



**SOUTHEAST ASIA COMMERCIAL
JOINT STOCK BANK**

(Incorporated in the Socialist Republic of Vietnam)

**AUDITED CONSOLIDATED
FINANCIAL STATEMENTS**

For the year ended 31 December 2018



SOUTHEAST ASIA COMMERCIAL JOINT STOCK BANK

25 Tran Hung Dao, Hoan Kiem

Hanoi, S.R. Vietnam

TABLE OF CONTENTS

<u>CONTENTS</u>	<u>PAGE(S)</u>
STATEMENT OF THE BOARD OF MANAGEMENT	1 - 2
INDEPENDENT AUDITORS' REPORT	3 - 4
CONSOLIDATED BALANCE SHEET	5 - 7
CONSOLIDATED INCOME STATEMENT	8
CONSOLIDATED CASH FLOW STATEMENT	9 - 10
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	11 - 49



SOUTHEAST ASIA COMMERCIAL JOINT STOCK BANK

25 Tran Hung Dao, Hoan Kiem
Hanoi, S.R. Vietnam

STATEMENT OF THE BOARD OF MANAGEMENT

The Board of Management of Southeast Asia Commercial Joint Stock Bank (the "Bank") presents this report together with the Bank's consolidated financial statements for the year ended 31 December 2018.

BOARDS OF DIRECTORS AND MANAGEMENT

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

Board of Directors

Mr. Le Van Tan	Chairman (appointed on 12 April 2018)
Ms. Nguyen Thi Nga	Standing Vice Chairwoman
Ms. Le Thu Thuy	Vice Chairwoman (appointed on 12 April 2018)
Ms. Khuc Thi Quynh Lam	Vice Chairwoman
Mr. Hoang Minh Tan	Member
Mr. Bui Trung Kien	Member (appointed on 12 April 2018)
Ms. Ngo Thi Nhai	Independent member (appointed on 12 April 2018)

Board of Management

Ms. Le Thu Thuy	General Director (appointed on 10 May 2018) Deputy General Executive Director
Mr. Le Van Tan	(appointed on 08 February 2018, resigned on 12 April 2018)
Mr. Nguyen Canh Vinh	General Director (resigned on 08 February 2018)
Mr. Le Quoc Long	Standing Deputy General Director (appointed on 20 June 2018)
Ms. Nguyen Thi Thu Huong	Deputy General Director
Mr. Vu Dinh Khoan	Deputy General Director
Mr. Nguyen Ngoc Quynh	Deputy General Director
Ms. Tran Thi Thanh Thuy	Deputy General Director
Mr. Hoang Manh Phu	Deputy General Director (appointed on 20 June 2018)
Mr. Nguyen Huong Minh	Deputy General Director (resigned on 01 June 2018)

BOARD OF MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The Board of Management of the Bank is responsible for preparing the consolidated financial statements, which give a true and fair view of the consolidated financial position of the Bank as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime applicable to credit institutions and legal regulations relating to consolidated financial reporting. In preparing these consolidated financial statements, the Board of Management is required to:



STATEMENT OF THE BOARD OF MANAGEMENT (Continued)

BOARD OF MANAGEMENT'S STATEMENT OF RESPONSIBILITY (Continued)

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the consolidated financial statements;
- Prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business; and
- Design and implement an effective internal control system for the purpose of properly preparing and presenting the consolidated financial statements so as to minimize risks and frauds.

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

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

For and on behalf of the Board of Management,



Nguyen Thi Thu Huong
Deputy General Director

(According to Authorization Letter No. 37/2019/QĐ-
HDQT dated 15 January 2019)

Hanoi, 11 March 2019

No.: 668 /VN1A-HN-BC

INDEPENDENT AUDITORS' REPORT

To: **The shareholders**
 The Board of Directors and Board of Management
 Southeast Asia Commercial Joint Stock Bank

We have audited the accompanying consolidated financial statements of Southeast Asia Commercial Joint Stock Bank (the "Bank"), prepared on 11 March 2019 as set out from page 05 to page 49, which comprise the consolidated balance sheet as at 31 December 2018, the consolidated income statement and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT (Continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime applicable to credit institutions and legal regulations relating to consolidated financial reporting.

Other Matters

The consolidated financial statements of the Bank for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those statements on 31 March 2018.



Khúc Thị Lan Anh
Deputy General Director
Audit Practicing Registration Certificate
No. 0036-2018-001-1

Pham Tuan Linh
Auditor
Audit Practicing Registration Certificate
No. 3001-2019-001-1

DELOITTE VIETNAM COMPANY LIMITED

11 March 2019
Hanoi, S.R. Vietnam

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

Unit: VND million

NO.	ITEMS	Notes	Closing balance	Opening balance
A.	ASSETS			
I.	Cash, gold and gemstones	5	1,020,865	735,333
II.	Balances with the State Bank of Vietnam ("SBV")	6	1,704,282	3,409,370
III.	Placements with and loans to other credit institutions	7	19,139,676	17,229,949
1.	Placements with other credit institutions		16,376,487	15,168,298
2.	Loans to other credit institutions		2,763,189	2,061,651
IV.	Trading securities	8	7,221,868	4,460,342
1.	Trading securities		7,305,621	4,460,342
2.	Provisions for diminution in value of trading securities		(83,753)	-
V.	Derivatives financial instruments and other financial assets	9	-	10,911
VI.	Loans to customers		83,008,343	69,921,052
1.	Loans to customers	10	83,910,159	70,525,510
2.	Provisions for credit losses of loans to customers	11	(901,816)	(604,458)
VII.	Debt purchasing		32,201	41,832
1.	Purchased debt		41,832	41,832
2.	Provisions for credit risk of purchased debts	12	(9,631)	-
VIII.	Investment securities	13	20,533,761	22,060,211
1.	Available-for-sale investment securities		17,839,505	18,248,264
2.	Held-to-maturity investment securities		3,858,617	4,876,430
3.	Provisions for impairment of investment securities		(1,164,361)	(1,064,483)
IX.	Long-term investments, capital contribution	14	205,729	179,024
1.	Investments in associates		72,000	72,000
2.	Other long-term investments		191,423	107,024
3.	Provisions for diminution in value of long-term investments		(57,694)	-
X.	Fixed assets		775,512	374,686
1.	Tangible fixed assets	15	223,486	230,084
a.	Cost		603,837	571,560
b.	Accumulated depreciation		(380,351)	(341,476)
2.	Intangible assets	16	552,026	144,602
a.	Cost		671,058	242,951
b.	Accumulated amortization		(119,032)	(98,349)
XI.	Investment property	17	239,893	260,921
a.	Cost		245,769	266,115
b.	Accumulated depreciation		(5,876)	(5,194)
XII.	Other assets	18	6,605,060	6,325,329
1.	Other receivables		1,316,732	1,570,119
2.	Interest and fee receivables		2,842,938	2,525,250
3.	Other assets		2,460,013	2,238,918
	- In which: Goodwill	20	694,254	-
4.	Provisions for impairment of other balance sheet assets		(14,623)	(8,958)
TOTAL ASSETS			140,487,190	125,008,960

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

CONSOLIDATED BALANCE SHEET (Continued)*As at 31 December 2018**Unit: VND million*

STT	ITEMS	Notes	Closing balance	Opening balance
B.	LIABILITIES AND OWNERS' EQUITY			
I.	Borrowings from the Government and the SBV	19	7,282,152	310,758
II.	Deposits and borrowings from other credit institutions	21	29,248,786	32,601,506
1.	Deposits from other credit institutions		20,335,937	18,711,084
2.	Borrowings from other credit institutions		8,912,849	13,890,422
III.	Deposits from customers	22	84,344,557	80,039,516
IV.	Derivative financial instruments and other financial liabilities		70,230	-
V.	Grants, trusted funds and borrowings at risk of credit institutions		1,020	393
VI.	Valuable papers issued	23	8,105,000	3,728,000
VII.	Other liabilities	24	3,133,940	2,154,182
1.	Accrued fees and interest expenses		2,766,520	1,797,500
2.	Other payables and liabilities		367,420	356,682
TOTAL LIABILITIES			132,185,685	118,834,355
VIII.	Owners' equity	25	8,301,505	6,174,605
1.	Capital of credit institutions		7,688,000	5,465,881
a.	Charter capital		7,688,000	5,465,826
b.	Other funds		-	55
2.	Reserves		194,795	219,358
3.	Retained earnings		418,710	489,366
TOTAL LIABILITIES AND OWNERS' EQUITY			140,487,190	125,008,960

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

CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2018

Unit: VND million

OFF-BALANCE SHEET ITEMS

STT	ITEMS	Notes	Closing balance	Opening balance
1.	Loan guarantees	37	101,747	104,043
2.	Commitments for foreign exchange transaction	37	86,325,278	77,715,724
	Commitments to purchase foreign currency		14,218,893	12,821,780
	Commitments to sell foreign currency		14,217,592	12,856,973
	Commitments for cross currency swap transactions		57,888,793	52,036,971
3.	Letter of credit commitments	37	706,051	350,549
4.	Other guarantees	37	3,889,707	1,095,660
5.	Other commitments		8,434,600	5,515,574

