

**THE STATE BANK OF VIETNAM
FINANCIAL SECTOR MODERNIZATION AND
INFORMATION MANAGEMENT SYSTEM
PROJECT**

Credit Agreement No. 4505 - VN and
Grant No. TF093085-VN

THE WHOLE PROJECT

**AUDITED FINANCIAL STATEMENTS
AND MANAGEMENT LETTER**

For the period from 01 January 2017 to
31 December 2018 (the Disbursement Deadline Date)

2019 -02- 28

THE STATE BANK OF VIETNAM
Financial Sector Modernization and Information Management System Project
The whole project
Credit Agreement No. 4505 - VN and Grant No. TF093085-VN

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PART I

FINANCIAL STATEMENTS

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STATEMENT OF THE PROJECT MANAGEMENT UNIT

The Project Management Unit of Financial Sector Modernization and Information Management System Project (the "Project Management Unit") presents this report together with the financial statements of Financial Sector Modernization and Information Management System Project (the "Project") for the period from 01 January 2017 to 31 December 2018 (the Disbursement Deadline Date).

The Project Management Unit

The members of the Project Management Unit who held office during the period and at the date of this report are as follows:

| | |
|---------------------------|---|
| Mr. Le Manh Hung | Project Director |
| Ms. Dau Thi Bich Hong | Project Executive Deputy Director (retired on 01 July 2018) |
| Ms. Nguyen Thi Hong Quyen | Project Financial Deputy Director |
| Mr. Nguyen Linh Nam | Deputy General Director (appointed on 08 November 2017) Cum Project Implementation Unit Director |

The Project Management Unit's Statement of Responsibility

The Project Management Unit is responsible for preparing the financial statements which comprise the Balance Sheet as at 31 December 2018, Statement of Incomes and Expenditures, Statement of Sources and Uses of Funds, Statements of Designated Account – IDA fund, Statement of Withdrawals for the period from 01 January 2017 to 31 December 2018 and Notes to the Financial Statements, including a summary of significant accounting policies, which give a true and fair view of the financial position as at 31 December 2018 as well as of the incomes, expenditures, receipts and disbursements of the Project for the period from 01 January 2017 to 31 December 2018, in accordance with the accounting convention and the accounting policies set out in Note 2 and Note 3 of the Notes to the Financial Statements, the covenants contained in Credit Agreement No. 4505-VN, Grant No. TF093085-VN and amendments thereto. In preparing these financial statements, the Project Management Unit is required to:

- 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 financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Project will continue in operation; and
- Design and maintain an effective internal control over compliance with requirements that could have a direct and material financial effect on the financial statements, as well as over financial reporting for the purpose of properly preparing and presenting the financial statements so as to minimize errors and frauds; and take responsibility for its assertion as to the effectiveness of such internal control.

The Project Management Unit is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Project and that the financial statements comply with the accounting convention and the accounting policies set out in Note 2 and Note 3 of the Notes to the financial statements. The Project Management Unit is responsible for using the Project's funds as intended for the Project and for complying with the Credit Agreement No. 4505-VN, Grant No. TF093085-VN and amendments thereto as well as laws and regulations applicable to the Project. The Project Management Unit is also responsible for safeguarding the assets of the Project and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

THE STATE BANK OF VIETNAM
Financial Sector Modernization and Information Management System Project
The whole project
Credit Agreement No. 4505 - VN and Grant No. TF093085-VN

STATEMENT OF THE PROJECT MANAGEMENT UNIT
(Continued)

The Project Management Unit confirms that they have complied with the above requirements in preparing these financial statements.

For and on behalf of the Project Management Unit,



Nguyen Thi Hong Quyen
Deputy Director

Hanoi, 24 January 2019

No.: 04 /VN1A-HN-BC

INDEPENDENT AUDITOR'S REPORT

To: The Project Management Unit of Financial Sector Modernization and Information Management System Project

Opinion

We have audited the financial statements of the Financial Sector Modernization and Information Management System Project (the "Project"), which comprise the Balance Sheet as at 31 December 2018 (the Disbursement Deadline Date), the Statement of Income and Expenditures, Statement of Sources and Uses of Funds, Statements of Designated Account - IDA fund, Statements of Withdrawals for the period from 01 January 2017 to 31 December 2018, and Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion:

