Military Commercial Joint Stock Bank

Interim consolidated financial statements

For the six-month period ended 30 June 2020

Building a better working world

Military Commercial Joint Stock Bank

Interim consolidated financial statements

For the six-month period ended 30 June 2020

Military Commercial Joint Stock Bank

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THE BANK

Military Commercial Joint Stock Bank ("the Bank") is a joint stock commercial bank incorporated and registered in the Socialist Republic of Vietnam.

The Bank was established under Operating Licence No. 100/NH-GP granted by the Governor of the State Bank of Vietnam ("the SBV") dated 17 October 2018, replacing Operating Licence No. 0054/NH-GP dated 14 September 1994. The operating duration under the licence is 99 years, since 14 September 1994. The Bank is operating under Business Registration No. 0100283873 granted by Hanoi Department of Planning and Investment dated 30 September 1994 and the 45th amended Business Registration dated 31 March 2020.

The current principal activities of the Bank are to perform banking services including mobilizing and receiving short, medium and long-term deposits from organizations and individuals; making short, medium and long-term loans to organizations and individuals based on the nature and capability of the Bank's capital; conducting foreign exchange transactions; international trade finance services; discounting of commercial papers, bonds and other valuable papers; providing settlement services and other banking services as approved by the SBV.

Charter capital

As at 30 June 2020, the charter capital of the Bank was VND24,370,429 million (31 December 2019: VND23,727,323 million).

BOARD OF DIRECTORS

Members of the Board of Directors of the Bank during the period and at the date of this report are:

Mr. Le Huu Duc	Chairman	Reappointed on 27 April 2019
Mr. Luu Trung Thai	Vice Chairman	Reappointed on 27 April 2019
Ms. Vu Thi Hai Phuong	Vice Chairman	Appointed on 27 April 2019
Mr. Do Minh Phuong	Vice Chairman	Appointed on 27 April 2019
Ms. Nguyen Thi Thuy	Member	Reappointed on 27 April 2019
Ms. Nguyen Thi Ngoc	Member	Reappointed on 27 April 2019
Mr. Le Viet Hai	Member	Appointed on 27 April 2019
Mr. Kieu Dang Hung	Member	Appointed on 27 April 2019
Ms. Vu Thai Huyen	Member	Appointed on 27 April 2019
Mr. Ngo Minh Thuan	Member	Appointed on 27 April 2019
Mr. Tran Trung Tin	Independent Member	Appointed on 27 April 2019

BOARD OF SUPERVISION

Members of the Board of Supervision of the Bank during the period and at the date of this report are:

Ms. Le Thi Loi	Head of Supervisory Board	Appointed on 27 April 2019
Ms. Nguyen Thi An Binh	Deputy Head of Supervisory Board	Appointed on 24 June 2020
Mr. Do Van Hung	Member	Reappointed on 27 April 2019
Ms. Do Thi Tuyet Mai	Member	Appointed on 27 April 2019
Ms. Pham Thu Ngoc	Member	Appointed on 27 April 2019

MANAGEMENT

Members of the Management of the Bank during the period and at the date of this report are:

Mr. Luu Trung Thai	Chief Executive Officer ("CEO")	Appointed on 16 January 2017
Ms. Nguyen Thi An Binh	Deputy CEO	Appointed on 4 November 2014 Resigned on 24 June 2020
Ms. Nguyen Minh Chau	Senior Member Deputy CEO	Appointed on 19 May 2017 Appointed on 24 June 2020
Ms. Pham Thi Trung Ha	Deputy CEO	Reappointed on 27 June 2016
Mr. Uong Dong Hung	Deputy CEO	Appointed on 2 August 2013 Resigned on 24 June 2020
Mr. Le Hai	Deputy CEO	Reappointed on 28 December 2018 Resigned on 30 March 2020
Mr. Tran Minh Dat	Deputy CEO	Appointed on 1 November 2014
Mr. Ha Trong Khiem	Deputy CEO	Appointed on 26 November 2015
Mr. Le Quoc Minh	Deputy CEO	Appointed on 26 November 2015
Mr. Le Xuan Vu	Member	Appointed on 3 June 2017
Ms. Tran Thi Bao Que	Member	Appointed on 14 February 2019
Ms. Nguyen Thi Thanh Nga	Acting Chief Financial Officer Chief Financial Officer	Appointed on 10 April 2019 Appointed on 20 April 2020

LEGAL REPRESENTATIVE

The legal representative of the Bank during the period and as at the date of this report is Mr. Le Huu Duc – Chairman of the Board of Directors.

Mr. Luu Trung Thai - Chief Executive Officer is authorized to sign the interim consolidated financial statements for the six-month period ended 30 June 2020 in accordance with the Letter of Authorization No. 39.1/UQ-MB-HDQT by the Chairman of the Board of Directors dated 16 January 2017.

AUDITORS

The auditor of the Bank is Ernst & Young Vietnam Limited.

Military Commercial Joint Stock Bank

REPORT OF MANAGEMENT

Management of Military Commercial Joint Stock Bank (the "Bank") is pleased to present this report and the interim consolidated financial statements of the Bank and its subsidiaries for the six-month period ended 30 June 2020.

MANAGEMENT'S RESPONSIBILITY FOR THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Management of the Bank is responsible for the interim consolidated financial statements which give a true and fair view of the interim consolidated financial position of the Bank and its subsidiaries, the interim consolidated results of their operations and their interim consolidated cash flows for the period. In preparing these interim consolidated financial statements, Management 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 standards have been followed, subject to any material departures disclosed and explained in the interim consolidated financial statements; and
- prepare the interim consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Bank and its subsidiaries will continue their business.

Management of the Bank is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the interim consolidated financial position of the Bank and its subsidiaries and ensuring that the accounting records comply with the applied accounting system. Management is also responsible for safeguarding the assets of the Bank and its subsidiaries and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management confirmed that it has complied with the above requirements in preparing the accompanying interim consolidated financial statements.

STATEMENT BY MANAGEMENT

Management of the Bank does hereby state that, in its opinion, the accompanying interim consolidated financial statements give a true and fair view of the interim consolidated financial position of the Bank and its subsidiaries as at 30 June 2020, the interim consolidated results of their operations and their interim consolidated cash flows for the six-month period then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and statutory requirements relevant to preparation and presentation of interim consolidated financial statements.

M.S.D.N: 0100283873 - C.T.C.P NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN QUÂN ĐỘI - CẦU GIẤY - HÀ NỘI

Mr. Luu Trung Thai
Chief Executive Officer

Hanoi, Vietnam

12 August 2020

Ernst & Young Vietnam Limited
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Reference: 60755036/22026943-HN/LR

REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To: The Shareholders of
Military Commercial Joint Stock Bank

We have reviewed the accompanying interim consolidated financial statements of Military Commercial Joint Stock Bank ("the Bank") and its subsidiaries, as prepared on 12 August 2020 and set out on pages 6 to 78, which comprise the interim consolidated balance sheet as at 30 June 2020, the interim consolidated income statement and the interim consolidated cash flow statement for the six-month period then ended and the notes thereto.

Management's responsibility

Management of the Bank is responsible for the preparation and fair presentation of the interim consolidated financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and the statutory requirements relevant to preparation and presentation of interim consolidated financial statements, and for such internal control as Management determines is necessary to enable the preparation and presentation of the interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express a conclusion on the interim consolidated financial statements based on our review. We conducted our review in accordance with Vietnamese Standard on Review Engagements No. 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

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

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not give a true and fair view, in all material respects, of the interim consolidated financial position of the Bank and its subsidiaries as at 30 June 2020, and of the interim consolidated results of their operations and their interim consolidated cash flows for the six-month period then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and the statutory requirements relevant to preparation and presentation of interim consolidated financial statements.

Ernst & Young Vietnam Limited

CÔNG TY TNHH ERNST & YOUNG VIỆT NAM CHI NHÁNH HÀ NỘI

Trinh Hoang Anh
Deputy General Director
Audit Practising Registration Certificate No. 2071-2018-004-1

Hanoi, Vietnam

12 August 2020

INTERIM CONSOLIDATED BALANCE SHEET
as at 30 June 2020

	Notes	30/6/2020 VND million	31/12/2019 VND million
ASSETS			
Cash, gold and gemstones	**5**	**2,509,108**	**2,344,291**
Balances with the State Banks	**6**	**9,173,365**	**14,347,180**
Placements with and loans to other credit institutions	**7**	**39,202,383**	**39,691,364**
Placements with other credit institutions		31,974,704	29,338,805
Loans to other credit institutions		7,227,679	10,548,559
Provision for credit losses on placements with and loans to other credit institutions		-	(196,000)
Securities held for trading	**8**	**1,518,915**	**1,167,809**
Securities held for trading		1,549,447	1,196,887
Provision for securities held for trading		(30,532)	(29,078)
Derivatives and other financial assets	**9**	-	**14,836**
Loans to customers		**257,054,712**	**247,129,710**
Loan to customers	10	261,384,513	250,330,623
Provision for credit losses on loans to customers	11	(4,329,801)	(3,200,913)
Investment securities		**87,887,059**	**85,628,999**
Available-for-sale securities	12.1	85,987,270	82,723,727
Held-to-maturity securities	12.2	2,196,788	3,196,877
Provision for investment securities	12.4	(296,999)	(291,605)
Long-term investments	**13**	**866,870**	**887,017**
Other long-term investments	13.1	1,008,552	1,037,453
Provision for long-term investments	13.2	(141,682)	(150,436)
Fixed assets		**2,805,764**	**2,798,062**
Tangible fixed assets	14	1,634,249	1,642,003
Cost		*3,732,187*	*3,585,813*
Accumulated depreciation		*(2,097,938)*	*(1,943,810)*
Intangible assets	15	1,171,515	1,156,059
Cost		*2,074,704*	*1,980,168*
Accumulated amortization		*(903,189)*	*(824,109)*
Investment properties	**16**	**30,813**	**30,813**
Cost		*30,813*	*30,813*
Accumulated depreciation		-	-
Other assets		**20,586,694**	**17,447,494**
Receivables	17.1	14,771,400	11,471,145
Accrued interest and fee receivables		3,628,956	3,771,711
Deferred tax assets	36.2	2,534	3,699
Other assets	17.2	2,434,937	2,475,062
In which: Goodwill	*18*	*47,613*	*57,135*
Provision for other assets	17.3	(251,133)	(274,123)
TOTAL ASSETS		**421,635,683**	**411,487,575**

INTERIM CONSOLIDATED BALANCE SHEET (continued)
as at 30 June 2020

	Notes	30/6/2020 VND million	31/12/2019 VND million
LIABILITIES			
Due to the Government and the State Bank of Vietnam	**19**	**23,994**	**16,836**
Deposits and borrowings from other credit institutions		**60,440,378**	**50,314,052**
Deposits from other credit institutions	20.1	40,526,007	29,550,155
Borrowings from other credit institutions	20.2	19,914,371	20,763,897
Customer deposits	**21**	**257,378,873**	**272,709,512**
Derivatives and other financial liabilities	**9**	**136,818**	**-**
Other borrowed and entrusted funds	**22**	**257,222**	**302,126**
Valuable papers issued	**23**	**33,302,191**	**26,288,629**
Other liabilities		**24,297,706**	**21,970,606**
Interest and fee payables		5,077,349	4,598,544
Deferred tax liabilities	36.3	7,012	12,097
Other payables	24	19,213,345	17,359,965
TOTAL LIABILITIES		**375,837,182**	**371,601,761**
OWNERS' EQUITY			
Capital		25,108,540	22,718,445
- *Charter capital*		*24,370,429*	*23,727,323*
- *Share premium*		*1,177,563*	*-*
- *Treasury shares*		*(564,397)*	*(1,036,712)*
- *Other capital*		*124,945*	*27,834*
Reserves		6,390,112	4,936,914
Undistributed profits		12,282,851	10,342,490
Non-controlling interests		2,016,998	1,887,965
TOTAL OWNERS' EQUITY	**26**	**45,798,501**	**39,885,814**
TOTAL LIABILITIES AND OWNERS' EQUITY		**421,635,683**	**411,487,575**

INTERIM CONSOLIDATED BALANCE SHEET (continued)
as at 30 June 2020

OFF-BALANCE SHEET ITEMS

	30/6/2020 VND million	31/12/2019 VND million
Credit guarantees	140,035	81,864
Foreign exchange commitments	198,720,354	155,723,464
- *Foreign exchange commitments - buy*	*3,113,616*	*5,949,719*
- *Foreign exchange commitments - sell*	*4,930,689*	*6,416,536*
- *Cross currency swap contracts - buy*	*95,233,518*	*71,691,021*
- *Cross currency swap contracts - sell*	*95,442,531*	*71,666,188*
Letters of credit	26,879,524	21,340,471
Other guarantees	71,358,170	76,678,646
Other commitments	41,353,296	42,304,723
TOTAL	**338,451,379**	**296,129,168**

Prepared by:	Reviewed by:		Approved by:
Ms. Le Thi Huyen Trang Deputy Head of General Accounting Department	Ms. Dang Thuy Dung Chief Accountant	Ms. Nguyen Thi Thanh Nga Chief Financial Officer	Mr. Luu Trung Thai Chief Executive Officer

Hanoi, Vietnam

12 August 2020

INTERIM CONSOLIDATED INCOME STATEMENT
for the six-month period ended 30 June 2020

	Notes	For the six-month period ended 30 June 2020 VND million	For the six-month period ended 30 June 2019 VND million
Interest and similar income		15,872,124	14,895,803
Interest and similar expenses		(6,552,916)	(6,366,089)
Net interest and similar income	**27**	**9,319,208**	**8,529,714**
Fee and commission income		3,577,089	2,900,341
Fee and commission expenses		(1,887,291)	(1,087,150)
Net fee and commission income	**28**	**1,689,798**	**1,813,191**
Net gain from trading of foreign currencies	**29**	**340,661**	**284,256**
Net gain from securities held for trading	**30**	**33,837**	**59,333**
Net gain from investment securities and long-term investments	**31**	**680,672**	**202,558**
Other income		1,087,556	819,875
Other expenses		(308,803)	(140,564)
Net gain from other activities	**32**	**778,753**	**679,311**
Income from capital contribution, share acquisition	**33**	**69,495**	**43,608**
TOTAL OPERATING INCOME		**12,912,424**	**11,611,971**
TOTAL OPERATING EXPENSES	**34**	**(4,484,288)**	**(4,372,433)**
Net profit before provision for credit losses		**8,428,136**	**7,239,538**
Provision expenses for credit losses	35	(3,309,527)	(2,364,169)
PROFIT BEFORE TAX		**5,118,609**	**4,875,369**
Current corporate income tax expense	36.1	(950,006)	(939,443)
Deferred corporate income tax income (expense)		3,920	(4,977)
Corporate income tax expense		**(946,086)**	**(944,420)**
PROFIT AFTER TAX		**4,172,523**	**3,930,949**
Non-controlling interests		**197,688**	**153,838**
Owners' net profit		**3,974,835**	**3,777,111**
Basic earnings per share (VND/share)	**37**	**1,666**	**1,644**

Prepared by: Reviewed by: Approved by:

NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN QUÂN ĐỘI

Ms. Le Thi Huyen Trang Deputy Head of General Accounting Department	Ms. Dang Thuy Dung Chief Accountant	Ms. Nguyen Thi Thanh Nga Chief Financial Officer	Mr. Luu Trung Thai Chief Executive Officer

