Military Commercial Joint Stock Bank

Interim separate financial statements

For the six-month period ended 30 June 2020

Building a better working world

Military Commercial Joint Stock Bank

Interim separate financial statements

For the six-month period ended 30 June 2020

Military Commercial Joint Stock Bank

CONTENTS

THE BANK

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

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

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

Charter capital

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

BOARD OF DIRECTORS

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

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

BOARD OF SUPERVISION

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

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

MANAGEMENT

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

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

LEGAL REPRESENTATIVE

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

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

AUDITOR

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

REPORT OF MANAGEMENT

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

MANAGEMENT'S RESPONSIBILITY FOR THE INTERIM SEPARATE FINANCIAL STATEMENTS

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

Management of the Bank is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the interim 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 interim separate financial statements.

STATEMENT BY MANAGEMENT

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

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

Mr. Luu Trung Thai
Chief Executive Officer

Hanoi, Vietnam

12 August 2020

Ernst & Young Vietnam Limited
8th Floor, CornerStone Building
16 Phan Chu Trinh Street
Hoan Kiem District
Hanoi, S.R. of Vietnam

Tel: +84 24 3831 5100
Fax: +84 24 3831 5090
ey.com

Building a better working world

Reference: 60755036/22026943/LR

REPORT ON REVIEW OF INTERIM SEPARATE FINANCIAL STATEMENTS

To: The Shareholders of
Military Commercial Joint Stock Bank

We have reviewed the accompanying interim separate financial statements of Military Commercial Joint Stock Bank ("the Bank"), as prepared on 12 August 2020 and set out on pages 6 to 68, which comprise the interim separate balance sheet as at 30 June 2020, the interim separate income statement and the interim separate cash flow statement for the six-month period then ended and the notes thereto.

Management's responsibility

Management of the Bank is responsible for the preparation and fair presentation of the interim 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 interim separate financial statements, and for such internal control as Management determines is necessary to enable the preparation and presentation of the interim separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

Conclusion

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

Ernst & Young Vietnam Limited

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

Hanoi, Vietnam

12 August 2020

INTERIM SEPARATE BALANCE SHEET
as at 30 June 2020

	Notes	30/06/2020 VND million	31/12/2019 VND million
ASSETS			
Cash, gold and gemstones	5	**2,505,052**	**2,339,683**
Balances with the State Banks	6	**9,163,747**	**14,338,075**
Placements with and loans to other credit institutions	7	**40,870,851**	**40,770,069**
Placements with other credit institutions		35,850,127	32,641,295
Loans to other credit institutions		5,020,724	8,324,774
Provision for credit losses		-	(196,000)
Securities held for trading	8	**415,701**	-
Securities held for trading		415,701	-
Provision for securities held for trading		-	-
Derivatives and other financial assets	9	-	**14,786**
Loans to customers		**246,791,540**	**236,079,366**
Loans to customers	10	250,919,565	239,082,993
Provision for credit losses on loans to customers	11	(4,128,025)	(3,003,627)
Investment securities		**86,756,932**	**84,762,114**
Available-for-sale securities	12.1	85,818,371	82,568,671
Held-to-maturity securities	12.2	1,234,435	2,483,135
Provision for investment securities	12.4	(295,874)	(289,692)
Long-term investments	13	**4,767,173**	**4,510,857**
Investments in subsidiaries		4,403,566	4,125,246
Other long-term investments		445,282	467,286
Provision for long-term investments		(81,675)	(81,675)
Fixed assets		**2,403,003**	**2,388,403**
Tangible fixed assets	14	1,400,127	1,413,560
Cost		*3,323,616*	*3,207,215*
Accumulated depreciation		*(1,923,489)*	*(1,793,655)*
Intangible assets	15	1,002,876	974,843
Cost		*1,817,810*	*1,727,440*
Accumulated amortization		*(814,934)*	*(752,597)*
Other assets		**16,105,206**	**13,353,740**
Receivables	16.1	11,941,408	8,987,227
Accrued interest and fees receivable		3,288,508	3,470,008
Other assets	16.2	875,290	896,505
In which: Goodwill	17	*47,613*	*57,135*
TOTAL ASSETS		**409,779,205**	**398,557,093**

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

	Notes	30/06/2020 VND million	31/12/2019 VND million
LIABILITIES			
Due to the Government and the State Bank of Vietnam	**18**	**23,994**	**16,836**
Deposits and borrowings from other credit institutions		**55,807,971**	**45,304,141**
Deposits from other credit institutions	19.1	40,695,018	29,385,109
Borrowings from other credit institutions	19.2	15,112,953	15,919,032
Customer deposits	**20**	**260,445,053**	**274,999,773**
Derivatives and other financial liabilities	**9**	**146,037**	-
Other borrowed and entrusted funds	**21**	**257,222**	**302,126**
Valuable papers issued	**22**	**32,730,161**	**25,621,553**
Other liabilities		**17,608,106**	**15,036,049**
Interest and fees payable		5,126,038	4,544,662
Other payables	23	12,482,068	10,491,387
TOTAL LIABILITIES		**367,018,544**	**361,280,478**
OWNERS' EQUITY			
Charter capital		24,370,429	23,727,323
Share premium		1,177,563	-
Treasury shares		(564,397)	(1,036,712)
Reserves		6,230,680	4,799,438
Undistributed profits		11,546,386	9,786,566
TOTAL OWNERS' EQUITY	**25**	**42,760,661**	**37,276,615**
TOTAL LIABILITIES AND OWNERS' EQUITY		**409,779,205**	**398,557,093**

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

OFF-BALANCE SHEET ITEMS

	30/06/2020 VND million	31/12/2019 VND million
Credit guarantees	140,035	81,864
Foreign exchange commitments	198,720,354	155,723,464
- *Foreign exchange commitments - buy*	*3,113,616*	*5,949,719*
- *Foreign exchange commitments - sell*	*4,930,689*	*6,416,536*
- *Cross currency swap contracts - buy*	*95,233,518*	*71,691,021*
- *Cross currency swap contracts - sell*	*95,442,531*	*71,666,188*
Letters of credit	26,879,524	21,340,471
Other guarantees	71,358,170	76,678,646
Other commitments	47,867,146	35,334,273
Total	**344,965,229**	**289,158,718**

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

Hanoi, Vietnam

12 August 2020

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

	Notes	*For the six-month period ended 30 June 2020 VND million*	*For the six-month period ended 30 June 2019 VND million*
Interest and similar income		14,117,450	13,335,549
Interest and similar expenses		(6,558,998)	(6,329,176)
Net interest and similar income	**26**	**7,558,452**	**7,006,373**
Fee and commission income		1,030,134	988,120
Fee and commission expenses		(177,654)	(152,169)
Net fee and commission income	**27**	**852,480**	**835,951**
Net gain from trading of foreign currencies	**28**	**341,171**	**298,731**
Net gain from securities held for trading, investment securities and long-term investments	**29**	**671,167**	**201,105**
Other income		1,012,880	851,072
Other expenses		(307,444)	(151,163)
Net gain from other activities	**30**	**705,436**	**699,909**
Income from capital contribution, share acquisition	**32**	**167,177**	**132,048**
TOTAL OPERATING INCOME		**10,295,883**	**9,174,117**
TOTAL OPERATING EXPENSES	**31**	**(3,294,926)**	**(3,150,901)**
Net profit before provision for credit losses		**7,000,957**	**6,023,216**
Provision expenses for credit losses	33	(2,461,828)	(1,717,181)
PROFIT BEFORE TAX		**4,539,129**	**4,306,035**
Current corporate income tax expense	34	(874,414)	(830,503)
Corporate income tax expense		**(874,414)**	**(830,503)**
PROFIT AFTER TAX		**3,664,715**	**3,475,532**