- The accompanying financial statements, give a true and fair view of the financial position of the Project as at 31 December 2018, and of its income, expenditures, receipts and disbursements for the period from 01 January 2017 to 31 December 2018 in accordance with the accounting convention and the accounting policies set out in Note 2 and Note 3 of the Notes to the financial statements.
- The Statements of Designated Account give a true and fair view of the balance of the Designated Accounts as at 31 December 2018 and the Project's receipts and disbursements via the Designated Accounts for the period from 01 January 2017 to 31 December 2018 in accordance with the relevant covenants of Credit Agreement No. 4505-VN, Grant No. TF093085-VN, amendments thereto and prevailing relevant regulations established by the World Bank.
- The withdrawal applications were adequately reconciled to the statements of expenditures (SOEs) prepared by the Project Management Unit for the period from 01 January 2017 to 31 December 2018 and those SOEs were adequately supported.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Project in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT (Continued)

Basis of Accounting

We draw attention to Note 2 and Note 3 of the Notes to the financial statements, which describe the accounting convention and the summary of the significant accounting policies. The financial statements are prepared in accordance with the accounting convention and the accounting policies set out in Note 2 and Note 3 of the Notes to the financial statements and the requirements of the World Bank.

Responsibilities of Project Management Unit and those charged with governance for the Financial Statements

The Project Management Unit is responsible for the preparation of the financial statements in accordance with the accounting convention and the accounting policies set out in Note 2 and Note 3 of the Notes to the financial statements, and for such internal control as the Project Management Unit determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Project Management Unit is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Project Management Unit either intends to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Conclude on the appropriateness of the Project Management Unit's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Project to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by the Project Management Unit.

We communicate with those charged with governance and the Project Management Unit regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Khuc Thi Lan Anh
Deputy General Director
Audit Practising Registration Certificate
No. 0036-2018-001-1

Nguyen Thanh Huong
Auditor
Audit Practising Registration Certificate
No. 1415-2018-001-1

DELOITTE VIETNAM COMPANY LIMITED

24 January 2019
Hanoi, S.R. Vietnam

BALANCE SHEET

As at 31 December 2018

| | Notes | 31/12/2018 | 31/12/2016 |
|--|-------|--------------------------|-----------------------|
| | | VND | VND |
| ASSETS | | | |
| Current assets | | 992,422,566 | 37,194,879,388 |
| Cash | 5 | 992,422,566 | 37,194,879,388 |
| TOTAL ASSETS | | 992,422,566 | 37,194,879,388 |
| RESOURCES | | | |
| CURRENT LIABILITIES | | 118,292,318,589 | 93,558,590 |
| Payables to suppliers | 6 | 572,512,080 | - |
| Taxes payable | | 37,515,007 | 93,558,590 |
| Other payables | 7 | 117,682,291,502 | - |
| Total liabilities | | 118,292,318,589 | 93,558,590 |
| NET ASSETS | | (117,299,896,023) | 37,101,320,798 |
| EQUITY | | | |
| (Deficit)/Surplus of incomes over expenditures | | (126,560,625,895) | 30,425,606,758 |
| Foreign exchange differences | | 9,260,729,872 | 6,675,714,040 |
| TOTAL | | (117,299,896,023) | 37,101,320,798 |