Hanoi, Vietnam

12 August 2020

INTERIM CONSOLIDATED CASH FLOW STATEMENT
for the six-month period ended 30 June 2020

	Notes	For the six-month period ended 30 June 2020 VND million	For the six-month period ended 30 June 2019 VND million
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and similar receipts		16,101,797	14,645,857
Interest and similar payments		(6,044,812)	(5,024,829)
Net fee and commission receipts		1,689,798	1,813,191
Net receipts (payments) from trading activities (foreign currencies, gold and securities)		938,953	453,820
Other income		144,516	63,135
Recoveries from bad debts previously written-off	32	634,237	616,176
Payments for administrative, operating and salary expenses		(4,540,248)	(4,459,752)
Corporate income tax paid during the period	25	(520,183)	(804,828)
Net cash flow from operating profit before changes in operating assets and liabilities		**8,404,058**	**7,302,770**
Changes in operating assets			
Decrease in deposits at and loans to other credit institutions		3,321,459	1,199,109
Increase in trading securities		(2,616,013)	(11,773,826)
Decrease in derivatives and other financial assets		14,836	-
Increase in loans to customers		(11,053,890)	(24,238,684)
Utilization of provision to write off loans to customers, securities, long-term investments and other receivables		(2,425,460)	(2,662,336)
Increase in other assets		(2,988,529)	(2,163,541)
Changes in operating liabilities			
Increase in deposits and borrowings from other credit institutions		10,126,327	8,373,241
(Decrease)/Increase in customer deposits (including deposits from the State Treasury)		(15,323,480)	19,012,142
Increase in valuable papers issued (except for valuable papers issued for financing activities)		7,013,562	7,721,735
Decrease in other borrowed and entrusted funds		(44,904)	(17,082)
Increase in derivatives and other financial liabilities		136,818	56,146
Increase in other liabilities		1,198,095	2,089,723
Payments from reserves		(30,663)	(44,688)
Net cash flow (used in)/ from operating activities		**(4,267,784)**	**4,854,709**

INTERIM CONSOLIDATED CASH FLOW STATEMENT (continued)
for the six-month period ended 30 June 2020

	Notes	For the six-month period ended 30 June 2020 VND million	For the six-month period ended 30 June 2019 VND million
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(502,050)	(305,840)
Proceeds from disposal of fixed assets		94	860
Payments for investments in other entities		(3)	-
Proceeds from investments in other entities		34,743	-
Dividends and profits received from long-term investments and capital contribution	33	69,495	43,608
Net cash flow used in investing activities		**(397,721)**	**(261,372)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in charter capital from capital contribution and/or share issuance		1,719,922	-
Dividend payment to shareholders	26.1	-	(1,304,219)
Liquidation of treasury shares	26.1	573,062	-
Acquisition of treasury shares	26.1	-	(1,036,712)
Cash flow used in financing activities		**2,292,984**	**(2,340,931)**
Net cash flow for the period		**(2,372,521)**	**2,252,406**
Cash and cash equivalents at the beginning of the period		**46,012,273**	**47,648,084**
Cash and cash equivalents at the end of the period	**38**	**43,639,752**	**49,900,490**

Prepared by: Reviewed by: Approved by:

NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN QUÂN ĐỘI

Ms. Le Thi Huyen Trang Deputy Head of General Accounting Department	Ms. Dang Thuy Dung Chief Accountant	Ms. Nguyen Thi Thanh Nga Chief Financial Officer	Mr. Luu Trung Thai Chief Executive Officer

Hanoi, Vietnam

12 August 2020

1. GENERAL INFORMATION

Military Commercial Joint Stock Bank ("the Bank") is a joint stock commercial bank incorporated and registered in the Socialist Republic of Vietnam.

The Bank was established under Operating Licence No. 100/NH-GP granted by the Governor of the State Bank of Vietnam ("the SBV") dated 17 October 2018, replacing Operating Licence No. 0054/NH-GP dated 14 September 1994. The operating duration under the licence is 99 years, since 14 September 1994. The Bank is operating under Business Registration No. 0100283873 granted by Hanoi Department of Planning and Investment dated 30 September 1994 and the 45th amended Business Registration dated 31 March 2020.

The current principal activities of the Bank are to perform banking services including mobilizing and receiving short, medium and long-term deposits from organizations and individuals; making short, medium and long-term loans to organizations and individuals based on the nature and capability of the Bank's capital; conducting foreign exchange transactions; international trade finance services; discounting of commercial papers, bonds and other valuable papers; providing settlement services and other banking services as approved by the SBV.

Charter capital

As at 30 June 2020, the charter capital of the Bank was VND24,370,429 million (31 December 2019: VND23,727,323 million).

Operational network

The Bank's Head Office is located at 21 Cat Linh street, Dong Da district, Hanoi, Vietnam.

As at 30 June 2020, the Bank has one (1) Head Office, one hundred and one (101) branches (including branches in Laos and Cambodia), one hundred and ninety-eight (198) transaction offices, and one (1) overseas representative office.

Employees

The Bank and its subsidiaries have 14,969 employees as at 30 June 2020 (31 December 2019: 15,691 employees).

1. GENERAL INFORMATION (continued)

Subsidiaries

As at 30 June 2020, the Bank has subsidiaries as follows:

Subsidiaries	*Operating license*	*Nature of the business*	*Ownership*
Military Bank Asset Management Company Limited ("MBAMC")	Business Registration Certificate No. 0105281799 issued by the Hanoi City Department for Planning and Investment dated 11th September 2002 and the 20 amended dated 25 December 2018	Debt management and assets usage	100%
MB Securities Joint Stock Company ("MBS")	Business Registration Certificate No. 116/GP-UBCK by the State Securities Commission of Vietnam dated 9 December 2013	Securities	81.94%
MB Capital Management Joint Stock Company ("MB Capital")	Operating license No. 21/UBCK-GP issued by the State Securities Commission of Vietnam dated 15th November 2007 and the latest amendment No.06/GPDC -UBCK dated 12 February 2015	Investment fund management	90.77%
MB Shinsei Finance Limited Liability Company (*)	Operating license No. 27/GP-NHNN issued by the State Bank of Vietnam dated 4 February 2016	Consumer finance	50.00%
Military Insurance Corporation ("MIC")	Operating licence No. 43/GP/KDBH issued by the Ministry of Finance dated 8 October 2007, latest amendment No. 43/GPDC30/KDBH dated 31 December 2019	Non-life insurance	68.37%
MB Ageas Life Insurance Company Limited ("MB Ageas")	Operating licence No. 74/GP/KDBH issued by the Ministry of Finance dated 21 July 2016	Life insurance, health insurance and financial investment	61.00%

(*) Under the joint venture agreement between the Bank and Shinsei Bank (Japan), the Bank reserves the right to make final decisions regarding important issues of MB Shinsei Finance Limited Liability Company within 5 years since the completion of the capital transfer to Shinsei Bank (Japan) and the third capital contributor.

The Bank and subsidiaries hereunder are collectively called "MB".

2. ACCOUNTING PERIOD AND ACCOUNTING CURRENCY

2.1 Accounting period

MB's fiscal year starts on 1 January and ends on 31 December.

MB's interim period starts on 1 January and ends on 30 June each year.

2.2 Accounting currency

The currency used in the preparation of the interim consolidated financial statements of MB is Vietnam dong ("VND"). For the purpose of preparing the interim consolidated financial statements, all amounts are rounded to the nearest million and presented in VND million. The presentation makes no impact on readers' view of the interim consolidated financial position, interim consolidated operational results and interim consolidated cash flows of MB.

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM

3.1 Statement of compliance

Management of MB confirms that the accompanying interim consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and statutory requirements relevant to the preparation and presentation of interim consolidated financial statements.

3.2 Accounting standards and system

The interim consolidated financial statements of MB are prepared in accordance with the accounting system applicable to credit institutions required under Decision No. 479/2004/QD-NHNN issued on 29 April 2004 promulgating the chart of accounts of credit institutions and amending and regulations supplementing Decision No. 479/2004/QD-NHNN, Decision No. 16/2007/QD-NHNN dated 18 April 2007 on the issuance of the regime on financial statements applicable to credit institutions and regulations amending and supplementing Decision No. 16/2007/QD-NHNN, Vietnam Accounting Standard No. 27 - Interim financial statements and other Vietnamese Accounting Standards issued by the Ministry of Finance as per:

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

Accordingly, the accompanying interim consolidated financial statements and their utilization are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the interim consolidated financial position and results of interim consolidated operations and interim consolidated cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

Items or balances that are not shown in these interim consolidated financial statements as required by Decision No. 16/2007/QD-NHNN dated 18 April 2007 and amending and supplementing regulations of Decision No. 16/2007/QD-NHNN indicate nil balance.

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM (continued)

3.3 Assumptions and uses of estimates

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

3.4 Basis of consolidation

The interim consolidated financial statements comprise the interim financial statements of the Bank and its subsidiaries for the six-month period ended 30 June 2020.

Subsidiaries are fully consolidated from the acquisition date, on which the Bank obtains control and continue to be consolidated until the Bank terminates the control.

The interim financial statements of the Bank and its subsidiaries are prepared for the same reporting period, using consistent accounting policies.

All intra-company balances, income and expenses and unrealized gains or losses resulting from intra-company transactions are eliminated in full.

Non-controlling interest represents the portion of net results of operations and net assets not owned, by MB and are presented separately in the interim consolidated income statement and within equity in the interim consolidated balance sheet.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Changes in accounting policies and disclosures

The accounting policies adopted by MB in the preparation of interim consolidated financial statements are consistent with those followed in the preparation of MB's consolidated financial statements for the year ended 31 December 2019 and interim consolidated financial statements for the six-month period ended 30 June 2019.

4.2 Cash and cash equivalents

Cash and cash equivalents comprise cash, current accounts at the SBV, Government bills and other short-term valuable papers which can be rediscounted with the SBV, securities, current deposits, placements with and loans to other credit institutions with an original maturity of three months or less from the transaction date, which are highly liquid and readily convertible into certain amounts of cash and that are subject to an insignificant risk of change in value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3. *Placements with and loans to other credit institutions*

Placements with and loans to other credit institutions are presented at the principal amounts outstanding at the reporting date.

The classification of credit risk for deposits and loans to other credit institutions and the corresponding provision for credit losses is made in accordance with Circular No. 02/2013/TT-NHNN issued by the SBV on 21 January 2013 regulating the classification of assets, the level and method of risk provisioning and the use of provisions against credit risks in the operations of credit institutions and foreign bank branches ("Circular 02") and Circular No. 09/2014/TT-NHNN issued by the SBV on 18 March 2014 amending and supplementing some articles of Circular 02 ("Circular 09"). Accordingly, MB makes a specific provision for placements with (except for current accounts) and loans to other credit institutions according to the method as described in *Note 4.5*.

According to Circular 02, MB is not required to make a general provision for placements with and loans to other credit institutions.

4.4 *Loans to customers*

Loans to customers are presented at the principal amounts outstanding at the reporting date.

Provision for credit losses of loans to customers is accounted and presented in a separate line in the interim consolidated balance sheet.

Short-term loans have maturity of less than one year from disbursement date. Medium-term loans have maturity from one to five years from disbursement date. Long-term loans have maturity of more than five years from disbursement date.

Loan classification and provision for credit losses are made according to Circular 02 and Circular 09 as presented in *Note 4.5*.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 *Classification, level and method making provision for credit losses applied to placements with and loans to other credit institutions, unlisted corporate bonds purchased and trusted for purchase, loans to customers granted and trusted for granting (collectively "debts")*

Debts classification

Debts are classified into following groups: Current, Special Mention, Sub-standard, Doubtful and Loss which are specified in Circular 02 and Circular 09. Loans which are classified as Sub-standard, Doubtful and Loss are non-performing. Specifically:

- Classification of placements with and loans to other credit institutions is made in compliance with the quantitative method as prescribed in Article 10 of Circular 02.
- Classification for unlisted corporate bonds purchased and trusted for purchase except for bonds issued those who also borrow from MB is made using the quantitative method as regulated under Article 10 of Circular 02. Classification for unlisted corporate bonds issued by entities that are also loan customers of MB is made similar to classification for loans to customers as described below.
- Classification for loans to customers granted and trusted for granting, including syndicated loans where MB is not the leading bank, is made using both the quantitative and qualitative methods as regulated under Article 10 and Article 11 of Circular 02 in accordance with Official Letter No. 8738/NHNN-CNH dated 25 September 2008 and the amendments to the internal credit rating system: Report No. 446/BC-MB.HS.m in 2014, Announcement No. 96/BC-MB.HS.m in 2016 and Announcement No. 2260/TB-HS in 2016. Accordingly, in case the classification results under Articles 10 and 11 are not the same, the debts must be classified into the higher risk group.
- If a customer has more than one debt with MB and any of the outstanding debts is classified into a higher risk group, the entire remaining debts of such customer should be classified into the corresponding higher risk group.
- Since 1 January 2015, credit institutions, foreign bank branches have been required to use the updated information from Credit Information Centre ("CIC") on the loan group of customers at the time of loan classification to adjust the classification of their debts and off-balance sheet items (This requirement was not applicable to the classification results of Vietnam Development Bank provided by CIC).
- At the same time, MB also applied regulations on restructuring but maintain the debt group for debts meeting the requirements of Decree No.55/2015/ND-CP ("Decree 55") dated 9 June 2015 on credit policy for agricultural and rural development and other regulations amending and supplementing a number of articles of Decree 55.
- MB also applies the regulations under Circular No. 01/2020/TT-NHNN ("Circular 01") dated 13 March 2020 by the State Bank of Vietnam on loan restructuring, exemption or reduction of interest and fees and retention of loan classification group to assist the borrowers affected by Covid 19 pandemic. Accordingly, the Bank has restructured the loans qualified under Circular 01 and retained their classification groups as before 23 January 2020.

