



Nam A Commercial Joint Stock Bank
Separate Financial Statements
for the year ended 31 December 2019



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11/27/2020 10:00

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**Nam A Commercial Joint Stock Bank
Bank Information**

Operation Licence No. 0026/NH-GP 22 August 1992

The Operation Licence was issued by the State Bank of Vietnam and is valid for 99 years from the licence date.

Establishment Licence No. 463/GP-UB 1 September 1992

The Establishment Licence was issued by the People's Committee of Ho Chi Minh City.

**Business/Enterprise
Registration Certificate No.** 0300872315 1 September 1992

The Business Registration Certificate has been amended several times, the most recent of which is by Enterprise Registration Certificate No. 0300872315 dated 2 December 2019. The initial Business Registration Certificate and its updates were issued by the Department of Planning and Investment of Ho Chi Minh City.

Board of Management	Mr. Nguyen Quoc Toan	Chairman
	Mr. Tran Ngo Phuc Vu	Vice Chairman
	Mr. Phan Dinh Tan	Vice Chairman
	Mr. Nguyen Quoc My	Vice Chairman
	Ms. Vo Thi Tuyet Nga	Member
	Ms. Do Anh Thu	Independent Member

Supervisory Board	Ms. Trieu Kim Can	Chief Supervisor
	Ms. Nguyen Thi Thuy Van	Member
	Ms. Nguyen Thuy Van	Member

**Nam A Commercial Joint Stock Bank
Bank Information (continued)**

Board of Directors	Mr. Tran Ngoc Tam Mr. Tran Khai Hoan Ms. Vo Thi Tuyet Nga Mr. Le Quang Quang Mr. Hoang Viet Cuong Mr. Nguyen Danh Thiet	General Director Standing Deputy General Director (from 1 November 2019) Deputy General Director (until 31 October 2019) Deputy General Director Deputy General Director Deputy General Director (from 1 November 2019) Deputy General Director (from 1 November 2019)
Chief Accountant	Ms. Nguyen Thi My Lan	
Legal Representative	Mr. Nguyen Quoc Toan	Chairman
Registered Office	No. 201 – 203 Cach Mang Thang Tam Street Ward 4, District 3, Ho Chi Minh City Vietnam	
Auditor	KPMG Limited Vietnam	

10/2019

10/2019

Nam A Commercial Joint Stock Bank Statement of the Board of Directors

The Board of Directors of Nam A Commercial Joint Stock Bank ("the Bank") presents this statement and the accompanying separate financial statements of the Bank for the year ended 31 December 2019.

The Bank's Board of Directors is responsible for the preparation and fair presentation of the separate financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for Credit Institutions stipulated by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting. In the opinion of the Bank's Board of Directors:

- (a) The separate financial statements set out on pages from 6 to 88 give a true and fair view of the financial position of the Bank as at 31 December 2019, and of the results of operations and the cash flows of the Bank for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for Credit Institutions stipulated by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting; and
- (b) at the date of this statement, there are no reasons for the Bank's Board of Directors to believe that the Bank will not be able to pay its debts as and when they fall due.

The Bank's Board of Directors has, on the date of this statement, authorised the accompanying separate financial statements for issue.

On behalf of the Board of Directors



Trần Ngọc Tam
General Director

Ho Chi Minh City, 2 March 2020



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10th Floor, Sun Wah Tower
115 Nguyen Hue Street, Ben Nghe Ward
District 1, Ho Chi Minh City, Vietnam
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders Nam A Commercial Joint Stock Bank

We have audited the accompanying separate financial statements of Nam A Commercial Joint Stock Bank ("the Bank"), which comprise the separate balance sheet as at 31 December 2019, the separate statements of income and cash flows for the year then ended and the explanatory notes thereto which were authorised for issue by the Bank's Board of Directors on 2 March 2020, as set out on pages 6 to 88.

The Board of Directors' Responsibility

The Bank's Board of Directors is responsible for the preparation and fair presentation of these separate financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for Credit Institutions stipulated by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting, and for such internal control as the Board of Directors determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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



Auditor's Opinion

In our opinion, the separate financial statements give a true and fair view, in all material respects, of the unconsolidated financial position of Nam A Commercial Joint Stock Bank as at 31 December 2019 and of its unconsolidated results of operations and its unconsolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for Credit Institutions stipulated by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting.

Emphasis of Matter

We draw attention to Note 3(c) and Note 6(i) to the separate financial statements which describe that the Bank temporarily classified loans to three people's credit funds under special supervision following the direction of the State Bank of Vietnam ("SBV") amounting to VND208,658 million as at 31 December 2019 (31 December 2018: VND49,417 million) as Current debts while awaiting for specific guidance from the SBV. Our opinion is not modified in respect of this matter.

KPMG Limited's Branch in Ho Chi Minh City
Vietnam

Audit Report No. 19-01-00582-20-1



Nguyen Thanh Nghi
Practicing Auditor Registration
Certificate No. 0304-2018-007-1
Deputy General Director

Truong Vinh Phuc
Practicing Auditor Registration
Certificate No. 1901-2018-007-1

Ho Chi Minh City, 2 March 2020

	Note	31/12/2019 VND million	31/12/2018 VND million
A ASSETS			
I Cash on hand, gold	4	945,670	463,755
II Balances with the State Bank of Vietnam	5	3,055,469	2,844,909
III Deposits with and loans to other credit institutions	6	11,795,654	9,866,059
1 Deposits with other credit institutions		11,586,996	9,866,059
2 Loans to other credit institutions		208,658	49,417
3 Allowance for loans to credit institutions		-	(49,417)
IV Held-for-trading securities	7	127,921	63,324
1 Held-for-trading securities		144,141	144,141
2 Allowance for held-for-trading securities		(16,220)	(80,817)
VI Loans and advances to customers		66,751,987	50,042,960
1 Loans and advances to customers	8	67,545,653	50,814,947
2 Allowance for loans and advances to customers	9	(793,666)	(771,987)
VIII Investment securities	10	7,424,193	9,041,087
1 Available-for-sale securities		4,331,101	3,836,046
2 Held-to-maturity securities		3,099,230	5,320,257
3 Allowance for investment securities		(6,138)	(115,216)
IX Capital contribution, long-term investments	11	160,220	414,145
1 Investment in a subsidiary		50,000	300,000
4 Other long-term investments		115,280	117,280
5 Allowance for diminution in value of long-term investments		(5,060)	(3,135)
X Fixed assets		881,710	821,000
1 Tangible fixed assets	12	448,892	365,367
<i>a Cost</i>		809,007	678,675
<i>b Accumulated depreciation</i>		(360,115)	(313,308)
2 Finance lease fixed assets	13	32,746	38,544
<i>a Cost</i>		71,411	73,598
<i>b Accumulated depreciation</i>		(38,665)	(35,054)
3 Intangible fixed assets	14	400,072	417,089
<i>a Cost</i>		509,541	512,701
<i>b Accumulated amortisation</i>		(109,469)	(95,612)
XII Other assets	15	3,514,542	1,538,336
1 Receivables		1,885,662	231,353
2 Accrued interest and fees receivable		1,315,261	1,177,679
4 Other assets		361,076	160,144
5 Allowance for losses on other assets		(47,457)	(30,840)
TOTAL ASSETS		94,657,366	75,095,575

The accompanying notes are an integral part of these separate financial statements

	Note	31/12/2019 VND million	31/12/2018 VND million
B			
LIABILITIES AND EQUITY			
LIABILITIES			
I			
Borrowings from the Government and the State Bank of Vietnam	16	1,512	1,770
II			
Deposits and borrowings from other credit institutions	17	11,720,897	12,302,162
1 Deposits from other credit institutions		11,244,350	10,799,106
2 Borrowings from other credit institutions		476,547	1,503,056
III			
Deposits from customers	18	70,744,734	54,254,038
IV			
Derivatives and other financial liabilities	19	4,718	-
V			
Grants and entrusted funds received	20	710,001	128,714
VI			
Valuable papers issued	21	4,412,123	2,605,723
VII			
Other liabilities	22	2,131,506	1,600,996
1 Accrued interest and fees payable		1,679,219	1,224,166
3 Other liabilities		452,287	376,830
TOTAL LIABILITIES		89,725,491	70,893,403
EQUITY			
VIII			
Equity	24	4,931,875	4,202,172
1 Capital		3,892,642	3,356,079
a Charter capital		3,890,053	3,353,494
b Capital for construction, purchases of fixed assets		10	10
c Share premium		2,554	2,550
g Other capital		25	25
2 Reserves		411,577	301,795
5 Retained profits		627,656	544,298
TOTAL EQUITY		4,931,875	4,202,172
TOTAL LIABILITIES AND EQUITY		94,657,366	75,095,575

	Note	31/12/2019 VND million	31/12/2018 VND million	
OFF-BALANCE SHEET ITEMS				
2	Foreign exchange commitments	38	1,395,807	513,700
	<i>In which:</i>			
	▪ Purchase commitments of foreign currencies		-	350,250
	▪ Sale commitments of foreign currencies		-	163,450
	▪ Commitments on currency swap transactions		1,395,807	-
4	Letters of credit	38	909,803	15,289
5	Other guarantees	38	345,143	267,464

Prepared by



Nguyen Thi Thao
 Head of General Accountant

2 March 2020

Reviewed by



Nguyen Thi My Lan
 Chief Accountant

Approved by



Tran Ngoc Tam
 General Director


	Note	2019 VND million	2018 VND million
1 Interest and similar income	25	7,120,834	5,246,705
2 Interest and similar expenses	25	(4,938,731)	(3,545,892)
I Net interest income	25	2,182,103	1,700,813
3 Fees and commission income	26	160,128	113,052
4 Fees and commission expenses	26	(87,113)	(60,474)
II Net fees and commission income	26	73,015	52,578
III Net gain from trading of foreign currencies	27	24,728	29,873
IV Net profit/(loss) from trading of held-for-trading securities	28	64,597	(68,594)
V Net gain from sales of investment securities	29	115,910	29,255
5 Other income	30	10,771	45,573
6 Other expenses	30	(24,764)	(12,568)
VI Net other (loss)/ income	30	(13,993)	33,005
VII Gain from capital contribution, share purchase	31	6,599	7,956
VIII Operating expenses	32	(1,543,293)	(1,146,479)
IX Net operating profit before allowance expenses for credit losses		909,666	638,407
X Allowance expenses for credit losses	33	12,142	101,142
XI Profit before tax		921,808	739,549
7 Corporate income tax expense – current	34	(191,010)	(149,776)
8 Corporate income tax expense – deferred	34	-	-
XII Total corporate income tax expense	34	(191,010)	(149,776)
XIII Profit after tax		730,798	589,773

2 March 2020

Prepared by


 Nguyen Thi Thao
 Head of General Accountant

Reviewed by


 Nguyen Thi My Lan
 Chief Accountant

Approved by



 Tran Ngoc Tam
 General Director

The accompanying notes are an integral part of these separate financial statements

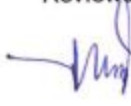
	2019 VND million	2018 VND million
CASH FLOWS FROM OPERATING ACTIVITIES		
01	6,985,174	4,836,778
02	(4,485,078)	(3,206,830)
03	73,818	51,992
04	138,608	63,040
05	(23,919)	(9,847)
06	8,913	42,472
07	(1,626,281)	(935,854)
08	(176,886)	(93,218)
	894,349	748,533
Cash flows from operating activities before changes in operating assets and liabilities		
Changes in operating assets		
09	(159,241)	364,233
10	1,725,972	1,214,069
11	-	509
12	(18,343,706)	(14,469,407)
13	(124,749)	(7)
14	(62,557)	(12,174)
Changes in operating liabilities		
15	(258)	(321,698)
16	(581,265)	4,677,840
17	16,490,696	14,308,743
18	1,806,400	713,610
19	581,287	114,875
20	4,718	-
21	56,478	8,676
I	2,288,124	7,347,802
NET CASH FLOWS FROM OPERATING ACTIVITIES		

	2019 VND million	2018 VND million
CASH FLOWS FROM INVESTING ACTIVITIES		
01		
02		
08		
09		
II		
CASH FLOWS FROM FINANCING ACTIVITIES		
01		
04		
III		
IV		
V		
VII		



Prepared by

 Nguyen Thi Thao
 Head of General Accountant

2 March 2020
 Reviewed by

 Nguyen Thi My Lan
 Chief Accountant

Approved by


 Tran Ngoc Tam
 General Director

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

1. Reporting entity

(a) Establishment and operations

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

The Bank was established under Operation Licence No. 0026/NH-GP issued by the State Bank of Vietnam ("the SBV") on 22 August 1992, Establishment Licence No. 463/GP-UB issued by the People's Committee of Ho Chi Minh City on 1 September 1992 and initial Business Registration Certificate No. 0300872315 issued by the Department of Planning and Investment of Ho Chi Minh City on 1 September 1992 with 39th update on 02 December 2019. The Operation Licence of the Bank is valid for 99 years from the licence date.

The Bank's principal activities include mobilising short, medium and long-term deposits in the form of time deposits, demand deposits, deposit certificates; receiving funds; taking borrowings from other credit institutions; granting short, medium and long-term loans; discounting of commercial papers, bonds and valuable papers; venturing capital and joint-venture; conducting payment transactions services; conducting foreign currency and gold trading transactions, international trade finance services, mobilising overseas sources of funds and other international banking services with overseas counterparties as approved by the State Bank of Vietnam; carrying out factoring activities; providing cash management services, banking and financial consulting, services of keeping and managing assets; renting safe boxes; trading government bonds, corporate bonds; entrusted lending and receiving entrusted funds; insurance agency services; providing credit facility under form of bank guarantees; purchasing debts; providing foreign exchange services on domestic and international markets within the scope stipulated by the State Bank of Vietnam; trading gold; renting out part of the Bank's unused premises.

(b) Charter capital

As at 31 December 2019, the Bank's charter capital is VND3,890,053,280,000 (31/12/2018: VND3,353,494,210,000). The par value is VND10,000 per share.

(c) Location and operation network

The Bank's Head Office is located at No. 201 – 203 Cach Mang Thang Tam Street, Ward 4, District 3, Ho Chi Minh City, Vietnam. As at 31 December 2019, the Bank has one (1) business center and one hundred and two (102) branches and transaction offices across the country (31/12/2018: one (1) business center and sixty nine (69) branches and transaction offices across the country).

(d) Subsidiaries

As at 31 December 2019 and 2018, the Bank had one subsidiary as follows:

	Percentage of equity owned and voting rights	
	31/12/2019	31/12/2018
Nam A Bank Asset Management Company Limited	100%	100%

Nam A Bank Asset Management Company Limited ("the subsidiary") was established under Decision No. 288/QĐ-NHNN of the State Bank of Vietnam and Business Registration Certificate No. 0304691951 issued by the Department of Planning and Investment of Ho Chi Minh City on 1 November 2006 (15th amendment on 7 November 2019) with a charter capital of VND100 billion and an operation period which is the remaining operation period of the Bank in the territory of Vietnam. The charter capital contributed up to 31 December 2019 is VND50 billion (31/12/2018: VND300 billion).

The principal activities of the subsidiary are to dispose of the loan assets in the form of appropriate guarantees: renovation, repairing and upgrading of assets for sale, lease, business operation, capital contribution, joint venture by properties to recover debts; to receive and manage outstanding debts (including debts with secured assets and debts without secured assets) and secured assets (mortgages, pledged assets, debt-bearing assets and assets handed over to the Bank in court) related to the debts, collecting debts in the fastest way; to actively sell assets at the Bank's discretion at market prices (selling prices may be higher or lower than the value of outstanding debts) in the form of self-selling in the market, selling through centers of property auction services and selling to the State's debt purchase and sale companies (when established); to buy and sell outstanding debts of other credit institutions, debt management companies and to exploit assets of commercial banks according to current provisions of laws; to perform work as authorised by the Bank; to restructure outstanding debts with the following measures: debt rescheduling, interest exemption, additional investment, conversion into contributed capital; to handle assets of debts by taking appropriate measures: repairing, upgrading and upgrading assets for sale, lease, business operation, joint venture, capital contribution by properties to recover debts; to carry out debt trading services including debt purchase, debt sale, debt brokerage, trading debt consultancy.

(e) Number of employees

As at 31 December 2019, the Bank had 2,984 employees (31/12/2018: 2,076 employees).

2. Basis of preparation

(a) Statement of compliance

The separate financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for Credit Institutions stipulated by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting. These accounting standards and the relevant statutory requirements may differ in some material aspects from International Financial Reporting Standards and the generally accepted accounting principles and standards in other countries. Accordingly, the accompanying separate financial statements are not intended to present the unconsolidated financial position and unconsolidated results of operations and unconsolidated cash flows of the Bank in accordance with generally accepted accounting principles and practices in countries or jurisdictions other than Vietnam. Furthermore, the utilisation is not designed for those who are not informed about Vietnam's accounting principles, procedures and practices applicable to credit institutions.