Prepared by


Nghiem Thi Thu Nga
Preparer

11 March 2019

Approved by


Nguyen Thi Hoai Phuong
Chief Accountant

Approved by

Nguyen Thi Thu Huong
Deputy General Director

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

Unit: VND million

NO.	ITEMS	Notes	Current year	Prior year
1.	Interest and similar income	26	8,659,444	7,371,235
2.	Interest and similar expenses	27	(6,322,331)	(5,398,816)
I.	Net interest income		2,337,113	1,972,419
3.	Income from services		301,024	212,709
4.	Expenses on services		(115,173)	(147,231)
II.	Net profit from services	28	185,851	65,478
III.	Net gain from trading foreign currencies	29	32,258	7,570
IV.	Net gain from trading securities	30	49,672	57,643
V.	Net gain from trading investment securities	30	184,706	89,671
5.	Other operating income		29,392	2,201
6.	Other operating expenses		(9,305)	(1,177)
VI.	Net profit from other activities		20,087	1,024
VII.	Income from capital contribution, equity investments		1,994	1,970
VIII.	Operating expenses	31	(1,632,860)	(1,268,553)
IX.	Net profit from operating activities before credit provision expenses		1,178,821	927,222
X.	Provision expenses for credit losses		(556,384)	(545,991)
XI.	Profit before tax		622,437	381,231
7.	Current corporate income tax expenses	32	(129,091)	(76,373)
XII.	Corporate income tax expenses		(129,091)	(76,373)
XIII.	Profit after tax		493,346	304,858
XIV.	Basic earnings per share (VND)	33	785	489

Prepared by 



Nghiem Thi Thu Nga
Preparer

11 March 2019

Approved by



Nguyen Thi Hoai Phuong
Chief Accountant

Approved by



Nguyen Thi Thu Huong
Deputy General Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018

Unit: VND million

NO. ITEMS	Current year	Prior year
CASH FLOWS FROM OPERATING ACTIVITIES		
01. Interest and similar income received	8,343,246	6,976,212
02. Interest and similar expenses paid	(5,353,376)	(4,788,510)
03. Income from services	189,480	64,026
04. Net cash from dealing in foreign currencies, gold and trading securities	271,939	158,240
05. Other income	3,448	873
06. Receipts from debts written-off or paid off by risk fund	17,070	200
07. Payments to employees and for operating management	(1,551,687)	(1,210,140)
08. Corporate income tax paid	(75,021)	(47,081)
Operating profit before movements in assets and working capital	1,845,099	1,153,820
Movement in operating assets	(14,998,024)	(16,319,983)
09. Changes in placements with and loans to other credit institutions	(701,539)	2,397,823
10. Changes in securities trading	(1,838,178)	(7,241,362)
11. Changes in derivatives and other financial assets	-	(10,911)
12. Changes in loans to customers	(12,576,399)	(11,514,629)
13. Changes in provisions for credit losses of loans to customers	(202,924)	(48,986)
14. Changes in other operating assets	321,016	98,082
Movement in operating liabilities	11,998,597	20,699,570
15. Changes in borrowings from the Government and State Bank of Vietnam	6,971,394	(37,431)
16. Changes in deposits and borrowings from other credit institutions	(3,352,720)	11,822,471
17. Changes in deposits from customers (including State Treasury)	4,303,088	7,908,710
18. Changes in valuable papers (excluding valuable papers charged into financial activities)	4,377,000	828,000
19. Changes in grants, trusted funds and borrowings at risk of credit institutions	(393)	-
20. Changes in derivative financial instruments and other financial liabilities	81,141	(65,794)
21. Changes in other operating liabilities	(380,913)	242,215
22. Cash outflows from reserves of credit institutions	-	1,399
I. Net cash (used in)/generated by operating activities	(1,154,328)	5,533,407
CASH FLOWS FROM INVESTING ACTIVITIES		
01. Acquisition of fixed assets	(31,012)	(97,472)
02. Acquisition of investment properties	(9,882)	(21,264)
03. Proceeds from sales, disposal of investment properties	26,598	63,354
04. Equity investments in other entities	(688,500)	-
05. Receipts from investments in other entities	1,123	4,163
06. Dividends and profits received from long-term investments and capital contribution	1,994	1,970
II. Net cash (used in) investing activities	(699,679)	(49,249)

The accompanying notes are an integral part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT (Continued)*For the year ended 31 December 2018**Unit: VND million*

NO. ITEMS	Current year	Prior year
CASH FLOWS FROM FINANCING ACTIVITIES		
01. Increase in share capital from issuing stocks	1,642,640	
III. Net cash generated by financing activities	1,642,640	-
IV. Net (decrease)/increase in cash	(211,367)	5,484,158
V. Cash and cash equivalents at the beginning of the year	19,313,001	13,828,843
VI. Adjustment from exchange rate difference	-	-
VI. Cash and cash equivalents at the end of the year (Note 34)	19,101,634	19,313,001

Prepared by



Nghiem Thi Thu Nga
Preparer

11 March 2019

Approved by



Nguyen Thi Hoai Phuong
Chief Accountant

Approved by



Nguyen Thi Thu Huong
Deputy General Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

1. GENERAL INFORMATION

Southeast Asia Commercial Joint Stock Bank (the "Bank") is a commercial joint stock bank incorporated in the Socialist Republic of Vietnam under License of Establishment and Operation No. 0051/QD/NH-GP dated 25 March 1994 issued by the State Bank of Vietnam from the date of license with the term of 99 years.

Branch network and operations

The Head Office of the Bank is located at No. 25 Tran Hung Dao Street, Hoan Kiem District, Hanoi. As at 31 December 2018, the Bank has one (01) Head Office, one (01) Domestic Representative Office, thirty nine (39) branches, one hundred and twenty three (123) transaction offices across the country, two (02) subsidiaries and one (1) associate.

The Bank's main activities are to provide banking services including mobilizing and receiving short-term, medium-term, and long-term deposits from organizations and individuals; providing short-term, medium-term, and long-term loans based on the nature and capability of the Bank's sources of capital; providing payment, treasury and other services as approval of the State Bank of Vietnam; investing in associates, joint ventures and other companies; investing in bonds and conducting foreign exchange transactions in accordance with prevailing regulations.

Subsidiaries

In 2018, the Bank successfully acquired 100% of charter capital of Post and Telecommunication Finance Company Limited. As at 31 December 2018, the Bank has two (02) subsidiaries as follows:

Name	License of Establishment and Operation No.	Principal activities	% of ownership held by the Bank	Charter capital (million VND)
SeABank Asset Management Company Limited	01040044839 dated 16 December 2008 and 0103099985 dated 10 March 2011 by Hanoi Authority for Planning and Investment	Debt management and assets exploitation	100%	500,000
Post and Telecommunication Finance Company Limited	03/GP-NHNN issued according to Decision No. 340/1998/QD-NHNN dated 10 October 1998, amended and supplemented according to Decision No.519/QD-NHNN dated 26 May 2003 of the Governor of the State Bank	Financial services	100%	1,050,000

SOUTHEAST ASIA COMMERCIAL JOINT STOCK BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Associate

As at 31 December 2018, the Bank has 01 associate as follows:

Name	Licenses of Establishment and Operation	Principal activities	% of ownership held by the Bank	Charter capital (VND million)
Vietcombank – Cardif Life Insurance Company Limited	No. 55GP/KDBH dated 23 October 2008 by the Ministry of Finance.	Life insurance and reinsurance	12%	600.000

Employees

As at 31 December 2018, the total number of employees of the Bank is 3,706 (as at 31 December 2017: 3,222).

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

The accompanying consolidated financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, accounting regime applicable to credit institutions and legal regulations relating to consolidated financial reporting. However, due to the Bank's large scale of operation, for the purpose of preparing the consolidated financial statements, figures are rounded to and presented in millions of Vietnam Dong (million VND). This presentation does not have material effect on the consolidated financial statements in term of the consolidated financial position, consolidated results of operations and consolidated cash flows of the Bank and its subsidiaries. With regard to the number of shares and basic earnings per share, the Bank presented the items in unit as shown in Note 25 and 33.

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

Financial year

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

3. ADOPTION OF NEW ACCOUNTING GUIDANCE

On 29 September 2017, the State Bank of Vietnam (SBV) issued Circular No. 14/2017/TT-NHNN prescribing the method of calculating interest in activities of deposit and lending between credit institutions and customers, which come into effect from 01 January 2018. Accordingly, the accrued interest income of lending and accrued interest expenses of deposits between credit institutions and customers is carried out on a yearly basis of 365 days. The Bank applied this change in 2018.

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 of the chart of accounts of credit institutions issued in conjunction with Decision No. 479/2004/QĐ-NHNN dated 29 April 2004 and financial reporting regime applicable to credit institutions, issued in conjunction with Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 of the Governor of the SBV. Circular 22 is effective from 01 April 2018. The Bank has assessed the impact on comparative figures on the consolidated financial statements due to the change in exchange rate policy is immaterial. Therefore, the Bank does not re-state the comparative figures.

SOUTHEAST ASIA COMMERCIAL JOINT STOCK BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On 07 February 2018, the State Bank of Vietnam issued Circular No. 16/2018/TT-NHNN ("Circular 16") prescribing some articles on financial regime for credit institutions, foreign banks' branches. Circular 16 comes into effect from 26 March 2018. The Bank has adopted the regulations of Circular 16 in preparing and presenting the consolidated financial statements for the financial year ended 31 December 2018.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Accounting Estimates

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and enterprises controlled by the Bank (its subsidiaries) for the period ended 31 December 2016. Control is achieved where the Bank has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

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

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

All internal transactions and balances the Bank and its subsidiary are eliminated on consolidation.

Business combinations

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

Goodwill

Goodwill on the consolidated financial statements is the excess of the consolidated cost of business versus the Bank's interest in the total fair value of the assets, liabilities and potential liabilities of the subsidiary at the date of investment operation. Goodwill is considered an intangible asset, is amortized on a straight-line basis over the estimated useful life of goodwill that is 10 years.

When selling a subsidiary, the residual value of the goodwill is included in the profit/loss of the corresponding sale.

SOUTHEAST ASIA COMMERCIAL JOINT STOCK BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Financial instruments

Initial recognition

Financial assets

At the date of initial recognition, financial assets are recognized at cost plus transaction costs that are directly attributable to the acquisition of the financial assets.

Financial assets of the Bank comprise cash, gold, gemstones, balances with the State Bank of Vietnam, placements with and loans to other credit institutions, trading securities, loans to customers, purchased debts, investment securities, other long-term investments, interest and fee receivables, other receivables and other assets.

