Vietnam Technological and Commercial Joint Stock Bank

Consolidated financial statements under International Financial Reporting Standards

For the year ended 31 December 2025

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Vietnam Technological and Commercial Joint Stock Bank

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Vietnam Technological and Commercial Joint Stock Bank

GENERAL INFORMATION

THE BANK

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

The Bank was incorporated pursuant to Business License No. 0038/GP-NHNN issued by the Governor of the State Bank of Vietnam ("the SBV") on 6 March 2018 to replace Business License No. 0040/NH-GP on 6 August 1993 and decisions to amend and supplement the Bank's Business License for respective periods. The operating duration is 99 years since 6 August 1993.

The principal activities of the Bank are mobilizing and receiving short, medium and long-term deposit funds from organizations and individuals; lending on short, medium and long-term basis up to the nature and ability of the Bank's capital resources; conducting settlement and cash services and other banking services as approved by the SBV; conducting investments in subsidiaries, associates, joint-ventures and other companies; conducting investments in bonds and dealing in foreign exchange in accordance with applicable regulations.

BOARD OF DIRECTORS

Members of the Board of Directors of the Bank for the year ended 31 December 2025 and until the date of these consolidated financial statements are as follows:

Name	*Position*
Mr Ho Hung Anh	Chairman
Mr Nguyen Dang Quang	The first Vice Chairman
Mr Nguyen Thieu Quang	Vice Chairman
Mr Nguyen Canh Son	Vice Chairman
Mr Ho Anh Ngoc	Vice Chairman
Ms Nguyen Thu Lan	Vice Chairwoman
Mr Saurabh Narayan Agarwal	Member
Mr Pham Nghiem Xuan Bac	Independent Member
Mr Eugene Keith Galbraith	Independent Member

BOARD OF SUPERVISION

Members of the Board of Supervision of the Bank for the year ended 31 December 2025 and until the date of these consolidated financial statements are as follows:

Name	*Position*
Mr Hoang Huy Trung	Head of Board of Supervision cum Member in charge
Ms Bui Thi Hong Mai	Member in charge
Ms Do Thi Hoang Lien	Member

THE EXECUTIVE TEAM

Members of the Executive Team for the year ended 31 December 2025 and until the date of these consolidated financial statements are as follows:

Name	***Position***
Mr Jens Lottner	Chief Executive Officer cum Chief Human Resources Officer (from 1 October 2025)
Mr Phung Quang Hung	Standing Deputy Chief Executive Officer cum Chief Corporate & Institutional Banking Group Officer (until 31 July 2025)
Mr Pham Quang Thang	Deputy Chief Executive Officer cum Chief Corporate Affairs Officer (until 31 January 2026)
Mr Nguyen Anh Tuan	Deputy Chief Executive Officer (from 1 February 2026) cum Chief Private and Retail Banking Group Officer (from 1 August 2026)
Mr Phan Thanh Son	Deputy Chief Executive Officer (until 25 June 2025) Chief Global Transaction Service Officer (until 31 August 2025)
Ms Tran Thi Thu Lan	Deputy Chief Executive Officer cum Acting Chief Credit Officer (from 1 July 2026)
Ms Nguyen Thi Van Hoai	Deputy Chief Executive Officer cum Chief Corporate Affairs Officer (from 1 August 2026)
Ms Nguyen Thu Lan	Chief Corporate & Institutional Banking Group Officer (from 1 August 2025 until 30 June 2026)
Ms Phan Thi Hai Yen	Chief Corporate & Institutional Banking Group Officer (from 1 July 2026)
Ms Le Hong Hanh	Acting Chief Risk Officer (until 30 June 2025)
Ms Mustauphy Sanchita	Chief Risk Officer (from 1 July 2025)
Mr Alexandre Charles Emmanuel Macaire	Chief Finance Officer
Ms Dang Nikki MyQuyen	Chief Human Resources Officer (until 30 September 2025)
Mr Nguyen Anh Tuan	Chief Information Officer (until 31 January 2026)
Mr Chu Hong Ngoc	Chief Information Officer (from 1 February 2026) cum Chief Operations Officer
Ms Thai Minh Diem Tu	Chief Marketing Officer
Mr Santhosh Mahendiran	Chief Data and Analytics Officer
Mr Pranav Seth	Chief Digital Officer (until 31 December 2025)
Mr Prasenjit Chakravarti	Chief Corporate Strategy and Transformation Officer
Mr Pham Hy Hieu	Chief AI Transformation Officer (from 19 May 2026)

LEGAL REPRESENTATIVE

The legal representative of the Bank for the year ended 31 December 2025 and until the date of these consolidated financial statements is Mr Ho Hung Anh, the Chairman.

Mr Jens Lottner is authorized to sign off reports and documents relating to operations management which comprise the accompanying consolidated financial statements for the year ended 31 December 2025 in accordance with Decision No. 0058/2020/UQ-CT-HDQT dated 6 February 2020.

REGISTERED OFFICE

6 Quang Trung Street, Cua Nam Ward, Hanoi, Vietnam.

AUDITORS

The auditor of the Bank is Ernst & Young Vietnam Limited

REPORT OF THE EXECUTIVE TEAM

The Executive Team of Vietnam Technological and Commercial Joint Stock Bank ("the Bank") is pleased to present its report and the consolidated financial statements of the Bank and its subsidiaries for the year ended 31 December 2025.

THE EXECUTIVE TEAM'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Executive Team of the Bank is responsible for the consolidated financial statements of each financial year which give a true and fair view of the consolidated financial position of the Bank and its subsidiaries and of the consolidated results of their operations, of their consolidated changes in equity and of their consolidated cash flows for the year. In preparing those consolidated financial statements, the Executive Team of the Bank is required to:

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

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

The Executive Team of the Bank confirmed that it has complied with the above requirements in preparing the accompanying consolidated financial statements.

STATEMENT BY THE EXECUTIVE TEAM

The Executive Team does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated statement of financial position of the Bank and its subsidiaries as at 31 December 2025 and of the consolidated statement of profit or loss, of the consolidated statement of comprehensive income, of the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended in accordance with the International Financial Reporting Standards.

0100230800 M.S.D.N. C.T.C.P NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN KỸ THƯƠNG VIỆT NAM THÀNH PHỐ HÀ NỘI

For and on behalf of the Executive Team:

Mr Jens Lottner
Chief Executive Officer

Hanoi, Vietnam

12 August 2026

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Ernst & Young Vietnam Limited
2 Hai Trieu Street, Sai Gon Ward
Ho Chi Minh City, Vietnam

Tel: +84 28 3824 5252
Email: eyhcmc@vn.ey.com
Website (EN): ey.com/en_vn
Website (VN): ey.com/vi_vn

Reference: 11740033/E-69941559-IFRS

INDEPENDENT AUDITORS' REPORT

**To: The Shareholders of
Vietnam Technological and Commercial Joint Stock Bank**

Opinion

We have audited the consolidated financial statements of Vietnam Technological and Commercial Joint Stock Bank (the "Bank") and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2025 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank and its subsidiaries as at 31 December 2025, their consolidated financial performance, their consolidated changes in equity and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Areas of focus	*How our audit addressed the risk factors*
Expected credit losses of loans to customers and debt instruments not carried at fair value through profit or loss As at 31 December 2025, loans to customers and debt instruments not carried at fair value through profit and loss contributed approximately 77.28% of the Bank and its subsidiaries' total assets. The Bank's loan portfolio consists of large wholesale loans, smaller loans and consumer loans, while debt instruments not carried at fair value through profit and loss mostly comprises corporate bonds. The measurement of expected credit loss ("ECL") requires the application of significant judgement and increased complexity which includes the identification of on-balance sheet and off-balance sheet credit exposures with significant deterioration in credit quality, assumptions used in the ECL models (for exposures assessed individually or collectively) such as the expected future cash flows, forward-looking macroeconomic factors and probability-weighted multiple scenarios. *Refer to summary of significant accounting policies in Note 7.9, significant accounting judgements, estimates and assumptions in Notes 8.2 and the disclosures of loans to customers and debt instruments not carried at fair value through profit or loss in Note 25.1, 25.3, 26 to the financial statements.*	Our audit procedures included understanding and testing of the design and operating effectiveness of the key controls over the following: ▸ loan origination, approval and credit monitoring; ▸ ongoing internal credit quality assessments; ▸ identification of significant increase in credit risk, impairment measurement methodologies, governance for model development, maintenance and validation of ECL models, inputs, basis and assumptions used by the Bank and its subsidiaries in staging the credit exposures and calculating the ECL. We performed the following substantive procedures for impairment allowances of loans to customers and debt instruments not carried at fair value through profit or loss in response to the identified risk: ▸ For staging and identification of credit exposures with significant increase in credit risk, we assessed and tested the appropriateness of the transfer criteria applied by the Bank and its subsidiaries for different types of credit exposures. We evaluated if the transfer criteria were consistent with the Bank and its subsidiaries' credit risk management practices. ▸ For the measurement of ECL, we assessed and tested the reasonableness of the Bank and its subsidiaries' ECL models, including model input, model design and model performance for significant portfolios. We challenged whether historic experience was representative of current circumstances and of the recent loss experience incurred in the portfolios and assessed the reasonableness of forward-looking adjustments, macroeconomic factor analysis and probability-weighted multiple scenarios. ▸ We evaluated if changes in modelling approaches, parameters and assumptions were needed and if any changes made were appropriate. We also assessed, tested and monitored the sensitivity of the expected credit loss provisions to changes in modelling assumptions. ▸ We reconciled the ECL model input data back to the source system and tested a sample of input data to ensure the ECL model data are accurately transferred from the source system.