The Bank also prepares the consolidated financial statements of the Bank and its subsidiary (collectively referred to as "the Group") in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for Credit Institutions stipulated by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting. These separate financial statements of the Bank should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2019 in order to obtain a comprehensive understanding on the consolidated financial position of the Group as at 31 December 2019, the consolidated results of operations and the consolidated cash flows of the Group for the year then ended.

(b) Basis of measurement

The separate financial statements, except for the separate statement of cash flows, are prepared on the accrual basis using the historical cost concept. The separate statement of cash flows is prepared using the direct method.

(c) Annual accounting period

The annual accounting period of the Bank is from 1 January to 31 December.

(d) Accounting and presentation currency

The Bank's accounting currency is Vietnam Dong ("VND"), which is also the currency used for financial statement presentation purpose, rounded to the nearest million ("VND million").

(e) Form of accounting records applied

The Bank uses accounting software to record its transactions under the form of general journal ledgers.

3. Summary of significant accounting policies

The following significant accounting policies have been adopted by the Bank in the preparation of these separate financial statements.

(a) Foreign currency transactions

All transactions are recorded in original currencies. Monetary assets and liabilities denominated in currencies other than VND are translated into VND at the average of buying and selling spot exchange rate of that currency ("spot exchange rate") at the end of the last working day of the accounting period if the difference between the spot exchange rate and the weighted average of the buying and selling exchange rates of the last working day of the accounting period is less than 1%, in case the difference between the spot exchange rate at the end of the last working day of the accounting period and the weighted average of the buying and selling exchange rates of the last working day of the accounting period is greater than or equal to 1%, the Bank will use the weighted average of the buying and selling exchange rates of the last working day of the accounting period. Non-monetary assets and liabilities denominated in currencies other than VND are translated to VND at rates of exchange on the transaction dates.

Income and expenses in foreign currencies are translated into VND at the spot exchange rates on transaction dates.

Foreign exchange differences arising from monthly translation of monetary assets and liabilities are recognised in the "Foreign exchange differences" account in equity and then transferred to the separate statement of income at the end of the annual accounting period.

Refer to Note 41(c)(ii) for the major exchange rates used at the end of the annual accounting period.

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, gold, balances with the SBV, deposits with and loans to other credit institutions with original term to maturity of not more than three months, Government's promissory notes and other short-term valuable papers qualified to be discounted at the SBV, and securities which have maturity dates within three months from the purchase dates.

(c) Deposits with and loans to other credit institutions

Deposits with other credit institutions excluding demand deposits are deposits with other credit institutions with original term to maturity of not more than three months.

Loans to other credit institutions are loans with original term to maturity of not more than 12 months.

Deposits with other credit institutions excluding demand deposits and loans to other credit institutions are stated at the amount of outstanding principal less specific allowance for credit losses.

Debt classification of term deposits with and loans to other credit institutions and allowance calculation thereof is made in accordance with Circular No. 02/2013/TT-NHNN dated 21 January 2013 issued by the SBV regulating the classification of assets, credit loss allowance level, allowance calculation method and utilisation of allowance in operations of credit institutions and branches of foreign banks ("Circular 02") and Circular No. 09/2014/TT-NHNN dated 18 March 2014 issued by the SBV amending and supplementing certain articles of Circular 02 ("Circular 09") as described in Note 3(g).

In accordance with Circular 02, the Bank is not required to make general allowance for term deposits with and loans to other credit institutions.

In addition, the Bank also has temporary loans to three people's credit funds under special supervision following the direction of the SBV with original term to maturity of not more than 2 years and temporarily classified these loans as Current debts while awaiting for specific guidance from the SBV.

(d) Held-for-trading securities

(i) Classification

Held-for-trading securities are debt securities or equity securities acquired principally for the purpose of selling in the short-term or there is evidence of a recent pattern of short-term profit-taking.

(ii) Recognition

The Bank recognises held-for-trading securities on the date it becomes a party to the contractual provisions of these securities (trade date accounting).

(iii) Measurement

Held-for-trading securities are stated at cost less allowance for losses on held-for-trading securities. Allowance for losses on held-for-trading securities comprises allowance for credit losses and allowance for diminution in value.

Allowance for credit losses is made for held-for-trading unlisted corporate bonds. Debt classification and allowance for credit losses of unlisted corporate bonds are made in accordance with the requirements of Circular 02 and Circular 09 as described in Note 3(g).

Allowance for diminution in value is made when the market price is lower than the book value.

For listed held-for-trading equity securities, the market price is the closing price at the latest trading date until the end of the annual accounting period.

For unlisted held-for-trading equity securities that have been registered for trading on the unlisted public company market ("UPCOM"), the market price is the average price of the most recent 30 trading dates until the end of the annual accounting period announced by the Stock Exchange.

For unlisted trading securities and not yet registered for trading on the UPCOM, in case there is indicator of diminution in value of these securities, allowance is made in accordance with the accounting policy as described in Note 3(i).

The allowance for credit losses of held-for-trading unlisted corporate bonds and allowance for diminution in value of other held-for-trading securities as mentioned above are reversed if the recoverable amount of these securities subsequently increases after the allowance being recognised. An allowance is reversed only to the extent that the securities' carrying amount does not exceed the carrying amount that would have been determined if no allowance had been recognised.

Interest income during the holding period of held-for-trading debt securities is recognised in the separate statement of income upon receipt (cash basis).

(iv) Derecognition

Held-for-trading securities are derecognised when the rights to receive cash flows from the securities have expired or the Bank has transferred substantially all risks and rewards of ownership of these securities.

(e) Derivative financial instruments

Forward and swap currency contracts

Forward currency contracts and swap currency contracts are recorded at the net contract values in the separate financial statements. The differences between the currency amounts which are committed to buy/sell at contractual exchange rate and the currency amounts translated at the spot exchange rate at the effective date of the forward currency contracts and swap currency contracts are amortised to the separate statement of income on a straight-line basis over the terms of these contracts.

The positions of forward currency contracts are revalued at the spot exchange rate at each month-end. Unrealised gains/losses are recorded in the "Foreign exchange differences" account in equity on the separate balance sheet and then transferred to the separate statement of income at the end of the annual accounting period.

(f) Loans and advances to customers

Loans and advances to customers are stated at the amount of principal less allowance for credit losses. Allowance for credit losses on loans and advances to customers comprises specific allowance and general allowance.

Short-term loans are those with repayment term within one (01) year from the loan disbursement date; medium-term loans are those with repayment term from over one (01) year to five (05) years from the loan disbursement date and long-term loans are those with repayment term of more than five (05) years from the loan disbursement date.

Loans and advances to customers are derecognised when the contractual rights to receive cash flows from the loans contracts expire, or the Bank has transferred substantially all risks and rewards of ownership associated with the loans to other parties.

For the loans sold to Vietnam Asset Management Company ("VAMC"), the Bank derecognises them from the separate balance sheet in accordance with the guidance in Official Letter No. 8499/NHNN-TCKT dated 14 November 2013 issued by the SBV ("Official Letter 8499") and Official Letter No. 925/NHNN-TCKT dated 19 February 2014 issued by the SBV ("Official Letter 925").

Debt classification and allowance for credit losses for loans and advances to customers are made in accordance with the requirements of Circular 02 and Circular 09 as described in Note 3(g).

(g) Debt classification, allowance level and calculation method of allowance for credit losses

(i) Debt classification

Debt classification for term deposits with and loans to other credit institutions, unlisted corporate bonds, loans and advances to customers, entrusted loans (together referred to as "debts"), debts sold but not yet collected is made in accordance with the quantitative method as stipulated in Article 10 of Circular 02. The Bank carries out quarterly debt classification based on the outstanding principals of debts at the last working date of each quarter (except for Quarter 4, debt classification based on the outstanding principals of debts at the last working date of November for the purpose of making allowance for credit losses) as follows:

Group		Overdue status
1	Current debts	(a) Current debts being assessed as fully and timely recoverable, both principal and interest; or (b) Debts being overdue for less than 10 days and being assessed as fully recoverable, both overdue principal and interest, and fully and timely recoverable, both remaining principal and interest.
2	Special mentioned debts	(a) Debts being overdue between 10 days and 90 days; or (b) Debts having terms of repayment rescheduled for the first time.
3	Sub-standard debts	(a) Debts being overdue between 91 days and 180 days; or (b) Debts having terms of repayment extended for the first time; or (c) Debts having exempt or reduced interest because customers are not able to pay the interest according to the credit contract; or (d) Debts falling in one of the following cases not yet collected within 30 days since the issuance date of recovery decision: <ul style="list-style-type: none"> ▪ Debts having violated regulations specified in Points 1, 3, 4, 5, 6 of Article 126 of Laws on Credit Institutions; or ▪ Debts having violated regulations specified in Points 1, 2, 3, 4 of Article 127 of Laws on Credit Institutions; or ▪ Debts having violated regulations specified in Points 1, 2, 5 of Article 128 of Laws on Credit Institutions. (e) Debts in the collection process under inspection conclusions.
4	Doubtful debts	(a) Debts being overdue between 181 days and 360 days; or (b) Debts having rescheduled terms of repayment for the first time and being overdue less than 90 days according to the first rescheduled terms of repayment; or (c) Debts having rescheduled terms of repayment for the second time; or (d) Debts specified in point (d) of Sub-standard debts not yet collected between 30 days and 60 days since the issuance date of recovery decision; or (e) Debts in the collection process under inspection conclusions but being overdue up to 60 days according to recovery term.

Group		Overdue status
5	Loss debts	(a) Debts being overdue more than 360 days; or (b) Debts having rescheduled terms of repayment for the first time and being overdue more than 90 days according to the first rescheduled terms of repayment; or (c) Debts having rescheduled terms of repayment for the second time and being overdue according to the second reschedule terms of repayment; or (d) Debts having rescheduled terms of repayment for the third time or more, regardless of whether the debts are overdue or not; or (e) Debts specified in point (d) of Sub-standard debts not yet collected over 60 days since the issuance date of recovery decision; or (f) Debts in the collection process under inspection conclusions but being overdue of more than 60 days according to recovery term; or (g) Debts to credit institutions being announced under special supervision status by the SBV, or to foreign bank branches of which capital and assets are blockaded.

Bad debts are debts in Group 3, 4 and 5.

For off-balance sheet commitments, the Bank classified debts based on the overdue days from the date when the Bank performs committed obligations:

- Group 3 - Sub-standard debts: overdue below 30 days;
- Group 4 - Doubtful debts: overdue from 30 days to less than 90 days
- Group 5 - Loss debts: overdue from 90 days and above.

Where a customer owes more than one debt to the Bank, and has any of its debts transferred to a higher risk group, the Bank is obliged to classify the remaining debts of such customer into the group of debts with higher risk corresponding with their level of risk.

When the Bank participates in a syndicated loan not as the lead bank, the Bank reclassifies all debts (including the syndicated loan) of the customer into a higher risk group of debt as decided by the lead bank, participating banks and by the Bank.

The Bank is also required to use the results of debt classification as provided by the Credit Information Center of the SBV ("CIC") at the date of classification to adjust the results of its internal classification of debts and off-balance sheet commitments. Where debts and off-balance sheet commitments of one customer are classified by the Bank into a group of debts with lower risk as compared to those provided by CIC, the Bank is required to reclassify such debts and off-balance sheet commitments to the group of debts as provided by CIC.



(ii) **Allowance for credit losses**

Allowance for credit losses comprises general allowance for credit losses and specific allowance for credit losses.

Specific allowance for credit losses

In accordance with the requirements of Circular 02 and Circular 09, specific allowance for credit losses is calculated based on the allowance rate corresponding to each debt group and outstanding principals of debts at the last working date of each quarter (except for Quarter 4, specific allowance is calculated based on the allowance rate corresponding to each debt group and outstanding principals of debts at the last working date of November) less the allowed value of collaterals.

Specific allowance rates applied to each debt group are as follows:

Group	Allowance rate
Group 1 – Current debts	0%
Group 2 – Special mentioned debts	5%
Group 3 – Sub-standard debts	20%
Group 4 – Doubtful debts	50%
Group 5 – Loss debts	100%

The allowed value of collaterals is determined in accordance with the following principles as set out in Circular 02:

- Collateral assets with value of VND50 billion or more for debts to related parties or other parties subject to credit restriction under Article 127 of Law on Credit Institutions and collateral assets with value of VND200 billion or more must be revalued by a licensed asset valuation organisation; and
- Other than the above, collateral assets are revalued in accordance with the Bank's internal policies and processes.

Maximum allowed ratio of collateral assets are as follows:

Type of collateral assets	Maximum allowed ratio
(a) Deposits from customers in VND	100%
(b) Gold billets, except for the types of gold specified in item (i) below; deposits from customers in foreign currencies	95%
(c) Government bonds, transferable instruments, valuable papers issued by the Bank, saving deposit certificates, certificates of deposit, bills and notes issued by other credit institutions or foreign bank branches: <ul style="list-style-type: none"> ▪ With a remaining term of below 1 year ▪ With a remaining term of between 1 year to 5 years ▪ With a remaining term of over 5 years 	95% 85% 80%
(d) Securities issued by other credit institutions and listed on a stock exchange	70%
(e) Securities issued by other enterprises and listed on a stock exchange	65%
(f) Unlisted securities and valuable papers, except for the types of securities specified in item (c) above, issued by other credit institutions registered for listing on a stock exchange;	50%
Unlisted securities and valuable papers, except for the types of securities specified in item (c) above, issued by other credit institutions not registered for listing on a stock exchange	30%
(g) Unlisted securities and valuable papers issued by enterprises registered for listing on a stock exchange;	30%
Unlisted securities and valuable papers issued by enterprises not registered for listing on a stock exchange	10%
(h) Real estates	50%
(i) Gold billets not having quoted price, other types of gold and other collateral assets	30%

Collateral assets that do not satisfy the legal conditions as specified in Point 3, Article 12 of Circular 02 are deemed to have zero allowed value.

As at 31 December 2019, the Bank calculated the specific allowance for credit losses based on the result of debt classification of outstanding principals of debts as at 30 November 2019 (31/12/2018: based on the result of debt classification of outstanding principals of debts as at 30 November 2018).

General allowance for credit losses

In accordance with Circular 02, a general allowance is made at 0.75% of the outstanding principals of debts at the last working date of each quarter (except for Quarter 4, the general allowance is made at 0.75% of the outstanding balance of debts at the last working date of November) excluding term deposits with and loans to other credit institutions and debts being classified as Loss debts.

As at 31 December 2019, the Bank provided a general allowance for credit losses based on the above balances as at 30 November 2019 (31/12/2018: a general allowance was provided based on the above balances as at 30 November 2018).

(iii) Writing-off bad debts

In accordance with Circular 02 and Circular 09, debts are written-off against the allowance when they have been classified to Group 5 or when borrowers have been declared bankrupt or dissolved (for borrowers being organisations and enterprises) or borrowers are deceased or missing (for borrowers being individuals).

Debts written-off against allowance are recorded as off-balance sheet items for following up and collection. The amounts collected from the debts previously written-off are recognised in the separate statement of income upon receipt.

(iv) Provision for off-balance sheet commitments

In accordance with Circular 02 and Circular 09, the debt classification of off-balance sheet commitments is done solely for risk management, credit quality supervision of credit granting activities. The Bank is not required to make provision for off-balance sheet commitments, except where the Bank has been required to make payment under the guarantee contract, in which case the payment on behalf is classified and provision is made in accordance with the accounting policy as described in Note 3(g)(i) and Note 3(g)(ii).

(h) Investment securities

Investment securities include available-for-sale and held-to-maturity securities. The Bank classifies investment securities at the time of purchase as available-for-sale securities or held-to-maturity securities. In accordance with Official Letter No. 2601/NHNN-TCKT dated 14 April 2009 issued by the SBV, the Bank is allowed to reclassify investment securities maximum once after the initial classification at the purchase date.

(i) Available-for-sale securities

Classification

Available-for-sale securities are debt securities or equity securities which are bought and intended to be held for an indefinite period and may be sold at any time.

Recognition

The Bank recognises available-for-sale securities on the date when it becomes a party to the contractual provisions of these securities (trade date accounting).

Measurement

Available-for-sale unlisted corporate bonds are stated at cost less allowance for credit losses. Debt classification and allowance for credit losses of unlisted corporate bonds are made in accordance with the requirements of Circular 02 and Circular 09 as described in Note 3(g).

