Military Commercial Joint Stock Bank

Consolidated financial statements

For the year ended 31 December 2019

Military Commercial Joint Stock Bank

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Military Commercial Joint Stock Bank

GENERAL INFORMATION

THE BANK

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

The Bank was established under Operating Licence No. 100/NH-GP granted by the Governor of the State Bank of Vietnam ("the SBV") dated 17 October 2018, replacing Operating License No. 0054/NH-GP granted by the Governor of the State Bank of Vietnam on 14 September 1994. The operational duration under the licence is 99 years from 14 September 1994. The Bank is operating under Business Registration No. 0100283873 granted by the Hanoi Department of Planning and Investment on 30 September 1994 and the 44th amended Business Registration dated 5 December 2019.

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

Charter capital

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

BOARD OF DIRECTORS

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

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

GENERAL INFORMATION (continued)

BOARD OF SUPERVISION

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

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

MANAGEMENT

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

Mr. Luu Trung Thai	Chief Executive Officer ("CEO")	Appointed on 16 January 2017
Ms. Nguyen Thi An Binh	Deputy CEO	Appointed on 4 November 2014
Ms. Nguyen Minh Chau	Senior Member	Appointed on 19 May 2017
Ms. Pham Thi Trung Ha	Deputy CEO	Reappointed on 27 June 2016
Mr. Uong Dong Hung	Deputy CEO	Appointed on 2 August 2013
Mr. Le Hai	Deputy CEO	Reappointed on 28 December 2018
Mr. Tran Minh Dat	Deputy CEO	Appointed on 1 November 2014
Mr. Ha Trong Khiem	Deputy CEO	Appointed on 26 November 2015
Mr. Le Quoc Minh	Deputy CEO	Appointed on 26 November 2015
Mr. Le Xuan Vu	Member	Appointed on 3 June 2017
Ms. Tran Thi Bao Que	Member	Appointed on 14 February 2019
Ms. Nguyen Thi Thanh Nga	Acting Chief Financial Officer	Appointed on 10 April 2019
Ms. Le Thi Loi	Chief Financial Officer	Appointed on 5 June 2014 Resigned on 10 April 2019
	Deputy CEO	Resigned on 27 April 2019

LEGAL REPRESENTATIVE

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

Mr. Luu Trung Thai - Chief Executive Officer is authorized to sign the accompanying consolidated financial statements for the year ended 31 December 2019 in accordance with the Letter of Authorization No. 39.1/UQ-MB-HDQT by the Chairman dated 16 January 2017.

AUDITORS

The auditors of the Bank are Ernst & Young Vietnam Limited.

Military Commercial Joint Stock Bank

REPORT OF MANAGEMENT

Management of Military Commercial Joint Stock Bank ("the Bank") is pleased to present this report and the consolidated financial statements of the Bank and its subsidiaries for the year ended 31 December 2019.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management of the Bank is responsible for the consolidated financial statements which give a true and fair view of the consolidated financial position of the Bank and its subsidiaries, the consolidated results of their operations and their consolidated cash flows for the year. In preparing these consolidated financial statements, Management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Bank and its subsidiaries will continue their business.

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

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

STATEMENT BY MANAGEMENT

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

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

Mr. Luu Trung Thai
Chief Executive Officer

Hanoi, Vietnam

4 March 2020

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8th Floor, CornerStone Building
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INDEPENDENT AUDITORS' REPORT

To: The Shareholders of
Military Commercial Joint Stock Bank

We have audited the accompanying consolidated financial statements of Military Commercial Joint Stock Bank ("the Bank") and its subsidiaries, as prepared on 4 March 2020 and set out on pages 6 to 75, which comprise the consolidated balance sheet as at 31 December 2019, the consolidated income statement and the consolidated cash flow statement for the year then ended and the notes thereto.

Management's responsibility

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

Auditors' responsibility

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

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

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

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Building a better working world

Auditors' Opinion

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

Ernst & Young Vietnam Limited

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

Trinh Hoang Anh
Deputy General Director
Audit Practising Registration
Certificate 2071-2018-004-1

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

Hanoi, Vietnam

5 March 2020

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CONSOLIDATED BALANCE SHEET
as at 31 December 2019

	Notes	31/12/2019 VND million	31/12/2018 VND million
ASSETS			
Cash, gold and gemstones	**5**	**2,344,291**	**1,736,571**
Balances with the State Banks	**6**	**14,347,180**	**10,548,084**
Placements with and loans to other credit institutions	**7**	**39,691,364**	**45,061,628**
Placements with other credit institutions		29,338,805	35,363,429
Loans to other credit institutions		10,548,559	9,894,199
Provision for credit losses on placements with and loans to other credit institutions		(196,000)	(196,000)
Securities held for trading	**8**	**1,167,809**	**577,672**
Securities held for trading		1,196,887	684,035
Provision for securities held for trading		(29,078)	(106,363)
Derivatives and other financial assets	**9**	**14,836**	**-**
Loans to customers		**247,129,710**	**211,474,953**
Loans to customers	10	250,330,623	214,685,958
Provision for credit losses on loans to customers	11	(3,200,913)	(3,211,005)
Investment securities		**85,628,999**	**73,731,314**
Available-for-sale securities	12.1	82,723,727	70,467,404
Held-to-maturity investments	12.2	3,196,877	3,522,144
Provision for investment securities	12.4	(291,605)	(258,234)
Long-term investments	**13**	**887,017**	**728,043**
Other long-term investments		1,037,453	931,653
Provision for long-term investments		(150,436)	(203,610)
Fixed assets		**2,798,062**	**2,699,314**
Tangible fixed assets	14	1,642,003	1,586,152
Cost		*3,585,813*	*3,268,459*
Accumulated depreciation		*(1,943,810)*	*(1,682,307)*
Intangible assets	15	1,156,059	1,113,162
Cost		*1,980,168*	*1,823,153*
Accumulated amortization		*(824,109)*	*(709,991)*
Investment properties	**16**	**30,813**	**30,813**
Cost		*30,813*	*30,813*
Accumulated depreciation		-	-
Other assets		**17,447,494**	**15,736,670**
Receivables	17.1	11,471,145	10,325,119
Accrued interest and fee receivables		3,771,711	3,429,433
Deferred tax assets	36.2	3,699	15,777
Other assets	17.2	2,475,062	2,267,608
In which: Goodwill	*18*	*57,135*	*66,658*
Provision for other assets	17.3	(274,123)	(301,267)
TOTAL ASSETS		**411,487,575**	**362,325,062**

CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2019

	Notes	31/12/2019 VND million	31/12/2018 VND million
LIABILITIES			
Due to the Government and the State Bank of Vietnam	**19**	**16,836**	**2,632,894**
Deposits and borrowings from other credit institutions		**50,314,052**	**60,470,881**
Deposits from other credit institutions	20.1	29,550,155	40,692,932
Borrowings from other credit institutions	20.2	20,763,897	19,777,949
Customer deposits	**21**	**272,709,512**	**239,964,318**
Derivatives and other financial liabilities	**9**	**-**	**5,634**
Other borrowed and entrusted funds	**22**	**302,126**	**319,963**
Valuable papers issued	**23**	**26,288,629**	**11,157,638**
Other liabilities		**21,970,606**	**13,600,876**
Interest and fee payables		4,598,544	2,821,056
Deferred tax liabilities	36.3	12,097	16,656
Other payables	24	17,359,965	10,763,164
TOTAL LIABILITIES		**371,601,761**	**328,152,204**
OWNERS' EQUITY			
Capital		22,718,445	21,632,348
- *Charter capital*		*23,727,323*	*21,604,514*
- *Share premium*		*(1,036,712)*	-
- *Other capital*		*27,834*	*27,834*
Reserves		4,936,914	3,887,135
Undistributed profits		10,342,490	7,123,671
Non-controlling interests		1,887,965	1,529,704
TOTAL OWNERS' EQUITY	**26**	**39,885,814**	**34,172,858**
TOTAL LIABILITIES AND OWNERS' EQUITY		**411,487,575**	**362,325,062**

CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2019

OFF-BALANCE SHEET ITEMS

	31/12/2019 VND million	*31/12/2018 VND million*
Credit guarantees	81,864	89,264
Foreign exchange commitments	155,723,464	124,675,198
- *Foreign exchange commitments - buy*	*5,949,719*	*9,019,360*
- *Foreign exchange commitments - sell*	*6,416,536*	*11,102,468*
- *Cross currency swap contracts - buy*	*71,691,021*	*52,271,736*
- *Cross currency swap contracts - sell*	*71,666,188*	*52,281,634*
Letters of credit	21,340,471	24,623,727
Other guarantees	76,678,646	71,203,920
Other commitments	42,304,723	20,325,895
	296,129,168	**240,918,004**

Prepared by: *Reviewed by:* *Approved by:*

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

Hanoi, Vietnam

4 March 2020

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2019

	Notes	2019 VND million	2018 VND million
Interest and similar income		31,196,604	24,824,365
Interest and similar expenses		(13,196,607)	(10,240,868)
Net interest and similar income	**27**	**17,999,997**	**14,583,497**
Fee and commission income		6,420,580	5,719,062
Fee and commission expenses		(3,234,743)	(3,157,752)
Net fee and commission income	**28**	**3,185,837**	**2,561,310**
Net gain from trading of foreign currencies	**29**	**647,478**	**444,568**
Net gain from securities held for trading	**30**	**27,480**	**151,928**
Net gain from investment securities and long-term investments	**31**	**612,031**	**148,561**
Other income		2,528,554	2,421,246
Other expenses		(429,156)	(904,167)
Net gain from other activities	**32**	**2,099,398**	**1,517,079**
Income from capital contribution, share acquisition	**33**	**78,227**	**129,620**
TOTAL OPERATING INCOME		**24,650,448**	**19,536,563**
TOTAL OPERATING EXPENSES	**34**	**(9,723,706)**	**(8,733,802)**
Net profit before provision expenses		**14,926,742**	**10,802,761**
Provision expenses	35	(4,890,623)	(3,035,388)
PROFIT BEFORE TAX		**10,036,119**	**7,767,373**
Current corporate income tax expense	36.1	(1,959,995)	(1,575,157)
Deferred tax income		(7,520)	(2,315)
Corporate income tax expense		**(1,967,515)**	**(1,577,472)**
PROFIT AFTER TAX		**8,068,604**	**6,189,901**
Non-controlling interests		**245,831**	**77,187**
Owners' net profit		**7,822,773**	**6,112,714**
Basic earnings per share (VND/share)	**37**	**3,596**	**2,416**