Financial liabilities

At the date of initial recognition financial liabilities are recognized at cost plus transaction costs that are directly attributable to the issue of the financial liabilities.

Financial liabilities of the Bank comprise borrowings from the Government and the State Bank of Vietnam, deposits and borrowings from other credit institutions, customer deposits, grants, trusted funds and borrowings at risk of credit institution, derivative financial instruments and other financial liabilities, valuable papers issued, accrued fees and interest expenses, and other payables and liabilities.

Subsequent measurement after initial recognition

Currently, there are no requirements for the subsequent measurement of the financial instruments after initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash and cash equivalents on hand, demand deposits, term deposits and shortterm investments with original terms of less than 3 months that are highly-liquid and readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Loans to customers and purchased debts

Loans to customers and purchased debts are disclosed at their principal amounts outstanding at the end of the financial year.

Provision for credit losses

Loan classification

In accordance with Law on Credit Institutions No. 47/2010/QH12 effective from 01 January 2011, Circular No. 39/2016/TT-NHNN dated 30 December 2016 of the SBV on lending by credit institutions and foreign bank's branches to customers, Circular 02/2013/TT-NHNN ("Circular 02") dated 21 January 2013 of the SBV on stipulating classification of assets, levels and method of provisioning and use of provision against credit risk in banking activities by credit institutions and branches of foreign banks, and Circular No.09/2014/TT-NHNN ("Circular 09") dated 18 March 2014 on amending and supplementing a number of regulations under Circular 02 on classification of assets, levels and method of provisioning and use of provision against credit risk in banking activities by credit institutions and branches of foreign banks, credit institutions are required to classify loans and make provisions for credit losses. The classification and provision making for credit losses under Circular 02 and Circular 09 are applied for the following assets:

- Loans;
- Finance lease;
- Discounts, rediscounts of negotiable instruments and other valuable papers;

SOUTHEAST ASIA COMMERCIAL JOINT STOCK BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

The Bank performs the classification of loans based on the highest risk category amongst the internally classified results of the Bank using the quantitative method as stipulated in Article 10 of Circular 02 and the loan category provided by the National Credit Information Centre of Vietnam (CIC). Accordingly, loans are graded using the following risk classifications: Current, Special-mentioned, Sub-standard, Doubtful and Loss based on the overdue status and other qualitative factors.

Net credit risk exposure of loans to customers is calculated by subtracting from the loan balance the determined value of collateral which is subject to discount rates in accordance with Circular 02.

Specific provision

Specific provision is established based on the net credit risk exposure for loans using the prescribed provision rates applicable to these loan classifications as follows:

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

In accordance with Circular 02, loan classification is to be made at the end of each quarter for the first three quarters and on 30 November for the last quarter of each financial year.

General provision

In accordance with Circular 02, general provision is made for credit losses which are yet to be identified during the loan classification and specific provision making process as well as in case of the Bank's potential financial difficulty due to deterioration in loan quality. General provision in the consolidated financial statements is made at 0.75% of total loan balances from Group 1 to Group 4 as at 30 November of that year.

These provisions are recorded in the consolidated income statement as an expense that will be used to write off any credit losses incurred. According to Circular 02, the Bank sets up Risk Settlement Committee in order to write off loans if they are classified under Group 5 or if the borrowers being legal entities are liquidated or go bankrupt, or if individual borrowers pass away or are missing.

SOUTHEAST ASIA COMMERCIAL JOINT STOCK BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Provision for off balance sheet commitments

According to Circular 02 and Circular 09 issued by the State Bank of Vietnam, the Bank is required to classify guarantee amounts, payment acceptances, lending commitments which are unconditional and irrevocable and have specific date of implementation (hereinafter referred to as off-balance sheet commitments) as prescribed in Article 10 of Circular 02. Accordingly, the off-balance sheet commitments are graded using the following risk classifications: Current, Special-mentioned, Sub-standard, Doubtful and Loss based on the overdue status and other qualitative factors. However, the Bank does not make provisions for these off-balance sheet commitments.

Investments

Trading securities

Trading securities include debt securities, equity securities and other securities that the Bank bought and had the intention to sell in the near future in order to gain benefits from price differences. Trading securities are recognized at cost at the date of transaction and subsequently recorded at cost. Interest and cash dividends received from trading securities are recognized on the cash basis in the consolidated income statement.

These securities are subject to impairment review at the date of the consolidated financial statements. Securities that are classified as assets are provided for in accordance with Circular 02. Securities that are not classified as assets are provided for in accordance with Circular No. 228/2009/TT-BTC dated 07 December 2009 and Circular No. 89/2013/TT-BTC dated 28 June 2013 issued by the Ministry of Finance on amending and supplementing of Circular No.228/2009/TT-BTC. In case the market values are undeterminable, no provision will be made. Provision for impairment losses is recognized in the consolidated income statement as "Net gain/(loss) from purchase/sale of trading securities".

Held-to-maturity securities

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

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

In subsequent period, held-to-maturity investment securities are recognised at par value, any discount or surplus (if any) is amortised in the consolidated income statement using straight-line method over the estimated remaining term of securities.

Interest payment in arrears is recorded as follows: accumulative interest income before purchasing date is recorded as a decrease in value of such securities and the same amount is credited into accrued interest; accumulative interest income after purchasing date is recognised as the Bank's income, based on accrual basis. Interest received upfront is recognised and amortized in interest income of securities investment using straight-line method over investment period.

SOUTHEAST ASIA COMMERCIAL JOINT STOCK BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Bad debts trading transactions between Vietnam Asset Management Company ("VAMC") and credit institutions

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

Periodically, the Bank shall determine and make provision for those special bonds in accordance with the regulations stipulated in Decree No. 53/2013/ND-CP ("Decree 53") dated 18 May 2013 of the Government, Circular No. 19/2013/TT-NHNN dated 06 September 2013 ("Circular 19") and Circular No.14/2015/TT-NHNN dated 28 August 2015 ("Circular 14") of the State Bank of Vietnam on amending and supplementing several articles of Decree 53, Circular 19 and Circular No.18/2016/ND-CP dated 18 March, 2018 on amending and supplementing several articles of Circular 53. Accordingly, during the term of the special bonds, the Bank shall record the provision for impairment of those special bonds in the operating expenses. Every year, within 05 working days preceding the day corresponding to the date of the special bond maturity date, the Bank shall make specific minimum provision for each individual special bond calculated by the following formula:

Specific provision made in the year = (Face value of the special bonds x Number of years from issuance of special bonds)/Term of the special bonds - Accrued bad debt repayment up to provision time - Accumulated specific provision for special bonds up to provision time.

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

The VAMC special bonds are redeemed in the following cases:

- a) The provision made for special bonds is not lower than the carrying amount of outstanding principal of the bad debts being recorded by VAMC, including the cases below:
 - (i) VAMC sells bad debts to other organizations and individuals, including the selling back the bad debts bought with special bonds to debt-selling credit institutions at market prices or agreed prices;
 - (ii) VAMC converts all bad debts bought into charter capital, share capital of borrowers being companies.
- b) The special VAMC bonds are matured: When the special bonds are redeemed and the Bank receives the previously sold debts from VAMC, the Bank might use the provision made annually for special bonds to settle bad debts. The difference between provisions made for special bonds and unrecoverable amount of debts is recorded as "Other operating income" in the consolidated income statement.

Available-for-sale investment securities

Available-for-sale investment securities include debt securities or equity securities that the Bank holds for investment purpose and that are ready for sale. These securities are not frequently traded but could be sold at any time once they are profitable. The Bank is not a founding shareholder; or a strategic partner of the invested enterprise through a written agreement to appoint personnel to join the Board of Directors/Executive Board.

SOUTHEAST ASIA COMMERCIAL JOINT STOCK BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Debt securities are initially recognised at par value as at the transaction date. Accrued interest income before the purchasing date (for debt securities with interest payment in arrears) or interest income received upfront (for debt securities with interest payment in advance) is recorded in a separate account. Any discount or premium which is the negative/positive difference between par value and the amount equal to par value plus (+) accumulative interest income before the purchasing date or minus (-) interest received upfront which is also recorded in a separate account.

During the holding period, available-for-sale debt securities are recorded at par value minus/plus remaining discount/premium after amortising into the interim consolidated income statement using the straight-line method over the remaining term of securities. Interest payment in arrears is recorded as follows: accumulative interest income before the purchasing date is recorded as a decrease in the value of such securities and the same amount is credited into the accrued interest income; accumulative interest income after the purchasing date is recognised in the Bank's income, on an accrual basis. Interest received upfront is amortised into the consolidated income statement using the straight-line method over the investment period.

Provision for impairment of investment securities

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

Other investments in unlisted corporate bonds are classified and made provision in accordance with Circular No. 02/2013/TT-NHNN and Circular No. 09/2014/TT-NHNN (similar to loans presented in **Provision for credit losses**).

Except for cases above, provision for impairment of investment securities is made in accordance with Official Letter No. 2601/NHNN-TCKT dated 14 April 2009 issued by the SBV and Circular No. 228/2009/TT-BTC dated 07 December 2009 issued by the Ministry of Finance.

Investments in associates

An associate is an entity over which the Bank has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Investments in associates are carried in the consolidated balance sheet at cost less provision for impairment of such investments (if any). Provisions for impairment of investments in associates are made in accordance with Circular No. 228/2009/TT-BTC dated 07 December 2009 issued by the Ministry of Finance on "Guiding the appropriation and use of provisions for devaluation of inventories, loss of financial investments, bad debts and warranty for products, goods and construction works at enterprises", Circular No. 89/2013/TT-BTC dated 28 June 2013 by the Ministry of Finance amending and supplementing Circular No. 228/2009/TT-BTC and prevailing accounting regulations.