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Other available-for-sale securities are stated at cost, which includes purchase price plus any directly attributable transaction costs such as brokerage fees, transaction fees, information fees and bank charges (if any). Subsequently, these securities are stated at the lower of book value and market price with the loss being recognised in the separate statement of income.

For listed available-for-sale equity securities, the market price is the closing price at the latest trading date until the end of the annual accounting period.

For unlisted available-for-sale equity securities that have been registered for trading on the unlisted public company market ("UPCOM"), the market price is the average of price of the most recent 30 trading dates until the end of the annual accounting period announced by the Stock Exchange.

Market prices of listed available-for-sale debt securities is determined based on the latest transaction price on the Stock Exchange within 10 days until the end of the annual accounting period. If there is no transaction within 10 days until the end of the annual accounting period, no allowance is made for such debt securities.

For unlisted trading securities and not yet registered for trading on the UPCOM, in case there is indicator of diminution in value of these securities, allowance is made in accordance with the accounting policy as described in Note 3(i).

Premiums and discounts arising from purchases of available-for-sale debt securities are amortised to the separate statement of income using the straight line method over the period from the acquisition date to the maturity date, in cases that these available-for-sale securities are sold before their maturity dates. The unamortised premiums and discounts are fully recognised in the separate statement of income at the selling date.

Post-acquisition interest income of available-for-sale debt securities is recognised in the separate statement of income on an accrual basis.

The allowance for credit losses of available-for-sale unlisted corporate bonds and allowance for diminution in value of other available-for-sale securities as mentioned above are reversed if the recoverable amount increases after the allowance being recognised. An allowance is reversed only to the extent that the securities' carrying amount does not exceed the carrying amount that would have been determined if no allowance had been recognised.

Derecognition

Available-for-sale securities are derecognised when the rights to receive cash flows from the securities have expired or the Bank has transferred substantially all risks and rewards of ownership of these securities.

(ii) Held-to-maturity securities

Classification

Held-to-maturity securities are debt securities with fixed or determinable payments and a fixed maturity where the Bank has the positive intention and ability to hold until maturity.

Recognition

The Bank recognises held-to-maturity securities on the date it becomes a party to the contractual provisions of these securities (trade date accounting).

Measurement

Held-to-maturity unlisted corporate bonds are stated at cost less allowance for credit losses. Debt classification and allowance for credit losses of unlisted corporate bonds are made in accordance with the requirements of Circular 02 and Circular 09 as described in Note 3(g).

Other held-to-maturity securities are stated at cost less allowance for diminution in value. Allowance for diminution in value is made when there is an indicator of long-term decline or strong evidence that the Bank might not be able to fully recover the amount and the Bank does not make allowance for diminution in value for short-term changes in prices.

Premiums and discounts arising from purchases of held-to-maturity securities are amortised to the separate statement of income using the straight line method over the period from the acquisition date to the maturity date.

Post-acquisition interest income from held-to-maturity securities is recognised in the separate statement of income on an accrual basis.

The allowance for credit losses of held-to-maturity unlisted corporate bonds and the allowance for diminution in the value of other held-to-maturity securities as mentioned above are reversed if the recoverable amount increases after the allowance being recognised. An allowance is reversed only to the extent that the securities' carrying amount does not exceed the carrying amount that would have been determined if no allowance had been recognised.

Derecognition

Held-to-maturity securities are derecognised when the rights to receive cash flows from these securities have expired or the Bank has transferred substantially all risks and rewards of ownership of these securities.

(iii) Special bonds issued by Vietnam Asset Management Company ("VAMC")

The Bank accounts for bad debts sold in exchange for special bonds issued by VAMC in accordance with the guidance in Official Letter 8499 and Official Letter 925.

Classification

Special bonds issued by VAMC are valuable papers issued by VAMC to purchase the Bank's bad debts and are classified as held-to-maturity debt securities issued by local economic entities.

Recognition

Special bonds are initially recognised at par value at transaction date and subsequently measured at par value less allowance for losses.

Measurement

In exchange of each bad debt sold to VAMC, the Bank receives a corresponding special bond issued by VAMC. Par value of the special bond is equal to the carrying value of bad debt sold net off specific allowance which was made but not yet utilised.

After completing the procedures of selling bad debts, the Bank writes down the book value of bad debts, using specific allowance which was made but not yet utilised. At the same time, the Bank recognises the special bonds issued by VAMC in held-to-maturity securities issued by local economic entities.

For the special bonds issued by VAMC, specific allowance is calculated and made in accordance with the guidance in Circular No. 19/2013/TT-NHNN dated 6 September 2013 ("Circular 19") issued by the SBV regulating the purchase, sale and disposal of bad debts of VAMC and Circular No. 14/2015/TT-NHNN dated 28 August 2015 ("Circular 14") issued by the SBV, Circular No. 08/2016/TT-NHNN dated 16 June 2016 ("Circular 08") issued by the SBV and Circular No. 09/2017/TT-NHNN dated 14 August 2017 issued by the SBV amending and supplementing certain articles of Circular 19. Accordingly, the minimum specific allowance required to make annually during the term of the special bonds is the positive difference between 20% of the par value of the special bonds deducting the collected amounts of the underlying bad debts during the year. Annually, the Bank is required to make adequate specific allowance mentioned as above within 5 consecutive working days before the due date of special bonds and is not required to make general allowance for these special bonds. Allowance for special bonds is recognised in the separate statement of income.

(i) Other long-term investments

Other long-term investments are investments in equity instruments of entities where the Bank has no control or significant influence. These long-term investments are initially recognised at cost. Subsequent to the initial recognition, they are measured at cost less allowance for diminution in value.

Allowance for diminution in the value of other long-term investments is made in case of diminution in value in accordance with guidance of Circular No. 48/2019/TT-BTC dated 8 August 2019 issued by the Ministry of Finance ("Circular 48"). Allowance for diminution in value of long-term investment is equal to the difference between the total capital contributed by all investors and the owner's equity of the investee multiplied (x) the Bank's actual percentage of equity ownership in the investee at the reporting date.

The allowance is reversed if there is a subsequent increase in the recoverable amount after the allowance being recognised. An allowance is reversed only to the extent that the investment's carrying amount does not exceed the carrying amount that would have been determined if no allowance had been recognised.

(j) Investments in subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are stated at cost less allowance for diminution in value in the Bank's separate financial statements. Allowance for diminution in value is made in accordance with the accounting policy as described in Note 3(i).

(k) Tangible fixed assets

(i) Cost

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises of its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the tangible fixed assets have been put into operation, such as repairs, maintenance and overhaul costs, is charged to separate statement of income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of tangible fixed assets beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

(ii) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of items of tangible fixed assets. The estimated useful lives are as follows:

▪ buildings and structures	5 - 30 years
▪ machinery and equipment	3 - 8 years
▪ motor vehicles	6 - 10 years
▪ office equipment	3 - 8 years
▪ other fixed assets	4 - 10 years

(l) Finance lease fixed assets

Finance lease is a lease transaction whereby the Bank has recognised the majority of the risks and rewards associated with the ownership of leased assets. Asset ownership may be transferred at the end of the lease term. At the time of receipt of leased assets, the Bank recognises leased assets as finance lease fixed assets and finance lease liabilities on the separate balance sheet at an amount equal to the lower of fair value of finance lease fixed assets and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation.

Depreciation of finance lease fixed assets is computed on a straight-line basis over the estimated useful lives of the leased assets. The estimated useful lives of finance leased assets are consistent with the useful lives of tangible fixed assets as described in Note 3(k)(ii). If it is not certain that the Bank will have asset ownerships upon the expiry of the lease agreement, the leased assets will be depreciated over a shorter period of time between the lease term and the useful life of the assets.

All lease agreements that are not classified as finance leases are classified as operating leases.

(m) Intangible fixed assets

(i) Land use rights

Land use rights comprise:

- Those granted by the State for which land use payments are collected; and
- Those acquired in a legitimate transfer.

Definite land use rights granted by the State for which land use payments are collected are amortised over a period of 47 years.

Indefinite land use rights are stated at cost and are not amortised. The initial cost of an indefinite land use right comprises its purchase price and any directly attributable costs incurred in conjunction with obtaining the land use right.

(ii) Software

Cost of acquiring new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software cost is amortised on a straight-line basis over a period ranging from 3 to 8 years.

(n) Other assets

(i) Construction in progress

Construction in progress represents the costs of purchasing fixed assets and upgrading of software which have not been fully completed. No depreciation is provided for construction during the period of purchasing or upgrading.

(ii) Foreclosed assets

Foreclosed assets are foreclosed assets of which the ownership was transferred to the Bank and awaiting for settlement. For foreclosed assets of which the ownership has not been transferred to the Bank, the Bank records as off-balance sheet items.

(iii) Other assets

Other assets, except for receivables from credit activities, are stated at cost less allowance for losses.

Allowance for losses on other assets are made based on the overdue status of debts or expected losses on undue debts which may occur when an economic organisation is bankrupted or liquidated; or debtor is missing, running away, being prosecuted, in prison, under a trial or pending execution of sentences or deceased. The allowance expenses are recorded as operating expenses during the year.

For overdue debts, the Bank makes allowance for losses using the allowance rates that are applied for overdue status in accordance with Circular 48 as follows:

Overdue status	Allowance rate
Over 6 months to less than 1 year	30%
From 1 to less than 2 years	50%
From 2 to less than 3 years	70%
From 3 years and above	100%



Allowance for losses on other assets based on the expected losses of undue debts is determined by the Bank after giving consideration to the recovery of these debts.

(o) Sales of debts

(i) Receivables from sales of debts

Debts that have been sold but not yet collected are classified as assets having credit risk and recognised at the remaining uncollected amount. Debt classification and allowance for credit losses for these receivables are made in accordance with the requirements of Circular 02 and Circular 09 as described in Note 3(g).

(ii) Revenue and cost of debts sold

Revenue and cost of debts sold are recognised in accordance with the guidance in Circular No. 09/2015/TT-NHNN dated 17 July 2015 of the SBV regulating the purchasing and selling debt activities of credit institutions, branches of foreign banks.

Accordingly, the difference between the selling price and the book value of the debt sold shall be accounted as follows:

For debts that are being recorded on the balance sheet:

- Where the selling price is higher than the book value, the difference shall be recorded as income;
- Where the selling price is lower than the book value, the difference shall be compensated from the individual or collective indemnity (in case of the loss is determined to be caused by any individual or collective and compensation is required in accordance with regulations), from the insurance claim and from the risk provision which has been appropriated in expenses, the deficit shall be recorded as expense.

For debts that are being recorded as off-balance sheet items and debts that have been removed from the balance sheet, the proceeds from the sales of debts shall be recorded as income.

(p) Prepaid expenses

Prepaid expenses are amortised over the prepaid period or the period of time in which the corresponding economic benefits are derived from these expenses.

The following types of expenses are recognised as prepaid expenses, are stated at cost and amortised on a straight-line basis over 1 to 36 months:

- Prepaid rental expense
- Overhaul expenses of fixed assets;
- Tools and instruments used for multiple years;
- Expenses on other services

(q) Deposits and borrowings from other credit institutions

Deposits and borrowings from other credit institutions are stated at their cost.



(r) **Deposits from customers**

Deposits from customers are stated at their cost.

(s) **Valuable papers issued**

Valuable papers issued are stated at their cost, which comprises proceeds from issuance net of issuance costs.

(t) **Other payables**

Other payables are stated at their cost.

(u) **Provisions**

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Severance allowance and unemployment insurance

Under the Vietnamese Labour Code, when an employee who has worked for the Bank for 12 months or more ("the eligible employee") voluntarily terminates his/her labour contract in accordance with the laws, the employer is required to pay him/her severance allowance calculated based on years of service and employee's compensation at termination. Severance allowance has been provided based on employees' years of service and their average salary for the six-month period prior to the end of the annual accounting period. For the purpose of determining the number of years of service by an employee, the period for which the employee participated in and contributed to unemployment insurance in accordance with prevailing laws and regulations and the period for which severance allowance has been paid by the Bank are excluded.

On 24 October 2012, the Ministry of Finance issued Circular No. 180/2012/TT-BTC ("Circular 180") providing guidance on financial treatment for redundancy allowance to employees of enterprises. Circular 180 provides that, in preparation of 2012 financial statements, if an enterprise's provision for redundancy allowance still has the outstanding balance, the enterprise must reverse the balance to other income for 2012 and must not carry forward the balance to the following year. Accordingly, the Bank reversed the outstanding balance of provision for severance allowance. This change in accounting policy has been applied prospectively from 2012.

Pursuant to the Law on Social Insurance, effective from 1 January 2009, the Bank and its employees are required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. The unemployment insurance paid by the Bank for the years of service is recorded as an expense in the separate statement of income when incurred.

(v) **Bonus and welfare fund**

Bonus and welfare fund is not required by laws and is fully distributable, and is used primarily to make payments to the Bank's employees. Bonus and welfare fund is appropriated from the Bank's profit after tax in accordance with the shareholders' decision at the Annual General Meeting and is recognised as other liabilities. The appropriation rate is decided by the shareholders at the Annual General Meeting.

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(w) **Capital**

(i) **Charter capital**

Charter capital is the total par value of ordinary shares issued. Ordinary shares are stated at par value. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

(ii) **Share premium**

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

(iii) **Treasury shares**

When the Bank repurchases its ordinary shares ("treasury shares"), the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. These shares are classified as treasury shares and presented as a deduction from equity. In respect of shares bought back by the Bank, all rights are suspended until those shares are reissued.

When the treasury shares are reissued subsequently, the amount received is recognised as an increase in equity, and any difference between the re-issue price and the cost of the shares reissued is recorded in share premium account in equity.

(x) **Reserves**

(i) **Statutory reserves**

According to Decree No. 93/2017/ND-CP dated 7 August 2017 issued by the Government promulgating financial regime applicable to credit institutions and branches of foreign banks, the Bank is required to make the following allocations before distribution of profits:

	Annual allocation	Maximum balance
Reserve to supplement charter capital	5% of profit after tax	100% charter capital
Financial reserve	10% of profit after tax	Not specified

The purpose of financial reserve is to cover the remaining losses in the course of business after such losses being compensated by the organisations, individuals causing the loss, indemnity and allowance; and to use for other purposes in accordance with the laws. The statutory reserves are non-distributable and are classified as part of equity.

(ii) **Other reserves**

Other reserves are appropriated from the Bank's profit after tax in accordance with the shareholders' decision at the Annual General Meeting. These reserves are not required by laws, fully distributable and classified as part of equity.

(y) Off-balance sheet items

(i) Commitments and contingent liabilities

From time to time, the Bank has outstanding commitments to extend credit. These commitments take the form of approved loans and overdraft facilities. The Bank also provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. The contingent liabilities and commitments may expire without being advanced in whole or in part. Therefore the amounts do not represent a firm commitment of future cash flows.

(ii) Fiduciary assets

The assets held for the purpose of entrustment management are not considered as the Bank's assets and therefore are not included in the separate balance sheet of the Bank.

(z) Interest income

Interest income is recognised in the separate statement of income on the accrual basis, except for interest income from debts classified in Group 2 to Group 5 (as described in Note 3(g)(i)) and debts classified in Group 1 (Current debts) resulting from the implementation of special rulings of the State authorities being recognised upon receipt. When debts classified in Group 2 to Group 5 (as described in Note 3(g)(i)), the accrued interest receivable is derecognised from the balance sheet and recognised in the off-balance sheet and interest income from these debts is recognised in the separate statement of income upon receipt.

When debts are classified as Current debts resulting from the implementation of special rulings of the State authorities, interest income during the year is not recorded as income but recorded in the off-balance sheet. Interest income from these debts is recognised in the separate statement of income upon receipt.

(aa) Interest expense

Interest expense is recognised in the separate statement of income on an accrual basis.

(bb) Fees and commission income

Fees and commission income includes income from asset leasing services, settlement services, guarantee services, cashier services and other services.

Income from leasing assets is recognised in the separate statement of income on a straight-line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease income.

Income from other service activities (except for asset leasing services) is recognised in the separate statement of income when earned.

(cc) Fees and commission expenses

Fees and commission expenses are recognised in the separate statement of income when incurred.

(dd) Dividend income

Dividend receivable in the form of cash is recognised in the separate statement of income when the Bank's right to receive dividend is established.

Dividend received in the form of shares and bonus shares is not recognised as income and the Bank only records the increase in number of shares. Dividends received which are attributable to the period before acquisition date are deducted from the carrying amount of the investment.

(ee) Revenue from sales of assets

Revenue from sales of assets is recognised in the separate statement of income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the possible return of assets.

(ff) Operating lease payments

Payments made under operating leases are recognised in the separate statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the separate statement of income as an integral part of the total lease expense.