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	Acting Chief Financial Officer	Chief Executive Officer

Hanoi, Vietnam

4 March 2020

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2019

	Notes	2019 VND million	2018 VND million
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and similar receipts		30,956,510	24,317,593
Interest and similar payments		(11,511,295)	(10,267,483)
Net fee and commission receipts		3,185,837	2,561,310
Net receipts from trading activities (foreign currencies, gold and securities)		1,276,978	754,841
Other income/(expenses)		162,295	495,285
Recoveries from bad debts previously written-off	32	1,937,102	1,021,794
Payments for administrative, operating and salary expenses		(9,207,742)	(8,204,870)
Corporate income tax paid during the year	36.1	(1,812,234)	(1,450,167)
Net cash flow from operating profit before changes in operating assets and liabilities		**14,987,451**	**9,228,303**
Changes in operating assets		***(55,042,168)***	***(49,621,592)***
(Increase)/Decrease in placements with and loans to other credit institutions		(672,364)	5,770,848
Increase in trading securities		(12,443,909)	(20,796,665)
(Increase)/Decrease in derivatives and other financial assets		(14,836)	121,592
Increase in loans to customers		(35,644,665)	(30,497,815)
Utilization of provision to write off loans to customers, securities, long-term investments and other receivables		(4,932,063)	(2,599,755)
Increase in other assets		(1,334,331)	(1,619,797)
Changes in operating liabilities		***40,947,600***	***42,997,941***
(Decrease)/Increase in deposits and borrowings from other credit institutions		(10,156,829)	14,369,725
Increase in customer deposits (including deposits from the State Treasury)		30,129,137	20,573,308
Increase in valuable papers issued (except for valuable papers issued for financing activities)		15,130,991	5,135,416
(Decrease)/Increase in other borrowed and entrusted funds		(17,837)	22,964
(Decrease)/Increase in derivatives and other financial liabilities		(5,634)	5,634
Increase in other liabilities		6,074,593	3,200,653
Payments from credit institutions' funds	26.1	(206,821)	(309,759)
Net cash flow from operating activities		**892,883**	**2,604,652**

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

	Notes	2019 VND million	2018 VND million
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(701,576)	(483,966)
Proceeds from disposal of fixed assets		2,905	5,759
Payments for purchases of investment properties		(9)	(1,941)
Proceed from investments in other entities, associates and other long-term investments		600	31,925
Dividends and profits received from long-term investments and capital contribution		78,227	30,178
Net cash flow used in investing activities		**(619,853)**	**(418,045)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in share capital from share issuance		432,090	-
Dividend payment to shareholders	26.1	(1,304,219)	(1,092,592)
Payment for buying treasury shares		(1,036,712)	-
Net cash flow used in financing activities		**(1,908,841)**	**(1,092,592)**
Net cash flow for the year		**(1,635,811)**	**1,094,015**
Cash and cash equivalents at the beginning of the year		**47,648,084**	**46,554,069**
Cash and cash equivalents at the end of the year	**38**	**46,012,273**	**47,648,084**

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

Hanoi, Vietnam

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

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

Charter capital

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

Operational network

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

As at 31 December 2019, the Bank has one (1) Head Office, one hundred and one (101) branches (including branches in Laos and Cambodia), one hundred and ninety-eight (198) transaction offices (including one (1) overseas transaction office), and one (1) representative office in Russia.

Employees

The Bank and its subsidiaries had 15,691 employees as at 31 December 2019 (31 December 2018: 15,233 employees).

1. GENERAL INFORMATION (continued)

Subsidiaries

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

Subsidiaries	*Operating License*	*Nature of the business*	*Ownership*
Asset Management Company Limited – Military Commercial Joint Stock Bank ("MB AMC")	0105281799 dated 11 July 2014, issued by the Hanoi Department for Planning and Investment	Debt management and asset usage	100%
MB Securities Joint Stock Company ("MBS")	116/GP-UBCK dated 9 December 2013, issued by the State Securities Commission of Vietnam	Securities	79.52%
MB Capital Management Joint Stock Company ("MB Cap")	06/GPDC-UBCK dated 12 Februrary 2015, issued by the State Securities Commission of Vietnam	Investment fund management	90.77%
MB Shinsei Finance Limited Liability Company (*)	27/GP-NHNN dated 4 February 2016, issued by the State Bank of Vietnam	Consumer credit	50.00%
Military Insurance Corporation ("MIC")	43/GPDC18/KDBH dated 21 January 2016, issued by the Ministry of Finance	Non-life insurance	68.37%
MB Ageas Life Insurance Company Limited	74/GP/KDBH dated 21 July 2016, issued by the Ministry of Finance	Life insurance, health insurance and financial investment	61.00%

(*) According to the joint venture contract between the Bank and Shinsei Bank (Japan), the Bank is entitled to reserve the final decision on important issues of MB Shinsei Finance Limited Liability Company for a period of five (5) years from the date of completion of capital transfer to Shinsei Bank (Japan) and the third capital contributor.

The Bank and its subsidiaries are hereinafter referred to as "MB".

2. ACCOUNTING PERIOD AND ACCOUNTING CURRENCY

2.1 *Fiscal year*

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

2.2 *Accounting currency*

The currency used in the preparation of financial statements of MB is Vietnam Dong ("VND"). For the purpose of preparing the consolidated financial statements as at 31 December 2019, all amounts are rounded to the nearest million and presented in VND million. The presentation makes no impact on readers' view of the consolidated financial position, consolidated income statement and consolidated cash flows of MB.

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM

3.1 *Statement of compliance*

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

3.2 *Accounting standards and system*

The consolidated financial statements of MB are prepared in accordance with the accounting system applicable to credit institutions under Decision No. 479/2004/QD-NHNN dated 29 April 2004 on promulgating the chart of credit institutions and amending and supplementing regulations of Decision No. 479/2004/QD-NHNN; Decision No. 16/2007/QD-NHNN dated 18 April 2007 on the issuance of the financial reporting mechanism for credit institutions and amending and supplementing regulations of Decision No. 16/2007/QD-NHNN and 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 consolidated financial statements and their utilization are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the consolidated financial position and results of consolidated operations and consolidated cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

Items or balances required by Decision No. 16/2007/QD-NHNN and amending, supplementing regulations issued by the SBV regarding the financial statements reporting mechanism for credit institutions that are not shown in these consolidated financial statements indicate nil balance.

3.3 *Assumptions and uses of estimates*

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

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM (continued)

3.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries for the year ended 31 December 2019.

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

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

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

Non-controlling interest represents the portion of net results of operations and net assets not owned, either directly or indirectly through the subsidiaries, by MB and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from the Bank's equity and liabilities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Changes in accounting policies and disclosures

The accounting policies adopted by MB in the preparation of these consolidated financial statements are consistent with those followed in the preparation of consolidated financial statements for the year ended 31 December 2018.

4.2 Cash and cash equivalents

Cash and cash equivalents comprise cash, current accounts at the State Banks, Government bills and other short-term valuable papers which can be rediscounted with the SBV, securities, current deposits and placements with other credit institutions with an original maturity of three months or less, which are high liquidity 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 are made in accordance with Circular No. 02/2013/TT-NHNN dated 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 dated 18 March 2014 ("Circular 09") amending and supplementing some articles of Circular 02. Accordingly, MB makes specific provision for placements with (except for current accounts) and loans to other credit institutions according to the method as described in *Note 4.5*.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated balance sheet.

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

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

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

Debt classification

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

- Classification of placements with and loans to other credit institutions is made in compliance with the quantitative method as prescribed in Article 10 of Circular 02.
- Classification for unlisted corporate bonds purchased and trusted for purchase except for bonds of those who also borrow from MB is made using the quantitative method as regulated under Article 10 of Circular 02. Classification for unlisted corporate bonds purchased from entities that are also loan customers of MB is made similar to classification for loans to customers as described below.
- Classification for loans to customers granted and trusted for granting, including syndicated loans where MB is not the leading bank, is made using both the quantitative and qualitative methods as regulated under Article 10 and Article 11 of Circular 02 in accordance with Official Letter No. 8738/NHNN-CNH dated 25 September 2008 and the amendments to the internal credit rating system: Report No. 446/BC-MB.HS.m dated 10 July 2014, Announcement No. 95/BC-MB.HS.m dated 1 June 2016 and Announcement No. 2260/TB-HS dated 30 June 2016. Accordingly, in case the classification results under Articles 10 and 11 are not the same, the debts must be classified into the higher risk group.
- If a customer has more than one debt with MB and any of the outstanding debt is classified into a higher risk group, the entire remaining debts of such customer should be classified into the corresponding higher risk group.
- Since 1 January 2015, credit institutions, foreign bank branches have been required to use the information from the Credit Information Centre (CIC) on the loan group of customers at the time of loan classification to adjust the classification of their debts and off-balance sheet items. (This provision does not apply to the loan classification for customers of Vietnam Development Bank provided by the CIC).
- At the same time, MB also applied regulations on restructuring but maintaining the debt group for debts meeting the requirements of Decree No. 55/2015/ND-CP (Decree 55) dated 9 June 2015 on credit policy for agricultural and rural development, and Decree No. 116/2018/ND-CP dated 7 September 2018 amending and supplementing a number of articles of Decree 55.