SOUTHEAST ASIA COMMERCIAL JOINT STOCK BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other long-term investments

Other long-term investments represent the investments in unlisted equity securities and other entities in which the Bank holds less than 11% of the voting right and the Bank has no significant influence, control or joint control over the investee. The long-term investments are recognized at cost less provision (if any).

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

Recognition

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

Investment securities and other investments are recorded at cost. After initial recognition, investment securities and other investments are recorded under the above accounting policies.

Derecognition

Investments in securities are derecognised when the rights to receive cash flows from the investments are ended or when the Bank has transferred significant risks and benefits attached to the ownership of the investments. Upon derecognition, the value of derecognised investments is determined using the weighted average method.

Trust activities and trust funds

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

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of purchased tangible fixed assets comprises their purchase prices and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Expenditure incurred after the tangible fixed assets have been put into operation such as repairs, maintenance and overhaul costs is charged to the consolidated income statement as incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of tangible fixed assets beyond its originally assessed standard of performance, the expenditure is capitalized as an additional cost of tangible fixed assets.

SOUTHEAST ASIA COMMERCIAL JOINT STOCK BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

<u>Asset types</u>	<u>Years</u>
Buildings and architectures	20
Machinery	05 - 15
Motor vehicles	05 - 12
Office equipment	05 - 12
Others	05 - 12

Loss or gain resulting from sales and disposals of tangible fixed assets is the difference between proceeds from sales or disposals of assets and their residual values and is recognized in the consolidated income statement.

Intangible assets and amortization

Intangible assets comprise of land use rights granted with indefinite term which are not amortized; computer software which are stated at cost less accumulated amortization.

Intangible assets are amortized using the straight-line method over the following estimated useful lives, details as below:

<u>Asset types</u>	<u>Years</u>
Land use rights granted with indefinite term	Not amortised
Computer software	3 - 15

Loss or gain resulting from sales and disposals of intangible assets is the difference between profit from sales or disposals of assets and their residual values and is recognized in the consolidated income statement.

Investment properties

Investment properties, which are composed of land use rights and buildings and structures held by the Bank to earn rentals or for capital appreciation, are stated at cost less accumulated depreciation. The cost of purchased investment properties comprises its purchase price and any directly attributable expenditures, such as professional fees for legal services, property transfer taxes and other related transaction costs. The costs of investment properties are the finally accounted construction or directly attributable costs of the properties. The Bank does not charge amortization on land use rights with infinite term. Investment properties which are buildings and structures are depreciated on a straight-line basis over the estimated useful lives from 10 to 20 years.

Leasing

A lease is considered an operating lease when the lessor still be awarded the majority of the benefits and bears the risk of property ownership. Rental income from operating leases is recognized on a straight-line basis over the term of the lease. The initial direct costs incurred in the negotiation process of operating lease contracts are recorded into the residual value of the leased assets and accounted for on a straight-line basis over the term of the lease. Operating lease expenses are recognized in the consolidated income statement on a straight-line basis over the term of the lease.

SOUTHEAST ASIA COMMERCIAL JOINT STOCK BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A lease is considered a finance lease when the majority of property rights and risks are transferred to the lessee. All other leases are considered operating leases. Finance lease expenses are recognized in the consolidated income statement on a straight-line basis over the term of the lease.

Prepayments

Prepayments comprise of prepaid expenses for office rental and other prepaid expenses.

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

Other long-term prepayments include repair, maintenance cost for assets, costs of tools and supplies issued for consumption, and are considered to bring future economic benefits to the Bank. These expenses are capitalized as prepayments and are charged to the consolidated income statement, using the straight-line method over the period of more than one year but not exceeding three years in accordance with prevailing accounting regulations.

Receivables

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

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

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

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

Capital and reserves

Common stocks

Common stocks are classified as owners' equity. Incurred expenses that directly relate to the issuance of common stocks are recognized as a decrease in owners' equity.

Share premium

When capital is received from shareholders, the difference between selling price and par value is recorded as share premium in owners' equity.

Treasury shares

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

SOUTHEAST ASIA COMMERCIAL JOINT STOCK BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Reserves

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

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

Revenue and expenses

Interest income

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

The accrued interest income arising from the loans that is classified from either group 2 to group 5 according to the criteria set out in Circular 02 and Circular 09 is not recognized in the consolidated income statement for the year. Accrued interest income of impaired loans is recorded as off-balance sheet item and is only recognized in the consolidated income statement when it is actually received.

Interest expense

Interest expenses are recorded in the consolidated income statement on accrual basis.

Income from fees and commissions

Income from fees and commissions are recognized in the income statement on an accrual basis.

Income from services

Revenue of a transaction involving the rendering of services is recognized when the outcome of such transactions can be measured reliably. Where a transaction involving the rendering of services is attributable to several periods, revenue is recognized in each period by reference to the percentage of completion of the transaction at the balance sheet date of that period. The outcome of a transaction can be measured reliably when all four (4) following conditions are satisfied:

- a) The amount of revenue can be measured reliably;
- b) it is probable that the economic benefits associated with the transaction will flow to the Bank;
- c) the percentage of completion of the transaction at the balance sheet date can be measured reliably; and
- d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

SOUTHEAST ASIA COMMERCIAL JOINT STOCK BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Recognition of dividends and profit received

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

Foreign currencies

Transactions arising in currencies other than VND are converted into VND at the exchange rates ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into VND at the average spot transfer rate of buying and selling at the end of the working day of the consolidated balance sheet date if the exchange rate is different less than 1% of the weighted average selling and buying rate of that day. In case the average spot transfer rate for buying and selling at the end of the working day of the consolidated balance sheet date is greater than or equal to 1% of the weighted average rate of buying and selling of that day, the Bank uses the weighted average rate of buying and selling of the consolidated balance sheet date to be converted. Income and expenses in foreign currencies of the Bank are translated into VND at the average exchange rate of buying and selling spot transfer at the time of arising transactions or the average spot rate of all changes of exchange rates at the date of transaction. Foreign exchange differences arising from revaluation of these accounts are recorded in the item "Foreign exchange differences" on Equity section. At the end of the fiscal year, the exchange rate difference is transferred to the consolidated income statement of that fiscal year.

Other provisions

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

Taxation

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

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

Deferred tax is recognized on differences between carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all temporary differences except that deferred tax liabilities arise from initial recognition of an asset or a liability of a transaction which does not affect the accounting profit or taxable profit (or loss) at the transaction date. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized.

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

SOUTHEAST ASIA COMMERCIAL JOINT STOCK BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

Employee's benefits

Severance allowance

According to Article 48 of the Labor Code dated 18 June 2012, the Bank is responsible for paying severance allowances to employees who have worked full time for full 12 months or longer at the rate of half of a month's wage for each working year. The working period used for the calculation of severance allowance does not include the period during which the employee benefits from unemployment insurance and the working period for which the employee has received severance allowance from the employer.

Job-loss allowance

According to Article 49 of the Labor Code, the Bank is responsible for paying job loss allowances to employees who have worked regularly for 12 months or longer and lose their jobs due to changes in their structure and technology, economic reasons, merger, consolidation and split of enterprises. The job-loss allowance is equal to 1 month's wage for each working year, but must not be lower than 2 months' wage. The working period for the calculation of job-loss allowance does not include the period during which the employee benefits from unemployment insurance and the working period for which the employer has paid a severance allowance to the employee.

Unemployment insurance

According to the Law on Employment No. 38/2013/QH13 dated 16 November 2013, the Bank is obliged to pay unemployment insurance premiums equal to 1% of the monthly wage fund of the employees currently participating in unemployment insurance.

Currency derivatives contracts

Forward and swap contracts

For currency forward, swap and future contracts, the difference of VND amounts equivalent to the foreign currencies committed for trading between forward exchange rate and spot exchange rate as at effective date of the contract is recognized as "Derivative instruments and other financial assets" when it is positive, or as "Derivative instruments and other financial liabilities" when it is negative. The difference is subsequently amortized in the consolidated income statement as "Net gain/(loss) from trading foreign currencies" over the term of the contracts. As at the consolidated balance sheet date, commitments of currency forward, swap and future contracts are re-measured using the official inter-bank exchange rate announced by the State Bank of Vietnam. Gain or loss from revaluation is recorded in "Net gain/loss from trading foreign currencies".

SOUTHEAST ASIA COMMERCIAL JOINT STOCK BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Related parties

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

- (a) Directly or indirectly through one or more intermediaries, the party:
 - Has capability to control the Bank or is controlled by the Bank (including holding company and subsidiaries);
 - Has capital contribution into the Bank that accordingly, gives it significant influence over the Bank;
 - Has joint control over the Bank.
- (b) The party is a joint venture in which the Bank is a venturer;
- (c) The party is a close member of the Bank's Board of Directors, Board of Management and Board of Supervisors;
- (d) The party is a close member of the family of any individual referred to in (a) or (c);
- (e) The party is the one that the Bank is controlled, jointly controlled or significantly influenced by, or of which, significant voting power in the Bank resides with, directly or indirectly, any individual referred to in (c) or (d).

Off-balance sheet commitments and guarantees

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

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

5. CASH, GOLD AND GEMSTONES

	Closing balance	Opening balance
	VND million	VND million
Cash in VND	672,316	589,544
Cash in foreign currencies	347,941	144,084
Other precious metal and gemstones	608	1,705
	1,020,865	735,333

6. BALANCES WITH THE STATE BANK OF VIETNAM

	Closing balance	Opening balance
	VND million	VND million
Current account at the State Bank of Vietnam in VND	1,354,025	3,112,384
Current account at the State Bank of Vietnam in foreign currencies	350,257	296,986
	1,704,282	3,409,370

Deposit at the State Bank of Vietnam ("SBV") consists of compulsory reserves for deposits and current accounts.

