

Military Commercial Joint Stock Bank

Separate financial statements

For the year ended 31 December 2019

Military Commercial Joint Stock Bank

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Military Commercial Joint Stock Bank

GENERAL INFORMATION

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 License No. 0054/NH-GP dated 14 September 1994. The operational duration under the licence is 99 years. The Bank is operating under Business Registration No. 0100283873 granted by the Hanoi Department of Planning and Investment on 30 September 1994 and the 44th amended Business Registration dated 5 December 2019.

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 31 December 2019, the charter capital of the Bank was VND23,727,323 million (31 December 2018: VND21,604,514 million).

BOARD OF DIRECTORS

Members of the Board of Directors of the Bank during the year and as at the date of this report are as follows:

Mr. Le Huu Duc	Chairman	Appointed on 23 April 2014
Mr. Luu Trung Thai	Vice Chairman	Appointed on 23 April 2014
Ms. Vu Thi Hai Phuong	Vice Chairman	Appointed on 27 April 2019
Mr. Do Minh Phuong	Vice Chairman	Appointed on 27 April 2019
Mr. Le Cong	Vice Chairman	Appointed on 16 January 2017
		Resigned on 27 April 2019
Ms. Nguyen Thi Thuy	Member	Appointed on 23 April 2014
Ms. Nguyen Thi Ngoc	Member	Appointed on 23 April 2014
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
Mr. Ha Tien Dung	Member	Appointed on 23 April 2014
		Resigned on 27 April 2019
Mr. Nguyen Dang Nghiem	Member	Appointed on 23 April 2014
		Resigned on 27 April 2019
Mr. Nguyen Van Hung	Member	Appointed on 23 April 2014
		Resigned on 27 April 2019
Mr. Nguyen Van Hue	Independent Member	Appointed on 23 April 2014
		Resigned on 27 April 2019
Mr. Nguyen Chi Thanh	Member	Appointed on 23 April 2016
		Resigned on 27 April 2019

Military Commercial Joint Stock Bank

GENERAL INFORMATION (continued)

BOARD OF SUPERVISION

Members of the Board of Supervision of the Bank during the year and as at the date of this report are as follows:

Ms. Le Thi Loi	Head of Supervisory Board	Appointed on 27 April 2019
Ms. Vu Thi Hai Phuong	Head of Supervisory Board	Appointed on 23 April 2014 Resigned on 27 April 2019
Mr. Do Van Hung	Member	Appointed on 29 March 2018
Ms. Do Thi Tuyet Mai	Member	Appointed on 27 April 2019
Ms. Pham Thu Ngoc	Member	Appointed on 27 April 2019
Ms. Le Minh Hong	Member	Appointed on 23 April 2014 Resigned on 27 April 2019
Mr. Dang Quoc Tien	Member	Appointed on 23 April 2014 Resigned on 27 April 2019

MANAGEMENT

Members of the Management of the Bank during the year and as at the date of this report are as follows:

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
Ms. Nguyen Minh Chau	Senior Member	Appointed on 19 May 2017
Ms. Pham Thi Trung Ha	Deputy CEO	Reappointed on 27 June 2016
Mr. Uong Dong Hung	Deputy CEO	Appointed on 2 August 2013
Mr. Le Hai	Deputy CEO	Reappointed on 28 December 2018
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	Appointed on 10 April 2019
Ms. Le Thi Loi	Chief Financial Officer	Appointed on 5 June 2014 Resigned on 10 April 2019
	Deputy CEO	Resigned on 27 April 2019

LEGAL REPRESENTATIVE

The legal representative of the Bank during the year 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 off the separate financial statements for the year ended 31 December 2019 according to Letter of Authorization No. 39.1/UQ-MB-HDQT by the Chairman dated 16 January 2017.

AUDITORS

The auditors of the Bank are 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 separate financial statements of the Bank for the year ended 31 December 2019.

MANAGEMENT'S RESPONSIBILITY FOR THE SEPARATE FINANCIAL STATEMENTS

Management of the Bank is responsible for the separate financial statements which give a true and fair view of the separate financial position of the Bank, the separate results of its operations and its separate cash flows for the year. In preparing these separate 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 separate financial statements; and
- ▶ prepare the separate financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue its business.

Management of Bank is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the separate financial position of the Bank and ensuring that the accounting records comply with the applied accounting system. Management is also responsible for safeguarding the assets of the Bank 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 separate financial statements.

STATEMENT BY MANAGEMENT

Management of the Bank does hereby state that, in its opinion, the accompanying separate financial statements give a true and fair view of the separate financial position of the Bank as at 31 December 2019, the separate results of its operations and its separate cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and the statutory requirements relevant to preparation and presentation of separate financial statements.



Mr. Luu Trung Thai
Chief Executive Officer

Hanoi, Vietnam

25 February 2020

Reference:60755036/21294178

INDEPENDENT AUDITORS' REPORT

**To: The Shareholders of
Military Commercial Joint Stock Bank**

We have audited the accompanying separate financial statements of Military Commercial Joint Stock Bank ("the Bank"), as prepared on 25 February 2020 and set out on pages 6 to 67, which comprise the separate balance sheet as at 31 December 2019, the separate income statement and the separate cash flow statement for the year then ended and the notes thereto.

Management's responsibility

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

Auditors' responsibility

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

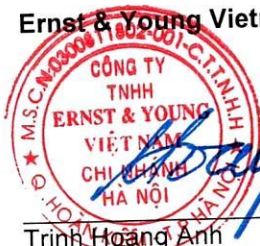
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to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

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

Auditors' opinion

In our opinion, the separate financial statements give a true and fair view, in all material respects, of the separate financial position of the Bank as at 31 December 2019, and of the results of its separate operations and its separate cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and the statutory requirements relevant to preparation and presentation of separate financial statements.

Ernst & Young Vietnam Limited




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



Nguyen Ha Le
Auditor
Audit Practising Registration
Certificate No. 3484-2020-004-1

Hanoi, Vietnam

28 February 2020

Military Commercial Joint Stock Bank

B02/TCTD

SEPARATE BALANCE SHEET as at 31 December 2019

	Notes	31/12/2019 VND million	31/12/2018 VND million
ASSETS			
Cash, gold and gemstones	5	2,339,683	1,734,482
Balances with the State Banks	6	14,338,075	10,544,055
Placements with and loans to other credit institutions	7	40,770,069	44,718,378
Placements with other credit institutions		32,641,295	37,140,384
Loans to other credit institutions		8,324,774	7,773,994
Provision for credit losses on placements with and loans to other credit institutions		(196,000)	(196,000)
Derivatives and other financial assets	8	14,786	36,032
Loans to customers		236,079,366	203,874,440
Loans to customers	9	239,082,993	206,955,635
Provision for credit losses on loans to customers	10	(3,003,627)	(3,081,195)
Investment securities		84,762,114	72,837,158
Available-for-sale securities	11.1	82,568,671	70,184,867
Held-to-maturity investments	11.2	2,483,135	2,909,987
Provision for investment securities	11.4	(289,692)	(257,696)
Long-term investments	12	4,510,857	4,207,174
Investments in subsidiaries	12.1	4,125,246	3,820,907
Other long-term investments	12.2	467,286	467,942
Provision for long-term investments	12.2	(81,675)	(81,675)
Fixed assets		2,388,403	2,370,813
Tangible fixed assets	13	1,413,560	1,413,748
Cost		3,207,215	2,985,808
Accumulated depreciation		(1,793,655)	(1,572,060)
Intangible assets	14	974,843	957,065
Cost		1,727,440	1,624,458
Accumulated amortization		(752,597)	(667,393)
Other assets		13,353,740	12,160,017
Receivables	15.1	8,987,227	8,180,546
Accrued interest and fee receivables		3,470,008	3,154,828
Other assets	15.2	896,505	833,481
In which: Goodwill	16	57,135	66,658
Provision for other assets	15.3	-	(8,838)
TOTAL ASSETS		398,557,093	352,482,549

Military Commercial Joint Stock Bank

B02/TCTD

SEPARATE BALANCE SHEET (continued)
as at 31 December 2019

	<i>Notes</i>	<i>31/12/2019 VND million</i>	<i>31/12/2018 VND million</i>
LIABILITIES			
Due to the Government and the State Bank of Vietnam	17	16,836	2,632,894
Deposits and borrowings from other credit institutions		45,304,141	57,272,468
Deposits from other credit institutions	18.1	29,385,109	40,279,213
Borrowings from other credit institutions	18.2	15,919,032	16,993,255
Customer deposits	19	274,999,773	240,789,565
Other borrowed and entrusted funds	20	302,126	319,963
Valuable papers issued	21	25,621,553	10,290,851
Other liabilities		15,036,049	8,970,984
Interest and fee payables		4,544,662	2,764,575
Other payables	22	10,491,387	6,206,409
TOTAL LIABILITIES		361,280,478	320,276,725
OWNERS' EQUITY			
Charter capital		23,727,323	21,604,514
Share premium		(1,036,712)	-
Reserves		4,799,438	3,817,318
Undistributed profits		9,786,566	6,783,992
TOTAL OWNERS' EQUITY	24	37,276,615	32,205,824
TOTAL LIABILITIES AND OWNERS' EQUITY		398,557,093	352,482,549

SEPARATE BALANCE SHEET (continued)
as at 31 December 2019

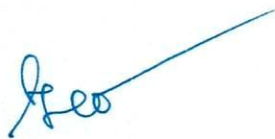
OFF-BALANCE SHEET ITEMS

	31/12/2019 VND million	31/12/2018 VND million
Credit guarantees	81,864	89,264
Foreign exchange commitments	155,723,464	120,015,948
- Foreign exchange commitments - buy	5,949,719	9,019,360
- Foreign exchange commitments - sell	6,416,536	11,102,468
- Cross currency swap contracts - buy	71,691,021	49,939,486
- Cross currency swap contracts - sell	71,666,188	49,954,634
Letters of credit	21,340,471	24,623,727
Other guarantees	76,678,646	71,203,920
Other commitments	35,334,273	20,325,895
Total	289,158,718	236,258,754

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
Acting Chief Financial
Officer

Mr. Luu Trung Thai
Chief Executive Officer

Hanoi, Vietnam

25 February 2020

Military Commercial Joint Stock Bank

B03/TCTD

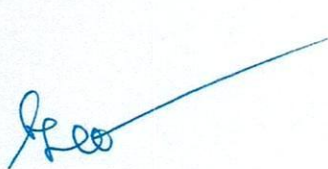
SEPARATE INCOME STATEMENT for the year ended 31 December 2019