Areas of focus	*How our audit addressed the risk factors*
	▸ With respect to individually assessed ECL which are mainly in relation to the impaired financial assets in Stage 3, we reviewed and tested a sample of loans to customers and debt investments to evaluate the timely identification by the Bank and its subsidiaries of exposures with significant deterioration in credit quality or which have been impaired. For cases where impairment has been identified, we assessed the Bank and its subsidiaries' assumptions on the expected future cash flows, including the value of realizable collaterals based on available market information and the multiple scenarios considered. We also challenged the assumptions and compared estimates to external evidence where available. ▸ We also assessed whether the financial statement disclosures are adequate and appropriately reflect the Bank and its subsidiaries' exposures to credit risk. ▸ We involved our credit modelling specialists and IT specialists in the performance of these procedures where their specific expertise was required. We also re-computed management's calculation to assess the completeness and accuracy of the Bank and its subsidiaries' impairment allowances.
Valuation of financial assets classified as fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVOCI") with a higher degree of estimation uncertainty The valuation of the Bank and its subsidiaries' financial instruments at FVTPL and FVOCI was a key area of focus of our audit due to the degree of complexity involved in valuing certain instruments and the significance of the judgments and estimates made by management. In particular, the determination of Level 3 valuations requires a higher degree of management judgement as a result of the use of significant unobservable inputs. At 31 December 2025, 9.79% (VND 115,603 billion) of the Bank and its subsidiaries' total financial assets that were carried at fair value were classified as Level 3. The Level 3 instruments mainly comprised unlisted corporate bonds, credit institution bonds and a small number of unlisted equity investments. *Refer to Note 24, 25.1, 25.2 and 37.1 of the consolidated financial statements for financial assets at FVTPL and FVOCI.*	We evaluated the design of and tested the operating effectiveness of the key controls over the Bank and its subsidiaries' purchase, selling and recognition process of financial assets at FVTPL and FVOCI. For those financial assets at FVTPL and FVOCI with significant unobservable valuation inputs, we critically assessed the valuation assumptions by comparison to pricing information from similar transactions which were observable and inputs used by management, and performed an independent valuation on a sample basis. In addition, we performed a variation analysis for significant or unexpected fair value movements over the period. We also challenged the management classification of financial instruments to levels in the fair value hierarchy, sensitivity analysis presented in the financial statements and assessment of other disclosures to ensure the classification, analysis and disclosures are reasonable and appropriate.

Responsibilities of the Executive Team and Those Charged with Governance for the Consolidated Financial Statements

The Executive Team is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as the Executive Team determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Executive Team is responsible for assessing the Bank and its subsidiaries' ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Executive Team either intends to liquidate the Bank and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank and its subsidiaries' financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control of the Bank and its subsidiaries.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Team.
- Conclude on the appropriateness of the Executive Team's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank and its subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Bank and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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We communicate with those charged with governance regarding, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young Vietnam Limited

CÔNG TY
TNHH
ERNST & YOUNG
VIỆT NAM

Nguyen Phuong Nga
Deputy General Director
Audit Practising Registration
Certificate No. 0763-2024-004-1

Hanoi, Vietnam

12 August 2026

Vietnam Technological and Commercial Joint Stock Bank

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2025

	Notes	*2025 VND million*	*2024 VND million*
Interest revenue calculated using the effective interest method	10	65,942,730	46,057,457
Other interest and similar income	10	1,899,304	1,495,683
Interest expense calculated using the effective interest method	11	(29,722,787)	(24,437,868)
Other interesr and similar expense	11	(194,547)	(183,119)
Net interest income		**37,924,700**	**22,932,153**
Fee and commission income		13,930,034	11,896,620
Fee and commission expenses		(3,755,040)	(2,922,137)
Net fee and commission income	**12**	**10,174,994**	**8,974,483**
Net trading gain	13	1,088,200	1,005,708
Other operating (loss)/income	14	(1,324,146)	2,682,946
Total operating income		**47,863,748**	**35,595,290**
Credit loss (expense)/reversed on financial assets	15	(3,004,260)	4,648,623
Net operating income		**44,859,488**	**40,243,913**
Personnel expenses	16	(10,330,728)	(7,392,274)
Depreciation of property and equipment	28	(766,369)	(787,122)
Depreciation of right-of-use assets	29	(343,668)	(337,809)
Amortization of intangible assets	30	(1,143,490)	(794,141)
Other operating expenses	17	(7,004,056)	(6,689,051)
Total operating expenses		**(19,588,311)**	**(16,000,397)**
Profit before tax		**25,271,177**	**24,243,516**
Current income tax expense	18	(6,544,225)	(5,787,711)
Deferred tax income	19	776,698	535,717
Net profit for the year		**19,503,650**	**18,991,522**
Attributable to:			
Equity holders of the Bank		19,327,334	18,709,949
Non-controlling interest		176,316	281,573
		19,503,650	**18,991,522**
Earnings per share			
Basic earnings per share (VND)	20	2,734	2,648
Diluted earnings per share (VND)	20	2,725	2,641

Hanoi, Vietnam
12 August 2026

Prepared by:	Approved by:	Approved by:
Ms Ngo Thi Bao Ngan Accountant	Ms Nguyen Thi Tra My Chief Accountant	Mr Jens Lottner Chief Executive Officer

M.S.D.N: 0100230800 - C.T.C.P
NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN KỸ THƯƠNG VIỆT NAM
THÀNH PHỐ HÀ NỘI

Vietnam Technological and Commercial Joint Stock Bank

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2025

	2025 *VND million*	2024 *VND million*
Net profit for the year	**19,503,650**	**18,991,522**
Other comprehensive income:		
Items that will not be reclassified to the consolidated statement of profit or loss		
Equity instruments at fair value through other comprehensive income		
Revaluation gains on equity instruments at fair value through other comprehensive income	122,179	856,317
Income tax related to the above	(24,436)	(142,698)
Total items that will not be reclassified to the consolidated statement of profit or loss	*97,743*	*713,619*
Items that will be reclassified to the consolidated statement of profit or loss		
Debt instruments at fair value through other comprehensive income		
Net change in fair value	(5,333,675)	(320,945)
Reclassification to the statement of profit or loss	(31,974)	(472,616)
Changes in allowance for expected credit losses	49,113	(191,614)
Income tax related to the above	1,063,307	197,035
Total items that will be reclassified to the consolidated statement of profit or loss	*(4,253,229)*	*(788,140)*
Other comprehensive income for the year, net of income tax	**(4,155,486)**	**(74,521)**
Total comprehensive income for the year, net of income tax	**15,348,164**	**18,917,001**
Attributable to:		
Equity holders of the Bank	15,237,309	18,574,206
Non-controlling interest	110,855	342,795
	15,348,164	**18,917,001**

Hanoi, Vietnam
12 August 2026

Prepared by:	Approved by:	Approved by:
Ms Ngo Thi Bao Ngan	Ms Nguyen Thi Tra My	Mr Jens Lottner
Accountant	Chief Accountant	Chief Executive Officer

M.S.D.N: 0100230800 – C.P NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN KỸ THƯƠNG VIỆT NAM – THÀNH PHỐ HÀ NỘI

Vietnam Technological and Commercial Joint Stock Bank

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
for the year ended 31 December 2025

	Notes	31 December 2025 VND million	31 December 2024 VND million
ASSETS			
Cash and cash equivalents	21	191,957,456	147,443,938
Due from other credit institutions ("CIs")	22	13,993,083	12,531,683
Derivative financial assets	23	2,163,408	3,696,712
Financial assets at fair value through profit or loss ("FVTPL")	24	12,787,660	25,382,590
Debt instruments at fair value through other comprehensive income ("FVOCI")	25.1	133,736,963	112,976,976
Equity instruments at FVOCI	25.2	5,794,389	3,859,390
Investments in associates		32,263	-
Loans to customers	26	778,823,839	623,453,336
Debt instruments at amortized cost	25.3	-	9,871,816
Other assets	27	22,429,303	19,441,462
Property and equipment	28	8,693,139	9,246,304
Right-of-use assets	29	1,386,069	1,003,447
Intangible assets	30	5,438,705	4,611,209
Current tax assets	34	1,549	1,467
Deferred tax assets	19	3,657,679	2,291,176
TOTAL ASSETS		**1,180,895,505**	**975,811,506**
LIABILITIES			
Due to the Government and the SBV		4,324,929	11,531
Due to other CIs	31	145,542,470	132,705,144
Derivative financial liabilities	23	4,452,345	3,924,934
Mobilizing from customers	32	732,521,410	613,871,939
Debt instruments issued	33	109,512,105	65,763,603
Current tax liabilities	34	5,126,228	5,663,680
Other liabilities	35	15,066,651	11,945,092
Deferred tax liabilities	19	230,410	679,476
TOTAL LIABILITIES		**1,016,776,548**	**834,565,399**
SHAREHOLDERS' EQUITY			
Share capital	36.1	70,862,404	70,648,517
Share premium	36.1	2,615,665	2,079,201
Retained earnings		46,762,189	32,135,436
Statutory reserves	36.2	28,644,562	24,787,305
Fair value reserve		(3,240,629)	849,396
Other reserves		10,620,501	8,086,713
Total equity attributable to the Bank		156,264,692	138,586,568
Total equity attributable to Non-controlling interest		7,854,265	2,659,539
TOTAL SHAREHOLDERS' EQUITY		**164,118,957**	**141,246,107**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,180,895,505**	**975,811,506**