Trieu Thi Thuy Mai
 Preparer

24 January 2019

Tran Thi Ha
 Chief Accountant

Nguyen Thi Hong Quyen
 Deputy Director



STATEMENT OF INCOMES AND EXPENDITURES

For the period from 01 January 2017 to 31 December 2018

| CONTENTS | Notes | From 01/01/2017 to 31/12/2018 | Accumulated to 31/12/2018 |
|---|--------------|--|--------------------------------------|
| | | VND | VND |
| INCOMES | | | |
| IDA Fund | 8 | 181,561,747,538 | 1,047,152,098,042 |
| PHRD Fund | | - | 17,404,936,000 |
| Counterpart Fund | | 13,632,944,052 | 99,468,066,116 |
| Net Interest on Designated Account - IDA fund | | (1,271,209) | 23,861,835 |
| Net Interest on Designated Account - PHRD fund | | - | 2,014,388 |
| Other Funds (*) | 9 | (1,110,446,749) | 441,853,977 |
| TOTAL INCOMES | | 194,082,973,632 | 1,164,492,830,358 |
| EXPENDITURES | | | |
| Modernizing the State Bank of Vietnam | | 213,804,746,905 | 847,149,608,234 |
| Functional strengthening and business process re-engineering of the State Bank of Vietnam | | 13,128,863,576 | 80,987,226,607 |
| ICT platform design and development | | 187,806,795,927 | 717,286,925,247 |
| Project Management | | 12,869,087,402 | 48,875,456,380 |
| Project expenses funded by IDA fund | | 973,024,442 | 9,267,876,835 |
| Project expenses funded by Project counterpart fund | | 4,594,454,661 | 18,553,313,750 |
| Project expenses funded by counterpart fund of the State Bank of Vietnam | | 7,418,807,703 | 21,054,265,795 |
| Bank charges | | (117,199,404) | - |
| Strengthening the capability of the National Credit Information Center of Vietnam | | (983,116,441) | 145,962,664,847 |
| Functional strengthening of the National Credit Information Center of Vietnam | | - | 7,994,884,456 |
| ICT platform development | | (983,116,441) | 137,967,780,391 |
| Enhancing the Deposit Insurance of Vietnam | | 138,247,575,821 | 297,941,183,172 |
| Functional strengthening of the Deposit Insurance of Vietnam | | 9,165,008,950 | 22,200,153,047 |
| ICT platform development | | 128,523,372,253 | 266,568,073,584 |
| Project Implementation Management | | 559,194,618 | 9,172,956,541 |
| TOTAL EXPENDITURES | | 351,069,206,285 | 1,291,053,456,253 |
| DEFICIT OF INCOMES OVER EXPENDITURES | | | (126,560,625,895) |

(*) The Project Management Unit made decreasing adjustments to expenditures and other funds in accordance with the World Bank's letter dated 29 May 2018 regarding recognition of contract penalties.

Chieu
Trieu Thi Thuy Mai
Preparer

24 January 2019

Blin
Tran Thi Ha
Chief Accountant

H. Duy
Nguyen Thi Hong Quyen
Deputy Director

NHÀ NƯỚC
THỦ TƯỚNG
THÔNG TIN QUẢN LÝ
VÀ HIỆN ĐẠI HÓA
NGÂN HÀNG

STATEMENT OF SOURCES AND USES OF FUNDS

For the period from 01 January 2017 to 31 December 2018

| No. | Contents | From 01/01/2017 to 31/12/2018 | Accumulated to 31/12/2018 |
|---|----------|----------------------------------|------------------------------|
| I. Receipts | | 194,082,973,632 | 1,164,492,830,358 |
| 1 IDA Fund | | 181,561,747,538 | 1,047,152,098,042 |
| 2 PHRD Fund | | - | 17,404,936,000 |
| 3 Counterpart Fund | | 13,632,944,052 | 99,468,066,116 |
| 4 Net Interest on Designated Account - IDA fund | | (1,271,209) | 23,861,835 |
| 5 Net Interest on Designated Account - PHRD fund | | - | 2,014,388 |
| 6 Other Funds (*) | | (1,110,446,749) | 441,853,977 |
| II. Disbursements | | 350,496,694,205 | 1,290,480,944,173 |
| A Modernizing the State Bank of Vietnam | | 213,232,234,825 | 846,577,096,154 |
| 1 Functional strengthening and business process re-engineering of the State Bank of Vietnam | | 13,128,863,576 | 80,987,226,607 |
| 2 ICT platform design and development | | 187,806,795,927 | 717,286,925,247 |
| 3 Project management | | 12,296,575,322 | 48,302,944,300 |
| <i>Project expenses funded by IDA fund</i> | | 535,212,362 | 8,830,064,755 |
| <i>Project expenses funded by Project counterpart fund</i> | | 4,459,754,661 | 18,418,613,750 |
| <i>Project expenses funded by counterpart fund of the State Bank of Vietnam</i> | | 7,418,807,703 | 21,054,265,795 |
| <i>Bank charge</i> | | (117,199,404) | - |
| B Strengthening the capability of the National Credit Information Center of Vietnam | | (983,116,441) | 145,962,664,847 |
| 1 Functional strengthening of the National Credit Information Center of Vietnam | | - | 7,994,884,456 |
| 2 ICT platform development | | (983,116,441) | 137,967,780,391 |
| C Enhancing the Deposit Insurance of Vietnam | | 138,247,575,821 | 297,941,183,172 |
| 1 Functional strengthening of the Deposit Insurance of Vietnam | | 9,165,008,950 | 22,200,153,047 |
| 2 ICT platform development | | 128,523,372,253 | 266,568,073,584 |
| 3 Project Implementation Management | | 559,194,618 | 9,172,956,541 |
| III. (Deficit)/Surplus of Receipts over Disbursements | | (156,413,720,573) | (125,988,113,815) |
| IV. Opening balance | | 37,101,320,798 | - |
| Foreign exchange differences | | 2,585,015,832 | 9,260,729,872 |
| V. Closing balance | | (116,727,383,943) | (116,727,383,943) |