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

NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN QUÂN ĐỘI
0100283873

Hanoi, Vietnam

12 August 2020

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

	Notes	*For the six-month period ended 30 June 2020 VND million*	*For the six-month period ended 30 June 2019 VND million*
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and similar receipts		14,319,429	13,138,921
Interest and similar payments		(5,982,113)	(4,971,238)
Net fee and commission receipts		852,480	835,951
Net receipts from trading activities (foreign currencies, gold and securities)		996,349	438,486
Other income		187,666	95,470
Recoveries from bad debts previously written-off	30	517,770	604,439
Payments for administrative, operating and salary expenses		(3,308,762)	(3,194,200)
Corporate income tax paid during the period	24	(450,765)	(696,189)
Net cash flow from operating profit before changes in operating assets and liabilities		**7,132,054**	**6,251,640**
Changes in operating assets		***(15,136,962)***	***(35,711,550)***
Decrease in deposits at and loans to other credit institutions		3,304,629	1,377,609
Increase in trading securities		(2,416,702)	(11,597,919)
Decrease in derivatives and other financial assets		14,786	17,759
Increase in loans to customers		(11,836,572)	(22,169,067)
Utilization of provision to write off loans to customers, securities, long-term investments and other receivables		(1,558,689)	(2,040,986)
Increase in other assets		(2,644,414)	(1,298,946)
Changes in operating liabilities		***4,469,975***	***35,621,363***
Increase in due to the Government and the SBV		-	-
Increase in deposits and borrowings from other credit institutions		10,503,830	7,443,597
(Decrease)/increase in customer deposits (including deposits from the State Treasury)		(14,547,561)	19,267,364
Increase in valuable papers issued (except for valuable papers issued for financing activities)		7,108,608	8,053,195
Decrease in other borrowed and entrusted funds		(44,904)	(17,082)
Increase/(decrease) in derivatives and other financial liabilities		146,037	-
Increase in other liabilities		1,334,494	918,793
Payments from reserves	25.1	(30,529)	(44,502)
Net cash flow (used in)/from operating activities		**(3,534,933)**	**6,161,455**

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

	Notes	*For the six-month period ended 30 June 2020 VND million*	*For the six-month period ended 30 June 2019 VND million*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(427,491)	(257,999)
Proceeds from disposal of fixed assets		67	180
Payments from investments in other entities		(278,320)	(304,339)
Proceeds from investments in other entities; disposal of subsidiaries, associates and other long-term investments		4,400	-
Dividends and profits received from long-term investments and capital contribution	32	143,745	132,048
Net cash flow used in investing activities		**(557,599)**	**(430,110)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in share capital from capital contribution and/(or) share issuance		1,719,922	-
Dividend payment to shareholders	25.1	-	(1,268,041)
Liquidation of treasury shares	25.1	573,062	-
Acquisition of treasury shares	25.1	-	(1,036,712)
Cash flow from/(used in) financing activities		**2,292,984**	**(2,304,753)**
Net cash flow for the period		**(1,799,548)**	**3,426,592**
Cash and cash equivalents at the beginning of the period		**49,301,049**	**49,418,921**
Cash and cash equivalents at the end of the period	**35**	**47,501,501**	**52,845,513**

Prepared by: Reviewed by: Approved by:

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

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

Hanoi, Vietnam

12 August 2020

1. GENERAL INFORMATION

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

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

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

Charter capital

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

Operational network

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

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

Employees

The Bank has 9,498 employees as at 30 June 2020 (31 December 2019: 9,783 employees).

1. GENERAL INFORMATION (continued)

Subsidiaries

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

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

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

2. ACCOUNTING PERIOD AND ACCOUNTING CURRENCY

2.1 *Accounting period*

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

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

2.2 *Accounting currency*

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

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM

3.1 *Statement of compliance*

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

3.2 *Accounting standards and system*

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

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

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

The Bank prepares the interim separate financial statements to reflect the Bank's own operations. In addition, the Bank has also prepared 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 interim separate financial statements should read them together with the said interim consolidated financial statements in order to obtain full information on the interim consolidated financial position, the interim consolidated results of operations and interim consolidated cash flows of the Bank and its subsidiaries.

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

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM (continued)

3.3 Assumptions and uses of estimates

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

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 interim separate financial statements are consistent with those followed in the preparation of the Bank's separate financial statements for the year ended 31 December 2019 and the interim separate financial statements for the six-month period ended 30 June 2019.

4.2 Cash and cash equivalents

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

4.3. Placements with and loans to other credit institutions

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

The classification of credit risk for deposits and loans to other credit institutions and the corresponding provision for credit losses is made in accordance with Circular No. 02/2013/TT-NHNN issued by the SBV on 21 January 2013 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 on 18 March 2014 amending and supplementing a number of articles of Circular 02 ("Circular 09"). Accordingly, the Bank makes a specific provision for placements with (except for current accounts) and loans to other credit institutions according to the method as described in *Note 4.5*.

According to Circular 02, 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 interim 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*.

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")*

Debts classification

Debts are classified into following groups: Current, Special Mention, Sub-standard, Doubtful and Loss which are specified in Circular 02 and Circular 09. 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 issued by 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 and credit extension entrustment, 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 in 2014, Announcement No. 96/BC-MB.HS.m in 2016 and Announcement No. 2260/TB-HS in 2016. Accordingly, in case the classification results under Articles 10 and 11 are different, 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 debts is classified into a higher risk group, the entire remaining debts of such customer should be classified into the corresponding higher risk group.
- Since 1 January 2015, credit institutions and foreign bank branches have been required to use the updated information from Credit Information Centre ("CIC") on the loan group of customers at the time of classification to adjust the classification results of their debts and off-balance sheet items (This requirement was not applicable to the classification results of Vietnam Development Bank provided by CIC).
- At the same time, the Bank also applied the regulations on restructuring and maintain the debt group for debts meeting the requirements of Decree No.55/2015/ND-CP ("Decree 55") dated 9 June 2015 on credit policy for agricultural and rural development and the regulations amending and supplementing Decree 55.
- The Bank also applies the regulations under Circular No. 01/2020/TT-NHNN ("Circular 01") dated 13 March 2020 by the State Bank of Vietnam on loan restructuring, exemption or reduction of interest and fees and retention of loan classification group to assist the borrowers affected by Covid-19 pandemic. Accordingly, the Bank has restructured the loans qualified under Circular 01 and retained their classification groups as before 23 January 2020.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 *Classification, level and method for making 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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Specific provision (continued)

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

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

General provision

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

Bad debts written off

Provisions are recognized as an expense on the interim 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 *Securities held for trading*

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 *Investment securities*

4.7.1 *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 interim separate income statement on a straight-line basis over the remaining terms of securities. The interest received in arrears is recorded as follows: Cumulative interest incurred before the purchase date is recorded as a decrease in the accrued interest; cumulative interest incurred after the purchase date is recognized as income based on the accumulated method. The interest received in advance is amortized into the securities investment interest income on a straight-line basis over the terms of the securities investment.

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

Provision for diminution in value of securities is made when the carrying value is higher than the market value. In case market prices of securities are not available or cannot be determined reliably, no provision is required. Provision is recognized in the "*Net gain/(loss) from investment securities and long-term investments*" of the interim 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 company market is made in accordance with Circular 02 as described in *Note 4.5*.

4.7.2 *Held-to-maturity investment securities*

Held-to-maturity securities are debt securities purchased by 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 similarly to debt securities available-for-sale as presented at *Note 4.7.1*.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Investment in subsidiaries

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

Provisions for impairment of investments in subsidiaries is made for each impaired investment and are subject to revision at the end of accounting period. 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 interim separate income statement.

4.9 Other long-term investments

Other long-term investments are investments in other entities in which the Bank holds less than 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 transaction date.

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

The provision is reversed if the recoverable amount of the investments increases after making provision. It is reversed to the extent that the carrying value of these investments does not exceed the carrying value of this investment 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 investments"* on the interim separate income statement.

4.10 Fixed assets

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

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

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

When assets are sold or liquidated, their cost and accumulated depreciation/amortisation are deducted from the interim 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 interim separate income statement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 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

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

4.12 Receivables

4.12.1 Receivables classified as credit risk-bearing assets

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

4.12.2 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.

Provision for overdue debts is made as follows:

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

4.13 Prepaid expenses and deferred expenses

Deferred expenses are reported as short-term or long-term prepaid expenses on the interim 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 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 subsidiary acquired, the difference is recognized directly in the interim 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.

4.15 Re-purchase and reverse-repurchase contracts

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

4.16 Operating lease

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

4.17 Dues to the Government and the State Bank of Vietnam

Dues to the Government and the State Bank of Vietnam are recognized at cost.

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

Deposits from other credit institutions, customer deposits, other borrowed and entrusted funds and valuable papers issued are disclosed at the principal amounts outstanding at the end of the accounting period. At the date of initial recognition, expenses for bond issuance are deducted from principal amount of the bonds. The Bank then allocates these expenses into "*Interest and similar expenses*" on straight-line basis according to the terms of value papers.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 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 interim separate balance sheet date *(Note 47)*. Income and expenses arising in foreign currencies during the period are converted into VND at rates ruling at the transaction dates. Foreign exchange differences arising from the translation of monetary assets and liabilities are recognized in the interim separate income statement.

4.20 Payables and accruals

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

4.21 Capital and reserves

4.21.1 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.

4.21.2 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.

4.21.3 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.

4.21.4 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 Decisions of the General Meeting of Shareholders:

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.22 Recognition of income and expenses

4.22.1 Interest income and expenses

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

4.22.2 Banking services fees

Banking services fees are recognized when the services are performed.