Hanoi, Vietnam
12 August 2026

M.S.D.N: 0100230800 - C.T.C.P. NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN KỸ THƯƠNG VIỆT NAM THÀNH PHỐ HÀ NỘI

Prepared by:	Approved by:	Approved by:
Ms Ngo Thi Bao Ngan	Ms Nguyen Thi Tra My	Mr Jens Lottner
Accountant	Chief Accountant	Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2025

For the year ended 31 December 2025

	Share capital VND million	Share premium VND million	Treasury shares VND million	Retained earnings VND million	Statutory reserves VND million	Fair value reserve VND million	Other reserves VND million	Total equity attributable to the Bank VND million	Non-controlling interest VND million	Total VND million
As at 1 January 2025	**70,648,517**	**2,079,201**	-	**32,135,436**	**24,787,305**	**849,396**	**8,086,713**	**138,586,568**	**2,659,539**	**141,246,107**
Comprehensive income for the year										
Profit for the year	-	-	-	19,327,334	-	-	-	19,327,334	176,316	19,503,650
Other comprehensive income, net of tax:										
Net change in fair value of debt instruments at FVOCI	-	-	-	-	-	(5,179,429)	-	(5,179,429)	(154,246)	**(5,333,675)**
Net amount reclassified to the statement of profit or loss on sale of debt instruments at FVOCI	-	-	-	-	-	(31,458)	-	(31,458)	(516)	**(31,974)**
Net change in allowance for expected credit losses of debt instruments at FVOCI	-	-	-	-	-	42,685	-	42,685	6,428	**49,113**
Net change in fair value of equity instruments at FVOCI	-	-	-	-	-	99,919	-	99,919	22,260	**122,179**
Tax on other comprehensive income	-	-	-	-	-	978,258	-	978,258	60,613	**1,038,871**
Total comprehensive income	-	-	-	**19,327,334**	-	**(4,090,025)**	-	**15,237,309**	**110,855**	**15,348,164**
Transactions with shareholders										
Capital increase	213,887	(65)	-	6,244,850	-	-	-	6,458,672	6,121,988	12,580,660
Equity-settled share-based payment	-	536,529	-	-	-	-	2,533,788	3,070,317	(1,188,359)	1,881,958
Total contribution by and distribution to shareholders	**213,887**	**536,464**	-	**6,244,850**	-	-	**2,533,788**	**9,528,989**	**4,933,629**	**14,462,618**
Movements in reserves and others										
Transfer to reserves	-	-	-	(3,859,191)	3,859,191	-	-	-	-	-
Utilization of reserves	-	-	-	-	(1,934)	-	-	(1,934)	-	(1,934)
Increase due to acquisition of additional shares in subsidiaries	-	-	-	-	-	-	-	-	150,242	150,242
Dividends	-	-	-	(7,086,240)	-	-	-	(7,086,240)	-	(7,086,240)
Total movements in reserves and others	-	-	-	**(10,945,431)**	**3,857,257**	-	-	**(7,088,174)**	**150,242**	**(6,937,932)**
As at 31 December 2025	**70,862,404**	**2,615,665**	-	**46,762,189**	**28,644,562**	**(3,240,629)**	**10,620,501**	**156,264,692**	**7,854,265**	**164,118,957**

Vietnam Technological and Commercial Joint Stock Bank

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
for the year ended 31 December 2025

For the year ended 31 December 2024

	Share capital	*Share premium*	*Treasury shares*	*Retained earnings*	*Statutory reserves*	*Fair value reserve*	*Other reserves*	*Total equity attributable to the Bank*	*Non-controlling interest*	*Total*
	VND million	*VND million*	*VND million*	*VND million*	*VND million*	*VND million*	*VND million*	*VND million*	*VND million*	*VND million*
As at 1 January 2024	**35,225,108**	**2,321,067**	**(4,880)**	**41,571,902**	**45,028,627**	**1,119,490**	**750,237**	**126,011,551**	**1,352,540**	**127,364,091**
Comprehensive income for the year										
Profit for the year	-	-	-	18,709,949	-	-	-	18,709,949	281,573	18,991,522
Other comprehensive income, net of tax:										
Net change in fair value of debt instruments at FVOCI	-	-	-	-	-	(347,208)	-	(347,208)	26,263	(320,945)
Net amount reclassified to the statement of profit or loss on sale of debt instruments at FVOCI	-	-	-	-	-	(470,616)	-	(470,616)	(2,000)	(472,616)
Net change in allowance for expected credit losses of debt instruments at FVOCI	-	-	-	-	-	(191,505)	-	(191,505)	(109)	(191,614)
Net change in fair value of equity instruments at FVOCI	-	-	-	-	-	806,101	-	806,101	50,216	856,317
Tax on other comprehensive income	-	-	-	-	-	67,485	-	67,485	(13,148)	54,337
Total comprehensive income	-	-	-	**18,709,949**	-	**(135,743)**	-	**18,574,206**	**342,795**	**18,917,001**
Transactions with shareholders							-			
Capital increase	35,423,409	(476,415)	-	(10,567,533)	(24,181,219)	-	-	198,242	-	198,242
Equity-settled share-based payment	-	234,549	4,880	-	-	-	128,387	367,816	-	367,816
Total contribution by and distribution to shareholders	**35,423,409**	**(241,866)**	**4,880**	**(10,567,533)**	**(24,181,219)**	-	**128,387**	**566,058**	-	**566,058**

Vietnam Technological and Commercial Joint Stock Bank

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
for the year ended 31 December 2025

For the year ended 31 December 2024 (continued)

	Share capital	Share premium	Treasury shares	Retained earnings	Statutory reserves	Fair value reserve	Other reserves	Total equity attributable to the Bank	Non-controlling interest	Total
	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million	VND million
Movements in reserves and others										
Transfer to reserves	-	-	-	(3,942,476)	3,942,476	-	-	-	-	-
Utilization of reserves	-	-	-	-	(2,579)	-	-	(2,579)	-	(2,579)
Dividends	-	-	-	(5,283,765)	-	-	-	(5,283,765)	(69,771)	(5,353,536)
Addition VAT according to Resolution of Annual General Meeting	-	-	-	(244,928)	-	-	-	(244,928)	-	(244,928)
Subsidiary increased capital from equity source	-	-	-	(8,242,064)	-	-	7,208,089	(1,033,975)	1,033,975	-
Other movements	-	-	-	134,351	-	(134,351)	-	-	-	-
Total movements in reserves andothers	-	-	-	**(17,578,882)**	**3,939,897**	**(134,351)**	**7,208,089**	**(6,565,247)**	**964,204**	**(5,601,043)**
As at 31 December 2024	**70,648,517**	**2,079,201**	-	**32,135,436**	**24,787,305**	**849,396**	**8,086,713**	**138,586,568**	**2,659,539**	**141,246,107**

Hanoi, Vietnam
12 August 2026

Prepared by:	Approved by:	Approved by:
Ms Ngo Thi Bao Ngan	Ms Nguyen Thi Tra My	Mr Jens Lottner
Accountant	Chief Accountant	Chief Executive Officer

M.S.D.N: 0100230800 - C.T.
NGÂN HÀNG
CỔ PHẦN
KỸ THƯƠNG
VIỆT NAM
THÀNH PHỐ HÀ NỘI

Vietnam Technological and Commercial Joint Stock Bank

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2025

	Notes	2025 *VND million*	2024 *VND million*
OPERATING ACTIVITIES			
Profit before tax		**25,271,177**	**24,243,516**
Adjustments for:			
Depreciation and amortization expenses		2,253,527	1,919,072
Credit loss expense/(reversed) on financial assets	15	3,004,260	(4,648,623)
Net loss from investing activities		737	-
Equity-settled share-based payment		3,070,317	367,816
Net cash flows from operating activities before changes in operating assets and liabilities		**33,600,018**	**21,881,781**
Change in due from other CIs		(1,460,806)	12,785,990
Change in derivative financial assets		1,533,304	(185,179)
Change in financial assets at FVTPL		12,594,930	6,489,916
Change in loans to customers		(158,312,413)	(83,495,373)
Change in debt instruments at FVOCI		(25,971,483)	(16,784,663)
Change in equity instruments at FVOCI		(1,768,163)	(83,509)
Change in debt instruments at amortized cost		10,028,581	(6,933,341)
Change in other assets		(5,281,818)	513,122
Change in due to the Government and the SBV		4,313,398	11,400
Change in due to other CIs		12,837,326	(21,981,561)
Change in derivative financial liabilities		527,411	1,577,478
Change in mobilizing from customers		118,649,471	112,596,562
Change in other entrusted funds		-	(12,645)
Change in debt instruments issued		43,748,502	21,372,610
Change in other liabilities		2,229,788	(1,416,258)
Net change in operating assets and liabilities		**13,668,028**	**24,454,549**
Income tax paid for the year	18	(7,177,741)	(4,089,321)
Net cash flows from operating activities		**40,090,305**	**42,247,009**

