Vietnam Technological and Commercial Joint Stock Bank

Consolidated financial statements under International Financial Reporting Standards

31 December 2019

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Vietnam Technological and Commercial Joint Stock Bank

CONTENTS

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 which replaces Business License No. 0040/NH-GP on 6 August 1993 and Business Registration Certificate No. 0100230800 issued by the Hanoi Department of Planning and Investment on 12 November 2019. 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, bonds and other companies 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 2019 and as at 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. Do Tuan Anh	Vice Chairman
Mr. Lee Boon Huat	Member
Mr. Nguyen Doan Hung	Independent Member (to 13 April 2019)
Mr. Saurabh Narayan Agarwal	Member (from 13 April 2019)
Mr. Nguyen Nhan Nghia	Independent Member (from 13 April 2019)

BOARD OF SUPERVISORS

Members of the Board of Supervisors of the Bank for the year ended 31 December 2019 and as at the date of these consolidated financial statements are as follows:

Name	*Position*
Mr. Hoang Huy Trung	Head of the Board of Supervisors and Member in charge
Mr. Mag Rec Soc Oec Romauch Hannes	Member
Ms. Nguyen Thu Hien	Member in charge (to 13 April 2019)
Ms. Bui Thi Hong Mai	Member

BOARD OF MANAGEMENT

Members of the Board of Management of the Bank for the year ended 31 December 2019 and as at the date of these consolidated financial statements are as follows:

Name	***Position***
Mr. Nguyen Le Quoc Anh	Chief Executive Officer
Mr. Phung Quang Hung	Standing Deputy Chief Executive Officer cum Managing Director and Head of the Customer Service and Financial Advisory Division (from 15 Mar 2020)
Mr. Do Tuan Anh	Deputy Chief Executive Officer
Mr. Pham Quang Thang	Deputy Chief Executive Officer cum Head of Corporate Affairs Division (from 2 April 2020)
Mr. Phan Thanh Son	Deputy Chief Executive Officer cum Head of Global Transaction Banking (from 1 September 2019)
Mr. Le Ba Dung	Deputy Chief Executive Officer cum Head of Risk Management (to 5 May 2019)
Mr. Trinh Bang	Group Chief Finance Officer
Ms. Phan Thi Thanh Binh	Head of Wholesales Banking
Mr. Vishal Shah	Head of Business Banking
Ms. Le Thi Bich Phuong	Head of Personal Financial Services Banking cum Head of Insurance Division (from 18 October 2019)
Ms. Tran Thi Minh Lan	Head of Strategy and Development Division cum Chief of Staff
Mr. Chester Gorski	Head of IT and Operations
Mr. Vu Minh Truong	Head of Treasury and Financial Markets – Finance and Planning Division (from 1 September 2019)
Ms. Nguyen Huong Giang	Head of Transaction Banking – Global Transaction Banking Division (from 1 September 2019)
Ms. Nguyen Thi Van Anh	Head of Marketing Division
Mr. Do Minh	Transformation Director – Transformation Office (from 1 July 2019)
Mr. Sam Sangkyuk Suh	Transformation Director – Personal Financial Services Transformation Office (from 16 April 2019)
Ms. Pham Vu Minh Dan	Head of Human Resources (to 19 August 2019)
Mr. Chung Ba Phuong	Head of Insurance Division (to 18 January 2019)
Mr. Ashish Sharma	Transformation Director – Transformation Office (to 1 July 2019)
Mr. De Leeuw Van Weenen Iwan	Transformation Director – Human Resources (to 6 August 2019)

LEGAL REPRESENTATIVE

The legal representative of the Bank for the year ended 31 December 2019 and as at the date of these consolidated financial statements is Mr. Ho Hung Anh, the Chairman.

Mr. Phung Quang Hung is authorized by Mr. Ho Hung Anh to sign off operations management related reports and documents which comprise the accompanying consolidated financial statements for the year ended 31 December 2019 in accordance with Decision No. 0058/2020/UQ-CT HĐQT dated 6 February 2020.

AUDITOR

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

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management 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 2019.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Management 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, their consolidated changes in equity and their consolidated cash flows for the year. In preparing those consolidated financial statements, the Board of Management is required to:

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

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

STATEMENT BY THE BOARD OF MANAGEMENT

The Board of Management does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2019 and of the consolidated results of their operations, their consolidated changes in equity and their consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards.

For and on behalf of the Board of Management:

M.S.D.N: 0100230800
NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN KỸ THƯƠNG VIỆT NAM
Q. HAI BÀ TRƯNG - TP. HÀ NỘI

Mr. Phung Quang Hung
Standing Deputy Chief Executive Officer
cum Managing Director
and Head of the Customer Service and
Financial Advisory Division

2 5 -04- 2020

Hanoi, Vietnam

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Reference: 60899747/21247943-IFRS

INDEPENDENT AUDITOR'S 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 2019 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 2019, 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 Bank and its subsidiaries in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Vietnam, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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.

Areas of focus	*How our audit addressed the risk factors*
Expected credit losses of loans and advances to customers and debt instruments not carried at fair value through profit or loss.	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;

Areas of focus	*How our audit addressed the risk factors*
As at 31 December 2019, loans and advances to customers and debts instruments not carried at fair value through profit and loss contributed approximately 79% 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 and advances to customers and debt instruments not carried at fair value through profit or loss in Notes 26.1, 26.3, 27 to the financial statements.*	▸ 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 and advances 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 is 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. ▸ 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, advances and debt investments to evaluate the timely identification by the Bank and its subsidiaries of exposures with significant deterioration in

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Areas of focus	How our audit addressed the risk factors
	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 FVOCI with a higher degree of estimation uncertainty The valuation of the Bank and its subsidiaries' financial instruments 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 2019, 57% (VND44,685 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 and a small number of unlisted equity investments. *Refer to Note 26.1, 26.2 and 39a of the consolidated financial statements for financial assets at 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 FVOCI. For those financial assets at 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.

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

Management 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 management 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, management 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 management 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 management.
- Conclude on the appropriateness of management'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

M.S.C.N: 0300811802-001-C.T.N.H.H
CÔNG TY TNHH ERNST & YOUNG VIỆT NAM CHI NHÁNH HÀ NỘI
Q. HOÀN KIẾM - T.P HÀ NỘI

Dang Phuong Ha
Deputy General Director
Audit Practising Registration Certificate No. 2400-2018-004-1

Hanoi, Vietnam

25 April 2020

Vietnam Technological and Commercial Joint Stock Bank

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2019

	Notes	*2019 VND million*	*2018 VND million (reclassified)*
Interest and similar income	11	24,505,596	20,859,252
Interest and similar expenses	12	(10,839,977)	(10,023,472)
Net interest income		13,665,619	10,835,780
Fee and commission income		5,348,635	4,535,843
Fee and commission expenses		(1,631,055)	(915,737)
Net fee and commission income	13	3,717,580	3,620,106
Net trading income	14	1,933,098	747,866
Other operating income	15	2,526,574	4,012,462
Total operating income		**21,842,871**	**19,216,214**
Credit loss expense on financial assets	16	(363,791)	(1,410,703)
Net operating income		**21,479,080**	**17,805,511**
Personnel expenses	17	(4,526,679)	(4,449,385)
Depreciation of property and equipment and right-of-use assets	29	(547,741)	(169,180)
Amortisation of intangible assets	30	(92,518)	(90,423)
Other operating expenses	18	(2,434,889)	(2,629,543)
Total operating expenses		**(7,601,827)**	**(7,338,531)**
Profit before tax		**13,877,253**	**10,466,980**
Current income tax expense	19	(2,612,059)	(2,185,246)
Deferred tax expense	20	(255,903)	(172,929)
Net profit for the year		**11,009,291**	**8,108,805**
Attributable to:			
Equity holders of the Bank		10,858,285	8,094,967
Non-controlling interest		151,006	13,838
		11,009,291	**8,108,805**
Earnings per share			
Basic earnings per share *(VND)*	21	3,104	3,649

Prepared by:	Approved by:	Approved by:
Ms. Bui Thi Khanh Van Chief Accountant	Ms. Thai Ha Linh Director of Accounting, Financial Policy and Tax, Finance and Planning Division	Mr. Phung Quang Hung Standing Deputy Chief Executive Officer cum Managing Director and Head of the Customer Service and Financial Advisory Division

M.S.D.N: 0100230800 NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN KỸ THƯƠNG VIỆT NAM Q. HAI BÀ TRƯNG - TP. HÀ NỘI

25 -04- 2020

Hanoi, Vietnam

Vietnam Technological and Commercial Joint Stock Bank

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

	Notes	*2019 VND million*	*2018 VND million*
Net profit for the year		**11,009,291**	**8,108,805**
Other comprehensive income:			
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		1,206,080	369,734
Changes in allowance for expected credit losses		61,277	177,907
Reclassification to the statement of profit or loss		(253,792)	(1,029,829)
Income tax related to the above		(202,713)	96,438
Total items that will be reclassified to the statement of profit or loss		*810,852*	*(385,750)*
Items that will not be reclassified to the consolidated statement of profit or loss			
Equity instruments at fair value through other comprehensive income			
Revaluation gain/(loss) on equity instruments at fair value through other comprehensive income		57,122	(5,725)
Income tax related to the above		(11,424)	1,145
Total items that will not be reclassified to the statement of profit or loss		*45,698*	*(4,580)*
Other comprehensive gain/(loss) for the year, net of income tax		**856,550**	**(390,330)**
Total comprehensive income for the year, net of income tax		**11,865,841**	**7,718,475**
Attributable to:			
Equity holders of the Bank		11,710,170	7,704,637
Non-controlling interest		155,671	13,838
		11,865,841	**7,718,475**

Prepared by:	Approved by:	Approved by:
Ms. Bui Thi Khanh Van Chief Accountant	Ms. Thai Ha Linh Director of Accounting, Financial Policy and Tax, Finance and Planning Division	Mr. Phung Quang Hung Standing Deputy Chief Executive Officer cum Managing Director and Head of the Customer Service and Financial Advisory Division

M.S.D.N: 0100230800 - C.T.C.P
NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN KỸ THƯƠNG VIỆT NAM
Q. HAI BÀ TRƯNG - TP. HÀ NỘI

