262
Income from capital contribution, share purchase	1,052	-	-	-	1,052
Operating expenses	(900,749)	(239,651)	(107,494)	(53,152)	(1,301,046)
Net operating profit before allowance and provision expenses	532,966	435,325	158,306	143,736	1,270,333
Allowance and provision expenses	(127,615)	(78,937)	(50,060)	7,438	(249,174)
Profit before tax	405,351	356,388	108,246	151,174	1,021,159

Saigon – Hanoi Joint Stock Commercial Bank
No. 77 Tran Hung Dao, Hoan Kiem District, Hanoi, Vietnam
Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued)

Form B05a/TCTD-HN
(Issued under Circular No.49/2014-TT-NHNN
dated 31 December 2014 of the State Bank Governor)

As at 30 June 2018	The North VND million	The Central VND million	The South VND million	Foreign countries VND million	Total VND million
Cash and gold on hand	1,147,915	336,388	139,323	76,040	1,699,666
Balances with State Bank	2,093,965	3,199	8,851	-	2,106,015
Balances with and loans to other credit institutions ("CIs")	37,736,075	1,155	2,720	1,788,622	39,528,572
Trading securities	444,525	-	-	-	444,525
Loans and advances to customers	145,235,112	34,860,226	18,917,285	6,435,012	205,447,635
Investment securities	25,449,127	-	-	-	25,449,127
Long-term investments	216,890	-	-	-	216,890
Fixed assets	3,912,295	31,953	15,979	17,769	3,977,996
Other assets	22,091,866	1,940,969	239,103	787,621	25,059,559
Total assets	238,327,770	37,173,890	19,323,261	9,105,064	303,929,985
Amounts due to the Government and State Banks	2,901,419	-	-	-	2,901,419
Deposits and borrowings from other CIs	40,395,749	38	1,086	931,834	41,328,707
Deposits from customers	167,419,101	37,116,757	14,318,917	782,211	219,636,986
Derivatives and other financial liabilities	42,849	-	-	-	42,849
Other borrowed and entrusted funds	1,321,154	-	-	-	1,321,154
Valuable papers issued	12,737,459	838,342	3,626,924	-	17,202,725
Other liabilities	4,727,912	682,501	443,006	108,182	5,961,601
Total liabilities	229,545,643	38,637,638	18,389,933	1,822,227	288,395,441

Six-month period ended 30 June 2017	The North VND million	The Central VND million	The South VND million	Foreign countries VND million	Total VND million
Net interest income	720,508	355,839	531,810	178,196	1,786,353
Net fee and commission income	154,794	1,857	10,039	14,258	180,948
Net gain/(loss) from trading of foreign currencies	(15,279)	906	4,537	3,216	(6,620)
Net profit from trading securities	6,630	-	-	-	6,630
Net loss from investment securities	(54,877)	-	-	-	(54,877)
Net other income/(expenses)	166,506	20	7,822	(1,409)	172,939
Income from capital contribution, share purchase	696	-	-	-	696
Operating expenses	(762,278)	(86,149)	(211,329)	(46,891)	(1,106,647)
Net operating profit before allowance and provision expenses	216,700	272,473	342,879	147,370	979,422
Allowance and provision expenses	(108,689)	3,610	(22,342)	(50,293)	(177,714)
Profit before tax	108,011	276,083	320,537	97,077	801,708

Saigon – Hanoi Joint Stock Commercial Bank
No. 77 Tran Hung Dao, Hoan Kiem District, Hanoi, Vietnam
Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued)

Form B05a/TCTD-HN
(Issued under Circular No.49/2014-TT-NHNN
dated 31 December 2014 of the State Bank Governor)