	Notes	2019 VND million	2018 VND million
Interest and similar income		27,840,992	23,026,534
Interest and similar expenses		(13,151,460)	(10,254,229)
Net interest and similar income	25	14,689,532	12,772,305
Fee and commission income		2,040,707	1,469,502
Fee and commission expenses		(339,473)	(287,386)
Net fee and commission income	26	1,701,234	1,182,116
Net gain from trading of foreign currencies	27	647,404	445,793
Net gain from securities held for trading, investment securities and long-term investments	28	560,771	213,705
Other income		2,471,377	1,492,764
Other expenses		(371,408)	(189,583)
Net gain from other activities	29	2,099,969	1,303,181
Income from capital contribution, share acquisition	31	371,093	137,911
TOTAL OPERATING INCOME		20,070,003	16,055,011
TOTAL OPERATING EXPENSES	30	(7,479,071)	(6,283,970)
Net profit before provision expenses		12,590,932	9,771,041
Provision expenses	32	(3,304,807)	(2,741,407)
PROFIT BEFORE TAX		9,286,125	7,029,634
Current corporate income tax expense	33	(1,789,344)	(1,372,910)
Corporate income tax expense		(1,789,344)	(1,372,910)
PROFIT AFTER TAX		7,496,781	5,656,724

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
Acting Chief Financial
Officer

Mr. Luu Trung Thai
Chief Executive Officer

Hanoi, Vietnam

25 February 2020

SEPARATE CASH FLOW STATEMENT
for the year ended 31 December 2019

	Notes	2019 VND million	2018 VND million
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and similar receipts		27,731,801	22,540,018
Interest and similar payments		(11,435,701)	(10,286,546)
Net fee and commission receipts		1,701,234	1,182,116
Net receipts from trading activities (foreign currencies, gold and securities)		1,066,514	691,886
Other income		246,742	283,390
Recoveries from bad debts previously written-off	29	1,853,226	1,019,790
Payments for administrative, operating and salary expenses		(7,037,263)	(5,905,749)
Corporate income tax paid during the year	33	(1,629,534)	(1,292,723)
Net cash flow from operating profit before changes in operating assets and liabilities		12,497,019	8,232,182
Changes in operating assets		(48,623,565)	(45,069,882)
(Increase)/Decrease in placements with and loans to other credit institutions		(568,784)	6,812,552
Increase in trading securities		(11,956,952)	(21,459,530)
Decrease in derivatives and other financial assets		21,245	85,560
Increase in loans to customers		(32,127,358)	(26,698,561)
Utilization of provision to write off loans to customers, securities, long-term investments and other receivables		(3,394,879)	(2,227,624)
Increase in other assets		(596,837)	(1,582,279)
Changes in operating liabilities		38,391,689	40,979,984
(Decrease)/Increase in deposits and borrowings from other credit institutions		(11,968,326)	11,510,153
Increase in customer deposits (including deposits from the State Treasury)		31,594,150	21,297,623
Increase in valuable papers issued (except for valuable papers issued for financing activities)		15,330,702	5,044,896
(Decrease)/Increase in other borrowed and entrusted funds		(17,837)	22,964
Increase in other liabilities		3,659,533	3,413,423
Payments from credit institutions' funds	24.1	(206,533)	(309,075)
Net cash flow from operating activities		2,265,143	4,142,284

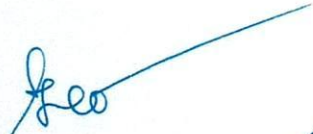
SEPARATE CASH FLOW STATEMENT (continued)
for the year ended 31 December 2019

	Notes	2019 VND million	2018 VND million
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(579,261)	(412,917)
Proceeds from disposal of fixed assets		1,553	5,274
Payments for investments in other entities		(304,339)	(395,941)
Proceeds from investments in other entities, disposal of subsidiaries, associates and other long-term investments		600	433,452
Dividends and profits received from long-term investments and capital contribution	31	371,093	137,911
Net cash flow used in investing activities		(510,354)	(232,221)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in share capital from share issuance		432,090	-
Dividend payment to shareholders	24.1	(1,268,039)	(1,089,303)
Payment for buying treasury shares		(1,036,712)	-
Net cash flow used in financing activities		(1,872,661)	(1,089,303)
Net cash flow for the year		(117,872)	2,820,760
Cash and cash equivalents at the beginning of the year		49,418,921	46,598,161
Cash and cash equivalents at the end of the year	34	49,301,049	49,418,921

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
Acting Chief Financial
Officer

Mr. Luu Trung Thai
Chief Executive Officer

Hanoi, Vietnam

25 February 2020

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
as at 31 December 2019 and for the year then ended

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") on 17 October 2018, replacing Operating License No. 0054/NH-GP granted by the Governor of the State Bank of Vietnam on 14 September 1994. The operational duration under the licence is 99 years from 14 September 1994. The Bank is operating under Business Registration No. 0100283873 granted by the Hanoi Department of Planning and Investment dated 30 September 1994 and the 44th amended Business Registration on 5 December 2019.

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 31 December 2019, the charter capital of the Bank was VND23,727,323 million (31 December 2018: VND21,604,514million).

Operational network

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

As at 31 December 2019, 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 (including one (1) overseas transaction office), and one (1) representative office in Russia.

Employees

The Bank had 9,783 employees as at 31 December 2019 (31 December 2018: 8,897 employees).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

1. GENERAL INFORMATION (continued)

Subsidiaries

As at 31 December 2019, the Bank had subsidiaries as follows:

<i>Subsidiaries</i>	<i>Operating License</i>	<i>Nature of the business</i>	<i>% Ownership</i>
Asset Management Company Limited – Military Commercial Joint Stock Bank (“MB AMC”)	0105281799 dated 11 July 2014, issued by the Hanoi Department for Planning and Investment	Debt management and asset usage	100%
MB Securities Joint Stock Company (“MBS”)	116/GP-UBCK dated 9 December 2013, issued by the State Securities Commission of Vietnam	Securities	79.52%
MB Capital Management Joint Stock Company (“MB Cap”)	06/GPDC-UBCK dated 12 February 2015, issued by the State Securities Commission of Vietnam	Investment fund management	90.77%
MB Shinsei Finance Limited Liability Company (*)	27/GP-NHNN dated 4 February 2016, issued by the State Bank of Vietnam	Consumer finance	50.00%
Military Insurance Corporation (“MIC”)	43/GPDC18/KDBH dated 21 January 2016, issued by the Ministry of Finance	Non-life insurance	68.37%
MB Ageas Life Insurance Company Limited	74/GP/KDBH dated 21 July 2016, issued by the Ministry of Finance	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 five (5) years since the completion of the capital transfer to Shinsei Bank and the third capital contributor.

2. ACCOUNTING PERIOD AND ACCOUNTING CURRENCY

2.1 *Fiscal year*

The Bank’s fiscal year starts on 1 January and ends on 31 December.

2.2 *Accounting currency*

The currency used in the preparation of financial statements of the Bank is Vietnam dong (“VND”). For the purpose of preparing the separate financial statements as at 31 December 2019, all amounts are rounded to the nearest million and presented in VND million. The presentation makes no impact on readers’ view of the separate financial position, separate income statement and separate cash flow statement of the Bank.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM

3.1 Statement of compliance

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

3.2 Accounting standards and system

The separate financial statements of the Bank are prepared in accordance with the accounting system applicable to credit institutions under Decision No. 479/2004/QĐ-NHNN dated 29 April 2004 on promulgating the chart of accounts of credit institutions and amending and supplementing regulations of Decision No. 479/2004/QĐ-NHNN; Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 on the issuance of the financial reporting mechanism for credit institutions and amending and supplementing regulations of Decision No. 16/2007/QĐ-NHNN and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

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

Accordingly, the accompanying separate 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 separate financial position and results of separate operations and separate cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

The Bank prepares the separate financial statements to reflect the Bank's own operations. In addition, the Bank also prepares the consolidated financial statements to reflect the operations of the Bank and its subsidiaries in accordance with Vietnamese Accounting Standard No. 25 - *Consolidated financial statements and accounting for investments in subsidiaries*.

Users of the separate financial statements should read them in conjunction with the said consolidated financial statements in order to obtain full information on the consolidated financial position, the consolidated results of operations and consolidated cash flows of the Bank and its subsidiaries.

Items that are not presented in these interim separate financial statements regarding the financial reporting mechanism for credit institutions as required by Decision No. 16/2007/QĐ-NHNN and amending and supplementing regulations issued by the SBV indicate nil balance.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended**3. APPLIED ACCOUNTING STANDARDS AND SYSTEM (continued)****3.3 Assumptions and uses of estimates**

The preparation of the separate financial statements requires Management to make estimates and assumptions that affect the reported amount 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 provision.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**4.1 Changes in accounting policies and disclosures**

The accounting policies adopted by the Bank in the preparation of the separate financial statements are consistent with those followed in the preparation of the Bank's separate financial statements for the year ended 31 December 2018.

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 and placements with and loans to other credit institutions with an original maturity of three months or less, which are highly liquid and readily convertible into certain amounts of cash and are subject to an insignificant risk of change in value.

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 are made in accordance with Circular No. 02/2013/TT-NHNN issued by the SBV on 21 January 2013 guiding 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 dated 18 March 2014 amending and supplementing a number of articles of Circular 02 ("Circular 09"). Accordingly, the Bank makes 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, the Bank 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 separate 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

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")

Debt classification

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

- ▶ Classification for placements with and loans to other credit institutions is made using the quantitative method as regulated under Article 10 of Circular 02.
- ▶ Classification for investments and trusted investments in unlisted corporate bonds except for bonds of those who also borrow from the Bank 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 the Bank 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 the Bank 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 dated 10 July 2014, Report No. 95/BC-MB.HS.m dated 1 June 2016 and Report No. 2260/TB-HS dated 30 June 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 the Bank and any of the outstanding debt 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 and foreign bank branches have been required to use the information from the Credit Information Centre (CIC) on the loan group of customers at the time of classification to adjust the classification results of their debts and off-balance sheet items (This provision does not apply to the loan classification for customers of Vietnam Development Bank provided by the CIC).
- ▶ At the same time, the Bank also applied regulations on restructuring and maintaining 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 the regulations amending and supplementing Decree 55.