SOUTHEAST ASIA COMMERCIAL JOINT STOCK BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. PLACEMENTS WITH AND LOANS TO OTHER CREDIT INSTITUTIONS

	<u>Closing balance</u>	<u>Opening balance</u>
	<u>VND million</u>	<u>VND million</u>
Placements with other credit institutions		
Demand deposits	10,845,428	8,432,513
- In VND	10,608,885	7,822,347
- In foreign currencies	236,543	610,166
Term deposits	5,531,059	6,735,785
- In VND	4,649,000	5,367,860
- In foreign currencies	882,059	1,367,925
	16,376,487	15,168,298
Loans to other credit institutions		
Loans in VND	2,763,189	2,061,651
	2,763,189	2,061,651
Total placement with and loans to other credit institutions	19,139,676	17,229,949

Analysis of loans, term deposits at other credit institutions by quality

	<u>Closing balance</u>	<u>Opening balance</u>
	<u>VND million</u>	<u>VND million</u>
Current loans	8,294,248	8,797,436
	8,294,248	8,797,436

8. TRADING SECURITIES

	<u>Closing balance</u>	<u>Opening balance</u>
	<u>VND million</u>	<u>VND million</u>
Debt securities	7,100,889	4,460,342
Government bonds	6,468,719	4,170,298
Debt securities issued by other local credit institutions	228,130	290,044
Debt securities issued by local business entities	404,040	-
Equity securities	204,732	-
Equity securities issued by local business entities	204,732	-
	7,305,621	4,460,342
General provision of debt securities issued by issued by local business entities	(4,583)	-
Provision for impairment of equity securities issued by local business entities	(79,170)	-
	7,221,868	4,460,342

SOUTHEAST ASIA COMMERCIAL JOINT STOCK BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. DERIVATIVES AND OTHER FINANCIAL ASSETS/(LIABILITIES)

	Total contract value (at exchange rate as of valid date of contract)	Net book value (at exchange rate as of reporting date)		
		Assets	Liabilities	Net value
	VND million	VND million	VND million	VND million
As at 31/12/2018				
Currency derivative financial instruments	37,157,989	37,402,456	37,472,686	(70,230)
Currency forward	9,099,723	9,313,389	9,293,580	19,809
Currency swap	26,777,866	26,812,167	26,906,406	(94,239)
Interest swap	1,280,400	1,276,900	1,272,700	4,200
As at 31/12/2017				
Currency derivative financial instruments	27,179,067	27,348,603	27,337,692	10,911
Currency forward	4,992,218	4,994,841	4,970,925	23,916
Currency swap	22,186,849	22,353,762	22,366,767	(13,005)

10. LOANS TO CUSTOMERS

Types of loans

	Closing balance	Opening balance
	VND million	VND million
Loans to local business entities and individuals	82,777,403	69,375,485
Loans by grants, investment trusts	360	1,283
Loans to foreign organisations and individuals	431,214	430,560
Outstanding loans pending for resolution	701,182	718,182
	83,910,159	70,525,510

Analysis of loan balances by quality

	Closing balance	Opening balance
	VND million	VND million
Current loans	81,796,133	69,089,510
Special-mentioned loans	147,091	123,079
Sub-standard loans	355,356	203,597
Doubtful loans	537,625	116,282
Loss loans	372,772	274,860
Outstanding loans pending for resolution	701,182	718,182
	83,910,159	70,525,510

SOUTHEAST ASIA COMMERCIAL JOINT STOCK BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Analysis of loan balances by type of business entity

	Closing balance	Opening balance
	VND million	VND million
State-owned enterprises	1,371,908	1,547,476
State-owned one-member limited enterprises	612,711	1,145,608
Other limited companies	21,214,183	16,632,246
Joint stock companies with more than 50% of the State's share-holding	1,808,297	2,814,448
Other joint stock companies	39,504,275	30,501,015
Partnership companies	32,672	27,267
Private companies	944,335	1,039,049
Foreign invested enterprises	473,775	2,927,944
Cooperatives, cooperative unions	6,789	16,461
Household businesses, individuals	17,899,837	13,764,053
Administrative units, Party, unions and associations	41,377	109,943
	83,910,159	70,525,510

Analysis of loan balances by industry

	Closing balance	Opening balance
	VND million	VND million
Agriculture, forestry and aquaculture	880,830	871,305
Mining	1,479,254	1,787,743
Manufacturing and processing	7,287,551	7,775,449
Electricity, petroleum & hot water manufacturing and distribution	2,317,980	3,469,337
Water supplying, garbage and sewage treatment and management	2,088	13,506
Construction	2,304,334	1,562,693
Wholesale and retail trade, repair of motor vehicles, motor cycles	16,704,918	10,813,668
Transport, warehouse	2,007,518	2,827,899
Hospitality services	9,672,004	6,815,451
Information and communications	108,671	69,334
Financial, banking and insurance	300,555	137,757
Real estates	5,521,582	5,280,320
Profession, science and technology	4,318,321	4,401,953
Administrative activities and supporting service	414,970	562,411
Activities of Party, socio-political organization, state management, security and national defense, social guarantee	7,356	75,996
Education and training	15,702	143,996
Health care and social work	278,834	166,775
Recreational, culture, sporting activities	8,851,162	7,419,081
Other service activities	6,121,262	6,261,811
Households	15,315,267	10,069,025
	83,910,159	70,525,510

SOUTHEAST ASIA COMMERCIAL JOINT STOCK BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Analysis of loan balances by terms

	Closing balance	Opening balance
	VND million	VND million
Short-term loans	22,017,476	13,180,554
Medium-term loans	35,960,192	30,951,570
Long-term loans	25,231,309	25,675,204
Outstanding loans pending for resolution	701,182	718,182
	83,910,159	70,525,510

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

Analysis of loan balances by currency

	Closing balance	Opening balance
	VND million	VND million
Loans in VND	80,710,852	67,378,911
Loans in foreign currencies	3,199,307	3,146,599
	83,910,159	70,525,510

11. PROVISIONS FOR CREDIT LOSSES OF LOANS TO CUSTOMERS

Movement in provision for credit losses of loans to customers:

	General provision	Specific provision	Total
	VND million	VND million	VND million
Opening balance	506,454	98,004	604,458
Impact of subsidiary consolidation	-	41,631	41,631
Provision charged for the period	83,453	375,198	458,651
Deduction of provision during the year	-	(202,924)	(202,924)
Closing balance	589,907	311,909	901,816

12. PROVISIONS FOR LOSSES OF PURCHASED DEBTS

	General provision	Specific provision	Total
	VND million	VND million	VND million
Opening balance	-	-	-
Provision charged for the year	-	9,631	9,631
Closing balance	-	9,631	9,631

SOUTHEAST ASIA COMMERCIAL JOINT STOCK BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. INVESTMENT SECURITIES

	Closing balance	Opening balance
	VND million	VND million
Available-for-sale investment securities	17,839,505	18,248,264
Debt securities	17,751,132	18,248,264
Government bonds	8,084,233	9,340,171
Debt securities issued by other local credit institutions	4,435,812	4,195,438
Debt securities issued by local business entities	3,681,087	3,012,655
Certificates of deposit issued by local credit institutions	1,550,000	1,700,000
Equity securities	88,373	-
Equity securities issued by local business entities	88,373	-
Held-to-maturity investment securities	3,858,617	4,876,430
Debt securities issued by local business entities (i)	3,858,617	4,876,430
	21,698,122	23,124,694
General provision of available-for-sale investment securities	(9,676)	(20,346)
Provision for impairment of equity securities issued by local business entities	(3,246)	-
Provision for impairment of held-to-maturity investment securities	(1,151,439)	(1,044,137)
	20,533,761	22,060,211

Special bonds issued by VAMC

	Closing balance	Opening balance
	VND million	VND million
Par value of special bonds	3,539,254	4,557,066
Provision for special bonds	(1,151,439)	(1,044,137)
	2,387,815	3,512,929

Quality status of bonds issued by unlisted companies

	Closing balance	Opening balance
	VND million	VND million
Current loans	3,681,087	3,012,655

SOUTHEAST ASIA COMMERCIAL JOINT STOCK BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. LONG-TERM INVESTMENTS, CAPITAL CONTRIBUTION

Detail of other long-term investments are as follows:

	Closing balance			Opening balance		
	Par value	Carrying value	Owner-ship interest held by the Bank	Par value	Carrying value	Owner-ship interest held by the Bank
	VND million	VND million	%	VND million	VND million	%
Business entities						
National Payment Corporation of Vietnam	2,600	2,000	0.83	2,600	2,000	0.83
Bao Minh Securities Joint stock Company	15,000	15,000	3.00	15,000	15,000	5.00
AJC Joint Stock Company	20,600	24,102	10.00	20,600	24,102	10.00
Thua Thien Hue Oil and Gas Petroleum JSC	4,800	4,800	6.00	4,800	4,800	6.00
Saigon Oil and Gas Petroleum	10,000	10,000	5.00	10,000	10,000	5.00
Vung Tau Oil and Gas Petroleum JSC	10,000	10,000	8.33	10,000	10,000	8.33
Phu My Oil and Gas Production and Processing JSC	11,000	11,000	2.20	11,000	11,000	2.20
Tay Ninh Oil and Gas Petroleum JSC	12,470	12,470	9.59	12,470	12,470	9.59
Thai Binh Oil and Gas Petroleum JSC	8,512	8,512	7.81	10,152	8,512	7.81
Thai Binh Petroleum Service	1,640	1,640	5.86	1,640	1,640	7.81
Petrovietnam Oil Ha Noi JSC	7,500	7,500	3.00	7,500	7,500	3.00
NET2E JSC	5,940	5,940	8.62	-	-	-
Ha Nam Setfil Water JSC	1,700	1,700	5.67	-	-	-
Global Data Service JSC	8,000	8,000	2.13	-	-	-
Brainwork Vietnam INC	500	500	11.43	-	-	-
TDIS JSC	2,250	2,250	7.50	-	-	-
Mobifone Service JSC	2,688	2,688	3.81	-	-	-
Central Vietnam Posts & Telecommunications	834	834	8.34	-	-	-
Post & Telecommunications Investment And Construction Consulting JSC	256	256	0.45	-	-	-
VPT Telecommunications Material JSC	2,000	2,000	6.67	-	-	-
Viet Nhat Investment & Trading JSC	10,000	10,000	8.79	-	-	-
Triple Media JSC	500	500	-	-	-	-
Vietnam Growth Investment	603	603	0.06	-	-	-
Sai Gon Securities Investment Fund A2	4,128	4,128	0.83	-	-	-
IFG Corporation	5,000	5,000	49.02	-	-	-
San Hoang Trading Production	20,000	20,000	9.43	-	-	-
Phuong Nam Real Estate Investment JSC	20,000	20,000	-	-	-	-
	188,521	191,423		105,762	107,024	