Specific provision

Specific provision as at 30 June 2020 is made based on the principal balance less discounted value of collaterals multiplied by provision rates which are determined based on the loan classification results as at 31 May.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 *Classification, level and method for making provision for credit losses applied to placements with and loans to other credit institutions, unlisted corporate bonds purchased and trusted for purchase, loans to customers granted and trusted for granting (collectively "debts")* (continued)

Specific provision (continued)

The specific provision rates for each group are presented as follows:

Group		Loan classification using the quantitative method	Loan classification using the qualitative method	Provision rate
1	Current	(a) Standard debts are assessed as fully and timely recoverable for both principals and interests; or (b) Debts are overdue for a period of less than 10 days and assessed as fully recoverable for both overdue principals and interests, and fully and timely recoverable for both remaining principals and interests.	Debts are assessed as fully and timely recoverable for both principals and interests.	0%
2	Special Mention	(a) Debts are overdue for a period between 10 days and 90 days; or (b) Debts which the repayment terms are restructured for the first time.	Debts are assessed as fully recoverable for both principals and interests but there is a sign that customers decline ability to pay for the debt.	5%
3	Sub-standard	(a) Debts are overdue for a period between 91 days and 180 days; or (b) Debts which the repayment terms are extended for the first time; or (c) Debts which interests are exempted or reduced because customers do not have sufficient capability to repay all interests under credit contracts; or (d) Debts under one of the following cases which have not been recovered in less than 30 days from the date of the recovery decision: - Debts made incompliance with Clause 1, 3, 4, 5, 6 under Article 126 of Law on Credit Institutions; or - Debts made incompliance with Clause 1, 2, 3, 4 under Article 127 of Law on Credit Institutions; or - Debts made incompliance with Clauses 1, 2 and 5 under Article 128 of Law on Credit Institutions. (e) Debts are required to be recovered according to regulatory inspection conclusions.	Debts are assessed as not fully recoverable for both principals and interests when due, and possibly lost.	20%

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 *Classification, level and method for making provision for credit losses applied to placements with and loans to other credit institutions, unlisted corporate bonds purchased and trusted for purchase, loans to customers granted and trusted for granting (collectively "debts")* (continued)

Specific provision (continued)

Group		Loan classification using the quantitative method	Loan classification using the qualitative method	Provision rate
4	Doubtful	(a) Debts are overdue for a period of between 181 days and 360 days; or (b) Debts which the repayment terms are restructured for the first time but still overdue for a period of less than 90 days under that restructured repayment term; or (c) Debts which the repayment terms are restructured for the second time; or (d) Debts are specified in point (d) of Loan group 3 and overdue for a period of between 30 days and 60 days after decisions of recovery have been issued; or (e) Debts are required to be recovered according to regulatory inspection conclusions but still outstanding with an overdue period up to 60 days since the recovery date as required by regulatory inspection conclusions.	Debts are assessed as being a highly possible loss.	50%
5	Loss	(a) Debts are overdue for a period of more than 360 days; or (b) Debts which the repayment terms are restructured for the first time but still overdue for a period of 90 days or more under that first restructured repayment term; or (c) Debts which the repayment terms are restructured for the second time but still overdue under that second restructured repayment term; or (d) Debts which the repayment terms are restructured for the third time or more, regardless of being overdue or not; or (e) Debts are specified in point (d) of Loan group 3 and overdue for a period of more than 60 days after decisions on recovery have been issued; or (f) Debts are required to be recovered under regulatory inspection conclusions but still outstanding with an overdue period of more than 60 days since the recovery date as required by regulatory inspection conclusions; or (g) Debts of credit institutions under special control as announced by the SBV, or debts of foreign bank branches which capital and assets are blocked.	Debts are assessed as not recoverable.	100%

The basis for determining the value and discounted value for each type of collateral is specified in Circular 02 and Circular 09.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 *Classification, level and method for making provision for credit losses applied to placements with and loans to other credit institutions, unlisted corporate bonds purchased and trusted for purchase, loans to customers granted and trusted for granting (collectively "debts")* (continued)

General provision

General provision as at 30 June 2020 is made at 0.75% of total outstanding loans excluding placements with and loans to other credit institutions and loans classified as loss as at 31 May.

Bad debts written off

Provisions are recognized as an expense on the interim consolidated income statement and used to write-off bad debts. According to Circular 02, MB establishes a Risk Handling Committee to deal with bad debts if they are classified in Group 5 or if the borrower is a dissolved, bankrupt organization or individual who is dead or missing.

4.6 *Securities held for trading*

Securities held for trading include debt securities, equity securities and other securities acquired and held for the purpose of trading. Securities held for trading are initially recognized at cost.

Listed debt securities held for trading are recognized at cost less provision for diminution in value of securities, which is based on the yield quoted on the Hanoi Stock Exchange at the balance sheet date.

Provision for credit losses of corporate bonds, which are not listed on the stock market or not registered on the unlisted public company market, is made in accordance with Circular 02 and Circular 09 as described in *Note 4.5.*

Equity securities are recognized at cost. Periodically, provision for impairment of securities held for trading is recorded when their book values are higher than their market values. In case the market values of the securities cannot be determined, no provision is made. Provision for impairment is recognized in the interim consolidated income statement as "*Net gain/(loss) from securities held for trading*".

Gains or losses from sales of securities held for trading are recognized in the interim consolidated income statement. Securities held for trading are derecognized when the rights to receive cash flows from these securities are terminated or MB transfers substantially all the risks and rewards of ownership of these securities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Investment securities

4.7.1 Available-for-sale securities

Available-for-sale securities include debt and equity securities listed on securities markets held by MB for the investment and available-for-sale purposes, not regularly traded but can be sold when there is a benefit.

Available-for-sale equity securities are initially recognized at cost at the purchase date and continuously presented at cost in subsequent periods.

Available-for-sale debt securities are recognized at par value at the transaction date. Accrued interest (for debt securities with interest payment in arrears) and deferred interest (for debt securities with interest payment in advance) is recognized in a separate account. Discount/premium, which is the difference between the cost and the amount being the par value plus (+) accrued interest (if any) or minus (-) deferred interest (if any) is also recognized in a separate account.

In subsequent periods, these securities are continuously recorded at par value, and the discount/premium (if any) is amortized to the interim consolidated income statement on a straight-line basis over the remaining terms of securities. The interest received in arrears is recorded as follows: Cumulative interest incurred before the purchase date is recorded as a decrease in the accrued interest; cumulative interest incurred after the purchase date is recognized as income based on the accumulated method. The interest received in advance is amortized into the securities investment interest income on a straight-line basis over the terms of the securities investment.

Available-for-sale securities are subject to impairment review on a periodical basis.

Provision for diminution in value of securities is made when the carrying value is higher than the market value. In case market prices of securities are not available or cannot be determined reliably, no provision is required. Provision is recognized in the "*Net gain/(loss) from investment securities and long-term investments*" of the interim consolidated income statement.

Provision for credit losses of corporate bonds which are not listed on the stock market or not registered on the unlisted public company market is made in accordance with Circular 02 as described in *Note 4.5*.

4.7.2 Held-to-maturity investment securities

Held-to-maturity securities are debt securities purchased by MB for the investment purpose of earning interest and MB has the capability and intention to hold these investments until maturity. Held-to-maturity securities have determined value and maturity dates. In case the securities are sold before the maturity date, the remaining portfolio of these securities will be reclassified to securities held for trading or available-for-sale securities.

Held-to-maturity securities are recorded and measured similarly to debt securities available-for-sale and presented at *Note 4.7.1*.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Other long-term investments

Other long-term investments are investments in other entities in which MB holds less than or equal to 11% of voting rights and securities of these entities are not listed on the stock markets. These investments are initially recorded at cost at the transaction date.

Provision for diminution in the value of investment is made when there is substantial evidence indicating a decline in the value of these investments at the balance sheet date.

The provision is reversed if the recoverable amount of the investments increases after making provision, to the extent that the carrying value of these investments does not exceed the carrying value of the investments assuming that no allowance has been recorded.

Increase or decrease in provision for long-term investments is recognized in *"Net gain/ (loss) from investment securities and long-term investments"* on the interim consolidated income statement.

4.9 Fixed assets

Fixed assets are stated at cost less accumulated depreciation or amortization.

The cost of a fixed asset comprises its purchase price plus any directly attributable cost of bringing the asset to working condition for its intended use.

Costs related to additions, improvements and renewals are capitalized while expenditures for maintenance and repairs are charged to the interim consolidated income statement.

When assets are sold or liquidated, their cost and accumulated depreciation/amortisation are deducted from the interim consolidated balance sheet and any gains or losses resulting from their disposal (being the difference between net proceeds from the sale of assets and the remaining value of assets) are recorded to the interim consolidated income statement.

4.10 Depreciation and amortization

Depreciation and amortization of fixed assets is calculated on a straight-line basis over the estimated useful lives of these assets as follows:

Buildings and construction	5 - 25 years
Machines and equipment	3 - 10 years
Transportation vehicles	6 - 10 years
Other tangible fixed assets	4 years
Land use rights (*)	30 - 46 years
Computer software	2 - 8 years
Other intangible assets	3 years

(*) Indefinite land use rights are not amortized. Land use rights with definite terms or leased land use rights are amortized over their terms.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Investment properties

Investment properties held for capital appreciation are stated at cost less any devaluation in market prices. The carrying amount of an investment property held for capital appreciation is reduced when there is evidence that its market price falls below its carrying amount and the loss can be measured reliably. Any reduction in value of investment properties held for capital appreciation is charged to the interim consolidated income statement.

4.12 Receivables

4.12.1 Receivables classified as credit risk-bearing assets

Receivables classified as credit risk-bearing assets are recognized at cost and classified and provided for allowance by MB in accordance with Article 10 of Circular 02 and presented in *Note 4.5.*

4.12.2 Other receivables

Receivables other than credit risk-bearing assets of MB are initially recorded at cost and always carried at cost subsequently.

Provision for receivables is determined based on the overdue status of debts or expected loss of current debts in case the debts are not due for payment yet but the corporate debtors have bankrupted or have fled from business address, or of individual debtors who are being prosecuted, detained or tried by law enforcement bodies or have deceased or the debt has been requested to be tried but cannot be executed due to the debtor having fled his place of residence; the debt has been sued for debt collection but the case has been suspended. Provision expense incurred is recorded in "*Provision expenses*" on the consolidated income statement.

Provision for overdue debts is made as follows:

Overdue status	*Allowance rate*
From over six months up to one year	30%
From one to under two years	50%
From two to under three years	70%
From three years and above	100%

4.13 Prepaid expenses and deferred expenses

Prepaid expenses are reported as short-term or long-term prepaid expenses on the interim consolidated balance sheet and amortized over the period for which the amount is paid or the period in which economic benefit is generated in relation to these expenses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 *Business combinations and goodwill*

Business combinations are accounted for using the purchase method. The cost of a business combination is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of business combination plus any cost directly attributable to the business combination. Identifiable assets and liabilities and contingent liabilities assumed in a business combination of the acquiree are measured initially at fair value at the date of business combination.

Goodwill acquired in a business combination is initially recognized at cost being the excess of the cost the business combination over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of a business combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the interim consolidated income statement. After initial recognition, goodwill is recognized at cost less any accumulated amortization. Goodwill is amortized on a straight-line basis over a period of ten (10) years.

4.15 *Re-purchase and reverse-repurchase contracts*

Securities sold under agreements to repurchase at a specific date in the future (repos) are still recognized in the interim consolidated financial statements. The corresponding cash received from these agreements is recognized in the interim consolidated balance sheet as a borrowing and the difference between the sale price and repurchase price is amortized in the consolidated income statement over the term of the agreement using the straight-line method based on the interest rate stipulated in the contract.

Conversely, securities purchased under agreements to resell at a specific date in the future are not recognized in the interim consolidated financial statements. The corresponding cash paid under these agreements is recognized as a loan in the interim consolidated balance sheet and the difference between the purchase price and resale price is amortized in the interim consolidated income statement over the term of the agreement using the straight-line method based on the interest rate stipulated in the contract.

4.16 *Leased assets*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfilment of the arrangement depends on the use of a specific asset and the arrangement conveys a right to use the asset.

A lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Where MB is the lessee

Rentals under operating leases are charged to the interim consolidated income statement on a straight-line basis over the lease term.

Where MB is the lessor

Assets subject to operating leases are included as MB's fixed assets in the interim consolidated balance sheet. Initial direct costs incurred in negotiating an operating lease are recognized in the interim consolidated income statement as incurred.

Lease income is recognized in the interim consolidated income statement on a straight-line basis over the lease term.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Due to the Government and the State Bank of Vietnam

Due to the Government and the State Bank of Vietnam is recognized at cost.

4.18 Deposits from other credit institutions and customers, other borrowed and entrusted funds and valuable papers issued

Deposits from other credit institutions, customer deposits, other borrowed and entrusted funds and valuable papers issued are disclosed at the principal amounts outstanding at the end of the accounting period. At initial recognition, issuance costs are deducted from the cost of the valuable papers. These costs are allocated on a straight-line method during the lifetime of the valuable papers to "*Interest and similar expenses*".

4.19 Foreign currency transactions

According to accounting system of MB, all transactions are recorded in original currencies. Monetary assets and liabilities denominated in foreign currencies are translated into VND using exchange rates ruling at the interim consolidated balance sheet date *(Note 50)*. Income and expenses arising in foreign currencies during the period are converted into VND at rates ruling at the transaction dates. Foreign exchange differences arising from the translation of monetary assets and liabilities are recognized in the interim consolidated income statement.

4.20 Payables and accruals

Payables and accruals are recognized for amounts to be paid in the future for goods and services received, whether or not billed to MB.

4.21 Technical reserves of insurance subsidiaries

The methodologies to compute reserves are based on Circular No. 50/2017/TT-BTC dated 15 May 2017 issued by the Ministry of Finance on financial regime applicable to insurers, reinsurers, insurance brokers and foreign non-life insurance branches ("Circular 50"). Details of the methodologies are presented as follows:

(i) Unearned premium reserves

Regarding insurance and re-insurance policies with a term of less than or equal to one (1) year, unearned premium reserve is calculated as a percentage of total premium as such:

- For cargo insurance, unearned premium reserve is made at 25% of the retained premium during the financial year.
- For other insurance lines, unearned premium reserve is made at 50% of the retained premium during the financial year.
- For life insurance, the unearned premium reserve is calculated on the gross premium for all insurance policies with a term of one (1) year or less at the reporting date.

(ii) Claims reserve

Claim reserve includes that for reported losses but has not been settled at the end of the period and for losses which the insurance liability has incurred but has not been reported.

Gross and assumed reinsurance claim reserve is presented as liabilities; claim reserve of outward reinsurance is presented as a reinsurance asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.21 *Technical reserves of insurance subsidiaries* (continued)

(iii) Catastrophe reserve

Catastrophe reserve is made at 1% of retained premiums according to Circular 50 and is accrued periodically until such reserve reaches 100% of the retained premiums of the current period.

On 28 December 2005, the Ministry of Finance issued Decision No. 100/2005/QD-BTC governing the publication of four new accounting standards, including Vietnamese Accounting Standard ("VAS") 19 – Insurance Contract. Accordingly, from January 2006, the provision of catastrophe reserve is no longer required since it represents "possible claims under contracts that do not exist at the reporting date". However, since the Ministry of Finance has not issued detailed guidance for the implementation of VAS 19 and according to Decree No. 73/2016/ND-CP issued by the Government of Vietnam dated 1 July 2016 on details of the implementation of the Law on Insurance Business and amendments to certain articles of the Law on Insurance Business ("Decree 73"), MB continues to make catastrophe reserve on the interim consolidated financial statements for the six-month period ended 30 June 2020.

4.22 *Capital and reserves*

4.22.1 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares are recognized as a deduction from share premium in equity.

4.22.2 Share premium

On receipt of capital from shareholders, the difference between the issuance price and the par value of the shares is recorded as share premium in equity.

4.22.3 Treasury shares

Own equity instruments which are reacquired by the Bank (treasury shares) are stated at cost and deducted from equity. The Bank does not record gains/losses when buying, selling, issuing or terminating its equity instruments.

4.22.4 Reserves

MB makes appropriation to reserves in accordance with current regulations and Resolution of the General Meeting of Shareholders or corresponding owners.

(i) Bank's reserves

Reserves are for specific purposes and appropriated from net profit after tax of the Bank at prescribed rates as below and according to the Resolution of the General Meeting of Shareholders:

- Supplementary charter capital reserve: 5% of net profit after tax and does not exceed charter capital;
- Financial reserve: 10% of net profit after tax;
- Other reserves: are to be made upon the current regulations and the Resolution of General Meeting of Shareholders.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.22 *Capital and reserves* (continued)

4.22.4 *Reserves* (continued)

(ii) Subsidiaries' reserves

Military Bank Asset Management Company Limited ("MB AMC")

MB AMC made appropriations to bonus and welfare fund according to decision of the owners.