4.22.3 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 interim 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.

4.22.4 Income from other services

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

4.22.5 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 reduction in revenue if the income has been accrued in the same accounting period or recorded as expense if the income has been accrued in different accounting periods and monitored in off-balance sheet. Upon actual receipt of these receivables, the Bank would recognize to "*Other income*" in the interim separate income statement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.23 Corporate income taxes

4.23.1 Current income tax

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

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

Current income tax assets and liabilities are offset when there is a legally enforceable right for 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.

4.23.2 Deferred tax

Deferred tax is provided on temporary differences at the interim 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 temporary taxable differences.

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

4.24 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.25 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 interim separate income statement.

Swap contracts

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

The currency swap contracts are revalued periodically. Gains or losses from revaluation are recognized in the interim separate income statement.

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

4.26 Employee benefits

4.26.1 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.

4.26.2 Voluntary resignation benefits

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

4.26.3 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.27 Segment report

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.

4.28 Related parties

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

4.29 Offsetting

Financial assets and financial liabilities are offsets and the net amount is reported in the interim 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

	30/06/2020 VND million	*31/12/2019 VND million*
Cash on hand in VND	2,160,407	1,916,108
Cash on hand in foreign currencies	342,629	419,810
Gold	2,016	3,765
	2,505,052	**2,339,683**

6. BALANCES WITH THE STATE BANKS

	30/06/2020 VND million	*31/12/2019 VND million*
Balances with the State Bank of Vietnam in VND (i)	6,302,873	11,826,457
Balances with the State Bank of Vietnam in foreign currencies (i)	1,929,631	1,747,103
Balances with the Bank of Lao P.D.R (ii)	348,064	231,067
Balances with National Bank of Cambodia (iii)	583,179	533,448
	9,163,747	**14,338,075**

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

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

Compulsory reserve ratios as the reporting date are as follows:

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

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

6. BALANCES WITH THE STATE BANKS (continued)

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

Deposit ratios as at the reporting date are as follows:

	30/06/2020	*31/12/2019*
- Deposits in foreign currencies other than LAK with term of less than 12 months	8.00%	10.00%
- Deposits in LAK with term of less than 12 months	4.00%	5.00%

Deposits at the BOL are not interest-bearing.

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

Deposit ratios as at the reporting date are as follows:

	30/06/2020	*31/12/2019*
- Deposit in foreign currencies other than KHR	12.50%	12.50%
- Deposit in KHR	8.00%	8.00%

The compulsory reverses at National Bank of Cambodia are not interest-bearing.

7. PLACEMENTS WITH AND LOANS TO OTHER CREDIT INSTITUTIONS

	30/06/2020 VND million	*31/12/2019 VND million*
Placements with other credit institutions	**35,850,127**	**32,641,295**
Demand deposits	8,437,134	9,098,023
- *In VND*	*6,397,097*	*6,328,994*
- *In foreign currencies*	*2,040,037*	*2,769,029*
Term deposits	27,412,993	23,543,272
- *In VND*	*26,542,030*	*19,319,075*
- *In foreign currencies*	*870,963*	*4,224,197*
Loans to other credit institutions	**5,020,724**	**8,324,774**
- *In VND*	*3,857,400*	*5,553,336*
- *In foreign currencies*	*1,163,324*	*2,771,438*
Provision for placements with and loans to other credit institutions	**-**	**(196,000)**
	40,870,851	**40,770,069**

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

	30/06/2020 VND million	*31/12/2019 VND million*
Current	32,433,717	31,672,046
Loss	-	196,000
	32,433,717	**31,868,046**

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

	30/06/2020 %p.a	*31/12/2019 %p.a*
Term deposits in VND	0.10 – 6.40	2.40 – 6.40
Term deposits in foreign currencies	0.01 – 2.10	0.01 – 2.10
Loans in VND	0.50 – 7.20	4.40 – 7.20
Loans in foreign currencies	0.01 – 3.30	0.01 – 4.10

8. SECURITIES HELD FOR TRADING

	30/6/2020 VND million	*31/12/2019 VND million*
Government bonds	415,701	-
	415,701	**-**

9. DERIVATIVES AND OTHER FINANCIAL ASSETS

	Total contract value at exchange rates at the contract date	*Total net carrying value (at the exchange rates at the reporting date)*		
		Assets	*Liabilities*	*Net carrying value*
	VND million	*VND million*	*VND million*	*VND million*
- Forward currency contracts	9,496,284	68,558	(45,022)	23,536
- Swap contracts	94,568,855	23,705,277	(23,874,850)	(169,573)
As at 30 June 2020	**104,065,139**	**23,773,835**	**(23,919,872)**	**(146,037)**

	Total contract value at exchange rates at the contract date	*Total net carrying value (at the exchange rates at the reporting date)*		
		Assets	*Liabilities*	*Net carrying value*
	VND million	*VND million*	*VND million*	*VND million*
- 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
As at 31 December 2019	**99,899,864**	**17,995,217**	**(17,980,431)**	**14,786**

10. LOANS TO CUSTOMERS

	30/06/2020 VND million	*31/12/2019 VND million*
Loans to economic entities and individuals	245,888,535	234,470,354
Discounted bills and valuable papers	1,101,507	640,820
Payments on behalf of customers	189	5,055
Loans financed by entrusted funds	401,561	436,508
Loans at overseas branches	3,527,773	3,530,256
	250,919,565	**239,082,993**

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

	30/06/2020 % p.a	*31/12/2019 % p.a*
Loans in VND	5.50 - 11.00	6.00 - 11.00
Loans in foreign currencies	2.80 - 5.00	3.10 - 5.50

10. LOANS TO CUSTOMERS (continued)

10.1 Analysis of loan portfolio by quality

	30/06/2020 VND million	*31/12/2019 VND million*
Current	244,975,476	234,703,308
Special mention	2,876,829	2,040,434
Substandard	751,756	855,991
Doubtful	621,853	866,906
Loss	1,693,651	616,354
	250,919,565	**239,082,993**

10.2 Analysis of loan portfolio by maturity

	30/06/2020 VND million	*31/12/2019 VND million*
Short term loans	126,993,198	117,047,164
Medium term loans	26,929,432	27,208,862
Long term loans	96,996,935	94,826,967
	250,919,565	**239,082,993**

10.3 Analysis of loan portfolio by ownership and types of customers

	30/06/2020		*31/12/2019*	
	VND million	*%*	*VND million*	*%*
State-owned companies	17,019,068	6.78	15,082,508	6.31
One-member limited liability companies with 100% State ownership	6,779,220	2.70	6,930,066	2.90
One-member limited liability companies with over 50% State ownership	542,858	0.22	389,523	0.16
Other limited liability companies	48,667,994	19.40	45,978,538	19.23
Joint stock companies with over 50% State ownership	5,416,123	2.16	5,935,532	2.48
Other joint-stock companies	66,307,733	26.43	61,126,035	25.57
Foreign invested enterprises	7,862,809	3.13	7,063,750	2.95
Co-operatives and unions of co-operative	161,279	0.06	195,772	0.08
Household business and individuals	94,505,875	37.66	92,707,166	38.78
Operation administration entity, the Party, unions and associations	46,629	0.02	40,151	0.02
Others	83,054	0.03	120,944	0.05
Loans at overseas branches	3,526,923	1.41	3,513,008	1.47
	250,919,565	**100.00**	**239,082,993**	**100.00**

10. LOANS TO CUSTOMERS (continued)

10.4 Analysis of loan portfolio by sectors

	30/06/2020		*31/12/2019*	
	VND million	*%*	*VND million*	*%*
Agriculture, forestry and aquaculture	3,192,507	1.27	3,320,783	1.39
Mining	3,554,724	1.42	3,837,122	1.60
Production and processing	43,003,093	17.14	38,783,944	16.22
Electricity, petroleum and steam	10,534,429	4.20	10,000,983	4.18
Water supply and waste treatment	862,455	0.34	724,777	0.30
Construction	18,501,934	7.37	19,403,393	8.12
Wholesale and retail trade, repair of motor vehicles, motor cycles	60,707,160	24.19	56,817,785	23.77
Transportation, logistics	7,818,807	3.12	7,810,083	3.27
Hospitality services	8,451,745	3.37	7,780,639	3.25
Information and communication	2,013,508	0.80	2,598,729	1.09
Finance, banking and insurance services	712,006	0.28	880,960	0.37
Real estates	6,549,859	2.61	5,356,894	2.24
Expertise, science and technology	398,569	0.16	311,581	0.13
Administrative and supportive services	869,422	0.35	894,466	0.37
Education and training	1,071,005	0.43	1,131,384	0.47
Healthcare and community development	2,011,766	0.80	1,479,427	0.62
Art and entertainment	3,527,598	1.41	2,721,923	1.14
Other services	55,440	0.02	53,874	0.02
Household services	73,556,615	29.31	71,661,238	29.98
Loans at overseas branches	3,526,923	1.41	3,513,008	1.47
	250,919,565	**100.00**	**239,082,993**	**100.00**