SOUTHEAST ASIA COMMERCIAL JOINT STOCK BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Investment in associates:

	<u>Closing balance</u>		<u>Opening balance</u>	
	Ownership		Ownership	
	Par value	interest held by the Bank	Par value	interest held by the Bank
	VND million	%	VND million	%
Vietcombank – Cardif Life Insurance Co., Ltd	72,000	12	72,000	12

15. TANGIBLE FIXED ASSETS

	Building, structures VND million	Machinery and equipment VND million	Motor vehicles VND million	Office equipment VND million	Others VND million	Total VND million
Cost						
Opening balance	2,712	272,039	204,268	82,337	10,204	571,560
Increase by subsidiary acquisition	-	-	1,357	2,066	-	3,423
Acquisitions during the year	-	4,009	4,453	6,451	879	15,792
Other additions	15,590	1,651	-	-	-	17,241
Disposals	(53)	(1,083)	(914)	(1,949)	(180)	(4,179)
Reclassify	-	(317)	-	317	-	-
Closing balance	18,249	276,299	209,164	89,222	10,903	603,837
Accumulated depreciation						
Opening balance	2,177	137,013	133,950	60,158	8,178	341,476
Increase by subsidiary acquisition	-	-	1,206	1,839	-	3,045
Depreciation charged for the year	538	19,326	12,068	7,034	612	39,578
Disposals	(53)	(1,004)	(829)	(1,793)	(69)	(3,748)
Reclassify	-	(317)	-	317	-	-
Closing balance	2,662	155,018	146,395	67,555	8,721	380,351
Net book value						
Opening balance	15,587	121,281	62,769	21,667	2,182	223,486
Closing balance	535	135,026	70,318	22,179	2,026	230,084

16. INTANGIBLE ASSETS

	Indefinite land-use rights	Computer software	Tổng
	VND million	VND million	VND million
Cost			
Opening balance	-	242,951	242,951
Increase by subsidiary acquisition	-	1,196	1,196
Acquisitions during the year	-	30,811	30,811
Other additions	396,100	-	396,100
Closing balance	396,100	274,958	671,058
Accumulated amortisation			
Opening balance	-	98,349	98,349
Increase by subsidiary acquisition	-	1,111	1,111
Amortisation charged for the year	-	19,572	19,572
Closing balance	-	119,032	119,032
Net book value			
Closing balance	396,100	155,926	552,026
Opening balance	-	144,602	144,602

17. INVESTMENT PROPERTIES

	Land-use rights	Buildings and structures	Total
	VND million	VND million	VND million
Cost			
Opening balance	225,523	40,592	266,115
Increase in year	9,882	-	9,882
Disposals	(26,598)	(3,630)	(30,228)
Closing balance	208,807	36,962	245,769
Accumulated amortization			
Opening balance	-	5,194	5,194
Amortisation charged for the year	-	682	682
Closing balance	-	5,876	5,876
Net book value			
Closing balance	208,807	31,086	239,893
Opening balance	225,523	35,398	260,921

18. OTHER ASSETS

	<u>Closing balance</u> VND million	<u>Opening balance</u> VND million
External receivables	935,854	1,167,092
Internal receivables	380,881	403,027
Interests and fees receivable	2,842,938	2,525,250
Prepaid expenses	729,024	780,402
Goodwill	694,254	-
Foreclosed assets	1,034,116	1,458,516
Provisions for impairment of other assets	(14,623)	(8,958)
Others	2,616	-
	<u>6,605,060</u>	<u>6,325,329</u>

19. BORROWINGS FROM THE GOVERNMENT AND THE SBV

	<u>Closing balance</u> VND million	<u>Opening balance</u> VND million
<i>Loans from State Bank of Vietnam</i>		
Discount, rediscount valuable papers	7,007,979	-
Others	274,173	310,758
Total	<u>7,282,152</u>	<u>310,758</u>

20. GOODWILL

	<u>Closing balance</u> VND million	<u>Opening balance</u> VND million
Total goodwill valuation	712,055	-
Allocation period (years)	10	-
Increase in the year	712,055	-
- Goodwill incurred during the year	712,055	-
Decrease in the year	17,801	-
Goodwill allocation in the year	17,801	-
Remaining value of goodwill at year end	<u>694,254</u>	<u>-</u>

21. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

Analysis by type of deposits

	Closing balance	Opening balance
	VND million	VND million
Demand deposits	9,111,553	7,878,021
- In VND	9,111,553	7,852,858
- In foreign currencies	-	25,163
Term deposits	11,224,384	10,833,063
- In VND	9,243,600	8,390,980
- In foreign currencies	1,980,784	2,442,083
Borrowings	8,912,849	13,890,422
- In VND	8,856,021	13,735,304
In which: - Discount, rediscount loans	8,174,021	11,331,304
- Mortgage	682,000	2,404,000
- In foreign currencies	56,828	155,118
In which: - Mortgage	56,828	155,118
	29,248,786	32,601,506

22. DEPOSITS FROM CUSTOMERS

Analysis by the type of deposits

	Closing balance	Opening balance
	VND million	VND million
Demand deposits	5,696,931	5,810,770
- Demand deposits in VND	4,472,454	3,990,822
- Demand deposits in foreign currencies	1,224,477	1,819,948
Term deposits	78,467,396	74,086,309
- Term deposits in VND	75,837,436	70,886,608
- Term deposits in foreign currencies	2,629,960	3,199,701
Deposits for specific purpose	65,847	52,919
Margin deposits	114,383	89,518
	84,344,557	80,039,516

Analysis by type of customers and type of business entity

	Closing balance	Opening balance
	VND million	VND million
State-owned enterprises	1,137,361	1,679,309
State-owned one-member limited enterprises	7,066,813	6,925,546
Two or more member limited liability enterprises with more than 50% of the State's share holding	-	-
Other limited companies	4,265,832	4,619,502
Joint stock companies with more than 50% of the State's share-holding	4,088,423	3,764,862
Other joint stock companies	6,502,170	5,735,831
Partnership companies	34,150	13,068
Private companies	199,192	125,229
Foreign invested enterprises	1,413,889	903,893
Cooperatives, cooperative unions	5,701	4,901
Household businesses, individuals	59,292,734	55,931,669
Administrative units, Party, unions and associations	338,292	335,706
	84,344,557	80,039,516

23. VALUABLE PAPERS ISSUED

	Closing balance	Opening balance
	VND million	VND million
Term bonds	7,124,000	3,728,000
Term from 12 months to under 05 years	4,200,000	800,000
Term from 05 years onward	2,924,000	2,928,000
Certificates of deposit	981,000	-
	8,105,000	3,728,000

24. OTHER PAYABLES AND LIABILITIES

	Closing balance	Opening balance
	VND million	VND million
Interest and fees payable	2,766,520	1,797,500
Payables and other liabilities	359,923	353,323
<i>Tax payable to the State Budget</i>	122,012	53,950
<i>Other payables</i>	237,911	299,373
Bonus and welfare funds	7,497	3,359
	3,133,940	2,154,182

SOUTHEAST ASIA COMMERCIAL JOINT STOCK BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FORM B05/TCTD-HN

25. OWNERS' EQUITY

The movement of major items in owner's equity

	Charter capital	Other owners' capital	Financial reserve	Charter capital supplement	Other reserves	Foreign exchange reserve	Retained earnings	Total
	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million
Prior year's opening balance	5,465,826	55	79,230	94,397	2	-	240,320	5,879,830
Allocation to bonus and welfare funds	-	-	-	-	-	-	(9,474)	(9,474)
Profit for the year	-	-	-	-	-	-	304,858	304,858
Allocation to reserves	-	-	30,485	15,244	-	-	(45,729)	-
Other decreases	-	-	-	-	-	-	(609)	(609)
Current year's opening balance	5,465,826	55	109,715	109,641	2	-	489,366	6,174,605
Capital contributed in the year	1,642,653	-	-	-	-	-	-	1,642,653
Capital gain from retained earning	480,258	-	-	-	-	-	(480,258)	-
Allocation to reserves	-	-	49,764	24,881	-	-	(74,645)	-
Profit for the year	-	-	-	-	-	-	493,346	493,346
Allocation to bonus and welfare funds	-	-	-	-	-	-	(9,095)	(9,095)
Transfer from reserves to charter capital	99,263	-	-	(99,263)	-	-	-	-
Other increases	-	-	-	57	-	-	-	57
Other decreases	-	(55)	-	-	(2)	-	(4)	(61)
Current year's closing balance	7,688,000	-	159,479	35,316	-	-	418,710	8,301,505

In 2018, the Bank increased its charter capital to VND 7,688,000 million under Resolutions of the Board of Directors and Document No.9108/NHNN-TTGSNH dated 29 November 2018 of the State Bank on approval of the Bank's charter capital increase.