25 -04- 2020

Hanoi, Vietnam

Vietnam Technological and Commercial Joint Stock Bank

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

	Notes	31 December 2019 VND million	31 December 2018 VND million
ASSETS			
Cash and cash equivalents	22	46,541,440	37,262,868
Due from other banks	23	9,576,346	11,671,923
Derivative financial assets	24	1,070,762	579,520
Financial assets at fair value through profit or loss	25	12,473,011	7,736,876
Debt instruments at fair value through other comprehensive income	26.1	64,633,484	64,362,440
Equity instruments at fair value through other comprehensive income	26.2	721,933	14,802
Loans and advances to customers	27	235,486,248	162,926,067
Debt instruments at amortised cost	26.3	3,535,048	24,197,747
Other assets	28	3,061,410	5,252,856
Property and equipment and right-of-use assets	29	7,903,029	6,061,346
Deferred tax assets	20	166,943	250,469
Goodwill and other intangible assets	30	350,241	313,321
TOTAL ASSETS		**385,519,895**	**320,630,235**
LIABILITIES			
Due to the Government and the State Bank of Vietnam	31	-	6,033,332
Due to other banks	32	60,569,994	35,525,290
Derivative financial liabilities	24	570,685	832,288
Deposits from customers	33	233,660,465	203,918,466
Other borrowed funds	34	820,658	993,469
Debt instruments issued	35	17,652,059	13,359,551
Current tax liabilities	36	934,024	980,062
Other liabilities	37	7,883,605	7,962,488
Deferred tax liabilities	20	465,582	79,068
TOTAL LIABILITIES		**322,557,072**	**269,684,014**
SHAREHOLDERS' EQUITY			
Share capital	38.1	35,001,400	34,965,922
Share premium	38.1	1,636,167	1,563,953
Treasury shares	38.1	(45,068)	(56,798)
Retained earnings		19,754,237	10,273,242
Statutory reserves	38.2	5,172,684	3,867,372
Fair value reserve		1,084,579	232,694
Other reserves		60,882	27,903
Total equity attributable to the Bank		62,664,881	50,874,288
Total equity attributable to non-controlling interest		297,942	71,933
TOTAL SHAREHOLDERS' EQUITY		**62,962,823**	**50,946,221**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**385,519,895**	**320,630,235**

Prepared by:

Ms. Bui Thi Khanh Van
Chief Accountant

Approved by:

Ms. Thai Ha Linh
Director of Accounting, Financial Policy and Tax, Finance and Planning Division

Approved by:

M.S.D.N: 0100230800 C.T.C.P. NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN KỸ THƯƠNG VIỆT NAM Q. HAI BÀ TRƯNG - TP. HÀ NỘI

Mr. Phung Quang Hung
Standing Deputy Chief Executive Officer cum Managing Director and Head of the Customer Service and Financial Advisory Division

25-04-2020

Hanoi, Vietnam

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

For the year ended 31 December 2019

	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 2019	**34,965,922**	**1,563,953**	**(56,798)**	**10,273,242**	**3,867,372**	**232,694**	**27,903**	**50,874,288**	**71,933**	**50,946,221**
Impact of adopting IFRS 16	-	-	-	(58,472)	-	-	-	(58,472)	-	(58,472)
Restated opening balance under IFRS 16	**34,965,922**	**1,563,953**	**(56,798)**	**10,214,770**	**3,867,372**	**232,694**	**27,903**	**50,815,816**	**71,933**	**50,887,749**
Comprehensive income for the year:										
Profit for the year	-	-	-	10,858,285	-	-	-	10,858,285	151,006	11,009,291
Other comprehensive income, net of tax:										
Net change in fair value of debt instruments at fair value through other comprehensive income	-	-	-	-	-	1,205,989	-	1,205,989	91	1,206,080
Net amount reclassified to the statement of profit or loss on sale of debt instruments at fair value through other comprehensive income	-	-	-	-	-	(253,990)	-	(253,990)	198	(253,792)
Net change in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	-	-	-	-	-	60,259	-	60,259	1,018	61,277
Net change in fair value of equity instruments at fair value through other comprehensive income	-	-	-	-	-	52,598	-	52,598	4,524	57,122
Tax on other comprehensive income	-	-	-	-	-	(212,971)	-	(212,971)	(1,166)	(214,137)
Total comprehensive income	**-**	**-**	**-**	**10,858,285**	**-**	**851,885**	**-**	**11,710,170**	**155,671**	**11,865,841**
Transactions with shareholders										
Issuance of shares	35,478	(50)	-	-	-	-	-	35,428	70,338	105,766
Equity-settled share-based payment	-	72,264	11,730	-	-	-	32,979	116,973	-	116,973
Total contribution by shareholders	**35,478**	**72,214**	**11,730**	**-**	**-**	**-**	**32,979**	**152,401**	**70,338**	**222,739**
Movements in reserves and others										
Transfer to reserves	-	-	-	(1,314,751)	1,314,751	-	-	-	-	-
Utilisation of reserves	-	-	-	-	(9,913)	-	-	(9,913)	-	(9,913)
Other movements	-	-	-	(4,067)	474	-	-	(3,593)	-	(3,593)
Total movements in reserves and others	**-**	**-**	**-**	**(1,318,818)**	**1,305,312**	**-**	**-**	**(13,506)**	**-**	**(13,506)**
As at 31 December 2019	**35,001,400**	**1,636,167**	**(45,068)**	**19,754,237**	**5,172,684**	**1,084,579**	**60,882**	**62,664,881**	**297,942**	**62,962,823**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
for the year ended 31 December 2019

For the year ended 31 December 2018

	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 2018	**11,655,307**	**2,165,058**	**(4,044,547)**	**10,429,246**	**6,156,454**	**583,552**	**-**	**26,945,070**	**-**	**26,945,070**
Impact of adopting IFRS 9	-	-	-	(1,511,356)	-	49,341	-	(1,462,015)	-	(1,462,015)
Tax on impact of adopting IFRS 9	-	-	-	302,271	-	(9,869)	-	292,402	-	292,402
Restated opening balance under IFRS 9	**11,655,307**	**2,165,058**	**(4,044,547)**	**9,220,161**	**6,156,454**	**623,024**	**-**	**25,775,457**	**-**	**25,775,457**
Comprehensive income for the year:										
Profit for the year	-	-	-	8,094,967	-	-	-	8,094,967	13,838	8,108,805
Other comprehensive income, net of tax:										
Net change in fair value of debt instruments at fair value through other comprehensive income	-	-	-	-	-	369,734	-	369,734	-	369,734
Net amount reclassified to the statement of profit or loss on sale of debt instruments at fair value through other comprehensive income	-	-	-	-	-	(1,029,829)	-	(1,029,829)	-	(1,029,829)
Net change in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	-	-	-	-	-	177,907	-	177,907	-	177,907
Net change in fair value of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(5,725)	-	(5,725)	-	(5,725)
Tax on other comprehensive income	-	-	-	-	-	97,583	-	97,583	-	97,583
Total comprehensive income	**-**	**-**	**-**	**8,094,967**	**-**	**(390,330)**	**-**	**7,704,637**	**13,838**	**7,718,475**

Vietnam Technological and Commercial Joint Stock Bank

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
for the year ended 31 December 2019

	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*
Transactions with shareholders										
Issuance of shares	23,310,615	(13,986,369)	(14,587)	(5,813,067)	(3,496,592)	-	-	-	58,201	58,201
Sale of treasury shares	-	12,324,846	3,996,331	-	-	-	-	16,321,177	-	16,321,177
Equity-settled share-based payment	-	1,060,418	6,005	-	-	-	27,903	1,094,326	-	1,094,326
Total contribution by and distribution to shareholders	**23,310,615**	**(601,105)**	**3,987,749**	**(5,813,067)**	**(3,496,592)**	**-**	**27,903**	**17,415,503**	**58,201**	**17,473,704**
Movements in reserves and others										
Transfer to reserves	-	-	-	(1,236,885)	1,216,991	-	-	(19,894)	(106)	(20,000)
Utilisation of reserves	-	-	-	-	(59)	-	-	(59)	-	(59)
Other movements	-	-	-	8,066	(9,422)	-	-	(1,356)	-	(1,356)
Total movements in reserves and others	**-**	**-**	**-**	**(1,228,819)**	**1,207,510**	**-**	**-**	**(21,309)**	**(106)**	**(21,415)**
As at 31 December 2018	**34,965,922**	**1,563,953**	**(56,798)**	**10,273,242**	**3,867,372**	**232,694**	**27,903**	**50,874,288**	**71,933**	**50,946,221**

Prepared by:

Ms. Bui Thi Khanh Van
Chief Accountant

2 5 -04- 2020

Hanoi, Vietnam

Approved by:

Ms. Thai Ha Linh
Director of Accounting,
Financial Policy and Tax, Finance and Planning Division

Approved by:

M.S.D.N: 0100230800 - C.T.C.P
NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN KỸ THƯƠNG VIỆT NAM
Q. HAI BÀ TRƯNG - TP. HÀ NỘI

Mr. Phung Quang Hung
Standing Deputy Chief Executive Officer
cum Managing Director and Head of the
Customer Service and Financial Advisory Division

Vietnam Technological and Commercial Joint Stock Bank

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	Notes	*2019 VND million*	*2018 VND million*
OPERATING ACTIVITIES			
Profit for the year		**13,877,253**	**10,466,980**
Adjustments for:			
Depreciation expense of property and equipment and right-of-use assets		547,741	169,180
Amortisation expense of intangible assets		92,518	90,423
Credit loss expense on financial assets	16	363,791	1,410,703
Equity-settled share-based payment		111,973	1,094,326
Net cash flows from operating activities before changes in operating assets and liabilities		**14,993,276**	**13,231,612**
Change in due from other banks		2,094,685	2,606,051
Change in derivative financial assets		(491,242)	462,480
Change in financial assets at fair value through profit or loss		(4,736,135)	(562,884)
Change in loans and advances to customers		(72,776,326)	(3,968,893)
Change in debt instruments at fair value through other comprehensive income		857,073	(21,031,715)
Change in equity instruments at fair value through other comprehensive income		(650,009)	219,197
Change in debt instruments at amortised cost		20,761,137	(14,579,633)
Change in other assets		37,063	(2,331,682)
Change in due to the Government and the State Bank of Vietnam		(6,033,332)	5,029,221
Change in due to other banks		25,044,704	(9,996,915)
Change in derivative financial liabilities		(261,603)	(193,352)
Change in deposits from customers		29,741,999	30,663,531
Change in other borrowed funds		(172,811)	77,553
Change in debt instruments issued		7,537,602	(1,725,402)
Change in other liabilities		(624,737)	4,623,133
Net change in operating assets and liabilities		**328,068**	**(10,709,310)**
Income tax paid	19	(2,678,919)	(2,140,758)
Net cash flows from operating activities		**12,642,425**	**381,544**

Vietnam Technological and Commercial Joint Stock Bank

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

	Notes	2019 VND million	2018 VND million (reclassified)
INVESTING ACTIVITIES			
Acquisitions of property and equipment		(143,689)	(349,239)
Proceeds from disposals of property and equipment		31,160	6,008
Proceeds from liquidation of the subsidiary and other long-term investments		-	915,560
Acquisitions of intangible assets		(113,931)	(52,335)
Net cash flows (to)/from investing activities		**(226,460)**	**519,994**
FINANCING ACTIVITIES			
Issuance of shares		35,428	-
Proceeds from long-term debt instruments issued qualified to classify as subordinated debts	35	-	310,000
Payments for long-term debt instruments issued qualified to classify as subordinated debts	35	(3,245,094)	(3,023,087)
Proceeds from selling treasury shares		-	16,321,177
Increase in charter capital from capital contribution by non-controlling shareholders		70,338	58,201
Net cash flows (to)/from financing activities		**(3,139,328)**	**13,666,291**
Net cash flows during the year		**9,276,637**	**14,567,829**
Cash and cash equivalents at beginning of the year		**37,270,448**	**22,702,619**
Cash and cash equivalents at end of the year		**46,547,085**	**37,270,448**
Operational cash flows from interest and dividends			
Interest received		25,677,175	19,890,973
Dividends received	15	4,216	275
Interest paid		(10,865,013)	(9,797,021)

Prepared by:

Ms. Bui Thi Khanh Van
Chief Accountant

Approved by:

Ms. Thai Ha Linh
Director of Accounting, Financial Policy and Tax, Finance and Planning Division

Approved by:

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NGÂN HÀNG THƯƠNG MẠI CỔ PHẦN KỸ THƯƠNG VIỆT NAM
Q. HAI BÀ TRƯNG - TP. HÀ NỘI

Mr. Phung Quang Hung
Standing Deputy Chief Executive Officer cum Managing Director and Head of the Customer Service and Financial Advisory Division

25 -04- 2020

Hanoi, Vietnam

1. CORPORATE 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 which replaces Business License No. 0040/NH-GP on 6 August 1993 and Business Registration Certificate No. 0100230800 issued by the Hanoi Department of Planning and Investment on 12 November 2019. The operating duration is 99 years from 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, bonds and other companies and dealing in foreign exchange in accordance with applicable regulations.