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
for the year ended 31 December 2025

	Notes	2025 VND million	2024 VND million
INVESTING ACTIVITIES			
Acquisitions of fixed assets		(657,030)	(1,618,886)
Payments for investments in other entities		(199,836)	(56,278)
Dividends received and profit shared from long-term investments		39,938	64,561
Payments for disposals of property and equipment		(3,015)	(1,249,743)
Proceeds from disposals of property and equipment		3,503	2,477,747
Net cash flows used in investing activities		**(816,440)**	**(382,599)**
FINANCING ACTIVITIES			
Proceeds from issuance of shares		213,822	198,242
Dividends payment		(7,084,911)	(5,210,255)
Increase in charter capital from capital contribution by non-controlling shareholders		12,106,839	-
Net cash flows from/(used in) financing activities		**5,235,750**	**(5,012,013)**
Net cash flows for the year		**44,509,615**	**36,852,397**
Cash and cash equivalents at the beginning of the year	**21**	**147,449,270**	**110,596,873**
Cash and cash equivalents at the end of the year	**21**	**191,958,885**	**147,449,270**

Hanoi, Vietnam
12 August 2026

Prepared by:

Ms Ngo Thi Bao Ngan
Accountant

Approved by:

Ms Nguyen Thi Tra My
Chief Accountant

Approved by:

Mr Jens Lottner
Chief Executive Officer

1. GENERAL INFORMATION

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

Establishment and Operations

The Bank was incorporated pursuant to Business License No. 0038/GP-NHNN issued by the Governor of the State Bank of Vietnam ("the SBV") on 6 March 2018 to replace Business License No. 0040/NH-GP on 6 August 1993 and decisions to amend and supplement the Bank's Business License for respective periods. The operating duration is 99 years since 6 August 1993.

The principal activities of the Bank are mobilizing and receiving short, medium and long-term deposit funds from organizations and individuals; lending on short, medium and long-term basis up to the nature and ability of the Bank's capital resources; conducting settlement and cash services and other banking services as approved by the SBV; conducting investments in subsidiaries, associates, joint-ventures and other companies; conducting investments in bonds and dealing in foreign exchange in accordance with applicable regulations.

Charter capital

As at 31 December 2025, the charter capital of the Bank is VND 70,862,404,140,000 (31 December 2024: 70,648,517,390,000 VND).

Network

The Bank's Head Office is located at 6 Quang Trung, Cua Nam Ward, Hanoi. As at 31 December 2025, the Bank has one (1) Head Office, two (2) representative offices, three hundred and two (302) branches, transaction offices nationwide and five (5) subsidiaries, one (1) associate.

1. GENERAL INFORMATION (continued)

Subsidiaries

As at 31 December 2025 the Bank has five (5) subsidiaries as follows:

No.	*Name*	*Business License No.*	*Industry*	*Percentage owned by the Bank*
1	Techcom Securities Joint Stock Company	125/GP-UBCK dated 30 May 2018 and amended by License No. 93/GPDC-UBCK dated 19 September 2025 granted by the State Securities Commission	Securities activities	79.82493%
2	Vietnam Technological and Commercial Joint Stock Bank - Asset Management Company Limited	0104003519 dated 18 June 2008 granted by Hanoi Department of Planning and Investment which was amended for the 28th time by 0102786255 on 01 December 2025	Debt and asset management	100.00%
3	Techcom Capital Management Joint Stock Company	57/GP-UBCK dated 30 January 2019 and amended by License No. 07/GPDC-UBCK dated 24 January 2025 granted by the State Securities Commission	Fund management; Investment portfolio management; Securities investment consulting	88.99956%
4	Techcom Nonlife Insurance Joint Stock Company (*)	99/GP/KDBH dated on 2 October 2024 granted by the Ministry of Finance	Non-Life Insurance and Health insurance	68.00%
5	Techcom Life Insurance Joint Stock Company (**)	100/GP/KDBH dated on 16 July 2025 granted by the Ministry of Finance	Life Insurance and Health insurance	80.00%

(*) The purchase for additional shares of Techcom Nonlife Insurance Joint Stock Company was completed by 2 June 2025 making the Bank's ownership increased from 11.00% to 68.00%.

(**) The Bank completed its capital contribution to Techcom Life Insurance Joint Stock Company by 1 August 2025, with an ownership of 80.00%.

1. GENERAL INFORMATION (continued)

Associate

As at 31 December 2025, the Bank has one (1) associate as follows:

No.	*Name*	*Business License No.*	*Industry*	*Percentage owned by the Bank*
1	Mobifone Digital Payment Joint Stock Company (***)	0111115052 dated 27 June 2025 granted by the Hanoi Department of Finance	Payment gateway	11.00%

(***) The Bank is a significant investor in Mobifone Digital Payment Joint Stock Company ("the Company") due to having a capital representative who also serves as a key member of the Company's executive management.

Employees

As at 31 December 2025, the Bank and its subsidiaries have 12,705 employees (31 December 2024: 11,848 employees).

2. BASIS FOR PREPARATION

The consolidated financial statements of the Bank and its subsidiaries have been prepared on a historical cost basis, except for financial assets at FVTPL, debt and equity instruments at FVOCI and derivative financial instruments which have been measured at fair value.

The Bank and its subsidiaries have prepared its consolidated financial statement on the basis that it will continue to operate as a going concern.

3. STATEMENT OF COMPLIANCE

The consolidated financial statements of the Bank and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

4. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Bank and its subsidiaries present their consolidated statement of financial position in order of liquidity based on the Bank's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item.

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognized amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business;
- The event of default; or
- The event of insolvency or bankruptcy of the Bank and its subsidiaries and/or its counterparties.

5. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2025. The Bank consolidates a subsidiary from the date of control of subsidiary and continues to be consolidated until the date that such control ceases. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Bank's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

The Bank and its subsidiaries act as the fund manager to a number of investment funds. Determining whether the Bank and its subsidiaries control such an investment fund usually focuses on the assessment of the aggregate economic interests of the Bank and its subsidiaries in the fund (comprising any carried interests and expected management fees) and the investors' rights to remove the fund manager. For all funds managed by the Bank and its subsidiaries, the investors are able to vote by simple majority to remove the Bank and its subsidiaries as fund manager without cause, and the Bank and its subsidiaries' aggregate economic interest in each case is less than 15%. As a result, the Bank and its subsidiaries have concluded that they act as agent for the investors in all cases, and therefore have not consolidated these funds.

6. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Bank and its subsidiaries' annual consolidated financial statements for the year ended 31 December 2024. The Bank and its subsidiaries have not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

6.1. New and amended standards

The following amendments to IAS 21 became effective for annual periods beginning on 1 January 2025:

Lack of exchangeability – Amendments to IAS 21

For annual reporting periods beginning on or after 1 January 2025, Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of an entity's financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. This amendment did not have a material impact on the Bank and its subsidiaries' financial statements.

6.2. Standards issued but not yet effective

New and amended standards and interpretations that are issued but not yet effective are being assessed by the Bank to determine the impact on the consolidated financial statements. As explained above, this would include standards and amendments that would already be effective based on the new standard or amendment, but the local endorsement is still in progress or has resulted in a later effective date.

6. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

6.2. Standards issued but not yet effective (continued)

6.2.1. Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7

On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, *Amendments to the Classification and Measurement of Financial Instruments* (the Amendments). The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only. The Bank is currently not intending to early adopt the Amendments.

With respect to the amendments on the derecognition of financial liabilities that are settled through an electronic payment system, the Bank is currently performing an assessment of all material electronic payment systems utilised in the various jurisdictions it operates, in order to assess whether the amendments will result in a material change with respect to current practices and whether it meets the conditions to apply the accounting policy option to derecognise such financial liabilities before the settlement date. Moreover, the Bank is reviewing all its other payment systems (such as cheques, credit cards, debit cards) to ensure that the corresponding financial assets are derecognised when the right to cash flows are extinguished and that the corresponding financial liabilities are derecognised on settlement date.

In addition, the Bank is assessing the impact of the Amendments on its financial assets that include ESG-linked features and other similar contingent features, as well as on non-recourse financing and contractually linked instruments. Based on the initial assessment performed, the amendments in these areas are not expected to have a material impact on the financial statements, however, the assessment is yet to be concluded.

6. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

6.2. Standards issued but not yet effective (continued)

6.2.2. IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements*, which replaces IAS 1 *Presentation of Financial Statements*. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. There are specific presentation requirements and options for entities that have specified main business activities (either providing finance to customers or investing in specific type of assets, or both).