Represented by:

| | |
|------------------------------------|-------------------|
| Cash | 992,422,566 |
| Other payables (details in Note 7) | (117,682,291,502) |
| Taxes payable | (37,515,007) |

(*) The Project Management Unit made decreasing adjustments to expenditures and other funds in accordance with the World Bank's letter dated 29 May 2018 regarding recognition of contract penalties.

Trieu Thi Thuy Mai
Preparer

Tran Thi Ha
Chief Accountant

Nguyen Thi Hong Quyen
Deputy Director

24 January 2019

The accompanying notes are an integral part of these financial statements

**STATEMENT OF DESIGNATED ACCOUNT -
 THE STATE BANK OF VIETNAM**

For the period: From 01 January 2017 to 31 December 2018
 Account No: 102020000099436
 Bank: Vietnam Joint Stock Commercial Bank for Industry and Trade - Thanh Xuan branch
 Address: Noi Chinh Area, Nhan Chinh Ward, Thanh Xuan District, Hanoi
 Credit Agreement: 4505-VN
 Currency: USD

| | Amount |
|--|---------------------|
| PART A: ACCOUNT ACTIVITY | |
| Opening balance (01/01/2017) | 817,815.50 |
| Add: | 8,236,021.66 |
| Total amount deposited by the World Bank for the period | 8,236,021.66 |
| Deduct: | 9,053,837.16 |
| Total amount withdrawn for the period | 8,929,597.98 |
| Total amount refunded to the World Bank in the period | 124,239.18 |
| Closing balance (31/12/2018) | - |
| PART B: ACCOUNT RECONCILIATION | |
| 1. Amount advanced by the World Bank | 1,980,000.00 |
| 2. Add: Total amount transferred by the World Bank to the Designated Account in the period | 8,236,021.66 |
| 3. Deduct: Total amount claimed for advance clearance and approved by the World Bank | 10,091,782.48 |
| 4. Deduct: Amounts refunded to the World Bank | 124,239.18 |
| 5. Total advances to the Designated Account as at 31/12/2018 | - |
| 6. Closing balance of the Designated Account (31/12/2018) | - |
| 7. Add: Amounts claimed for advance clearance | - |
| 8. Total advances to the Designated Account as at 31/12/2018 | - |

Trieu Thi Thuy Mai
 Preparer

24 January 2019

Tran Thi Ha
 Chief Accountant

Nguyen Thi Hong Quyen
 Deputy Director



**STATEMENT OF DESIGNATED ACCOUNT -
THE DEPOSIT INSURANCE OF VIETNAM**

For the period: From 01 January 2017 to 31 December 2018
Account No.: 102020000101995
Bank: Vietnam Joint Stock Commercial Bank for Industry and Trade - Thanh Xuan
branch
Address: Noi Chinh Area, Nhan Chinh Ward, Thanh Xuan District, Hanoi
Credit Agreement: 4505-VN
Currency: USD

| | <u>Amount</u> |
|---|-------------------|
| PART A: ACCOUNT ACTIVITY | |
| Opening balance (01/01/2017) | 860,588.02 |
| Add: | - |
| Total amount deposited by the World Bank for the period | - |
| Deduct: | 860,588.02 |
| Total amount withdrawn | 860,588.02 |
| Closing balance (31/12/2018) | - |
| PART B: ACCOUNT RECONCILIATION | |
| 1. Amount advanced by the World Bank as at 01/01/2017 | 900,000 |
| 2. Add: Total amount advanced by the World Bank | - |
| 3. Deduct: Total amount claimed for advance clearance and approved by the World | 900,000 |
| 4. Total advances to the Designated Account as at 31/12/2018 | - |
| 5. Deduct: Advances cleared by supporting documents and accepted | - |
| 6. Add: Amounts claimed but not yet credited | - |
| 7. Add: Amounts withdrawn but not yet claimed | - |
| 8. Deduct: Bank interest (if included in the Imprest Account) | - |
| 9. Add: Service charges (if not included in the lines 6 and 7 above) | - |
| 10. Total advances to the Designated Account as at 31/12/2018 | - |