Network

The Bank's Head Office is located at 191 Ba Trieu, Hai Ba Trung District, Hanoi. As at 31 December 2019, the Bank has one (1) Head Office, two (2) representative offices, three hundred and eleven (311) transaction offices nationwide and three (3) subsidiaries.

Subsidiaries

As at 31 December 2019 and as at the date of consolidated financial statements, the Bank has three (3) subsidiaries as follows:

No.	*Name*	*Business License No.*	*Industry*	*% owned by the Bank*
1	Techcom Securities Joint Stock Company	37/GPDC-UBCK dated 13 June 2019 granted by the State Securities Commission	Securities activities	88.99999%
2	Vietnam Technological and Commercial Joint Stock Bank - Asset Management Company Limited	0102786255 dated 18 June 2008 granted by the Hanoi Department of Planning and Investment which was amended for the 22th time on 3 May 2019	Debt and asset management	100%
3	Techcom Capital Management Joint Stock Company	33/GPDC-UBCK dated 5 June 2019 granted by the State Securities Commission	Fund management	89.99956%

Employees

As at 31 December 2019, the Bank and its subsidiaries have 11,156 employees (31 December 2018: 9,757 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 fair value through profit or loss ("FVTPL"), debt and equity instruments at fair value through other comprehensive income ("FVOCI") and derivative financial instruments which have been measured at fair value.

3. STATEMENT OF COMPLIANCE

The consolidated financial statements of the Bank and its subsidiaries have been prepared in accordance with International Financial Reporting Standards and Interpretations ("IFRS") that are effective for annual periods beginning on or after 1 January 2019 as issued and approved by the International Accounting Standards Board.

4. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Bank and its subsidiaries present its consolidated statement of financial position in order of liquidity.

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 recognised 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 FOR CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2019. The Bank consolidates a subsidiary from the date of control of subsidiary and continue 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. In case the Bank divests its equity interest in a subsidiary resulting in loss of control over the subsidiary, the Bank only consolidates the financial result of the subsidiary from the beginning of the year up to the date of the divestment without consolidating the net assets of the subsidiary. Furthermore, the Bank makes adjustments of indirect impact of the divestment transactions on the consolidated cash flow statement.

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.

6. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

In these consolidated financial statements, the Bank and its subsidiaries have applied IFRS 16 effective for annual periods beginning on or after 1 January 2019, for the first time. The Bank and its subsidiaries have not adopted early any other standards, interpretation or amendment that has been issued but is not yet effective.

6.1. IFRS 16 – Lease

Before the adoption of IFRS 16, the Bank and its subsidiaries classified each of its lease contracts such as properties, means of transportation and other equipment at the inception date as either a finance lease or an operating lease in accordance with IAS 17 - Leases. A lease was classified as a finance lease if it transferred substantially all the risks and rewards incidental to ownership of the leased asset to the Bank and its subsidiaries; otherwise, it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased assets were not capitalised and the lease payments were recognised as rental expense in the statements of profit or loss on a straight-line basis over the lease term. Any prepaid and accrued rent were recognised under other assets: prepayments and other liabilities: accruals, respectively.

IFRS 16 is mandatorily applicable initially for annual periods beginning on or after 1 January 2019 and replaces IAS 17, IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC 15 - Operating Lease - Incentives and SIC 27 - Evaluating the Substance of Transactions involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Bank and its subsidiaries are the lessors.

The Bank has analysed the impact of the first-time application of IFRS 16 in a Group-wide project, including existing processes, systems and policies. The Bank and its subsidiaries have developed its approach for assessing the different types of leases including applying the recognition exemptions in the standard that allows the Bank and its subsidiaries not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets; and incorporating forward-looking assumptions in making certain decisions such as extension and termination options on lease contracts of which management have assessed on a case by case basis.

Leases previously classified as operating leases - The Bank and its subsidiaries as lessee

On 1 January 2019, the Bank and its subsidiaries have applied IFRS 16 for the first time using the modified retrospective approach, which requires the recognition of the cumulative effect of initially applying IFRS 16, to the retained earnings brought forward and not restate prior period comparatives information which remain as previously reported under IAS 17 and related interpretations. The Bank and its subsidiaries also made use of the transition practical expedients in the standard to not recognise lease arrangements for which the lease term ends within 12 months of the date of initial application or the value of which is immaterial.

6. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

6.1. IFRS 16 - Leases (continued)

The Bank and its subsidiaries elected the following transition practical expedients on a lease-by-lease basis for measurement purposes at first-time application of the standard:

- A single discount rate was applied for those portfolios of leases with reasonably similar characteristics such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment;
- Short-term lease contracts with a term not exceeding 12 months at the date of initial application are not recognised under IFRS 16 or the value of which is immaterial;
- Initial direct costs are excluded from the measurement of the right-of-use asset at the date of initial application; and
- The Bank and its subsidiaries used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The detailed financial impact of the adoption of IFRS 16 on the financial statements of the Bank and its subsidiaries are disclosed in Note 9.

6.2. IFRIC 23 - Uncertainty over income tax treatments

In June 2017, the IASB issued IFRIC interpretation IFRIC 23 - Uncertainty over income tax treatments. The new interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation. The interpretation concludes that an entity shall determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty.

IFRIC 23 is effective for annual periods beginning on or after 1 January 2019. IFRIC 23 did not have an impact on the Bank and its subsidiaries' consolidated financial statements.

6.3. Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the 'SPPI' criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract. Where the prepayment is made at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instruments, the Bank assesses the specific contractual cash flows for the relevant debt instruments in order to determine whether they meet the SPPI criterion. These amendments had no impact on the consolidated financial statements of the Bank.

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 45)*. 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 and advances to customers and balances due to customers, are initially recognised 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 market place. Loans and advances to customers are recognised when funds are transferred to the customers' account. The Bank and its subsidiaries recognise 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 Notes 7.3.1.1 and 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 recognise the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

During the year, the Bank and its subsidiaries recognised 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 amortised along their committed working time or the life of the relevant loans.

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:

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

The Bank and its subsidiaries classify and measure its derivative and trading portfolio at FVTPL as explained in Notes 7.3.2 and 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 amortised cost or at FVTPL when they are held-for-trading and derivative instruments.

7.3. Financial assets and liabilities

7.3.1. Due from banks, loans and advances to customers and other financial investments at amortised cost

The Bank and its subsidiaries only measure due from banks, loans and advances to customers and other financial investments at amortised 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 banks, loans and advances to customers and other financial investments at amortised 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 amortisation 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 Bank and its subsidiaries' business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- Business strategy for the portfolios;
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- 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;
- 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 realised 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 swap, forward foreign exchange contracts and options on interest rates. 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 business model and SPPI assessments as outlined in Notes 7.3.1.1 and 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 recognised 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.

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 new category under IFRS 9 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 recognised in OCI. Interest income is recognised in profit or loss as *"Net interest income"*. The ECL calculation for Debt instruments at FVOCI is explained in Note 7.9.3 and recognised in *"Credit loss expense on financial assets"*. On derecognition, cumulative gains or losses previously recognised 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 recognised 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 amortised cost using the effective interest rate ("EIR"). Amortised 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.3. Financial assets and liabilities (continued)

7.3.6. *Debt instruments issued and other borrowed funds* (continued)

The Bank issued a number of financial instruments with equity conversion. When establishing the accounting treatment of these non-derivative instruments the Bank first establishes whether the instrument is a compound instrument and classifies such instruments or components separately as financial liabilities, financial assets, or equity instruments. The Bank separately recognises the components of a financial instrument that: (a) creates a financial liability for the Bank; and (b) grants an option to the holder of the instrument to convert it into an equity instrument of the entity. Classification of the liability and equity components of a convertible instrument is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when exercise of the option may appear to have become economically advantageous to some holders. When allocating the initial carrying amount of a compound financial instrument to its equity and liability components, the equity component is assigned the residual amount after deducting from the entire fair value of the instrument, the amount separately determined for the liability component. Once the Bank has determined the split between equity and liability, it further evaluates if the liability component has embedded derivatives which would require separation. The Bank only separates the embedded derivatives from the host contract and accounts for them as a derivative when:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative of a derivative; or
- The hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss (i.e. a derivative that is embedded in a financial asset or financial liability at FVTPL is not separated).

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 recognised 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 recognised less cumulative amortisation recognised in the consolidated statement of profit or loss, and an ECL provision as set out in Note 37.1.1.

The premium received is recognised 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 on in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 37.1.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Derecognition of financial assets and financial liabilities

7.5.1. Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired. The Bank and its subsidiaries also derecognise 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.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7.5.1. Financial assets (continued)

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 recognised to the extent of the Bank and its subsidiaries' continuing involvement in it. In that case, the Bank and its subsidiaries also recognise 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.

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.

The Bank and its subsidiaries also derecognise a financial asset, in particular, a loan to customer when the terms and conditions have been renegotiated to the extent that it substantially became a new loan, with the difference recognised as an impairment in the consolidated statement of profit or loss.

7.5.2. Financial liabilities

A financial liability is derecognised 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 recognised 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 recognised 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 2019, the Bank and its subsidiaries have no financial assets and liabilities that are offset and recognised in net value in the consolidated financial statements.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.7. Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specific date in the future ("repo") are not derecognised from the consolidated statement of financial position as the Bank and its subsidiaries retain substantially all of risk and rewards of ownership. The corresponding cash received is recognised in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability in *"Due to other banks"* for purpose of reflecting the transaction's economic substance as a loan 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 financial assets held-for-trading mortgaged as collateral or financial investments available-for-sale mortgaged as collaterals.