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

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

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

	Group	Classification by quantitative method	Classification by qualitative method	Provision rate
1	Current	(a) Standard debts are assessed as fully and timely recoverable for both principals and interests; or (b) Debts are overdue for a period of less than 10 days and assessed as fully recoverable for both overdue principals and interests, and fully and timely recoverable for both remaining principals and interests.	Debts are assessed as fully and timely recoverable for both principals and interests.	0%
2	Special Mention	(a) Debts are overdue for a period between 10 days and 90 days; or (b) Debts which the repayment terms are restructured for the first time.	Debts are assessed as fully recoverable for both principals and interests but there is a sign that the ability to pay the debts may be declined.	5%
3	Sub-standard	(a) Debts are overdue for a period between 91 days and 180 days; or (b) Debts which the repayment terms are extended for the first time; or (c) Debts which interests are exempted or reduced because customers do not have sufficient capability to repay all interests under credit contracts; or (d) Debts under one of the following cases which have not been recovered in less than 30 days from the date of the recovery decision: - Debts made 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		Classification by quantitative method	Classification by qualitative method	Provision rate
4	Doubtful	(a) Debts are overdue for a period of between 181 days and 360 days; or (b) Debts which the repayment terms are restructured for the first time but still overdue for a period of less than 90 days under that restructured repayment term; or (c) Debts which the repayment terms are restructured for the second time; or (d) Debts are specified in point (d) of Loan group 3 and overdue for a period of between 30 days and 60 days after decisions of recovery have been issued; or (e) Debts are required to be recovered according to regulatory inspection conclusions but still outstanding with an overdue period up to 60 days since the recovery date as required by regulatory inspection conclusions.	Debts are assessed as being a highly possible loss.	50%
5	Loss	(a) Debts are overdue for a period of more than 360 days; or (b) Debts which the repayment terms are restructured for the first time but still overdue for a period of 90 days or more under that first restructured repayment term; or (c) Debts which the repayment terms are restructured for the second time but still overdue under that second restructured repayment term; or (d) Debts which the repayment terms are restructured for the third time or more, regardless of being overdue or not; or (e) Debts are specified in point (d) of Loan group 3 and overdue for a period of more than 60 days after decisions on recovery have been issued; or (f) Debts are required to be recovered under regulatory inspection conclusions but still outstanding with an overdue period of more than 60 days since the recovery date as required by regulatory inspection conclusions; or (g) Debts of credit institutions under special control as announced by the SBV, or debts of foreign bank branches which capital and assets are blocked.	Debts are assessed as not recoverable.	100%

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

General provision

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

Write-off bad debts

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

4.6 *Securities held for trading*

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

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

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

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

Interest from securities held for trading are recognized in the consolidated income statement on an accrual basis.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Investment securities

4.7.1 Available-for-sale securities

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

Available-for-sale equity securities are securities listed on securities markets. They 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 consolidated income statement on a straight-line basis over the remaining term of securities. The interest received in arrears is recorded as follows: Cumulative interest incurred before the purchase date is recorded as a decrease in the accrued interest; cumulative interest incurred after the purchase date is recognized as income based on the accumulated method. The interest received in advance is amortized into interest income on a straight-line basis over the term of investment securities.

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

Provision for diminution in value of securities is made when the carrying value is higher than the market 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 consolidated income statement.

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

4.7.2 Held-to-maturity investment securities

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Other long-term investments

Other long-term investments are investments in other entities in which MB holds less than 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 investment securities and long-term investments"* on the consolidated income statement.

4.9 Fixed assets

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

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

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

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

4.10 Depreciation and amortization

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

Buildings and construction	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
Other intangible assets	3 years

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Investment properties

4.11.1 Investment properties held for rental

Investment properties held for rental is stated at cost less accumulated depreciation. The cost of an investment property held for rental comprises purchase price, cost of land use rights and any directly attributable expenditures of bringing the property to the condition necessary for it to be capable of operating in the manner intended. Expenditure incurred after the investment properties held for rental has been put into operation, such as repair and maintenance, is charged to the consolidated income statement in the period in which the expenditure is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in future economic benefits in excess of the originally assessed standard of performance of the existing investment properties held for rental, the expenditure is capitalized as an additional cost of the investment properties.

Depreciation is computed on a straight-line basis over the estimated useful lives of investment properties. The estimated useful lives of land use rights and assets attached to the land are 40 years.

4.11.2 Investment properties held for capital appreciation

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

4.12 Receivables

4.12.1 Receivables classified as credit risk-bearing assets

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

4.12.2 Other receivables

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

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

Provision for overdue debts is 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Prepaid expenses

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

4.14 Business combinations and goodwill

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

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

4.15 Re-purchase and re-sale contracts

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

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

4.16 Leased assets

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

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

Where MB is the lessee

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 *Leased assets* (continued)

Where MB is the lessor

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

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

4.17 *Due to the Government and the State Bank of Vietnam*

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

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

Deposits from other credit institutions, customer deposits, other borrowed and entrusted funds and valuable papers issued are disclosed at the principal amounts outstanding at the end of the financial year.

4.19 *Foreign currency transactions*

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

4.20 *Payables and accruals*

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

4.21 *Covered warrants*

Covered warrants are issued by MB Securities Joint Stock Company, a member of MB, giving owners the right to buy underlying securities from issuer of the right at a pre-determined price, at a specified time, or receive the difference between the executed price and the underlying security price at the time of execution.

Covered warrants are initially recognized at cost and continued to be recognized at fair values in *"Other payables and liabilities"*.

Differences from revaluation of covered warrants at fair value compared to the previous period are recorded in the consolidated income statement on *"Net gain/(loss) from securities held for trading"*.

Costs of re-purchasing and issuing warrants are recognized in the consolidated income statement as incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.22 Technical reserves of insurance subsidiaries

The reserves are made in accordance with the methods specified in Circular No. 50/2017/TT-BTC dated 15 May 2017 issued by the Ministry of Finance guiding the financial regime applicable to insurance enterprises, reinsurance enterprises, insurance brokerage enterprises and branches of foreign non-life insurance enterprises ("Circular 50"). Details of the methodologies are presented as follows:

(i) Unearned premium reserves

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

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

(ii) Claim reserve

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

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

(iii) Catastrophe reserve

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

On 28 December 2005, the Ministry of Finance issued Decision No. 100/2005/QD-BTC governing the publication of four new accounting standards, including Vietnamese Accounting Standard ("VAS") 19 – Insurance Contract. Accordingly, from January 2006, the provision of catastrophe reserve is no longer required since it represents "possible claims under contracts that do not exist at the reporting date". However, since the Ministry of Finance has not issued detailed guidance for the implementation of VAS 19 and according to Decree No. 73/2016/ND-CP issued by the Government of Vietnam dated 1 July 2016 on the details of the implementation of the Law on Insurance Business and amendments to certain articles of the Law on Insurance Business ("Decree 73"), MB continues to make catastrophe reserve in the consolidated financial statements for the year ended 31 December 2019.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.23 Capital and reserves

4.23.1 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.

4.23.2 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.

4.23.3 Treasury shares

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

4.23.4 Reserves

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

(i) Bank's reserves

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

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

(ii) Subsidiaries' reserves

Military Commercial Joint Stock Asset Management Company Limited ("MB AMC")

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.23 Capital and reserves (continued)

4.23.4 Reserves (continued)

MB Shinsei Finance Company Limited ("MCredit")

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

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

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

4.24 Recognition of income and expenses

Income and expenses from banking operation

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

Fees and commissions are recognized when the services are performed.

When the result of the contract is definitely determined, income is recognized based on the stage of the 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.

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

Income from securities trading

Income from securities trading is determined by the difference between the selling price and the weighted average cost of the securities.

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

Income from insurance business

Gross written premiums are recognized in accordance with Circular 50.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.24 *Recognition of income and expense* (continued)

Income from real estate business

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

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

Claim expenses for insurance activities

Claim expenses of gross premium is recognised when incurred, i.e. when MIC and MB Ageas accept claims.

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

Claim receivables for reinsurance premiums ceded are recognised incurred in accordance with the receivable amount corresponding to claim expense recognised during the period and the rate of reinsurance ceded.

Other expenses for insurance activities are recognised when incurred.

Commission expenses for insurance business

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

Loan origination costs from loan to customers in the finance company

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

4.25 *Corporate income taxes*

Current income tax

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.25 *Corporate income taxes* (continued)

Deferred tax

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

Deferred tax payables are recognized for temporary taxable differences.

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

Deferred tax assets and deferred tax payables are determine on the basis of expected tax rates applied for the period when the assets are recovered or liabilities are settled and on the basis of tax rates and tax laws at the end of the financial year.

4.26 *Classification for off-balance-sheet commitments*

According to Circular 02 of the SBV, 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.

4.27 *Derivatives*

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

Currency forward contracts

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.27 *Derivatives* (continued)

Swap contracts

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

The currency swap contracts are revalued periodically. Realized or unrealized gains or losses are recognized in the consolidated income statement.

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

4.28 *Earnings per share*

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

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

4.29 *Employee benefits*

4.29.1 Post-employment benefits

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

4.29.2 Voluntary resignation benefits

MB has the obligation, under Section 48 of the Vietnam Labor Code No 10/2012/QH13 effective from 1 May 2013, to pay allowance arising from voluntary resignation of employees, equal to one-half month's salary for each year of employment up to 31 December 2008 plus salary allowances (if any). The average monthly salary used in this calculation is the average monthly salary of the latest six-month period up to the resignation date.

4.29.3 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, MB is required to contribute to the unemployment insurance at the rate of 1% of salary and wage fund of unemployment insurance joiners and deduct 1% of monthly salary and wage of each employee to contribute to the unemployment insurance.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.30 Segment reporting

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

4.31 Related parties

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

4.32 Offsetting

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

5. CASH, GOLD AND GEMSTONES

	31/12/2019 VND million	*31/12/2018 VND million*
Cash on hand in VND	1,920,366	1,200,027
Cash on hand in foreign currencies	420,160	533,784
Gold	3,765	2,760
	2,344,291	**1,736,571**

6. BALANCES WITH THE STATE BANKS

	31/12/2019 VND million	*31/12/2018 VND million*
Balances with the State Bank of Vietnam (i)	13,582,665	9,656,880
- *In VND*	*11,835,562*	*9,218,330*
- *In foreign currencies*	*1,747,103*	*438,550*
Balances with the Bank of Lao P.D.R (ii)	231,067	292,892
Balances with the National Bank of Cambodia (iii)	533,448	598,312
	14,347,180	**10,548,084**

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

In accordance with regulations of the SBV, credit institutions 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 at year ends are as follows:

	31/12/2019	*31/12/2018*
Customer deposits		
- Deposits in foreign currencies with term of less than 12 months	8.00%	8.00%
- Deposits in foreign currencies with term of over 12 months	6.00%	6.00%
- Deposits in VND with term of less than 12 months	3.00%	3.00%
- Deposits in VND with term of over 12 months	1.00%	1.00%
Foreign credit institutions' deposits		
- Deposit in foreign currencies	1.00%	1.00%

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

6. BALANCES WITH THE STATE BANKS (continued)

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

Deposit ratios as at year ends are as follows:

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

Compulsory deposits at the BOL are not interest-bearing.