(gg) Fiduciary activities and entrusted funds

The Bank carries out fiduciary activities to invest, lend and manage assets; therefore the Bank acts as trustee and in other fiduciary capacities that result in the holding or placing of assets, loans on behalf of individuals, corporates and other credit institutions.

The value of entrusting investment and entrusted funds received are recognised when the entrusting contracts have been signed and entrusted funds have been utilised. Rights and obligations of the entrustor and trustee relating to profit and profit sharing, entrusting fee, other rights and obligations are in compliance with the terms of the entrusting contracts.

Fiduciary activities of the Bank comprise:

Fiduciary activities in which the Bank bears no risk

The Bank acts as trustee and in other fiduciary capacities that result in holding assets on behalf of customers, entrusted investments and loans to customers in which entrustors bear all risks of fiduciary activities. These assets are excluded from these separate financial statements as they are not assets of the Bank. Entrusted funds received from entrustors but not yet disbursed are recognised as other liabilities on the separate balance sheet. After the disbursement, the Bank recognised the entrusted funds as off-balance sheet items in accordance with Circular No. 30/2014/TT-NHNN dated 6 November 2014 issued by the SBV.

Fiduciary activities in which the Bank bears the risk

Entrusted funds which is exposed to risk include: grants, entrusted investment funds which are used for designated purposes and for which the Bank is obliged to make repayment of principal upon its maturity. The Bank recognises the received funds as entrusted funds and recognises loans to customers financed by these entrusted funds as its loans and advances to customers in the separate financial statements of the Bank.

(hh) Taxation

Corporate income tax on the profit or loss for the year comprises current and deferred tax. Corporate income tax is recognised in the separate statement of income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the annual accounting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at the end of the annual accounting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(ii) Related parties

Parties are considered to be related to the Bank if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where the Bank and the other party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

(jj) Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Bank's primary format for segment reporting is based on geographical segments and the secondary format is based on business segments.

(kk) Financial instruments

Solely for the purpose of providing disclosures about the significance of financial instruments to the Bank's financial position and results of operations and the nature and extent of risk arising from financial instruments, the Bank classifies its financial instruments as follows:

(i) Financial assets

Financial assets at fair value through profit or loss

A financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions:

- It is considered by the Bank as held-for-trading. A financial asset is classified as held-for-trading if:

- it is acquired principally for the purpose of selling it in the near term;
 - there is evidence of a recent pattern of short-term profit-taking; or
 - it is a derivative (except for a derivative that is financial guarantee contract or a designated and effective hedging instrument).
- Upon initial recognition, it is designated by the Bank as at fair value through profit or loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity, other than:

- those that the Bank, upon initial recognition, designates as at fair value through profit or loss;
- those that the Bank designates as available-for-sale; and
- those that meet the definition of loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those:

- that the Bank intends to sell immediately or in the near term, which are classified as held for trading and those that the Bank, on initial recognition, designates as at fair value through profit or loss;
- that the Bank, upon initial recognition, designates as available-for-sale; or
- for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available-for-sale.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or those are not classified as:

- loans and receivables;
- held-to-maturity investments; or
- financial assets at fair value through profit or loss.

(ii) Financial liabilities

Financial liabilities at fair value through profit or loss

A financial liability at fair value through profit or loss is a financial liability that meets either of the following conditions:

- It is considered by the Bank as held for trading. A financial liability is classified as held for trading if:
 - it is incurred principally for the purpose of repurchasing it in the near term;
 - there is evidence of a recent pattern of short-term profit-taking; or
 - it is a derivative (except for a derivative that is financial guarantee contract or a designated and effective hedging instrument).
- Upon initial recognition, it is designated by the Bank as at fair value through profit or loss.

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Financial liabilities carried at amortised cost

Financial liabilities which are not classified as financial liabilities at fair value through profit or loss are classified as financial liabilities carried at amortised cost.

The above described classification of financial instruments is solely for presentation and disclosure purposes and is not intended to be a description of how the financial instruments are measured. Accounting policies for measurement of financial instruments are disclosed in other relevant notes.

(II) Nil balances

Items or balances required by Circular No. 49/2014/TT-NHNN dated 31 December 2014 issued by the SBV that are not shown in these separate financial statements indicate nil balances.

4. Cash on hand, gold

	31/12/2019 VND million	31/12/2018 VND million
Cash in VND	788,751	362,971
Cash in foreign currencies	155,442	99,599
Gold	1,477	1,185
	<hr/>	<hr/>
	945,670	463,755

5. Balances with the State Bank of Vietnam

These consist of current account and compulsory reserve at the SBV.

Under the SBV's regulations relating to the compulsory reserve, banks are permitted to maintain a floating balance for compulsory reserve requirement. The monthly average balance of the reserve must not be less than relevant compulsory reserve requirement rates multiplied by the preceding month's average balances of deposits in scope, as follows:

Deposits in scope	CRR rates	
	31/12/2019	31/12/2018
Preceding month's average deposit balances of:		
<i>Deposits from customers:</i>		
▪ Demand deposits and term deposits in foreign currencies with term of less than 12 months	8%	8%
▪ Deposits in foreign currencies with term of 12 months and above	6%	6%
▪ Demand deposits and term deposits in VND with term of less than 12 months	3%	3%
▪ Deposits in VND with term of 12 months and above	1%	1%
<i>Overseas credit institutions</i>		
▪ Deposits in foreign currencies	1%	1%
	31/12/2019	31/12/2018
	VND million	VND million
Current account and compulsory reserve		
▪ In VND	2,957,480	2,765,527
▪ In USD	97,989	79,382
	3,055,469	2,844,909

6. Deposits with and loans to other credit institutions

	31/12/2019 VND million	31/12/2018 VND million
Deposits with other credit institutions		
Demand deposits		
▪ In VND	7,921,973	5,379,158
▪ In foreign currencies	550,263	723,091
Term deposits		
▪ In VND	2,373,000	2,105,960
▪ In foreign currencies	741,760	1,657,850
	11,586,996	9,866,059
Loans to other credit institutions		
▪ In VND	208,658	49,417
▪ Specific allowance for credit losses (ii)	-	(49,417)
	208,658	-
	11,795,654	9,866,059

Term deposits with and loans to other credit institutions by credit risk group are as follows:

	31/12/2019 VND million	31/12/2018 VND million
Current debts (i)	3,323,418	3,813,227

(i) Included in Current debts balance as at 31 December 2019 were loans to three people's credit funds under special supervision following the direction of the SBV amounting to VND208,658 million (31/12/2018: VND49,417 million) being temporarily classified as Current debts while awaiting for specific guidance from the SBV.

(ii) Movements in specific allowance for credit losses during the year were as follows:

	2019 VND million	2018 VND million
Opening balance	49,417	-
Allowance (reversed)/made during the year (Note 33)	(49,417)	49,417
	-	49,417
Closing balance	-	49,417

7. Held-for-trading securities

	31/12/2019 VND million	31/12/2018 VND million
Equity securities		
▪ Equity securities issued by other local credit institutions	103,369	103,369
▪ Equity securities issued by local economic entities	40,772	40,772
	144,141	144,141
Allowance for held-for-trading securities		
Allowance for diminution in value of held-for-trading securities (i)	(16,220)	(80,817)
	127,921	63,324

Listing status of held-for-trading securities is as follows:

	31/12/2019		31/12/2018	
	Cost VND million	Allowance VND million	Cost VND million	Allowance VND million
Equity securities				
▪ Unlisted	144,141	(16,220)	144,141	(80,817)

(i) Movements in allowance for diminution in value of held-for-trading securities during the year were as follows:

	2019 VND million	2018 VND million
Opening balance	80,817	12,223
Allowance (reversed)/made during the year (Note 28)	(64,597)	68,594
	16,220	80,817

8. Loans and advances to customers

	31/12/2019 VND million	31/12/2018 VND million
Loans to domestic economic entities and individuals	67,519,989	50,766,357
Discounted transferrable instruments and valuable papers	17,602	42,225
Loans funded by grants and entrusted funds	8,062	6,365
	<hr/>	<hr/>
	67,545,653	50,814,947

Loan portfolio by credit risk group is as follows:

	31/12/2019 VND million	31/12/2018 VND million
Current debts	64,148,004	49,232,951
Special mentioned debts	2,063,887	797,274
Sub-standard debts	531,871	215,304
Doubtful debts	537,186	56,889
Loss debts	264,705	512,529
	<hr/>	<hr/>
	67,545,653	50,814,947

Loan portfolio by term is as follows:

	31/12/2019 VND million	31/12/2018 VND million
Short-term loans	49,297,747	35,878,499
Medium-term loans	7,698,465	7,298,165
Long-term loans	10,549,441	7,638,283
	<hr/>	<hr/>
	67,545,653	50,814,947

Loan portfolio by business sector of customers is as follows:

	31/12/2019 VND million	31/12/2018 VND million
Wholesale and retail, repair of automobiles, motorcycles, and other vehicles with engines	20,104,275	11,407,859
Leasing activities from households, production of physical products and self-consumption services of households	11,267,393	9,324,375
Accommodation and catering services	10,026,674	9,305,092
Producing and distributing electricity, gas, hot water, steam and air conditioning	8,823,734	6,355,429
Construction	4,651,534	781,870
Real estates	3,929,980	5,419,978
Processing and manufacturing industries	3,107,444	3,335,038
Arts and entertainment	2,319,161	1,221,882
Others	3,315,458	3,663,424
	67,545,653	50,814,947

Loan portfolio by type of borrower and type of business is as follows:

	31/12/2019 VND million	31/12/2018 VND million
Limited liability companies	26,920,913	22,448,066
Joint stock companies	19,380,369	12,366,811
Private companies	2,161	326
Foreign invested companies	19,232	45,116
Individuals and household business	21,175,224	15,874,290
Others	47,754	80,338
	67,545,653	50,814,947

9. Allowance for loans and advances to customers

Allowance for loans and advances to customers comprises of:

	31/12/2019 VND million	31/12/2018 VND million
General allowance (i)	467,941	364,523
Specific allowance (ii)	325,725	407,464
	<hr/>	<hr/>
	793,666	771,987

(i) Movements in general allowance during the year were as follows:

	2019 VND million	2018 VND million
Opening balance	364,523	249,232
Allowance made during the year (Note 33)	103,418	115,291
	<hr/>	<hr/>
Closing balance	467,941	364,523

(ii) Movements in specific allowance during the year were as follows:

	2019 VND million	2018 VND million
Opening balance	407,464	594,107
Allowance reversed during the year (Note 33)	(59,146)	(186,636)
Transfer from allowance for special bonds issued by VAMC (Note 10(ii))	102,156	-
Allowance utilised during the year	(124,749)	(7)
	<hr/>	<hr/>
Closing balance	325,725	407,464

10. Investment securities

	31/12/2019 VND million	31/12/2018 VND million
Available-for-sale securities		
<i>Debt securities</i>		
▪ Government bonds	1,716,797	1,716,374
▪ Debt securities issued by other local credit institutions	1,795,904	1,311,272
▪ Debt securities issued by other local economic entities	818,400	808,400
	4,331,101	3,836,046
Allowance for available-for-sale securities		
General allowance for credit losses (i)	(6,138)	(6,063)
	4,324,963	3,829,983
Held-to-maturity securities (excluding special bonds issued by VAMC)		
<i>Debt securities</i>		
▪ Government bonds	2,529,771	4,025,424
▪ Debt securities issued by other local credit institutions	569,459	1,127,154
	3,099,230	5,152,578
Special bonds issued by VAMC (ii)		
▪ Par value of special bonds	-	167,679
▪ Allowance for special bonds	-	(109,153)
	-	58,526
	7,424,193	9,041,087
Investment securities (excluding special bonds issued by VAMC and government bonds) which are classified as assets having credit risk categorised by credit risk group are as follows:		
	31/12/2019 VND million	31/12/2018 VND million
Current debts	3,183,763	3,246,826

- (i) Movements in general allowance for credit losses for available-for-sale securities which are bonds issued by other local economic entities during the year were as follows:

	2019 VND million	2018 VND million
Opening balance	6,063	1,938
Allowance made during the year (Note 29)	75	4,125
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Closing balance	6,138	6,063

- (ii) For the year ended 31 December 2019, the Bank acquired the debts sold to VAMC with a total principal value of VND180,881 million equivalent to the total face value of VAMC bonds of VND167,679 million and used allowance to deal with risks of these acquired debts (Note 9(ii)).

Movements in allowance for special bonds issued by VAMC during the year were as follows:

	2019 VND million	2018 VND million
Opening balance	109,153	188,367
Allowance reversed during the year (Note 33)	(6,997)	(79,214)
Transfer to specific allowance for customer loans during the year (Note 9(ii))	(102,156)	-
	<hr/>	<hr/>
Closing balance	-	109,153

11. Capital contribution, long-term investments

	31/12/2019 VND million	31/12/2018 VND million
Investment in a subsidiary (i)	50,000	300,000
Other long-term investments (ii)	115,280	117,280
Allowance for diminution in value of long-term investments (iii)	(5,060)	(3,135)
	<hr/>	<hr/>
	160,220	414,145

- (i) Details of investment in the subsidiary are as follows:

	31/12/2019 VND million	31/12/2018 VND million
Nam A Bank Asset Management Company Limited	50,000	300,000

As at 18 December 2019, Board of Management issued Resolution No.534/2019/NQQT-NHNA, which allowed their capital to be decreased to 50 billion VND.

- (ii) Other long-term investments of the Bank are investments with a capital contribution ratio of not more than 11% of the charter capital or share capital with voting rights, details are as follows:

Name	Par value VND million	31/12/2019 Carrying amount VND million	Equity owned %	Par value VND million	31/12/2018 Carrying amount VND million	Equity owned %
Investments in local economic entities						
Unlisted						
▪ Beta Securities Joint Stock Company	44,000	74,800	11	44,000	74,800	11
▪ Hoa Binh Real Estate Corporation	35,200	40,480	11	35,200	40,480	11
▪ Vietnam Gold Investment and Trading Joint Stock Company	-	-	-	2,000	2,000	10
		<u>115,280</u>			<u>117,280</u>	
Allowance for diminution in value of other long-term investments		(5,060)			(3,135)	
		<u>110,220</u>			<u>114,145</u>	

- (iii) Movements in allowance for diminution in value of other long-term investments during the year were as follows:

	2019 VND million	2018 VND million
Opening balance	3,135	4,675
Allowance made/(reversed) during the year (Note 32(i))	1,925	(1,540)
Closing balance	<u>5,060</u>	<u>3,135</u>

Notes to the separate financial statements for the year ended 31 December 2019 (continued)

12. Tangible fixed assets

Cost	Building and structures	Machinery equipment	Motor vehicles	Office equipment	Other fixed assets	Total
	VND million	VND million	VND million	VND million	VND million	VND million
Opening balance	396,525	155,756	88,229	27,483	10,682	678,675
Additions	-	51,226	590	300	105	52,221
Transfer from construction in progress	-	21,722	55,273	5,621	3,481	86,097
Disposals	(484)	(219)	(16,815)	(163)	(345)	(18,026)
Transfer from finance lease fixed assets	-	-	10,040	-	-	10,040
Closing balance	396,041	228,485	137,317	33,241	13,923	809,007
Accumulated depreciation						
Opening balance	98,666	128,603	54,571	22,663	8,805	313,308
Charge for the year	14,614	15,938	13,559	3,045	1,676	48,832
Disposals	(216)	(219)	(9,536)	(164)	(345)	(10,480)
Transfer from finance lease fixed assets	-	-	8,455	-	-	8,455
Closing balance	113,064	144,322	67,049	25,544	10,136	360,115
Net book value						
Opening balance	297,859	27,153	33,658	4,820	1,877	365,367
Closing balance	282,977	84,163	70,268	7,697	3,787	448,892

Other disclosure information of tangible fixed assets:

	31/12/2019 VND million	31/12/2018 VND million
Cost of tangible fixed assets which were fully depreciated but still in active use	194,433	164,061

13. Finance lease fixed assets

	Motor vehicles VND million
Cost	
Opening balance	73,598
Additions	4,525
Transfer from construction in progress	3,328
Transfer to tangible fixed assets	(10,040)
Closing balance	71,411
Accumulated depreciation	
Opening balance	35,054
Charge for the year	12,066
Transfer to tangible fixed assets	(8,455)
Closing balance	38,665
Net book value	
Opening balance	38,544
Closing balance	32,746

The Bank leases some motor vehicles under various finance lease agreements. At the end of each of the leases the Bank has the option to purchase the motor vehicles.