Conversely, securities purchased under agreements to resell at a specific date in the future ("reverse repo") are not recognised in the consolidated financial statements. The consideration paid, including accrued interest, is recorded in the consolidated statement of financial position as an asset in *"Due from other banks"* for purpose of reflecting the transaction's economic substance as a loan by 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 summarised 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.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.8. Determination of fair value (continued)

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-collateralised 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.

7.9. 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 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 41.2.4.5.

The 12-month ECL is the portion of life time 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 life time 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 41.2.4.6.

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 41.2.4.5.

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

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.9. Impairment of financial assets (continued)

7.9.1. Overview of the ECL principles (continued)

- Stage 1 — When loans are first recognised, the Bank and its subsidiaries recognise 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 life time 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 41.2.4.1). The Bank and its subsidiaries record an allowance for the life time 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 recognised based on a credit-adjusted EIR. ECLs are only recognised 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.

7.9.2. 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 derecognised and is still in the portfolio. The concept of PDs is further explained in Note 41.2.4.2.
- 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 EAD is further explained in Note 41.2.4.3.
- 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 LGD is further explained in Note 41.2.4.4.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.9. Impairment of financial assets (continued)

7.9.2. The calculation of ECLs (continued)

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, EADs 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 mortgage portfolio, 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	Tenor	Behavioural lifetime
Mortgage (including Project Mortgage)	0 – 5 years	Contractual life
	5 – 10 years	5.5 years
	10 – 20 years	6.5 years
	20 – 99 years	7.5 years

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.

Allowances for ECLs for undrawn loan commitments are assessed.

The mechanics of the ECL method are summarised below:

- Stage 1 The 12-month ECL is calculated as the portion of life time 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 life time 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 recognise 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 recognise the cumulative changes in life time ECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit adjusted EIR.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.9. Impairment of financial assets (continued)

7.9.2. The calculation of ECLs (continued)

▸ Loan commitments and letter of credit	When estimating life time 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 recognised 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 recognised less cumulative amortisation recognised 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 recognised 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 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 amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

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

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

7.9.5. Forward-looking information

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

- GDP growth;
- Unemployment rates;
- Inflation;
- House price indices.

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 material.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.10. Leasing – The Bank and its subsidiaries as lessees (Policy applicable from 1 January 2019)

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 of time 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 on the basis of 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 recognise 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 Group 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 recognised right-of-use assets are depreciated on a straight-line basis over the lease term. Right-of-use assets are subject to impairment assessment.

7.10.2. Lease liabilities

At the commencement date of the lease, the Bank and its subsidiaries recognise 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 recognised 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 recognised as expense on a straight-line basis over the lease term.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.10. Leasing – The Bank and its subsidiaries as lessees (Policy applicable from 1 January 2019) (continued)

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).

7.11. Leasing (Policy applicable before 1 January 2019)

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

The Bank and its subsidiaries as lessees

Leases that do not transfer to the Bank and its subsidiaries substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the consolidated statement of profit or loss on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the year in which they are incurred.

7.12. Recognition of income and expenses

Revenue is recognised 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 recognised.

7.12.1. The effective interest rate method

Under both IFRS 9 and IAS 39, interest income is recorded using the effective interest rate ("EIR") method for all financial instruments measured at amortised cost. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9, similarly to interest bearing financial assets classified as available-for-sale or held to maturity under IAS 39 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 amortised 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 recognise 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 recognises 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).

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.12. Recognition of income and expenses (continued)

7.12.1. The effective interest rate method (continued)

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 balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through "*Interest and similar income*" in the consolidated statement of profit or loss.

7.12.2. 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 amortised 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 amortised 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 amortised cost (amortised cost net of expected credit loss) of the financial asset. If the financial assets 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 amortised 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 amortised cost of the POCI assets.

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

7.12.3. Fee and commission income

The Bank and its subsidiaries earn fee income from a diverse range of services they provide to their customers. Under IFRS 15, fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time as below:

- *Fee and commission income from services where performance obligations are satisfied over time:* Performance obligations satisfied over time include asset management and other services, where the customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs.
- *Fee and commission income from providing services where performance obligations are satisfied at a point in time:* Services provided where the Bank's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. The Bank typically has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.12. Recognition of income and expenses (continued)

7.12.3. Fee and commission income (continued)

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 part 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.

- *Dividend income*

  Dividend income is recognised when the Bank's right to receive the payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders have approved the dividend for unlisted equity securities.

- *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 recognised in the consolidated statement of profit or loss under the caption of *"Other operating income"* when award credits are redeemed.

7.12.4. Dividend income

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

7.12.5. 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.

7.13. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.14. Property and equipment

Property and equipment is 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 amortisation 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
Vehicles	6 - 10 years
Other fixed assets	4 - 10 years

Property and equipment is derecognised 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 recognised in *"Other operating income"* in the consolidated statement of profit or loss in the year the asset is derecognised.

Definite land use rights are amortised over the lease term.

7.15. Business combination and goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the consolidated statement of profit or loss in the period of acquisition.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Bank and its subsidiaries' interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank and its subsidiaries' cash–generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Bank and its subsidiaries at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment in accordance with IFRS 8 - Operating Segments.

Where goodwill has been allocated to a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the consolidated statement of profit or loss.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.16. 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 amortisation 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 amortised over the useful economic life. The amortisation period and the amortisation 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 amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation 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

7.17. 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 CGU's 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 recognised 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 recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.18. Employee benefits

7.18.1. Defined contribution plans

Post-employment benefits

Post-employment benefits are paid to retired employees of the Bank and its subsidiaries by the Social Insurance Agency which belongs to the Ministry of Labour, Invalids and Social Affairs. From 1 June 2017, according to Decision No. 595/QD-BHXH dated on 14 April 2017 and Decision No. 44/2017/ND-CP dated on 14 April 2017, the Bank and its subsidiaries are required to pay a social insurance premium at the rate of 17.5% of an employee's basic monthly salary, salary-related allowances and other supplements. Other than that, the Bank and its subsidiaries have no further obligation relating to post-employment benefits.

Unemployment allowance

According to Circular No. 28/2015/TT-BLDTBXH on guidelines for Article 52 of the Law on Employment 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 and its subsidiaries are 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.

Health insurance contribution

According to Decision No. 595/QD-BHXH dated on 14 April 2017, the Bank and its subsidiaries are required to contribute to employee benefits by paying health insurance premium to the Health Insurance Agency at the rate of 3% of an employee's basic salary on a monthly basis.

7.18.2. Voluntary resignation benefits

The Bank and its subsidiaries have the obligation, under Section 48 of the Vietnam Labour Code 10/2012/QH13 effective from 1 May 2013, to pay allowance arising from voluntary resignation of employees, equal to one-half month's salary for each year of employment up to 31 December 2008 plus salary allowances (if any). From 1 January 2009, the average monthly salary used in this calculation is the average monthly salary of the latest six-month period up to the resignation date.

7.19. Provision

Provisions are recognised 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.20. Corporate income tax

7.20.1. 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 recognised 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.

7.20.2. 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 recognised 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 recognised 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 utilised, 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. Unrecognised deferred income tax assets are reassessed at reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.20. Corporate income tax (continued)

7.20.2. Deferred tax (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset realised 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 recognised as income tax benefits or expenses in the consolidated statement of profit or loss except for tax related to the fair value remeasurement of available-for-sale assets or FVOCI assets, foreign exchange differences, which are charged or credited to other comprehensive income ("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 recognise 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.

7.21. 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 recognised directly in equity. No gain or loss is recognised 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"*.

7.22. 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 recognised in the consolidated financial statements as they are not assets of the Bank and its subsidiaries.

7.23. 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-settled transactions is recognised, 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 recognised 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 charge for a period is recorded in *"Personnel expenses"* and represents the movement in cumulative expense recognised as at the beginning and end of that period and the corresponding amount is represented in share capital.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7.24. Equity reserves

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

- Fair value reserve which comprises:
  - The cumulative net change in fair value of debt instruments classified at FVOCI, less the allowance for ECL;
  - The cumulative net change in fair value of equity instruments at FVOCI;
- Other reserves, which includes the portion of shares granted that is subject to restriction of transfer for a period of 4 years.

7.25. Statutory reserves

7.25.1. Reserves and funds of the Bank

The Bank is required to make the following allocations before distribution of profits:

	Basis for calculation	*Maximum level*
Capital supplementary reserve	5% of profit after tax under Vietnam Accounting Standards ("VAS")	100% charter capital
Financial reserve	10% of profit after tax under VAS	Not regulated

Other equity funds are appropriated from profit after tax. The appropriation from profit after tax and the utilisation of the other equity funds are approved by the General Meeting of Shareholders. These funds are not required by law and are fully distributable.

7.25.2. 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 as in a similar way to the Bank.

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

According to Circular No. 146/TT/2014/TT-BTC issued by the Ministry of Finance issued on 6 October 2014 guiding the financial regime for securities, fund management companies, from 2014, realised profit of the Company shall be distributed as follows:

	Basis for calculation	*Maximum level*
Capital supplementary reserve	5% profit after tax under VAS	10% charter capital
Financial reserve	5% profit after tax under VAS	10% charter capital

Financial reserve will be used to compensate losses in business operation. These above reserves, are made at year end, not available for distribution and classified as items in shareholder's equity.

8. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Bank and its subsidiaries' consolidated financial statements requires the Board of Management of the Bank to make judgements, estimates and assumptions that affect the reported amount 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, management 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 recognised 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 both under IFRS 9 and IAS 39 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:

- The Bank's internal credit grading model, which assigns PDs to the individual grades;
- 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 life time 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;

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

8.2. Impairment losses on financial assets (continued)

- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, 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.

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

8.3. Deferred tax assets

Deferred tax assets are recognised 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 utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, 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 records 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. FINANCIAL EFFECTS ARISING FROM ADOPTION OF IFRS 16 - LEASES

The adoption of IFRS 16 resulted in the following financial effects to the consolidated statement of financial position of the Bank and its subsidiaries:

Extract of consolidated statements of financial position

	31 December 2018 VND million	*Reclassification VND million*	*Modified retrospective approach VND million*	*1 January 2019 VND million*
ASSETS				
Other assets (1)	5,252,856	-	(156,793)	5,096,063
Right-of-use assets (2)	-	-	695,170	695,170
	5,252,856	**-**	**538,377**	**5,791,233**
LIABILITIES				
Other liabilities (3)	7,962,488	-	596,849	8,559,337
SHAREHOLDERS' EQUITY				
Retained earnings	10,273,242	-	(58,472)	10,214,770
Attributable to:				
Equity holders of the Bank	10,259,404	-	(58,472)	10,200,932
Non-controlling interest	13,838	-	-	13,838

(1) Derecognition of prepayments related to previous operating leases

(2) Recognition of right-of-use assets

(3) Recognition of additional lease liabilities and derecognition of accrued rental expenses

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	VND million
Operating commitments as at 31 December 2018	**746,940**
Weighted average incremental borrowing rate as at 1 January 2019	8.32%
Discounted operating lease commitments at 1 January 2019	670,505
Less:	
Commitments relating to short-term leases	(61,615)
Commitments relating to leases of low-value assets	(2,325)
Lease liabilities as at 1 January 2019	**606,565**

10. 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 Board of Management (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 Board of Management. Segment profit is used to measure performance as management 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.