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

Deposit ratios as at year ends are as follows:

	31/12/2019	*31/12/2018*
- Deposits in foreign currencies other than KHR	12.50%	12.50%
- Deposits in KHR	8.00%	8.00%

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

7. PLACEMENTS WITH AND LOANS TO OTHER CREDIT INSTITUTIONS

	31/12/2019 VND million	*31/12/2018 VND million*
Placements with other credit institutions	**29,338,805**	**35,363,429**
Demand deposits	9,113,233	11,536,082
- *In VND*	*6,344,183*	*7,999,219*
- *In foreign currencies*	*2,769,050*	*3,536,863*
Term deposits	20,225,572	23,827,347
- *In VND*	*16,001,375*	*20,313,150*
- *In foreign currencies*	*4,224,197*	*3,514,197*
Loans to other credit institutions	**10,548,559**	**9,894,199**
- *In VND*	*7,777,121*	*7,861,987*
- *In foreign currencies*	*2,771,438*	*2,032,212*
Provision for placements with and loans to other credit institutions	**(196,000)**	**(196,000)**
	39,691,364	**45,061,628**

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

	31/12/2019 VND million	*31/12/2018 VND million*
Current	30,578,131	33,525,546
Loss	196,000	196,000
	30,774,131	**33,721,546**

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

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

8. SECURITIES HELD FOR TRADING

	31/12/2019 VND million	*31/12/2018 VND million*
Debt securities	**682,395**	**227,884**
Debt securities issued by domestic credit institutions	104,409	-
Debt securities issued by domestic economic entities	577,986	227,884
Equity securities	**514,492**	**456,151**
Equity securities issued by domestic credit institutions	42,135	56,652
Equity securities issued by domestic economic entities	472,357	399,499
General provision for securities held for trading	**(29,078)**	**(106,363)**
	1,167,809	**577,672**

Bonds issued by domestic economic entities have terms of 1 to 3 years and interest rates of 10.50% - 11.30%/year.

Listing status of trading securities at the year ends are as follows:

	31/12/2019 VND million	*31/12/2018 VND million*
Debt securities	**682,395**	**227,884**
Listed	104,409	-
Unlisted	577,986	227,884
Equity securities	**514,492**	**456,151**
Listed	394,352	*186,015*
Unlisted	120,140	*270,136*
Total	**1,196,887**	**684,035**

Analysis of securities classified as credit risk assets:

	31/12/2019 VND million	*31/12/2018 VND million*
Current	577,986	227,884
Loss	-	-
	577,986	**227,884**

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

	2019 VND million	*2018 VND million*
Opening balance	106,363	35,439
Provision made/(reserved) during the year *(Note 30)*	(77,285)	70,924
Closing balance	**29,078**	**106,363**

9. DERIVATIVES AND OTHER FINANCIAL ASSETS

	Total contracts value at exchange rates at effective date of the contracts VND million	*Total net carrying value (at exchange rates at the reporting date)*		
		Assets VND million	*Liabilities VND million*	*Net carrying value VND million*
As at 31 December 2019				
Forward currency contracts	9,796,836	24,322	(28,477)	(4,155)
Swap contracts	93,588,278	21,456,145	(21,437,154)	18,991
	103,385,114	**21,480,467**	**(21,465,631)**	**14,836**
As at 31 December 2018				
Forward currency contracts	15,062,070	82,373	(67,166)	15,207
Swap contracts	55,524,739	11,951,609	(11,972,450)	(20,841)
	70,586,809	**12,033,982**	**(12,039,616)**	**(5,634)**

10. LOANS TO CUSTOMERS

	31/12/2019 VND million	*31/12/2018 VND million*
Loans to economic entities and individuals	243,028,585	207,864,042
Discounted bills and valuable papers	640,820	560,381
Loans financed by entrusted funds	436,508	453,531
Payments on behalf of customers	5,055	11,388
Loans to foreign economic entities and individuals	3,530,256	3,496,332
Margin lending and advances to investors of the securities subsidiary	2,689,399	2,300,284
	250,330,623	**214,685,958**

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

	31/12/2019 % p.a.	*31/12/2018 % p.a.*
Loans in VND	6.00 - 11.00	6.00 – 10.80
Loans in foreign currencies	3.10 - 5.50	3.20 – 5.90
Consumer loans of the subsidiary	8.00 - 70.00	8.00 – 70.00

10. LOANS TO CUSTOMERS (continued)

10.1 *Analysis of loan portfolio by quality*

	31/12/2019 VND million	*31/12/2018 VND million*
Current	241,847,313	205,868,128
Special mention	2,896,273	3,657,858
Substandard	1,380,392	1,099,661
Doubtful	899,344	797,692
Loss	617,902	962,335
Margin lending and advances to investors of the securities subsidiary	2,689,399	2,300,284
	250,330,623	**214,685,958**

10.2 *Analysis of loan portfolio by original maturity*

	31/12/2019 VND million	*31/12/2018 VND million*
Short term loans	118,907,994	105,138,545
Medium term loans	33,906,263	33,281,381
Long term loans	94,826,967	73,965,748
Margin lending and advances to investors of securities subsidiary	2,689,399	2,300,284
	250,330,623	**214,685,958**

10.3 *Analysis of loan portfolio by ownership and types of customers*

	31/12/2019		*31/12/2018*	
	VND million	*%*	*VND million*	*%*
State-owned companies	15,082,508	6.03	9,061,436	4.22
One-member limited liability companies with 100% of State ownership	6,930,066	2.77	8,093,086	3.77
One member limited liability companies with over 50% of State ownership	389,523	0.16	552,172	0.26
Other limited liability companies	45,978,538	18.36	42,429,561	19.76
Joint stock companies with over 50% of State ownership	5,935,532	2.37	7,390,803	3.44
Other joint-stock companies	61,087,645	24.40	52,972,047	24.67
Foreign invested enterprises	7,063,750	2.82	6,892,653	3.21
Co-operatives and unions of co-operatives	195,772	0.08	275,545	0.13
Household business and individuals	101,303,787	40.47	81,010,507	37.73
Operation administration entities, the Party, unions and associations	40,151	0.02	56,663	0.03
Others	120,944	0.04	154,869	0.07
Loans at overseas branches	3,513,008	1.41	3,496,332	1.63
Margin lending and advances to investors of the securities subsidiary	2,689,399	1.07	2,300,284	1.08
	250,330,623	**100.00**	**214,685,958**	**100.00**

10. LOANS TO CUSTOMERS (continued)

10.4 Analysis of loan portfolio by sectors

	31/12/2019		*31/12/2018*	
	VND million	*%*	*VND million*	*%*
Agriculture, forestry and aquaculture	3,320,783	1.33	3,095,756	1.44
Mining	3,837,122	1.53	3,941,497	1.84
Production and processing	38,783,944	15.49	36,303,626	16.91
Electricity, petroleum and steam	10,000,983	4.00	6,263,470	2.92
Water supply and waste treatment	724,777	0.29	748,549	0.35
Construction	19,403,393	7.75	20,494,258	9.55
Wholesale and retail trade, repair of motor vehicles, motor cycles	56,817,785	22.70	47,291,140	22.02
Transportation, logistics	7,810,083	3.12	10,048,584	4.68
Hospitality services	7,780,639	3.11	4,623,610	2.15
Information and communication	2,598,729	1.04	3,133,806	1.46
Finance, banking and insurance services	842,569	0.34	576,831	0.27
Real estates	5,356,894	2.14	5,234,177	2.44
Expertise, science and technology	311,581	0.12	210,248	0.10
Administrative and supportive services	894,466	0.36	612,640	0.29
Education and training	1,131,384	0.45	525,213	0.24
Healthcare and community development	1,479,427	0.59	916,753	0.43
Art and entertainment	2,721,923	1.09	74,206	0.03
Other services	53,874	0.02	74,323	0.03
Household services	80,257,860	32.05	64,720,655	30.15
Loans at oversea branches	3,513,008	1.41	3,496,332	1.63
Margin lending and advances to investors of securities subsidiary	2,689,399	1.07	2,300,284	1.07
	250,330,623	**100.00**	**214,685,958**	**100.00**

11. PROVISION FOR CREDIT LOSSES ON LOANS TO CUSTOMERS

	31/12/2019 VND million	*31/12/2018 VND million*
General provision	1,792,344	1,563,301
Specific provision	1,408,569	1,647,704
	3,200,913	**3,211,005**

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

	General provision VND million	*Specific provision VND million*	*Total VND million*
Opening balance as at 1 January 2019	1,563,301	1,647,704	3,211,005
Provision made during the year *(Note 35)*	229,239	4,675,346	4,904,585
Provision utilized to write-off bad debts	-	(4,918,690)	(4,918,690)
Adjustment according to previous year's audit results at foreign branches	-	4,538	4,538
Foreign exchange difference	(196)	(329)	(525)
Closing balance as at 31 December 2019	**1,792,344**	**1,408,569**	**3,200,913**

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

	General provision VND million	*Specific provision VND million*	*Total VND million*
Opening balance as at 1 January 2018	1,319,692	805,992	2,125,684
Provision made during the year	242,595	2,810,623	3,053,218
Provision utilized to write-off bad debts	-	(1,957,643)	(1,957,643)
Adjustment by the State Audit Office of Vietnam ("the SAV")	-	(13,654)	(13,654)
Foreign exchange difference	1,014	2,386	3,400
Closing balance as at 31 December 2018	**1,563,301**	**1,647,704**	**3,211,005**

12. INVESTMENT SECURITIES

12.1 *Available-for-sale securities*

	31/12/2019 VND million	*31/12/2018 VND million*
Debt securities	**82,723,727**	**70,304,687**
Government bonds	47,873,313	43,802,956
Debt securities issued by other domestic credit institutions	22,694,379	20,897,686
Bonds issued by domestic economic entities	12,156,035	5,604,045
Equity securities	**-**	**162,717**
Equity securities issued by domestic economic entities	-	162,717
Provision for available-for-sale securities	**(190,540)**	**(132,988)**
Provision for impairment	-	(538)
General provision	(190,540)	(132,450)
	82,533,187	**70,334,416**

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

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

Bonds issued by domestic economic entities have terms ranging from 1 to 11 years with interest rates of 8.50% - 11.50% p.a.