11. PROVISION FOR CREDIT LOSSES ON LOANS TO CUSTOMERS

	30/6/2020 VND million	*31/12/2019 VND million*
General provision	1,799,669	1,735,741
Specific provision	2,328,356	1,267,886
	4,128,025	**3,003,627**

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

	General provision VND million	*Specific provision VND million*	*Total VND million*
Opening balances as at 1 January 2020	1,735,741	1,267,886	3,003,627
Provision made during the period *(Note 33)*	63,919	2,397,909	2,461,828
Provision utilized to write-off bad debts	-	(1,332,689)	(1,332,689)
Adjustment by the external auditors in foreign branches	-	(4,538)	(4,538)
Foreign exchange differences	9	(212)	(203)
Closing balances as at 30 June 2020	**1,799,669**	**2,328,356**	**4,128,025**

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

	General provision VND million	*Specific provision VND million*	*Total VND million*
Opening balances as at 1 January 2019	1,527,979	1,553,216	3,081,195
Provision made during the year	207,958	3,105,340	3,313,298
Provision utilized to write-off bad debts	-	(3,394,879)	(3,394,879)
Adjustment by the external auditors in foreign branches	-	4,538	4,538
Foreign exchange difference	(196)	(329)	(525)
Closing balances as at 31 December 2019	**1,735,741**	**1,267,886**	**3,003,627**

12. INVESTMENT SECURITIES

12.1 Available-for-sale securities

	30/06/2020 VND million	31/12/2019 VND million
Debt securities	**85,818,371**	**82,568,671**
Government bonds	43,290,315	47,873,313
Debt securities issued by other domestic credit institutions	20,406,622	22,694,379
Bonds issued by domestic economic entities	22,121,434	12,000,979
Provision for available-for-sale securities	**(236,950)**	**(188,627)**
General provision	(236,950)	(188,627)
	85,581,421	**82,380,044**

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

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

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

12.2 Held-to-maturity securities

	30/06/2020 VND million	31/12/2019 VND million
Debt securities	**1,234,435**	**2,483,135**
Bonds issued by other domestic credit institutions	50,000	80,000
Bonds issued by domestic economic entities	1,184,435	2,403,135
Provision for held-to-maturity securities	**(58,924)**	**(101,065)**
General provision	(8,924)	(18,172)
Specific provision	(50,000)	(82,893)
	1,175,511	**2,382,070**

Bonds issued by domestic credit institutions have terms of 5 years. These bonds are overdue and provisions are made for all the remaining balance.

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

12.3 Analysis of securities classified as credit risk assets

	30/6/2020 VND million	31/12/2019 VND million
Current	34,156,807	28,753,298
Loss	50,000	80,000
	34,206,807	**28,833,298**

12. INVESTMENT SECURITIES (continued)

12.4 Provision for investment securities

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

	Available-for-sale securities VND million	*Held-to-maturity securities VND million*	*Total VND million*
Opening balance	**188,627**	**101,065**	**289,692**
Provision made/(reversed) during the period *(Note 29)*	48,323	(12,141)	36,182
Provision utilized during the period	-	(30,000)	(30,000)
Closing balance	**236,950**	**58,924**	**295,874**

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

	Available-for-sale securities VND million	*Held-to-maturity securities VND million*	*Total VND million*
Opening balance	**132,450**	**125,246**	**257,696**
Provision made/(reversed) during the period *(Note 29)*	56,177	(24,181)	31,996
Closing balance	**188,627**	**101,065**	**289,692**

13. LONG-TERM INVESTMENTS

	30/06/2020 VND million	*31/12/2019 VND million*
Investments in subsidiaries	4,403,566	4,125,246
Other long-term investments	445,282	467,286
Provision for long-term investments	(81,675)	(81,675)
	4,767,173	**4,510,857**

13. LONG-TERM INVESTMENTS (continued)

13.1 Investments in subsidiaries

	30/06/2020 VND million	*31/12/2019 VND million*
Military Bank Asset Management Company Limited	665,862	665,862
MB Securities Joint Stock Company	1,249,429	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	879,375
MB Ageas Life Insurance Company Limited	915,000	915,000
	4,403,566	**4,125,246**

13.2 Other long-term investments

	30/06/2020 VND million	*31/12/2019 VND million*
Investments in economic entities	445,282	445,286
Investments in investment funds	-	22,000
	445,282	**467,286**

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

	For the six-month period ended 30 June 2020 VND million	*2019 VND million*
Opening balance	81,675	81,675
Provision made/(reversed) during the period	-	-
Closing balance	**81,675**	**81,675**

14. TANGIBLE FIXED ASSETS

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

	Buildings & construction VND million	*Machines & equipment VND million*	*Transportation vehicles VND million*	*Other tangible fixed assets VND million*	*Total VND million*
Cost					
Opening balance	1,284,623	1,168,311	596,818	157,463	3,207,215
Additions	2,223	21,430	38,683	2,418	64,754
Disposals	-	(3,064)	(206)	(1,159)	(4,429)
Completion of procurement	-	13,782	41,716	802	56,300
Other adjustments	-	-	-	(57)	(57)
Foreign exchange difference	12	(120)	(43)	(16)	(167)
Closing balance	1,286,858	1,200,339	676,968	159,451	3,323,616
Accumulated depreciation					
Opening balance	245,449	960,396	458,599	129,211	1,793,655
Depreciation during the period	26,673	60,798	41,614	5,334	134,419
Disposals	-	(3,064)	(206)	(1,159)	(4,429)
Foreign exchange difference	2	(96)	(46)	(16)	(156)
Closing balance	272,124	1,018,034	499,961	133,370	1,923,489
Net book value					
Opening balance	1,039,174	207,915	138,219	28,252	1,413,560
Closing balance	1,014,734	182,305	177,007	26,081	1,400,127

14. TANGIBLE FIXED ASSETS (continued)

Movements of tangible fixed assets in 2019 are as follows:

	Buildings & construction VND million	*Machines & equipment VND million*	*Transportation vehicles VND million*	*Other tangible fixed assets VND million*	*Total VND million*
Cost					
Opening balance	1,275,614	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 difference	(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
Decrease in amortisation during the year	(307)	(5,290)	(4,948)	(2,776)	(13,321)
Foreign exchange difference	(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

15. INTANGIBLE ASSETS

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

	Land use rights VND million	*Computer software VND million*	*Total VND million*
Cost			
Opening balance	1,084,972	642,468	1,727,440
Additions	-	75,325	75,325
Completion of procurement	-	15,040	15,040
Foreign exchange difference	-	5	5
Closing balance	1,084,972	732,838	1,817,810
Accumulated amortisation			
Opening balance	160,825	591,772	752,597
Amortisation during the period	9,576	52,757	62,333
Foreign exchange difference	-	4	4
Closing balance	170,401	644,533	814,934
Net book value			
Opening balance	924,147	50,696	974,843
Closing balance	914,571	88,305	1,002,876

Movements of intangible assets in 2019 are as follows:

	Land use rights VND million	*Computer software VND million*	*Total VND million*
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 period	18,955	68,375	87,330
Decrease in amortisation during the period	-	(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

16. OTHER ASSETS

16.1 Receivables

	30/06/2020 VND million	*31/12/2019 VND million*
Internal receivables	93,881	73,159
External receivables (i)	10,289,103	7,571,717
Construction in progress (ii)	1,558,424	1,342,351
	11,941,408	**8,987,227**

(i) Details of external receivables:

	30/06/2020 VND million	*31/12/2019 VND million*
Deposits, mortgages, pledges	750,069	1,039,028
Amount due from the Government awaiting settlement	16,215	16,962
Money transfer transaction associated with Viettel	770,021	9,730
Receivables related to trade finance	4,338,190	2,924,016
Receivables related to settlement operation	3,034,188	2,364,121
Advances and deposits for contract	380,736	281,960
Receivables related to selling bonds	816,518	810,049
Other external receivables	183,166	125,851
	10,289,103	**7,571,717**

(ii) Construction in progress:

	30/06/2020 VND million	*31/12/2019 VND million*
Project at Le Van Luong	1,493,874	1,293,007
Other items	64,550	49,344
	1,558,424	**1,342,351**