Trieu Thi Thuy Mai
Preparer

Tran Thi Ha
Chief Accountant

Nguyen Thi Hong Quyen
Deputy Director

24 January 2019

The accompanying notes are an integral part of these financial statements

THE STATE BANK OF VIETNAM

Financial Sector Modernization and Information Management System Project

The whole project

Credit Agreement No. 4505 - VN and Grant No. TF093085-VN

FINANCIAL STATEMENTS
For the period from 01 January 2017 to 31 December 2018

STATEMENT OF WITHDRAWALS

For the period from 01 January 2017 to 31 December 2018

Withdrawal applications

| No. | Date | Currency | Amounts claimed for disbursement | Amount claimed for advance clearance | | Amounts disbursed/ accepted for advance clearance | | | | | |
|----------------------------------|------------|----------|----------------------------------|--------------------------------------|-----------------------|---|------------------------|---------------------------------------|--------------|--|--|
| | | | | Goods | Consultants' services | Total | Amount disbursed | Amount accepted for advance clearance | | | |
| IDA FUND | | | | | | | | | | | |
| STATE BANK OF VIETNAM | | | | | | | | | | | |
| I. Designated account | | | | | | | | | | | |
| 045 | 28/12/2016 | USD | 1,162,184.50 | 1,162,184.50 | - | 1,162,184.50 | 1,162,184.50 | 01/12/2017 | | | |
| 046 | 23/4/2017 | USD | 340,129.39 | 104,600.00 | 235,529.39 | - | 340,129.39 | 340,129.39 | 15/5/2017 | | |
| 047 | 16/5/2017 | USD | 1,850,400.99 | 1,850,400.99 | - | 1,850,400.99 | 1,850,400.99 | 15/6/2017 | | | |
| 048 | 20/7/2017 | USD | 1,641,509.06 | 1,399,825.59 | 241,683.47 | - | 1,641,509.06 | 1,641,509.06 | 20/9/2017 | | |
| 049 | 29/10/2017 | USD | 573,975.11 | 551,049.03 | 22,926.08 | - | 573,975.11 | 573,975.11 | 06/11/2017 | | |
| 050 | 24/01/2018 | USD | 1,503,500.58 | 1,431,723.55 | 71,777.03 | - | 1,503,500.58 | 1,503,500.58 | 02/02/2018 | | |
| 051 | 18/4/2018 | USD | 787,322.03 | 634,950.21 | 152,371.82 | - | 787,322.03 | 787,322.03 | 24/5/2018 | | |
| 052 | 15/8/2018 | USD | 377,000.00 | 827,027.25 | - | - | 377,000.00 | 827,027.25 | 22/8/2018 | | |
| 053 | 27/9/2018 | USD | - | 1,145,945.80 | 259,787.77 | - | 1,405,733.57 | - | 1,405,733.57 | | |
| II. Refund to the World Bank | | | | | | | | | | | |
| 22/11/2018 | | USD | - | - | (124,239.18) | (124,239.18) | - | (124,239.18) | | | |
| Vietnam Deposit Insurance | | | | | | | | | | | |
| I. Designated account | | | | | | | | | | | |
| 021 | 17/12/2018 | USD | - | 900,000 | - | 900,000.00 | - | 900,000.00 | | | |
| II. Reimbursement | | | | | | | | | | | |
| 022 | 17/12/2018 | VND | 117,682,291,502 | 108,517,282,551 | 9,165,008,951 | - | 117,682,291,502 | - | | | |
| Total of IDA fund | USD | | 8,236,021.66 | 9,107,706.92 | 984,075.56 | (124,239.18) | 9,967,543.30 | 9,967,543.30 | | | |
| VND | | | 117,682,291,502 | 108,517,282,551 | 9,165,008,951 | - | 117,682,291,502 | - | | | |
| | | | | | | | | 117,682,291,502 | | | |

STATE BANK OF VIETNAM

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The accompanying notes are an integral part of these financial statements

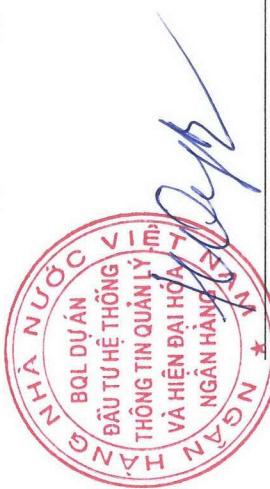
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STATEMENT OF WITHDRAWALS (Continued)

For the period from 01 January 2017 to 31 December 2018

Notes:

- (i) This difference resulted from the fact that the withdrawal application was prepared on 17 December 2018 but the World Bank approved the application and made reimbursement on 08 January 2019.