12.2 *Held-to-maturity securities*

	31/12/2019 VND million	*31/12/2018 VND million*
Debt securities	**3,196,877**	**3,522,144**
Government bonds	183,374	20,330
Debt securities issued by other domestic credit institutions	580,182	580,000
Bonds issued by domestic economic entities	2,433,321	2,921,814
Provision for held-to-maturity securities	**(101,065)**	**(125,246)**
General provision	(18,172)	(45,246)
Specific provision	(82,893)	(80,000)
	3,095,812	**3,396,898**

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

Bonds issued by other domestic credit institutions have terms ranging from 3 to 15 years with interest rates of 7.70% - 8.50%.

Certificates of deposit issued by other domestic credit institutions have terms of 1 year with interest rate of 9%.

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

12. INVESTMENT SECURITIES (continued)

12.3 *Analysis of securities classified as credit risk assets*

	31/12/2019 VND million	*31/12/2018 VND million*
Current	29,038,541	29,943,545
Loss	80,000	80,000
	29,118,541	**30,023,545**

12.4 *Provision for investment securities*

Movements of provision for impairment of investment securities during 2019 are as follows:

	Available-for-sale securities VND million	*Held-to-maturity securities VND million*	*Total VND million*
Opening balance	**132,988**	**125,246**	**258,234**
Provision made/(reversed) during the year *(Note 31)*	58,090	(24,181)	33,909
Reclassification to provision for other assets	(538)	-	(538)
Closing balance	**190,540**	**101,065**	**291,605**

Movements of provision for impairment of investment securities during 2018 are as follows:

	Available-for-sale securities VND million	*Held-to-maturity securities VND million*	*Total VND million*
Opening balance	**57,517**	**302,366**	**359,883**
Reclassification to provision for other long – term investments	(119,445)	-	(119,445)
Provision made/(reversed) during the year	145,690	(57,120)	88,570
Reclassification from provision for other assets	49,226	-	49,226
Provision utilized during the year	-	(120,000)	(120,000)
Closing balance	**132,988**	**125,246**	**258,234**

13. LONG-TERM INVESTMENTS

	31/12/2019 VND million	*31/12/2018 VND million*
Other long-term investments	1,037,453	931,653
Provision for long-term investments	(150,436)	(203,610)
	887,017	**728,043**

13.1 Long-term investments

	31/12/2019 VND million	*31/12/2018 VND million*
Investments in economic entities, long-term projects	870,376	909,653
Investments in investment funds	167,077	22,000
	1,037,453	**931,653**

13.2 Provision for long-term investments

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

	2019 VND million	*2018 VND million*
Opening balance	203,610	129,646
Provision (reserved)/made during the year	(53,174)	(3,472)
Reclassification from provision for other assets	-	119,445
Decrease due to selling MBLand	-	(42,009)
Closing balance	**150,436**	**203,610**

14. TANGIBLE FIXED ASSETS

Movements of tangible fixed assets in 2019 are as follows:

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

14. TANGIBLE FIXED ASSETS (continued)

Movements of tangible fixed assets in 2018 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	1,373,016	1,006,132	563,281	140,602	3,083,031
Additions	33,976	169,628	81,140	9,877	294,621
Disposals	-	(3,007)	(58,030)	(837)	(61,874)
Other movements	(1,271)	22,158	5,691	(18,966)	7,612
Decrease due to selling MBLand	(38,104)	(2,968)	(14,098)	(409)	(55,579)
Foreign exchange differences	182	354	112	-	648
Closing balance	1,367,799	1,192,297	578,096	130,267	3,268,459
Accumulated depreciation					
Opening balance	156,922	803,975	406,969	128,532	1,496,398
Depreciation during the year	58,528	116,945	65,048	4,084	244,605
Disposals	-	(3,112)	(37,898)	(837)	(41,847)
Other movements	(1,379)	3,814	-	(3,340)	(905)
Decrease due to selling MBLand	(5,605)	(2,071)	(8,246)	(370)	(16,292)
Foreign exchange differences	26	234	88	-	348
Closing balance	208,492	919,785	425,961	128,069	1,682,307
Net book value					
Opening balance	1,216,094	202,157	156,312	12,070	1,586,633
Closing balance	1,159,307	272,512	152,135	2,198	1,586,152

15. INTANGIBLE ASSETS

Movements of intangible assets in 2019 are as follows:

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

Movements of intangible assets in 2018 are as follows:

	Land use rights VND million	*Computer software VND million*	*Other intangible assets VND million*	*Total VND million*
Cost				
Opening balance	980,764	621,885	338	1,602,987
Additions	94,352	120,585	145	215,082
Disposals	-	(265)	-	(265)
Other movements	-	1,127	4,374	5,501
Decrease due to selling MBLand	-	(186)	-	(186)
Foreign exchange differences	-	34	-	34
Closing balance	1,075,116	743,180	4,857	1,823,153
Accumulated amortisation				
Opening balance	123,266	461,801	93	585,160
Amortisation during the year	18,604	102,620	1,149	122,373
Disposals	-	(265)	-	(265)
Other movements	-	1,715	1,130	2,845
Decrease due to selling MBLand	-	(148)	-	(148)
Foreign exchange differences	-	26	-	26
Closing balance	141,870	565,749	2,372	709,991
Net book value				
Opening balance	857,498	160,084	245	1,017,827
Closing balance	933,246	177,431	2,485	1,113,162

16. INVESTMENT PROPERTIES

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

	Buildings & construction VND million	*Land use rights with definite term VND million*	*Total VND million*
Cost			
Opening balance	30,813	-	30,813
Closing balance	30,813	-	30,813
Accumulated amortisation			
Opening balance	-	-	-
Closing balance	-	-	-
Net book value			
Opening balance	30,813	-	30,813
Closing balance	30,813	-	30,813

Movements of investment properties in the year 2018 are as follows:

	Buildings & construction VND million	*Land use rights with definite term VND million*	*Total VND million*
Cost			
Opening balance	-	100,296	100,296
Classification from constructions in progress	30,813	-	30,813
Decrease due to selling MBLand	-	(100,296)	(100,296)
Closing balance	30,813	-	30,813
Accumulated amortisation			
Opening balance	-	7,513	7,513
Amortisation during the year	-	2,470	2,470
Decrease due to selling MBLand	-	(9,983)	(9,983)
Closing balance	-	-	-
Net book value			
Opening balance	-	92,783	92,783
Closing balance	30,813	-	30,813

17. OTHER ASSETS

17.1 Receivables

	31/12/2019 VND million	*31/12/2018 VND million*
Internal receivables	109,155	250,004
External receivables (i)	9,479,001	8,427,501
Construction in progress (ii)	1,882,989	1,647,614
	11,471,145	**10,325,119**

(i) Details of external receivables

	31/12/2019 VND million	*31/12/2018 VND million*
Escrows, mortgages, pledges	1,087,822	508,427
Amounts due from the Government	17,173	11,613
VAT input	5,354	14,693
Money transfer transaction associated with Viettel	9,730	74,028
Receivables related to trade finance	2,924,016	3,929,665
Receivables related to settlement services	2,364,121	1,323,902
Receivables related to sales of bonds	810,049	680,233
Advances and deposits for contracts	281,960	92,368
Receivables from insurance activities of subsidiaries	634,066	280,990
Provision for fees and compensation for the reinsurance operation of subsidiaries	678,855	502,585
Other external receivables	665,855	1,008,997
	9,479,001	**8,427,501**

(ii) Construction in progress

	31/12/2019 VND million	*31/12/2018 VND million*
Project at 63 Le Van Luong	1,293,007	1,052,414
Other items	589,982	595,200
	1,882,989	**1,647,614**

17. OTHER ASSETS (continued)

17.2 *Other assets*

	31/12/2019 VND million	*31/12/2018 VND million*
Goodwill *(Note 18)*	57,135	66,658
Prepaid expenses	1,026,563	802,466
Foreclosed assets	402,382	402,382
Real estates as inventories of subsidiaries	265,620	351,373
Receivables from entrusted activities	689,300	609,811
Other assets	34,062	34,918
	2,475,062	**2,267,608**

17.3 *Provision for other assets*

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

	2019 VND million	*2018 VND million*
Opening balance	301,267	925,717
Provision (reversed)/made during the year *(Note 35)*	(13,962)	(17,830)
Reclassification to/(from) provision for securities investment	538	(49,226)
Provision utilized during the year	(13,373)	(522,112)
Foreign exchange difference	(347)	152
Decrease due to selling MBLand	-	(35,434)
	274,123	**301,267**

18. GOODWILL

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

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

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

20. DEPOSITS AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

20.1 Deposits from other credit institutions

	31/12/2019 VND million	*31/12/2018 VND million*
Demand deposits	6,073,327	5,343,407
- *In VND*	*6,052,539*	*5,324,995*
- *In foreign currencies*	*20,788*	*18,412*
Term deposits	23,476,828	35,349,525
- *In VND*	*15,347,042*	*28,807,851*
- *In foreign currencies*	*8,129,786*	*6,541,674*
	29,550,155	**40,692,932**

20.2 Borrowings from other credit institutions

	31/12/2019 VND million	*31/12/2018 VND million*
In VND	8,278,067	4,654,940
In foreign currencies	12,485,830	15,123,009
In which:		
Discount and rediscount of negotiable instruments and other valuable papers	-	*500,185*
	20,763,897	**19,777,949**

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

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

21. CUSTOMER DEPOSITS

	31/12/2019 VND million	*31/12/2018 VND million*
Demand deposits	92,352,406	76,888,783
- *In VND*	*74,073,605*	*66,271,139*
- *In foreign currencies*	*18,278,801*	*10,617,644*
Term deposits	168,050,891	142,506,465
- *In VND*	*163,196,059*	*137,765,728*
- *In foreign currencies*	*4,854,832*	*4,740,737*
Deposits for specific purposes	4,665,836	4,925,934
- *In VND*	*3,880,974*	*4,366,660*
- *In foreign currencies*	*784,862*	*559,274*
Margin deposits	7,640,379	15,643,136
- *In VND*	*3,790,685*	*8,273,441*
- *In foreign currencies*	*3,849,694*	*7,369,695*
	272,709,512	**239,964,318**

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

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

Analysis of customer deposits by types is as follows:

	31/12/2019		*31/12/2018*	
	VND million	*%*	*VND million*	*%*
Economic entities	152,940,345	56.08	139,870,971	58.29
Individuals	119,769,167	43.92	100,093,347	41.71
	272,709,512	**100.00**	**239,964,318**	**100.00**

22. OTHER BORROWED AND ENTRUSTED FUNDS

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

This is the amount of funds received from the Japan Bank for International Cooperation (JBIC) in VND through the State Bank of Vietnam under the SME Finance Project. As at 31 December 2019, the annual interest rate applicable to these funds is 5.18% per annum (as at 31 December 2018: 5.04%).