14. Intangible fixed assets

	Land use rights VND million	Software VND million	Total VND million
Cost			
Opening balance	371,128	141,573	512,701
Disposals	(3,160)	-	(3,160)
Closing balance	367,968	141,573	509,541
Accumulated amortisation			
Opening balance	1,318	94,294	95,612
Charge for the year	299	13,558	13,857
Closing balance	1,617	107,852	109,469
Net book value			
Opening balance	369,810	47,279	417,089
Closing balance	366,351	33,721	400,072
Other disclosure information of intangible fixed assets:			
	31/12/2019 VND million	31/12/2018 VND million	
Cost of intangible fixed assets which were fully amortised but still in active use	73,781	73,781	



15. Other assets

	31/12/2019 VND million	31/12/2018 VND million
Receivables		
▪ Deposits, mortgages, pledges (i)	130,924	121,440
▪ Receivables from fast transfer services	82,546	31,369
▪ Construction in progress (ii)	30,891	32,164
▪ Advances	28,114	45,968
▪ Other receivables	187	412
▪ Receivables from debts selling (iii)	1,613,000	-
	<u>1,885,662</u>	<u>231,353</u>
Accrued interest and fees receivable		
▪ Interest receivable from loans	1,031,854	833,650
▪ Interest receivable from investment securities	266,605	329,469
▪ Interest receivable from deposits	14,289	14,560
▪ Interest receivable from derivative financial instruments	2,513	-
	<u>1,315,261</u>	<u>1,177,679</u>
Other assets		
▪ Prepaid expenses (iv)	274,202	77,981
▪ Foreclosed assets (v)	71,927	71,927
▪ Tools and supplies	14,947	10,236
	<u>361,076</u>	<u>160,144</u>
Allowance for losses on other assets (vi)	(47,457)	(30,840)
	<u>3,514,542</u>	<u>1,538,336</u>

(i) This balance comprises rental deposits for the Bank's branches and transaction offices.

(ii) Construction in progress

	2019 VND million	2018 VND million
Opening balance	32,164	13,450
Additions	88,152	75,789
Transfer to tangible fixed assets	(86,097)	(56,396)
Transfer to finance lease fixed assets	(3,328)	(679)
	<u>30,891</u>	<u>32,164</u>

Major constructions in progress were as follows:

	31/12/2019 VND million	31/12/2018 VND million
Renovation and purchases of assets	14,712	13,500
Software	8,008	4,769
Motor vehicles and equipment	5,171	13,895
Real estate	3,000	-
	<hr/>	<hr/>
	30,891	32,164

(iii) The balance represents receivables arising from the Bank's sales of debts including Loss debts amounting to VND65,000 million to an economic entity in December 2019.

(iv) Details of prepaid expenses are as follows:

	31/12/2019 VND million	31/12/2018 VND million
Assets leasing and repairing expenses	233,814	62,622
Tools and supplies expenses	27,890	8,336
Prepaid interest for deposits from customers	3,318	2,326
Others	9,180	4,697
	<hr/>	<hr/>
	274,202	77,981

(v) Details of foreclosed assets are as follows:

	31/12/2019 VND million	31/12/2018 VND million
Equity securities	71,927	71,927

(vi) Allowance for losses on other assets comprises:

	31/12/2019 VND million	31/12/2018 VND million
Allowance for losses on other assets	47,457	30,840

The balance represents the allowance for diminution in value for foreclosed assets which were equity securities transferred the ownership to the Bank as disclosed in the Note 15(vi).

Movements in allowance for losses on other assets during the year were as follows:

	2019 VND million	2018 VND million
Opening balance	30,840	36,046
Allowance made/(reversed) during the year (Note 32(i))	16,617	(5,206)
Closing balance	47,457	30,840

16. Borrowings from the Government and the State Bank of Vietnam

	31/12/2019 VND million	31/12/2018 VND million
Borrowings from the State Bank of Vietnam		
▪ In VND	1,512	1,770

17. Deposits and borrowings from other credit institutions

	31/12/2019 VND million	31/12/2018 VND million
Demand deposits from other credit institutions		
▪ In VND	7,862,805	5,337,665
Term deposits from other credit institutions		
▪ In VND (i)	2,639,785	3,803,591
▪ In foreign currencies	741,760	1,657,850
	11,244,350	10,799,106
Borrowings from other credit institutions		
▪ In VND	476,425	1,502,917
<i>In which:</i>		
- Finance lease	18,644	24,148
- Pledge	-	340,000
▪ In foreign currencies	122	139
	476,547	1,503,056
	11,720,897	12,302,162

- (i) Included in term deposits from other credit institutions as at 31 December 2019 were VND400,000 million (31/12/2018: VND1,550,000 million) being secured by the following assets:

	31/12/2019 VND million	31/12/2018 VND million
Available-for-sale investment securities	107,962	273,016
Held-for-maturity investment securities	400,121	1,378,063
	<u>508,083</u>	<u>1,651,079</u>

18. Deposits from customers

	31/12/2019 VND million	31/12/2018 VND million
Demand deposits		
▪ In VND	3,076,236	2,150,276
▪ In foreign currencies	61,462	107,984
Term deposits		
▪ In VND	66,184,877	50,938,610
▪ In foreign currencies	1,174,721	881,024
Margin deposits		
▪ In VND	199,240	152,043
Special-purpose deposits		
▪ In VND	48,179	12,411
▪ In foreign currencies	19	11,690
	<u>70,744,734</u>	<u>54,254,038</u>

Deposits from customers by type of customer and type of business are as follows:

	31/12/2019 VND million	31/12/2018 VND million
Individuals	59,265,071	44,028,690
Non-state owned enterprises	7,324,883	6,589,664
State-owned enterprises	1,636,532	1,629,159
Foreign invested companies	115,018	88,953
Others	2,403,230	1,917,572
	<u>70,744,734</u>	<u>54,254,038</u>

19. Derivatives and other financial liabilities

As at 31 December 2019	Total contract value (at foreign exchange rate at the contract date) VND million	Total carrying value (at foreign exchange rate the reporting date)	
		Assets VND million	Liabilities VND million
Currency derivatives			
▪ Currency forward contracts	11,026	288	-
▪ Currency swap contracts	700,407	-	(5,006)
	711,433	288	(5,006)

20. Grants and entrusted funds received

	31/12/2019 VND million	31/12/2018 VND million
Entrusted funds received in VND (i)	14,601	11,964
Entrusted funds received in USD (ii)	695,400	116,750
	710,001	128,714

- (i) These are entrusted funds received from the State Bank of Vietnam with the source from Japan International Cooperation Agency (JICA) in VND, with original terms ranging from 3 to 7 years and bearing annual interest rate at 5,184% (31/12/2018: 4.97%) for the purpose of supporting small and medium enterprises.
- (ii) This is a part of entrusted funds in USD, to finance projects with purposes in compliance with the agreement.

21. Valuable papers issued

	31/12/2019 VND million	31/12/2018 VND million
Certificates of deposits(i)	3,062,123	1,655,723
Bonds with term of 2 years of the Bank (ii)	500,000	500,000
Bonds with term of 6 years of the Bank (iii)	200,000	-
Bonds with term of 8 years of the Bank (iv)	450,000	450,000
Bonds with term of 10 years of the Bank (v)	200,000	-
	4,412,123	2,605,723

- (i) The balance represents long-term registered certificates of deposits issued for individuals and organisations, with par value of VND10 million, having term of 1-7 years and interest paid in arrears annually.

- (ii) The balance represents 500 bonds with par value of VND1,000,000,000 per bond issued by the Bank, including 300 bonds issued on 30 May 2018 bearing fixed interest rate of 7.6% per annum and 200 bonds issued on 25 December 2018 bearing fixed interest rate of 7.5% per annum in the first year and subsequently adjusted annually, interest paid annually.
- (iii) The balance represents 200 bonds with par value of VND1,000,000,000 per bond issued by the Bank, having fixed interest rate of 7.5% per annum in the first year and subsequently adjusted annually, interest paid annually.
- (iv) The balance represents 450,000 bonds with par value of VND1,000,000 per bond issued by the Bank, having fixed interest rate of 8.6% per annum, interest paid semi-annually.
- (v) The balance represents 200 bonds with par value of VND1,000,000,000 per bond issued by the Bank, having fixed interest rate of 7.8% per annum, interest paid annually.

22. Other liabilities

	31/12/2019 VND million	31/12/2018 VND million
Accrued interest and fees payable		
▪ Interest payable for deposits from customers and other credit institutions	1,469,987	1,070,983
▪ Interest payable for valuable papers issued	202,655	145,046
▪ Interest payable for borrowings from grants and entrusted funds	4,993	265
▪ Interest payable for borrowings from the SBV and other credit institutions	1,176	7,872
▪ Interest payable for derivative financial instruments	408	-
	1,679,219	1,224,166
Internal payables		
Payables to employees	185,080	179,364
External payables		
▪ Payables relating to fast transfer payment services	95,686	42,921
▪ Taxes payable to the State Treasury (Note 23)	80,698	61,486
▪ Deferred income - from insurance brokerage activities	35,563	36,055
▪ Deferred income - from interest collected in advance	2,031	2,622
▪ Deferred income - from leasing activity	1,478	183
▪ Cash held awaiting for settlement	17,822	9,673
▪ Payables relating to card payment services	16,058	13,593
▪ Dividend payables	5,510	5,656
▪ Payables relating to settlement services	669	7,678
▪ Other payables	8,487	11,484
Bonus and welfare fund (i)	3,866	6,115
	452,287	376,830
	2,131,506	1,600,996

(i) Movements in bonus and welfare fund during the year were as follows:

	2019 VND million	2018 VND million
Opening balance	6,115	28,166
Appropriation during the year (Note 24)	1,109	(4,538)
Refund advance from bonus and welfare fund	-	(17,513)
Utilisation during the year	(3,358)	-
	<hr/>	<hr/>
Closing balance	3,866	6,115

23. Obligations to the State Treasury

Year ended 31/12/2019	Opening balance	Movements during the year		Closing balance
	VND million	Incurred VND million	Paid VND million	VND million
Value added tax	1,023	8,398	(8,823)	598
Corporate income tax	55,593	191,010	(176,886)	69,717
Personal income tax	4,791	82,880	(77,852)	9,819
Other taxes	79	2,443	(1,958)	564
	<hr/>	<hr/>	<hr/>	<hr/>
	61,486	284,731	(265,519)	80,698

Year ended 31/12/2018	Opening balance	Movements during the year		Closing balance
	VND million	Incurred VND million	Paid VND million	VND million
Value added tax	518	7,335	(6,830)	1,023
Corporate income tax	(965)	149,776	(93,218)	55,593
Personal income tax	1,299	35,943	(32,451)	4,791
Other taxes	96	2,035	(2,052)	79
	<hr/>	<hr/>	<hr/>	<hr/>
	948	195,089	(134,551)	61,486

Notes to the separate financial statements for the year ended 31 December 2019 (continued)

24. Equity

(a) Statement of changes in equity

	Charter capital VND million	Capital for construction, purchases of fixed assets VND million	Share premium VND million	Other capital VND million	Reserve to supplement charter capital VND million	Financial reserve VND million	Other reserves VND million	Retained profits VND million	Total VND million
Balance at 1 January 2018	3,021,166	10	2,547	25	70,953	140,442	2,411	402,999	3,640,553
Share capital issued in cash	9	-	3	-	-	-	-	-	12
Share capital issued to pay dividends	332,319	-	-	-	-	-	-	(332,319)	-
Net profit for the year	-	-	-	-	-	-	-	589,773	589,773
Appropriation to reserves	-	-	-	-	29,194	58,378	417	(87,989)	-
Appropriation to bonus and welfare fund	-	-	-	-	-	-	-	(28,166)	(28,166)
Balance at 1 January 2019	3,353,494	10	2,550	25	100,147	198,820	2,828	544,298	4,202,172
Share capital issued in cash	10	-	4	-	-	-	-	-	14
Share capital issued to pay dividends	536,549	-	-	-	-	-	-	(536,549)	-
Net profit for the year	-	-	-	-	-	-	-	730,798	730,798
Appropriation to reserves	-	-	-	-	36,260	72,527	995	(109,782)	-
Appropriation to bonus and welfare fund	-	-	-	-	-	-	-	(1,109)	(1,109)
Balance at 31 December 2019	3,890,053	10	2,554	25	136,407	271,347	3,823	627,656	4,931,875

(b) **Shares**

The number of issued shares and shares in circulation of the Bank is:

	As at 31 December 2019	
	Number of shares	Par value (VND million)
Issued shares		
Ordinary shares	389,005,328	3,890,053
<hr/>		
Shares in circulation		
Ordinary shares	389,005,328	3,890,053
<hr/>		
	As at 31 December 2018	
	Number of shares	Par value (VND million)
Issued shares		
Ordinary shares	335,349,421	3,353,494
<hr/>		
Shares in circulation		
Ordinary shares	335,349,421	3,353,494
<hr/>		

All ordinary shares have a par value of VND10,000. Each share is entitled to one vote at meetings of shareholders of the Bank. Shareholders are entitled to receive dividends as declared by the Bank from time to time. All ordinary shares are ranked equally with regard to the Bank's residual assets. In respect of shares bought back by the Bank, all rights are suspended until those shares are reissued.

In accordance with the Resolution of the Annual General Meeting of Shareholders dated 23 March 2019, the shareholders approved the plan to issue additional shares to increase chartered capital to VND536,559,070,000 billion, specifically as follows:

- Issue shares to pay dividends:
 - Increase charter capital by VND536,559,070,000 through the issuance of 53,655,907 ordinary shares to pay dividends for 2018, at the rate of 100:16 (at the shareholder list closing date for exercising rights, shareholders owning 100 shares receive dividend of 16 shares);
 - The number of additional issued shares to pay dividends when allocating to shareholders will be rounded to the unit. The odd shares arising from the rounding (if any) will be assigned to the Board of Management to select a buyer in order to ensure the sufficient increase of charter capital and that the limit for each shareholder would not be exceeded.

The State Bank of Vietnam issued official letter No. 7430/NHNN-TTGSNH dated 20 September 2019 approving the plan to increase the Bank's charter capital from VND3,353,494,210,000 to VND3,890,053,280,000 which was approved by the Shareholders in the Resolution of the Annual General Meeting of Shareholders in 2019 and approved by the Board of Management in the Resolution No. 171/2019/NQQT-NHNA dated 17 April 2019. The State Securities Commission issued official letter No. 6282/UBCK-QLCB dated 17 October 2019 on the receipt of documents reporting the share issuance to pay dividends of the Bank and official letter No. 6761/UBCK-QLCB dated 7 November 2019 on the receipt of documents receiving the results of share issuance to pay dividends of the Bank. On 2 December 2019, the Bank received the Enterprise Registration Certificate No. 0300872315 with the 39th amendment with the charter capital of VND3,890,053,280,000.