As at 31 December 2017	The North VND million	The Central VND million	The South VND million	Foreign countries VND million	Total VND million
Cash and gold on hand	1,014,234	118,504	263,960	49,850	1,446,548
Balances with State Bank	2,961,064	3,736	6,159	771,700	3,742,659
Balances with and loans to other CIs	32,482,469	1,441	613	1,028,993	33,513,516
Trading securities	1,050	-	-	-	1,050
Derivatives and other financial assets	136,265	-	-	-	136,265
Loans and advances to customers	139,157,737	17,376,168	33,246,647	5,660,999	195,441,551
Investment securities	21,206,594	-	-	1,370	21,207,964
Long-term investments	215,465	-	-	-	215,465
Fixed assets	3,887,117	15,405	28,600	21,195	3,952,317
Other assets	23,584,928	228,476	1,771,415	767,927	26,352,746
Total assets	224,646,923	17,743,730	35,317,394	8,302,034	286,010,081
Amounts due to the Government and State Banks	2,758,343	-	-	-	2,758,343
Deposits and borrowings from other CIs	52,614,651	543	38	385,187	53,000,419
Deposits from customers	146,056,773	13,740,270	34,382,130	710,597	194,889,770
Other borrowed and entrusted funds	1,064,161	-	-	-	1,064,161
Valuable papers issued	12,291,520	2,654,299	21,450	-	14,967,269
Other liabilities	3,745,073	274,427	550,107	69,292	4,638,899
Total liabilities	218,530,521	16,669,539	34,953,725	1,165,076	271,318,861

Business segments

	Credit VND million	Investment VND million	Services VND million	Treasury VND million	Total VND million
Six-month period ended 30 June 2018					
Revenue	9,429,865	849,065	290,169	130,187	10,699,286
As at 30 June 2018					
Segment assets	215,565,188	28,596,489	143,032	43,050,268	287,354,977
Allocated assets	6,286,616	74,841	3,742,034	6,471,517	16,575,008
Total assets	221,851,804	28,671,330	3,885,066	49,521,785	303,929,985
Segment liabilities	(408,544)	-	(53,851)	(287,222,147)	(287,684,542)
Allocated liabilities	(269,632)	(3,210)	(160,495)	(277,562)	(710,899)
Total liabilities	(678,176)	(3,210)	(214,346)	(287,499,709)	(288,395,441)
Six-month period ended 30 June 2017					
Revenue	7,594,812	557,490	227,766	901,419	9,281,487
As at 31 December 2017					
Segment assets	208,722,772	23,430,203	165,767	33,943,598	266,262,340
Allocated assets	7,825,912	45,120	4,216,239	7,660,470	19,747,741
Total assets	216,548,684	23,475,323	4,382,006	41,604,068	286,010,081
Segment liabilities	(393,624)	-	(103,677)	(270,228,036)	(270,725,337)
Allocated liabilities	(235,210)	(1,356)	(126,721)	(230,237)	(593,524)
Total liabilities	(628,834)	(1,356)	(230,398)	(270,458,273)	(271,318,861)

38. Financial risk management

This section provides information of SHB'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 SHB is exposed are credit risk, liquidity risk and market risk.

(a) Risk management policy for financial instruments

SHB's orientation is to become a diversified financial group. Therefore, the use of financial instruments, including funding from customers (with deposit products and valuable papers issued) and investments in high quality financial assets has become key activities to help SHB gain necessary interest rate gaps. From the risk management perspective, SHB is required to maintain the structure of assets, liabilities and equity (including balance sheet items and off-balance sheet items) for the purpose of ensuring safety and mitigating risks in banking activities. In addition, SHB has invested in securities or granted credit facilities to other banks. The risks related to currency and interest rates have been managed through applying of position limits to restrict over-concentration and simultaneously participating in activities with balancing impact to minimise risks. By holding various assets being high quality financial instruments, the structure of SHB's consolidated balance sheet is able to protect SHB from significant risks during its business processes and ensure liquidity. In addition, SHB has been also involved in many hedging transactions related to financial instruments such as foreign currency swaps for the purpose of managing interest rate risk.

In the process of credit risk management, SHB has adopted the Credit Handbook which provides in details the lending policies and procedures as well as implementation guidance on standardization of SHB's credit activities. Liquidity risk is limited by holding appropriate amounts of cash and cash equivalents as Nostro accounts, term deposits at SBV and other credit institutions and valuable papers. The safety ratios with risk factors taken into account are also used to manage liquidity risk. SHB has regularly assessed interest rate gaps, compared to the gaps of domestic markets and international markets to make timely adjustments. In addition, the application of internal risk management processes has become more efficient owing to the deployment of Centralised Capital Management System and Centralised Payment System in which all capital and payment transactions of SHB are executed by the Head Office. Such centralisation has also helped SHB to monitor capital movements more effectively and reduce any possible errors and unnecessarily complicated procedures.

(b) Credit risk

SHB is subject to credit risk through its lending, investing activities and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees. The risk that counterparties might default on their obligations is monitored on an ongoing basis. SHB's primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the consolidated balance sheet. In addition, SHB is exposed to off balance sheet credit risk through commitments to extend credit and guarantees issued.