23. VALUABLE PAPERS ISSUED

Details of terms of valuable papers are as follows:

	31/12/2019 VND million	*31/12/2018 VND million*
Bonds in VND	6,589,453	7,114,638
- *Less than 5 years*	*626,871*	*846,582*
- *Over 5 years*	*5,962,582*	*6,268,056*
Certificates of deposit in VND	19,699,176	4,043,000
- *Less than 12 months*	*8,499,659*	*343,000*
- *Over 12 months*	*11,199,517*	*3,700,000*
	26,288,629	**11,157,638**

Bonds issued by the parent bank have interest rates ranging from 7.78% to - 8.70% p.a.

Bonds issued by the subsidiaries have terms of less than 5 years with interest rates ranging from 8.30% - 8.51% p.a.

Certificates of deposit issued by the parent bank have terms ranging from 1 to 3 years with interest rates ranging from 5.75% - 7.20% p.a.

24. OTHER LIABILITIES

	31/12/2019 VND million	*31/12/2018 VND million*
Internal payables	1,473,723	1,097,479
External payables (i)	15,257,542	9,142,397
Bonus, welfare funds	360,700	255,288
Science and technology fund	268,000	268,000
	17,359,965	**10,763,164**

(i) Details of external payables are as follows:

	31/12/2019 VND million	*31/12/2018 VND million*
Corporate income tax payables *(Note 25)*	626,840	546,670
Money transfer payables	358,758	179,069
Deferred revenue	1,172,821	400,260
Provision for insurance operations	3,188,133	2,403,103
Other settlement service payables	4,141,421	2,673,848
Payables related to services associated with Viettel	2,036,682	915,811
Short-term collaterals, deposits for investment securities	1,505,724	918,106
Payables and advances to sellers of subsidiaries	262,492	488,267
Other items awaiting for payment	1,964,671	927,072
	15,257,542	**9,142,397**

25. TAX AND OTHER OBLIGATIONS TO THE STATE BUDGET

	Opening balance		*Movements during the year*		*Closing balance*	
	Receivable	*Payable*	*Increase*	*Decrease*	*Receivable*	*Payable*
	VND million	*VND million*	*VND million*	*VND million*	*VND million*	*VND million*
Value added tax	(14,693)	50,697	414,466	(399,423)	(5,354)	56,401
Corporate income tax	-	333,714	1,974,359	(1,812,234)	-	495,839
In which:			-	-	-	-
- *Corporate income tax in the year*	-	-	*1,959,995*	*(1,812,234)*	-	-
- *Exchange rate difference*			*84*	-	-	-
- *Adjustments according to tax authorities*	-	-	*14,197*	-	-	-
- *Adjustments according to audited financial statements of subsidiaries*	-	-	*83*	-	-	-
Other taxes	-	162,259	814,548	(902,207)	-	74,600
	(14,693)	**546,670**	**3,203,373**	**(3,113,864)**	**(5,354)**	**626,840**

26. OWNERS' EQUITY AND RESERVES

26.1 *Statement of changes in equity*

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

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

26. OWNERS' EQUITY AND RESERVES (continued)

26.1 *Statement of changes in equity*

Movements in owners' equity of MB and non-controlling interests for the year ended 31 December 2018 are as follows:

	Charter capital *VND million*	*Share premium* *VND million*	*Other capital (*)* *VND million*	*Capital supplementary reserve* *VND million*	*Financial reserve* *VND million*	*Other reserves* *VND million*	*Undistributed profits* *VND million*	*Non-controlling interests* *VND million*	*Total* *VND million*
Balance as at 1 January 2018	**18,155,054**	**828,197**	**-**	**954,374**	**1,886,602**	**368,178**	**5,977,328**	**1,431,437**	**29,601,170**
Net profit for the year	-	-	-	-	-	-	6,112,714	77,187	6,189,901
Increase in charter capital	3,449,460	(828,197)	27,834	-	-	-	(2,649,097)	306,000	306,000
Appropriation to reserves	-	-	-	218,540	433,320	351,162	(1,003,022)	-	-
Decrease due to selling MBLand	-	-	-	-	-	(15,317)	24,924	(249,449)	(239,842)
Utilisation of reserves	-	-	-	-	-	(309,695)	-	(64)	(309,759)
Adjustments according to the State Audit Office of Vietnam's result	-	-	-	-	-	-	14,936	-	14,936
Dividend payment	-	-	-	-	-	-	(1,089,303)	(3,289)	(1,092,592)
Appropriation to the bonus, welfare funds	-	-	-	-	-	-	(270,917)	(1,295)	(272,212)
Adjustments of subsidiaries according to audited financial statements	-	-	-	(8)	(14,853)	18,030	(23,606)	494	(19,943)
Other adjustments	-	-	-	(508)	3,198	(5,888)	29,714	(31,317)	(4,801)
Balance as at 31 December 2018	**21,604,514**	**-**	**27,834**	**1,172,398**	**2,308,267**	**406,470**	**7,123,671**	**1,529,704**	**34,172,858**

(*) In 2018, the subsidiary pays dividends in shares, which gives rise to other capital items when consolidating the financial statements.

26. OWNERS' EQUITY AND RESERVES (continued)

26.2 *Equity*

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

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

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

26.3 *Dividend*

Details of dividend paid during the years are as follows:

	2019 VND million	*2018 VND million*
Dividends announced and paid during the year		
Dividends on ordinary shares		
Dividends paid in cash in 2018: VND600/per share (2017: 600 VND/per share)	1,268,039	1,089,303
Dividends paid in shares in 2018: 8%/per share (2017: 5%/per share)	1,690,719	907,753

27. NET INTEREST AND SIMILAR INCOME

	2019 VND million	*2018 VND million*
Interest and similar income	**31,196,604**	**24,824,365**
Interest income from deposits	970,978	752,738
Interest income from loans to customers and other credit institutions	23,254,954	18,488,420
Interest income from debt securities	5,246,239	3,877,212
Income from guarantee activities	1,298,771	1,200,018
Other income from credit activities	425,662	505,977
Interest and similar expenses	**(13,196,607)**	**(10,240,868)**
Interest expenses for deposits	(10,950,028)	(8,707,729)
Interest expenses for borrowings	(750,718)	(671,459)
Interest expenses for valuable papers issued	(1,357,196)	(617,067)
Expenses for other credit activities	(138,665)	(244,613)
Net interest and similar income	**17,999,997**	**14,583,497**

28. NET FEE AND COMMISSION INCOME

	2019 VND million	*2018 VND million*
Fee and commission income	**6,420,580**	**5,719,062**
Income from settlement services	851,025	708,251
Income from treasury services	18,871	19,406
Income from advisory services	324,446	178,375
Income from insurance services	4,202,006	2,866,133
Income from trust and agency services	40,727	26,368
Income from debt handling, valuation and asset management	277,949	396,199
Income from securities brokerage activities	250,188	389,915
Income from selling projects	-	797,711
Income from other services	455,368	336,704
Fee and commission expenses	**(3,234,743)**	**(3,157,752)**
Expenses for settlement services	(83,751)	(66,651)
Expenses for trust and agency services	(10,223)	(12,471)
Expenses for advisory services	(3)	(50)
Commission for brokerage services	(885,667)	(199,477)
Expenses for treasury services	(6,767)	(5,279)
Expenses for insurance services	(1,736,796)	(1,345,601)
Expenses for debt handling, valuation and asset management	(180,129)	(404,917)
Expenses for securities brokerage activities	(45,218)	(55,907)
Expenses for selling projects	-	(801,274)
Expenses for other services	(286,189)	(266,125)
Net fee and commission income	**3,185,837**	**2,561,310**

29. NET GAIN FROM TRADING OF FOREIGN CURRENCIES

	2019 VND million	*2018 VND million*
Income from trading of foreign currencies		
Income from foreign currencies and gold trading	897,253	679,108
Income from currency derivatives	649,264	400,500
Income from trading gold	1,359	306
Expenses for trading of foreign currencies		
Expenses for foreign currencies and gold trading	(172,843)	(164,844)
Expenses for currency derivatives	(727,052)	(470,410)
Expenses for trading gold	(503)	(92)
Net gain from trading of foreign currencies	**647,478**	**444,568**

30. GAIN/(LOSS) FROM SECURITIES HELD FOR TRADING

	2019 VND million	*2018 VND million*
Income from securities held for trading	136,398	224,854
Expenses for securities held for trading	(186,203)	(2,002)
Provision made/(reversed) during the year	77,285	(70,924)
Net gain from securities trading	**27,480**	**151,928**

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

	2019 VND million	*2018 VND million*
Income from trading investment securities	661,682	485,228
Expenses for trading investment securities	(68,916)	(251,569)
Provision made for investment securities	(33,909)	(88,570)
Provision reversed for other long-term investments	53,174	3,472
Net gain from trading investment securities and long-term investments	**612,031**	**148,561**

32. NET GAIN FROM OTHER ACTIVITIES

	2019 VND million	2018 VND million
Income from other activities	**2,528,554**	**2,421,246**
Income from recovery of bad debts previously written-off	1,937,102	1,021,794
Income from other derivatives	527,009	228,310
Income from transfer or liquidation of assets	2,905	5,685
Income from debt trading	-	121,250
Income from real estate trading	-	765,565
Other income	61,538	278,642
Expenses for other activities	**(429,156)**	**(904,167)**
Expenses for other derivatives	(380,282)	(153,634)
Expenses for real estate trading	-	(654,905)
Other expenses	(48,874)	(95,628)
Net gain from other activities	**2,099,398**	**1,517,079**

33. INCOME FROM CAPITAL CONTRIBUTION

	2019 VND million	2018 VND million
Dividend	42,423	40,539
Other income from capital contribution	35,804	89,081
Total	**78,227**	**129,620**