MB Securities Joint Stock Company ("MBS") and MB Capital Management Joint Stock Company ("MB Capital")

The statutory reserves are appropriated by MBS and MB Capital in accordance with Circular No. 146/2014/TT-BTC dated 6 October 2014 issued by the Ministry of Finance:

	Annual allocation	*Maximum balance*
Capital supplementary reserves	5% of profit after tax	10% of charter capital
Financial reserves	5% of profit after tax	10% of charter capital

Other reserves of MBS and MB Capital are appropriated according to the decision of their General Meeting of Shareholders.

MB Shinsei Finance Company Limited ("MCredit")

According to Decree 93/2017/ND-CP, MCredit is required to make statutory reserves before distribution of profits similar to the Bank.

Military Insurance Corporation ("MIC") and MB Ageas Life Insurance Company Limited ("MB Ageas")

MIC and MB Ageas make appropriations to statutory reserves from profit after tax at the rate of 5% and these are continuously accumulated until reaching 10% of their charter capital.

4.23 *Recognition of income and expenses*

Income and expenses from banking operations

Interest income and expenses are recognized in the interim consolidated income statement on an accrual basis. The recognition of accrued interest income of a loan is suspended when such debt is classified in groups 2 to 5 in compliance with Circular 02 or restructured under Circular 01. Suspended interest income is reversed and monitored off-balance sheet and recognized in the interim consolidated income statement upon actual receipt.

Fees and commissions are recognized when the services are performed.

For other income, when the result of the contract is definitely determined, income is recognized based on the stage of completion of work or service. If the result of the contract is not determined, income is only recognized to the extent of recoverable amount of expenses incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.23 Recognition of income and expenses (continued)

Income and expenses from banking operation (continued)

According to Circular No. 16/2018/TT-BTC dated 7 February 2018 by the Ministry of Finance, receivables from uncollectible accrued income at the due date are recorded as reduction in revenue if the income has been accrued in the same accounting period or recorded as expense if the income has been accrued in different accounting periods and monitored off-balance sheet. Upon actual receipt of these receivables, MB would recognize to *"Other income"* on the interim consolidated income statement.

Income from securities trading business

Income from securities trading is recognized based on differences between selling price and the weight average cost of the securities.

Cash dividend is recognized in the interim consolidated income statement when the right to receive cash dividends of MB is established. Dividend received in the form of common shares, bonus shares and stock options for current shareholders, shares distributed from undistributed profits are not recognized as an income of MB but only update the quantity of stock.

Income from insurance business

Gross written premiums are recognized in accordance with Circular 50.

Prepaid premium before due date is recorded as *"Deferred revenue"* in the interim consolidated balance sheet.

Income from real estate business

Income is recognized to the extent that it is probable that the economic benefits will flow to MB. Income is measured at the fair value of the consideration received or receivable, excluding trade discount, rebate and sales returned.

Income is recognized when MB has passed significant risks and rewards associated with the real estates to the buyers and income can be reliably measured.

Claim expenses for insurance activities

Claim expenses of gross premium is recognized on the basis of incurrence when MIC and MB Ageas accept claims.

Claim expenses for reinsurance premiums assumed is recognized upon incurrence in accordance with the statement of the reinsurer which was sent to MIC and MB Ageas and accepted by MIC and MB Ageas.

Claim receivables for reinsurance premiums ceded are recognized upon actual incurrence in accordance with the receivable amount corresponding to claim expense recognized during the period and the rate of reinsurance ceded.

Other expenses for insurance activities are recognized when incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.23 *Recognition of income and expenses* (continued)

Commission expenses for insurance business

Commission is calculated at certain percentage of direct premiums for specific line of insurance as stipulated in Circular 50. Commission expenses are allocated and recognized in the interim consolidated income statement for direct premiums earned during the period. The commission which is not allocated would be recognized as prepaid expense and being allocated in subsequent periods.

Loan origination costs from loans to customers in the finance company

Loan origination costs including commissions to agencies, third parties, and sale personnel are amortized into the interim consolidated income statement using the straight-line method over the average duration of the loan types ranging from 9 - 29 months.

4.24 *Corporate income taxes*

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from (or paid to) the taxation authorities - using the tax rates and tax laws applied and enacted at the interim consolidated balance sheet date.

Current income tax is charged or credited to the interim consolidated income statement except when it relates to items recognized directly to equity, in this case the current income tax is also recognized in equity.

Current income tax assets and liabilities are offset when there is a legally enforceable right for MB to offset current tax assets against current tax liabilities and when MB intends to settle its current tax assets and liabilities on a net basis.

Deferred tax

Deferred tax is provided on temporary differences at the interim consolidated balance sheet date between the tax base of assets and liabilities and their carrying amount for the financial reporting purposes.

Deferred tax payables are recognized for temporary taxable differences.

Deferred tax assets are recognized for all deductible temporary differences, deductible amounts carried over subsequent periods of taxable losses and unused tax credits when it is probable that there will be sufficient taxable profit to use deductible temporary differences, taxable losses and tax credits. Deferred tax assets and deferred tax liabilities are determined on the basic of expected tax rate applied when assets are recovered or liabilities are settled and on the basis of tax rate and tax laws which effective at the end of the period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.25 Classification for off-balance-sheet commitments

According to Circular 02, credit institutions should classify guarantees, payment acceptances and irrevocable loan commitments with specific effective date (generally called "*off-balance sheet commitments*") in compliance with Article 10, Circular 02 for management and monitoring of credit quality. Accordingly, off-balance sheet commitments are classified into groups which are *Current, Special Mention, Substandard, Doubtful* and *Loss* based on the overdue status and other qualitative factors.

4.26 Derivatives

MB enters in currency forward contracts and swap contracts to facilitate customers to transfer, modify or mitigate foreign exchange risk or other market risks, and also for the business purpose of MB.

Currency forward contracts

The currency forward contracts are commitments to settle in cash on a pre-determined future date based on the difference between pre-determined exchange rates, and the notional amount of the contracts. The currency forward contracts are recognized at nominal value at the transaction date and are revalued periodically. Gains or losses from revaluation are recognized in the interim consolidated income statement.

Swap contracts

The swap contracts are commitments to settle in cash on a pre-determined future date based on the difference between pre-determined exchange rates and the notional principal amount of the contracts or commitments to settle interest based on a floating rate or a fixed rate calculated on the notional amount and in a given period.

The currency swap contracts are revalued periodically. Gains or losses realized or unrealized are recognized in the interim consolidated income statement.

Differences in interest rate swaps are recognized in the interim consolidated income statement on an accrual basis.

4.27 Earnings per share

MB presents basic earnings per share for ordinary shares. Basic earnings per share amounts are calculated by dividing net profit or loss after tax for the year attributable to ordinary shareholders of MB (after adjusting for the bonus and welfare fund) by the weighted average number of ordinary shares outstanding during the period.

If the shares issued during the period only change the number of shares without changing the total equity, MB will adjust the weighted average number of ordinary shares currently circulated to the previous period presented on the interim consolidated financial statements, resulting in a corresponding adjustment of the opening balance of the basic earnings per shares.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.28 Employee benefits

4.28.1 Post-employment benefits

Post-employment benefits are paid to retired employees of MB in Vietnam by the Social Insurance Agency of the Ministry of Labor, Invalids and Social Affairs. MB is required to contribute to these post-employment benefits by paying social insurance and occupational accident and disease insurance at the rate of 17% and 0.5%, respectively of the employee's basic monthly salary. Other than that, MB has no further obligation.

4.28.2 Voluntary resignation benefits

MB has the obligation, under Section 48 of the Vietnam Labour Code 10/2012/QH13 effective from 1 May 2013, to pay allowance arising from voluntary resignation and fully meet the elements in accordance with the law of employees, equal to one-half month's salary for each year of employment up to 31 December 2008 plus salary allowances (if any). The average monthly salary used in this calculation is the average monthly salary of the latest six-month period up to the resignation date.

4.28.3 Unemployment benefits

According to Circular No. 32/2010/TT-BLDTBXH providing guidance for Decree No. 127/2008/ND-CP on unemployment insurance, from 1 January 2009, MB is required to contribute to the unemployment insurance at the rate of 1% of salary and wage fund of unemployment insurance joiners and deduct 1% of monthly salary and wage of each employee to contribute to the unemployment insurance.

4.29 Segment report

A segment is a separate unit of MB which participates in providing relevant products and services (segments categorized by business sectors) or providing products and services in a certain economic environment (segments categorized by geographical regions). Each segment bears unique risks and gains different benefits. The fundamental segment report form of MB is based on business sectors.

4.30 Related parties

Parties are considered to be related parties of MB if a party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, or when MB and other parties are under common control or under common significant influence. Related parties can be enterprises or individuals, including close family members of individuals who are related parties.

4.31 Offsetting

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

5. CASH, GOLD AND GEMSTONES

	30/6/2020 VND million	31/12/2019 VND million
Cash on hand in VND	2,164,112	1,920,366
Cash on hand in foreign currencies	342,980	420,160
Gold	2,016	3,765
	2,509,108	**2,344,291**

6. BALANCES WITH THE STATE BANKS

	30/6/2020 VND million	31/12/2019 VND million
Balances with the State Bank of Vietnam (i)	8,242,122	13,582,665
- *In VND*	*6,312,491*	*11,835,562*
- *In foreign currencies*	*1,929,631*	*1,747,103*
Balances with the Bank of Lao P.D.R (ii)	348,064	231,067
Balances with National Bank of Cambodia (iii)	583,179	533,448
	9,173,365	**14,347,180**

(i) Balances with the State Bank of Vietnam ("the SBV") include compulsory reserves and current account.

In accordance with regulations of the SBV, banks must maintain a certain reserve with the SBV in form of compulsory reserves. The average monthly compulsory reserves must not be lower than preceding month's average deposit balance multiplied by the respective compulsory reserve ratio.

Compulsory reserve ratios as the reporting date are as follows:

	30/06/2020	31/12/2019
Preceding month's average deposit balance:		
Customers		
- Deposits in foreign currencies other than VND with term of less than 12 months	8.00%	8.00%
- Deposits in foreign currencies other than VND with term of over 12 months	6.00%	6.00%
- Deposits in VND with term of less than 12 months	3.00%	3.00%
- Deposits in VND with term of over 12 months	1.00%	1.00%
Foreign credit institutions		
- Deposit in foreign currencies	1.00%	1.00%

As at 30 June 2020, compulsory reserve deposits in VND bear an interest of 1.00%/year and deposits in foreign currencies exceeding the compulsory reserve bear an interest rate of 0.05%/year (as at 31 December 2019: 0.8%/year and 0.05%/year).

6. BALANCES WITH THE STATE BANKS (continued)

(ii) Deposits at the Bank of Lao P.D.R ("BOL") include deposits in Kip Lao ("LAK") and other foreign currencies related to the establishment of the Bank's branch in the Lao People's Democratic Republic and compulsory reserves in accordance with the regulations of the BOL.

Deposit ratios as at the reporting date are as follows:

	30/6/2020	*31/12/2019*
- Deposits in foreign currencies other than LAK with term of less than 12 months	8.00%	10.00%
- Deposits in LAK with term of less than 12 months	4.00%	5.00%

Deposits at the BOL are not interest-bearing.

(iii) Deposits at the National Bank of Cambodia include deposits in Khmer Riels ("KHR") and other foreign currencies related to the establishment of the Bank's branch in the People's Republic of Cambodia and compulsory reserves in accordance with the regulations of the National Bank of Cambodia. Compulsory reserves are calculated based on the average daily deposit balances multiplied by the respective compulsory reserve ratios.

Deposit ratios as at the reporting date are as follows:

	30/6/2020	*31/12/2019*
- Deposits in foreign currencies other than KHR	12.50%	12.50%
- Deposits in KHR	8.00%	8.00%

Compulsory reserves in accordance with the regulations of the National Bank of Cambodia are not interest-bearing.

7. PLACEMENTS WITH AND LOANS TO OTHER CREDIT INSTITUTIONS

	30/6/2020 VND million	*31/12/2019 VND million*
Placements with other credit institutions	**31,974,704**	**29,338,805**
Demand deposits	8,469,411	9,113,233
- *In VND*	*6,429,339*	*6,344,183*
- *In foreign currencies*	*2,040,072*	*2,769,050*
Term deposits	23,505,293	20,225,572
- *In VND*	*22,634,330*	*16,001,375*
- *In foreign currencies*	*870,963*	*4,224,197*
Loans to other credit institutions	**7,227,679**	**10,548,559**
- *In VND*	*6,064,355*	*7,777,121*
- *In foreign currencies*	*1,163,324*	*2,771,438*
Provision for placements with and loans to other credit institutions	**-**	**(196,000)**
Total	**39,202,383**	**39,691,364**

Analysis of outstanding placements with and loans to other credit institutions by quality at the end of periods is as follows:

	30/6/2020 VND million	*31/12/2019 VND million*
Current	30,732,972	30,578,131
Loss	-	196,000
	30,732,972	**30,774,131**

Interest rates of placements with and loans to other credit institutions at the end of periods are as follows:

	30/6/2020 %p.a.	*31/12/2019 %p.a.*
Term deposits in VND	0.10 - 8.25	2.40 - 6.40
Term deposits in foreign currencies	0.01 - 2.10	0.01 - 2.10
Loans in VND	0.50 - 7.20	4.40 - 7.20
Loans in foreign currencies	0.01 - 3.30	0.01 - 4.10

8. SECURITIES HELD FOR TRADING

	30/6/2020 VND million	*31/12/2019 VND million*
Debt securities	**1,331,941**	**682,395**
Government bonds	545,754	104,409
Debt securities issued by domestic economic entities	786,187	577,986
Equity securities	**217,506**	**514,492**
Equity securities issued by domestic credit institutions	19,289	42,135
Equity securities issued by domestic economic entities	198,217	472,357
Provision for securities held for trading	**(30,532)**	**(29,078)**
Diminution provision	-	-
General provision	(30,532)	(29,078)
	1,518,915	**1,167,809**

Debt securities issued by domestic economic entities have terms ranging from 1 to 3 years, bear interest rates of 10.50% - 11.30%/year.