25. Net interest income

	2019 VND million	2018 VND million
Interest and similar income		
▪ Interest income from loans	6,417,043	4,600,739
▪ Interest income from trading and investing in debt securities	487,813	483,962
▪ Interest income from deposits	174,135	126,979
▪ Other income from credit activities	36,602	29,960
▪ Income from guarantee services	5,241	5,065
	<hr/> 7,120,834	<hr/> 5,246,705
Interest and similar expenses		
▪ Interest expense on deposits	(4,608,059)	(3,294,816)
▪ Interest expense on valuable papers issued	(270,709)	(192,018)
▪ Interest expense on borrowings	(36,616)	(35,948)
▪ Other expenses on credit activities	(21,422)	(20,291)
▪ Interest expense on finance lease	(1,925)	(2,819)
	<hr/> (4,938,731)	<hr/> (3,545,892)
Net interest income	<hr/> 2,182,103	<hr/> 1,700,813





26. Net fees and commission income

	2019 VND million	2018 VND million
Fees and commission income from		
▪ Settlement services	67,823	41,390
▪ Insurance brokerage commission	42,233	26,381
▪ Asset leasing services	40,468	40,056
▪ Other services	9,604	5,225
	160,128	113,052
Fees and commission expenses on		
▪ Settlement services	(61,808)	(41,923)
▪ Brokerage commission	(18,616)	(16,839)
▪ Consultancy services	(5,983)	(788)
▪ Postage and telecommunications fees	(664)	(890)
▪ Other services	(42)	(34)
	(87,113)	(60,474)
Net fees and commission income	73,015	52,578

27. Net gain from trading of foreign currencies

	2019 VND million	2018 VND million
Gains from trading of foreign currencies		
▪ Gain from spot contracts	31,333	27,489
▪ Gain from currency derivatives	6,683	16,449
▪ Gain from gold trading	277	224
	38,293	44,162
Losses from trading of foreign currencies		
▪ Loss from spot contracts	(3,633)	(4,630)
▪ Loss from currency derivatives	(9,927)	(9,653)
▪ Loss from gold trading	(5)	(6)
	(13,565)	(14,289)
Net gain from trading of foreign currencies	24,728	29,873

28. Net profit/(loss) from trading of held-for-trading securities

	2019 VND million	2018 VND million
Allowance reserved/(made) for diminution in value of held-for-trading securities (Note 7(i))	64,597	(68,594)

29. Net gain from sales of investment securities

	2019 VND million	2018 VND million
Gain from sales of investment securities	148,117	74,742
Loss from sales of investment securities	(32,132)	(41,362)
General allowance made for available-for-sale securities (Note 10(i))	(75)	(4,125)
Net gain from sales of investment securities	115,910	29,255

30. Net other (losses)/income

	2019 VND million	2018 VND million
Other income		
▪ Collections of bad debts previously written-off	8,913	42,472
▪ Income from disposals of fixed assets	1,013	379
▪ Other income	845	2,722
	10,771	45,573
Other expenses		
▪ Debt management expenses	(17,859)	(3,304)
▪ Other expenses	(6,905)	(9,264)
	(24,764)	(12,568)
Net other (losses)/income	(13,993)	33,005

31. Gain from capital contribution, share purchase

	2019 VND million	2018 VND million
Dividends received/profits distributed from:		
▪ Held-for-trading securities	987	2,055
▪ Capital contribution, long-term investments	5,612	5,901
	6,599	7,956

32. Operating expenses

	2019 VND million	2018 VND million
1. Personnel expenses	787,780	610,446
In which:		
▪ Salary and allowances	725,685	567,994
▪ Salary related contribution	44,663	32,502
▪ Other allowances	146	369
▪ Others	17,286	9,581
2. Asset expenditure	275,313	253,590
In which:		
▪ Leasing assets	116,294	89,501
▪ Depreciation of fixed assets	74,755	83,531
▪ Maintenance and repair of assets	56,528	68,759
▪ Others	27,736	11,799
3. Insurance for deposits from customers	72,735	54,092
4. Meeting and conference expenses	111,258	66,714
5. Publication of documents, advertising	68,859	33,485
6. Expenses for water and sanitation	28,718	23,800
7. Allowance expenses reversed (i)	18,542	(6,746)
8. Expenses for printing materials and papers	30,674	20,752
9. Non-deductible VAT	31,866	19,575
10. Expenses for the Bank's union activities	22,097	16,963
11. Traveling expenses	11,727	8,258
12. Others	83,724	45,550
	1,543,293	1,146,479

(i) Details of allowance expenses reversed during the year were as follows:

	2019 VND million	2018 VND million
Allowance made/(reversed) for diminution in value of other long-term investments (Note 11 (iii))	1,925	(1,540)
Allowance reversed for losses on other assets (Note 15 (vi))	16,617	(5,206)
	18,542	(6,746)

33. Allowance expenses for credit losses

	2019 VND million	2018 VND million
Specific allowance (reserved)/made for credit losses of loans to other credit institutions (Note 6(i))	(49,417)	49,417
General allowance made for credit losses of loans and advances to customers (Note 9(i))	103,418	115,291
Specific allowance reversed for credit losses of loans and advances to customers (Note 9(ii))	(59,146)	(186,636)
Allowance reversed for special bonds (Note 10(ii))	(6,997)	(79,214)
	(12,142)	(101,142)

34. Corporate income tax

(a) Recognised in the separate statement of income

	2019 VND million	2018 VND million
Corporate income tax expense – current	191,010	149,776
Corporate income tax expense – deferred	-	-
	191,010	149,776

(b) Reconciliation of effective tax rate

	2019 VND million	2018 VND million
Profit before tax	921,808	739,549
<i>Adjustments for:</i>		
Non-taxable income (dividends)	(6,599)	(7,956)
Non-deductible expenses	39,843	17,286
	955,052	748,879
Corporate income tax expense during the year	191,010	149,776

(c) Applicable tax rates

The corporate income tax rate applicable to the Bank is 20%. The calculation of income tax is subject to the review and approval of the tax authority.

35. Cash and cash equivalents

	31/12/2019 VND million	31/12/2018 VND million
Cash on hand, gold	945,670	463,755
Balances with the SBV	3,055,469	2,844,909
Deposits with and loans to other credit institutions with original term to maturity of not more than three months	11,586,996	9,866,059
	<hr/>	<hr/>
	15,588,135	13,174,723

36. Employees' remuneration

	2019 VND million	2018 VND million
Total number of employees	2,622	1,873
Employees' remuneration		
1. Salary	725,685	567,994
2. Bonus	3,358	16,920
	<hr/>	<hr/>
3. Total income (1+2)	729,043	584,914
	<hr/>	<hr/>
Average salary/employee/monthly	23	25
Average income/employee/monthly	23	26

37. Mortgaged, pledged, discounted and rediscounted assets and valuable papers

(a) Mortgaged, pledged, discounted and rediscounted assets and valuable papers received

	31/12/2019 VND million	31/12/2018 VND million
Real estates	73,965,130	50,364,872
Equity securities and valuable papers	22,438,991	13,820,252
Movable assets	967,772	1,211,803
Other assets	21,170,957	13,359,744
	<hr/>	<hr/>
	118,542,850	78,756,671

(b) Assets, valuable papers used for mortgage, pledge, discount and rediscount

	31/12/2019 VND million	31/12/2018 VND million
Available-for-sale securities		
▪ Government bonds	565,014	273,016
Held-to-maturity investment securities		
▪ Government bonds	1,644,932	1,783,274
	<hr/>	<hr/>
	2,209,946	2,056,290

38. Contingent liabilities and commitments

	31/12/2019		31/12/2018			
	Contractual amount - gross VND million	Margin deposits VND million	Contractual amount - net VND million	Contractual amount - gross VND million	Margin deposits VND million	Contractual amount - net VND million
Foreign exchange commitments	1,395,807	-	1,395,807	513,700	-	513,700
<i>In which:</i>						
▪ <i>Purchase commitments of foreign currencies</i>	-	-	-	350,250	-	350,250
▪ <i>Sale commitments of foreign currencies</i>	-	-	-	163,450	-	163,450
▪ <i>Commitments on currency swap transactions</i>	1,395,807	-	1,395,807	-	-	-
Letters of credit	916,708	(6,905)	909,803	15,349	(60)	15,289
Other guarantees	358,972	(13,829)	345,143	288,386	(20,922)	267,464

39. Significant transactions with related parties

Significant balances and transactions with related parties as at the year-end and during the year were as follows:

Balance at the year-end	31/12/2019	31/12/2018
	VND million	VND million
	Receivables/(Payables)	
Subsidiary		
Deposits	(1,442)	(68,432)
Accrued interest expense on subsidiary deposits	(1)	(275)
Members of Board of Management, Board of Directors and Supervisory Board of the Bank		
Deposits	(15,355)	(19,286)
Loans	312	255
Accrued interest payable for deposits	(25)	(30)
Accrued interest receivables from loans	2	-
Other payable	(73)	-
Other related parties (*)		
Deposits	(76,383)	(216,223)
Loans	433,069	210,457
Deposits for office rental	18,352	30,576
Accrued interest receivable from loans	(1,149)	(2,858)
Accrued interest payable for deposits	2,001	914

Transactions during the year

	2019 VND million	2018 VND million
Subsidiary		
Interest expense on deposits	1,344	5,623
Other services fee income	-	3
Members of Board of Management, Board of Directors and Supervisory Board of the Bank		
Salaries and allowances for the Board of Directors	18,481	18,371
Remunerations for the Board of Management and Supervisory Board	7,060	8,623
Interest expense	382	346
Other related parties (*)		
Interest income from loans	22,472	37,278
Rental expense	12,824	12,824
Interest expense on deposits	4,173	8,200
Rental income	1,546	1,570
Other expenses	65	456

- (*) Other related parties comprise close family members of key management personnel including members of Board of Management, members of Board of Directors, members of Supervisory Board and companies which these individuals directly or indirectly hold significant voting right or have significant influence over.

Notes to the separate financial statements for the year ended 31 December 2019 (continued)

40. Concentration of assets, liabilities and off-balance sheet commitments by geographical area

As at 31 December 2019

	Deposits with and loans to other institutions – gross VND million	Held-for-trading securities – gross VND million	Loans and advances to customers – gross VND million	Investment securities – gross VND million	Deposits and borrowings from other credit institutions VND million	Deposits from customers VND million	Valuable papers issued VND million	Credit commitments VND million
Domestic	11,647,744	144,141	67,545,653	7,430,331	11,720,897	70,744,734	4,412,123	1,254,946
Overseas	147,910	-	-	-	-	-	-	-
	11,795,654	144,141	67,545,653	7,430,331	11,720,897	70,744,734	4,412,123	1,254,946

As at 31 December 2018

	Deposits with and loans to other institutions – gross VND million	Held-for-trading securities – gross VND million	Loans and advances to customers – gross VND million	Investment securities – gross VND million	Deposits and borrowings from other credit institutions VND million	Deposits from customers VND million	Valuable papers issued VND million	Credit commitments VND million
Domestic	9,408,540	144,141	50,814,947	9,156,303	12,302,162	54,254,038	2,605,723	303,735
Overseas	506,936	-	-	-	-	-	-	-
	9,915,476	144,141	50,814,947	9,156,303	12,302,162	54,254,038	2,605,723	303,735

41. Financial risk management

(a) Financial risk management

(i) Overview

Risks are inherent in the Bank's activities and are managed through a process of ongoing identification, analysis, measurement, risk processing, monitoring and regularly reporting. This process of risk management is critical to the Bank's profitability and each individual within the Bank is responsible for preventing all the related risk. The Bank is exposed to certain types of risk including credit risk, liquidity risk, market risk and operational risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. These risks are controlled by the strategic planning process of the Bank.

(ii) Risk management framework

Risk management structure

The Bank's risk management structure includes the Board of Management, the Risk Management Committee, the Board of Directors, heads of business units and departments having risk management functions at the Bank's Head Office.

Board of Management

The Board of Management determines the risk management policy and monitors the implementation of risk prevention measures by the Bank.

Risk Management Committee

The Risk Management Committee consults the Board of Management on the issuance of regulations and policies under the authority of the Board of Management relating to risk management in the Bank's operations.

The Risk Management Committee analyses and provides recommendations on the safety level of the Bank against potential risks that may affect the Bank and suggests preventive controls in the short term as well as long term.

The Risk Management Committee reviews and evaluates the appropriateness and effectiveness of current procedures, policies, tools and methodologies for risk management of the Bank in order to make recommendations on improvement or changes to the Board of Management.

Crisis Steering Committee

The Crisis Steering Committee assists the Board of Directors in formulating regulations, plans and action plans to prevent, handle and solve problems when a crisis occurs to maintain the Bank's continued operations.

The Crisis Steering Committee organize inspection and assessment of the Bank's operational situation in case of signs of crisis in order to prevent, minimize and eliminate incidents that cause adverse impacts on stability, ensure the safety of customer's life and property, bank staffs.

Supervisory Board

The Supervisory Board is responsible for controlling the overall risk management process within the Bank.

Internal Audit

According to the annual internal audit plan, business processes throughout the Bank are audited by the Internal Audit Function, which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit Function discusses the results of all assessments with the Board of Directors, and reports the findings and recommendations to the Supervisory Board.

Risk measurement and reporting systems

Risk monitoring and managing are carried out based on limits regulated by the SBV and internal policies of the Bank. These limits reflect the business strategy and market environment of the Bank as well as the risk level that the Bank is willing to accept.

Information compiled from all business activities is examined and processed in order to analyse, control and early identify risks. This information is presented and explained to the Board of Management, Supervisory Board, Board of Directors and Departments' Heads. The report includes aggregate credit exposure, credit metric forecasts, limit exceptions, liquidity ratios and risk profile changes. The Bank's Management assesses the appropriateness of the allowance for credit losses on a quarterly basis. The Bank's Management receives a comprehensive risk report quarterly which is designed to provide all the necessary information to assess and conclude on the risks of the Bank.

For all levels within hierarchy of the Bank, specific risk reports are prepared and distributed throughout in order to ensure that all business units have access to comprehensive, necessary and up-to-date information.

Risk mitigation

The Bank has actively used collaterals to minimize the credit risk.

Risk concentration

Risk concentration arises when a number of customers of the Bank are engaged in similar business activities, or activities in the same geographic area, or have similar economic features that would affect the group of customers' payment obligations or payment receipt rights when due under changes in economic, political or other conditions.

These above concentrations indicate the level of sensitivity of the Bank's performance to the developments of a particular industry or geographic area.

In order to mitigate risk concentration, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Accordingly, concentrations of credit risk are controlled and managed accordingly. Selective risk hedging methods are used within the Bank in respect of the industries and other related factors.

(b) Credit risk

Credit risk is the risk that the Bank will incur a loss when customers violate the terms of credit agreements or due to the impact of objective factors that affect customers' financial and payment capability and repayment capacity, reduction in value of collateral assets. Credit risk includes all types of financial products: transactions recorded on the separate balance sheet such as deposits, loans, overdrafts, bonds, and other assets; and off-balance sheet transactions such as derivative financial instruments, letters of credit and letters of guarantee.

Credit risk management

The Bank develops the credit function structure based on check and balance system, business units are separated completely from the credit approval unit. Except for delegated authority to Branch Directors in approving small value and low risk transactions, credit approval is centralised. Policies for significant credit risk are developed and approved by the Board of Management. The Bank has established credit risk management and control system, as follows:

- Business units are separated completely with the risk management, collateral valuation and credit approval units.
- The business units propose credit facilities and perform initial collateral valuations.
- Risk management units are independent from units proposing initially credit facility and perform review and evaluation the proposal of business units.
- Except for the approvals for small and low risk transactions under authorised limit of branch director, the credit approval authority is centralised at the Head Office. All policies and relevant credit risk management regulations are approved accordingly by the Board of Management and Board of Directors, including:
 - Credit policy;
 - Regulation on debt classification, allowance for credit losses and utilisation of allowance for credit losses;
 - Regulation on collaterals and valuation of collaterals;
 - Regulation on the internal credit rating system;
 - Guidance on the credit limit for counterparty;
 - Credit procedures;
 - Regulation on procedures and content of reviewing, before, during, and after credit extension; and
 - Regulation on operations, functions and responsibilities of the Risk Management Committee.
- Risk management units send periodic risk reports to the Board of Directors, the Risk Management Committee, the Board of Management, this risk report includes credit growth, credit quality, credit distribution according to the new credit risk rating system, allowance for credit losses, problematic loans, customer review monitoring, loans by sector, loan groups and credit concentration.
- Internal audit conducts audit and regular examination to ensure compliance and the effectiveness of policies and business procedures.

Collaterals

Collaterals are valued by an unit independent from the business units based on the market value at valuation date. The collateral valuation is regularly updated.

The main types of collaterals obtained are real estates, machinery and equipment, inventories and valuable papers. Guidance for valuation of movable assets and real estates is being reviewed and updated to comply with the regulations of the SBV.

Commitments and guarantees

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Commitments and guarantees are also subject credit risk reclassification.

Credit risk concentration

The level of credit risk concentration of the Bank is managed by customer, by geographical and by business sector.

Not considering collaterals, the Bank's significant exposure to credit risk at the reporting date is as follows:

	31/12/2019 VND million	31/12/2018 VND million
Loans and advances to customers – gross	67,545,653	50,814,947
Available-for-sale securities – bonds issued by local economic entities – gross	818,400	808,400
	<hr/> 68,364,053	<hr/> 51,623,347
Other guarantees	358,972	288,386
	<hr/> 68,723,025	<hr/> 51,911,733

An aging analysis of financial assets that are past due but not impaired at the reporting date is as follows:

As at 31 December 2019	From 10 to	From 91 to	Overdue	Over 360	Total
	90 days	180 days	From 181 to	days	
	VND million	VND million	360 days	VND million	VND million
Loans and advances to customers (*)	1,303,452	10,833	10,697	40,751	1,365,733
	<hr/>				
As at 31 December 2018	Overdue	From 91 to	From 181 to	Over 360	Total
	From 10 to	180 days	360 days	days	
	VND million	VND million	VND million	VND million	VND million
Loans and advances to customers (*)	62,415	43,628	6,851	37,744	150,638

An aging analysis of financial assets that are past due and impaired is as follows:

As at 31 December 2019	From 10	From 91 to	Overdue	Over 360	Total
	to 90 days	180 days	From 181 to	days	
	VND million	VND million	360 days	VND million	VND million
Loans and advances to customers (*)	636,463	519,211	520,755	204,990	1,881,419
	<hr/>				
As at 31 December 2018	From 10	From 91 to	Overdue	Over 360	Total
	to 90 days	180 days	From 181 to	days	
	VND million	VND million	360 days	VND million	VND million
Loans and advances to customers (*)	85,398	44,464	52,618	223,269	405,749

- (*) Overdue debts are calculated on the basis of each loan.