34. TOTAL OPERATING EXPENSES

	2019 VND million	2018 VND million
Expenses on taxes, fees	**78,490**	**46,476**
Personnel expenses	**6,064,062**	**4,968,364**
Salary and allowances	*5,889,330*	*4,791,618*
Unemployment allowances	*1,446*	*26,676*
Other expenses	*173,286*	*150,070*
Expenses on assets	**1,254,228**	**1,128,422**
In which:		
Depreciation and amortization of fixed assets	*393,579*	*369,448*
Other expenses	*860,649*	*758,974*
Administrative expenses	**2,168,947**	**2,181,950**
In which:		
Per-diem	*146,226*	*118,466*
Social activities of MB	*8,719*	*7,233*
Other expenses	*2,014,002*	*2,056,251*
Science and technology fund expenses	**-**	**268,000**
Insurance fee for customer deposits	**157,979**	**140,590**
	9,723,706	**8,733,802**

35. PROVISION EXPENSES

	2019 VND million	*2018 VND million*
Provision made for loans to customers	4,904,585	3,053,218
Provision (reversed)/made for other assets	(13,962)	(17,830)
	4,890,623	**3,035,388**

36. CORPORATE INCOME TAX

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

For the Bank's branch in Cambodia, MB shall calculate and determine its CIT in compliance with Cambodian regulations on corporate income tax. According to the Tax Act dated 8 January 1997, the corporate income tax of the Bank's branch in Cambodia is determined to be the greater of the minimum tax payable determined by 1% of total revenue (including value added tax) and 20% of profits earned. CIT of the Bank's branch in Cambodia for the fiscal year ended 31 December 2019 is defined as 20% of profits earned.

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

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

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

36. CORPORATE INCOME TAX (continued)

36.1 *Current corporate income tax*

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

	2019 VND million	*2018 VND million*
Profit before tax	**10,036,119**	**7,767,373**
Adjust for		
- *Non-taxable tax dividend income*	*(78,227)*	*(172,048)*
- *Gain of overseas branches*	*(48,528)*	*(58,418)*
- *Non-deductible expenses*	*58,193*	*56,980*
- *Other adjustments*	*(52,511)*	*(146)*
- *Accumulated loss transferrable*	*(204,841)*	*(56,699)*
- *Taxable subsidiaries' profits*	*(835,170)*	*319,361*
- *Non-taxable consolidation adjustment entries*	*14,912*	*(15,329)*
Estimated taxable income	**8,889,947**	**7,841,074**
- *Parent Bank's CIT expenses (20%)*	1,777,989	1,369,102
- *Overseas branches' CIT expenses*	11,355	3,808
- *Subsidiaries' CIT expenses*	170,240	202,247
- *Subsidiaries' tax arreas*	411	-
CIT expenses incurred in the year	**1,959,995**	**1,575,157**
CIT payable at the beginning of the year	333,714	222,014
CIT paid during the year	(1,812,234)	(1,450,167)
Adjusted by tax authorities and the SAV	7,138	8,256
Decrease due to selling MBLand	-	(25,872)
Tax refund at MB AMC	7,059	-
Adjusted by auditors for subsidiaries	83	4,326
Foreign exchange difference	84	-
CIT payable at the end of the year	**495,839**	**333,714**

36.2 *Deferred tax asset*

Movements of deferred tax assets during the years are as follows:

	2019 VND million	*2018 VND million*
Opening balance	15,777	1,436
Temporary differences	(60,394)	71,705
Tax rate applied for deferred tax calculation	20%	20%
Deferred tax (expense)/income in the year	(12,079)	14,341
Other adjustments	1	-
Closing balance	**3,699**	**15,777**

36. CURRENT CORPORATE INCOME TAX EXPENSE (continued)

36.3 Deferred tax liabilities

	2019 VND million	*2018 VND million*
Opening balance	16,656	-
Temporary differences	(22,795)	83,282
Tax rate applied for deferred tax calculation	20%	20%
Deferred tax (income)/expense in the year	(4,559)	16,656
Closing balance	**12,097**	**16,656**

37. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share for the period ended 31 December 2019 is based on the net profit attributable to the ordinary shareholders of the Bank.

	2019	*2018 (restated)*
Net profit after tax attributable to ordinary shareholders (VND million)	7,822,773	6,112,714
Adjustment due to deduction for bonus and welfare funds (VND million) (*)	-	(379,632)
Net profit for calculating basic earnings per share (VND million) (**)	7,822,773	5,733,082
Weighted average number of ordinary shares (VND million)	2,175,319,557	2,372,732,280
Basic earnings per share (VND/share)	**3,596**	**2,416**

(*) The profit used for calculating earning per share for 2018 has been adjusted compared to the amount presented in the 2018 financial statements to reflect the actual deduction for bonus and welfare funds from profit of 2018 according to the Resolution of the General Meeting of Shareholders No. 09/NQ-MB-DHDCD dated 29 March 2019.

(**) According to Vietnamese Accounting Standard No. 30 - Earnings per share, if the number of ordinary shares in circulation increased due to capitalization, bonus share issuance, stock split or decreased due to stock consolidation, MB should adjust retrospectively "Basic earnings per share" for all reporting periods.

38. CASH AND CASH EQUIVALENTS

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

	31/12/2019 VND million	*31/12/2018 VND million*
Cash on hand	2,344,291	1,736,571
Balances with the SBV	14,329,177	10,548,084
Demand deposits at other credit institutions	9,113,233	11,536,082
Placements with other credit institutions with original term of three (3) months or less	20,225,572	23,827,347
	46,012,273	**47,648,084**

39. MORTGAGED, PLEDGED AND DISCOUNTED AND REDISCOUNTED ASSETS

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

	31/12/2019 VND million	*31/12/2018 VND million*
Real estates	263,643,908	204,829,945
Movable properties	132,489,460	68,057,350
Valuable papers	29,618,596	26,965,845
Receivables	243,555,666	214,424,506
Other assets	111,867,989	125,937,214
	781,175,619	**640,214,860**

39.2 *Mortgaged, pledged and discounted, rediscounted assets*

	31/12/2019 VND million	*31/12/2018 VND million*
Valuable papers	6,466,000	10,971,000

40. EMPLOYEES' REMUNERATION

	2019	*2018*
Average number of employees (person)	15,198	13,957
Employees' income (VND million)	5,324,112	4,279,974
Income per capita per month (VND million/person/month)	29.19	25.89

41. RELATED PARTY TRANSACTIONS

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

(a) Directly, or indirectly through one or more intermediaries, the party:
- Controls, is controlled by, or is under common control by MB (including parents and subsidiaries);
- Has an interest (owning 5% or more of the charter capital or voting share capital) in MB that gives it significant influence over MB;
- Has joint control over MB;

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

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

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

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

41. RELATED PARTY TRANSACTIONS (continued)

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

	31/12/2019 VND million Receivables/ (Payables)	*31/12/2018 VND million Receivables/ (Payables)*
Major shareholders		
Deposits at MB	(15,337,430)	(7,488,952)
Loans from MB	165,312	243,852

Details of significant transactions with related parties in the year are as follows:

	2019 VND million	*2018 VND million*
Major shareholders		
Interest income from loans	18,126	24,953
Interest expenses for deposits	(692,349)	(457,731)
Interest expenses for borrowings	-	(237,370)
Interest expenses for valuable papers issued	-	(238,000)
Loan disbursement	721	(43,730)
Loan principal collection	(79,261)	102,525

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

42. SEGMENT REPORTING

42.1 Business segment report

Business results by segments for the year ended 31 December 2019 are as follows:

		Banking and Finance VND million	*Securities – Fund Management VND million*	*Insurance VND million*	*Debt collection – Asset management VND million*	*Net-off VND million*	*Total VND million*
I.	**Income**						
1.	Interest and similar income	65,985,497	375,345	306,625	5,073	(35,475,936)	31,196,604
2.	Income from business activities	2,449,209	463,708	4,303,629	557,699	(1,353,665)	6,420,580
3.	Income from other business operations	9,595,392	243,891	27,213	14,938	(4,896,305)	4,985,129
II.	**Expenses**						
1.	Interest and similar expenses	(48,745,758)	(165,688)	(5,947)	-	35,720,786	(13,196,607)
2.	Depreciation expenses	(347,190)	(12,397)	(30,592)	(3,400)	-	(393,579)
3.	Expenses directly related to business operations	(13,703,150)	(541,742)	(4,246,207)	(384,093)	4,789,807	(14,085,385)
Business results before provision expense		**15,234,000**	**363,117**	**354,721**	**190,217**	**(1,215,313)**	**14,926,742**
Provision expense		(6,111,406)	8,238	(2,616)	(152)	1,215,313	(4,890,623)
Business results by segments		**9,122,594**	**371,355**	**352,105**	**190,065**	**-**	**10,036,119**

42. SEGMENT REPORTING (continued)

42.1 *Business segment report* (continued)

Assets and liabilities by business segments as at 31 December 2019 are as follow:

		Banking and Finance VND million	*Securities – Fund Management VND million*	*Insurance VND million*	*Debt collection – Asset management VND million*	*Net-off VND million*	*Total VND million*
III.	**Assets**						
1.	Cash on hand	2,339,683	351	4,047	210	-	2,344,291
2.	Fixed-assets	2,469,197	52,298	236,259	40,308	-	2,798,062
3.	Other assets	404,495,236	5,184,566	7,247,601	1,076,556	(11,658,737)	406,345,222
IV.	**Liabilities**						
1.	External liabilities	354,957,479	1,456,486	68,391	-	(6,851,201)	349,631,155
2.	Internal liabilities	1,303,973	17,876	118,151	33,723	-	1,473,723
3.	Other liabilities	14,590,460	1,641,565	4,637,860	264,463	(637,465)	20,496,883

42. SEGMENT REPORTING (continued)

42.2 Geographical segment report

Business results by segments for the year ended 31 December 2019 are as follows:

	North *VND million*	*Central* *VND million*	*South* *VND million*	*Overseas* *VND million*	*Net-off* *VND million*	*Total* *VND million*
I. Income						
1. Interest income	51,285,124	3,940,317	11,000,407	446,692	(35,475,936)	31,196,604
2. Commission income	7,113,517	108,481	528,702	23,545	(1,353,665)	6,420,580
3. Income from other business operations	8,024,925	239,512	1,573,764	43,233	(4,896,305)	4,985,129
II. Expenses						
1. Interest expenses	(38,813,997)	(2,682,847)	(7,144,087)	(276,462)	35,720,786	(13,196,607)
2. Depreciation expenses	(350,974)	(11,581)	(28,059)	(2,965)	-	(393,579)
3. Expenses directly related to business operations	(15,826,115)	(500,069)	(2,439,905)	(109,103)	4,789,807	(14,085,385)
Business results before provision expense	**11,432,480**	**1,093,813**	**3,490,822**	**124,940**	**(1,215,313)**	**14,926,742**
Provision expense	(4,243,478)	(589,677)	(1,196,369)	(76,412)	1,215,313	(4,890,623)
Business results by segments	**7,189,002**	**504,136**	**2,294,453**	**48,528**	**-**	**10,036,119**

42. SEGMENT REPORTING (continued)

42.2 *Geographical segment report* (continued)

Assets and liabilities by segments as at 31 December 2019 are as follows:

	North VND million	*Central VND million*	*South VND million*	*Overseas VND million*	*Net-off VND million*	*Total VND million*
III. Assets						
1. Cash on hand	1,186,840	327,653	777,367	52,431	-	2,344,291
2. Fixed-assets	2,690,034	25,221	65,772	17,035	-	2,798,062
3. Other assets	292,007,368	34,568,432	86,999,061	4,429,098	(11,658,737)	406,345,222
IV. Liabilities						
1. External liabilities	286,968,436	14,671,352	52,727,069	2,115,499	(6,851,201)	349,631,155
2. Internal liabilities	1,473,727	13	276	(293)	-	1,473,723
3. Other liabilities	19,600,679	261,589	1,250,816	21,264	(637,465)	20,496,883

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

	Total liabilities VND million	*Total deposits at the SBV and other credit institutions VND million*	*Off-balance sheet commitments VND million*	*Derivative financial instruments VND million*	*Trading and investment securities VND million*
Local	246,817,615	53,312,368	295,921,386	14,836	85,920,604
Overseas	3,513,008	922,176	207,782	-	-
	250,330,623	**54,234,544**	**296,129,168**	**14,836**	**85,920,604**

43. FINANCIAL RISK MANAGEMENT POLICIES

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

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

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

44. INTEREST RATE RISK

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

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

The effective interest rate re-pricing term is the remaining period from the reporting date to the latest interest rate re-pricing date of assets and liabilities.

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

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

44. INTEREST RATE RISK (continued)

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

			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	-	2,344,291	-	-	-	-	-	-	2,344,291
Balances with the State Banks	-	-	14,347,180	-	-	-	-	-	14,347,180
Placements with and loans to other credit institutions (*)	196,000	-	16,178,854	14,801,786	5,937,231	2,584,493	189,000	-	39,887,364
Derivatives and other financial assets	-	3,986	(4,000)	1,866,250	(1,855,875)	10,572	(6,097)	-	14,836
Loans to customers (*)	4,532,528	-	82,318,565	125,525,164	14,282,609	14,336,605	9,335,152	-	250,330,623
Securities held for trading (*)	-	618,901	-	-	-	577,986	-	-	1,196,887
Investment securities (*)	80,000	-	3,952,986	9,509,770	7,626,106	5,865,146	26,207,906	32,678,690	85,920,604
Long-term investments (*)	-	1,037,453	-	-	-	-	-	-	1,037,453
Fixed assets and investment properties	-	2,828,875	-	-	-	-	-	-	2,828,875
Other assets (*)	252,969	17,468,648	-	-	-	-	-	-	17,721,617
Total assets	**5,061,497**	**24,302,154**	**116,793,585**	**151,702,970**	**25,990,071**	**23,374,802**	**35,725,961**	**32,678,690**	**415,629,730**
Liabilities									
Due to the Government and the SBV	-	-	16,836	-	-	-	-	-	16,836
Deposits and borrowings from other credit institutions	-	-	21,265,183	16,148,775	9,354,399	2,763,707	737,618	44,370	50,314,052
Customer deposits	-	-	157,838,905	18,429,568	27,320,106	21,930,624	47,169,057	21,252	272,709,512
Other borrowed and entrusted funds	-	-	-	-	302,126	-	-	-	302,126
Valuable papers issued	-	-	1,540,204	70,488	8,234,535	14,946,173	573,642	923,587	26,288,629
Other liabilities (*)	-	21,970,606	-	-	-	-	-	-	21,970,606
Total liabilities	**-**	**21,970,606**	**180,661,128**	**34,648,831**	**45,211,166**	**39,640,504**	**48,480,317**	**989,209**	**371,601,761**
Interest sensitivity gap	**5,061,497**	**2,331,548**	**(63,867,543)**	**117,054,139**	**(19,221,095)**	**(16,265,702)**	**(12,754,356)**	**31,689,481**	**44,027,969**

(*): Excluding provision

45. CURRENCY RISK

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

Classification of assets and liabilities in foreign currencies translated into VND as at 31 December 2019 are as follows:

	USD equivalent *VND million*	*EUR equivalent* *VND million*	*Other currencies equivalent* *VND million*	*Total* *VND million*
Assets				
Cash, gold and gemstones	240,563	86,470	96,892	423,925
Balances with the State Banks	2,227,948	-	283,670	2,511,618
Placements with and loans to other credit institutions (*)	6,669,774	2,880,683	214,228	9,764,685
Derivatives and other financial assets (*)	4,657,486	34,687	(99,526)	4,592,647
Loans to customers (*)	21,729,930	7,108	595,855	22,332,893
Investment securities (*)	4,635,000	-	-	4,635,000
Long-term investments (*)	-	2,601	-	2,601
Fixed assets	14,835	-	2,081	16,916
Other assets (*)	2,596,529	807,363	69,736	3,473,628
Total assets	**42,772,065**	**3,818,912**	**1,162,936**	**47,753,913**
Liabilities				
Due to the Government and the SBV and other credit institutions	20,372,149	22,440	241,815	20,636,404
Customer deposits	23,547,182	3,738,288	482,719	27,768,189
Other liabilities (*)	388,005	50,718	24,573	463,296
Total liabilities	**44,307,336**	**3,811,446**	**749,107**	**48,867,889**
FX position on balance sheet	**(1,535,270)**	**7,466**	**413,829**	**(1,113,975)**

(*) Excluding provision

46. LIQUIDITY RISK

Liquidity risk arises when MB mobilizes capital in general and manages MB's monetary status. 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.

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

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

The following assumptions and conditions are applied in the analysis of the maturity period of MB's assets and liabilities:

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

46. LIQUIDITY RISK (continued)

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

	Overdue		*Current*					
	Above 3 months VND million	*Within 3 months VND million*	*Up to 1 month VND million*	*From 1 to 3 months VND million*	*From 3 to 12 months VND million*	*From 1 to 5 years VND million*	*Over 5 years VND million*	*Total VND million*
Assets								
Cash, gold and gemstones	-	-	2,344,291	-	-	-	-	2,344,291
Balances with the State Bank	-	-	14,347,180	-	-	-	-	14,347,180
Placements with and loans to other credit institutions (*)	196,000	-	15,998,954	14,981,686	6,942,299	1,579,425	189,000	39,887,364
Derivatives and other financial assets	-	-	(33,726)	(4,295)	58,669	(5,812)	-	14,836
Loans to customers (*)	4,464,999	67,529	16,804,387	45,681,893	79,153,088	58,551,391	45,607,336	250,330,623
Securities held for trading (*)	-	-	1,196,887	-	-	-	-	1,196,887
Investment securities (*)	80,000	-	405,071	855,205	11,292,692	34,538,544	38,749,092	85,920,604
Long-term investments (*)	-	-	-	-	-	1,037,453	-	1,037,453
Fixed assets and investment properties	-	-	40,309	-	3,802	2,765,844	18,920	2,828,875
Other assets (*)	239,857	13,112	13,508,082	105,423	2,452,758	363,357	1,039,028	17,721,617
Total assets	**4,980,856**	**80,641**	**64,611,435**	**61,619,912**	**99,903,308**	**98,830,202**	**85,603,376**	**415,629,730**
Liabilities								
Due to the Government and the SBV	-	-	16,836	-	-	-	-	16,836
Deposits and borrowings from other credit institutions	-	-	21,264,842	16,148,853	12,118,369	737,618	44,370	50,314,052
Customer deposits	-	-	157,838,905	18,429,568	49,250,730	47,169,057	21,252	272,709,512
Other borrowed and trusted funds	-	-	284	1,557	10,348	234,524	55,413	302,126
Valuable papers issued	-	-	1,040,205	1,071	10,534,878	13,218,970	1,493,505	26,288,629
Other liabilities (*)	-	-	20,948,360	733,424	284,371	4,451	-	21,970,606
Total liabilities	**-**	**-**	**201,109,432**	**35,314,473**	**72,198,696**	**61,364,620**	**1,614,540**	**371,601,761**
Net liquidity gap	**4,980,856**	**80,641**	**(136,497,997)**	**26,305,439**	**27,704,612**	**37,465,582**	**83,988,836**	**44,027,969**

(*): Excluding provision

47. OPERATING LEASE COMMITMENTS

	31/12/2019 VND million	*31/12/2018 VND million*
Irrevocable operating leases commitments		
In which:		
- Due within 1 year	65,163	99,606
- Due from 2 – 5 years	1,321,126	846,503
- Due after 5 years	269,520	63,231
	1,655,809	**1,009,340**

48. NOTES TO PROFIT MOVEMENT

Profit before tax of MB for the financial year ended 31 December 2019 increased by VND2,268,746 millions in comparison with that in 2018, equivalent to 29.21% of increase which is contributed by the followings:

Items of significant movements	*Amount VND million*
Increase in net interest income	3,416,500
Increase in net fee and commission income	624,527
Increase in net income from foreign exchange trading	202,910
Increase in net income from trading investment securities and long-term investments	339,022
Increase in net income from other operating activities	582,319
Increase in income from capital contribution, share acquisition	(51,393)
Increase in operating expenses	(989,904)
Increase in provision for credit loss expenses	(1,855,235)
	2,268,746

49. EVENTS AFTER THE REPORTING DATE

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

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

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

Prepared by:	*Reviewed by:*		*Approved by:*
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Hanoi, Vietnam

4 March 2020