Listing status of trading securities at the end of periods are as follows:

	30/6/2020 VND million	*31/12/2019 VND million*
Debt securities	**1,331,941**	**682,395**
Listed	545,754	104,409
Unlisted	786,187	577,986
Equity securities	**217,506**	**514,492**
Listed	139,946	394,352
Unlisted	77,560	120,140
Total	**1,549,447**	**1,196,887**

Analysis of securities classified as credit risk assets:

	30/6/2020 VND million	*31/12/2019 VND million*
Current	786,187	577,986
	786,187	**577,986**

Movements of provision for securities held for trading during the periods are as follows:

	For the six-month period ended 30 June 2020 VND million	*2019 VND million*
Opening balance	29,078	106,363
Provision made/(reversed) in the period *(Note 30)*	1,454	(77,285)
Closing balance	**30,532**	**29,078**

9. DERIVATIVES AND OTHER FINANCIAL ASSETS/(LIABILITIES)

	Total contract value at exchange rates at the contract date	*Total net carrying value (at exchange rates at the reporting date)*		
		Assets	*Liabilities*	*Net carrying value*
	VND million	*VND million*	*VND million*	*VND million*
As at 30 June 2020				
Forward currency contracts	9,496,284	68,558	(45,022)	23,536
Swap contracts	97,830,390	26,966,813	(27,127,167)	(160,354)
	107,326,674	**27,035,371**	**(27,172,189)**	**(136,818)**
As at 31 December 2019				
Forward currency contracts	9,796,836	24,322	(28,477)	(4,155)
Swap contracts	93,588,278	21,456,145	(21,437,154)	18,991
	103,385,114	**21,480,467**	**(21,465,631)**	**14,836**

10. LOANS TO CUSTOMERS

	30/6/2020 *VND million*	*31/12/2019* *VND million*
Loans to economic entities and individuals	253,758,708	243,028,585
Discounted bills and valuable papers	1,101,507	640,820
Payments on behalf of customers	189	5,055
Loans financed by entrusted funds	401,561	436,508
Loans to foreign economic entities and individuals	3,527,773	3,530,256
Margin lendings and advances to investors of the securities subsidiary	2,594,775	2,689,399
	261,384,513	**250,330,623**

Interest rates of loans to customers during the periods are as follows:

	30/6/2020 *% p.a.*	*31/12/2019* *% p.a.*
Loans in VND	5.20 – 11.00	6.00 - 11.00
Loans in foreign currencies	2.80 – 4.50	3.10 - 5.50
Consumer loans of the subsidiary	8.00 – 67.50	8.00 - 70.00

10. LOANS TO CUSTOMERS (continued)

10.1 Analysis of loan portfolio by quality

	30/6/2020 VND million	*31/12/2019 VND million*
Current	251,304,830	241,847,313
Special mention	3,907,487	2,896,273
Substandard	1,169,798	1,380,392
Doubtful	713,094	899,344
Loss	1,694,529	617,902
Margin lendings and advances to investors of the securities subsidiary	2,594,775	2,689,399
	261,384,513	**250,330,623**

10.2 Analysis of loan portfolio by maturity

	30/6/2020 VND million	*31/12/2019 VND million*
Short term loans	127,769,957	118,907,994
Medium term loans	34,022,846	33,906,263
Long term loans	96,996,935	94,826,967
Margin lendings and advances to investors of the securities subsidiary	2,594,775	2,689,399
	261,384,513	**250,330,623**

10.3 Analysis of loan portfolio by ownership and types of customers

	30/6/2020		*31/12/2019*	
	VND million	*%*	*VND million*	*%*
State-owned companies	17,019,068	6.51	15,082,508	6.03
One-member limited liability companies with 100% State ownership	6,779,220	2.59	6,930,066	2.77
One-member limited liability companies with over 50% State ownership	542,858	0.21	389,523	0.16
Other limited liability companies	48,667,994	18.62	45,978,538	18.36
Joint stock companies with over 50% State ownership	5,416,123	2.07	5,935,532	2.37
Other joint-stock companies	66,307,733	25.37	61,087,645	24.40
Foreign invested enterprises	7,862,809	3.01	7,063,750	2.82
Co-operatives and unions of co-operatives	161,279	0.06	195,772	0.08
Household business and individuals	102,376,048	39.17	101,303,787	40.47
Operation administration entity, the Party, unions and associations	46,629	0.02	40,151	0.02
Others	83,054	0.03	120,944	0.04
Loans at overseas branches	3,526,923	1.35	3,513,008	1.41
Margin lendings and advances to investors of the securities subsidiary	2,594,775	0.99	2,689,399	1.07
	261,384,513	**100.00**	**250,330,623**	**100.00**

10. LOANS TO CUSTOMERS (continued)

10.4 Analysis of loan portfolio by sectors

	30/6/2020		*31/12/2019*	
	VND million	*%*	*VND million*	*%*
Agriculture, forestry and aquaculture	3,192,507	1.22	3,320,783	1.33
Mining	3,554,724	1.36	3,837,122	1.53
Production and processing	43,003,093	16.45	38,783,944	15.49
Electricity, petroleum and steam	10,534,429	4.03	10,000,983	4.00
Water supply and waste treatment	862,455	0.33	724,777	0.29
Construction	18,501,934	7.08	19,403,393	7.75
Wholesale and retail trade, repair of motor vehicles, motor cycles	60,707,160	23.23	56,817,785	22.70
Transportation, logistics	7,818,807	2.99	7,810,083	3.12
Hospitality services	8,451,745	3.23	7,780,639	3.11
Information and communication	2,013,508	0.77	2,598,729	1.04
Finance, banking and insurance services	712,006	0.27	842,569	0.34
Real estates	6,549,859	2.51	5,356,894	2.14
Expertise, science and technology	398,569	0.15	311,581	0.12
Administrative and supportive services	869,422	0.33	894,466	0.36
Education and training	1,071,005	0.41	1,131,384	0.45
Healthcare and community development	2,011,766	0.77	1,479,427	0.59
Art and entertainment	3,527,598	1.35	2,721,923	1.09
Other services	55,440	0.02	53,874	0.02
Household services	81,426,788	31.16	80,257,860	32.05
Loans at overseas branches	3,526,923	1.35	3,513,008	1.41
Margin lending and advances to investors of the securities subsidiary	2,594,775	0.99	2,689,399	1.07
	261,384,513	**100.00**	**250,330,623**	**100.00**

11. PROVISION FOR CREDIT LOSSES ON LOANS TO CUSTOMERS

	30/6/2020 VND million	*31/12/2019 VND million*
General provision	1,858,067	1,792,344
Specific provision	2,471,734	1,408,569
	4,329,801	**3,200,913**

Movements in provision for credit losses on loans to customers during the six-month period ended 30 June 2020 are as follows:

	General provision VND million	*Specific provision VND million*	*Total VND million*
Opening balances as at 1 January 2020	1,792,344	1,408,569	3,200,913
Provision made during the period *(Note 35)*	65,714	3,267,368	3,333,082
Provision utilized to write-off bad debts	-	(2,199,453)	(2,199,453)
Adjustments according to external auditors of foreign branches	-	(4,538)	(4,538)
Foreign exchange difference	9	(212)	(203)
Closing balances as at 30 June 2020	**1,858,067**	**2,471,734**	**4,329,801**

Movements in provision for credit losses on loans to customers during the financial year ended 31 December 2019 are as follows:

	General provision VND million	*Specific provision VND million*	*Total VND million*
Opening balances as at 1 January 2019	1,563,301	1,647,704	3,211,005
Provision made during the year	229,239	4,675,346	4,904,585
Provision utilized to write-off bad debts	-	(4,918,690)	(4,918,690)
Adjustments according to external auditors of foreign branches	-	4,538	4,538
Foreign exchange difference	(196)	(329)	(525)
Closing balances as at 31 December 2019	**1,792,344**	**1,408,569**	**3,200,913**

12. INVESTMENT SECURITIES

12.1 *Available-for-sale securities*

	30/6/2020 VND million	*31/12/2019 VND million*
Debt securities	**85,987,270**	**82,723,727**
Government bonds	43,459,214	47,873,313
Debt securities issued by other domestic credit institutions	20,406,622	22,694,379
Bonds issued by domestic economic entities	22,121,434	12,156,035
Provision for available-for-sale securities	**(236,950)**	**(190,540)**
General provision	(236,950)	(190,540)
	85,750,320	**82,533,187**

Government bonds have terms ranging from 3 to 30 years with interest rates of 1.90% - 10.80% p.a.

Debt securities issued by other domestic credit institutions have terms ranging from 9 months to 5 years with interest rates of 5.70% - 9.50% p.a.

Bonds issued by domestic economic entities have terms ranging from 1 to 14 years with interest rates of 8.00% - 11.40% p.a.

12.2 *Held-to-maturity securities*

	30/6/2020 VND million	*31/12/2019 VND million*
Debt securities	**2,196,788**	**3,196,877**
Government bonds	182,166	183,374
Debt securities issued by other domestic credit institutions	650,000	580,182
Bonds issued by domestic economic entities	1,364,622	2,433,321
Provision for held-to-maturity securities	**(60,049)**	**(101,065)**
General provision	(10,049)	(18,172)
Specific provision	(50,000)	(82,893)
	2,136,739	**3,095,812**

Government bonds have terms ranging from 15 to 20 years with interest rates of 4.60% - 7.00% pa.

Debt securities issued by other domestic credit institutions have terms ranging from 6 months to 15 years with interest rates of 7.70% - 9.00% pa.

Bonds issued by domestic economic entities have terms ranging from 1 to 10 years with interest rates of 8.40% - 11.40% p.a.

12. INVESTMENT SECURITIES (continued)

12.3 *Analysis of securities classified as credit risk assets*

	30/6/2020 VND million	*31/12/2019 VND million*
Current	34,436,994	29,038,541
Loss	50,000	80,000
	34,486,994	**29,118,541**

12.4 *Provision for investment securities*

Movements of provision for impairment of investment securities during the six-month period ended 30 June 2020 are as follows:

	Available-for-sale securities VND million	*Held-to-maturity securities VND million*	*Total VND million*
Opening balance	**190,540**	**101,065**	**291,605**
Provision made/(reversed) during the period *(Note 31)*	46,410	(11,016)	35,394
- *Provision charged during the period*	*46,410*	*1,125*	*47,535*
- *Provision revised during the period*	-	*(12,141)*	*(12,141)*
Provision utilized during the period	-	(30,000)	(30,000)
Closing balance	**236,950**	**60,049**	**296,999**

Movements of provision for impairment of investment securities during the financial year ended 31 December 2019 are as follows:

	Available-for-sale securities VND million	*Held-to-maturity securities VND million*	*Total VND million*
Opening balance	**132,988**	**125,246**	**258,234**
Reclassification from provision for other assets	(538)	-	(538)
Provision made/(reversed) during the year	58,090	(24,181)	33,909
Closing balance	**190,540**	**101,065**	**291,605**

13. LONG-TERM INVESTMENTS

Analysis by types of investments:

	30/6/2020 VND million	31/12/2019 VND million
Other long-term investments	1,008,552	1,037,453
Provision for long-term investments	(141,682)	(150,436)
	866,870	**887,017**

13.1 Other long-term investments

	30/6/2020 VND million	31/12/2019 VND million
Investments in economic entities, long-term projects	822,444	870,376
Investments in investment funds	186,108	167,077
	1,008,552	**1,037,453**

13.2 Provision for other long-term investments

Movements in provision for long-term investments during the periods are as follows:

	For the six-month period ended 30 June 2020 VND million	2019 VND million
Opening balance	150,436	203,610
Provision reversed during the period *(Note 31)*	(8,754)	(53,174)
Closing balance	**141,682**	**150,436**

14. TANGIBLE FIXED ASSETS

Movements of tangible fixed assets during the six-month period ended 30 June 2020 are as follows:

	Buildings & construction VND million	*Machines & equipment VND million*	*Transportation vehicles VND million*	*Other tangible fixed assets VND million*	*Total VND million*
Cost					
Opening balance	1,376,808	1,386,190	665,021	157,794	3,585,813
Additions	2,223	35,196	57,202	2,464	97,085
Disposals	-	(3,117)	(2,542)	(1,159)	(6,818)
Completed procurement	-	13,782	41,716	802	56,300
Other adjustments	-	31	-	(57)	(26)
Foreign exchange differences	12	(120)	(43)	(16)	(167)
Closing balance	1,379,043	1,431,962	761,354	159,828	3,732,187
Accumulated depreciation					
Opening balance	264,211	1,066,017	484,287	129,295	1,943,810
Depreciation during the period	28,050	80,039	47,259	5,372	160,720
Disposals	-	(3,117)	(2,358)	(1,159)	(6,634)
Other adjustments	-	(72)	218	52	198
Foreign exchange differences	2	(96)	(46)	(16)	(156)
Closing balance	292,263	1,142,771	529,360	133,544	2,097,938
Net book value					
Opening balance	1,112,597	320,173	180,734	28,499	1,642,003
Closing balance	1,086,780	289,191	231,994	26,284	1,634,249

14. TANGIBLE FIXED ASSETS (continued)

Movements of tangible fixed assets in 2019 are as follows:

	Buildings & construction VND million	*Machines & equipment VND million*	*Transportation vehicles VND million*	*Other tangible fixed assets VND million*	*Total VND million*
Cost					
Opening balance	1,367,799	1,192,297	578,096	130,267	3,268,459
Additions	6,858	162,596	91,691	21,995	283,140
Disposals	(307)	(5,563)	(7,777)	(2,793)	(16,440)
Completion of procurement	-	43,481	3,198	859	47,538
Other movements	2,475	(6,110)	-	7,521	3,886
Foreign exchange differences	(17)	(511)	(187)	(55)	(770)
Closing balance	1,376,808	1,386,190	665,021	157,794	3,585,813
Accumulated depreciation					
Opening balance	208,492	919,785	425,961	128,069	1,682,307
Depreciation during the year	56,040	152,190	65,054	4,051	277,335
Disposals	(307)	(5,467)	(6,559)	(2,776)	(15,109)
Foreign exchange differences	(14)	(491)	(169)	(49)	(723)
Closing balance	264,211	1,066,017	484,287	129,295	1,943,810
Net book value					
Opening balance	1,159,307	272,512	152,135	2,198	1,586,152
Closing balance	1,112,597	320,173	180,734	28,499	1,642,003

15. INTANGIBLE ASSETS

Movements of intangible assets during the six-month period ended 30 June 2020 are as follows:

	Land use rights VND million	*Computer software VND million*	*Other intangible assets VND million*	*Total VND million*
Cost				
Opening balance	1,102,024	872,307	5,837	1,980,168
Additions	-	81,242	-	81,242
Completed procurement	-	15,040	-	15,040
Other adjustments	-	807	(2,558)	(1,751)
Foreign exchange differences	-	5	-	5
Closing balance	1,102,024	969,401	3,279	2,074,704
Accumulated amortisation				
Opening balance	160,825	659,566	3,718	824,109
Amortisation during the period	9,576	71,381	226	81,183
Other adjustments	-	570	(2,677)	(2,107)
Foreign exchange differences	-	4	-	4
Closing balance	170,401	731,521	1,267	903,189
Net book value				
Opening balance	941,199	212,741	2,119	1,156,059
Closing balance	931,623	237,880	2,012	1,171,515

Movements of intangible assets in 2019 are as follows:

	Land use rights VND million	*Computer software VND million*	*Other intangible assets VND million*	*Total VND million*
Cost				
Opening balance	1,075,116	743,180	4,857	1,823,153
Additions	26,908	86,556	980	114,444
Disposals	-	(2,077)	-	(2,077)
Completion of procurement	-	44,731	-	44,731
Foreign exchange differences	-	(83)	-	(83)
Closing balance	1,102,024	872,307	5,837	1,980,168
Accumulated amortisation				
Opening balance	141,870	565,749	2,372	709,991
Amortisation during the year	18,955	95,943	1,346	116,244
Disposals	-	(2,077)	-	(2,077)
Foreign exchange differences	-	(49)	-	(49)
Closing balance	160,825	659,566	3,718	824,109
Net book value				
Opening balance	933,246	177,431	2,485	1,113,162
Closing balance	941,199	212,741	2,119	1,156,059

16. INVESTMENT PROPERTIES

Movements of investment properties during the six-month period ended 30 June 2020 are as follows:

	Buildings & construction VND million
Cost	
Opening balance	30,813
Closing balance	30,813
Accumulated depreciation	
Opening balance	-
Closing balance	-
Net book value	
Opening balance	30,813
Closing balance	30,813

Movements of investment properties in the year 2019 are as follows:

	Buildings & construction VND million
Cost	
Opening balance	30,813
Closing balance	30,813
Accumulated amortisation	
Opening balance	-
Closing balance	-
Net book value	
Opening balance	30,813
Closing balance	30,813