Specific provision

Specific provision as at 31 December 2019 is made based on the principal balance less discounted value of collaterals multiplied by provision rates which are determined based on the debt classification results as at 30 November.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

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	Classification by quantitative method	Classification by 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 the ability to pay the debts may be declined.	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 in compliance with Clause 1, 3, 4, 5, 6 under Article 126 of Law on Credit Institutions; or - Debts made in compliance with Clause 1, 2, 3, 4 under Article 127 of Law on Credit Institutions; or - Debts made in compliance with Clauses 1, 2, 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%

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

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	Classification by quantitative method	Classification by 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

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 31 December 2019 is made at 0.75% of total outstanding debts as at 30 November excluding placements with and loans to other credit institutions and debts classified as loss.

Write-off bad debts

Provisions are recognized as an expense on the separate income statement and used to write-off bad debts. According to Circular 02, the Bank 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 Investment securities

4.6.1 Available-for-sale securities

Available-for-sale securities include debt securities and equity securities listed on securities markets held by the Bank 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 separate income statement on a straight-line basis over the remaining term 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 Interest income from debt securities on a straight-line basis over the terms of the investment securities.

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. 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 separate income statement.

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 *Investment securities* (continued)

4.6.2 *Held-to-maturity investment securities*

Held-to-maturity securities are debt securities purchased by the Bank for the investment purpose of earning interest and the Bank 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 identically to debt available-for-sale securities and presented at Note 4.6.1.

4.7 *Investment in subsidiaries*

Investments in subsidiaries are recognized by the cost method in the separate financial statements. Dividend distributed from accumulated profit of subsidiaries are recorded in the separate income statement.

Provisions for impairment of investments in subsidiaries is made for each impaired investment and are subject to revision at the end of the financial year. Provision for investments in subsidiaries is made when the investments are impaired due to the losses incurred by subsidiaries except for the case of planned loss according to initial investment plan. Increase or decrease of provision balance is recognized in "*Net gain from securities held for trading, investment securities and long-term investment*" in the separate income statement.

4.8 *Other long-term investments*

Other long-term investments represent investments in other entities in which the Bank holds less than or equal to 11% of voting rights and securities of these entities are not listed on the stock market. These investments are initially recorded at cost at the investment 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 securities held for trading, investment securities and long-term investment*" on the separate income statement.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 costs of bringing the asset to working condition for its intended use.

Cost related to additions, improvements and renewals are capitalized while expenditures for maintenance and repairs are charged to the separate income statement.

When assets are sold or liquidated, their cost and accumulated depreciation/amortization are deducted from the separate 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 separate 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	6 - 25 years
Machines and equipment	3 - 4 years
Transportation vehicles	6 years
Other tangible fixed assets	4 years
Land use rights (*)	30 - 46 years
Computer software	3 years

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

4.11 Receivables

4.11.1 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 the Bank in accordance with Article 10 of Circular 02 and presented in Note 4.5.

4.11.2 Other receivables

Other receivables not classified as credit risk-bearing assets of the Bank 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 separate income statement.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Receivables (continued)

4.11.2 Other receivables (continued)

Provision for overdue debts is as follows:

<i>Overdue status</i>	<i>Allowance rate</i>
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%

4.12 Prepaid expenses and deferred expenses

Deferred expenses are reported as short-term or long-term prepaid expenses on the separate 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.

4.13 Goodwill

Goodwill acquired in a business combination is initially recognized at cost being the excess of the cost the business combination over the Bank'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 entity acquired, the difference is recognised directly in the separate 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.

4.14 Re-purchase and re-sale contracts

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

4.15 Operating leases

Payments for operating leases are recognized in separate income statement on straight line basis based on duration of lease contracts. Lease commissions received are recognized in the separate income statement as a component of total lease expense.

4.16 Due to the Government and the State Bank of Vietnam

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 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 fiscal year.

4.18 Foreign currency transactions

According to accounting system of the Bank, 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 separate balance sheet date (*Note 46*). Income and expenses arising in foreign currencies during the year 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 separate income statement.

4.19 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 the Bank.

4.20 Capital and reserves

4.20.1 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.

4.20.2 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.

4.20.3 Treasury shares

Own equity instruments which are reacquired by the Bank (treasury shares) are stated at cost and deducted from equity. No gain or loss is recognized in profit or loss upon purchase, sale, issuance or cancellation of the Bank's own equity instruments.

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.21 Recognition of income and expenses

4.21.1 Interest income and expenses

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

4.21.2 Banking services fees

Banking service fees are recognized upon delivery of services.

4.21.3 Income from investment activities

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

Cash dividend is recognized in the separate income statement upon formation of cash dividend right.

Dividend paid in the form of common shares, bonus shares and right shares for existing shareholders, shares distributed from retained earnings are not recognized as an increment in investment value or income of the Bank. Only the quantity of shares is updated.

4.21.4 Income from other services

When the result of the contract is definitely determined, income is recognized based on the completion of work or services. If the result of the contract is not determined, income is only recognized to the extent of recoverable amount of expenses incurred.

4.21.5 Recognition of uncollectible receivables

According to Circular No. 16/2018/TT-BTC dated 7 February 2018 issued by the Ministry of Finance guiding on the financial regime for credit institutions and foreign bank branches, receivables from uncollectible accrued income at the due date are recorded as a reduction in revenue if the income has been accrued in the same accounting period or recorded as an expense if the income has been accrued in the different accounting periods and monitored in off-balance sheet. Upon actual receipt of these receivables, the Bank would recognize to "Other income" in the separate income statement.

4.22 Corporate income taxes

4.22.1 Current income tax

Current income tax assets and liabilities for the current and prior years 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 separate balance sheet date.

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

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.22 Corporate income taxes (continued)

4.22.2 Deferred tax

Deferred tax is provided on temporary differences at the separate 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 all temporary taxable differences, except where the income tax relates to an item that is recognised directly to equity, in this case, deferred income tax is also recognised directly to equity.

Deferred tax assets are recognized for deductible temporary differences, deductible amounts carried over to subsequent periods of taxable losses, and unused tax credits when it is probable that there will be sufficient future taxable profit to use deductible temporary differences, taxable losses and tax credits. The carrying amount of the deferred income tax assets must be reviewed at the balance sheet date and the book value of the deferred income tax assets must be deducted to the extent that it is certain that there will be sufficient taxable profits to allow a part or the entire deferred income tax assets to be used. Previously unrecognized deferred tax assets are reviewed at the balance sheet date and are recognized when there are sufficient future taxable profits to use these unrecognised deferred tax assets. Deferred tax assets and deferred tax payables are determined on the basis of expected tax rates applied for the period when the assets are recovered or liabilities are settled and on the basis of tax rates and tax laws at the end of the financial year.

4.23 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.

4.24 Derivatives

The Bank 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 the Bank.

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 separate income statement.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****4.24 Derivatives (continued)***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 from revaluation are recognized in the separate income statement.

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

4.25 Employee benefits**4.25.1 Post-employment benefits**

Post-employment benefits are paid to retired employees of the Bank in Vietnam by the Social Insurance Agency of the Ministry of Labor, Invalids and Social Affairs. The Bank 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, the Bank has no further obligation.

4.25.2 Voluntary resignation benefits

The Bank has the obligation, under Article 48 of the Vietnam Labor Code No. 10/2012/QH13 effective from 1 May 2013, to pay allowance arising from voluntary resignation 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.

4.25.3 Unemployment insurance

According to Circular No.32/2010/TT-BLDTBXH providing guidance for Decree No. 127/2008/ND-CP on unemployment insurance, from 1 January 2009, the Bank 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.

4.26 Segment reporting

A segment is a separate unit of the Bank 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 the Bank is based on business sectors.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.27 Related parties

A party is considered to be related party of the Bank if one 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 the Bank and the other party 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.

4.28 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the separate 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

	31/12/2019 VND million	31/12/2018 VND million
Cash on hand in VND	1,916,108	1,198,411
Cash on hand in foreign currencies	419,810	533,311
Gold	3,765	2,760
	2,339,683	1,734,482

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

6. BALANCES WITH THE STATE BANKS

	31/12/2019 VND million	31/12/2018 VND million
Balances with the State Bank of Vietnam in VND (i)	11,826,457	9,214,301
Balances with the State Bank of Vietnam in foreign currencies (i)	1,747,103	438,550
Balances with the Bank of Lao P.D.R (ii)	231,067	292,892
Balances with the National Bank of Cambodia (iii)	533,448	598,312
	14,338,075	10,544,055

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

In accordance with regulations of the SBV, banks must maintain a certain reserve with the SBV in the 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 at the reporting date are as follows:

	31/12/2019	31/12/2018
Preceding month's average deposit balance:		
<i>Customer deposits</i>		
- Deposits in foreign currencies with term of less than 12 months	8.00%	8.00%
- Deposits in foreign currencies 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%
<i>Foreign credit institutions' deposits</i>		
- Deposits in foreign currencies	1.00%	1.00%

As at 31 December 2019, compulsory reserves in VND bear an interest of 0.8%/year and deposits in foreign currencies exceeding the compulsory reserve bear an interest rate of 0.05%/year (as at 31 December 2018: 1.20%/year and 0.05%/year).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

6. BALANCES WITH THE STATE BANKS (continued)

- (ii) Deposits at the Bank of Lao P.D.R ("the 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:

	<u>31/12/2019</u>	<u>31/12/2018</u>
- Deposits in foreign currencies other than LAK with term of less than 12 months	10.00%	10.00%
- Deposits in LAK with term of less than 12 months	5.00%	5.00%

Compulsory deposits at the BOL are not interest-bearing.