SHB has maintained a credit risk management policy to ensure the following basic principles are complied with:

- Establishing an appropriate environment for credit risk management;
- Operating in accordance with a healthy credit granting process;
- Maintaining an appropriate credit management, measurement and monitoring process; and
- Ensuring proper controls over credit risk.

SHB approves credit facilities through various levels to ensure that each credit is considered independently; concurrently, the approval of the loan is made on the basis of the credit limit assigned to each authorisation level. Besides, the credit approval model of SHB is maintained with the involvement of the Credit Committee to ensure centralised credit approval with the highest quality.

SHB is using the internal credit rating system which has been approved by the SBV as a management tool to control credit risk, according to which each customer is classified in a level of risk. The level of risk may be modified and updated frequently. Data and results of customer rating across the system are controlled and centrally managed at the Head Office. This is the basis for credit granting and provision of services to customers as well as making provision for credit risk in accordance with regulations.

Financial assets that are overdue but not impaired

Financial assets that are overdue but not impaired mainly comprise loans and advances to customers classified by SHB in Group 2 to Group 5 and overdue receivables under Circular 02 and Circular 09 that have sufficient collateral, including real estate, valuable papers and other collateral.

The maximum exposure to credit risk on balance sheet of SHB, excluding collaterals or credit support was as follows:

As at 30 June 2018

	Neither overdue nor impaired	Overdue but not impaired			Impaired	Total
		Overdue from 10 to 90 days	Overdue from 91 to 180 days	Overdue from 181 to 360 days		
Balances with SBV	2,106,015	-	-	-	-	2,106,015
Balances with and loans to other CIs – net	39,528,572	-	-	-	-	39,528,572
Trading securities – net	444,525	-	-	-	-	444,525
Loans and advances to customers – net	195,609,969	3,822,143	1,194,463	63,489	4,079,340	205,447,635
Investment securities – net	25,223,726	-	-	-	224,670	25,448,396
Other financial assets – net	17,719,570	-	1,301,068	-	1,940,182	20,960,820
	280,632,377	3,822,143	2,495,531	63,489	6,244,192	293,935,963

As at 31 December 2017

	Neither overdue nor impaired	Overdue but not impaired			Impaired	Total
		Overdue from 10 to 90 days	Overdue from 91 to 180 days	Overdue from 181 to 360 days		
Balances with SBV	3,742,659	-	-	-	-	3,742,659
Balances with and loans to other CIs – net	33,513,516	-	-	-	-	33,513,516
Derivative financial instruments	136,265	-	-	-	-	136,265
Loans and advances to customers – net	187,749,764	2,891,516	496,370	142,811	3,609,482	195,441,551
Investment securities – net	21,059,723	-	-	-	147,544	21,207,267
Other financial assets – net	22,494,699	-	-	-	-	22,494,699
	268,696,626	2,891,516	496,370	142,811	3,757,026	276,535,957

Details of collateral held by SBV at the period/year-end were as follows:

	30/6/2018	31/12/2017
	VND million	VND million
Real estates	274,985,747	180,743,105
Movable assets	19,281,816	44,428,824
Valuable papers	23,766,432	31,913,273
Other collaterals	170,143,314	228,243,002
	<hr/>	<hr/>
	488,177,309	485,328,204
	<hr/>	<hr/>

(c) Liquidity risk

Liquidity risk arises in the general funding of SHB'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.

SHB adopts a risk measurement method that is appropriate to its operation scale and the availability of the information system, ensuring meeting the requirements for the risk mitigation. It includes indicators related to cash flows, ability of capital mobilisation, and ability of asset liquidity of SHB. SHB also establishes and applies a limit system and decision authority at each level based on results of risk measurement for each category.

The following table provides an analysis of the assets and liabilities of SHB into relevant maturity groupings based on the remaining period from the balance sheet date to repayment date. In practice, the actual maturity of assets or liabilities may differ from contractual terms based on the addenda to the contracts which may exist.