17. OTHER ASSETS

17.1 *Receivables*

	30/6/2020 VND million	31/12/2019 VND million
Internal receivables	186,426	109,155
External receivables (i)	12,448,984	9,479,001
Construction in progress (ii)	2,135,990	1,882,989
	14,771,400	**11,471,145**

(i) Details of external receivables:

	30/6/2020 VND million	31/12/2019 VND million
Escrows, mortgages, pledges	795,022	1,087,822
Amounts due from the Government	16,215	17,173
VAT input	18,433	5,354
Money transfer transaction associated with Viettel	770,021	9,730
Receivables related to trade finance	4,338,190	2,924,016
Receivables related to payment services	3,034,188	2,364,121
Receivables related to sales of bonds	816,518	810,049
Advances and deposits for contracts	380,736	281,960
Receivables from insurance activities of subsidiaries	469,130	634,066
Provision for fees and compensation for the reinsurance operation of subsidiaries	889,570	678,855
Other external receivables	920,961	665,855
	12,448,984	**9,479,001**

(ii) Construction in progress:

	30/6/2020 VND million	31/12/2019 VND million
Project at Le Van Luong	1,493,874	1,293,007
Other items	642,116	589,982
	2,135,990	**1,882,989**

17. OTHER ASSETS (continued)

17.2 *Other assets*

	30/6/2020 VND million	*31/12/2019 VND million*
Goodwill *(Note 18)*	47,613	57,135
Prepaid expenses	1,034,552	1,026,563
Foreclosed assets	402,382	402,382
Real estates as inventories of subsidiaries	265,883	265,620
Receivables from entrusted activities	659,713	689,300
Other assets	24,794	34,062
	2,434,937	**2,475,062**

17.3 *Provision for other assets*

Movements of provision for other assets during the periods are as follows:

	For the six-month period ended 30 June 2020 VND million	*2019 VND million*
Opening balance	274,123	301,267
Provision reversed during the period	(23,555)	(13,962)
Reclassification to provision for investment securities	-	538
Provision written-off during the period	-	(13,373)
Other adjustments	565	-
Foreign exchange differences	-	(347)
	251,133	**274,123**

18. GOODWILL

	30/6/2020 VND million	*31/12/2019 VND million*
Goodwill	94,261	94,261
Adjustment of Vietnam State Audit Office ("the SAV")	965	965
Total value of goodwill	**95,226**	**95,226**
Amortization period (year)	**10**	**10**
- *Value of accumulated amortized goodwill at the beginning of the period*	*38,091*	*28,568*
- *Value of unamortized goodwill*	*57,135*	*66,658*
Goodwill amortized during the period	**(9,522)**	**(9,523)**
- *Goodwill amortized during the period*	*(9,522)*	*(9,523)*
Total value of unamortized goodwill at the end of the period	**47,613**	**57,135**

19. DUE TO THE GOVERNMENT AND STATE BANK OF VIETNAM

	30/6/2020 VND million	*31/12/2019 VND million*
Demand deposits in VND	23,994	16,836

20. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

20.1 Deposits from other credit institutions

	30/6/2020 VND million	*31/12/2019 VND million*
Demand deposits	6,094,446	6,073,327
- *In VND*	*6,058,968*	*6,052,539*
- *In foreign currencies*	*35,478*	*20,788*
Term deposits	34,431,561	23,476,828
- *In VND*	*19,767,772*	*15,347,042*
- *In foreign currencies*	*14,663,789*	*8,129,786*
	40,526,007	**29,550,155**

20.2 Borrowings from other credit institutions

	30/6/2020 VND million	*31/12/2019 VND million*
In VND	8,141,400	8,278,067
In foreign currencies	11,772,971	12,485,830
	19,914,371	**20,763,897**

Interest rates of deposits and borrowings from other credit institutions during the periods are as follows:

	30/6/2020 % p.a.	*31/12/2019 % p.a.*
Term deposits in VND	0.10 - 4.90	1.60 - 4.70
Term deposits in foreign currencies	0.10 - 2.10	1.70 - 2.10
Borrowings from other credit institutions in VND	0.20 - 8.25	3.60 - 4.80
Borrowings from other credit institutions in foreign currencies	1.00 - 3.60	1.50 - 3.60

21. CUSTOMER DEPOSITS

	30/6/2020 VND million	*31/12/2019 VND million*
Demand deposits	83,934,685	92,352,406
- *In VND*	*68,212,857*	*74,073,605*
- *In foreign currencies*	*15,721,828*	*18,278,801*
Term deposits	165,734,341	168,050,891
- *In VND*	*161,127,235*	*163,196,059*
- *In foreign currencies*	*4,607,106*	*4,854,832*
Deposits for specific purposes	1,781,000	4,665,836
- *In VND*	*1,257,660*	*3,880,974*
- *In foreign currencies*	*523,340*	*784,862*
Margin deposits	5,928,847	7,640,379
- *In VND*	*3,003,976*	*3,790,685*
- *In foreign currencies*	*2,924,871*	*3,849,694*
	257,378,873	**272,709,512**

Interest rates of customer deposits during the periods are as follows:

	30/6/2020 % p.a.	*31/12/2019 % p.a.*
Demand deposits in VND	0.10 - 0.30	0.30
Demand deposits in foreign currencies	0.00	0.00
Term deposits in VND	0.20 - 8.10	0.78 - 7.52
Term deposits in foreign currencies	0.00	0.00

Analysis of customer deposits by types is as follows:

	30/6/2020		*31/12/2019*	
	VND million	*%*	*VND million*	*%*
Economic entities	125,113,890	48.61	152,940,345	56.08
Individuals	132,264,983	51.39	119,769,167	43.92
Total	**257,378,873**	**100.00**	**272,709,512**	**100.00**

22. OTHER BORROWED AND ENTRUSTED FUNDS

	30/6/2020 VND million	*31/12/2019 VND million*
Entrusted funds received in VND	257,222	302,126

This is the medium and long-term funds received from the Japan Bank for International Cooperation (JBIC) in VND through the State Bank of Vietnam under the SME Finance Project. As at 30 June 2020, the annual interest rate applicable to these funds is 4.96% per annum (as at 31 December 2019: 5.18% per annum).

23. VALUABLE PAPERS ISSUED

Details of the terms of valuable papers issued are as follows:

	30/6/2020 VND million	*31/12/2019 VND million*
Bonds in VND	6,498,617	6,589,453
- *From 12 months to 5 years*	*544,314*	*626,871*
- *Over 5 years*	*5,954,303*	*5,962,582*
Certificates of deposits in VND	26,803,574	19,699,176
- *Less than 12 months*	*16,904,103*	*8,499,659*
- *Over 12 months*	*9,899,471*	*11,199,517*
	33,302,191	**26,288,629**

Bonds issued by the parent bank have interest rates ranging from 7.90% - 8.70% p.a.

Bonds issued by the subsidiaries have terms of less than 5 years with interest rates ranging from 8.21% - 8.51% p.a.

Certificates of deposit issued by the parent bank have terms ranging from 1 to 3 years with interest rates ranging from 3.50% - 7.20% p.a.

24. OTHER LIABILITIES

	30/6/2020 VND million	*31/12/2019 VND million*
Internal payables	1,283,759	1,473,723
External payables (i)	16,909,480	15,257,542
Bonus, welfare funds	752,106	360,700
Science and technology fund	268,000	268,000
	19,213,345	**17,359,965**

(i) Details of external payables are as follows:

	30/6/2020 VND million	*31/12/2019 VND million*
Corporate income tax payables *(Note 25)*	1,055,216	626,840
Money transfer payables	427,467	358,758
Deferred revenue	1,177,654	1,172,821
Provision for insurance operations	3,827,247	3,188,133
Other settlement service payables	5,061,615	4,141,421
Payable related to services associated with Viettel	1,907,604	2,036,682
Short-term collaterals, deposits for securities investment	833,862	1,505,724
Payables and advances to providers of subsidiaries	152,553	262,492
Other items awaiting for settlement	2,466,262	1,964,671
	16,909,480	**15,257,542**

25. TAX AND OTHER OBLIGATIONS TO THE STATE BUDGET

	Opening balance		*Movements during the period*		*Closing balance*	
	Receivable	*Payable*	*Increase*	*Decrease*	*Receivable*	*Payable*
	VND million	*VND million*	*VND million*	*VND million*	*VND million*	*VND million*
Value added tax	(5,354)	56,401	193,446	(176,536)	(18,434)	86,391
Corporate income tax	-	495,839	946,142	(520,183)	-	921,798
In which:						
- *Corporate income tax in the period*			*950,006*	*(520,183)*		
- *Adjustments at overseas branches*			*(1,068)*	-		
- *Adjustments according to Tax finalization*			*168*	-		
- *Adjustments according to audited financial statements of subsidiaries*			*(2,970)*	-		
- *Foreign exchange difference*			*6*	-		
Other taxes	-	74,600	446,474	(474,047)	-	47,027
	(5,354)	**626,840**	**1,586,062**	**(1,170,766)**	**(18,434)**	**1,055,216**

26. OWNERS' EQUITY AND RESERVES

26.1 *Statement of changes in equity*

Movements in owners' equity of MB and non-controlling interests for the six-month period ended 30 June 2020 are as follows:

	Charter capital *VND million*	*Share premium* *VND million*	*Treasury shares* *VND million*	*Other capital(*)* *VND million*	*Financial reserve* *VND million*	*Capital supplementary reserve* *VND million*	*Other reserves* *VND million*	*Undistributed profits* *VND million*	*Non-controlling interests* *VND million*	*Total* *VND million*
Balance as at 1 January 2020	**23,727,323**	**-**	**(1,036,712)**	**27,834**	**2,905,780**	**1,507,279**	**523,855**	**10,342,490**	**1,887,965**	**39,885,814**
Net profit for the period	-	-	-	-	-	-	-	3,974,835	197,688	4,172,523
Appropriation to reserves	-	-	-	-	756,810	388,280	337,355	(1,482,445)	-	-
Appropriation to the bonus, welfare funds	-	-	-	-	-	-	-	(474,843)	(9,808)	(484,651)
Capital increase in the period	643,106	1,076,816	-	-	-	-	-	-	21,626	1,741,548
Liquidation of treasury shares in the period	-	100,747	472,315	-	-	-	-	-	-	573,062
Utilisation of reserves	-	-	-	-	-	-	(30,650)	-	(12)	(30,662)
Adjustments according to audit's results	-	-	-	-	(15)	194	10	14,096	2,616	16,901
Dividend payment by cash in the period	-	-	-	-	-	-	-	-	(75,268)	(75,268)
Dividend payment by share in the period	-	-	-	97,111	-	-	-	(97,111)	-	-
Change in ownership percentage	-	-	-	-	643	643	39	6,587	(7,912)	-
Other adjustments	-	-	-	-	-	-	-	227	103	330
Foreign exchange differences	-	-	-	-	-	-	(111)	(985)	-	(1,096)
Balance as at 30 June 2020	**24,370,429**	**1,177,563**	**(564,397)**	**124,945**	**3,663,218**	**1,896,396**	**830,498**	**12,282,851**	**2,016,998**	**45,798,501**

(*) In the six – month period ended 30 June 2020, the subsidiary pays dividends in shares, which gives rise to other capital items when consolidating the financial statements.

26. OWNERS' EQUITY AND RESERVES (continued)

26.1 *Statement of changes in equity* (continued)

Movements in owners' equity of MB and non-controlling interests for the year ended 31 December 2019 are as follows:

	Charter capital	*Treasury shares*	*Other capital*	*Financial reserve*	*Capital supplementary reserve*	*Other reserves*	*Undistributed profits*	*Non-controlling interests*	*Total*
	VND million	*VND million*	*VND million*	*VND million*	*VND million*	*VND million*	*VND million*	*VND million*	*VND million*
Balance as at 1 January 2019	**21,604,514**	-	**27,834**	**2,308,267**	**1,172,398**	**406,470**	**7,123,671**	**1,529,704**	**34,172,858**
Net profit for the year	-	-	-	-	-	-	7,822,773	245,831	8,068,604
Increase in charter capital of subsidiaries	-	-	-	-	-	-	-	155,661	155,661
Appropriation to reserves	-	-	-	597,517	319,199	339,402	(1,256,118)	-	-
Utilisation of reserves	-	-	-	-	-	(206,794)	-	(27)	(206,821)
Dividend payment	-	-	-	-	-	-	(1,268,039)	(36,180)	(1,304,219)
Shares issued to pay dividend	1,690,719	-	-	-	-	-	(1,690,719)	-	-
Bonus share issued for employees	432,090	-	-	-	-	-	-	-	432,090
Treasury share redemption	-	(1,036,712)	-	-	-	-	-	-	(1,036,712)
Appropriation to the bonus and welfare funds	-	-	-	-	-	-	(371,783)	(12,182)	(383,965)
Appropriation to employees' rewards	-	-	-	-	-	-	(7,849)	(2,022)	(9,871)
Adjustments according to audit's results at member companies	-	-	-	-	-	-	1,514	5,007	6,521
Adjustments according to tax authorities	-	-	-	-	-	-	(14,576)	-	(14,576)
Foreign exchange difference	-	-	-	-	-	(332)	-	-	(332)
Other adjustments	-	-	-	(4)	15,978	(14,891)	5,477	16	6,576
Change in ownership percentage	-	-	-	-	(296)	-	(1,861)	2,157	-
Balance as at 31 December 2019	**23,727,323**	**(1,036,712)**	**27,834**	**2,905,780**	**1,507,279**	**523,855**	**10,342,490**	**1,887,965**	**39,885,814**

26. OWNERS' EQUITY AND RESERVES (continued)

26.2 Equity

Details of number of shares registered and issued by the Bank are as follows:

	30/6/2020		*31/12/2019*	
	Shares	*VND million*	*Shares*	*VND million*
Number of registered shares	2,437,042,861	24,370,429	2,372,732,280	23,727,323
Number of shares issued				
- Ordinary shares	2,437,042,861	24,370,429	2,372,732,280	23,727,323
Number of shares acquired				
- Ordinary shares	*(25,616,120)*	*(256,161)*	*(47,052,980)*	*(470,530)*
Number of outstanding shares				
- Ordinary shares	2,411,426,741	24,114,268	*2,325,679,300*	*23,256,793*

The face value of each share of the Bank is VND10,000

26.3 Dividend

Details of dividend paid during the periods are as follows:

	For the six-month period ended 30 June 2020 VND million	*For the six-month period ended 30 June 2019 VND million*
Dividend announced and paid during the period		
Dividend on ordinary shares		
Dividend paid in cash in 2018: VND600/per share	-	1,268,039

27. NET INTEREST AND SIMILAR INCOME

	For the six-month period ended 30 June 2020 VND million	*For the six-month period ended 30 June 2019 VND million*
Interest and similar income	**15,872,124**	**14,895,803**
Interest income from deposits	317,425	559,280
Interest income from loans to customers and other credit institutions	11,874,027	10,977,571
Interest income from debt securities	2,781,859	2,542,942
Income from guarantee activities	687,453	602,459
Other income from credit activities	211,360	213,551
Interest and similar expenses	**(6,552,916)**	**(6,366,089)**
Interest expenses for deposits	(5,164,968)	(5,385,941)
Interest expenses for borrowings	(321,554)	(384,021)
Interest expenses for valuable papers issued	(1,009,303)	(529,934)
Expenses for other credit activities	(57,091)	(66,193)
Net interest and similar income	**9,319,208**	**8,529,714**