- (iii) Deposits at the National Bank of Cambodia include deposits in Khmer Riels ("KHR") and foreign currencies other than KHR 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:

	<u>31/12/2019</u>	<u>31/12/2018</u>
- Deposit in foreign currencies other than KHR	12.50%	12.50%
- Deposit in KHR	8.00%	8.00%

Deposits at the National Bank of Cambodia are not interest-bearing.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

7. PLACEMENTS WITH AND LOANS TO OTHER CREDIT INSTITUTIONS

	31/12/2019 VND million	31/12/2018 VND million
Placements with other credit institutions	32,641,295	37,140,384
Demand deposits	9,098,023	11,633,437
- In VND	6,328,994	8,096,593
- In foreign currencies	2,769,029	3,536,844
Term deposits	23,543,272	25,506,947
- In VND	19,319,075	21,992,750
- In foreign currencies	4,224,197	3,514,197
Loans to other credit institutions	8,324,774	7,773,994
- In VND	5,553,336	5,741,782
- In foreign currencies	2,771,438	2,032,212
Provision for placements with and loans to other credit institutions	(196,000)	(196,000)
	40,770,069	44,718,378

Analysis of outstanding placements with and loans to other credit institutions by quality at the year ends are as follows:

	31/12/2019 VND million	31/12/2018 VND million
Current	31,672,046	33,084,941
Loss	196,000	196,000
	31,868,046	33,280,941

Interest rates of placements with and loans to other credit institutions at year ends are as follows:

	31/12/2019 %p.a	31/12/2018 %p.a
Term deposits in VND	2.40 – 6.40	4.60-5.40
Term deposits in foreign currencies	0.01 – 2.10	2.50-3.20
Loans in VND	4.40 – 7.20	5.40-5.60
Loans in foreign currencies	0.01 – 4.10	2.50-3.60

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

8. DERIVATIVES AND OTHER FINANCIAL ASSETS

	<i>Total value of contracts at exchange rates at effective date of the contracts VND million</i>	<i>Total net carrying value (at exchange rates at the reporting date)</i>		<i>Net carrying value VND million</i>
		<i>Assets VND million</i>	<i>Liabilities VND million</i>	
As at 31 December 2019				
Forward currency contracts	9,796,836	24,322	(28,477)	(4,155)
Swap contracts	90,103,028	17,970,895	(17,951,954)	18,941
	99,899,864	17,995,217	(17,980,431)	14,786
As at 31 December 2018				
Forward currency contracts	15,062,070	82,373	(67,166)	15,207
Swap contracts	50,865,489	9,598,475	(9,577,650)	20,825
	65,927,559	9,680,848	(9,644,816)	36,032

9. LOANS TO CUSTOMERS

	<i>31/12/2019 VND million</i>	<i>31/12/2018 VND million</i>
Loans to economic entities and individuals	234,470,354	202,434,003
Discounted bills and valuable papers	640,820	560,381
Payments on behalf of customers	5,055	11,388
Loans financed by entrusted funds	436,508	453,531
Loans to foreign economic entities and individuals	3,530,256	3,496,332
	239,082,993	206,955,635

Interest rates of loans to customers at year ends are as follows:

	<i>31/12/2019 %/p.a</i>	<i>31/12/2018 %/p.a</i>
Loans in VND	6.00 - 11.00	6.00 - 10.80
Loans in foreign currencies	3.10 - 5.50	3.20 - 5.90

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

9. LOANS TO CUSTOMERS (continued)

9.1 Analysis of loan portfolio by quality

	31/12/2019 VND million	31/12/2018 VND million
Current	234,703,308	201,284,651
Special mention	2,040,434	3,136,256
Substandard	855,991	872,407
Doubtful	866,906	703,752
Loss	616,354	958,569
	239,082,993	206,955,635

9.2 Analysis of loan portfolio by original maturity

	31/12/2019 VND million	31/12/2018 VND million
Short term loans	117,047,164	104,430,499
Medium term loans	27,208,862	28,559,388
Long term loans	94,826,967	73,965,748
	239,082,993	206,955,635

9.3 Analysis of loan portfolio by ownership and types of customers

	31/12/2019		31/12/2018	
	VND million	%	VND million	%
State-owned companies	15,082,508	6.31	9,061,436	4.38
One-member limited liability companies with 100% of State ownership	6,930,066	2.90	8,093,086	3.91
One-member limited liability company with over 50% of State ownership	389,523	0.16	552,172	0.27
Other limited liability companies	45,978,538	19.23	42,429,561	20.50
Joint stock companies with over 50% of State ownership	5,935,532	2.48	7,390,803	3.57
Other joint-stock companies	61,126,035	25.57	53,021,971	25.62
Foreign invested enterprises	7,063,750	2.95	6,892,653	3.33
Co-operatives and unions of co-operative	195,772	0.08	275,545	0.13
Household business and individuals	92,707,166	38.78	75,530,544	36.50
Operation administration entities, the Party, unions and associations	40,151	0.02	56,663	0.03
Others	120,944	0.05	154,869	0.07
Loans at overseas branches	3,513,008	1.47	3,496,332	1.69
	239,082,993	100.00	206,955,635	100.00

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

9. LOANS TO CUSTOMERS (continued)

9.4 Analysis of loan portfolio by sectors

	31/12/2019		31/12/2018	
	VND million	%	VND million	%
Agriculture, forestry and aquaculture	3,320,783	1.39	3,095,756	1.50
Mining	3,837,122	1.60	3,941,497	1.90
Production and processing	38,783,944	16.22	36,303,626	17.54
Electricity, petroleum and steam	10,000,983	4.18	6,263,470	3.03
Water supply and waste treatment	724,777	0.30	748,549	0.36
Construction	19,403,393	8.12	20,494,258	9.90
Wholesale and retail trade, repair of motor vehicles, motor cycles	56,817,785	23.77	47,291,140	22.85
Transportation, logistics	7,810,083	3.27	10,048,584	4.86
Hospitality services	7,780,639	3.25	4,623,610	2.23
Information and communication	2,598,729	1.09	3,133,806	1.51
Finance, banking and insurance services	880,960	0.37	626,759	0.30
Real estates	5,356,894	2.24	5,234,177	2.53
Expertise, science and technology	311,581	0.13	210,248	0.10
Administrative and supportive services	894,466	0.37	612,640	0.30
Education and training	1,131,384	0.47	525,213	0.25
Healthcare and community development	1,479,427	0.62	916,753	0.44
Art and entertainment	2,721,923	1.14	74,206	0.04
Other services	53,874	0.02	74,323	0.04
Household services	71,661,238	29.98	59,240,688	28.63
Loans at overseas branches	3,513,008	1.47	3,496,332	1.69
	239,082,993	100.00	206,955,635	100.00

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

10. PROVISION FOR CREDIT LOSSES ON LOANS TO CUSTOMERS

	31/12/2019 VND million	31/12/2018 VND million
General provision	1,735,741	1,527,979
Specific provision	1,267,886	1,553,216
	3,003,627	3,081,195

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

	General provision VND million	Specific provision VND million	Total VND million
Opening balance as at 1 January 2019	1,527,979	1,553,216	3,081,195
Provision made during the year (Note 32)	207,958	3,105,340	3,313,298
Provision utilized to write-off bad debts	-	(3,394,879)	(3,394,879)
Adjustment according to previous year's audit result of of foreign branches	-	4,538	4,538
Foreign exchange difference	(196)	(329)	(525)
Closing balance as at 31 December 2019	1,735,741	1,267,886	3,003,627

Movements in provision for credit losses on loans to customers during the year ended 31 December 2018 are as follows:

	General provision VND million	Specific provision VND million	Total VND million
Opening balance as at 1 January 2018	1,312,034	797,070	2,109,104
Provision made during the year	214,931	2,526,476	2,741,407
Provision utilized to write-off bad debts	-	(1,759,062)	(1,759,062)
Adjustment by the State Audit Office of Vietnam ("the SAV")	-	(13,654)	(13,654)
Foreign exchange difference	1,014	2,386	3,400
Closing balance as at 31 December 2018	1,527,979	1,553,216	3,081,195

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

11. INVESTMENT SECURITIES

11.1 Available-for-sale securities

	31/12/2019 VND million	31/12/2018 VND million
Debt securities	82,568,671	70,184,867
Government bonds	47,873,313	43,802,956
Debt securities issued by other domestic credit institutions	22,694,379	20,897,686
Bonds issued by domestic economic entities	12,000,979	5,484,225
Provision for available-for-sale securities	(188,627)	(132,450)
General provision	(188,627)	(132,450)
	82,380,044	70,052,417

Government bonds have terms ranging from 3 to 20 years with interest rates of 3.80%-11.60% p.a.

Debt securities issued by other domestic credit institutions have terms ranging from 9 months to 5 years with interest rates of 5.80% - 9.30% p.a.

Bonds issued by domestic economic entities have terms ranging from 16 months to 11 years with interest rates of 8.50% - 11.50% p.a.

11.2 Held-to-maturity securities

	31/12/2019 VND million	31/12/2018 VND million
Debt securities	2,483,135	2,909,987
Bonds issued by other domestic credit institutions	80,000	80,000
Bonds issued by domestic economic entities	2,403,135	2,829,987
Provision for held-to-maturity securities	(101,065)	(125,246)
General provision	(18,172)	(45,246)
Specific provision	(82,893)	(80,000)
	2,382,070	2,784,741

Bonds issued by domestic credit institutions have terms ranging from 3 to 5 years. These bonds are overdue and provision are made for all the remaining balance.

Bonds issued by domestic economic entities have terms ranging from 18 months to 15 years with interest rates 8.90% - 11.20% p.a.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

11. INVESTMENT SECURITIES (continued)

11.3 Analysis of securities classified as credit risk assets

	31/12/2019 VND million	31/12/2018 VND million
Current	28,753,298	29,211,898
Loss	80,000	80,000
	28,833,298	29,291,898

11.4 Provision for investment securities

Movement of provision for impairment of investment securities during 2019 is as follows:

	Available-for- sale securities VND million	Held-to-maturity securities VND million	Total VND million
Opening balance	132,450	125,246	257,696
Provision made/(reversed) during the year (Note 28)	56,177	(24,181)	31,996
Closing balance	188,627	101,065	289,692

Movement of provision for impairment of investment securities during 2018 is as follows:

	Available-for- sale securities VND million	Held-to-maturity securities VND million	Total VND million
Opening balance	1,111	302,366	303,477
Reclassification to provision for other long- term investments	(1,111)	-	(1,111)
Provision made/(reversed) during the year	83,224	(57,120)	26,104
Reclassification from provision for other assets	49,226	-	49,226
Provision written off during the year	-	(120,000)	(120,000)
Closing balance	132,450	125,246	257,696

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended**12. LONG-TERM INVESTMENTS**

	31/12/2019 VND million	31/12/2018 VND million
Investments in subsidiaries	4,125,246	3,820,907
Other long-term investments	467,286	467,942
Provision for long-term investments	(81,675)	(81,675)
	4,510,857	4,207,174

12.1 Investments in subsidiaries

	31/12/2019 VND million	31/12/2018 VND million
Asset Management Company Limited – Military Commercial Joint Stock Bank	665,862	665,862
MB Securities Joint Stock Company	971,109	971,109
MB Capital Management Joint Stock Company	293,900	293,900
MB Shinsei Finance Limited Liability Company	400,000	400,000
Military Insurance Corporation	879,375	575,036
MB Ageas Life Insurance Company Limited	915,000	915,000
	4,125,246	3,820,907

12.2 Other long-term investments

	31/12/2019 VND million	31/12/2018 VND million
Investments in economic entities	445,286	445,942
Investments in investment funds	22,000	22,000
	467,286	467,942