25. OWNERS' EQUITY (Continued)

Share capital

	Closing balance		Opening balance	
	Total (shares)	VND million	Total (shares)	VND million
Number of issued shares				
Common shares	768,800,000	7,688,000	546,582,600	5,465,826
Number of outstanding shares				
Common shares	768,800,000	7,688,000	546,582,600	5,465,826

Par value of the Bank's ordinary share is VND 10,000. Each share is entitled to one vote at the Bank's General Shareholders' Meeting. Shareholders are entitled to receive dividend as declared by the Bank from time to time. All common shares have equal rights and obligations towards the Bank's residual assets.

26. INTEREST AND SIMILAR INCOME

	Current year	Prior year
	VND million	VND million
Interest from deposits	97,755	162,005
Interest from loans to customers	6,855,331	5,797,143
Interest from debt securities	1,604,471	1,323,889
Income from guarantee services	29,096	17,747
Other income from credit activities	72,791	70,451
	8,659,444	7,371,235

27. INTEREST AND SIMILAR EXPENSES

	Current year	Prior year
	VND million	VND million
Interest expense on deposits	5,415,133	4,785,366
Interest expense on borrowings	357,990	351,615
Interest expense on valuable papers issued	481,932	245,072
Expenses on other credit activities	67,276	16,763
	6,322,331	5,398,816

28. NET GAIN FROM SERVICES

	Current year	Prior year
	VND million	VND million
Income from services	301,024	212,709
- Income from remittance services	67,105	46,722
- Income from funding activities	19,584	5,200
- Income from trust and agency services	83,080	12,197
- Others	131,255	148,590
Expense on services	115,173	147,231
- Expense on remittance services	22,509	13,633
- Expense on funding activities	13,188	10,337
- Others	79,476	123,261
Net gain from service	185,851	65,478

29. NET GAIN FROM TRADING FOREIGN CURRENCIES

	Current period	Prior period
	million VND	million VND
Income from trading foreign currencies	445,655	390,595
- Income from trading foreign currencies	240,472	152,610
- Income from trading gold	159	285
- Income from trading derivative financial instruments	205,024	237,700
Expenses on trading foreign currencies	413,397	383,025
- Expenses on trading foreign currencies	5,207	42,912
- Expenses on trading gold	60	218
- Expenses on trading derivative financial instruments	408,130	339,895
Net gain from trading foreign currencies	32,258	7,570

30. NET GAIN FROM TRADING SECURITIES

	Current year	Prior year
	VND million	VND million
Income from trading of investment in available-for-sale securities	286,712	105,550
Expense on trading of investment in available-for-sale securities	(112,399)	(12,523)
General provision made/(reserve) for impairment of investment in available-for-sale securities	10,393	(3,356)
Net gain from investment in AFS securities	184,706	89,671
Income from trading of investment in trading securities	84,869	57,643
Expense from trading of investment in trading securities	(19,500)	-
Reserval of impairment of investment in trading securities	(15,697)	-
Net gain from trading of investment in trading securities	49,672	57,643
Net gain from trading securities	234,378	147,314

31. OPERATING EXPENSES

	Current period VND million	Prior period VND million
Taxes, fees and charges	26,798	21,966
Employee cost	791,029	547,997
- Salaries and allowances	743,010	506,320
- Salary-based expenses	41,277	34,648
- Other benefits	697	489
- Other staff cost	6,045	6,540
Expenses for fixed assets	334,558	311,470
- Depreciation and amortization expenses	59,074	57,046
- Others	275,484	254,424
Expenses for operating management	375,005	311,958
In which: - Per diem	22,126	20,690
- Others	172,021	138,056
Insurance premium for customer deposits	84,134	72,394
Goodwill allocation	17,801	-
Provision expenses	3,535	2,768
	1,632,860	1,268,553

32. CURRENT CORPORATE INCOME TAX EXPENSE

	Current year VND million	Prior year VND million
Profit before corporate income tax	622,437	381,231
<i>Adjustments for:</i>		
- Non-deductible expenses for tax purpose	(8,675)	(1,208)
- Non-taxable dividends income and profits received	5,510	1,843
- Consolidation adjustment	17,801	-
Total taxable profit	637,073	381,866
Corporate income tax rate	20%	20%
Current corporate income tax expense	127,415	76,373
Tax from other activities	1,676	-
Total corporate income tax expense	129,091	76,373

33. BASIC EARNINGS PER SHARE

	Current year	Prior year
Earnings for the purposes of basic earnings per share (million VND)	493,346	304,858
Estimation of allocation to bonus and welfare funds (million VND)	(17,268)	(9,095)
Weighted average number of ordinary shares for the purposes of basic earnings per share (share)	606,334,857	604,534,689
Basic earnings per share (VND)	785	489

34. CASH AND CASH EQUIVALENTS

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

	Closing balance	Opening balance
	VND million	VND million
Cash, gold and gemstones (*)	1,020,865	735,333
Deposits at the State Bank of Vietnam (*)	1,704,282	3,409,370
Current deposits at other credit institutions (*)	10,845,428	8,432,513
Deposits at other credit institutions with terms of less than 3 months	5,531,059	6,735,785
	19,101,634	19,313,001

(*) Balances of cash, gold and gemstones and deposits at the State Bank of Vietnam are presented at Note 5, Note 6 and Note 7, respectively.

35. EMPLOYEES' BENEFITS

	Current year	Prior year
I. Total average number of employees (person)	3,534	2,986
II. Employees' income (million VND)		
1. Total salary fund	743,010	506,320
2. Bonus	754	935
3. Other allowance	126	-
3. Total income (1+2+3)	743,890	507,255
4. Average monthly salary	17.52	14.13
5. Average monthly income	17.54	14.16

36. THE BANK'S OBLIGATIONS TO THE STATE BUDGET

	Opening balance	Impact from subsidiary consolidation	Movement during the period		Closing balance
	VND million	VND million	Payable	Paid	VND million
Receivables					
Value Added Tax	8,701	182	2,446	3,884	7,445
Payables					
Value Added Tax	1,325	-	20,404	(15,499)	6,230
Corporate Income Tax	47,625	9,657	129,091	(75,021)	111,352
Personal income tax	5,000	147	50,270	(50,987)	4,430
Other taxes	-	-	6,093	(6,093)	-
	53,950	9,804	205,858	(147,600)	122,012

37. CONTINGENT LIABILITIES AND COMMITMENTS

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

Credit risk for off-balance sheet financial instruments is defined as the Bank's possibility of sustaining a loss because any other party to a financial instrument fails to perform in accordance with the terms of the contract.

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

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

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

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

Detail of contingent liabilities and commitments as at 31 December 2018:

	<u>Closing balance</u>	<u>Opening balance</u>
	VND million	VND million
Contingent liabilities	91,022,783	79,265,976
Loan guarantee	101,747	104,043
Commitments for foreign exchange transaction	86,325,278	77,715,724
Commitments to purchase foreign currency	14,218,893	12,821,780
Commitments to sell foreign currency	14,217,592	12,856,973
Commitments for cross currency swap transactions	57,888,793	52,036,971
Letter of credit commitments	706,051	350,549
Other guarantees	3,889,707	1,095,660

38. GEOGRAPHICAL STRUCTURE OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS

	Total loan balance	Total placements and loans (Assets)	Total deposits (Liabilities)	Credit commitments	Securities trading and investment (Difference between debit - credit)
	VND million	VND million	VND million	VND million	VND million
Domestic	83,520,777	20,843,958	104,677,168	3,991,454	29,003,743
Overseas	431,214	-	3,326	-	-
	83,951,991	20,843,958	104,680,494	3,991,454	29,003,743

39. RELATED PARTY TRANSACTIONS AND BALANCES

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

List of related parties with transactions and/or balances for the year:

Related parties	Relationship
Big C Thang Long International Trade and Supermarket Service Company Limited	Having mutual BOD/BOM members
Opera House Hotel Company Limited	Having mutual BOD

Significant balances with related parties as at the balance sheet date:

	Closing balance VND million	Opening balance VND million
Opera House Hotel Company Limited		
Demand deposit at the Bank	66,766	134,451
Term-deposit at the Bank	82,641	56,115
Big C Thang Long International Trade and Supermarket Service Company Limited		
Demand deposit at the Bank	6,674	5,295
Term-deposit at the Bank	618,106	687,577

Significant transactions with related parties during the year:

	Current period VND million	Prior period VND million
Opera House Hotel Company Limited		
Interest income from the Bank	2,290	1,961
Interest expense to the Bank	-	569
Big C Thang Long International Trade and Supermarket Service Company Limited		
Interest income from the Bank	30,029	20,350

40. RISKS MANAGEMENT

This section presents details of risks that the Bank may encounter and describes in details methods that the Bank's management uses to monitor risks. The most important risks that the Bank may be exposed to are market risk, credit risk and liquidity risk.

Market risk

Currency risk

The Bank bears currency risks in foreign currency transactions.

The Bank mainly uses United States Dollar and Vietnam Dong to record its operation. Due to the fact that the Bank's consolidated financial statements are presented in Vietnam Dong, its consolidated financial statements are subject to movements in exchange rate between United States Dollar and Vietnam Dong.

The risk in foreign currency transactions of the Bank causes foreign exchange gains or losses and these amounts are recognized in the consolidated income statement. This risk includes assets and liabilities of the Bank which do not originate in the Bank's currency used to record. The Bank also maintains open position to gain interest income from exchange rate fluctuations.

The following table lists currency position of the Bank's assets and liabilities as at 31 December 2018:

ITEMS	EUR equivalent VND million	USD equivalent VND million	Other currencies equivalent VND million	Total VND million
Assets				
Cash, gold and gemstones	48,859	200,756	98,728	348,343
Balances with the SBV	-	350,257	-	350,257
Placements with and loans to other credit institutions (*)	204,902	910,659	3,041	1,118,602
Loans to customers (*)	10,748	3,188,559	-	3,199,307
Other assets (*)	578	212,113	-	212,691
Total assets	265,087	4,862,344	101,769	5,229,200
Liabilities				
Deposits and borrowings from other credit institutions	-	2,037,612	-	2,037,612
Deposits from customers	238,405	3,688,018	995	3,927,417
Derivative financial instruments and other financial liabilities	34,888	3,736,991	-	3,771,879
Other liabilities (*)	451	5,685	-	6,136
Total liabilities	273,744	9,468,306	995	9,743,045
Balance sheet currency position	(8,657)	(4,605,962)	100,774	(4,513,845)

(*) Excluding risk provision.