28. NET FEE AND COMMISSION INCOME

	For the six-month period ended 30 June 2020 VND million	*For the six-month period ended 30 June 2019 VND million*
Fee and commission income	**3,577,089**	**2,900,341**
Income from settlement services	403,767	386,489
Income from treasury services	7,405	9,136
Income from advisory services	203,963	189,830
Income from insurance services	2,499,078	1,778,302
Income from trust and agency services	17,922	21,725
Income from bad debts handing, valuation and asset management	109,902	121,405
Income from securities brokerage services	137,059	127,705
Income from other services	197,993	265,749
Fee and commission expenses	**(1,887,291)**	**(1,087,150)**
Expenses for settlement services	(33,061)	(36,265)
Expenses for trustee and agency services	(5,193)	(5,310)
Expenses for advisory services	(113)	(2,421)
Expenses for commission for brokerage services	(535,855)	(422,994)
Expenses for treasury services	(5,084)	(2,468)
Expenses for insurance services	(1,110,688)	(415,278)
Expenses for bad debts handing, valuation and asset management	(57,088)	(57,958)
Expenses for securities brokerage services	(27,833)	(22,096)
Expenses for other services	(112,376)	(122,360)
Net fee and commission income	**1,689,798**	**1,813,191**

29. NET GAIN FROM TRADING OF FOREIGN CURRENCIES

	For the six-month period ended 30 June 2020 VND million	*For the six-month period ended 30 June 2019 VND million*
Income from trading of foreign currencies	**1,085,520**	**740,966**
Income from foreign currencies and gold trading	711,328	370,689
Income from currency derivatives	374,192	370,277
Expenses for trading of foreign currencies	**(744,859)**	**(456,710)**
Expenses for foreign currencies and gold trading	(261,285)	(51,858)
Expenses for currency derivatives	(483,574)	(404,852)
Net gain from trading of foreign currencies	**340,661**	**284,256**

30. NET GAIN FROM SECURITIES HELD FOR TRADING

	For the six-month period ended 30 June 2020 VND million	*For the six-month period ended 30 June 2019 VND million*
Income from securities held for trading	107,739	46,552
Expenses for securities held for trading	(72,448)	(16,014)
Provision (made)/reversed for securities held for trading	(1,454)	28,795
Net gain from securities held for trading	**33,837**	**59,333**

31. NET GAIN FROM INVESTMENT SECURITIES AND LONG-TERM INVESTMENTS

	For the six-month period ended 30 June 2020 VND million	*For the six-month period ended 30 June 2019 VND million*
Income from trading investment securities	875,799	260,977
Expenses for trading investment securities	(168,487)	(63,144)
Provision made for investment securities	(35,394)	(49,012)
Provision reversed for other long-term investments	8,754	53,737
Net gain from investment securities and long-term investments	**680,672**	**202,558**

32. NET GAIN FROM OTHER ACTIVITIES

	For the six-month period ended 30 June 2020 VND million	*For the six-month period ended 30 June 2019 VND million*
Income from other activities	**1,087,556**	**819,875**
Recovery of bad debts previously written-off	634,237	616,176
Income from other derivatives	415,140	185,950
Other income	38,179	17,749
Expenses for other activities	**(308,803)**	**(140,564)**
Expenses for other derivatives	(289,272)	(124,130)
Other expenses	(19,531)	(16,434)
Net gain from other activities	**778,753**	**679,311**

33. INCOME FROM CAPITAL CONTRIBUTION

	For the six-month period ended 30 June 2020 VND million	*For the six-month period ended 30 June 2019 VND million*
Dividend	29,267	29,348
Other income from capital contribution	40,228	14,260
Total	**69,495**	**43,608**

34. TOTAL OPERATING EXPENSES

	For the six-month period ended 30 June 2020 VND million	*For the six-month period ended 30 June 2019 VND million*
Expenses on taxes, fees	**35,488**	**28,127**
Personnel expenses	**2,764,887**	**2,700,064**
Salary and other expenses related to salary	*2,703,201*	*2,602,895*
Other expenses for personnel	*61,686*	*97,169*
Expenses on assets	**668,809**	**564,007**
In which:		
Depreciation and amortization of fixed assets	*241,903*	*181,882*
Other expenses on assets	*426,906*	*382,125*
Administrative expenses	**924,636**	**1,007,071**
In which:		
Per-diem	*49,192*	*57,319*
Social activities of the credit institution	*3,280*	*2,320*
Other expenses	*872,164*	*947,432*
Insurance fees for customer deposits	**90,468**	**73,164**
	4,484,288	**4,372,433**

35. PROVISION EXPENSES

	For the six-month period ended 30 June 2020 VND million	*For the six-month period ended 30 June 2019 VND million*
Provision made for loan to customers	3,333,082	2,373,803
Provision reversed for other assets	(23,555)	(9,634)
	3,309,527	**2,364,169**

36. CURRENT CORPORATE INCOME TAX EXPENSE

MB has the obligation to pay corporate income tax ("CIT") at the rate of 20% of taxable profits according to Circular No. 78/2014/TT-BTC which became effective from 2 August 2014 guiding the implementation of the Government's Decree No. 218/2013/ND-CP dated 26 December 2013, detailing and guiding the implementation of the law on CIT.

For the Bank's branch in Cambodia, MB calculates and determines its CIT in compliance with Cambodian regulations on corporate income tax. According to the Tax Act dated 8 January 1997, the corporate income tax of the Bank's branch in Cambodia is determined to be the greater of the minimum tax payable determined by 1% of total revenue (including value added tax) and 20% of profits earned. For the six-month period ended 30 June 2020, the Cambodian branch's CIT is temporarily determined by 1% total revenue.

For the Bank's branch in Laos, MB calculates and determines its CIT in accordance with the income tax regulations in Laos. According to the Tax Ordinance No. 67 dated 18 June 2019 issued by the Lao P.D.R Parliament and became effective from 17 February 2020, CIT of the branch is defined as 20% of the profit.

MB's tax reports are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amount reported in the interim consolidated financial statements could be changed at a later date upon final determination of the tax authorities.

Current corporate income tax payables are determined based on taxable income of the period. Taxable income differs from the one reported in the interim consolidated income statement since taxable income excludes incomes which are taxable or expenses which are deducted in prior periods due to the differences between MB's accounting policies and the tax regulations. It also excludes tax exempted income and non-deductible expenses. The current corporate income tax payable of MB is calculated based on the statutory tax rates applicable at the end of the period.

36. CURRENT CORPORATE INCOME TAX EXPENSE (continued)

36.1 Current corporate income tax

Current income tax expense during the period is estimated as follows:

	For the six-month period ended 30 June 2020 VND million	*For the six-month period ended 30 June 2019 VND million*
Profit before tax	**5,118,609**	**4,875,369**
Adjusted for		
- *Non-taxable tax dividend income*	*(26,030)*	*(43,608)*
- *Gain of overseas branches*	*(45,711)*	*(70,980)*
- *Non-deductible expenses*	*19,741*	*20,056*
- *Other non-taxable income of subsidiaries*	*(3,444)*	*(3,523)*
- *Differences arising from revaluation of securities company's financial assets at fair value*	*(2,244)*	*(17,714)*
- *Accumulated loss transferrable*	*(243,567)*	*(98,903)*
- *Profit of subsidiaries*	*(470,269)*	*(542,645)*
- *Non-taxable interim consolidation adjust entries*	*4,650*	*(10,031)*
Estimated taxable income	**4,351,735**	**4,108,021**
- *Parent Bank's CIT expenses in Vietnam*	*870,347*	*821,604*
- *Overseas branches' CIT expenses*	*4,067*	*8,899*
- *Subsidiaries' CIT expenses*	*75,592*	*108,529*
- *Additional tax payments required by tax authorities of subsidiaries*	*-*	*411*
Total CIT expenses in the period	**950,006**	**939,443**
CIT payable at the beginning of the period	495,839	333,715
CIT paid during the period	(520,183)	(804,828)
Adjusted by auditors for subsidiaries	(2,802)	373
Adjusted overseas branches	(1,068)	-
Tax reversed at MB AMC	-	7,059
Foreign exchange difference	6	142
CIT payable at the end of the period	**921,798**	**475,904**

36. CURRENT CORPORATE INCOME TAX EXPENSE (continued)

36.2 Deferred income tax asset

Movement of deferred income tax assets and deferred income tax income during the period are as follows:

	For the six-month period ended 30 June 2020 VND million	*For the six-month period ended 30 June 2019 VND million*
Opening balance	3,699	15,777
Temporary differences	(5,825)	(12,119)
Tax rate applied for deferred tax calculation	20%	20%
Deferred tax expense reversed in the period	(1,165)	(2,424)
Closing balance	**2,534**	**13,353**

36.3 Deferred tax liabilities

	For the six-month period ended 30 June 2020 VND million	*For the six-month period ended 30 June 2019 VND million*
Opening balance	12,097	16,656
Temporary differences	(25,425)	12,765
Tax rate applied for deferred tax calculation	20%	20%
Deferred tax (income)/expenses in the period	(5,085)	2,553
Closing balance	**7,012**	**19,209**

37. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share for the six-month period ended 30 June 2020 is based on the net profit attributable to ordinary shareholders of MB.

Basic earnings per share

	For the six-month period ended 30 June 2020	*For the six-month period ended 30 June 2019 (restated)*
Net profit after tax attributable to ordinary shareholders (VND million)	3,974,835	3,777,111
Weighted average number of ordinary shares (shares) (*)	2,386,574,117	2,297,631,789
Basic earnings per share (VND/share)	**1,666**	**1,644**

(*) According to the guidance in Vietnam Accounting Standard No. 30 - Earnings per share, if the number of ordinary shares in circulation increases due to capitalization, bonus shares issuance, stock split or reduction due to stock consolidation, MB adjusted retroactively "Basic earnings per share" for all reporting periods. Therefore, the weighted average number of ordinary shares for the six-month period ended 30 June 2019 was adjusted since in 2019, MB paid stock dividends.

38. CASH AND CASH EQUIVALENTS

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

	30/6/2020 VND million	*31/12/2019 VND million*
Cash and cash equivalents on hand	2,509,108	2,344,291
Balances with the State Banks	9,155,940	14,329,177
Demand deposits at other credit institutions	8,469,411	9,113,233
Placements with other credit institutions with original term of three (3) months or less	23,505,293	20,225,572
	43,639,752	**46,012,273**

39. MORTGAGED, PLEDGED AND DISCOUNTED AND REDISCOUNTED ASSETS

39.1 *Mortgaged, pledged and discounted and rediscounted assets of customers*

	30/6/2020 VND million	31/12/2019 (reclassify) VND million
Real estates	303,739,780	274,345,045
Movables	68,686,637	72,236,020
Valuable papers	34,785,473	29,618,596
Receivables	302,726,465	304,350,315
Other collaterals	110,292,717	100,625,643
	820,231,072	**781,175,619**

39.2 *Mortgaged, pledged and discounted and rediscounted assets*

	30/6/2020 VND million	31/12/2019 VND million
Valuable papers	1,852,000	6,466,000

40. EMPLOYEES' REMUNERATION

	For the six-month period ended 30 June 2020 VND million	For the six-month period ended 30 June 2019 VND million
Average number of employees (persons)	15,049	15,378
Total income of employees	2,563,029	2,481,726
Income per capita per month (VND million/person/month)	28.39	26.90

41. RELATED PARTY TRANSACTIONS

During normal business operation, MB has undertaken transactions with other parties to which MB is related. A party is considered to be related if the party has ability to control or to influence other parties in making decision of financial policies and operational activities. A party is related to the MB if:

(a) Directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control by MB (including parents and subsidiaries);
- has an interest (owning 5% or more of the charter capital or voting share capital) in MB that gives it significant influence over MB;
- has joint control over MB.

(b) The party is a joint venture in which MB is a venture or an associate (owning over 11% of the charter capital or voting share capital, but is not a subsidiary);

(c) The party has a member which is the member of the key management personnel of MB or Board of Directors of MB;

(d) The party is a close member of the family of any individual referred to in (a) or (c); or

(e) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such company resides with, directly or indirectly, any individual referred to in (c) or (d).

Details of significant balances with related parties as at the reporting date are as follows:

	30/6/2020 VND million Receivables/ (Payables)	*31/12/2019 VND million Receivables/ (Payables)*
Major shareholders		
Deposits at MB	(12,967,566)	(15,337,430)
Loans from MB	139,908	165,312

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

	For the six-month period ended 30 June 2020 VND million	*For the six-month period ended 30 June 2019 VND million*
Major shareholders		
Interest expenses for deposits	(391,193)	(291,871)
Interest income from loans	6,890	9,893
Loan disbursement from MB	-	53,857
Loan principal collection of MB	(25,404)	(721)
Deposits at MB	6,680,000	12,280,000
Settlement of deposits at MB	(8,174,098)	(8,020,000)

MB paid remuneration to the Board of Directors and the Board of Supervision pursuant to Resolution No. 31/NQ-MB-DHCD dated 27 April 2019 and Resolution No. 20/NQ-MB-ĐHCĐ dated 27 June 2020 of the General Meeting of Shareholders, whereby the remuneration and operating budget is 1.2% of profit after tax. Management's compensation is paid in accordance with MB's salary regulations.