It also requires disclosure of newly defined management-defined performance measures, which are subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified "roles" of the primary financial statements and the notes.

Narrow-scope amendments have been made to IAS 7 *Statement of Cash Flows*, which include changing the starting point for determining cash flows from operations under the indirect method, from "*profit or loss*" to "*operating profit or loss*" and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Bank is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

7.1. Foreign currency translation

7.1.1. Functional and presentational currency

Currency used in accounting of the Bank and its subsidiaries is Vietnam dong ("VND") and is rounded to the nearest VND million for presentation of consolidated financial statements. For each entity in the group, the Bank and its subsidiaries determine the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Bank and its subsidiaries use the direct method of consolidation.

7.1.2. Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction.

All transactions are recorded in original currencies. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency using exchange rates ruling at the reporting date (*Note 42*). Non-monetary assets and liabilities denominated in foreign currencies are translated into functional currency using exchange rates ruling at the transaction dates.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

7.2. Financial instruments – Initial recognition

7.2.1. Date of recognition

Financial assets and liabilities, with the exception of loans to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Bank and its subsidiaries become a party to the contractual provisions of the instrument. This includes regular-way trades, purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans to customers are recognized when funds are transferred to the customers' account. The Bank and its subsidiaries recognize due to customer balances when funds are transferred to the Bank and its subsidiaries.

7.2.2. Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in *Note 7.3.1.1* and *Note 7.3.1.2*. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Financial receivables are measured at the transaction price.

When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank and its subsidiaries account for the Day 1 profit or loss, as described below.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2. Financial instruments – Initial recognition (continued)

7.2.3. Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank and its subsidiaries recognize the difference between the transaction price and fair value in profit or loss.

During the year, the Bank and its subsidiaries recognized Day 1 loss for preference loans to its employees which have interest rate significantly lower than market rate in "*Personnel expenses*". The difference between the fair value of the loans (using discounted cash flow method) and their principal is amortized along the life of the preference loans. The Bank also recognized Day 1 loss for the other loans which have interest rate significantly lower than market rate in *"Net interest income"*, fully recorded in profit or loss without allocation.

7.2.4. Measurement categories of financial assets and liabilities

The Bank and its subsidiaries classify all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost, as explained in *Note 7.3.1*;
- FVOCI, as explained in *Note 7.3.4* and *Note 7.3.5*;
- FVTPL, as explained in *Note 7.3.2* and *Note 7.3.3*.

The Bank and its subsidiaries classify and measure its derivative and trading portfolio at FVTPL as explained in *Note 7.3.2* and *Note 7.3.3*. The Bank and its subsidiaries may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVTPL when they are held-for-trading and derivative instruments.

7.3. Financial assets and liabilities

7.3.1. Due from other CIs, loans to customers and other financial investments at amortized cost

The Bank and its subsidiaries only measure due from other CIs, loans to customers and other financial investments at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

The details of these conditions are outlined below.

7. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

7.3. **Financial assets and liabilities** (continued)

7.3.1. ***Due from other CIs, loans to customers and other financial investments at amortized cost*** (continued)

7.3.1.1. *The SPPI test*

The Bank and its subsidiaries assess the contractual terms of financial assets to identify whether they meet the SPPI test.

"Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank and its subsidiaries apply judgment and consider relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

7.3.1.2. *Business model assessment*

The Bank and its subsidiaries determine its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Bank and its subsidiaries' assessment. The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank and its subsidiaries' original expectations, the Bank and its subsidiaries do not change the classification of the remaining financial assets held in that business model but incorporate such information when assessing newly originated or newly purchased financial assets going forward.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.3. Financial assets and liabilities (continued)

7.3.2. Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e. the "underlying");
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors;
- It is settled at a future date.

The Bank and its subsidiaries enter into derivative transactions with various counterparties. These include interest rate swaps, cross-currency swaps, cross-currency interest rate swaps, forward foreign exchange contracts and options on interest rates and foreign currencies. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative.

7.3.2.1. Embedded derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

The Bank and its subsidiaries account in this way for derivatives embedded in financial liabilities and non-financial host contracts. Financial assets are classified based on the SPPI test and business model assessments as outlined in *Note 7.3.1.1* and *Note 7.3.1.2*.

7.3.3. Financial assets and financial liabilities at FVTPL

The Bank and its subsidiaries classify financial assets or financial liabilities as held-for-trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognized in *"Net trading income"*. Interest and dividend income or expense is recorded in *"Net trading income"* according to the terms of the contract, or when the right to payment has been established.

Included in this classification are debt securities and equities that have been acquired principally for the purpose of selling or repurchasing in the near term and loans to customers are mandatorily required to be measured at fair value under IFRS 9.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.3. Financial assets and liabilities (continued)

7.3.4. Debt instruments at FVOCI

The Bank and its subsidiaries apply the category of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in other comprehensive income ("OCI"). Interest income is recognized in profit or loss as *"Net interest income"*. The expected credit loss ("ECL") calculation for debt instruments at FVOCI is explained in *Note 7.9.3* and recognized in "*Credit loss expense on financial assets*". On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

7.3.5. Equity instruments at FVOCI

Upon initial recognition, the Bank and its subsidiaries can elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 - Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognized in profit or loss as "*Other operating income*" when the right of the payment has been established, except when the Bank and its subsidiaries benefit from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

7.3.6. Debt instruments issued and other borrowed funds

Financial instruments issued by the Bank and its subsidiaries that are not held-for-trading or designated at fair value through profit or loss, are classified as liabilities under debt instruments issued and other borrowed funds, where the substance of the contractual arrangement results in the Bank and its subsidiaries having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt instruments issued, and other borrowed funds are subsequently measured at amortized cost using the effective interest rate ("EIR"). Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

7.3.7. Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognized in the consolidated financial statements (within "*Other liabilities*") at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the consolidated statement of profit or loss, and an ECL provision as set out in *Note 35.1.1*.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.3. Financial assets and liabilities (continued)

7.3.7. *Financial guarantees, letters of credit and undrawn loan commitments* (continued)

The premium received is recognized in the consolidated statement of profit or loss in "*Net fee and commission income*" on a straight-line basis over the life of the guarantee.

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitments, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the consolidated statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in *Note 35.1*.

7.4. Reclassification of financial assets and liabilities

The Bank and its subsidiaries do not reclassify its financial assets subsequent to their initial recognition apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

7.5. Modification and derecognition of financial assets and financial liabilities

7.5.1. *Financial assets*

Modification of financial assets

When the contractual cash flows of a financial asset are renegotiated or otherwise modified as a result of commercial restructuring activity rather than due to credit risk and impairment considerations, the Bank performs an assessment to determine whether the modifications result in the derecognition of that financial asset. For financial assets, this assessment is based on qualitative factors. When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors: Change in currency of the loan; introduction of an equity feature; change in counterparty; whether the modification is such that the instrument would no longer meet the SPPI criterion.

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Details of forborne assets are disclosed in *Note 39.2.9*.

If the modification does not result in cash flows that are substantially different then it does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss in "*Other operating income*".

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.5. Derecognition of financial assets and financial liabilities (continued)

7.5.1. *Financial assets* (continued)

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when the right to receive cash flows from the asset has expired. The Bank and its subsidiaries also derecognize the assets if they have both transferred the asset, and the transfer qualifies for derecognition.

The Bank and its subsidiaries have transferred the asset if, and only if, either:

- The Bank and its subsidiaries have transferred its contractual rights to receive cash flows from the asset; or
- It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement.

Pass-through arrangements are transactions when the Bank and its subsidiaries retain the contractual rights to receive the cash flows of a financial asset (the "original asset"), but assumes a contractual obligation to pay those cash flows to one or more entities (the "eventual recipients"), when all of the following three conditions are met:

- The Bank and its subsidiaries have no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates;
- The Bank and its subsidiaries cannot sell or pledge the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- The Bank and its subsidiaries have to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank and its subsidiaries are not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank and its subsidiaries have transferred substantially all the risks and rewards of the asset; or
- The Bank and its subsidiaries have neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

In relation to the above, the Bank and its subsidiaries consider the control to be transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

When the Bank and its subsidiaries have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement and have neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank and its subsidiaries' continuing involvement in it. In that case, the Bank and its subsidiaries also recognize an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank and its subsidiaries have retained.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.5. Derecognition of financial assets and financial liabilities (continued)

7.5.1. *Financial assets* (continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank and its subsidiaries could be required to repay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the Bank and its subsidiaries' continuing involvement is the amount of the transferred asset that the Bank and its subsidiaries may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

7.5.2. *Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the consolidated statement of profit or loss.

7.6. Offsetting of financial instruments

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognized amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business;
- The event of default;
- The event of insolvency or bankruptcy of the Bank and/or its counterparties.

As at 31 December 2025, the Bank and its subsidiaries have no financial assets and liabilities that are offset and recognized in net value in the consolidated financial statements.