Movement in provision for long-term investments during the years are as follows:

	2019 VND million	2018 VND million
Opening balance	81,675	84,036
Reclassification from available-for-sale securities to other long-term investments	-	1,111
Provision (reserved)/made during the year (Note 28)	-	(3,472)
Closing balance	81,675	81,675

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

13. TANGIBLE FIXED ASSETS

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	1,275,614	1,043,437	529,300	137,457	2,985,808
Additions	6,858	110,185	69,455	21,995	208,493
Completion of procurement	-	19,202	3,198	859	23,259
Disposals	(307)	(5,290)	(4,948)	(2,793)	(13,338)
Other movements	2,475	1,288	-	-	3,763
Foreign exchange differences	(17)	(511)	(187)	(55)	(770)
Closing balance	1,284,623	1,168,311	596,818	157,463	3,207,215
Accumulated depreciation					
Opening balance	193,164	843,348	407,505	128,043	1,572,060
Depreciation during the year	52,606	122,829	56,211	3,993	235,639
Disposals	(307)	(5,290)	(4,948)	(2,776)	(13,321)
Foreign exchange differences	(14)	(491)	(169)	(49)	(723)
Closing balance	245,449	960,396	458,599	129,211	1,793,655
Net book value					
Opening balance	1,082,450	200,089	121,795	9,414	1,413,748
Closing balance	1,039,174	207,915	138,219	28,252	1,413,560

Military Commercial Joint Stock Bank

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)

as at 31 December 2019 and for the year then ended

13. TANGIBLE FIXED ASSETS (continued)

Movements of tangible fixed assets in 2018 are as follows:

Cost	Buildings & construction VND million	Machines & equipment VND million	Transportation vehicles VND million	Other tangible fixed assets VND million	Total VND million
Opening balance	1,241,579	899,740	472,157	135,941	2,749,417
Additions	33,977	139,035	66,900	9,753	249,665
Disposals	-	(2,801)	(9,869)	(836)	(13,506)
Other movements	(124)	7,109	-	(7,401)	(416)
Foreign exchange differences	182	354	112	-	648
Closing balance	1,275,614	1,043,437	529,300	137,457	2,985,808
Accumulated depreciation					
Opening balance	139,659	747,901	360,540	124,943	1,373,043
Depreciation during the year	53,479	97,970	55,074	3,937	210,460
Disposals	-	(2,757)	(8,197)	(837)	(11,791)
Foreign exchange differences	26	234	88	-	348
Closing balance	193,164	843,348	407,505	128,043	1,572,060
Net book value					
Opening balance	1,101,920	151,839	111,617	10,998	1,376,374
Closing balance	1,082,450	200,089	121,795	9,414	1,413,748



NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

14. INTANGIBLE ASSETS

Movements of intangible assets in 2019 are as follows:

	<i>Land use rights VND million</i>	<i>Computer software VND million</i>	<i>Total VND million</i>
Cost			
Opening balance	1,058,064	566,394	1,624,458
Additions	26,908	33,503	60,411
Disposals	-	(2,077)	(2,077)
Completion of procurement	-	44,731	44,731
Foreign exchange difference	-	(83)	(83)
Closing balance	1,084,972	642,468	1,727,440
Accumulated amortisation			
Opening balance	141,870	525,523	667,393
Increase in amortisation during the year	18,955	68,375	87,330
Decrease in amortisation during the year	-	(2,077)	(2,077)
Foreign exchange difference	-	(49)	(49)
Closing balance	160,825	591,772	752,597
Net book value			
Opening balance	916,194	40,871	957,065
Closing balance	924,147	50,696	974,843

Movements of intangible assets in 2018 are as follows:

	<i>Land use rights VND million</i>	<i>Computer software VND million</i>	<i>Total VND million</i>
Cost			
Opening balance	963,712	505,579	1,469,291
Additions	94,352	60,781	155,133
Foreign exchange difference	-	34	34
Closing balance	1,058,064	566,394	1,624,458
Accumulated amortisation			
Opening balance	123,266	445,568	568,834
Amortisation during the year	18,604	79,929	98,533
Foreign exchange difference	-	26	26
Closing balance	141,870	525,523	667,393
Net book value			
Opening balance	840,446	60,011	900,457
Closing balance	916,194	40,871	957,065

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

15. OTHER ASSETS

15.1 Receivables

	31/12/2019 VND million	31/12/2018 VND million
Internal receivables	73,159	104,826
External receivables (i)	7,571,717	6,975,107
Construction in progress (ii)	1,342,351	1,100,613
	8,987,227	8,180,546

i. Details of external receivables:

	31/12/2019 VND million	31/12/2018 VND million
Escrows, mortgages, pledges	1,039,028	463,856
Amounts due from the Government	16,962	11,613
Money transfer transaction associated with Viettel	9,730	74,028
Receivables related to trade finance	2,924,016	3,929,665
Advances and deposits for contracts	281,960	92,368
Receivables related to settlement services	2,364,121	1,323,902
Receivables related to sales of bonds	810,049	680,233
Other external receivables	125,851	399,442
	7,571,717	6,975,107

ii. Construction in progress:

	31/12/2019 VND million	31/12/2018 VND million
Project at 63 Le Van Luong	1,293,007	1,052,414
Other items	49,344	48,199
	1,342,351	1,100,613

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended**15. OTHER ASSETS (continued)****15.2 Other assets**

	31/12/2019 VND million	31/12/2018 VND million
Goodwill	57,135	66,658
Prepaid expenses	408,967	335,657
Foreclosed assets	402,382	402,382
Other assets	28,021	28,784
	896,505	833,481

15.3 Provision for other assets

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

	2019 VND million	2018 VND million
Opening balance	8,838	406,474
Provision reversed during the year (Note 32)	(8,491)	-
Reclassification to provision for securities investment	-	(49,226)
Provision written-off during the year	-	(348,562)
Foreign exchange differences	(347)	152
	-	8,838

16. GOODWILL

	31/12/2019 VND million	31/12/2018 VND million
Value of goodwill	94,261	94,261
Adjustment of the State Audit Office of Vietnam ("the SAV")	965	965
Total value of goodwill	95,226	95,226
Amortization period (years)	10	10
- Value of accumulated amortized goodwill at the beginning of the year	28,568	18,852
- Value of unamortized goodwill	66,658	76,374
Goodwill amortized during the year	(9,523)	(9,716)
- Additional goodwill amortized according to adjustments of the SAV	-	(193)
- Goodwill amortized during the year	(9,523)	(9,523)
Total value of unamortized goodwill at the end of the year	57,135	66,658

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

17. DUE TO THE GOVERNMENT AND THE STATE BANK OF VIETNAM

	31/12/2019 VND million	31/12/2018 VND million
Demand deposits in VND	16,836	632,894
Term deposits in VND	-	2,000,000
	16,836	2,632,894

18. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

18.1 Deposits from other credit institutions

	31/12/2019 VND million	31/12/2018 VND million
Demand deposits	6,108,281	5,419,688
- In VND	6,084,830	5,401,135
- In foreign currencies	23,451	18,553
Term deposits	23,276,828	34,859,525
- In VND	15,147,042	28,317,851
- In foreign currencies	8,129,786	6,541,674
	29,385,109	40,279,213

18.2 Borrowings from other credit institutions

	31/12/2019 VND million	31/12/2018 VND million
In VND	6,918,452	4,197,246
In which:		
Discount and rediscount of negotiable instruments and other valuable papers	-	500,185
In foreign currencies	9,000,580	12,796,009
	15,919,032	16,993,255

Interest rates of deposits and borrowings from other credit institutions at year ends are as follows:

	31/12/2019 % p.a	31/12/2018 % p.a
Term deposits in VND	1.60 – 4.70	4.30 - 5.00
Term deposits in foreign currencies	1.70 – 2.10	2.45 - 3.00
Borrowings from other credit institutions in VND	3.60 – 4.80	5.00 - 5.20
Borrowings from other credit institutions in foreign currencies	1.50 – 3.60	2.45 - 3.20

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

19. CUSTOMER DEPOSITS

	31/12/2019 VND million	31/12/2018 VND million
Demand deposits	92,691,975	77,397,793
- In VND	74,411,736	66,777,624
- In foreign currencies	18,280,239	10,620,169
Term deposits	169,998,106	143,192,010
- In VND	165,143,274	138,451,273
- In foreign currencies	4,854,832	4,740,737
Deposits for specific purposes	4,665,862	4,925,942
- In VND	3,881,000	4,366,668
- In foreign currencies	784,862	559,274
Margin deposits	7,643,830	15,273,820
- In VND	3,794,136	7,904,125
- In foreign currencies	3,849,694	7,369,695
	274,999,773	240,789,565

Interest rates for customer deposits at year ends are as follows:

	31/12/2019 % p.a	31/12/2018 % p.a
Demand deposits in VND	0.30	0.30
Demand deposits in foreign currencies	0.00	0.00
Term deposits in VND	0.78 - 7.52	0.50 - 7.00
Term deposits in foreign currencies	0.00	0.00

Analysis of customer deposits by types is as follows:

	31/12/2019		31/12/2018	
	VND million	%	VND million	%
Economic entities	155,230,606	56.45	140,696,218	58.43
Individuals	119,769,167	43.55	100,093,347	41.57
	274,999,773	100.00	240,789,565	100.00

20. OTHER BORROWED AND ENTRUSTED FUNDS

	31/12/2019 VND million	31/12/2018 VND million
Funds received in VND	302,126	319,963

This is the amount of 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 31 December 2019, the annual interest rate applicable to these funds is 5.18% per annum (as at 31 December 2018: 5.04%).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

21. VALUABLE PAPERS ISSUED

	31/12/2019 VND million	31/12/2018 VND million
Bonds	5,922,377	6,247,851
- Less than 5 years	-	-
- Over 5 years	5,922,377	6,247,851
Certificates of deposit	19,699,176	4,043,000
- Less than 12 months	8,499,659	343,000
- Over 12 months	11,199,517	3,700,000
	25,621,553	10,290,851

Bonds are entitled to interest rates of 7.78%-8.70% p.a.

Certificates of deposit are entitled to interest rates of 5.75%-7.20% p.a.