Trieu Thi Thuy Mai
Preparer

24 January 2019

Tran Thi Ha
Chief Accountant

24 January 2019

Nguyen Thi Hong Quyen
Deputy Director

NOTES TO THE FINANCIAL STATEMENTS

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

1. GENERAL INFORMATION

The Financial Sector Modernization and Information Management System Project operates under Credit Agreement No. 4505-VN dated 21 April 2009 and the letters of amendment to the Agreement dated 23 December 2014 and 30 December 2016 between the Socialist Republic of Vietnam and the International Development Association (IDA) and Grant No. TF093085 from the World Bank on behalf of the Japanese Government.

The objective of the Project is to assist the State Bank of Vietnam, the National Credit Information Center of Vietnam and the Deposit Insurance of Vietnam to enhance the delivery of their main functions in compliance with international standards for the banking sector by: (a) designing a concentrated and integrated system of business procedures and a modern information technology architecture; and (b) strengthening institutional capacity of the above - mentioned state agencies.

The Project has been grouped into three components:

- Component A: Modernize the State Bank of Vietnam;
- Component B: Strengthen the Capability of the National Credit Information Center of Vietnam;
- Component C: Enhance the Capability of the Deposit Insurance of Vietnam.

The total Project funds is: USD 67,548,375

Including:

| | |
|--|----------------|
| IDA fund: | USD 55,718,375 |
| PHRD fund (Jointly-funded by the Japanese Government): | USD 830,000 |
| Counter-part fund: | USD 11,000,000 |

Information on the Project's funds was presented in accordance with Decision No. 1198/QĐ-NHNN dated 19 June 2015 of the Governor of the State Bank of Vietnam approving the Project's contractor selection plan. Information on the Project's funds in USD might be subject to change upon the changes of the value of funding currency under the Agreement (SDR) compared to USD.

The Project came into operation on 20 July 2009 (the Credit Agreement's effective date) and ended on 31 December 2018.

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

The accompanying financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention except the Statements of Designated Account and Statement of Withdrawals which are expressed in original currencies. These financial statements are prepared on the going concern basis and in accordance with International Public Sector Accounting Standards (IPSAS).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Financial year

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

These financial statements were prepared for the final operating period of the Project from 01 January 2017 to 31 December 2018 (the Disbursement Deadline Date).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Foreign currency translation

Transactions arising in foreign currencies are translated into Vietnam Dong (VND) at exchange rates announced by the Ministry of Finance on the transaction date. Foreign exchange transactions should be recorded at the real exchange rate. Monetary items denominated in foreign currencies at the balance sheet date are not retranslated as regulated on the Project Financial Management Manual.

Exchange rate differences will not be posted to income/expenses but presented in the Balance sheet and only be treated upon official decisions of the competent authorities when the Project ends. Foreign exchange differences are not cash flows. However, the effect of exchange rate changes is reported separately in the Statement of Sources and Uses of Funds in order to reconcile balances of assets and liabilities in the Balance Sheet.

Recognition of funds and expenditures

Funds are recognized when received, and expenditures are recognized when incurred.

4. DESIGNATED ACCOUNTS

Designated accounts are deposit accounts in USD opened at Vietnam Joint Stock Commercial Bank for Industry and Trade - Thanh Xuan Branch for the implementation of the Project's activities. Payments out of designated accounts are for expenditures in accordance with the relevant terms of Credit Agreement No. 4505-VN, Grant No.TF093085-VN, amendments thereto and relevant regulations stipulated by the World Bank.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