7.7. Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specific date in the future ("repo") are still recognized in the consolidated financial statements as the Bank and its subsidiaries retain substantially all of risk and rewards of ownership. The corresponding cash received from these agreements and corresponding payment responsibility of the cash received, including accrued interest payables, are recognized on the consolidated statement of financial position as a liability in *"Due to other credit institutions"* for purpose of reflecting economic nature of these transactions as a borrowing to the Bank and its subsidiaries. The difference between the sale price and repurchase price is interest expense and accrued during the effective duration of the contract using the effective interest rate method. When the counter party has a right to sell or mortgage bonds, subject to cases that the Bank and its subsidiaries reclassify these bonds in the consolidated financial position report in held-for-trading financial assets mortgaged as collateral or available-for-sale financial investments mortgaged as collaterals.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.7. Repurchase and reverse repurchase agreements (continued)

Conversely, securities purchased under agreements to resell at a specific date in the future ("reverse repo") are not recognized in the consolidated financial statements. The corresponding cash paid under these agreements, including accrued interest receivables is recognized in the consolidated statement of financial position as an asset in *"Due from other credit institutions"* for purpose of reflecting the economic nature of these transactions as a loan of the Bank and its subsidiaries. The difference between the purchase price and resale price is recorded in *"Net interest income"* and is accrued over the life of the agreement using the EIR.

If securities purchased under an agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within financial liabilities at fair value through profit or loss and measured at fair value with any gains or losses included in *"Net trading income"*.

7.8. Determination of fair value

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarized below:

- Level 1 financial instruments – Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Bank and its subsidiaries access to at the measurement date. The Bank and its subsidiaries consider markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available at the reporting date.
- Level 2 financial instruments – Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Bank and its subsidiaries will classify the instruments as Level 3.
- Level 3 financial instruments – Those that include one or more unobservable input that is significant to the measurement as whole.

The Bank and its subsidiaries periodically review its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Bank and its subsidiaries' financial instruments such as credit risk ("CVA"), own credit ("DVA") and/or funding costs ("FVA"). Therefore, the Bank and its subsidiaries apply various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralized financial instruments. The Bank and its subsidiaries estimate the value of their own credit from market observable data, such as secondary prices for their traded debt and the credit spread on credit default swaps and traded debts by itself.

The Bank and its subsidiaries evaluate the levelling at each reporting period on an instrument-by-instrument basis and reclassify instruments when necessary, based on the facts at the end of the reporting period.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.9. Impairment of financial assets

7.9.1. Overview of the ECL principles

The Bank and its subsidiaries have been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments, letter of credit and financial guarantee contracts, in this section all referred to as "financial instruments". Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month expected credit loss as outlined in *Note 7.9.2*. The Bank's policies for determining if there has been a significant increase in credit risk are set out in *Note 39.2.4.5*.

The 12-month ECL is the portion of lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Bank's policy for grouping financial assets measured on a collective basis is explained in *Note 39.2.4.6*.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in *Note 39.2.4.5*.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1 — When loans are first recognized, the Bank and its subsidiaries recognize an allowance based on 12-month ECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
- Stage 2 — When a loan has shown a significant increase in credit risk since origination, the Bank and its subsidiaries record an allowance for the lifetime ECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.
- Stage 3 — Loans considered credit-impaired (as outlined in *Note 39.2.4.1*). The Bank and its subsidiaries record an allowance for the lifetime ECLs.
- POCI — Purchased or originated credit impaired ("POCI") assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

For financial asset for which the Bank and its subsidiaries have no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.9. Impairment of financial assets (continued)

7.9.2. The calculation of ECLs

The Bank and its subsidiaries calculate ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the Bank and its subsidiaries expect to receive. The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- Probability of Default ("PD") — The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio. The concept of PDs is further explained in *Note 39.2.4.2.*
- Exposure at Default ("EAD") — The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The concept of EADs is further explained in *Note 39.2.4.3.*
- Loss Given Default ("LGD") — The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The concept of LGDs is further explained in *Note 39.2.4.4.*

When estimating the ECLs, the Bank and its subsidiaries consider three scenarios (base case, upper, and downside). Each of these is associated with different PDs, and LGDs. When relevant, the assessment of multiple scenarios also incorporates how individually significant loans are expected to be recovered, including the probability that the loans will make repayment timely and the value of collateral or the amount that might be received for selling the asset.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank and its subsidiaries have the legal right to call it earlier. For some portfolios, however, the Bank and its subsidiaries account for the observed payment behaviour of their customers into their calculation of the lifetime ECL by adjusting their assessment of EAD accordingly. Behavioural lifetime is stated in the table below:

Product	Behavioural Lifetime (in months)
Autoloan	78
Corporate	78
Normal Mortgage	77
Project Mortgage	51
Secured Others	40
Unsecured	12

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying amount.

The mechanics of the ECL method are summarized below:

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.9. Impairment of financial assets (continued)

7.9.2. *The calculation of ECLs* (continued)

- Stage 1: The 12-month ECL is calculated as the portion of lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank and its subsidiaries calculate the 12-month ECL allowances based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank and its subsidiaries record an allowance for the lifetime ECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For loans considered credit-impaired, the Bank and its subsidiaries recognize the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- POCI: POCI assets are financial assets that are credit impaired on initial recognition. The Bank and its subsidiaries only recognize the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit adjusted EIR.
- Loan commitments and letters of credit: When estimating lifetime ECLs for undrawn loan commitments, the Bank and its subsidiaries estimate the expected portion of the loan commitments that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

  For loan commitments and letters of credit, the ECL is recognized within *"Impairment losses on off-balance sheet commitments"* under *"Other liabilities"*.
- Financial guarantee contracts: The Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the consolidated statement of profit or loss, and the ECL allowances. For this purpose, the Bank and its subsidiaries estimate ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to financial guarantee contracts are recognized within *"Impairment losses on off-balance sheet commitments"* under *"Other liabilities"*.

7.9.3. *Debt instruments measured at FVOCI*

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the consolidated statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.9. Impairment of financial assets (continued)

7.9.4. Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank and its subsidiaries only recognize the cumulative changes in lifetime ECL since initial recognition in the loss allowances.

7.9.5. Forward-looking information

In its ECL models, the Bank and its subsidiaries rely on a broad range of forward-looking information as economic inputs, such as:

- House price indices;
- Credit Growth Rate;
- CPI Growth Rate;
- CPI Inflation Rate;
- VNIBOR;
- M2 Growth Rate.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

7.10. Leasing – the Bank and its subsidiaries as lessees

7.10.1. Right-of-use assets

At inception of a contract, the Bank and its subsidiaries assess whether a contract is, or contains, a lease arrangement based on whether the contract that conveys to the user (the lessee) the right to control the use of an identified asset for a period in exchange for consideration. If a contract contains more than one lease component, or a combination of leasing and services transactions, the consideration is allocated to each of these lease and non-lease components on conclusion and on each subsequent re-measurement of the contract based on their relative stand-alone selling prices. The Bank and its subsidiaries combine lease and non-lease components, in cases where splitting the non-lease component is not possible.

The Bank and its subsidiaries recognize right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease term includes periods covered by an option to extend if the Bank and its subsidiaries is reasonably certain to exercise that option. Unless the Bank and its subsidiaries are reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the lease term. Right-of-use assets are subject to impairment assessment.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.10. Leasing – The Bank and its subsidiaries as lessees (continued)

7.10.2. Lease liabilities

At the commencement date of the lease, the Bank and its subsidiaries recognize lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and its subsidiaries and payments of penalties for terminating a lease if the lease term reflects the Bank and its subsidiaries exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank and its subsidiaries use the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

7.10.3. Short-term leases and leases of low-value assets

The Bank and its subsidiaries apply the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term.

7.10.4. Significant judgement in determining the lease term of contracts with renewal options

The Bank and its subsidiaries determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank and its subsidiaries have the option, under some of its leases to lease the assets for additional terms. The Bank and its subsidiaries apply judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Bank and its subsidiaries reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.11. Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and its subsidiaries, and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

7.11.1. The effective interest rate method

Interest income is recorded using the effective interest rate ("EIR") method for all financial instruments measured at amortized cost, financial instruments designated at FVTPL. Interest income on interest bearing financial assets measured at FVOCI are also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortized cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Bank and its subsidiaries recognize interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the consolidated statement of financial position with an increase or reduction in interest income. The adjustment is subsequently amortized through "*Interest and similar income*" in the consolidated statement of profit or loss.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

7.11.2. Interest and similar income and expenses

The Bank and its subsidiaries calculate interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. The amortized cost of the financial asset or financial liability is adjusted if the Bank and its subsidiaries revise their estimates of payments or receipts. The adjusted amortized cost is calculated based on the original or latest re-estimated EIR and the change is recorded as "*Interest and similar income*" for financial assets and "*Interest and similar expenses*" for financial liabilities.

When a financial asset becomes credit-impaired (as set out in *Note 7.9.1*) and is, therefore, regarded as "Stage 3", the Bank and its subsidiaries calculate interest income by applying the effective interest rate to the net amortized cost (amortized cost net of expected credit loss) of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank and its subsidiaries revert to calculating interest income on a gross basis.

For purchased or originated credit-impaired ("POCI") financial assets (as set out in *Note 7.9.4*), the Bank and its subsidiaries calculate interest income by calculating the credit-adjusted EIR and applying that rate to the amortized cost of the asset. The credit adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortized cost of the POCI assets.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognized using the contractual interest rate in "*Net trading income*".