22. OTHER LIABILITIES

	31/12/2019 VND million	31/12/2018 VND million
Internal payables	1,281,152	932,591
External payables (i)	8,620,763	4,766,245
Bonus, welfare funds	321,472	239,573
Science and technology fund	268,000	268,000
	10,491,387	6,206,409

(i) Details of external payables are as follows:

	31/12/2019 VND million	31/12/2018 VND million
Corporate income tax payables (Note 23)	526,430	444,654
Money transfer payables	358,758	179,069
Revenue awaiting allocation	960,320	277,818
Payables related to services associated with Viettel	2,036,682	915,811
Payables related to interbank money transfer	4,141,421	2,673,848
Other items awaiting payment	597,152	275,045
	8,620,763	4,766,245

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

23. TAX AND OTHER OBLIGATIONS TO THE STATE BUDGET

	<i>Opening balance VND million</i>	<i>Movements during the year</i>		<i>Closing balance VND million</i>
		<i>Increase VND million</i>	<i>Decrease VND million</i>	
Value added tax	22,974	203,450	(202,803)	23,621
Corporate income tax	289,152	1,796,566	(1,629,534)	456,184
<i>In which:</i>				
- Corporate income tax in the year	289,152	1,789,344	(1,629,534)	448,962
- Adjustments according to the State Audit Office of Vietnam's result	-	7,138	-	7,138
- Exchange rate differences	-	84	-	84
Other taxes	132,528	546,850	(632,753)	46,625
	444,654	2,546,866	(2,465,090)	526,430

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

24. OWNERS' EQUITY AND RESERVES

24.1 Statement of changes in equity

	Charter capital VND million	Share premium VND million	Treasury shares VND million	Capital supplementary reserve VND million	Financial reserve VND million	Other reserves VND million	Undistributed profits VND million	Total VND million
Balance as at 1 January 2018	18,155,054	828,197	-	937,587	1,860,373	340,693	6,069,467	28,191,371
Net profit for the year	-	-	-	-	-	-	5,656,724	5,656,724
Capital increase from share issuance and stock dividend payment	3,449,460	(828,197)	-	-	-	-	(2,621,263)	-
Appropriation to reserves for 2017 according to Resolution of General Meeting of Shareholders	-	-	-	-	-	-	-	-
Utilisation of reserves in the year	-	-	-	214,726	429,452	343,562	(987,740)	-
Adjustment following request of the State Audit Office of Vietnam	-	-	-	-	-	(309,075)	-	(309,075)
Dividend payment in the year	-	-	-	-	-	-	14,936	14,936
Appropriation to the bonus, welfare funds	-	-	-	-	-	-	(1,089,303)	(1,089,303)
Other adjustments (due to foreign exchange differences)	-	-	-	-	-	-	(257,671)	(257,671)
	-	-	-	-	-	-	(1,158)	(1,158)
Balance as at 1 January 2019	21,604,514	-	-	1,152,313	2,289,825	375,180	6,783,992	32,205,824
Net profit for the year	-	-	-	-	-	-	7,496,781	7,496,781
Appropriation to reserves	-	-	-	282,836	565,672	339,402	(1,187,910)	-
Utilisation of reserves in the year	-	-	-	-	-	(206,533)	-	(206,533)
Dividend payment in the year	-	-	-	-	-	-	(1,268,039)	(1,268,039)
Shares issued to pay dividend	1,690,719	-	-	-	-	-	(1,690,719)	-
Bonus share issued for employees	432,090	-	-	-	-	-	-	432,090
Treasury share redemption in the year	-	-	(1,036,712)	-	-	-	-	(1,036,712)
Appropriation to the bonus and welfare funds	-	-	-	-	-	-	(339,403)	(339,403)
Adjustment according to audited report at foreign branch	-	-	-	-	-	1,075	(6,350)	(5,275)
Adjustment according to tax authorities	-	-	-	-	-	-	(7,196)	(7,196)
Other adjustments	-	-	-	-	-	(332)	5,410	5,078
Balance as at 31 December 2019	23,727,323	-	(1,036,712)	1,435,149	2,855,497	508,792	9,786,566	37,276,615

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

24. OWNERS' EQUITY AND RESERVES (continued)

24.2 Equity

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

	31/12/2019		31/12/2018	
	Shares	VND million	Shares	VND million
Number of registered shares	2,372,732,280	23,727,323	2,160,451,381	21,604,514
Number of shares issued				
- Ordinary shares	2,372,732,280	23,727,323	2,160,451,381	21,604,514
Number of redeemed shares (treasury shares)				
- Ordinary shares	(47,052,980)	(470,530)	-	-
Number of shares circulated				
- Ordinary shares	2,325,679,300	23,256,793	2,160,451,381	21,604,514

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

24.3 Dividend

Details of dividends paid in the financial year ended 31 December 2019 by the Bank are as follows:

	2019 VND million	2018 VND million
Dividends announced and paid during the year		
<i>Dividends on ordinary shares</i>		
Cash dividend for 2018: VND600/share (2017: VND600/share)	1,268,039	1,089,303
Stock dividends for 2018: 8%/share (2017: 5%/share)	1,690,719	907,753

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

25. NET INTEREST AND SIMILAR INCOME

	2019 VND million	2018 VND million
Interest and similar income	27,840,992	23,026,534
Interest income from deposits	919,584	665,979
Interest income from loans	20,067,445	16,881,245
Interest income from debt securities	5,167,968	3,785,864
Income from guarantee activities	1,298,771	1,200,018
Other income from credit activities	387,224	493,428
Interest and similar expenses	(13,151,460)	(10,254,229)
Interest expenses for deposits	(10,975,588)	(8,724,288)
Interest expenses for borrowings	(500,932)	(523,735)
Interest expenses for valuable papers issued	(1,306,921)	(554,744)
Expenses for other credit activities	(368,019)	(451,462)
Net interest and similar income	14,689,532	12,772,305

26. NET FEE AND COMMISSION INCOME

	2019 VND million	2018 VND million
Fee and commission income	2,040,707	1,469,502
Income from settlement services	854,916	708,667
Income from treasury services	18,871	19,406
Income from advisory services	218,132	87,366
Income from trust and agency services	570,884	346,504
Income from other services	377,904	307,559
Fee and commission expenses	(339,473)	(287,386)
Expenses for settlement services	(82,822)	(66,651)
Expenses for trust and agency services	(196)	(487)
Expenses for advisory services	(3)	(8)
Commission for brokerage services	(96,018)	(65,578)
Expenses for treasury services	(6,767)	(5,279)
Expenses for other services	(153,667)	(149,383)
Net fee and commission income	1,701,234	1,182,116

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

27. NET GAIN FROM TRADING OF FOREIGN CURRENCIES

	2019 VND million	2018 VND million
Income from trading of foreign currencies	1,547,027	1,079,458
Income from spot foreign currencies trading	896,404	678,652
Income from currency derivatives	649,264	400,500
Income from trading gold	1,359	306
Expenses for trading of foreign currencies	(899,623)	(633,665)
Expenses for spot foreign currencies trading	(172,068)	(163,163)
Expenses for currency derivatives	(727,052)	(470,410)
Expenses for trading gold	(503)	(92)
Net gain from trading of foreign currencies	647,404	445,793

28. NET GAIN FROM SECURITIES HELD FOR TRADING, INVESTMENT SECURITIES AND LONG-TERM INVESTMENTS

	2019 VND million	2018 VND million
Income from trading investment securities	661,682	430,976
Expenses for trading investment securities	(68,915)	(194,639)
Provision made for investment securities	(31,996)	(26,104)
Provision reversed/(made) for other long-term investments	-	3,472
Net gain from trading securities, investment securities and long-term investments	560,771	213,705

29. NET GAIN FROM OTHER ACTIVITIES

	2019 VND million	2018 VND million
Income from other activities	2,471,377	1,492,764
Income from recovery of bad debts previously written-off	1,853,226	1,019,790
Income from other derivatives	549,996	259,616
Income from transfer or liquidation of assets	1,553	5,274
Income from debt trading	-	121,250
Income from other business activities	66,602	86,834
Expenses for other activities	(371,408)	(189,583)
Expenses for other derivatives	(350,962)	(174,521)
Other expenses	(20,446)	(15,062)
Net gain from other activities	2,099,969	1,303,181

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

30. TOTAL OPERATING EXPENSES

	2019 VND million	2018 VND million
Expenses on taxes, fees	38,593	24,299
Personnel expenses	4,557,873	3,710,356
- Salary and salary contributions	4,401,078	3,600,270
- Unemployment allowance	30,217	26,670
- Other expenses	126,578	83,416
Expenses on assets	1,169,336	1,034,554
In which:		
- Depreciation of fixed assets	322,969	308,993
- Other expenses	846,367	725,561
Administrative expenses	1,555,290	1,106,171
In which:		
- Per diem	134,818	110,300
- Social activities of the Bank	8,664	7,114
- Other expenses	1,411,808	988,757
Science and technology fund expenses	-	268,000
Insurance fee for customer deposits	157,979	140,590
	7,479,071	6,283,970

31. INCOME FROM CAPITAL CONTRIBUTION

	2019 VND million	2018 VND million
Dividend	112,528	44,046
Other income from subsidiaries	238,760	89,752
Other revenues from capital contribution to purchase shares	19,805	4,113
Total	371,093	137,911

32. PROVISION EXPENSES

	2019 VND million	2018 VND million
Provision made for loans to customers	3,313,298	2,741,407
Provision made for other assets	(8,491)	-
Total	3,304,807	2,741,407

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

33. CORPORATE INCOME TAX

MB has the obligation to pay corporate income tax ("CIT") at the rate of 20% of taxable profits in Vietnam according to Circular No. 78/2014/TT-BTC which became effective from 2 August 2014, guiding the implementation of Decree No.218/2013/ND-CP dated 26 December 2013 issued by the Government on the Law on Corporate Income Tax.

For the Bank's branch in Cambodia, the Bank shall calculate and determine its CIT in compliance with Cambodian regulations on corporate income tax. According to the Tax Act dated 08 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. CIT of the Bank's branch in Cambodia for the fiscal year ended 31 December 2019 is defined as 20% of profits earned.

For the Bank's branch in Laos, the Bank shall calculate and determine its CIT in accordance with the income tax regulations in Laos. According to the Tax Ordinance No. 70 dated 15 December 2015 issued by the Lao P.D.R Parliament, CIT of the branch is defined as 24% of the profit of the branch.