16. OTHER ASSETS (continued)

16.2 *Other assets*

	30/06/2020 VND million	*31/12/2019 VND million*
Goodwill	47,613	57,135
Prepaid expenses	407,891	408,967
Foreclosed assets	402,382	402,382
Other assets	17,404	28,021
	875,290	**896,505**

16.3 *Provision for other assets*

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

	For the six-month accounting period ended 30 June 2020 VND million	*For the six-month accounting period ended 31 December 2019 VND million*
Opening balance	-	8,838
Provision reversed during the period	-	(8,491)
Cheques written-off in Laos – foreign exchange differences	-	(347)
	-	-

17. GOODWILL

	30/06/2020 VND million	*31/12/2019 VND million*
Goodwill	94,261	94,261
Adjustment of Vietnam State Audit Office ("the SAV")	965	965
Total value of goodwill	**95,226**	**95,226**
Amortization period (year)	**10**	**10**
- *Value of accumulated amortized goodwill at the beginning of the period*	*38,091*	*28,568*
- *Value of unamortized goodwill*	*57,135*	*66,658*
Goodwill amortized during the period	**(9,522)**	**(9,523)**
- *Goodwill amortized during the period*	*(9,522)*	*(9,523)*
	47,613	**57,135**

18. DUE TO THE GOVERNMENT AND STATE BANK OF VIETNAM

	30/06/2020 VND million	*31/12/2019 VND million*
Demand deposits in VND	23,994	16,836

19. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

19.1 Deposits from other credit institutions

	30/06/2020 VND million	*31/12/2019 VND million*
Demand deposits	6,253,457	6,108,281
- *In VND*	*6,211,351*	*6,084,830*
- *In foreign currencies*	*42,106*	*23,451*
Term deposits	34,441,561	23,276,828
- *In VND*	*19,777,772*	*15,147,042*
- *In foreign currencies*	*14,663,789*	*8,129,786*
	40,695,018	**29,385,109**

19.2 Borrowings from other credit institutions

	30/06/2020 VND million	*31/12/2019 VND million*
In VND	6,602,682	6,918,452
In foreign currencies	8,510,271	9,000,580
	15,112,953	**15,919,032**

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

	30/06/2020 % p.a	*31/12/2019 % p.a*
Term deposits in VND	0.10 - 4.70	1.60 - 4.70
Term deposits in foreign currencies	0.10 - 2.10	1.70 - 2.10
Borrowings from other credit institutions in VND	0.20 - 4.80	3.60 - 4.80
Borrowings from other credit institutions in foreign currencies	1.00 - 3.60	1.50 - 3.60

20. CUSTOMER DEPOSITS

	30/06/2020 *VND million*	*31/12/2019* *VND million*
Demand deposits	84,132,465	92,691,975
- *In VND*	*68,407,823*	*74,411,736*
- *In foreign currencies*	*15,724,642*	*18,280,239*
Term deposits	168,599,356	169,998,106
- *In VND*	*163,992,250*	*165,143,274*
- *In foreign currencies*	*4,607,106*	*4,854,832*
Deposits for specific purposes	1,781,331	4,665,862
- *In VND*	*1,257,991*	*3,881,000*
- *In foreign currencies*	*523,340*	*784,862*
Margin deposits	5,931,901	7,643,830
- *In VND*	*3,007,030*	*3,794,136*
- *In foreign currencies*	*2,924,871*	*3,849,694*
	260,445,053	**274,999,773**

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

	30/06/2020 *% p.a*	*31/12/2019* *% p.a*
Demand deposits in VND	0.10 - 0.30	0.30
Demand deposits in foreign currencies	0.00	0.00
Term deposits in VND	0.20 - 8.10	0.78 - 7.52
Term deposits in foreign currencies	0.00	0.00

Analysis of customer deposits by types is as follows:

	30/06/2020		*31/12/2019*	
	VND million	*%*	*VND million*	*%*
Economic entities	128,180,070	49.22	155,230,606	56.45
Individuals	132,264,983	50.78	119,769,167	43.55
	260,445,053	**100.00**	**274,999,773**	**100.00**

21. OTHER BORROWED AND ENTRUSTED FUNDS

	30/06/2020 *VND million*	*31/12/2019* *VND million*
Entrusted funds received in VND	257,222	302,126

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 30 June 2020, the annual interest rate applicable to these funds is 4.96% per annum (as at 31 December 2019: 5.18%).

22. VALUABLE PAPERS ISSUED

	30/06/2020 VND million	*31/12/2019 VND million*
Bonds	5,926,587	5,922,377
- *Over 5 years*	*5,926,587*	*5,922,377*
Certificates of deposits	26,803,574	19,699,176
- *Less than 12 months*	*16,904,103*	*8,499,659*
- *Over 12 months*	*9,899,471*	*11,199,517*
	32,730,161	**25,621,553**

Bonds are entitled to interest rates of 7.90% - 8.70% p.a.

Certificates of deposit are entitled to interest rates of 3,50% - 7.20% p.a.

23. OTHER LIABILITIES

	30/06/2020 VND million	*31/12/2019 VND million*
Internal payables	1,154,150	1,281,152
External payables (i)	10,358,103	8,620,763
Bonus, welfare funds	701,815	321,472
Science and technology fund	268,000	268,000
	12,482,068	**10,491,387**

(i) Details of external payables are as follows:

	30/06/2020 VND million	*31/12/2019 VND million*
Corporate income tax payables *(Note 24)*	955,811	526,430
Money transfer payables	427,467	358,758
Unearned revenue	948,681	960,320
Payables related to services associated with Viettel	1,907,604	2,036,682
Payables related to interbank money transfer	5,061,615	4,141,421
Other payables	1,056,925	597,152
	10,358,103	**8,620,763**

24. TAX AND OTHER OBLIGATIONS TO THE STATE BUDGET

	Opening balance	*Movements during the period*		*Closing balance*
		Increase	*Decrease*	
	VND million	*VND million*	*VND million*	*VND million*
Value added tax	23,621	102,732	(72,292)	54,061
Corporate income tax	456,184	873,352	(450,765)	878,771
In which:				
- *Corporate income tax in the period*		*874,414*	*(450,765)*	
- *Adjustments at overseas branches*		*(1,068)*	-	
- *Foreign exchange difference*		*6*	-	
Other taxes	46,625	308,381	(332,027)	22,979
	526,430	**1,284,465**	**(855,084)**	**955,811**

25. OWNERS' EQUITY AND RESERVES

25.1 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*	*Retained earnings* *VND million*	*Total* *VND million*
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 in the period	-	-	-	282,836	565,672	339,402	(1,187,910)	-
Utilisation of reserves in the period	-	-	-	-	-	(206,533)	-	(206,533)
Cash dividend payment in the period	-	-	-	-	-	-	(1,268,039)	(1,268,039)
Share issued to pay dividend	1,690,719	-	-	-	-	-	(1,690,719)	-
Bonus share issued for employees	432,090	-	-	-	-	-	-	432,090
Repurchase of treasury shares	-	-	(1,036,712)	-	-	-	-	(1,036,712)
Appropriation to the bonus, welfare funds	-	-	-	-	-	-	(339,403)	(339,403)
Adjustment due to audit results at overseas branches	-	-	-	-	-	1,075	(6,350)	(5,275)
Adjustment due to tax inspection	-	-	-	-	-	-	(7,196)	(7,196)
Other adjustments	-	-	-	-	-	(332)	5,410	5,078
As at 1 January 2020	**23,727,323**	**-**	**(1,036,712)**	**1,435,149**	**2,855,497**	**508,792**	**9,786,566**	**37,276,615**
Net profit for the period	-	-	-	-	-	-	3,664,715	3,664,715
Appropriation to reserves in the period	-	-	-	374,839	749,678	337,355	(1,461,872)	-
Appropriation to the bonus, welfare funds	-	-	-	-	-	-	(449,807)	(449,807)
Capital increase in the period	643,106	1,076,816	-	-	-	-	-	1,719,922
Liquidation of treasury shares in the period	-	100,747	472,315	-	-	-	-	573,062
Ultilisation of reserves in the period	-	-	-	-	-	(30,529)	-	(30,529)
Adjustment due to audit results at overseas branches	-	-	-	-	-	10	7,666	7,676
Other movements due to foreign exchange differences	-	-	-	-	-	(111)	(882)	(993)
As at 30 June 2020	**24,370,429**	**1,177,563**	**(564,397)**	**1,809,988**	**3,605,175**	**815,517**	**11,546,386**	**42,760,661**