10. OPERATING SEGMENT (continued)

As at and for the year ended 31 December 2019

	Commercial banking VND million	*Asset management VND million*	*Securities investment VND million*	*Fund management VND million*	*Consolidation adjustments VND million*	*Total VND million*
For the year ended 31 December 2019						
Net interest income	13,400,159	(33,013)	221,093	14,883	62,497	13,665,619
Net fee and commission income	2,244,960	-	1,269,640	206,040	(3,060)	3,717,580
Net trading income	1,933,366	-	-	(355)	87	1,933,098
Other operating income	2,011,072	187,703	583,604	675	(256,480)	2,526,574
Credit loss expense on financial assets	(359,181)	(295)	2,761	(2,472)	(4,604)	(363,791)
Net operating income	**19,230,376**	**154,395**	**2,077,098**	**218,771**	**(201,560)**	**21,479,080**
Personnel expenses	(4,221,614)	(115,361)	(164,817)	(24,882)	(5)	(4,526,679)
Depreciation of property and equipment and right-of-use assets	(497,384)	(38,667)	(8,382)	(24)	(3,284)	(547,741)
Amortisation of intangible assets	(92,517)	(734)	(2,323)	(23)	3,079	(92,518)
Other operating expenses	(2,518,868)	(28,307)	(56,842)	(9,166)	178,294	(2,434,889)
Profit before tax	**11,899,993**	**(28,674)**	**1,844,734**	**184,676**	**(23,476)**	**13,877,253**
Income tax expense	(2,461,929)	(560)	(369,411)	(36,936)	874	(2,867,962)
Net profit for the year	**9,438,064**	**(29,234)**	**1,475,323**	**147,740**	**(22,602)**	**11,009,291**
As at 31 December 2019						
Reportable segment assets	**381,352,734**	**1,293,218**	**6,367,002**	**288,932**	**(3,781,991)**	**385,519,895**
Reportable segment liabilities	**322,558,782**	**573,407**	**1,689,560**	**28,443**	**(2,293,120)**	**322,557,072**

10. OPERATING SEGMENT (continued)

As at and for the year ended 31 December 2018

	Commercial banking VND million	*Asset management VND million*	*Securities investment VND million*	*Fund management VND million*	*Consolidation adjustments VND million*	*Total VND million*
For the year ended 31 December 2018						
Net interest income	10,750,098	(37,778)	102,051	6,729	14,680	10,835,780
Net fee and commission income	2,246,153	-	1,310,040	64,025	(112)	3,620,106
Net trading income	747,813	-	-	-	53	747,866
Other operating income	4,465,818	247,572	295,950	(116)	(996,762)	4,012,462
Impairment losses on financial assets	(1,398,398)	499	(12,097)	(644)	(63)	(1,410,703)
Net operating income	**16,811,484**	**210,293**	**1,695,944**	**69,994**	**(982,204)**	**17,805,511**
Personnel expenses	(4,210,855)	(104,554)	(115,892)	(17,787)	(297)	(4,449,385)
Depreciation of property and equipment	(130,331)	(37,920)	(920)	-	(9)	(169,180)
Amortisation of intangible assets	(86,296)	(1,156)	(2,925)	(46)	-	(90,423)
Other operating expenses	(2,512,868)	(44,189)	(68,015)	(3,686)	(785)	(2,629,543)
Profit before tax	**9,871,134**	**22,474**	**1,508,192**	**48,475**	**(983,295)**	**10,466,980**
Income tax expense	(2,033,894)	(11,464)	(303,145)	(9,695)	23	(2,358,175)
Net profit for the year	**7,837,240**	**11,010**	**1,205,047**	**38,780**	**(983,272)**	**8,108,805**
As at 31 December 2018						
Reportable segment assets	**318,272,696**	**1,425,350**	**4,333,309**	**118,002**	**(3,519,122)**	**320,630,235**
Reportable segment liabilities	**269,807,029**	**676,358**	**1,245,155**	**11,364**	**(2,055,892)**	**269,684,014**

11. INTEREST AND SIMILAR INCOME

	2019 VND million	2018 VND million (reclassified)
Due from other banks	1,182,841	1,147,989
Loans and advances to customers	16,348,436	15,381,622
Debt instruments at FVOCI	5,021,384	3,150,273
Debt instruments at amortised cost	1,649,969	915,964
Other income from credit activities	302,966	263,404
	24,505,596	**20,859,252**

12. INTEREST AND SIMILAR EXPENSES

	2019 VND million	2018 VND million
Due to the Government and the SBV	102,273	94,128
Due to other banks	1,213,122	757,863
Deposits from customers	8,437,456	7,763,869
Other borrowed funds	38,737	54,705
Debt instruments issued	966,909	1,352,907
Interest expense for leases	81,480	-
	10,839,977	**10,023,472**

13. NET FEE AND COMMISSION INCOME

	2019 VND million	2018 VND million (reclassified)
Fee and commission income	**5,348,635**	**4,535,843**
Guarantee services	464,227	347,526
Settlement and cash services	2,274,253	1,763,054
Bancassurance services	931,882	722,481
Income from guarantee for securities issuance	970,323	1,160,413
Trustee and agency services	195,281	212,520
Income from securities trading brokerage	120,524	118,572
Fund management services	206,040	64,025
Other services	186,105	147,252
Fee and commission expenses	**(1,631,055)**	**(915,737)**
Settlement and cash services	(1,156,493)	(517,780)
Treasury services	(65,716)	(58,102)
Expenses for securities trading brokerage	(11,484)	(30,526)
Consulting services	(31,737)	(5,564)
Other services	(365,625)	(303,765)
	3,717,580	**3,620,106**

14. NET TRADING INCOME

	2019 VND million	2018 VND million
Net gain from trading of derivatives	1,415,325	473,203
Net gain from trading of financial assets at FVTPL	412,868	156,489
Interest income from financial assets at FVTPL	104,905	118,174
	1,933,098	**747,866**

15. OTHER OPERATING INCOME

	2019 VND million	2018 VND million
Net gain on sale of financial assets at FVOCI	1,200,764	914,301
Recovery of bad debts previously written off	1,080,236	1,422,895
Dividend income	4,216	275
Net gain from the liquidation of the subsidiary (*)	-	864,782
Income from loans sold	56,025	630,025
Others	185,333	180,184
	2,526,574	**4,012,462**

(*) This is the income from the divestment of the Bank's entire capital in Techcom Finance Limited One Member Company.

16. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS

The table below shows the ECL movements on financial instruments for the year 2019:

Unit: VND million

	Notes	*Stage 1 Individual*	*Stage 1 Collective*	*Stage 2 Individual*	*Stage 2 Collective*	*Stage 3 Individual*	*Stage 3 Collective*	*POCI*	*Total*
Cash and cash equivalents	22	-	(1,935)	-	-	-	-	-	(1,935)
Due from other banks	23	-	892	-	-	-	-	-	892
Loans and advances to customers	27	45,981	173,478	(346,283)	(720,582)	1,013,216	50,308	-	216,118
Debt instruments measured at FVOCI	26.1	-	(114,552)	-	-	-	-	-	(114,552)
Debt instruments measured at amortised cost	26.3	-	(43,410)	-	-	(55,028)	-	-	(98,438)
Receivables from loans sold	28	-	-	-	-	354,141	-	-	354,141
Other financial assets	28	-	(2,428)	-	-	48,672	-	-	46,244
Financial guarantees	37.1.1	342	(1,755)	-	(3,973)	284	(5,537)	-	(10,639)
Undrawn loan commitments	37.1.3	4,205	22,491	-	(56,189)	979	(31,444)	-	(59,958)
Letters of credit	37.1.2	-	(1,786)	-	33,755	-	(51)	-	31,918
Total impairment loss		**50,528**	**30,995**	**(346,283)**	**(746,989)**	**1,362,264**	**13,276**	**-**	**363,791**

The table below shows the ECL movements on financial instruments for the year 2018:

	Notes	*Stage 1 Individual*	*Stage 1 Collective*	*Stage 2 Individual*	*Stage 2 Collective*	*Stage 3 Individual*	*Stage 3 Collective*	*POCI*	*Total*
Cash and cash equivalents	22	-	1,554	-	-	-	-	-	1,554
Due from other banks	23	-	1,081	-	-	-	-	-	1,081
Loans and advances to customers	27	(10,961)	(414,771)	336,092	766,638	(342,966)	333,582	2,215,940	2,883,554
Debt instruments measured at FVOCI	26.1	-	98,726	-	-	-	-	-	98,726
Debt instruments measured at amortised cost	26.3	-	(9,722)	-	-	178,445	-	-	168,723
Receivables from loans sold	28	-	-	-	-	-	(1,647,504)	-	(1,647,504)
Other financial assets	28	-	(3,649)	-	-	-	44	-	(3,605)
Financial guarantees	37.1.1	-	2,809	-	(2,995)	100	(76,294)	-	(76,380)
Undrawn loan commitments	37.1.3	-	12,563	-	(6,412)	-	51	-	6,202
Letters of credit	37.1.2	-	(517)	-	41,230	-	(62,361)	-	(21,648)
Total impairment loss		**(10,961)**	**(311,926)**	**336,092**	**798,461**	**(164,421)**	**(1,452,482)**	**2,215,940**	**1,410,703**

17. PERSONNEL EXPENSES

	2019 VND million	2018 VND million
Salaries, bonuses and other related expenses	4,307,483	3,275,449
Employee preference loans	107,223	79,610
Share-based payment	111,973	1,094,326
	4,526,679	**4,449,385**

Equity-settled share-based payment

Shares are granted to the key management personnel and employees of the Bank. A portion of the shares granted is subject to restriction of transfer for a period of 4 years. After each year, shares are proportionately released from the transfer restriction.

Expenses arising from share-based payment transactions are presented by terms and conditions as follows:

Employees entitled	*2019* *VND million*	*2018* *VND million*	*Conditions*
Shares granted to key management personnel	-	37,745	Immediately
Employee Stock Ownership Plan ("ESOP") program to employees	38,493	1,028,678	Immediately
ESOP program to employees	73,480	27,903	Minimum 4 years of employment after the grant date
	111,973	**1,094,326**	

Number of instruments relating to share-based payment transactions during the year are as follows:

	Number of instruments		
Employees entitled	*2019*	*2018*	*Conditions*
Shares granted to key management personnel	-	1,300,000	Immediately
ESOP program to employees	3,547,802	12,699,730	Immediately
ESOP program to employees	-	2,000,000	Minimum 4 years of employment after the grant date (*)
	3,547,802	**15,999,730**	

(*) Shares are proportionately released from the transfer restriction each year.