The Bank's tax reports are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions in each country are susceptible to varying interpretations, amount reported in the separate 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 year. Taxable income differs from the one reported in the separate income statement since taxable income excludes incomes which are taxable or expenses which are deducted in prior years due to the differences between the Bank's accounting policies and the tax regulations. It also excludes tax exempted income and non-deductible expenses. The current corporate income tax payable of the Bank is calculated based on the statutory tax rates applicable at the year-end.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended**33. CORPORATE INCOME TAX (continued)**

Current income tax expense is estimated as follows:

	2019 VND million	2018 VND million
Profit before tax	9,286,125	7,029,634
<i>Adjust for</i>		
- Non-taxable dividend income	(371,093)	(137,911)
- Net gain of overseas branches	(48,528)	(58,418)
- Non-deductible expenses	23,443	12,206
Estimated taxable income	8,889,947	6,845,511
CIT expense in the year		
CIT of the Bank in Vietnam (20%)	1,777,989	1,369,102
CIT of overseas branches	11,355	3,808
Total CIT expense incurred in the year	1,789,344	1,372,910
CIT payable at the beginning of the year	289,152	200,709
CIT paid during the year	(1,629,534)	(1,292,723)
Adjusted by the tax authorities and the SAV	7,138	8,256
Exchange rate difference	84	-
CIT payables at the end of the year	456,184	289,152

Deferred income tax

No deferred tax was recognized during the year since there was no temporary material difference between the carrying value and the tax base of assets and liabilities in the separate financial statements.

34. CASH AND CASH EQUIVALENTS

Cash and cash equivalents on the separate cash flow statement include the below items on the separate balance sheet:

	31/12/2019 VND million	31/12/2018 VND million
Cash, gold, gemstones	2,339,683	1,734,482
Balances with the SBV	14,320,071	10,544,055
Demand deposits at other credit institutions	9,098,023	11,633,437
Placements with other credit institutions with original term of three (3) months or less	23,543,272	25,506,947
	49,301,049	49,418,921

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

35. MORTGAGED, PLEDGED AND DISCOUNTED AND REDISCOUNTED ASSETS

35.1 Mortgaged, pledged and discounted and rediscounted assets of customers

	31/12/2019 VND million	31/12/2018 VND million
Real estates	263,643,908	204,829,945
Movable properties	132,489,460	68,057,350
Valuable papers	29,618,596	26,965,845
Receivables	243,555,666	214,424,506
ther assets	105,804,059	125,937,214
	775,111,689	640,214,860

35.2 Mortgaged, pledged and discounted and rediscounted assets of the Bank

	31/12/2019 VND million	31/12/2018 VND million
Valuable papers	6,000,000	10,971,000

36. EMPLOYEES' REMUNERATION

	2019	2018
Average number of employees (person)	9,559	8,678
Salary, bonus and allowances (VND million)	3,891,628	3,133,125
Income per capita per month (VND million/person/month)	33.93	30.09

37. COMMITMENTS FOR OPERATION LEASE

	31/12/2019 VND million	31/12/2018 VND million
Irrevocable commitments for operation lease		
In which:		
- due within 1 year	9,752	99,606
- due from 2 to 5 years	1,215,121	719,009
- due after 5 years	269,520	63,231
	1,494,393	881,846

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

38. RELATED PARTY TRANSACTIONS

During normal business operation, the Bank has undertaken transactions with other parties to which the Bank 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 Bank if:

- (a) Directly, or indirectly through one or more intermediaries, the party:
 - ▶ Controls, is controlled by, or is under common control by Bank (including parents and subsidiaries);
 - ▶ Has an interest (owning 5% or more of the charter capital or voting share capital) in the Bank that gives it significant influence over the Bank;
 - ▶ Has joint control over the Bank.
- (b) The party is a joint venture in which the Bank is a venture or an associate (owning over 11% of the charter capital or voting share capital, but is not a subsidiary of the Bank);
- (c) The party has a member which is the member of the key management personnel of the Bank or Board of Directors of the Bank;
- (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).

The Bank paid remuneration of the Board of Directors and the Board of Supervision pursuant to Resolution No. 31/NQ-MB-DHCD dated 27 April 2019 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 the Bank's salary regulations.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

38. RELATED PARTY TRANSACTIONS (continued)

Details of significant balances with related parties as at 31 December 2019 are as follows:

	31/12/2019 VND million <u>Receivables/(Payables)</u>	31/12/2018 VND million <u>Receivables/(Payables)</u>
Subsidiaries		
<i>MB Capital Management Joint Stock Company ("MB Cap")</i>		
- Demand deposits and term deposits	(34,128)	(92,637)
- Dividend receivables	-	-
<i>MB Securities Joint Stock Company ("MBS")</i>		
- Demand deposits and term deposits	(868,170)	(145,013)
<i>Asset Management Company Limited – Military Commercial Joint Stock Bank ("MB AMC")</i>		
- Demand deposits and term deposits	(254,346)	(305,368)
<i>MB Shinsei Finance Limited Liability Company ("Mcredit")</i>		
- Term deposits at Mcredit	3,492,000	2,260,000
- Demand deposits and term deposits	(134,955)	(76,281)
<i>Military Insurance Corporation ("MIC")</i>		
- Demand deposits and term deposits	(659,927)	(155,535)
- Loans	38,391	49,925
<i>MB Ageas Life Insurance Company Limited</i>		
- Demand deposits and term deposits	(473,689)	(500,260)
Major shareholders		
- Loans from the Bank	165,312	243,852
- Deposits at the Bank	(15,337,430)	(7,488,952)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended**38. RELATED PARTY TRANSACTIONS (continued)**

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

	2019 VND million	2018 VND million
Subsidiaries		
<i>MB Capital Management Joint Stock Company ("MB Cap")</i>		
- Interest expenses for demand deposits and term deposits	(3,689)	(1,826)
- Service fees	42	827
- Dividends received during the year	32,329	32,329
- Term deposits at the Bank	1,048,800	238,400
- Settlement of term deposits at the Bank	(1,216,400)	(146,500)
<i>MB Securities Joint Stock Company ("MBS")</i>		
- Interest expenses for deposits	(12,367)	(3,524)
- Service fees	15,986	36,669
- Cost of using MBS service	(34,628)	(6,139)
- Term deposits at the Bank	840,000	-
- Settlement of term deposits at the Bank	(200,000)	-
<i>Asset Management Company Limited – Military Commercial Joint Stock Bank ("MB AMC")</i>		
- Interest expenses for deposits	(4,805)	(8,148)
- Service fees	50,217	14,255
- Term deposits at the Bank	479,800	153,186
- Settlement of term deposits at the Bank	(314,900)	(296,339)
- Dividends received during the year	238,760	89,752
- Cost of using MB AMC service	(261,289)	(208,373)
<i>MB Shinsei Finance Limited Liability Company</i>		
- Interest income	4,431	94,579
- Term deposits from the Bank	26,516,000	19,096,000
- Interest expenses for deposits	(173,881)	-
- Settlement of term deposits from the Bank	(25,284,000)	(18,730,000)
- Term deposits at the Bank	33,746,000	-
- Settlement of term deposits at the Bank	(33,646,000)	-
<i>Military Insurance Corporation ("MIC")</i>		
- Income from lending	2,482	6,174
- Income from insurance agency contract	6,464	23,925
- Interest expenses for deposits	(11,556)	(3,855)
- Term deposits at the Bank	1,682,000	138,000
- Settlement of term deposits at the Bank	(1,190,000)	(55,500)
- Loan disbursement from the Bank	143,235	49,925
- Principal collection of the Bank	(152,352)	(58,772)
<i>MB Ageas Life Insurance Company Limited</i>		
- Interest expenses for deposits	(23,954)	(13,573)
- Income from insurance agency contract	533,888	309,898
- Term deposits at the Bank	1,252,645	380,000
- Settlement of term deposits at the Bank	(1,253,075)	78,349
Major shareholders		
- Interest income from loans	18,126	24,953
- Interest expenses for deposits	(692,349)	(457,731)
- Interest expenses for borrowings	-	(237,370)
- Interest expenses for valuable papers issued	-	(238,000)
- Loan disbursement from the Bank	721	43,730
- Loan principal collection of the Bank	(79,261)	(102,525)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

39. SEGMENT REPORTING

39.1 Business segment report

At present, the Bank has one business sector which is banking operations including regular supply of the following operations:

- ▶ Receive deposits;
- ▶ Credit provision;
- ▶ Provide payment services through accounts; and
- ▶ Other banking activities.

Accordingly, the Management stated that the Bank has only one business sector, which is banking operations; at the same time, the Bank's risk and profitability ratio are reflected in this single business sector. Therefore, the Bank does not need to present detailed segment report by business sector.

39.2 Geographical segment report

Assets and liabilities by segment as at 31 December 2019:

Asset	North VND million	Central VND million	South VND million	Overseas VND million	Net off VND million	Total VND million
1. Cash	1,182,232	327,653	777,367	52,431	-	2,339,683
2. Fixed assets	2,280,375	25,221	65,772	17,035	-	2,388,403
3. Other assets	268,604,421	34,568,432	86,999,061	4,429,098	(772,005)	393,829,007
Liabilities						
1. External liabilities	277,101,309	14,671,352	52,727,069	2,115,499	(370,800)	346,244,429
2. Internal liabilities	1,281,156	13	276	(293)	-	1,281,152
3. Other liabilities	12,622,433	261,589	1,250,816	21,264	(401,205)	13,754,897

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

39. SEGMENT REPORTING (continued)

39.2 Geographical segment report (continued)

Business results by segment for the year ended 31 December 2019 are as follow:

	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	47,654,076	3,940,317	11,000,407	446,692	(35,200,500)	27,840,992
2. Fee and commission income	1,525,296	108,481	528,702	23,545	(145,317)	2,040,707
3. Income from other business operations	7,886,396	239,512	1,573,764	43,233	(4,659,315)	5,083,590
II. Expenses						
1. Interest and similar expenses	(38,248,564)	(2,682,847)	(7,144,087)	(276,462)	35,200,500	(13,151,460)
2. Depreciation expenses	(280,364)	(11,581)	(28,059)	(2,965)	-	(322,969)
3. Expenses directly related to business operations	(9,440,170)	(500,069)	(2,439,905)	(109,103)	3,589,319	(8,899,928)
Business results before provision expense	9,096,670	1,093,813	3,490,822	124,940	(1,215,313)	12,590,932
Provision expense	(2,657,662)	(589,677)	(1,196,369)	(76,412)	1,215,313	(3,304,807)
Business results by segment	6,439,008	504,136	2,294,453	48,528	-	9,286,125
	Total deposits at the SBV and other credit institutions VND million		Off-balance sheet commitments VND million		Derivative financial instruments VND million	
Local	235,569,985		54,381,968		288,950,936	
Overseas	3,513,008		922,176		207,782	
	239,082,993		55,304,144		289,158,718	
					14,786	
					85,051,806	
					85,051,806	

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended**40. FINANCIAL RISK MANAGEMENT POLICIES**

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

In the process of credit risk management, the Bank has adopted the Credit Handbook which provides in detail the lending policies and procedures as well as implementation guidance on standardisation of the Bank's credit activities. Liquidity risk is limited by holding appropriate amounts of cash and cash equivalents as demand deposits ("Nostro"), deposits at the SBV, deposits at and loans to other credit institutions and valuable papers. The safety ratios with risk factors taken into account are also used to manage liquidity risk. The Bank 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 the Bank are executed by the Head Office. Such centralisation has also helped the Bank to monitor capital movements more effectively and reduce any possible errors and unnecessarily complicated procedures.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

41. INTEREST RATE RISK

The Bank'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 different amounts. Some assets have indefinite maturities or interest rate sensitivities and are not readily matched with specific liabilities.