See Note 37(a) for types and values of collaterals received from customers. The Bank has not determined fair values of the collaterals for overdue and impaired financial assets for disclosure in these separate financial statements because there is currently no guidance on determination of fair value under Vietnamese Accounting Standards, the Vietnamese Accounting System for Credit Institutions stipulated by the SBV in case quoted price in the market is not available. The fair values of these collaterals may differ from their carrying amounts.

(c) **Market risks**

Market risks are the risks that the fair value or future cash flows of a financial instrument will fluctuate because of movements in market prices. Market risks arise from open positions in interest rate, currency instruments and equity instruments, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and share prices.

(i) **Interest rate risk**

Interest rate risk is the risk that fair value or cash flows of financial instruments will fluctuate because of changes in the market interest rate. The Bank will be exposed to the interest rate risk when there is a gap between maturity date or interest repricing date of assets, liabilities and off-balance sheet commitments in a specific period of time. The Bank manages this risk by matching the dates of interest rate repricing of assets and liabilities.

Analysis of assets and liabilities by interest repricing period

The actual interest rate repricing term is the remaining period from the reporting date to the next interest rate repricing date or the maturity date of assets and liabilities whichever is earlier.

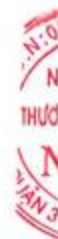
The following assumptions and conditions have been adopted in the analysis of actual interest rate repricing terms of the assets and liabilities of the Bank:

- Cash on hand, gold; held-for-trading securities; derivatives and other financial assets; special bonds issued by VAMC; capital contribution, long-term investments; other assets (including fixed assets and other assets) and other liabilities are classified as non-interest bearing items.
- Balances with the State Bank of Vietnam are considered as current, interest rate repricing term is therefore considered within 1 month.
- The actual interest rate repricing term of debt securities is determined based on the actual maturity term of each type of securities at the reporting date.
- The actual interest rate repricing term of deposits with and loans to other credit institutions; loans and advances to customers; borrowings from the Government and the State Bank of Vietnam; deposits and borrowings from other credit institutions and deposits from customers is determined as follows:
 - Items which bear fixed interest rate for the entire contractual term: the actual interest rate repricing term is determined based on the remaining contractual term calculated from the reporting date.
 - Items which bear floating interest rate: the actual interest rate repricing term is determined based on the next interest rate repricing date subsequent to the reporting date.



- The actual interest rate repricing term of valuable papers issued is determined based on the remaining contractual term calculated from the reporting date .
- The actual interest rate repricing term of grants and entrusted funds is determined based on the next interest rate repricing date subsequent to the reporting date .
- The actual interest rate repricing term of other liabilities are classified as non-interest bearing items.

The following tables show the Bank's assets and liabilities categorised by the earlier of interest rate repricing date and contractual maturity date at the end of the annual accounting period:



Notes to the separate financial statements for the year ended 31 December 2019 (continued)

As at 31 December 2019	Overdue VND million	Free of interest VND million	Less than 1 month VND million	From 1 to 3 months VND million	From over 3 to 6 months VND million	From over 6 to 12 months VND million	From over 1 to 5 years VND million	Over 5 years VND million	Total VND million
Assets									
Cash on hand, gold	-	945,670	-	-	-	-	-	-	945,670
Balances with the SBV	-	-	3,055,469	-	-	-	-	-	3,055,469
Deposits with and loans to other credit institutions	-	208,658	9,127,236	2,459,760	-	-	-	-	11,795,654
Held-for-trading securities – gross	-	144,141	-	-	-	-	-	-	144,141
Loans and advances to customers – gross (*)	3,869,985	-	13,416,090	45,462,818	4,226,007	464,301	106,452	-	67,545,653
Investment securities – gross	-	-	100,054	470,067	499,935	50,231	1,923,797	4,386,247	7,430,331
Capital contribution, long-term investments – gross	-	165,280	-	-	-	-	-	-	165,280
Fixed assets	-	881,710	-	-	-	-	-	-	881,710
Other assets – gross	-	3,561,999	-	-	-	-	-	-	3,561,999
	3,869,985	5,907,458	25,698,849	48,392,645	4,725,942	514,532	2,030,249	4,386,247	95,525,907
Liabilities									
Borrowings from the Government and the SBV	-	-	35	764	358	355	-	-	1,512
Deposits and borrowings from other credit institutions	-	-	9,242,949	2,462,215	8,847	663	6,223	-	11,720,897
Deposits from customers	-	-	18,840,720	13,477,179	20,454,089	14,515,996	3,455,058	1,692	70,744,734
Derivatives and other financial liabilities	-	4,718	-	-	-	-	-	-	4,718
Grants and entrusted funds received	-	-	14,601	463,600	231,800	-	-	-	710,001
Valuable papers issued	-	-	-	-	600,000	496,670	1,675,513	1,639,940	4,412,123
Other liabilities	-	2,131,506	-	-	-	-	-	-	2,131,506
	-	2,136,224	28,098,305	16,403,758	21,295,094	15,013,684	5,136,794	1,641,632	89,725,491
Interest sensitivity gap of balance sheet items	3,869,985	3,771,234	(2,399,456)	31,988,887	(16,569,152)	(14,499,152)	(3,106,545)	2,744,615	5,800,416
Interest sensitivity gap of off- balance sheet items	-	-	-	-	-	-	-	-	-
Interest sensitivity gap on and off-balance sheet items	3,869,985	3,771,234	(2,399,456)	31,988,887	(16,569,152)	(14,499,152)	(3,106,545)	2,744,615	5,800,416

Notes to the separate financial statements for the year ended 31 December 2019 (continued)

As at 31 December 2018	Overdue VND million	Free of interest VND million	Less than 1 month VND million	From 1 to 3 months VND million	From over 3 to 6 months VND million	From over 6 to 12 months VND million	From over 1 to 5 years VND million	Over 5 years VND million	Total VND million
Assets									
Cash on hand, gold	-	463,755	-	-	-	-	-	-	463,755
Balances with the SBV	-	-	2,844,909	-	-	-	-	-	2,844,909
Deposits with and loans to other credit institutions	-	-	9,176,809	689,250	-	-	49,417	-	9,915,476
Held-for-trading securities – gross	-	144,141	-	-	-	-	-	-	144,141
Loans and advances to customers – gross (*)	704,233	-	9,223,671	25,122,690	2,157,748	12,289,548	471,120	845,937	50,814,947
Investment securities – gross	-	167,679	-	200,179	-	5,090	3,047,633	5,735,722	9,156,303
Capital contribution, long-term investments – gross	-	417,280	-	-	-	-	-	-	417,280
Fixed assets	-	821,000	-	-	-	-	-	-	821,000
Other assets – gross	-	1,569,176	-	-	-	-	-	-	1,569,176
	704,233	3,583,031	21,245,389	26,012,119	2,157,748	12,294,638	3,568,170	6,581,659	76,146,987
Liabilities									
Borrowings from the Government and the SBV	-	-	35	764	358	613	-	-	1,770
Deposits and borrowings from other credit institutions	-	-	11,412,662	865,214	-	1,103	23,045	138	12,302,162
Deposits from customers	-	-	16,494,380	11,498,194	14,147,904	10,716,916	1,395,743	901	54,254,038
Grants and entrusted funds received	-	-	-	-	116,750	-	11,964	-	128,714
Valuable papers issued	-	-	-	-	-	1,855,723	300,000	450,000	2,605,723
Other liabilities	-	1,600,996	-	-	-	-	-	-	1,600,996
	-	1,600,996	27,907,077	12,364,172	14,265,012	12,574,355	1,730,752	451,039	70,893,403
Interest sensitivity gap of balance sheet items	704,233	1,982,035	(6,661,688)	13,647,947	(12,107,264)	(279,717)	1,837,418	6,130,620	5,253,584
Interest sensitivity gap of off- balance sheet items	-	-	-	-	-	-	-	-	-
Interest sensitivity gap on and off-balance sheet items	704,233	1,982,035	(6,661,688)	13,647,947	(12,107,264)	(279,717)	1,837,418	6,130,620	5,253,584

(*) Overdue debits are calculated on the basis of each repayment of each individual loan.

The following table shows the average actual interest rates of interest bearing financial instruments with different terms and currencies:

Notes to the separate financial statements for the year ended 31 December 2019 (continued)

As at 31 December 2019	Less than 1 month	From 1 to 3 months	From over 3 to 6 months	From over 6 to 12 months	From over 1 to 5 years	Over 5 years
Assets						
Balances with the SBV						
▪ VND	0%-0.8%	(*)	(*)	(*)	(*)	(*)
▪ Foreign currencies	0%-0.05%	(*)	(*)	(*)	(*)	(*)
Deposits with and loans to other credit institutions						
▪ VND	0%-4.5%	4%-5%	(*)	(*)	(*)	(*)
▪ Foreign currencies	0%-2.2%	2.4%-2.6%	(*)	(*)	(*)	(*)
Loans and advances to customers						
▪ VND	5%-30%	0%-30%	5%-20%	6.5%-12.95%	6-11.8%	(*)
▪ Foreign currencies	2.33%-5.5%	3.2%-5.6%	3.2%-4.2%	(*)	(*)	(*)
Investment securities						
▪ VND	6.60%	4.9%-9%	6.4%-8.8%	6.4%	6.1%-10.8%	3.5%-8%
Liabilities						
Borrowings from the Government and the SBV						
▪ VND	3.50%	3.50%	3.50%	3.50%	(*)	(*)
Deposits and borrowings from other credit institutions						
▪ VND	0%-9.6%	4%-11%	9%-10.5%	10.5%-10.9%	(*)	(*)
▪ Foreign currencies	(*)	2.4%-2.6%	0.75%	(*)	(*)	(*)
Deposits from customers						
▪ VND	0%-9.2%	4.5%-9.3%	0%-9.4%	6.29-9.4%	5.85%-9.3%	5.4%-7.6%
▪ Foreign currencies	0%	0%	0%	0%	0%	0%
Grants and entrusted funds received						
▪ VND	5.18%	(*)	(*)	(*)	(*)	(*)
▪ USD	(*)	3.56%	4.92%	(*)	(*)	(*)
Valuable papers issued						
▪ VND	(*)	(*)	7%-7.6%	7.6%-8.8%	8.5%-8.9%	7.5%-9.1%



Notes to the separate financial statements for the year ended 31 December 2019 (continued)

As at 31 December 2018	Less than 1 month	From 1 to 3 months	From over 3 to 6 months	From over 6 to 12 months	From over 1 to 5 years	Over 5 years
Assets						
Balances with the SBV						
▪ VND	1.2%	(*)	(*)	(*)	(*)	(*)
▪ Foreign currencies	0.05%	(*)	(*)	(*)	(*)	(*)
Deposits with and loans to other credit institutions						
▪ VND	0%-5.3%	5.1%-5.4%	(*)	(*)	0%	(*)
▪ Foreign currencies	0%-2.8%	2.7%-2.8%	(*)	(*)	(*)	(*)
Loans and advances to customers						
▪ VND	0% - 30%	0% - 30%	0%-30%	3.7%-17%	6%-20%	5%-13.9%
▪ Foreign currencies	3.0%-5.2%	2.5%-5.2%	2.8%-4.3%	3.7%	(*)	(*)
Investment securities						
▪ VND	(*)	8.0%-9.75%	(*)	9%	5.2%-10.8%	5.2%-10.8%
Liabilities						
Borrowings from the Government and the SBV						
▪ VND	3.5%	3.5%	3.5%	3.5%	(*)	(*)
Deposits and borrowings from other credit institutions						
▪ VND	0%-5.3%	3.5%-6.1%	3.5%	3.5%-10.6%	9.2%-10.8%	(*)
▪ Foreign currencies	2.4%-2.8%	2.7%-2.8%	(*)	(*)	(*)	0.75%
Deposits from customers						
▪ VND	0%-8.5%	4.5%-8.9%	0%-9.1%	1.0%-9.0%	5.85%-9.4%	5.4%-7.4%
▪ Foreign currencies	0%	0%	0%	0%	0%	0%
Grants and entrusted funds received						
▪ VND	(*)	(*)	(*)	(*)	4.97%	(*)
▪ USD	(*)	(*)	(*)	(*)	5.46%	(*)
Valuable papers issued						
▪ VND	(*)	(*)	(*)	7.5%-8.7%	7.6%	8.6%

(*) These items have nil balance at the end of the accounting period .

Interest rate sensitivity analysis

The Bank has not performed the sensitivity analysis for interest rates at 31 December 2019 and 31 December 2018 because there are no specific guidelines and regulations of the State Bank of Vietnam and other competent authorities.

(ii) Currency risk

Currency risk is the risk arising from changes in foreign exchange rates to VND, the Bank's accounting currency, which may affect the value of the financial instruments or may cause volatility in the Bank's earnings. The Bank manages currency risk by setting limits on currency exposure. These limits include open position limit, open position limit for each currency.

The main transactional currency of the Bank is VND. Financial assets and liabilities of the Bank are denominated mainly in VND, partially in USD, EUR and gold. The Bank sets limits on position of each currency. The currency position is monitored daily to ensure that the currency position is within the set limit.

The followings are the significant exchange rates applied by the Bank at the reporting date:

	Exchange rate as at	
	31/12/2019	31/12/2018
USD/VND	23,180	23,350
EUR/VND	25,992	26,519
GBP/VND	30,450	29,589
CHF/VND	23,947	23,605
JPY/VND	213,00	209.98
SGD/VND	17,225	16,966
CAD/VND	17,771	17,007
AUD/VND	16,242	16,330
HKD/VND	2,977	2,960
KRW/VND	20	-
XAU/VND (one tenth of a tael)	4,257,500	3,646,500

As at 31 December 2019

	VND million	USD million	Gold million VND	EUR million VND	Other currencies million VND	Total VND million
Assets						
Cash on hand, gold	788,751	142,853	1,477	4,249	8,340	945,670
Balances with the SBV	2,957,480	97,989	-	-	-	3,055,469
Deposits with and loans to other credit institutions – gross	10,503,631	1,284,347	-	1,804	5,872	11,795,654
Held-for-trading securities – gross	144,141	-	-	-	-	144,141
Loans and advances to customers – gross	66,826,069	719,584	-	-	-	67,545,653
Investment securities – gross	7,430,331	-	-	-	-	7,430,331
Capital contribution, long-term investments – gross	165,280	-	-	-	-	165,280
Fixed assets	881,710	-	-	-	-	881,710
Other assets – gross	3,539,690	22,309	-	-	-	3,561,999
Total assets (1)	93,237,083	2,267,082	1,477	6,053	14,212	95,525,907
Liabilities and equity						
Borrowings from the Government and the SBV	1,512	-	-	-	-	1,512
Deposits and borrowings from other credit institutions	10,979,015	741,882	-	-	-	11,720,897
Deposits from customers	69,508,532	1,226,686	-	4,229	5,287	70,744,734
Derivatives and other financial liabilities	689,344	(684,626)	-	-	-	4,718
Grants and entrusted funds received	14,601	695,400	-	-	-	710,001
Valuable papers issued	4,412,123	-	-	-	-	4,412,123
Other liabilities	2,121,216	10,290	-	-	-	2,131,506
Capital and reserves	4,931,875	-	-	-	-	4,931,875
Total liabilities and equity (2)	92,658,218	1,989,632	-	4,229	5,287	94,657,366
FX position on-balance sheet [(3)=(1)-(2)]	578,865	277,450	1,477	1,824	8,925	868,541
FX position off-balance sheet (4)	-	-	-	-	-	-
FX position on and off-balance sheet [(5)=(3)+(4)]	578,865	277,450	1,477	1,824	8,925	868,541

As at 31 December 2019

	VND million	USD VND million	Gold VND million	EUR VND million	Other currencies VND million	Total VND million
Assets						
Cash on hand, gold	362,970	93,627	1,185	4,109	1,864	463,755
Balances with the SBV	2,765,527	79,382	-	-	-	2,844,909
Deposits with and loans to other credit institutions – gross	7,534,535	2,374,973	-	2,953	3,015	9,915,476
Held-for-trading securities – gross	144,141	-	-	-	-	144,141
Loans and advances to customers – gross	50,117,204	697,743	-	-	-	50,814,947
Investment securities – gross	9,156,303	-	-	-	-	9,156,303
Capital contribution, long-term investments – gross	417,280	-	-	-	-	417,280
Fixed assets	821,000	-	-	-	-	821,000
Other assets – gross	1,554,585	14,591	-	-	-	1,569,176
Total assets (1)	72,873,545	3,260,316	1,185	7,062	4,879	76,146,987
Liabilities and equity						
Borrowings from the Government and the SBV	1,770	-	-	-	-	1,770
Deposits and borrowings from other credit institutions	10,644,173	1,657,989	-	-	-	12,302,162
Deposits from customers	53,253,340	996,460	-	3,130	1,108	54,254,038
Grants and entrusted funds received	11,964	116,750	-	-	-	128,714
Valuable papers issued	2,605,723	-	-	-	-	2,605,723
Other liabilities	1,593,013	7,983	-	-	-	1,600,996
Capital and reserves	4,202,172	-	-	-	-	4,202,172
Total liabilities and equity (2)	72,312,155	2,779,182	-	3,130	1,108	75,095,575
FX position on-balance sheet [(3)=(1)-(2)]	561,390	481,134	1,185	3,932	3,771	1,051,412
FX position off-balance sheet (4)	-	186,800	-	-	-	186,800
FX position on and off-balance sheet [(5)=(3)+(4)]	561,390	667,934	1,185	3,932	3,771	1,238,212

Below is the analysis of impact to net profit of the Bank after consideration the current foreign exchange rate and the fluctuations in the past as well as market expectation at the reporting date:

	Effect to net profit Increase/(decrease) VND million
As at 31 December 2019	
USD (strengthening by 1%)	2,220
EUR (weakening by 2%)	(29)
XAU (strengthening by 17%)	201
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As at 31 December 2018	
USD (strengthening by 3%)	16,030
EUR (weakening by 2%)	(63)
XAU (strengthening by 1%)	9
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(iii) Equity price risk

Equity price risk is the risk that the market value of securities decreases due to changes in price of individual securities. Equity price risk derives from held-for-trading listed equity securities of the Bank.