42. SEGMENT REPORT

41.1 *Business segment report*

Operation results by divisions for the six-month period ended 30 June 2020 are as follows:

	Banking and Finance VND million	*Securities – Fund Management VND million*	*Insurance VND million*	*Debt collection – Asset management VND million*	*Exclusion VND million*	*Total VND million*
I. Income						
1. Interest and similar income	33,496,701	196,093	180,077	3,588	(18,004,335)	15,872,124
2. Income from commission service	1,258,670	220,205	2,505,004	226,892	(633,682)	3,577,089
3. Income from other business operations	6,300,246	150,683	19,447	17,072	(3,261,340)	3,226,108
II. Expenses						
1. Interest and similar expenses	(24,566,232)	(88,829)	(1,966)	-	18,104,111	(6,552,916)
2. Depreciation expenses	(214,463)	(7,340)	(18,017)	(2,083)	-	(241,903)
3. Expenses directly related to business operations	(7,062,664)	(336,331)	(2,355,513)	(150,539)	2,452,681	(7,452,366)
Operation results before provision expenses	**9,212,258**	**134,481**	**329,032**	**94,930**	**(1,342,565)**	**8,428,136**
Provision expenses	(4,675,739)	24,396	(749)	-	1,342,565	(3,309,527)
Operation results by divisions	**4,536,519**	**158,877**	**328,283**	**94,930**	**-**	**5,118,609**

42. SEGMENT REPORT (continued)

42.1 *Business segment report* (continued)

Assets and liabilities by divisions as at 30 June 2020 are as follows:

	Banking and Securities – Finance VND million	Fund Management VND million	Insurance VND million	Debt collection – Asset management VND million	Net - off VND million	Total VND million
III. Assets						
1. Cash on hand	2,505,051	391	2,931	735	-	2,509,108
2. Fixed-assets	2,491,264	48,631	222,532	43,337	-	2,805,764
3. Other assets	415,590,291	5,324,850	8,021,989	1,103,013	(13,719,332)	416,320,811
IV. Liabilities						
1. External liabilities	358,056,177	1,983,032	-	-	(8,636,551)	351,402,658
2. Internal liabilities	1,155,262	11,191	94,470	22,836	-	1,283,759
3. Other liabilities	17,355,134	1,080,071	5,304,627	226,866	(815,933)	23,150,765

42. SEGMENT REPORT (continued)

42.2 *Geographical segment report*

Geographic segment performance for the six-month period ended 30 June 2020:

	North *VND million*	*Central* *VND million*	*South* *VND million*	*Overseas* *VND million*	*Net - off* *VND million*	*Total* *VND million*
I. Income						
1. Interest and similar income	25,947,075	1,870,330	5,850,615	208,439	(18,004,335)	15,872,124
2. Income from commission service	3,850,430	60,383	287,274	12,684	(633,682)	3,577,089
3. Income from other business operations	4,344,467	1,321,917	794,046	27,018	(3,261,340)	3,226,108
II. Expenses						
1. Interest and similar expenses	(19,475,484)	(1,407,127)	(3,646,404)	(128,012)	18,104,111	(6,552,916)
2. Depreciation expenses	(216,200)	(6,071)	(15,837)	(3,795)	-	(241,903)
3. Expenses directly related to business operations	(8,545,485)	(232,228)	(1,081,934)	(45,400)	2,452,681	(7,452,366)
Operation results before provision expenses	**5,904,803**	**1,607,204**	**2,187,760**	**70,934**	**(1,342,565)**	**8,428,136**
Provision expenses	(3,152,392)	(885,342)	(589,135)	(25,223)	1,342,565	(3,309,527)
Operation results by divisions	**2,752,411**	**721,862**	**1,598,625**	**45,711**	**-**	**5,118,609**

42. SEGMENT REPORT (continued)

42.2 *Geographical segment report* (continued)

Assets and liabilities by geography as at 30 June 2020 are as follows:

	North VND million	Central VND million	South VND million	Overseas VND million	Net - off VND million	Total VND million
III. Asset						
1. Cash	1,242,220	318,146	887,618	61,124	-	2,509,108
2. Fixed assets	2,701,047	24,525	64,490	15,702	-	2,805,764
3. Other assets	293,907,702	34,661,301	96,770,298	4,700,842	(13,719,332)	416,320,811
IV. Liabilities						
1. External liabilities	287,892,879	15,449,233	54,413,095	2,284,002	(8,636,551)	351,402,658
2. Internal liabilities	1,262,271	93	37	21,358	-	1,283,759
3. Other liabilities	22,329,035	280,096	1,342,044	15,523	(815,933)	23,150,765

42.3 *Concentration based on geographical areas of assets, liabilities and off-balance items*

	Total loans VND million	Total deposits at the State banks and other credit institutions VND million	Off-balance sheet commitments VND million	Derivative financial instruments VND million	Securities trading and investment VND million
Local	257,857,590	47,199,032	338,268,391	136,818	89,733,505
Overseas	3,526,923	1,176,716	182,988	-	-
	261,384,513	**48,375,748**	**338,451,379**	**136,818**	**89,733,505**

43. FINANCIAL RISK MANAGEMENT POLICIES

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

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

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

44. INTEREST RATE RISK

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

The following table show MB's assets and liabilities categorised by the contractual re-pricing period or maturity date and the effective interest rates as at the reporting date.

The effective interest rate re-pricing term is the remaining period from the reporting date to the latest interest rate re-pricing date of assets and liabilities items. The following assumptions and conditions are applied in the analysis of the effective interest rate re-pricing term of assets and liabilities of MB:

- Cash, gold, silver and gems; long-term investments and other assets (including fixed assets and some other assets) are classified as non-interest bearings;
- Deposits at the State Banks are classified as demand deposits, therefore effective interest re-pricing term is classified as up to one month;
- The effective interest rate re-pricing term of investment securities and trading securities is determined as follows:
  - Items with fixed interest rates for the duration of the contract: The effective interest rate re-pricing term is based on the actual maturity date from the date of the interim consolidated financial statements;
  - Items with floating interest rates: The effective interest rate re-pricing term is based on the latest interest rate re-pricing date from the date of the interim consolidated financial statements;
  - Investment securities and trading securities which are equity securities are classified as non-interest bearings.
- The effective interest rate re-pricing term of deposits and loans to credit institutions, loans to customers granted and trusted for granting; due from the Government and the State Bank; deposits and loans from credit institutions; customers' deposits; other borrowed and entrusted funds and valuable papers issued are determined as follows:
  - Items with fixed interest rates for the duration of the contract: The effective interest rate re-pricing term is based on the actual maturity date from the date of the interim consolidated balance sheet;
  - Items with floating interest rates: The effective interest rate re-pricing term is based on the latest interest rate re-pricing date from the date of the interim consolidated balance sheet;
- Other liabilities are classified as non-interest bearings.

44. INTEREST RATE RISK (continued)

The below table shows an analysis of the interest re-pricing period of assets and liabilities of MB as at 30 June 2020:

			Interest re-pricing period						
	Overdue VND million	*Non-interest bearing VND million*	*Up to 1 month VND million*	*From 1 to 3 months VND million*	*From 3 to 6 months VND million*	*From 6 to 12 months VND million*	*From 1 to 5 years VND million*	*Over 5 years VND million*	*Total VND million*
Assets									
Cash, gold and gemstones	-	2,509,108	-	-	-	-	-	-	2,509,108
Balances with the State Banks	-	-	9,173,365	-	-	-	-	-	9,173,365
Placements with and loans to other credit institutions (*)	-	-	28,296,145	5,787,118	2,994,191	959,719	1,165,210	-	39,202,383
Securities held for trading (*)	-	217,506	1,331,941	-	-	-	-	-	1,549,447
Loans to customers (*)	6,213,626	-	88,136,394	117,461,672	25,744,850	12,166,189	10,622,726	1,039,056	261,384,513
Investment securities (*)	50,000	-	5,051,014	18,516,027	6,107,588	6,939,664	22,491,032	29,028,733	88,184,058
Long-term investments (*)	-	1,008,552	-	-	-	-	-	-	1,008,552
Fixed assets and investment properties	-	2,836,577	-	-	-	-	-	-	2,836,577
Other assets (*)	251,133	20,586,694	-	-	-	-	-	-	20,837,827
Total assets	**6,514,759**	**27,158,437**	**131,988,859**	**141,764,817**	**34,846,629**	**20,065,572**	**34,278,968**	**30,067,789**	**426,685,830**
Liabilities									
Due to the Government and the SBV	-	-	23,994	-	-	-	-	-	23,994
Deposits and borrowings from other credit institutions	-	-	42,395,089	11,395,960	3,377,506	3,130,020	81,860	59,943	60,440,378
Customer deposits	-	-	139,795,171	38,266,985	34,154,582	34,490,931	10,650,199	21,005	257,378,873
Derivatives and other financial liabilities	-	-	(12,733)	23,591	44,681	97,412	(16,133)	-	136,818
Other borrowed and entrusted funds	-	-	-	1,608	255,614	-	-	-	257,222
Valuable papers issued	-	-	2,432,607	4,943,058	6,807,954	17,519,613	504,982	1,093,977	33,302,191
Other liabilities (*)	-	24,297,706	-	-	-	-	-	-	24,297,706
Total liabilities	**-**	**24,297,706**	**184,634,128**	**54,631,202**	**44,640,337**	**55,237,976**	**11,220,908**	**1,174,925**	**375,837,182**
Interest sensitivity gap (on balance sheet items)	**6,514,759**	**2,860,731**	**(52,645,269)**	**87,133,615**	**(9,793,708)**	**(35,172,404)**	**23,058,060**	**28,892,864**	**50,848,648**

(*): Excluding provision

45. CURRENCY RISK

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

Classification of assets and liabilities in foreign currencies translated into VND as at 30 June 2020 is as follows:

	USD equivalent VND million	*EUR equivalent VND million*	*Other currencies equivalent VND million*	*Total VND million*
Assets				
Cash, gold and gemstones	237,791	40,530	66,675	344,996
Balances with the State Banks	2,537,810	-	323,064	2,860,874
Placements with and loans to other credit institutions	3,485,666	289,425	299,268	4,074,359
Loans to customers (*)	22,815,860	6,059	620,052	23,441,971
Investment securities (*)	4,642,000	-	-	4,642,000
Long-term investments (*)	-	2,597	-	2,597
Fixed assets	13,853	-	1,849	15,702
Other assets (*)	3,583,357	592,062	65,434	4,240,853
Total assets	**37,316,337**	**930,673**	**1,376,342**	**39,623,352**
Liabilities				
Due to the SBV and other credit institutions	26,106,297	69,206	296,735	26,472,238
Customer deposits	19,715,215	3,508,382	553,548	23,777,145
Derivatives and other financial liabilities	(7,811,888)	(2,654,788)	68,435	(10,398,241)
Other liabilities (*)	366,200	1,832	82,200	450,232
Total liabilities	**38,375,824**	**924,632**	**1,000,918**	**40,301,374**
FX position on balance sheet	**(1,059,487)**	**6,041**	**375,424**	**(678,022)**

(*): Excluding provision

46. LIQUIDITY RISK

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

MB adopts a risk measurement method that is appropriate to its operation scale and the availability of the information system, ensuring to meet the requirements for the risk mitigation. It includes indicators related to cash flows, ability of capital mobilisation, and ability of asset liquidity of MB. MB also has a designated unit focusing on obtaining update domestic and foreign economic information, which directly affects MB's trading book and business strategies, as well as on forecasting movements of market factors such as the foreign exchange rate, interest rate and gold price for timely risk warnings. MB also establishes and applies a limit system and decision authority at each level based on results of risk measurement for each category.

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

The following assumptions and conditions have been adopted in the analysis of the maturity period of MB's assets and liabilities:

- Balances at the State Banks are classified as demand deposits, including compulsory reserve deposits. The balance of compulsory deposits depends on the composition and terms of customer deposits at MB;
- The maturity period of investment securities and trading securities which are debt securities is calculated based on the maturity date of each securities;
- Trading securities which are equity securities are classified into securities with term up to one month;
- The maturity period of deposits and loans to credit institutions and customers is determined based on the maturity date of the specified contract. Actual maturity dates may vary due to extended loan agreements. In addition, loans to customers are presented in original value excluding provisions;
- The maturity period of capital contribution is determined as having term from (1) year to (5) years since these investments have no maturity date;
- Deposits and borrowings from credit institutions and customers' deposits are determined based on the nature of these items or the maturity date on the contract. Vostro accounts and demand deposits are under transaction as required by customers and are therefore classified as demand deposits. The maturity period for borrowings and term deposits is determined based on the maturity date on the contract. In reality, these accounts may have been renewed and therefore have been maintained longer than the original maturity date; and
- The maturity period of fixed assets is determined based on the remaining useful lives of the assets.

46. LIQUIDITY RISK (continued)

The below table presents the analysis of remaining maturity of assets and liabilities of MB as at 30 June 2020:

	Overdue		Current					
	Above 3 months VND million	*Within 3 months VND million*	*Up to 1 months VND million*	*From 1 to 3 months VND million*	*From 3 to 12 months VND million*	*From 1 to 5 years VND million*	*Over 5 years VND million*	*Total VND million*
Assets								
Cash, gold and gemstones	-	-	2,509,108	-	-	-	-	2,509,108
Balances with the State Banks	-	-	9,173,365	-	-	-	-	9,173,365
Placements with and loans to other credit institutions (*)	-	-	28,296,144	5,787,119	3,953,910	1,165,210	-	39,202,383
Securities held for trading	-	-	1,549,447	-	-	-	-	1,549,447
Loan to customers (*)	3,247,186	2,966,440	19,051,294	44,036,205	87,721,666	61,993,227	42,368,495	261,384,513
Investment securities (*)	50,000	-	195,000	440,012	12,262,244	35,797,846	39,438,956	88,184,058
Long-term investments (*)	-	-	-	-	-	1,008,552	-	1,008,552
Fixed assets and investment properties	-	-	-	-	-	2,836,577	-	2,836,577
Other assets (*)	251,133	-	16,424,352	302,908	2,782,518	300,971	775,945	20,837,827
Total assets	**3,548,319**	**2,966,440**	**77,198,710**	**50,566,244**	**106,720,338**	**103,102,383**	**82,583,396**	**426,685,830**
Liabilities								
Due to the Government and SBV	-	-	23,994	-	-	-	-	23,994
Deposits and borrowings from other credit institutions	-	-	42,395,089	11,395,960	6,507,526	81,860	59,943	60,440,378
Customer deposits	-	-	139,795,171	38,266,985	68,645,513	10,650,199	21,005	257,378,873
Derivatives and other financial liabilities	-	-	(12,733)	23,591	142,093	(16,133)	-	136,818
Other borrowed and entrusted funds	-	-	-	1,608	16,840	206,446	32,328	257,222
Valuable papers issued	-	-	2,132,625	3,699,359	18,322,007	7,654,275	1,493,925	33,302,191
Other liabilities (*)	-	-	23,634,478	416,813	240,107	6,308	-	24,297,706
Total liabilities	**-**	**-**	**207,968,624**	**53,804,316**	**93,874,086**	**18,582,955**	**1,607,201**	**375,837,182**
Net liquidity gap	**3,548,319**	**2,966,440**	**(130,769,914)**	**(3,238,072)**	**12,846,252**	**84,519,428**	**80,976,195**	**50,848,648**

(*): Excluding provision

47. OPERATING LEASE COMMITMENTS

	30/6/2020 VND million	*31/12/2019 VND million*
Commitments under irrevocable operating leases		
In which:		
- Due within 1 year	60,997	65,163
- Due from 2 – 5 years	995,696	1,321,126
- Due after 5 years	312,247	269,520
	1,368,940	**1,655,809**

48. NOTES TO PROFIT MOVEMENT

Profit before tax of MB for the six-month period ended 30 June 2020 increased by VND243,240 million in comparison with that of the corresponding period in 2019, equivalent to 4.99% which is attributable to the followings:

Items of significant movements	*Amount VND million*
Increase in net interest income	789,494
Decrease in net fee and commission income	(123,393)
Increase in net income from foreign exchange trading	56,405
Increase in net income from trading securities, investment securities and long-term investments	452,618
Increase in net income from other operating activities	99,442
Increase in income from capital contribution, share acquisition	25,887
Increase in operating expenses	(111,855)
Increase in provision for credit loss expenses	(945,358)
	243,240

49. EVENTS AFTER THE INTERIM CONSOLIDATED BALANCE SHEET DATE

There is no matter or circumstance that has arisen since the interim consolidated balance sheet date that requires adjustment or disclosure to be made in the interim consolidated financial statements of MB.

50. EXCHANGE RATES OF FOREIGN CURRENCIES AGAINST VND AT THE END OF THE PERIOD

	30/6/2020 VND	*31/12/2019 VND*
USD	23,210.00	23,175.00
EUR	26,090.00	26,130.00
GBP	28,530.00	30,393.50
CHF	24,488.50	23,920.00
JPY	215.60	213.70
SGD	16,723.00	17,241.50
CAD	17,083.00	17,837.50
AUD	16,050.50	16,347.50

Prepared by:	Reviewed by:		Approved by:
Ms. Le Thi Huyen Trang Deputy Head of General Accounting Department	Ms. Dang Thuy Dung Chief Accountant	Ms. Nguyen Thi Thanh Nga Chief Financial Officer	Mr. Luu Trung Thai Chief Executive Officer

NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN QUÂN ĐỘI

Hanoi, Vietnam

12 August 2020