17. PERSONNEL EXPENSES (continued)

Equity-settled share-based payment (continued)

The fair value of shares granted is determined based on the market price of share at the grant date. Reconciliation of outstanding share-based payment arrangements is as follows:

Number of instruments	*2019*	*2018*
As at 1 January	2,000,000	-
Granted during the year	-	2,000,000
Vested during the year	(500,000)	-
As at 31 December	**1,500,000**	**2,000,000**

18. OTHER OPERATING EXPENSES

	2019 VND million	*2018 VND million*
Operating lease expenses (*)	86,320	461,748
Publication, marketing and promotion	440,670	300,951
Tax, duties and fees	113,109	102,603
Tools and equipment expenses	122,569	87,907
Telecommunication expenses	46,821	39,694
Expenses for maintenance and repair of assets	226,094	210,795
Utilities expenses	80,323	67,513
Expenditure on payment of insurance premium for deposits from customers	228,831	193,813
Per diem expenses	61,134	99,747
Training expenses	57,277	34,930
Provision reversed for other non-financial assets *(Note 28)*	-	(1,498)
Expense for social activities	46,170	32,375
Consultancy expenses	231,004	151,611
Conference expenses	54,803	75,687
Expenses on disposal of assets	22,601	119,441
Other debt handling cost	27,941	78,177
Office management fee	62,788	50,383
Expenses on security guard	73,731	72,707
Others	452,703	450,959
	2,434,889	**2,629,543**

(*) Operating lease expenses for the year 2019 are expenses relating to short-term leases and leases of low-value assets under IFRS 16.

19. CURRENT INCOME TAX

Current corporate income tax ("CIT") payable is based on taxable income of the current period. Taxable income differs from the income reported in the consolidated statement of profit or loss as taxable income excludes items of income or expenses that are taxable deductible in other years due to the difference between the recorded under the accounting policies of the Bank and its subsidiaries and the current tax regulations, and also does not include items not taxable or deductible for tax purposes. Corporate income tax is payable by the Bank and its subsidiaries is calculated using tax rates that have been enacted at the reporting date.

19. CURRENT INCOME TAX (continued)

Provision for income tax expense in the current year is calculated as follows:

	2019 *VND million*	*2018* *VND million*
Profit before tax	**13,877,253**	**10,466,980**
Adjustments under VAS:		
Non-taxable dividend income	(4,216)	(275)
Income transferred from previous year	-	(144,636)
Other non-taxable income	(24,198)	-
Adjustment on profit for consolidation purpose	17,434	12,304
Non-deductible expenses	326,780	357,910
Adjustments under IFRS:		
Adjustment for goodwill amortisation under VAS	-	29,646
Adjustments for loans and advances to customers and due from other banks	(694,500)	(518,993)
Adjustments for debt and equity instruments at FVOCI and amortised cost	(126,953)	67,458
Adjustment for financial assets at FVTPL	(659,488)	88,090
Adjustments for other assets/liabilities	226,279	(465,638)
Adjustment for employee expenses	249,606	1,085,299
Adjustment for leases under IFRS 16	4,750	-
Adjustment for allowance for expected credit loss of off-balance sheet commitments	(38,679)	(91,826)
Taxable income	**13,154,068**	**10,886,319**
Income tax expense	2,630,814	2,177,264
Income tax of prior year which has been under/(over) provisioned	(18,755)	7,982
Current income tax expense for the year	**2,612,059**	**2,185,246**
Income tax payable at beginning of the year	915,054	866,900
Income tax paid during the year	(2,678,919)	(2,140,758)
Income tax adjusted for the previous years	-	3,666
Income tax payable at end of the year	**848,194**	**915,054**

The statutory income tax rate applied to the Bank and its subsidiaries is 20% of taxable income.

20. DEFERRED TAX

Deferred tax assets and liabilities are attributable to the followings:

	31 December 2019			*31 December 2018*		
	Assets VND million	*Liabilities VND million*	*Net VND million*	*Assets VND million*	*Liabilities VND million*	*Net VND million*
The Bank						
Cash and cash equivalents	1,117	-	1,117	1,511	-	1,511
Due from other banks	1,133	-	1,133	958	-	958
Derivative financial instruments	-	(147,195)	(147,195)	17,982	-	17,982
Financial assets at FVTPL	398	-	398	-	(32,929)	(32,929)
Debt instruments at FVOCI	-	(291,879)	(291,879)	-	(16,581)	(16,581)
Equity instruments at FVOCI	-	(1,340)	(1,340)	-	(515)	(515)
Loans and advances to customers	-	(11,728)	(11,728)	126,964	-	126,964
Debt instruments at amortised cost	23,963	-	23,963	-	(29,043)	(29,043)
Other assets	76,300	-	76,300	18,282	-	18,282
Off-balance sheet commitments	64,013	-	64,013	81,745	-	81,745
Subsidiaries						
Cash and cash equivalents	12	-	12	5	-	5
Due from other banks	7	-	7	3	-	3
Financial assets at FVTPL	-	(48)	(48)	-	-	-
Debt instruments at FVOCI	-	(2,793)	(2,793)	3,019	-	3,019
Equity instruments at FVOCI	-	(10,599)	(10,599)	-	-	-
Net tax assets/(liabilities)	**166,943**	**(465,582)**	**(298,639)**	**250,469**	**(79,068)**	**171,401**

20. DEFERRED TAX (continued)

Movements of tax on temporary differences during the year:

	Balance at beginning of the year VND million	*Recognised in profit or loss VND million*	*Recognised in other comprehensive income VND million*	*Balance at end of the year VND million*
For the year ended 31 December 2019				
The Bank				
Cash and cash equivalents	1,511	(394)	-	1,117
Due from other banks	958	175	-	1,133
Derivative financial instruments	17,982	(165,177)	-	(147,195)
Financial assets at FVTPL	(32,929)	33,327	-	398
Debt instruments at FVOCI	(16,581)	(74,395)	(200,903)	(291,879)
Equity instruments at FVOCI	(515)	-	(825)	(1,340)
Loans and advances to customers	126,964	(138,692)	-	(11,728)
Debt instruments at amortised cost	(29,043)	53,006	-	23,963
Other assets	18,282	58,018	-	76,300
Off-balance sheet commitments	81,745	(17,732)	-	64,013
Subsidiaries				
Cash and cash equivalents	5	7	-	12
Due from other banks	3	4	-	7
Financial assets at FVTPL	-	(48)	-	(48)
Debt instruments at FVOCI	3,019	(4,002)	(1,810)	(2,793)
Equity instruments at FVOCI	-	-	(10,599)	(10,599)
	171,401	**(255,903)**	**(214,137)**	**(298,639)**

20. DEFERRED TAX (continued)

Movements of tax on temporary differences during the year:

	Balance at beginning of the year VND million	*Remeasured balance at beginning of the year under IFRS 9 VND million*	*Recognised in profit or loss VND million*	*Recognised in other comprehensive income VND million*	*Balance at end of the year VND million*
For the year ended 31 December 2018					
The Bank					
Cash and cash equivalents	-	1,205	306	-	1,511
Due from other banks	-	746	212	-	958
Derivative financial instruments	2,753	2,753	15,229	-	17,982
Financial assets at FVTPL	(35,278)	(35,278)	2,349	-	(32,929)
Debt instruments at FVOCI	(169,017)	(173,781)	59,416	97,784	(16,581)
Equity instruments at FVOCI	-	(78)	-	(437)	(515)
Loans and advances to customers	33,126	231,289	(104,325)	-	126,964
Debt instruments at amortised cost	(1,870)	15,705	(44,748)	-	(29,043)
Goodwill	(5,929)	(5,929)	5,929	-	-
Other assets	61,533	97,406	(79,124)	-	18,282
Off-balance sheet commitments	64,121	107,016	(25,271)	-	81,745
Subsidiaries					
Cash and cash equivalents	-	-	5	-	5
Due from other banks	-	-	3	-	3
Financial assets at FVTPL	(40)	(40)	40	-	-
Debt instruments at FVOCI	3,172	5,410	(1,045)	(1,346)	3,019
Equity instruments at FVOCI	-	(1,450)	(132)	1,582	-
Other deductible temporary tax differences	1,773	1,773	(1,773)	-	-
	(45,656)	**246,747**	**(172,929)**	**97,583**	**171,401**

21. EARNINGS PER SHARE

Earnings per share

Basic earnings per share are calculated by dividing the profit or loss after tax which is attributable to shareholders holding ordinary shares of the Bank to the weighted average of the number of common shares outstanding during the year.

The following information is used for calculating earnings per share:

	2019	*2018*
Profit after tax attributable to shareholders holding ordinary shares of the Bank for calculating basic earnings per share (VND million)	10,858,285	8,094,967
Adjusted for appropriation to bonus and welfare funds (VND million)	-	(20,000)
Profit after tax attributable to ordinary shareholders of the Bank for calculation of basic earnings per share (VND million)	**10,858,285**	**8,074,967**
Weighted average number of ordinary shares used for calculation of basic earnings per share	**3,497,603,041**	**2,212,707,967**
Earnings per share (VND)		
Basic earnings per share	3,104	3,649

Dividends

Dividend pay-out shall be decided at Annual General Shareholders' Meeting.

22. CASH AND CASH EQUIVALENTS

	31 December 2019 VND million	*31 December 2018 VND million*
Cash and gold	4,820,627	2,606,467
Balances with the State Bank of Vietnam (SBV)	3,192,256	10,555,483
Investment securities with original terms of three months or less	10,787	11,632
Due from other banks with original term of three months or less	38,523,415	24,096,866
Allowance for expected credit losses	(5,645)	(7,580)
	46,541,440	**37,262,868**

Impairment allowance for due from other banks and investment securities with original terms of three months or less

The table below shows the credit quality and maximum exposure to credit risk based on the Bank's internal credit rating system and stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 41.2.4.2.