Held-for-trading listed equity securities of the Bank bear the equity price risk resulting from the uncertainties in fluctuation of equity price in the future of these securities. The Bank manages the equity price risk by diversification and prudence in selection of investment securities within the approved limit.

As at 31 December 2019 and 31 December 2018, the impact of equity price risk of the Bank is insignificant because the Bank holds insignificant held-for-trading listed equity securities at the reporting date.

(d) Liquidity risk

Liquidity risk is the risk that (i) the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstance or (ii) the Bank has ability to meet its payment obligations but has to bear significant financial loss to perform its obligations.

Management of liquidity risk

The Bank's purpose of the liquidity risk management is to ensure that the Bank has ability to meet its payment obligations on due date, under normal and stress circumstances, without any unexpected loss which may affect to the Bank's reputation.

To mitigate the liquidity risk, the Bank maintains a appropriate structure of liabilities and assets, enhance the ability of raising fund from various sources. The Bank manages the assets with high liquidity, and monitor future cash flows and liquidity on a daily basis. The assessment of expected cash flows together with the availability of high quality collaterals are deemed as a secured additional fund.

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In addition, the Bank maintains deposits at the SBV in accordance with prevailing regulation relating to compulsory reserve ratio as well as comply with solvency ratios, ratio of short term funding used for medium and long-term lending and other safety ratios stipulated by the SBV.

Analysis of the maturity of financial assets and financial liabilities

The maturity of assets and liabilities represents the remaining term of assets and liabilities from the reporting date to the maturity date specified in contracts or issuance provisions.

The following assumptions and conditions are applied in analysing the maturity of assets and liabilities of the Bank:

- Balances with the SBV are classified as demand deposits, in which compulsory reserve is included. The balance of compulsory reserve depends on elements and term of deposits from customers.
- The maturity of deposits with and loans to other credit institutions and loans and advances to customers are determined based on the contractual maturity date. The actual maturity date can be changed as the loan contracts are extended.
- The maturity of investment securities is based on the maturity date of each securities.
- The maturity of capital contribution, long-term investments is categorised over 5 years because these investments do not have exact maturity date and the Bank has intention to hold them for long-term.
- The maturity of fixed assets is categorised over 5 years because the Bank has intention to hold them for long-term.
- The maturity of deposits and borrowings from other credit institutions and deposits from customers is determined based on the characteristic of each item or the maturity date specified in the contracts. Demand deposits from other credit institutions and customers are performed as requests of customers and categorised as call deposits. The maturity term of borrowings and term deposits are determined based on contractual maturity date. In reality, the actual maturities of those liabilities may be longer than the original contractual term due to rollover or shorter due to withdrawal before maturity date.

Below is the analysis of assets and liabilities of the Bank classified into maturity groups based on the remaining terms from the end of the annual accounting period until the maturity date. In reality, the maturity dates of assets and liabilities might be different from the contractual ones, depending on the appendices signed.

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Notes to the separate financial statements for the year ended 31 December 2019 (continued)

As at 31 December 2019	Overdue			Current			Total VND million
	Overdue over 3 months VND million	Overdue up to 3 months VND million	Up to 1 month VND million	From over 1 to 3 months VND million	From over 3 to 12 months VND million	From over 1 to 5 years VND million	
Assets							
Cash on hand, gold	-	-	945,670	-	-	-	945,670
Balances with the SBV	-	-	3,055,469	-	-	-	3,055,469
Deposits with and loans to other credit institutions – gross	-	-	9,127,236	2,459,760	49,417	159,241	11,795,654
Held-for-trading securities – gross	-	-	144,141	-	-	-	144,141
Loans and advances to customers – gross (*)	841,800	3,028,185	4,532,582	4,976,156	35,904,518	7,943,833	67,545,653
Investment securities – gross	-	-	100,054	470,067	550,166	1,923,797	7,430,331
Capital contribution, long-term investments – gross	-	-	-	-	-	-	165,280
Fixed assets	-	-	-	262,479	-	282,342	881,710
Other assets – gross	-	-	729,012	-	2,239,252	-	48,914
Total assets (1)	841,800	3,028,185	18,634,164	8,168,462	38,743,353	10,309,213	15,800,730
							95,525,907
Liabilities							
Borrowings from the Government and the SBV	-	-	35	764	713	-	-
Deposits and borrowings from other credit institutions	-	-	9,242,371	2,460,149	1,769	16,608	-
Deposits from customers	-	-	18,840,720	13,477,179	34,970,085	3,455,058	1,692
Derivatives and other financial liabilities	-	-	(36)	5,042	(288)	-	-
Grants and entrusted funds received	-	-	-	463,600	116,088	125,363	4,950
Valuable papers issued	-	-	-	-	1,096,670	1,675,513	1,639,940
Other liabilities	-	-	769,743	441,795	739,695	162,260	18,013
Total liabilities (2)	-	-	28,852,833	16,848,529	36,924,732	5,434,802	1,664,595
Net liquidity gap [(3)=(1)-(2)]	841,800	3,028,185	(10,218,669)	(8,680,067)	1,818,621	4,874,411	14,136,135
							5,800,416

Notes to the separate financial statements for the year ended 31 December 2019 (continued)

As at 31 December 2018	Overdue		Up to 1 month VND million	From over 1 to 3 months VND million	Current From over 3 to 12 months VND million	From over 1 to 5 years VND million	Over 5 years VND million	Total VND million
	Overdue over 3 months VND million	Overdue up to 3 months VND million						
Assets								
Cash on hand, gold	-	-	463,755	-	-	-	-	463,755
Balances with the SBV	-	-	2,844,909	-	-	-	-	2,844,909
Deposits with and loans to other credit institutions – gross	-	-	9,176,809	689,250	-	49,417	-	9,915,476
Held-for-trading securities – gross	-	-	144,141	-	-	-	-	144,141
Loans and advances to customers – gross (*)	299,731	404,502	1,923,523	6,454,189	27,126,832	7,040,628	7,565,542	50,814,947
Investment securities – gross	-	-	-	200,179	51,280	3,169,122	5,735,722	9,156,303
Capital contribution, long-term investments – gross	-	-	-	-	-	-	417,280	417,280
Fixed assets	-	-	-	-	-	-	821,000	821,000
Other assets – gross	-	-	196,230	243,701	525,890	235,977	367,378	1,569,176
Total assets (1)	299,731	404,502	14,749,367	7,587,319	27,704,002	10,495,144	14,906,922	76,146,987
Liabilities								
Borrowings from the Government and the SBV	-	-	35	764	971	-	-	1,770
Deposits and borrowings from other credit institutions	-	-	11,412,662	865,214	1,103	23,045	138	12,302,162
Deposits from customers	-	-	16,494,380	11,498,194	24,864,820	1,395,743	901	54,254,038
Grants and entrusted funds received	-	-	-	-	-	128,714	-	128,714
Valuable papers issued	-	-	-	-	-	534,130	2,071,593	2,605,723
Other liabilities	-	-	624,881	340,748	466,905	37,609	130,853	1,600,996
Total liabilities (2)	-	-	28,531,958	12,704,920	25,333,799	2,119,241	2,203,485	70,893,403
Net liquidity gap [(3)=(1)-(2)]	299,731	404,502	(13,782,591)	(5,117,601)	2,370,203	8,375,903	12,703,437	5,253,584

(*) Overdue debts are calculated on the basis of each repayment of each individual loan.

(e) Fair value versus carrying amount

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the separate balance sheet at the reporting date, are as follows:

	31/12/2019		31/12/2018	
	Carrying amount VND million	Fair value VND million	Carrying amount VND million	Fair value VND million
<i>Categorised as financial assets are determined at fair value through the statement of income:</i>				
- Held-for-trading securities	127,921	(*)	63,324	65,428
<i>Categorised as held-to-maturity investments:</i>				
- Government bonds	2,529,771	(*)	4,025,424	(*)
- Debt securities issued by other local credit institutions	569,459	(*)	1,127,154	(*)
- Special bonds issued by VAMC	-	-	58,526	(*)
<i>Categorised as loans and receivables:</i>				
- Cash in hand, gold	945,670	945,670	463,755	463,755
- Balances with the SBV	3,055,469	3,055,469	2,844,909	2,844,909
- Deposits with and loans to other credit institutions	11,795,654	(*)	9,866,059	(*)
- Loans and advances to customers	66,751,987	(*)	50,042,960	(*)
- Receivables	241,771	(*)	199,189	(*)
- Accrued interest and fees receivable	1,315,261	(*)	1,177,679	(*)
<i>Categorised as available-for-sale securities:</i>				
- Government bonds	1,716,797	(*)	1,716,374	(*)
- Debt securities issued by other local credit institutions	1,795,904	(*)	1,311,272	(*)
- Debt securities issued by other local economic entities	812,262	(*)	802,337	(*)
- Capital contribution, long-term investments	160,220	(*)	414,145	(*)
- Other financial assets	24,470	24,470	41,087	41,087

	31/12/2019		31/12/2018	
	Carrying amount VND million	Fair value VND million	Carrying amount VND million	Fair value VND million
<i>Categorised as financial liabilities carried at amortised cost:</i>				
- Derivatives and other financial liabilities	(4,718)	(*)	-	-
- Borrowings from the Government and SBV	(1,512)	(*)	(1,770)	(*)
- Deposits and borrowings from other credit institutions	(11,720,897)	(*)	(12,302,162)	(*)
- Deposits from customers	(70,744,734)	(*)	(54,254,038)	(*)
- Grants and entrusted funds received	(710,001)	(*)	(128,714)	(*)
- Valuable papers issued	(4,412,123)	(*)	(2,605,723)	(*)
- Accrued interest and fees payable	(1,679,219)	(*)	(1,224,166)	(*)
- Other financial liabilities	(270,388)	(*)	(268,276)	(*)

(*) The Bank has not determined fair values of these financial assets and liabilities because there are currently no specific guidance or regulations of the State Bank of Vietnam and other competent authorities on the determination of fair value of the financial instruments

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42. Segment reporting

(a) Primary segment

Information on primary segment by geographical areas of the Bank is presented as follows:

	The Northern Region		The Central Region		The Southern Region		Elimination		Total	
	VND million	2018	VND million	2018	VND million	2018	VND million	2018	VND million	2018
I. Income	1,085,375	641,168	1,828,482	1,468,033	16,113,405	11,575,786	(11,475,329)	(8,152,797)	7,551,933	5,532,190
1. Interest income	1,080,387	637,567	1,811,821	1,455,942	15,703,955	11,305,993	(11,475,329)	(8,152,797)	7,120,834	5,246,705
2. Fees and commission income	2,413	1,857	13,509	9,101	144,206	102,094	-	-	160,128	113,052
3. Income from other activities	2,575	1,744	3,152	2,990	265,244	167,699	-	-	270,971	172,433
II. Expenses	(1,010,624)	(602,920)	(1,708,209)	(1,261,505)	(15,398,763)	(11,182,155)	11,475,329	8,152,797	(6,642,267)	(4,893,783)
1. Interest expense	(924,301)	(542,055)	(1,541,120)	(1,142,561)	(13,948,639)	(10,014,073)	11,475,329	8,152,797	(4,938,731)	(3,545,892)
2. Depreciation expenses	(2,952)	(1,540)	(8,641)	(5,091)	(63,162)	(76,900)	-	-	(74,755)	(83,531)
3. Operating expenses	(83,371)	(59,325)	(158,448)	(113,853)	(1,386,962)	(1,091,182)	-	-	(1,628,781)	(1,264,360)
Operating profit before allowance expenses for credit losses	74,751	38,248	120,273	206,528	714,642	393,631	-	-	909,666	638,407
Allowance expenses for credit losses	(11,072)	(18,757)	48,308	(99,537)	(25,094)	219,436	-	-	12,142	101,142
Segment profit before tax	63,679	19,491	168,581	106,991	689,548	613,067	-	-	921,808	739,549

Nam A Commercial Joint Stock Bank
No. 201 - 203 Cach Mang Thang Tam, Ward 4, District 3
Ho Chi Minh City, Vietnam

Form B05/TCTD
(Issued under Circular No. 49/2014/TT-NHNN
dated 31 December 2014
of the State Bank of Vietnam)

Notes to the separate financial statements 31 December 2019 (continued)

	The Northern Region VND million		The Central Region VND million		The Southern Region VND million		Elimination VND million		Total VND million	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
III. Assets	1,421,886	1,096,748	8,672,852	6,749,122	84,562,628	67,249,705	-	-	94,657,366	75,095,575
1. Cash on hand, gold	101,363	53,792	212,459	96,841	631,848	313,122	-	-	945,670	463,755
2. Deposits with other credit institutions	141	14	1,161	947	11,794,352	9,865,098	-	-	11,795,654	9,866,059
3. Loans and advances to customers	1,275,310	1,016,009	8,193,419	6,431,337	57,283,258	42,595,614	-	-	66,751,987	50,042,960
4. Investment securities	-	-	-	-	7,424,193	9,041,087	-	-	7,424,193	9,041,087
5. Fixed assets	10,595	5,469	88,991	79,212	782,124	736,319	-	-	881,710	821,000
6. Other assets	34,477	21,464	176,822	140,785	6,646,853	4,698,465	-	-	6,858,152	4,860,714
IV. Liabilities	14,472,083	9,096,772	13,023,091	9,992,404	62,230,317	51,804,227	-	-	89,725,491	70,893,403
1. Deposits and borrowings from other credit institutions and the SBV	1,000,764	500,331	8,278	3,500	10,713,367	11,800,101	-	-	11,722,409	12,303,932
2. Deposits from customers	12,620,021	8,124,338	11,902,899	9,207,951	46,221,814	36,921,749	-	-	70,744,734	54,254,038
3. Grants and entrusted funds received	-	-	-	-	710,001	128,714	-	-	710,001	128,714
4. Valuable papers issued	474,163	232,983	781,294	539,550	3,156,666	1,833,190	-	-	4,412,123	2,605,723
5. Other liabilities	377,135	239,120	330,620	241,403	1,428,469	1,120,473	-	-	2,136,224	1,600,996

(b) Secondary segment

The Bank mainly operates in one business segment which is commercial banking.



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43. Commitments

(a) Capital expenditure commitments

At the reporting date, the Bank had the following outstanding capital commitments approved but not recorded in the separate balance sheet:

	31/12/2019 VND million	31/12/2018 VND million
Approved and contracted	4,440	11,231

(b) Lease commitments

At the reporting date, the future minimum lease payments under non-cancellable operating leases were as follows:

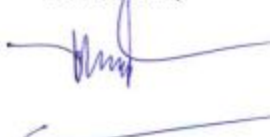
	31/12/2019 VND million	31/12/2018 VND million
Within one year	56,168	33,667
Over one year to five years	253,700	107,966
More than five years	149,498	94,705
	459,366	236,338

44. Post balance sheet event

There were no significant events occurring after the end of the annual accounting period that would require adjustments or disclosures in the Bank's separate financial statements.

Prepared by

 Nguyen Thi Thao
 Head of General Accountant

2 March 2020
 Reviewed by

 Nguyen Thi My Lan
 Chief Accountant

Approved by


 Tran Ngoc Tam
 General Director

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