As at 30 June 2018 (VND million)	Overdue		Not overdue					Total
	Overdue less than 3 months	Overdue more than 3 months	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	
Assets								
Cash and gold on hand	-	-	1,699,666	-	-	-	-	1,699,666
Balances with SBV	-	-	2,091,104	14,911	-	-	-	2,106,015
Balances with and loans to other CIs - gross	-	-	32,219,412	6,109,680	1,199,480	-	-	39,528,572
Securities held for trading – gross	-	-	451,004	-	-	-	-	451,004
Loans and advances to customers - gross	5,007,833	10,940,962	28,559,771	19,592,304	54,936,612	54,911,618	34,411,180	208,360,280
Investment securities - gross	150,000	-	33,598	-	3,806,350	13,768,866	9,605,524	27,364,338
Long-term investments	-	-	-	-	-	-	227,250	227,250
Fixed assets	-	-	811,504	145	8,749	180,027	2,977,571	3,977,996
Other assets – gross	1,926,309	-	17,514,339	1,272,142	4,495,155	253,851	8,262	25,470,058
	7,084,142	10,940,962	83,380,398	26,989,182	64,446,346	69,114,362	47,229,787	309,185,179
Liabilities								
Amounts due to the Government and State Banks	-	-	-	2,000,000	901,419	-	-	2,901,419
Deposits and borrowings from other CIs	-	-	28,524,389	7,739,745	4,624,483	359,758	80,332	41,328,707
Deposits from customers	-	-	65,544,305	49,779,949	96,578,203	7,731,328	3,201	219,636,986
Derivatives and other financial liabilities	-	-	42,849	-	-	-	-	42,849
Other borrowed and entrusted funds	-	-	79,861	56,512	144,923	492,199	547,659	1,321,154
Valuable papers issued	-	-	4,659,985	-	5,178,792	-	7,363,948	17,202,725
Other liabilities	-	-	5,961,601	-	-	-	-	5,961,601
	-	-	104,812,990	59,576,206	107,427,820	8,583,285	7,995,140	288,395,441
Net liquidity gap	7,084,142	10,940,962	(21,432,592)	(32,587,024)	(42,981,474)	60,531,077	39,234,647	20,789,738

Saigon – Hanoi Joint Stock Commercial Bank

No. 77 Tran Hung Dao, Hoan Kiem District, Hanoi, Vietnam

Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued)

Form B05a/TCTD-HN

(Issued under Circular No.49/2014-TT-NHNN

dated 31 December 2014 of the State Bank Governor)

As at 31 December 2017 (VND million)	Overdue		Not overdue					Total
	Overdue less than 3 months	Overdue more than 3 months	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	
Assets								
Cash and gold on hand	-	-	1,446,548	-	-	-	-	1,446,548
Balances with SBV	-	-	3,742,659	-	-	-	-	3,742,659
Balances with and loans to other CIs - gross	-	-	24,430,584	5,056,692	4,026,240	-	-	33,513,516
Derivatives and other financial assets	-	-	136,265	-	-	-	-	136,265
Securities held for trading – gross	-	-	3,889	-	-	-	-	3,889
Loans and advances to customers - gross	4,623,697	3,298,174	17,663,184	17,537,801	61,711,683	59,586,956	33,869,071	198,290,566
Investment securities - gross	150,000	-	33,599	-	2,489,040	13,557,465	6,721,106	22,951,210
Long-term investments	-	-	-	-	-	-	227,250	227,250
Fixed assets	-	-	811,584	2,342	15,491	153,589	2,969,311	3,952,317
Other assets – gross	3,626,455	721	16,204,082	1,875,293	4,761,060	286,886	8,623	26,763,120
	8,400,152	3,298,895	64,472,394	24,472,128	73,003,514	73,584,896	43,795,361	291,027,340
Liabilities								
Amounts due to the Government and State Banks	-	-	2,758,343	-	-	-	-	2,758,343
Deposits and borrowings from other CIs	-	-	35,053,842	11,407,248	6,257,516	261,492	20,321	53,000,419
Deposits from customers	-	-	62,362,701	42,185,113	83,890,973	6,447,810	3,173	194,889,770
Other borrowed and entrusted funds	-	-	6,882	27,856	105,430	456,246	467,747	1,064,161
Valuable papers issued	-	-	-	-	11,744,000	-	3,223,269	14,967,269
Other liabilities	-	-	4,638,899	-	-	-	-	4,638,899
	-	-	104,820,667	53,620,217	101,997,919	7,165,548	3,714,510	271,318,861
Net liquidity gap	8,400,152	3,298,895	(40,348,273)	(29,148,089)	(28,994,405)	66,419,348	40,080,851	19,708,479

(d) Market risks

(i) *Interest rate risk*

SHB's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature at different times or in differing amounts. Some assets have indefinite maturities or interest rate sensitivities and are not readily matched with specific liabilities.