The following table show the Bank's assets and liabilities categorised by the re-pricing period 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.

The following assumptions and conditions are applied in the analysis of the effective interest rate re-pricing terms of assets and liabilities of the Bank:

- ▶ 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 Bank 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 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 separate 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 separate financial statements;
- ▶ 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 separate balance sheet;
 - Items with floating interest rate: The effective interest rate re-pricing term is based on the latest interest rate re-pricing date from the date of the separate balance sheet;
- ▶ The interest rate re-pricing term of other liabilities is classified as non-interest bearings.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

41. INTEREST RATE RISK (continued)

The table below shows an analysis of the interest re-pricing period of assets and liabilities of the Bank as at 31 December 2019:

	Overdue VND million	Non-interest bearing VND million	Interest re-pricing period						Total 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	
Assets									
Cash, gold, and gemstones	-	2,339,683	-	-	-	-	-	-	2,339,683
Balances with the State Banks	-	-	14,338,075	-	-	-	-	-	14,338,075
Placements with and loans to other credit institutions (*)	196,000	-	21,383,179	14,458,761	4,435,311	492,818	-	-	40,966,069
Derivatives and other financial assets	-	3,986	(4,000)	5,000	5,325	10,572	(6,097)	-	14,786
Loans to customers (*)	4,379,685	-	81,401,216	121,499,637	12,668,231	12,194,837	6,939,387	-	239,082,993
Investment securities (*)	80,000	-	3,752,970	9,304,548	7,476,106	5,551,586	26,207,906	32,678,690	85,051,806
Long-term investment (*)	-	4,592,532	-	-	-	-	-	-	4,592,532
Fixed assets and investment properties	-	2,388,403	-	-	-	-	-	-	2,388,403
Other assets (*)	-	13,353,740	-	-	-	-	-	-	13,353,740
Total assets	4,655,685	22,678,344	120,871,440	145,267,946	24,584,973	18,249,813	33,141,196	32,678,690	402,128,087
Liabilities									
Due to the Government and the SBV	-	-	16,836	-	-	-	-	-	16,836
Deposits and borrowings from other credit institutions	-	-	23,633,528	11,257,710	7,357,208	2,273,707	737,618	44,370	45,304,141
Customer deposits	-	-	160,694,166	18,389,568	27,140,106	21,790,624	46,964,057	21,252	274,999,773
Other borrowed and entrusted funds	-	-	-	-	302,126	-	-	-	302,126
Valuable papers issued	-	-	1,500,000	69,417	8,199,535	14,745,954	183,061	923,586	25,621,553
Other liabilities	-	15,036,049	-	-	-	-	-	-	15,036,049
Total liabilities	-	15,036,049	185,844,530	29,716,695	42,998,975	38,810,285	47,884,736	989,208	361,280,478
Interest sensitivity gap (balance sheet items)	4,655,685	7,642,295	(64,973,090)	115,551,251	(18,414,002)	(20,560,472)	(14,743,540)	31,689,482	40,847,609

(*): Excluding provision

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

42. CURRENCY RISK

Currency risk is the risk that the value of a financial instrument fluctuates due to changes in foreign exchange rates. The Bank was incorporated and operates in Vietnam, with VND as its reporting currency. The major currency in which the Bank transacts is VND. The Bank's loans and advances to customers were mainly denominated in VND and USD. Some of the Bank's other assets are in currencies other than VND and USD. The Bank's management has set limits on positions by currency based on the internal risk assessment 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 31 December 2019 are as follows:

	USD equivalent VND million	EUR equivalent VND million	Other currencies equivalent VND million	Total VND million
Assets				
Cash, gold, and gemstones	240,290	86,470	96,815	423,575
Balances with the State Banks	2,227,948	-	283,670	2,511,618
Placements with and loans to other credit institutions (*)	6,669,753	2,880,683	214,228	9,764,664
Derivatives and other financial assets	1,172,236	34,687	(99,526)	1,107,397
Loans to customers (*)	21,729,930	7,108	595,855	22,332,893
Investment securities (*)	4,635,000	-	-	4,635,000
Long-term investments (*)	-	2,601	-	2,601
Fixed assets	14,835	-	2,081	16,916
Other assets (*)	2,584,970	807,363	69,736	3,462,069
Total assets	39,274,962	3,818,912	1,162,859	44,256,733
Liabilities				
Deposits and borrowings from SBV and other credit institutions	16,889,562	22,440	241,815	17,153,817
Customer deposits	23,548,620	3,738,288	482,719	27,769,627
Other liabilities (*)	376,468	50,718	24,573	451,759
Total liabilities	40,814,650	3,811,446	749,107	45,375,203
FX position on balance sheet	(1,539,688)	7,466	413,752	(1,118,470)

(*): Excluding provision

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended**43. LIQUIDITY RISK**

Liquidity risk includes the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Bank 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 the Bank. The Bank also has a designated unit focusing on obtaining update domestic and foreign economic information, which directly affects the Bank'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. The Bank 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 the Bank 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 are applied in the analysis of the maturity period of the Bank's assets and liabilities:

- ▶ Balances at the State Bank are classified as demand deposits, including compulsory reserves. The balance of compulsory reserve deposits depends on the composition and term of the Bank's deposits from customers;
- ▶ The maturity term of investment securities, trading securities which are debt securities are calculated based on the maturity date of each type of securities;
- ▶ Trading securities are equity securities which are classified into items with term of up to one month;
- ▶ The maturity term of deposits and loans to other credit institutions and loans to customers is determined based on the maturity date of the contract. Actual maturity dates may vary due to extended loan agreements. In addition, loans to customer are disclosed in original value excluding risk provisions;
- ▶ The maturity term of available-for-sale investments which are equity securities and equity investments are classified into items with terms from (1) year to (5) years since these investments have no maturity date;
- ▶ Deposits and borrowings from other credit institutions and customer deposits are determined based on the nature of these items or the maturity date on the contract. Vostro accounts and demand deposits are transacted as required by customers and are therefore classified as demand deposits. The maturity term for borrowings and term deposits is determined based on the maturity date in accordance with the contract. In fact, these accounts may be renewed and therefore maintained for longer than the original maturity date; and
- ▶ The maturity term of fixed assets is classified into items with terms ranging from (1) to (5) years.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

43. LIQUIDITY RISK (continued)

The table below presents the analysis of remaining maturity of assets and liabilities of the Bank as at 31 December 2019:

	Overdue		Current					Total VND million
	Above 3 months VND million	Within 3 months VND million	Up to 1 month 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	
Assets								
Cash, gold and gemstones	-	-	2,339,683	-	-	-	-	2,339,683
Balances with the State Banks	-	-	14,338,075	-	-	-	-	14,338,075
Placements with and loans to other credit institutions (*)	196,000	-	21,383,179	14,458,761	4,928,129	-	-	40,966,069
Derivatives and other financial assets	-	-	(33,726)	(6,745)	61,069	(5,812)	-	14,786
Loans to customers (*)	4,379,685	-	15,887,038	41,656,366	75,396,942	56,155,626	45,607,336	239,082,993
Investment securities (*)	80,000	-	205,055	649,983	11,142,692	34,508,358	38,465,718	85,051,806
Long-term investments (*)	-	-	-	-	-	4,592,532	-	4,592,532
Fixed assets	-	-	-	-	-	2,388,403	-	2,388,403
Other assets (*)	-	-	9,860,155	82,301	2,310,141	62,115	1,039,028	13,353,740
Total assets	4,655,685	-	63,979,459	56,840,666	93,838,973	97,701,222	85,112,082	402,128,087
Liabilities								
Due to the Government and the SBV	-	-	16,836	-	-	-	-	16,836
Deposits and borrowings from other credit institutions	-	-	23,633,528	11,257,710	9,630,915	737,618	44,370	45,304,141
Customer deposits	-	-	160,694,166	18,389,568	48,930,730	46,964,057	21,252	274,999,773
Other borrowed and trusted funds	-	-	284	1,557	10,348	234,524	55,413	302,126
Valuable papers issued	-	-	1,000,000	-	10,299,659	12,828,389	1,493,505	25,621,553
Other liabilities	-	-	15,036,049	-	-	-	-	15,036,049
Total liabilities	-	-	200,380,863	29,648,835	68,871,652	60,764,588	1,614,540	361,280,478
Net liquidity gap	4,655,685	-	(136,401,404)	27,191,831	24,967,321	36,936,634	83,497,542	40,847,609

(*): Excluding provision

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

44. NOTES TO PROFIT MOVEMENT

Profit before tax of the Bank for the financial year ended 31 December 2019 increased by VND2,256,491 millions in comparison with that of 2018, equivalent to 32.10% of increase which is contributed by the followings:

	<i>Amount VND million</i>
Increase in net interest income	1,917,227
Increase in net fee and commission income	519,118
Increase in net income from foreign exchange trading	201,611
Increase in net income from trading investment securities and long-term investments	347,066
Increase in net income from other operating activities	796,788
Increase in income from capital contribution, share acquisition	233,182
Increase in operating expenses	(1,195,101)
Increase in provision for credit loss expenses	(563,400)
	<u>2,256,491</u>

45. EVENTS AFTER THE REPORTING DATE

There have been no significant events that have arisen since the reporting date which require further adjustments and disclosures in the separate financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

46. EXCHANGE RATES OF FOREIGN CURRENCIES AGAINST VND AT THE END OF THE YEARS

	31/12/2019 VND	31/12/2018 VND
USD	23,175.00	23,210.00
EUR	26,130.00	26,699.50
GBP	30,393.50	29,528.00
CHF	23,920.00	23,654.50
JPY	213.70	210.56
SGD	17,241.50	17,013.00
CAD	17,837.50	17,137.50
AUD	16,347.50	16,441.00

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Hanoi, Vietnam

25 February 2020