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.11. Recognition of income and expenses (continued)

7.11.3. Fee and commission income

The Bank and its subsidiaries earn fee income from a diverse range of services they provide to their customers as follows:

- *Fee income earned on the execution of a significant act*

  Income earned on the execution of a significant act is recognized as revenue when the act is completed (for example, fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as an arrangement for the acquisition of shares or other securities).

- *Fee income earned from provision of services*

  Income earned from the provision of services is recognized as revenue over the period in which the services are provided (for example, asset management, portfolio, and other management advisory and service fees).

- *Fee income that forms an integral part of the effective interest rate of a financial instrument*

  Income that forms an integral part of the effective interest rate of a financial instrument is recognized as an adjustment to the effective interest rate (for example, certain loan commitment fees) and recorded as part of "interest income" in the consolidated statement of profit or loss.

Fee income can be divided into the following categories:

- *Commission*

  Income earned in respect of sales or distribution of banking, investments, and insurance products. Commission earned from banking is on trade and bancassurance.

- *Service charges and fees*

  Income earned on the services provided to retail and corporate customers, including account management and various transaction-based services, such as interchange foreign currency transactions, money order processing and insufficient funds/overdraft transactions.

- *Underwriting fees*

  Income earned for the placement of a customer's debt or equity securities.

- *Brokerage income*

  Brokerage income includes fees earned from transaction-based services that are performed as parts of investment management services.

- *Fees on loans, advances, and financing*

  Income earned in respect of loans, advances, and financing such as loan commitments, financial guarantees and standby letters of credit.

- *Customer loyalty programmes*

  Award credits under the customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which they are granted. The fair value of the consideration received in respect of the initial sale is allocated between the cost of award credits and the other components of the sale. The consideration allocated to award credits is recognized in the consolidated statement of profit or loss under the caption of *"Other operating income"* when award credits are redeemed.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.11. Recognition of income and expenses (continued)

7.11.4. Dividend income

Revenue is recognized when the Bank and its subsidiaries' right to receive the payment is established, which is generally when the issuers' shareholders approve the dividend.

7.11.5. Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and interest income of financial assets and financial liabilities at FVTPL.

7.12. Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise of cash and gold, balances with the SBV, Government promissory notes and other debt instruments, which are eligible for discount, balances with other banks with original terms to maturity not exceeding three months from the transaction date.

7.13. Property and equipment

Property and equipment are stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation, and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

Buildings	8 – 50 years
Office equipment	3 – 10 years
Means of transportation	6 – 10 years
Other fixed assets	3 – 10 years

Property and equipment are derecognized on disposal or when no future economic benefits are expected from their use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in *"Other operating income"* in the consolidated statement of profit or loss in the period the asset is derecognized. Definite land use rights are amortized over the lease term.

7.14. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is presented as a separate line item in the consolidated statement of profit or loss.

Computer software	4 – 8 years
Others	4 – 8 years

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.15. Impairment of non-financial assets

The Bank and its subsidiaries, at each reporting date, assess whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank and its subsidiaries estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets (excluding goodwill), an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Bank and its subsidiaries estimate the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior periods. Such reversal is recognized in the consolidated statement of profit or loss.

Impairment losses relating to goodwill are not reversed in future periods. The Bank and its subsidiaries have assessed and concluded that the non-financial assets are not impaired in the reported periods.

7.16. Employee benefits

7.16.1. Defined contribution plans

Post-employment benefits

Post-employment benefits are paid to retired employees of the Bank by the Social Insurance Agency which belongs to the Ministry of Labor, Invalids and Social Affairs. The Bank is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 17.5% of employees' basic salary plus other allowances. The Bank has no further obligation.

Unemployment allowance

According to Article 57 of Law of Employment No. 38/2013/QH13 effective from 1 January 2015 and Decree No. 28/2015/ND-CP dated 12 March 2015 of the Government on guidelines for the Law on Employment in term of unemployment insurance, the Bank is required to contribute to the unemployment insurance at the rate of 1% of salary and wage fund of unemployment insurance joiners and deduct 1% of monthly salary and wage of each employee to contribute to the unemployment insurance.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.16. Employee benefits (continued)

7.16.2. Voluntary resignation benefits

The Bank has the obligation, under Article 46 of the Vietnam Labor Code No. 45/2019/QH14 effective from 1 January 2021, to pay allowance arising from voluntary resignation of employees, equal to a half of monthly salary for each year of employment up to 31 December 2008 plus salary allowances (if any). The average monthly salary used in this calculation is the average monthly salary of the latest six-month period up to the resignation date. Accordingly, the working time at the Bank to calculate the severance payment is the total actual working time at the Bank minus the time employees participating in the unemployment insurance in accordance with the law on unemployment insurance and the working time for which severance allowances have been paid by the employer.

7.17. Provision

Provision is recognized when the Bank and its subsidiaries have a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Bank and its subsidiaries determine the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the consolidated statement of profit or loss, net of any reimbursement.

7.18. Corporate income tax

7.18.1. Current tax

Current tax assets and liabilities for the current and prior year are measured at the amount expected to be paid to (or recovered from) the taxation authorities. The tax rates and tax laws are applied and enacted at the reporting date.

Current income tax is charged or credited to the consolidated statement of profit or loss except when it relates to items recognized directly to equity the current income tax is also dealt with in equity.

Current tax assets and liabilities of the Bank and its subsidiaries are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and the Bank and its subsidiaries intend to settle their current tax assets and liabilities on a net basis.

The Bank and its subsidiaries' tax returns are subject to examination by the tax authorities. Because the applicability of tax laws and regulations on many types of transactions and susceptible to various interpretation, amounts reported in the consolidated financial statements could be changed at a later date upon final determination by the tax authorities.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.18. Corporate income tax (continued)

7.18.2. Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carried forward unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward unused tax credit and unused tax losses can be utilized, except:

- Where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss;
- All deductible temporary differences from investments in subsidiaries, affiliates and joint ventures that are definitely temporary differences will be reversed in forecastable future and taxable profit is used for those temporary differences.

The carrying amount of deferred income tax assets is reviewed at reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognized deferred income tax assets are reassessed at the reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset realized, or the liability is settled based on tax rates and tax laws that have been enacted at the reporting date.

Current and deferred taxes are recognized as income tax benefits or expenses in the consolidated statement of profit or loss except for tax related to the fair value remeasurement of FVOCI assets, foreign exchange differences, which are charged or credited to OCI. These exceptions are subsequently reclassified from OCI to the consolidated statement of profit or loss together with the respective deferred loss or gain. The Bank and its subsidiaries also recognize the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

The Bank and its subsidiaries only offset deferred tax assets against liabilities when there is both a legal right to offset and it is the Bank and its subsidiaries' intention to settle on a net basis.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.19. Treasury shares

Owner equity instruments of the Bank which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity. Consideration paid or received on the purchase, sale, issuance or cancellation of the Bank's own equity instruments is recognized directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of own equity instruments.

Contracts on own shares that require physical settlement of a fixed number of own shares for a fixed consideration are classified as equity and added to or deducted from equity. Contracts on own shares that require net cash settlement or provide a choice of settlement are classified as trading instruments and changes in the fair value are reported in the consolidated statement of profit or loss in *"Net trading income"*.

7.20. Fiduciary assets

The Bank and its subsidiaries provide trust and other fiduciary services that result in the holding or investing in assets. Assets held in a fiduciary capacity are not recognized in the consolidated financial statements as they are not assets of the Bank and its subsidiaries.

7.21. Share-based payments

Employees of the Bank receive remuneration in the form of share-based payments transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settle transactions is recognized, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the Bank's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charged for the year is recorded in *"Personnel expenses"* and represents the movement in cumulative expense recognized as at the beginning and end of that year and the corresponding amount is represented in share capital.

7.22. Equity reserves

The reserves recorded in equity on the Bank and its subsidiaries' consolidated financial statements include:

- Fair value reserve, which comprises changes in fair value of FVOCI assets;
- Reserve for shares to be issued, which includes the portion of compound financial liabilities that qualify for treatment as equity.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.23. Technical reserves

7.23.1. Nonlife insurance

The establishment of technical reserves Techcom Nonlife Insurance Joint Stock Company is carried out in accordance with the provisioning methods selected by the Company and approved by the Ministry of Finance. The methods for setting up provisions for non-life insurance and health insurance are as follows:

(i) *Unearned premium reserves*

The unearned premium reserve is established using the daily pro-rata method, based on the following formula:

$$\text{Unearned premium reserves} = \frac{\text{Premium x Remaining insurance days under insurance, reinsurance contracts}}{\text{Total number of insurance days under insurance, reinsurance contracts}}$$

(ii) *Claims Reserve*

The claims reserve includes reserve for claims outstanding but not yet resolved, and claims incurred but not reported (IBNR) losses at the end of the accounting period.

- Outstanding claim reserve is established based on the estimated claim payments for each claim for which the insurer is liable, which is either notified to the insurer or requested for payment but is still unresolved at the end of the accounting period after deducting recoveries from reinsurance cessions; and
- The reserve for incurred but not reported (IBNR) claims is established at a rate of 3% of premiums for each line of insurance business.