SHB adopts a currency risk measurement method for all assets – liabilities items with respect to interest income. SHB also establishes and applies a limit system and decision authority at each level based on results of risk measurement for each category.

The following tables show SHB's assets and liabilities categorised by the contractual re-pricing or maturity date and the effective interest rates at the balance sheet date.

Time limit for repricing of effective interest rates is the remaining period from the end of the accounting period to the most recent repricing of effective interest rates of assets and equity items.

Saigon – Hanoi Joint Stock Commercial Bank
No. 77 Tran Hung Dao, Hoan Kiem District, Hanoi, Vietnam
Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued)

Form B05a/TCTD-HN
(Issued under Circular No.49/2014-TT-NHNN
dated 31 December 2014 of the State Bank Governor)

As at 30 June 2018 (VND million)	Overdue	Free of interest	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
Assets									
Cash and gold on hand	-	1,699,666	-	-	-	-	-	-	1,699,666
Balances with State Banks	-	-	1,950,405	155,610	-	-	-	-	2,106,015
Balances with and loans to other CIs – gross	-	-	32,219,412	6,109,680	1,199,480	-	-	-	39,528,572
Securities held for trading – gross	-	451,004	-	-	-	-	-	-	451,004
Loans and advances to customers –gross	15,948,795	-	78,740,395	84,963,565	13,715,721	7,197,490	6,709,157	1,085,157	208,360,280
Investment securities – gross	150,000	8,066,164	-	200,000	3,427,130	1,924,331	7,029,461	6,567,252	27,364,338
Long-term investments	-	227,250	-	-	-	-	-	-	227,250
Fixed assets	-	3,977,996	-	-	-	-	-	-	3,977,996
Other assets – gross	1,926,308	16,775,701	961,163	1,538,164	3,672,688	596,034	-	-	25,470,058
	18,025,103	31,197,781	113,871,375	92,967,019	22,015,019	9,717,855	13,738,618	7,652,409	309,185,179
Liabilities									
Amounts due to the Government and State Banks	-	-	-	2,000,000	901,419	-	-	-	2,901,419
Deposits and borrowings from other CIs	-	-	29,172,140	8,400,435	2,947,614	802,494	2,094	3,930	41,328,707
Deposits from customers	-	-	65,562,622	49,779,700	52,948,396	44,731,791	6,611,276	3,201	219,636,986
Derivatives and other financial liabilities	-	42,849	-	-	-	-	-	-	42,849
Other borrowed and entrusted funds	-	-	507,636	-	778,471	-	35,047	-	1,321,154
Valuable papers issued	-	-	4,659,985	-	4,109,000	1,069,792	1,000,594	6,363,354	17,202,725
Other liabilities	-	5,961,601	-	-	-	-	-	-	5,961,601
	-	6,004,450	99,902,383	60,180,135	61,684,900	46,604,077	7,649,011	6,370,485	288,395,441
Interest sensitivity gap	18,025,103	25,193,331	13,968,992	32,786,884	(39,669,881)	(36,886,222)	6,089,607	1,281,924	20,789,738

Saigon – Hanoi Joint Stock Commercial Bank
No. 77 Tran Hung Dao, Hoan Kiem District, Hanoi, Vietnam
Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued)

Form B05a/TCTD-HN
(Issued under Circular No.49/2014-TT-NHNN
dated 31 December 2014 of the State Bank Governor)