	31 December 2019		*31 December 2018*	
	Stage 1 Collective VND million	*Total VND million*	*Stage 1 Collective VND million*	*Total VND million*
Performing	**38,534,202**	**38,534,202**	**24,108,498**	**24,108,498**
Group A rating	33,531,139	33,531,139	22,300,944	22,300,944
Group B rating	5,003,063	5,003,063	1,807,554	1,807,554
	38,534,202	**38,534,202**	**24,108,498**	**24,108,498**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

	For the year 2019		*For the year 2018*	
	Stage 1 Collective VND million	*Total VND million*	*Stage 1 Collective VND million*	*Total VND million*
Gross carrying amount as at 1 January	**24,108,498**	**24,108,498**	**16,078,826**	**16,078,826**
New assets originated	38,534,202	38,534,202	24,108,498	24,108,498
Assets derecognised or repaid	(24,108,498)	(24,108,498)	(16,078,826)	(16,078,826)
As at 31 December	**38,534,202**	**38,534,202**	**24,108,498**	**24,108,498**

	For the year 2019		*For the year 2018*	
	Stage 1 Collective VND million	*Total VND million*	*Stage 1 Collective VND million*	*Total VND million*
ECL allowances as at 1 January	**7,580**	**7,580**	**6,026**	**6,026**
New assets originated	5,645	5,645	7,580	7,580
Assets derecognised or repaid	(7,580)	(7,580)	(6,026)	(6,026)
As at 31 December	**5,645**	**5,645**	**7,580**	**7,580**

23. DUE FROM OTHER BANKS

	31 December 2019 VND million	*31 December 2018 VND million*
Due from other banks		
- Balances with original term of over three months	95,989	137,399
- Loans to other banks	9,486,058	11,539,333
Allowance for expected credit losses	(5,701)	(4,809)
	9,576,346	**11,671,923**

Impairment allowance for due from banks

The table below shows the credit quality and maximum exposure to credit risk based on the Bank's internal credit rating system and stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 41.2.4.2.

	31 December 2019		*31 December 2018*	
	Stage 1 Collective VND million	*Total VND million*	*Stage 1 Collective VND million*	*Total VND million*
Performing	**9,582,047**	**9,582,047**	**11,676,732**	**11,676,732**
Group A rating	3,573,102	3,573,102	6,437,369	6,437,369
Group B rating	6,008,945	6,008,945	5,239,363	5,239,363
	9,582,047	**9,582,047**	**11,676,732**	**11,676,732**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

	For the year 2019		*For the year 2018*	
	Stage 1 Collective VND million	*Total VND million*	*Stage 1 Collective VND million*	*Total VND million*
Gross carrying amount as at 1 January	**11,676,732**	**11,676,732**	**14,282,783**	**14,282,783**
New assets originated	9,582,047	9,582,047	11,644,197	11,644,197
Assets derecognised or repaid	(11,676,732)	(11,676,732)	(14,250,248)	(14,250,248)
As at 31 December	**9,582,047**	**9,582,047**	**11,676,732**	**11,676,732**

	For the year 2019		*For the year 2018*	
	Stage 1 Collective VND million	*Total VND million*	*Stage 1 Collective VND million*	*Total VND million*
ECL allowances as at 1 January	**4,809**	**4,809**	**3,728**	**3,728**
New assets originated	5,701	5,701	4,804	4,804
Assets derecognised or repaid	(4,809)	(4,809)	(3,728)	(3,728)
Changes to inputs used for ECL calculations	-	-	5	5
As at 31 December	**5,701**	**5,701**	**4,809**	**4,809**

24. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2019		
	Assets VND million	*Liabilities VND million*	*Nominal value VND million*
Foreign exchange contracts	242,475	(375,893)	144,536,851
- *Forward contracts*	*60,859*	*(74,515)*	*33,248,703*
- *Swap contracts*	*181,616*	*(301,378)*	*111,288,148*
Cross currency swap and interest rate swap contracts	828,287	(194,792)	50,662,360
	1,070,762	**(570,685)**	**195,199,211**

	31 December 2018		
	Assets VND million	*Liabilities VND million*	*Nominal value VND million*
Foreign exchange contracts	413,073	(408,224)	139,583,160
- *Forward contracts*	*121,964*	*(117,057)*	*64,416,164*
- *Swap contracts*	*291,109*	*(291,167)*	*75,166,996*
Cross currency swap and interest rate swap contracts	166,447	(424,064)	11,386,132
	579,520	**(832,288)**	**150,969,292**

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2019 VND million	*31 December 2018 VND million*
Debt securities at FVTPL	**10,521,495**	**7,736,876**
- Government bonds	6,969,366	3,810,818
- Bonds issued by local credit institutions	3,552,129	2,766,674
In which: Bonds with settlement guaranteed by the Government	*185,885*	*1,717,424*
- Bonds issued by local economic entities	-	1,159,384
Equity instrument at FVTPL	**5,750**	**-**
Loans and advances to customers	**1,945,766**	**-**
	12,473,011	**7,736,876**

26. FINANCIAL ASSETS OTHER THAN THOSE MEASURED AT FVTPL

26.1. Debt instruments at fair value through other comprehensive income

	31 December 2019 VND million	*31 December 2018 VND million*
Government bonds	12,313,859	5,414,927
Bonds issued by local credit institutions	21,560,132	20,441,322
In which: Bonds with settlement guaranteed by the Government	*13,095,854*	*11,430,099*
Bonds issued by local economic entities	30,759,493	38,506,191
Total debt instruments at FVOCI	**64,633,484**	**64,362,440**

The table below shows the fair value of the Bank's debt instruments measured at FVOCI by credit risk as at 31 December 2019, based on the Bank's internal credit rating system and stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 41.2.4.2 and policies about whether ECL allowances are calculated on an individual or collective basis are set out in Note 41.2.4.6.

	31 December 2019		*31 December 2018*	
	Stage 1 Collective VND million	*Total VND million*	*Stage 1 Collective VND million*	*Total VND million*
Performing	**64,633,484**	**64,633,484**	**64,362,440**	**64,362,440**
Group A rating	57,199,258	57,199,258	42,186,868	42,186,868
Group B rating	7,434,226	7,434,226	15,187,921	15,187,921
Group C rating	-	-	480,899	480,899
Group D rating	-	-	6,506,752	6,506,752
	64,633,484	**64,633,484**	**64,362,440**	**64,362,440**

26. FINANCIAL ASSETS OTHER THAN THOSE MEASURED AT FVTPL (continued)

26.1. Debt instruments at fair value through other comprehensive income (continued)

An analysis of changes in the fair value and the corresponding ECL allowances is as follows:

	For the year 2019		*For the year 2018*	
	Stage 1 Collective VND million	*Total VND million*	*Stage 1 Collective VND million*	*Total VND million*
Fair value as at 1 January	**64,362,440**	**64,362,440**	**43,911,638**	**43,911,638**
New assets originated or purchased	53,838,225	53,838,225	53,610,379	53,610,379
Assets derecognised or repaid (excluding write offs)	(55,184,104)	(55,184,104)	(33,529,311)	(33,529,311)
Change in fair value	1,616,923	1,616,923	369,734	369,734
As at 31 December	**64,633,484**	**64,633,484**	**64,362,440**	**64,362,440**

	For the year 2019		*For the year 2018*	
	Stage 1 Collective VND million	*Total VND million*	*Stage 1 Collective VND million*	*Total VND million*
ECL as at 1 January	**187,268**	**187,268**	**88,542**	**88,542**
New assets originated or purchased	76,381	76,381	180,246	180,246
Assets derecognised or repaid (excluding write offs)	(175,829)	(175,829)	(79,181)	(79,181)
Changes to inputs used for ECL calculations	(15,104)	(15,104)	(2,339)	(2,339)
As at 31 December	**72,716**	**72,716**	**187,268**	**187,268**

26.2. Equity instruments at fair value through other comprehensive income

	31 December 2019 VND million	*31 December 2018 VND million*
Equity securities at FVOCI (*)	721,933	14,802
	721,933	**14,802**

(*) These include equity securities of local credit institutions and local economic entities which the Bank has no intention to dispose as at 31 December 2019.

26.3. Debt instruments at amortised cost

	31 December 2019 VND million	*31 December 2018 VND million*
Government bonds	3,391,261	3,853,144
Bonds issued by local credit institutions	-	32,373
In which: Bonds with settlement guaranteed by the Government	*-*	*32,373*
Bonds issued by local economic entities	327,145	20,594,026
In which: Bonds with settlement guaranteed by the Government	*125,167*	*118,029*
Allowance for expected credit losses	(183,358)	(281,796)
Total debt instruments at amortised cost	**3,535,048**	**24,197,747**

26. FINANCIAL ASSETS OTHER THAN THOSE MEASURED AT FVTPL (continued)

26.3. Debt instruments at amortised cost (continued)

The table below shows the credit quality and maximum exposure to credit risk as at 31 December 2019 based on the Bank's internal credit rating system and stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 41.2.4.2.

	31 December 2019		
	Stage 1 Collective VND million	*Stage 3 Individual VND million*	*Total VND million*
Performing	**201,978**	**3,516,428**	**3,718,406**
Group A rating	201,978	-	201,978
Group D rating	-	3,516,428	3,516,428
	201,978	**3,516,428**	**3,718,406**

	31 December 2018		
	Stage 1 Collective VND million	*Stage 3 Individual VND million*	*Total VND million*
Performing	**20,508,370**	**3,971,173**	**24,479,543**
Group A rating	2,562,631	-	2,562,631
Group B rating	12,367,543	-	12,367,543
Group C rating	5,578,196	-	5,578,196
Group D rating	-	3,971,173	3,971,173
	20,508,370	**3,971,173**	**24,479,543**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

	For the year 2019		
	Stage 1 Collective VND million	*Stage 3 Individual VND million*	*Total VND million*
Gross carrying amount as at 1 January 2019	**20,508,370**	**3,971,173**	**24,479,543**
New assets originated or purchased	223,978	7,138	231,116
Assets derecognised or repaid (excluding write offs)	(20,530,370)	(461,883)	(20,992,253)
As at 31 December 2019	**201,978**	**3,516,428**	**3,718,406**

	For the year 2018		
	Stage 1 Collective VND million	*Stage 3 Individual VND million*	*Total VND million*
Gross carrying amount as at 1 January 2018	**5,935,883**	**3,964,027**	**9,899,910**
New assets originated or purchased	18,742,888	7,146	18,750,034
Assets derecognised or repaid (excluding write offs)	(4,170,401)	-	(4,170,401)
As at 31 December 2018	**20,508,370**	**3,971,173**	**24,479,543**

26. FINANCIAL ASSETS OTHER THAN THOSE MEASURED AT FVTPL (continued)

26.3. Debt instruments at amortised cost (continued)

	For the year 2019		
	Stage 1 Collective VND million	*Stage 3 Individual VND million*	*Total VND million*
ECL allowances as at 1 January 2019	**43,880**	**237,916**	**281,796**
New assets originated or purchased	470	34,994	35,464
Assets derecognised or repaid (excluding write offs)	(43,880)	(81,001)	(124,881)
Changes to inputs used for ECL calculations	-	(9,021)	(9,021)
As at 31 December 2019	**470**	**182,888**	**183,358**

	For the year 2018		
	Stage 1 Collective VND million	*Stage 3 Individual VND million*	*Total VND million*
ECL allowances as at 1 January 2018	**53,602**	**59,471**	**113,073**
New assets originated or purchased	38,053	730	38,783
Assets derecognised or repaid (excluding write offs)	(43,333)	-	(43,333)
Changes to inputs used for ECL calculations	(4,442)	177,715	173,273
As at 31 December 2018	**43,880**	**237,916**	**281,796**

27. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2019 VND million	*31 December 2018 VND million*
Non-retail	133,846,043	93,819,613
Retail	104,924,662	72,431,641
	238,770,705	**166,251,254**
Allowances for expected credit losses	(3,284,457)	(3,325,187)
	235,486,248	**162,926,067**

Allowances for expected credit losses on loans and advances to customers comprises of:

	31 December 2019 VND million	*31 December 2018 VND million*
Individually assessed allowances for expected credit losses	1,539,863	828,385
Collectively assessed allowances for expected credit losses	1,744,594	2,496,802
	3,284,457	**3,325,187**

27. LOANS AND ADVANCES TO CUSTOMERS (continued)

27.1. Loans and advances to non-retail customers

The table below shows the credit quality and maximum exposure to credit risk based on the Bank's internal credit rating system and stage classification. The amounts presented are gross of allowances for credit losses. Details of the Bank's internal grading system are explained in Note 41.2.4.2 and policies about whether ECL allowances are calculated on an individual or collective basis are set out in Note 41.2.4.6.