5. CASH

| | 31/12/2018 | 31/12/2016 |
|--|--------------------|-----------------------|
| | VND | VND |
| Cash on hand | | |
| The State Bank of Vietnam | 89,163,700 | 11,368,600 |
| In VND | 40,165,000 | 8,128,300 |
| In USD | 48,998,700 | 3,240,300 |
| Cash in bank | 903,258,866 | 37,183,510,788 |
| <i>The State Bank of Vietnam</i> | 834,968,715 | 18,090,013,337 |
| In VND | 815,033,543 | 13,049,345 |
| In USD | 19,935,172 | 18,076,963,992 |
| Designated account - IDA fund | - | 18,055,730,611 |
| Designated account - PHRD fund | - | - |
| Interest on Designated account - IDA fund | 17,920,784 | 19,218,993 |
| Interest on Designated account - PHRD fund | 2,014,388 | 2,014,388 |
| <i>The Deposit Insurance of Vietnam</i> | 68,290,151 | 19,093,497,451 |
| In VND | 62,718,666 | 241,067,068 |
| In USD | 5,571,485 | 18,852,430,383 |
| Designated account - IDA fund | - | 18,846,829,874 |
| Interest on Designated account - IDA fund | 5,571,485 | 5,600,509 |
| | 992,422,566 | 37,194,879,388 |

6. PAYABLES TO SUPPLIERS

| | 31/12/2018 | 31/12/2016 |
|----------------------------------|--------------------|-------------------|
| | VND | VND |
| Anviet Auditing Company Limited | 134,700,000 | - |
| Deloitte Vietnam Company Limited | 437,812,080 | - |
| | 572,512,080 | - |

7. OTHER PAYABLES

Other payables represent the amount borrowed by the project from Vietnam Deposit Insurance to pay for expenses belonging to IDA fund and approved by the World Bank for the reimbursement on 08 January 2019.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

8. IDA FUND

| | From 01/01/2017 to 31/12/2018 | | Accumulated to 31/12/2018 | |
|---|--------------------------------------|------------------------|----------------------------------|--------------------------|
| | USD | VND equivalent | USD | VND equivalent |
| The State Bank of Vietnam Component | | | | |
| Designated Account | 8,236,021.66 | 184,384,461,708 | 35,978,678.46 | 777,731,993,417 |
| Direct payment | - | - | 5,216,319.68 | 110,890,996,664 |
| Refund to the World Bank | (124,239.18) | (2,822,714,170) | (124,239.18) | (2,822,714,170) |
| Deposit Insurance of Vietnam Component | | | | |
| Designated Account | - | - | 2,510,205.43 | 53,582,389,660 |
| Direct payment in USD | - | - | 3,936,264.54 | 84,884,193,550 |
| Direct payment in VND | - | - | - | 22,885,238,921 |
| | 8,111,782.48 | 181,561,747,538 | 47,517,228.93 | 1,047,152,098,042 |

9. OTHER FUNDS

| | Accumulated to 31/12/2018 | Acucmulated to 31/12/2016 |
|--------------------|--------------------------------------|--------------------------------------|
| | VND | VND |
| Contract penalties | 9,319,000 | 1,097,503,969 |
| Other receipts | 432,534,977 | 454,796,757 |
| | 441,853,977 | 1,552,300,726 |

10. COMMITMENTS

As at 31 December 2018, the remaining amount realized/in progress and unpaid to the contractors is about VND 572.512.080 (as at 31 December 2016: VND 343.7 billion).

11. COMPARATIVE FIGURES

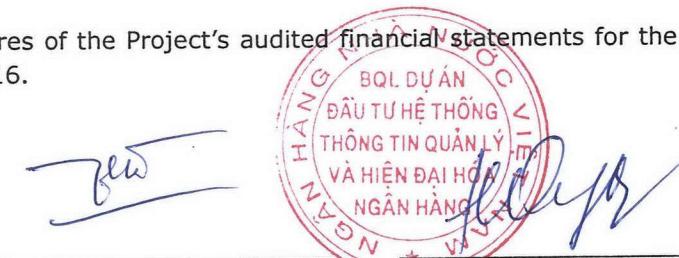
Comparative figures are figures of the Project's audited financial statements for the financial year ended 31 December 2016.

Trieu Thi Thuy Mai
Preparer

24 January 2019

Tran Thi Ha
Chief Accountant

Nguyen Thi Hong Quyen
Deputy Director



PART II

REPORT OF INDEPENDENT AUDITOR ON INTERNAL CONTROL

REPORT OF INDEPENDENT AUDITOR ON INTERNAL CONTROL

To: **The Project Management Unit of Financial Sector Modernization and Information Management System Project**

We have audited, in accordance with International Standards on Auditing, the financial statements of Financial Sector Modernization and Information Management System Project (the "Project") for the period from 01 January 217 to 31 December 2018 (the Disbursement Deadline Date) and issued the independent auditor's report thereon dated 24 January 2019 expressing an unmodified opinion on those financial statements.