As at 31 December 2017 (VND million)	Overdue	Free of interest	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
Assets									
Cash and gold on hand	-	1,446,548	-	-	-	-	-	-	1,446,548
Balances with State Banks	-	-	3,742,659	-	-	-	-	-	3,742,659
Balances with and loans to other CIs – gross	-	-	24	5,056,692	3,958,965	67,275	-	-	33,513,516
Derivatives and other financial assets	-	136,265	-	-	-	-	-	-	136,265
Securities held for trading – gross	-	3,889	-	-	-	-	-	-	3,889
Loans and advances to customers –gross	7,921,871	-	63,617,993	87,724,107	17,485,187	13,213,372	7,573,437	754,599	198,290,566
Investment securities – gross	150,000	8,152,409	-	357	1,099,861	3,789,029	7,083,406	2,676,148	22,951,210
Long-term investments	-	227,250	-	-	-	-	-	-	227,250
Fixed assets	-	3,952,317	-	-	-	-	-	-	3,952,317
Other assets – gross	3,627,176	23,135,944	-	-	-	-	-	-	26,763,120
	11,699,047	37,054,622	91,791,236	92,781,156	22,544,013	17,069,676	14,656,843	3,430,747	291,027,340
Liabilities									
Amounts due to the Government and State Banks	-	-	2,758,343	-	-	-	-	-	2,758,343
Deposits and borrowings from other CIs	-	-	35,925,253	11,599,233	5,137,570	332,474	2,047	3,842	53,000,419
Deposits from customers	-	-	62,362,701	42,185,113	43,709,958	40,181,015	6,447,810	3,173	194,889,770
Other borrowed and entrusted funds	-	-	-	-	1,061,995	-	2,166	-	1,064,161
Valuable papers issued	-	-	-	-	5,185,000	6,559,000	1,000,634	2,222,635	14,967,269
Other liabilities	-	4,638,899	-	-	-	-	-	-	4,638,899
	-	4,638,899	101,046,297	53,784,346	55,094,523	47,072,489	7,452,657	2,229,650	271,318,861
Interest sensitivity gap	11,699,047	32,415,723	(9,255,061)	38,996,810	(32,550,510)	(30,002,813)	7,204,186	1,201,097	19,708,479

(ii) *Currency risk*

Currency risk is the risk that the value of a financial instrument fluctuates due to changes in foreign exchange rates. SHB was incorporated and operates in Vietnam, with Vietnamese Dong as its reporting currency. The major currency in which SHB transacts is Vietnamese Dong. SHB's loans and advances were mainly denominated in Vietnamese Dong and United States Dollar. However, some of SHB's other assets are in currencies other than Vietnamese Dong and United States Dollar. SHB's management has set limits on positions by currency based on the internal risk assessment system of SHB and regulations of the SBV. Positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

Saigon – Hanoi Joint Stock Commercial Bank
No. 77 Tran Hung Dao, Hoan Kiem District, Hanoi, Vietnam
Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued)

Form B05a/TCTD-HN
(Issued under Circular No.49/2014-TT-NHNN
dated 31 December 2014 of the State Bank Governor)

As at 30 June 2018 (VND million)	VND	USD	EUR	Other currencies	Total
Assets					
Cash and gold on hand	1,104,264	542,966	31,850	20,586	1,699,666
Balances with State Banks	571,164	1,384,828	-	150,023	2,106,015
Balances with and loans to other CIs – gross	36,413,377	2,317,248	234,560	563,387	39,528,572
Securities held for trading – gross	451,004	-	-	-	451,004
Loans and advances to customers – gross	193,775,408	13,654,138	46,078	884,656	208,360,280
Investment securities – gross	27,364,338	-	-	-	27,364,338
Long-term investments	227,250	-	-	-	227,250
Fixed assets	3,960,226	13,981	-	3,789	3,977,996
Other assets – gross	17,799,518	7,609,810	160	60,570	25,470,058
	281,666,549	25,522,971	312,648	1,683,011	309,185,179
Liabilities					
Amounts due to the Government and State Banks	2,901,419	-	-	-	2,901,419
Deposits and borrowings from other CIs	30,490,952	10,698,546	-	139,209	41,328,707
Deposits from customers	208,679,302	10,659,556	217,898	80,230	219,636,986
Derivatives and other financial liabilities	(6,977,960)	7,012,316	-	8,493	42,849
Other borrowed and entrusted funds	1,139,291	146,816	35,047	-	1,321,154
Valuable papers issued	17,202,725	-	-	-	17,202,725
Other liabilities	5,783,949	173,715	240	3,697	5,961,601
Capital and reserves	15,064,714	367,456	-	102,374	15,534,544
	274,284,392	29,058,405	253,185	334,003	303,929,985
FX position on balance sheet	7,382,157	(3,535,434)	59,463	1,349,008	5,255,194

Saigon – Hanoi Joint Stock Commercial Bank
No. 77 Tran Hung Dao, Hoan Kiem District, Hanoi, Vietnam
Notes to the consolidated financial statements for the six-month period ended 30 June 2018 (continued)