25. OWNERS' EQUITY AND RESERVES (continued)

25.2 Equity

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

	30/06/2020		31/12/2019	
	Shares	*VND million*	*Shares*	*VND million*
Number of registered shares	2,437,042,861	24,370,429	2,372,732,280	23,727,323
Number of shares issued *- Ordinary shares*	*2,437,042,861*	*24,370,429*	*2,372,732,280*	*23,727,323*
Number of shares acquired (treasury shares) *- Ordinary shares*	*(25,616,120)*	*(256,161)*	*(47,052,980)*	*(470,530)*
Number of shares circulated *- Ordinary shares*	*2,411,426,741*	*24,114,268*	*2,325,679,300*	*23,256,793*

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

25.3 Dividend

Details of dividend paid during the six-month periods are as follows:

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

26. NET INTEREST AND SIMILAR INCOME

	For the six-month period ended 30 June 2020 VND million	*For the six-month period ended 30 June 2019 VND million*
Interest and similar income	**14,117,450**	**13,335,549**
Interest income from deposits	408,331	526,955
Interest income from loans	10,101,229	9,497,228
Interest income from debt securities	2,730,655	2,511,123
Income from guarantee activities	687,453	602,459
Other income from credit activities	189,782	197,784
Interest and similar expenses	**(6,558,998)**	**(6,329,176)**
Interest expenses for deposits	(5,234,778)	(5,383,648)
Interest expenses for borrowings	(189,422)	(273,997)
Interest expenses for valuable papers issued	(983,358)	(509,404)
Expenses for other credit activities	(151,440)	(162,127)
Net interest and similar income	**7,558,452**	**7,006,373**

27. NET FEE AND COMMISSION INCOME

	For the six-month period ended 30 June 2020 VND million	*For the six-month period ended 30 June 2019 VND million*
Fee and commission income	**1,030,134**	**988,120**
Income from settlement services	405,158	387,292
Income from treasury services	7,405	9,136
Income from advisory services	138,307	117,098
Income from trust and agency services	292,506	270,078
Income from other services	186,758	204,516
Fee and commission expenses	**(177,654)**	**(152,169)**
Expenses for settlement services	(32,675)	(34,411)
Expenses for trustee and agency services	(103)	(110)
Expenses for advisory services	(113)	(1,453)
Expenses for commission for brokerage services	(59,158)	(41,309)
Expenses for treasury services	(5,084)	(2,468)
Expenses for other services	(80,521)	(72,418)
Net fee and commission income	**852,480**	**835,951**

28. NET GAIN FROM TRADING OF FOREIGN CURRENCIES

	For the six-month period ended 30 June 2020 VND million	*For the six-month period ended 30 June 2019 VND million*
Income from trading of foreign currencies	**1,085,327**	**705,711**
Income from trading foreign currencies and gold trading	711,135	370,136
Income from currency derivatives	374,192	335,575
Expenses for trading of foreign currencies	**(744,156)**	**(406,980)**
Expenses for trading foreign currencies and gold trading	(260,582)	(51,589)
Expenses for currency derivatives	(483,574)	(355,391)
Net gain from trading of foreign currencies	**341,171**	**298,731**

29. NET GAIN FROM TRADING SECURITIES, INVESTMENT SECURITIES AND LONG-TERM INVESTMENTS

	For the six-month period ended 30 June 2020 VND million	*For the six-month period ended 30 June 2019 VND million*
Income from trading investment securities	875,799	260,977
Expenses for trading investment securities	(168,450)	(12,734)
Provision made for investment securities	(36,182)	(47,138)
Net gain from trading securities, investment securities and long-term investments	**671,167**	**201,105**

30. NET GAIN FROM OTHER ACTIVITIES

	For the six-month period ended 30 June 2020 VND million	*For the six-month period ended 30 June 2019 VND million*
Income from other activities	**1,012,880**	**851,072**
Recovery of bad debts previously written-off	517,770	604,439
Income from other derivatives	459,622	216,621
Other income	35,488	30,012
Expenses for other activities	**(307,444)**	**(151,163)**
Expenses for other derivatives	(301,207)	(146,219)
Other expenses	(6,237)	(4,944)
Net gain from other activities	**705,436**	**699,909**

31. TOTAL OPERATING EXPENSES

	For the six-month period ended 30 June 2020 VND million	*For the six-month period ended 30 June 2019 VND million*
Expenses on taxes, fees	**14,212**	**13,680**
Personnel expenses		
In which:	**1,969,404**	**1,995,460**
- *Salary and expenses related to salary*	*1,923,954*	*1,916,396*
- *Other expenses*	*45,450*	*79,064*
Expenses on assets	**597,177**	**525,749**
In which:		
- *Depreciation of fixed assets*	*196,752*	*149,797*
- *Other expenses*	*400,425*	*375,952*
Administrative expenses	**623,665**	**542,848**
In which:		
- *Per-diem*	*42,393*	*54,220*
- *Social activities of the credit institution*	*3,253*	*2,293*
- *Other expenses*	*578,019*	*486,335*
Insurance fees for customer deposits	**90,468**	**73,164**
	3,294,926	**3,150,901**

32. INCOME FROM CAPITAL CONTRIBUTION

	For the six-month period ended 30 June 2020 VND million	*For the six-month period ended 30 June 2019 VND million*
Dividend	143,745	112,528
Other income from capital contribution	23,432	19,520
	167,177	**132,048**

33. PROVISION EXPENSES

	For the six-month period ended 30 June 2020 VND million	*For the six-month period ended 30 June 2019 VND million*
Provision made for loan to customers	2,461,828	1,719,184
Provision reversed for other assets	-	(2,003)
	2,461,828	**1,717,181**

34. CURRENT CORPORATE INCOME TAX EXPENSE

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

For the Bank's branch in Cambodia, the Bank calculates and determines its CIT in compliance with Cambodian regulations on corporate income tax. According to the Tax Act dated on 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. For the period ended 30 June 2020, the Cambodian branch's CIT is temporarily determined by 1% total revenue.

For the Bank's branch in Laos, the Bank calculates and determines its CIT in accordance with the income tax regulations in Laos. According to the Tax Ordinance No. 67 dated 18 June 2019 issued by the Lao P.D.R Parliament and became effective from 17 February 2020, CIT of the branch is defined as 20% of the profit 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 is susceptible to varying interpretations, amount reported in the interim 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 period. Taxable income differs from the one reported in the interim separate income statement since taxable income excludes incomes which are taxable or expenses which are deducted in prior periods 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 end of the period.

34. CURRENT CORPORATE INCOME TAX EXPENSE (continued)

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

	For the six-month period ended 30 June 2020 VND million	*For the six-month period ended 30 June 2019 VND million*
Profit before tax	**4,539,129**	**4,306,035**
Adjusted for		
- *Non-taxable dividend income*	*(143,745)*	*(132,048)*
- *Net gain of overseas branches*	*(45,711)*	*(70,980)*
- *Non-deductible expenses*	*2,062*	*5,014*
Estimated taxable income in Vietnam	**4,351,735**	**4,108,021**
- *The Bank's CIT expenses in Vietnam (20%)*	*870,347*	*821,604*
- *Overseas branches' CIT expenses*	*4,067*	*8,899*
Total CIT expenses in the period	**874,414**	**830,503**
CIT payable at the beginning of the period	456,184	289,150
CIT paid during the period	(450,765)	(696,189)
Tax adjustments at overseas branches	(1,068)	-
Foreign exchange differences	6	142
CIT payable at the end of the period	**878,771**	**423,606**

Deferred income tax

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

35. CASH AND CASH EQUIVALENTS

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

	30/06/2020 VND million	*31/12/2019 VND million*
Cash and cash equivalents on hand	2,505,052	2,339,683
Balances with the State Bank	9,146,322	14,320,071
Demand deposits at other credit institutions	8,437,134	9,098,023
Placements with other credit institutions with original term of three (3) months or less	27,412,993	23,543,272
	47,501,501	**49,301,049**

36. ASSETS, VALUABLE PAPERS USED FOR MORTGAGE, DISCOUNT AND REDISCOUNT

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

	30/6/2020 VND million	*31/12/2019 (reclassified) VND million*
Real estates	303,739,780	274,345,045
Movables	68,686,637	72,236,020
Valuable papers	34,785,473	29,618,596
Receivables	302,726,465	304,350,315
Other collaterals	110,292,717	94,561,713
	820,231,072	**775,111,689**

36.2 *Mortgaged, pledged and discounted and rediscounted assets*

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

37. EMPLOYEES' REMUNERATION

	For the six-month period ended 30 June 2020 VND million	*For the six-month period ended 30 June 2019 VND million*
Average number of employees (persons)	9,630	9,338
Total income of employees	1,835,429	1,835,017
Income per capita per month (VND million/person/month)	31.77	32.75

38. OPERATING LEASE COMMITMENTS

	30/6/2020 VND million	*31/12/2019 VND million*
Commitments under irrevocable operating leases		
In which:		
- Due within 1 year	35,902	9,752
- Due from 2 – 5 years	926,950	1,215,121
- Due after 5 years	263,610	269,520
	1,226,462	**1,494,393**

39. 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 in 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).