In connection with our audit of the Project's financial statements, we also examined the effectiveness of internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as of internal control over financial reporting.

As stated in the Statement of the Project Management Unit on page 2 and page 3, the Project Management Unit is responsible for designing and maintaining effective internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as over financial reporting so as to minimize errors and frauds; and takes responsibility for its assertions as to the effectiveness of such internal control. Our responsibility is to express an opinion on the effectiveness of internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as internal control over financial reporting based on our examination.

Our examination was conducted in accordance with International Standard on Assurance Engagements (ISAE) 3000. That standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the Project Management Unit has maintained effective internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as internal control over financial reporting.

Our examination included obtaining an understanding of internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as of internal control over financial reporting, testing, and evaluating the design and operating effectiveness of the internal control, and performing such other procedures as we considered necessary in the circumstances to obtain sufficient appropriate evidence on which to base our opinion. Because of inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not to be detected. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

REPORT OF INDEPENDENT AUDITOR ON INTERNAL CONTROL (Continued)

In our opinion, the Project Management Unit has maintained, in all material respects, effective internal control over compliance with requirements that could have a direct and material financial effect on the Project's financial statements as well as over financial reporting for the period from 01 January 2017 to 31 December 2018.



Khuc Thi Lan Anh
Deputy General Director
Audit Practising Registration Certificate
No. 0036-2018-001-1

A blue ink signature consisting of a stylized 'N' and 'H'.

Nguyen Thanh Huong
Auditor
Audit Practising Registration Certificate
No. 1415-2018-001-1

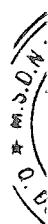
DELOITTE VIETNAM COMPANY LIMITED

24 January 2019
Hanoi, S.R. Vietnam

A red circular stamp with the text "NGUYỄN THANH HUONG" and "AUDITOR" inside.

PART III

INDEPENDENT ASSURANCE REPORT ON COMPLIANCE



INDEPENDENT ASSURANCE REPORT ON COMPLIANCE

To: **The Project Management Unit of Financial Sector Modernization and Information Management System Project**

We have audited, in accordance with International Standards on Auditing, the financial statements of Financial Sector Modernization and Information Management System Project (the "Project") for the period from 01 January 2017 to 31 December 2018 (the Disbursement Deadline Date) and issued the independent auditor's report thereon dated 24 January 2019 expressing an unmodified opinion on those financial statements.

In connection with the audit of the financial statements, we also tested the Project's compliance with Credit Agreement No. 4505-VN, No. TF093085-VN, amendments thereto, laws and regulations that could have a direct and material financial effect on the Project's financial statements for the period from 01 January 2017 to 31 December 2018 (the "requirements").

The Project Management Unit is responsible for complying with Credit Agreement No. 4505-VN, Grant No. TF093085-VN, amendments thereto, laws and regulations applicable to the Project. Our responsibility is to express an opinion on the Project's compliance with the requirements based on our procedures. We limited our tests of compliance to the requirements, and we did not test compliance with all laws and regulations applicable to the Project.

Our examination was conducted in accordance with International Standard on Assurance Engagements (ISAE) 3000. That standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the Project has complied with the requirements.

An assurance engagement to report on the compliance with the requirements at the Project involves performing procedures to obtain evidence about whether the Project's activities are free of material noncompliance with the requirements including obtaining an understanding of the internal control relevant to the Project's compliance with the requirements. The procedures selected depend on the auditor's judgment, including the assessment of risks that the Project does not comply with the requirements and whether such noncompliance could have a direct and material financial effect on the Project's financial statements. Our procedures included testing the compliance with the requirements that we consider necessary to provide reasonable assurance that the requirements are complied by the Project.

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

INDEPENDENT ASSURANCE REPORT ON COMPLIANCE (Continued)

In our opinion, the Project Management Unit has complied, in all material respects, with Credit Agreement No. 4505-VN, No. TF093085-VN, amendments thereto, laws and regulations that could have a direct and material financial effect on the Project's financial statements for the period from 01 January 2017 to 31 December 2018.



Khuc Thi Lan Anh
Deputy General Director
Audit Practising Registration Certificate
No. 0036-2018-001-1

DELOITTE VIETNAM COMPANY LIMITED

24 January 2019
Hanoi, S.R. Vietnam

Nguyen Thanh Huong
Auditor
Audit Practising Registration Certificate
No. 1415-2018-001-1

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