Form B05a/TCTD-HN
(Issued under Circular No.49/2014-TT-NHNN
dated 31 December 2014 of the State Bank Governor)

As at 31 December 2017 (VND million)	VND	USD	EUR	Other currencies	Total
Assets					
Cash and gold on hand	886,481	507,125	34,847	18,095	1,446,548
Balances with State Banks	2,347,912	1,394,747	-	-	3,742,659
Balances with and loans to other CIs – gross	28,574,001	4,059,295	106,368	773,852	33,513,516
Securities held for trading – gross	3,889	-	-	-	3,889
Derivatives and other financial assets	(5,757,288)	5,607,748	95,407	190,398	136,265
Loans and advances to customers – gross	183,260,221	14,318,366	18,850	693,129	198,290,566
Investment securities – gross	22,951,210	-	-	-	22,951,210
Long-term investments	227,250	-	-	-	227,250
Fixed assets	3,931,122	16,877	-	4,318	3,952,317
Other assets – gross	17,178,351	9,530,765	40	53,964	26,763,120
	253,603,149	35,434,923	255,512	1,733,756	291,027,340
Liabilities					
Amounts due to the Government and State Banks	2,758,343	-	-	-	2,758,343
Deposits and borrowings from other CIs	40,989,096	12,011,323	-	-	53,000,419
Deposits from customers	181,177,390	13,374,249	251,617	86,514	194,889,770
Other borrowed and entrusted funds	1,061,995	-	2,166	-	1,064,161
Valuable papers issued	14,967,269	-	-	-	14,967,269
Other liabilities	4,547,074	72,740	351	18,734	4,638,899
Capital and reserves	14,533,986	115,605	-	41,629	14,691,220
	260,035,153	25,573,917	254,134	146,877	286,010,081
FX position on balance sheet	(6,432,004)	9,861,006	1,378	1,586,879	5,017,259

39. Commitments

Leases

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

	30/6/2018	31/12/2017
	VND million	VND million
Up to one year	50,708	71,770
From more than one year to five years	273,788	230,368
More than five years	79,233	82,053
	<hr/>	<hr/>
	403,729	384,191
	<hr/>	<hr/>

40. Seasonal or cyclical factors

SHB's interim results of operation is not subject to seasonal or cyclical factors, except for the following items:

(a) Taxation

In accordance with current tax regulations, income tax is computed and finalised at the year-end. Interim period income tax expense is calculated at the rate of 20% of profit before tax for the interim period (six-month period ended 30/6/2017: 20%).

(b) Statutory reserves

Under prevailing regulations, the Bank is required to provide for statutory reserves annually. Therefore, the Bank did not provide for the statutory reserves for the six-month period ended 30 June 2018.

(c) Additional allowance in accordance with the specific accounting policies regarding allowance and reversal of interest receivables recognised for outstanding financial debts in accordance with the SHB-HBB Merging Scheme 2016 – 2020 (Note 4(c))

For the outstanding financial debts, mainly from HBB, the Bank has been approved by SBV for adoption of specific accounting policies based on the solutions for financial treatments suggested in the amended SHB-HBB Merging Scheme for the period 2016 - 2020.

For each of the years from 2016 to 2024, the Bank would make allowance for bad debts and reversal of recognised interest receivables with an amount at least equalling the amount determined in accordance with the Scheme for the aforesaid outstanding debts.

At the end of the year, if the performed profits exceed the target assigned by the General Meeting of Shareholders, the Bank would make additional allowance to an extent of the profit excess but not exceeding the current legally regulated level of allowances in order to shorten the duration of allowance made. For the six-month period ended 30 June 2018, the Bank did not provide this additional allowance as its results of operations for the whole year were not determined reliably.

41. Changes in accounting estimates

There are no significant changes in accounting estimates made by the Company in preparing these interim financial statements compared to those made in the most recent annual financial statements.

42. Unusual items

Except for the seasonal or cyclical factors described in Note 40, there are no significant unusual items incurred in the six-month period ended 30 June 2018.

43. Changes in the composition of SHB

There are no significant changes in the composition of SHB for the period from 1 January 2018 to the date of these interim financial statements.

27 August 2018

Prepared by:

Reviewed by

Approved by:

Le Thi Nu
*Deputy Head of
Accounting Department*

Ngo Thi Van
Chief Accountant

Ngo Thu Ha
Deputy Executive Officer

Nguyen Van Le
Chief Executive Officer