39. RELATED PARTY TRANSACTIONS (continued)

The Bank paid remuneration of the Board of Directors and Supervisory Board pursuant to Resolution No. 31/ NQ-MB-DHCD dated 27 April 2019 and Resolution No. 20/NQ-MB-DHCD dated 24 June 2020 of the General Meeting of Shareholders, whereby the remuneration and operating budget is 1.2% of profit after tax.

Management's compensation is paid in accordance with the Bank's salary regulations.

Details of significant balances with related parties are as follows:

	30/06/2020 VND million Receivables/ (Payables)	*31/12/2019 VND million Receivables/ (Payables)*
Subsidiaries		
MB Capital Management Joint Stock Company ("MB Cap")		
- Demand deposits and term deposits	(164,819)	(34,128)
MB Securities Joint Stock Company ("MBS")		
- Demand deposits	(662,685)	(868,170)
Asset Management Company Limited – Military Commercial Joint Stock Bank ("MB AMC")		
- Demand deposits and term deposits	(265,752)	(254,346)
MB Shinsei Finance Limited Liability Company		
- Term deposits at Mcredit	3,935,000	3,492,000
- Demand deposits and term deposits	(819,011)	(134,955)
Military Insurance Corporation ("MIC")		
- Demand deposits and term deposits	(1,228,283)	(659,927)
- Loans	-	38,391
MB Ageas Life Insurance Company Limited		
- Demand deposits and term deposits	(744,642)	(473,689)
Major shareholders		
- Loans from the Bank	139,908	165,312
- Deposits at the Bank	(12,967,566)	(15,337,430)

39. RELATED PARTY TRANSACTIONS (continued)

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

	For the six-month period ended 30 June 2020 VND million	*For the six-month period ended 30 June 2019 VND million*
Subsidiraries		
MB Capital Management Joint Stock Company ("MB Cap")		
- Interest expenses for demand deposits and term deposits	(2,032)	(2,178)
- Service fees	11	138
- Dividend received during the period	-	32,329
- Term deposits at the Bank	777,800	685,800
- Settlement of term deposits at the Bank	(651,100)	(798,500)
MB Securities Joint Stock Company ("MBS")		
- Interest expenses for deposits	(20,773)	(236)
- Service fees	520	1,818
- Expenses for using MBS services	(14,644)	(17,266)
Asset Management Company Limited – Military Commercial Joint Stock Bank ("MB AMC")		
- Interest expenses for deposits	(3,588)	(789)
- Service fees	22,003	24,643
- Project management, valuation of evaluation assets fees	(9,329)	(8,519)
- Office rental and management fees	(22,640)	(22,468)
MB Shinsei Finance Limited Liability Company		
- Interest income	98,614	83,998
- Term deposits from the Bank	17,016,000	10,131,000
- Settlement of term deposits of the Bank	(16,573,000)	(9,591,000)
- Other income from derivative financial instruments	22,875	8,582
- Term deposits at the Bank	35,652,000	10,458,000
- Settlement of term deposits at the Bank	(35,092,000)	(10,457,745)
Military Insurance Corporation ("MIC")		
- Income from lending	1,174	1,359
- Income from insurance agency contract	13,579	4,648
- Interest expenses for deposits	(34,440)	(2,506)
- Income from dividend	-	71,108
- Insurance fees	(3,564)	(23,847)
- Term deposits at the Bank	1,176,000	462,000
- Settlement of term deposits at the Bank	(628,000)	(439,000)
- Loan disbursement	16,267	73,772
- Loan principal collection	(54,657)	(68,967)
MB Ageas Life Insurance Company Limited		
- Interest expenses for deposits	(18,590)	(11,502)
- Income from insurance agency contract	266,459	248,448
- Term deposits at the Bank	526,215	635,000
- Settlement of term deposits at the Bank	(252,215)	(715,000)
Major shareholders		
- Interest income from loan	6,890	9,893
- Interest expenses for deposit	(391,193)	(291,871)
- Loan disbursement from the Bank	-	53,857
- Loan principal collection of the Bank	(25,404)	(721)

40. SEGMENT REPORT

40.1 Business segment report

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

- Receiving deposits;
- Credit provision;
- Providing payment services through accounts; and
- Other banking activities.

Accordingly, Management confirms that the Bank has only one business sector, which is banking operations and 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.

40.2 Geographical segment report

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

	North *VND million*	*South* *VND million*	*Central* *VND million*	*Overseas* *VND million*	*Net off* *VND million*	*Total* *VND million*
Assets						
1. Cash	1,238,164	318,146	887,618	61,124	-	2,505,052
2. Fixed assets	2,298,286	24,525	64,490	15,702	-	2,403,003
3. Other assets	269,517,349	34,661,301	96,770,298	4,700,842	(778,640)	404,871,150
Liabilities						
1. External liabilities	277,489,431	15,449,233	54,413,095	2,284,002	(371,360)	349,264,401
2. Internal liabilities	1,132,662	93	37	21,358	-	1,154,150
3. Other liabilities	15,369,610	280,096	1,342,044	15,523	(407,280)	16,599,993

40. SEGMENT REPORT (continued)

40.2 *Geographical segment report* (continued)

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

	North VND million	South VND million	Central VND million	Overseas VND million	Net off VND million	Total VND million
I. Income						
1. Interest and similar income	23,989,973	1,870,330	5,850,615	208,440	(17,801,908)	14,117,450
2. Income from commission service	786,251	60,383	287,274	12,683	(116,457)	1,030,134
3. Income from other business operations	4,115,228	1,321,917	794,046	27,018	(3,117,025)	3,141,184
II. Expenses						
1. Interest and similar expenses	(19,179,364)	(1,407,127)	(3,646,404)	(128,011)	17,801,908	(6,558,998)
2. Depreciation expenses	(171,050)	(6,071)	(15,837)	(3,794)	-	(196,752)
3. Expenses directly related to business operations	(5,063,415)	(232,228)	(1,081,934)	(45,401)	1,890,917	(4,532,061)
Operation results before provision expenses	**4,477,623**	**1,607,204**	**2,187,760**	**70,935**	**(1,342,565)**	**7,000,957**
Provision expenses	(2,304,692)	(885,342)	(589,135)	(25,224)	1,342,565	(2,461,828)
Operation results by divisions	**2,172,931**	**721,862**	**1,598,625**	**45,711**	**-**	**4,539,129**

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

	Total loans VND million	Total deposits at the State Bank and other credit institutions VND million	Off-balance sheet commitments VND million	Derivative financial instruments VND million	Securities trading and investment VND million
Local	247,392,642	48,857,882	344,782,241	146,037	87,468,507
Overseas	3,526,923	1,176,716	182,988	-	-
	250,919,565	**50,034,598**	**344,965,229**	**146,037**	**87,468,507**

41. 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 (with deposit products and valuable papers issued) and investments in high quality financial assets has become the 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 banking activities. In addition, the Bank has invested in securities or granted credit facilities to other banks. The risks related to currency exchange and interest rates have been managed through applying of position limits to restrict over-concentration and simultaneously participating in activities with balancing impact to minimise risks. By holding various assets being high quality financial instruments, the structure of the Bank's interim separate balance sheet would be 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 derivatives transactions related to financial instruments such as currency forward commitments, currency swap commitments, and interest rate swap commitments for the purpose of managing currency risk.

In the process of credit risk management, the Bank has adopted the Credit Handbook which provides in details 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"), term deposits at the SBV and other credit institutions and valuable papers. The safety ratios with risk factors taken into account are also used to manage liquidity risk. 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.

42. 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 differing amounts. Some assets have indefinite maturities or interest rate sensitivities and are not readily matched with specific liabilities.

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

The interest rate re-pricing term is the remaining period from the date of preparation of the financial statements to the most recent interest repricing period of the assets and items.

The following assumptions and conditions have been adopted in the analysis of repricing period of interest rate of the assets and liabilities of the Bank:

- Cash, gold and gemstones; long-term investments and other assets (including fixed assets and some other assets) are classified as non-interest bearings;
- Deposits at the State Banks are classified as demand deposits, therefore interest re-pricing term is classified as up to one (1) month;
- The interest rate re-pricing term of investment securities is determined as follows:
  - Items with fixed interest rates for the duration of the contract: The interest rate re-pricing term is based on the maturity date from the date of the interim separate financial statements;
  - Items with floating interest rates: The interest rate re-pricing term is based on the latest interest rate re-pricing date from the date of the interim separate financial statements;
- The interest rate re-pricing term of deposits and loans to credit institutions, loans to customers and credit extension entrustment; 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 interest rate re-pricing term is based on the maturity date from the date of the interim separate balance sheet;
  - Items with floating interest rates: The interest rate re-pricing term is based on the latest interest rate re-pricing date from the date of the interim separate balance sheet;
- Other liabilities are classified as non-interest bearings.