(iii) *Catastrophe reserve*

The catastrophe reserve for non-life insurance is made annually until it reaches 100% of the retained premium for the financial year and is established based on the retained premium. The catastrophe reserve is recorded as other liabilities.

On 28 December 2005, the Ministry of Finance issued Decision No. 100/2005/QD-BTC governing the publication of four new accounting standards, including Vietnamese Accounting Standard ("VAS") 19 - Insurance Contract. Accordingly, from January 2006, the provision of catastrophe reserve is no longer required since it represents "possible claims under contracts that do not exist at the reporting date". However, since the Ministry of Finance has not issued detailed guidance for the implementation of VAS 19 and according to current regulations, the Bank continues to make catastrophe reserve on the consolidated financial statements at the current rate of 1% of the total retained premium for each type of non-life insurance activities.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.23. Technical reserves (continued)

7.23.1. Nonlife insurance (continued)

(iv) *Equalization reserve*

Equalization reserve is established for health insurance operations, with an annual provisioning rate of 1% of the retained premium.

Technical reserves related to direct insurance and inward reinsurance activities are presented as Other Liabilities; while technical reserves related to outward reinsurance activities are presented as Other Assets in the consolidated statement of financial position.

Changes in technical reserves arising during the year from direct insurance and inward reinsurance activities are recognized in Fees and commission expenses, whereas changes in technical reserves related to outward reinsurance activities are recognized in Fees and commission income in the consolidated statement of profit or loss.

7.23.2. Life insurance

The technical reserves for the Universal Life product at Techcom Life Insurance Joint Stock Company are established in accordance with the method approved by the Ministry of Finance. Life insurance technical reserves include:

(i) *Unearned Premium Reserve*

Unearned Premium Reserve is a provision for unearned income from fees that have been paid as at the reporting date and is calculated based on gross premiums for all insurance contracts with a term of one (01) year or less that remain at the reporting date.

(ii) *Mathematical reserve*

- The insurance risk provision for each insurance contract is the greater of the provision calculated using the unearned premium method or the provision calculated using the cash flow method, in order to cover all future costs of paying insurance risk benefits throughout the term of the contract.
- The technical provision for the general-linked portion of each insurance contract equals: the total surrender value of the general-linked insurance contracts plus an additional provision to ensure payment of account value for contracts expected to experience an insurance event during the year.
- The provision for each insurance contract for other insurance benefits includes a provision for future contract maintenance bonus benefits.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.23. Technical reserves (continued)

7.23.2. Life insurance (continued)

(iii) Claims reserve

The claims reserve includes reserve for claims outstanding but not yet resolved, and claims incurred but not reported (IBNR) losses at the end of the financial year.

- Outstanding claim reserve is established based on the estimated claim payments for each claim for which the insurer is liable, which is either notified to the insurer or requested for payment but is still unresolved at the end of the financial year; and
- The reserve for incurred but not reported (IBNR) claims is established at a rate of 3% of premiums for each line of insurance business, Not applicable to life insurance contracts with a term of more than one (1) year.

(iv) Equalization reserve

Equalization reserve is established for health insurance operations, with an annual provisioning rate of 1% of the life insurance company's profit before tax until this provision reaches 5% of the insurance premiums collected during the financial year.

Technical reserves related to direct insurance and inward reinsurance activities are presented as Other Liabilities; while technical reserves related to outward reinsurance activities are presented as Other Assets in the consolidated statement of financial position.

Changes in technical reserves arising during the year from direct insurance and inward reinsurance activities are recognized in Fees and commission expenses, whereas changes in technical reserves related to outward reinsurance activities are recognized in Fees and commission income in the consolidated statement of profit or loss.

(v) Guaranteed interest rate provision

The guaranteed interest rate provision is established in cases where investment markets fluctuate or investment results from insurance premiums are lower than the guaranteed interest rate. It is calculated based on the difference between the investment results from insurance premiums and the guaranteed interest rate agreed upon by the Company and the customer in the insurance contract.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.24. Statutory reserves

7.24.1. Reserves and funds of the Bank

The Bank is required to make the following reserves before distribution of profits in accordance with Law on CIs No. 32/2024/QH15, Decree No. 135/2025/ND-CP and Charter of the Bank as follows:

	Percentage of profit after tax	*Maximum balance*
Charter capital supplementary reserve	10% of profit after tax, after distributing returns to parties contributing capital under signed transactions and contracts, and after offsetting prior-year losses that are no longer eligible for deduction from taxable corporate income (CIT) before tax.	100% charter capital
Financial reserve	10% of profit after tax, after appropriating the charter capital supplementary reserve.	Not regulated

Financial reserve is used to cover financial losses incurred during the normal course of business. Financial reserve and charter capital supplementary reserve are non-distributable and classified as equity.

Other funds are appropriated from profit after tax. The allocation from profit after tax and utilization of the other equity funds are approved by the shareholders in the Annual General Meeting of Shareholders. These funds are not required by law and are fully distributable.

7.24.2. Reserves and funds of subsidiaries

Vietnam Technological and Commercial Joint Stock Bank - Asset Management Company Limited:

According to Circular No. 27/2002/TT-BTC dated 22 March 2002 issued by the Ministry of Finance, the appropriation to reserves is made in a similar way to the Bank.

Techcom Securities Joint Stock Company and Techcom Capital Management Joint Stock Company:

Other funds are made according to the Resolution of the General Meeting of Shareholders at the annual meeting of the General Meeting of Shareholders.

Techcom Nonlife Insurance Joint Stock Company and Techcom Life Insurance Joint Stock Company:

The Company establishes a Statutory Reserve Fund in accordance with Decree No. 46/2023/ND-CP. The fund is appropriated at 5% of annual after-tax profit, with a maximum balance not exceeding 10% of the charter capital.

8. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Bank and its subsidiaries' consolidated financial statements requires the Executive Team of the Bank to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in the future periods.

In the process of applying the Bank and its subsidiaries' accounting policies, the Executive Team has made the following judgments and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank and its subsidiaries' control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognized in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

8.1. Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable market data where possible, but where this is not feasible, estimation is required in establishing fair values. Judgments and estimations include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty) and funding value adjustments.

8.2. Impairment losses on financial assets

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- A pooling-based approach was used to group accounts with similar risk profiles and characteristics into homogeneous pools;
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, EADs and LGDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

8. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

8.2. Impairment losses on financial assets (continued)

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary. Detailed summary of the PD, LGD, EAD models used in the calculation of ECL is as follows:

PD (Probability of Default)

- ***Base model:*** Model segmentation represents the split of portfolio into pools (business line, product, days past due ("DPD") range,...) with risk rating, which can cover all segments and products.
- ***Forward-looking model:*** Forward looking PD models utilized both *Direct regression* and *ARIMA models*. Direct regression is used to establish relationship between probability of default and economical condition while ARIMA is used to model the impact of default rate in the past to default rate in the future. Results of Direct Regression and ARIMA are then combined with Ensemble model. The analysis is done for each segmentation.
- ***Lifetime model:*** The lifetime PD model is rebuilt using an extrapolation method.

LGD ("Loss Given Default")

- ***Retail customers:*** LGD is modelled based on pathway approach where by estimating Cured Rate, Loss Given Cured, and Loss Given Workout.
- ***Corporate customers:*** The FIRB ("Foundation Internal Ratings-Based") approach is applied.

EAD ("Exposure at Default")

- ***Retail customers:*** For revolving facilities, the credit card portfolio is considered representative for modeling purposes. For non-revolving facilities, EAD is calculated using a formula-based approach, where exposure is determined as the outstanding principal plus accrued interest at the reporting date, without applying a credit conversion factor ("CCF"), as these products do not allow for further drawdowns.
- ***Corporate customers:*** The FIRB ("Foundation Internal Ratings-Based") approach is applied.

8. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

8.3. Deferred tax asset

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Judgement is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits, together with future tax planning strategies.

8.4. Provision and other contingent liabilities

The Bank and its subsidiaries operate in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings, arising in the ordinary course of the Bank and its subsidiaries' business. When the Bank and its subsidiaries can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank and its subsidiaries record a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Bank and its subsidiaries are of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank and its subsidiaries does not include detailed, case-specific disclosures in the consolidated financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank and its subsidiaries take into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

9. OPERATING SEGMENT

The Bank and its subsidiaries have four reportable segments, as described below, which are their strategic business units. The strategic business units offer different products and services and are managed separately based on the Bank and its subsidiaries' management and internal reporting structure. For each strategic business unit, the Executive Team (also the chief operating decision maker) reviews its operating results and internal management reports on a quarterly basis. The following summary describes the operations in each reportable segment.

- Commercial banking: Includes loans, deposits and other transactions and balances with banks, corporate and retail customers;
- Asset management: Undertakes the Bank's loan collaterals and restructured loans management;
- Securities investment: Conducts securities brokerage activities, securities trading activities, securities underwriting activities and consultancy services; and
- Fund management: Operates funds management activities and entrusted fund management.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Executive Team. Segment profit is used to measure performance as the Executive Team believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

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