Exchange rates of some foreign currencies as at the balance sheet date:

	Closing balance VND	Opening balance VND
United States Dollar (USD)	23,140	22,425
Australian Dollar (AUD)	17,169	17,364
Canadian Dollar (CAD)	17,036	17,683
Swiss Franc (CHF)	23,532	22,675
Chinese Yuan (CNY)	26,837	26,629
Euro (EUR)	29,352	29,999
British Pound (GBP)	2,962	2,869
Hong Kong Dollar (HKD)	209	198
Japanese Yen (JPY)	17,697	16,709
Singaporean Dollar (SGD)	3,615,000	3,645,000
Gold (XAU)	715	683

Interest rate risk

The Bank's activities are subject to the risk of market interest rate fluctuations due to the mismatch in interest rate and maturities between assets and liabilities. Some assets do not have specific maturities or are especially sensitive to interest rate and are not equivalent to specific liabilities.

The following figure presents the Bank's assets and liabilities classified as revaluation date in contracts, or as maturity date, and real interest rate as at the balance sheet date. The asset revaluation date and maturity date are expectedly different from the date regulated in the contracts, especially for the maturity date of customer deposits.

Interest rate sensitivity

As Circular 210 provides no specific guidance on interest rate sensitivity analysis, the Bank has not presented the information.

SOUTHEAST ASIA COMMERCIAL JOINT STOCK BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FORM B05/TCTD-HN

Details of interest rate risk for each type of financial assets and liabilities held by the Bank as at 31 December 2018 are shown as below:

	Non - interest bearing VND million	Current								Total VND million
		Overdue VND million	Within 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		
			VND million	VND million	VND million	VND million	VND million	VND million	VND million	
Assets										
Cash, gold and gemstones	1,020,865	-	-	-	-	-	-	-	1,020,865	
Balances with the SBV	-	-	1,704,282	-	-	-	-	-	1,704,282	
Placements with and loans to other credit institutions (*)	-	-	13,913,092	5,226,584	-	-	-	-	19,139,676	
Trading securities (*)	-	-	7,305,621	-	-	-	-	-	7,305,621	
Loans to customers (*)	-	2,114,026	27,000,127	19,898,505	10,437,912	14,398,749	8,912,892	1,147,948	83,910,159	
Purchased debts (*)	-	41,832	-	-	-	-	-	-	41,832	
Investment securities (*)	3,627,626	-	200,000	498,564	1,930,457	747,767	7,931,971	6,761,737	21,698,122	
Long-term investments, capital contribution (*)	263,423	-	-	-	-	-	-	-	263,423	
Fixed assets	775,512	-	-	-	-	-	-	-	775,512	
Investment properties	239,893	-	-	-	-	-	-	-	239,893	
Other assets (*)	6,619,683	-	-	-	-	-	-	-	6,619,683	
Total assets	12,547,002	2,155,858	50,123,122	25,623,653	12,368,369	15,146,516	16,844,863	7,909,685	142,719,068	
Liabilities										
Borrowings from the Government and the SBV	-	-	7,033,218	60,968	187,966	-	-	-	7,282,152	
Deposits and borrowings from other credit institutions	-	-	18,547,783	7,395,133	3,305,870	-	-	-	29,248,786	
Deposits from customers	-	-	23,734,468	12,870,875	11,606,113	9,606,335	26,517,112	9,654	84,344,557	
Derivative financial instruments and other financial liabilities	70,230	-	-	-	-	-	-	-	70,230	
Grants, trusted funds and borrowings at risk of the credit institution	1,020	-	-	-	-	-	-	-	1,020	
Valuable papers issued	-	-	-	-	24,000	-	5,181,000	2,900,000	8,105,000	
Other liabilities (*)	3,133,940	-	-	-	-	-	-	-	3,133,940	
Total liabilities	3,205,190	-	49,315,469	20,326,976	15,123,949	9,606,335	31,698,112	2,909,654	132,185,685	
Balance sheet net interest gap	9,341,812	2,155,858	807,653	5,296,677	(2,755,580)	5,540,181	(14,853,249)	5,000,031	10,533,383	

(*) Excluding risk provision.

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Credit risk

The Bank is subject to credit risk in lending and investing activities as well as when the Bank acts as an intermediary on behalf of its customers or a third party or provides guarantee services.

The risk which counterparties default on their loans is constantly monitored. In order to monitor credit risk level, the Bank only transacts with parties with good credit rating and when necessary, collaterals are required.

The main credit risk that the Bank is subject to originates from loans and advances of the Bank. The credit risk level is reflected in book value of assets on the consolidated balance sheet. In addition, the Bank is also subject to off-balance sheet credit risk with commitments and guarantees.

The concentration of credit risk (both on and off balance sheet) originates from financial instruments in counterparty groups when these group possess similar economic characteristics which may affect the ability to repay debts of these groups in a similar way when there are changes in economic and other conditions.

The concentration level of credit risk mainly originates from locations and from customers which relate to investing, lending and advance activities, credit commitments and guarantees of the Bank. The Bank is mainly exposed to risks from specific industries.

Liquidity risk

Liquidity risk incurs in the Bank's fund mobilization and currency position management. Liquidity risk includes the risk associates with the Bank being unable to mobilize assets with suitable terms and interest rate, and the risk results from the Bank being unable to liquidate an asset at a reasonable price and in a reasonable amount of time.

The following table presents financial assets and liabilities analysis in equivalent maturities calculated as the remaining maturities from the balance sheet date to the payment date. In fact, real maturities of financial assets and liabilities may differ from which specified in the contracts or appendices, if any.

SOUTHEAST ASIA COMMERCIAL JOINT STOCK BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FORM B05/TCTD-HN

Details of liquidity risk for each type of financial assets and liabilities held by the Bank as at 31 December 2018 are shown as below:

	Overdue		Current						Total	
	Over 3 months		Within 3 months	From 1 to 3 months		From 3 to 12 months		From 1 to 5 years		
	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million		VND million
Assets										
Cash, gold and gemstones	-	-	-	1,020,865	-	-	-	-	-	1,020,865
Balances with the SBV	-	-	-	1,704,282	-	-	-	-	-	1,704,282
Placements with and loans to other credit institutions (*)	-	-	-	13,913,092	-	5,226,584	-	-	-	19,139,676
Trading securities (*)	-	-	-	7,305,621	-	-	-	-	-	7,305,621
Loans to customers (*)	1,966,935	147,091	-	1,769,060	-	6,260,953	-	36,276,996	12,722,484	83,910,159
Purchased debts (*)	41,832	-	-	-	-	-	-	-	-	41,832
Investment securities (*)	-	-	-	288,372	-	197,933	-	8,593,870	9,739,837	21,698,122
Long-term investments, capital contribution (*)	-	-	-	-	-	-	-	-	263,423	263,423
Fixed assets	-	-	-	-	-	-	-	-	775,512	775,512
Investment properties	-	-	-	-	-	-	-	-	239,893	239,893
Other assets (*)	-	-	-	427,792	-	1,689,403	-	2,512,935	-	6,619,683
Total assets	2,008,767	147,091	26,429,084	13,374,873	29,634,303	47,383,801	23,741,149	142,719,068		
Liabilities										
Borrowings from the Government and the SBV	-	-	-	7,033,218	-	60,968	-	187,966	-	7,282,152
Deposits and borrowings from other credit institutions	-	-	-	18,547,783	-	7,395,133	-	3,305,870	-	29,248,786
Deposits from customers	-	-	-	23,734,468	-	12,870,875	-	26,517,112	9,654	84,344,557
Derivative financial instruments and other financial liabilities	-	-	-	(8,432)	-	(22,551)	-	105,413	-	70,230
Grants, trusted funds and borrowings at risk of the credit institution	-	-	-	-	-	-	-	1,020	-	1,020
Valuable papers issued	-	-	-	-	-	-	-	5,181,000	2,900,000	8,105,000
Other liabilities (*)	-	-	-	285,761	-	363,593	-	1,792,335	-	3,133,940
Total liabilities	-	-	49,592,798	20,668,018	25,527,948	33,487,267	2,909,654	132,185,685		
Net liquidity gap	2,008,767	147,091	(23,163,714)	(7,293,145)	4,106,355	13,896,534	20,831,495	10,533,383		

(*) Excluding risk provision.

41. CONTINGENT LIABILITIES

A guarantee issued by a branch of the Bank has received Decision No. 19/2013/KDTM-ST dated 17 October 2013 by People's Court of Hoan Kiem District to suspend the settlement. According to result of reconciliation, review and internal control procedures by the date of the consolidated financial statements, the Board of Management believes that the Bank is not liable for any liabilities nor financial losses under this guarantee.

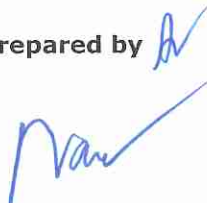
42. SUBSEQUENT EVENTS

On 15 January 2019, the Bank completed the transfer of the shares held by the Bank at Vietcombank - Cardif Life Insurance Limited Company according to Resolution No. 181/2018/NQ-HĐQT dated 24 February 2018 on approving the transfer of SeABank's contributed capital at Vietcombank Cardif Life Insurance Limited Company.

43. COMPARATIVE FIGURES

Comparative figures are the figures of the Bank's audited consolidated financial statements for the year ended 31 December 2017.

Prepared by



Nghiem Thi Thu Nga
Preparer

11 March 2019

Approved by



Nguyen Thi Hoai Phuong
Chief Accountant

Approved by



Nguyen Thi Thu Huong
General Director