42. **INTEREST RATE RISK** (continued)

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

			Interest re-pricing period						
	Overdue VND million	*Non-interest bearing VND million*	*Up to 1 month VND million*	*From 1 to 3 months VND million*	*From 3 to 6 months VND million*	*From 6 to 12 months VND million*	*From 1 to 5 years VND million*	*Over 5 years VND million*	*Total VND million*
Assets									
Cash, gold and gemstones	-	2,505,052	-	-	-	-	-	-	2,505,052
Balances with the State Banks	-	-	9,163,747	-	-	-	-	-	9,163,747
Placements with and loans to other credit institutions (*)	-	-	30,692,967	7,084,190	2,794,571	299,123	-	-	40,870,851
Securities held for trading	-	-	415,701	-	-	-	-	-	415,701
Loans to customers (*)	5,944,089	-	87,522,731	115,155,992	23,580,247	12,118,370	5,559,080	1,039,056	250,919,565
Investment securities (*)	50,000	-	5,051,014	18,366,027	5,757,588	6,909,477	22,341,032	28,577,668	87,052,806
Long-term investments (*)	-	4,848,848	-	-	-	-	-	-	4,848,848
Fixed assets and investment properties	-	2,403,003	-	-	-	-	-	-	2,403,003
Other assets (*)	-	16,105,206	-	-	-	-	-	-	16,105,206
Total assets	**5,994,089**	**25,862,109**	**132,846,160**	**140,606,209**	**32,132,406**	**19,326,970**	**27,900,112**	**29,616,724**	**414,284,779**
Liabilities									
Due to the Government and the SBV	-	-	23,994	-	-	-	-	-	23,994
Deposits and borrowings from other credit institutions	-	-	41,694,628	10,244,089	3,277,506	449,945	81,860	59,943	55,807,971
Customer deposits	-	-	140,731,136	38,486,985	34,764,582	35,208,931	11,217,414	36,005	260,445,053
Derivatives and other financial liabilities	-	-	(10,499)	30,576	44,681	97,412	(16,133)	-	146,037
Other borrowed and entrusted funds	-	-	-	1,608	255,614	-	-	-	257,222
Valuable papers issued	-	-	2,404,891	4,743,448	6,800,955	17,503,630	183,260	1,093,977	32,730,161
Other liabilities	-	17,608,106	-	-	-	-	-	-	17,608,106
Total liabilities	**-**	**17,608,106**	**184,844,150**	**53,506,706**	**45,143,338**	**53,259,918**	**11,466,401**	**1,189,925**	**367,018,544**
Interest sensitivity gap (on balance sheet items)	**5,994,089**	**8,254,003**	**(51,997,990)**	**87,099,503**	**(13,010,932)**	**(33,932,948)**	**16,433,711**	**28,426,799**	**47,266,235**

(*): Excluding provision

43. 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 system of the Bank and regulations of the SBV. Positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

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

	USD equivalent VND million	*EUR equivalent VND million*	*Other currencies equivalent VND million*	*Total VND million*
Assets				
Cash, gold, and gemstones	237,517	40,530	66,598	344,645
Balances with the State Banks	2,537,810	-	323,064	2,860,874
Placements with and loans to other credit institutions (*)	3,485,631	289,425	299,268	4,074,324
Loans to customers (*)	22,815,860	6,059	620,052	23,441,971
Investment securities (*)	4,642,000	-	-	4,642,000
Long-term investments (*)	-	2,597	-	2,597
Fixed assets	13,853	-	1,849	15,702
Other assets (*)	3,578,937	592,062	65,434	4,236,433
Total assets	**37,311,608**	**930,673**	**1,376,265**	**39,618,546**
Liabilities				
Deposits and borrowings from SBV and other credit institutions	22,850,225	69,206	296,735	23,216,166
Customer deposits	19,718,029	3,508,382	553,548	23,779,959
Derivatives and other financial liabilities	(4,550,353)	(2,654,788)	68,435	(7,136,706)
Other liabilities	360,057	1,832	82,200	444,089
Total liabilities	**38,377,958**	**924,632**	**1,000,918**	**40,303,508**
FX position on balance sheet	**(1,066,350)**	**6,041**	**375,347**	**(684,962)**

(*): Excluding provision

44. 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 have been adopted in the analysis of the maturity period of the Bank's assets and liabilities:

- Balances at the State Banks are classified as demand deposits, including compulsory reserve deposits. 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 securities;
- Securities held for trading is classified into items with terms within one (1) 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 customers 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 one (1) year to five (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 determined based on the remaining useful lives of the assets.

44. LIQUIDITY RISK (continued)

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

	Overdue		*Current*					
	Above 3 months VND million	*Within 3 months VND million*	*Up to 1 months VND million*	*From 1 to 3 months VND million*	*From 3 to 12 months VND million*	*From 1 to 5 years VND million*	*Over 5 years VND million*	*Total VND million*
Assets								
Cash, gold and gemstones	-	-	2,505,052	-	-	-	-	2,505,052
Balances with the State Banks	-	-	9,163,747	-	-	-	-	9,163,747
Placements with and loans to other credit institutions (*)	-	-	30,692,967	7,084,190	3,093,694	-	-	40,870,851
Securities held for trading	-	-	415,701	-	-	-	-	415,701
Loans to customers (*)	3,067,260	2,876,829	18,437,632	41,730,525	85,509,244	56,929,580	42,368,495	250,919,565
Investment securities (*)	50,000	-	194,999	290,012	11,882,058	35,647,846	38,987,891	87,052,806
Long-term investments (*)	-	-	-	-	-	4,848,848	-	4,848,848
Fixed assets and investment properties	-	-	-	-	-	2,403,003	-	2,403,003
Other assets (*)	-	-	12,603,533	70,278	2,621,344	59,642	750,409	16,105,206
Total assets	**3,117,260**	**2,876,829**	**74,013,631**	**49,175,005**	**103,106,340**	**99,888,919**	**82,106,795**	**414,284,779**
Liabilities								
Due to the Government and SBV	-	-	23,994	-	-	-	-	23,994
Deposits and borrowings from other credit institutions	-	-	41,694,628	10,244,089	3,727,451	81,860	59,943	55,807,971
Customer deposits	-	-	140,731,136	38,486,985	69,973,513	11,217,414	36,005	260,445,053
Derivatives and other financial liabilities	-	-	(10,499)	30,576	142,093	(16,133)	-	146,037
Other borrowed and entrusted funds	-	-	-	1,608	16,840	206,446	32,328	257,222
Valuable papers issued	-	-	2,104,908	3,499,750	18,299,025	7,332,553	1,493,925	32,730,161
Other liabilities	-	-	17,608,106	-	-	-	-	17,608,106
Total liabilities	**-**	**-**	**202,152,273**	**52,263,008**	**92,158,922**	**18,822,140**	**1,622,201**	**367,018,544**
Net liquidity gap	**3,117,260**	**2,876,829**	**(128,138,642)**	**(3,088,003)**	**10,947,418**	**81,066,779**	**80,484,594**	**47,266,235**

(*): Excluding provision

45. NOTES TO PROFIT MOVEMENTS

Profit before tax of the Bank for the six-month period ended 30 June 2020 increased by VND233,094 million in comparison with that of the corresponding period in 2019, equivalent to 5.41% which is attributable to the followings:

Items of significant movements	*Amount VND million*
Increase in net interest income	552,079
Increase in net fee and commission income	16,529
Increase in net income from foreign exchange trading	42,440
Increase in net income from trading securities, investment securities and long-term investments	470,062
Increase in net income from other operating activities	5,527
Increase in income from capital contribution, share acquisition	35,129
Increase in operating expenses	(144,025)
Increase in provision for credit loss expenses	(744,647)
	233,094

46. EVENTS AFTER THE INTERIM SEPARATE BALANCE SHEET DATE

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

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

	30/06/2020 VND	31/12/2019 VND
USD	23,210.00	23,175.00
EUR	26,090.00	26,130.00
GBP	28,530.00	30,393.50
CHF	24,488.50	23,920.00
JPY	215.60	213.70
SGD	16,723.00	17,241.50
CAD	17,083.00	17,837.50
AUD	16,050.50	16,347.50

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

NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN QUÂN ĐỘI

Hanoi, Vietnam

12 August 2020