Unit: VND million

	31 December 2019							
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*POCI*	*Total*
Performing	**110,918,719**	**16,014,945**	**5,759,298**	**-**	**3,251**	**12,864**	**-**	**132,709,077**
Group A rating	65,405,031	7,541,559	148,488	-	51	-	-	73,095,129
Group B rating	43,145,695	8,473,386	4,095,410	-	302	-	-	55,714,793
Group C rating	2,078,966	-	257,434	-	-	-	-	2,336,400
Group D rating	289,027	-	1,257,966	-	2,898	12,864	-	1,562,755
Non-performing	**-**	**-**	**-**	**-**	**59,845**	**1,075,439**	**1,682**	**1,136,966**
Group E rating	-	-	-	-	59,845	1,075,439	1,682	1,136,966
	110,918,719	**16,014,945**	**5,759,298**	**-**	**63,096**	**1,088,303**	**1,682**	**133,846,043**

Unit: VND million

	31 December 2018							
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*POCI*	*Total*
Performing	**74,013,337**	**-**	**12,706,705**	**5,709,182**	**192,807**	**-**	**-**	**92,622,031**
Group A rating	40,496,225	-	366,272	-	20,710	-	-	40,883,207
Group B rating	31,218,532	-	1,665,116	-	40,611	-	-	32,924,259
Group C rating	2,001,367	-	469,588	4,318,349	111,426	-	-	6,900,730
Group D rating	297,213	-	10,205,729	1,390,833	20,060	-	-	11,913,835
Non-performing	**-**	**-**	**-**	**-**	**71,574**	**1,124,326**	**1,682**	**1,197,582**
Group E rating	-	-	-	-	71,574	1,124,326	1,682	1,197,582
	74,013,337	**-**	**12,706,705**	**5,709,182**	**264,381**	**1,124,326**	**1,682**	**93,819,613**

27. LOANS AND ADVANCES TO CUSTOMERS (continued)

27.1. Loans and advances to non-retail customers (continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

Unit: VND million

	For the year 2019							
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*POCI*	*Total*
Gross carrying amount as at 1 January 2019	**74,013,337**	**-**	**12,706,705**	**5,709,182**	**264,381**	**1,124,326**	**1,682**	**93,819,613**
New assets originated or purchased	103,673,781	15,293,484	3,312,321	76,580	18,029	14,342	-	122,388,537
Assets derecognised or repaid (excluding write offs)	(65,859,704)	(70,000)	(11,131,979)	(5,087,119)	(111,771)	(94,969)	-	(82,355,542)
Transfer to stage 1 – individually impaired	(791,461)	791,461	-	-	-	-	-	-
Transfer to stage 2 – individually impaired	-	-	-	-	-	-	-	-
Transfer to stage 3 – individually impaired	(20,318)	-	(15,611)	-	(15,200)	51,129	-	-
Transfer to stage 1 – collective	501,692	-	(499,669)	-	(2,023)	-	-	-
Transfer to stage 2 – collective	(592,278)	-	1,391,335	(698,643)	(100,414)	-	-	-
Transfer to stage 3 – collective	(6,046)	-	(3,797)	-	16,064	(6,221)	-	-
Amounts written off	-	-	-	-	(5,968)	-	-	(5,968)
Foreign exchange adjustments	(284)	-	(7)	-	(2)	(304)	-	(597)
As at 31 December 2019	**110,918,719**	**16,014,945**	**5,759,298**	**-**	**63,096**	**1,088,303**	**1,682**	**133,846,043**

Unit: VND million

	For the year 2018							
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*POCI*	*Total*
Gross carrying amount as at 1 January 2018	**87,697,870**	**1,771,847**	**8,067,350**	**1,199,472**	**375,386**	**715,623**	**12,092**	**99,839,640**
New assets originated or purchased	62,191,977	138,498	1,952,026	2,461,014	94,735	210,673	1,147,840	68,196,763
Assets derecognised or repaid (excluding write offs)	(65,451,525)	(931,063)	(5,804,494)	(464,724)	(160,222)	(264,173)	(10,410)	(73,086,611)
Transfer to stage 1 – individually impaired	-	-	-	-	-	-	-	-
Transfer to stage 2 – individually impaired	-	(589,110)	(1,946,333)	2,535,443	-	-	-	-
Transfer to stage 3 – individually impaired	(385,671)	-	(4,407)	(2,486)	(179,331)	571,895	-	-
Transfer to stage 1 – collective	520,984	(388,529)	(127,289)	(4,832)	(334)	-	-	-
Transfer to stage 2 – collective	(10,562,777)	(529)	10,574,348	(10,778)	(264)	-	-	-
Transfer to stage 3 – collective	(7,836)	(1,114)	(4,496)	(3,487)	134,392	(117,459)	-	-
Amounts written off	(13)	-	-	(440)	-	-	(1,147,840)	(1,148,293)
Foreign exchange adjustments	10,328	-	-	-	19	7,767	-	18,114
As at 31 December 2018	**74,013,337**	**-**	**12,706,705**	**5,709,182**	**264,381**	**1,124,326**	**1,682**	**93,819,613**

27. LOANS AND ADVANCES TO CUSTOMERS (continued)

27.1. Loans and advances to non-retail customers (continued)

Unit: VND million

	For the year 2019							
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*POCI*	*Total*
ECL allowances as at 1 January 2019	**313,402**	**-**	**1,037,918**	**346,283**	**130,454**	**393,598**	**1,682**	**2,223,337**
New assets originated or purchased	193,260	44,127	36,035	149	13,130	5,296	-	291,997
Assets derecognised or repaid (excluding write offs)	(247,137)	-	(964,725)	(344,046)	(54,896)	(36,141)	-	(1,646,945)
Transfer to stage 1 – individually impaired	(2,106)	2,106	-	-	-	-	-	-
Transfer to stage 2 – individually impaired	-	-	-	-	-	-	-	-
Transfer to stage 3 – individually impaired	(218)	-	(7,549)	-	(9,847)	17,614	-	-
Transfer to stage 1 – collective	15,012	-	(13,571)	-	(1,441)	-	-	-
Transfer to stage 2 – collective	(2,788)	-	49,687	(2,386)	(44,513)	-	-	-
Transfer to stage 3 – collective	(87)	-	(92)	-	1,493	(1,314)	-	-
Impact on ECL of exposures transferred between stages during the year	(14,009)	-	(4,476)	-	3,368	10,037	-	(5,080)
Changes to inputs used for ECL calculations	(39,490)	(252)	201,442	-	1,254	542,334	-	705,288
Utilization of ECL allowance in the year	-	-	-	-	(5,968)	-	-	(5,968)
Foreign exchange adjustments	-	-	-	-	(2)	(177)	-	(179)
As at 31 December 2019	**215,839**	**45,981**	**334,669**	**-**	**33,032**	**931,247**	**1,682**	**1,562,450**

Unit: VND million

	For the year 2018							
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*POCI*	*Total*
ECL allowances as at 1 January 2018	**785,566**	**7,090**	**346,918**	**1,061**	**230,701**	**357,846**	**12,092**	**1,741,274**
New assets originated or purchased	210,852	837	38,498	158,739	53,611	144,879	1,147,840	1,755,256
Assets derecognised or repaid (excluding write offs)	(667,310)	(911)	(162,868)	(452)	(94,498)	(216,696)	(10,410)	(1,153,145)
Transfer to stage 1 – individually impaired	-	-	-	-	-	-	-	-
Transfer to stage 2 – individually impaired	-	(6,907)	(166,634)	173,541	-	-	-	-
Transfer to stage 3 – individually impaired	(1,820)	-	(241)	-	(117,569)	119,630	-	-
Transfer to stage 1 – collective	3,090	(109)	(2,129)	(732)	(120)	-	-	-
Transfer to stage 2 – collective	(20,772)	-	20,869	-	(97)	-	-	-
Transfer to stage 3 – collective	(155)	-	(245)	-	47,092	(46,692)	-	-
Impact on ECL of exposures transferred between stages during the year	(2,502)	-	959,158	(6,879)	4,558	964	-	955,299
Changes to inputs used for ECL calculations	6,444	-	4,592	21,005	6,757	31,480	-	70,278
Utilization of ECL allowance in the year	-	-	-	-	-	-	(1,147,840)	(1,147,840)
Foreign exchange adjustments	9	-	-	-	19	2,187	-	2,215
As at 31 December 2018	**313,402**	**-**	**1,037,918**	**346,283**	**130,454**	**393,598**	**1,682**	**2,223,337**

27. LOANS AND ADVANCES TO CUSTOMERS (continued)

27.2. Loans and advances to retail customers

Unit: VND million

	31 December 2019						
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Performing	**100,732,294**	**-**	**2,295,039**	**-**	**135**	**-**	**103,027,468**
Group A rating	69,736,628	-	26,807	-	-	-	69,763,435
Group B rating	27,159,747	-	694,299	-	24	-	27,854,070
Group C rating	3,582,969	-	1,223,990	-	20	-	4,806,979
Group D rating	252,950	-	349,943	-	91	-	602,984
Non-performing	**-**	**-**	**-**	**-**	**1,073,780**	**823,414**	**1,897,194**
Group E rating	-	-	-	-	1,073,780	823,414	1,897,194
	100,732,294	**-**	**2,295,039**	**-**	**1,073,915**	**823,414**	**104,924,662**

Unit: VND million

	31 December 2018						
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Performing	**66,544,892**	**-**	**3,684,506**	**-**	**252,452**	**418,956**	**70,900,806**
Group A rating	40,834,604	-	30,499	-	55,044	-	40,920,147
Group B rating	22,693,673	-	1,227,043	-	191,855	418,956	24,531,527
Group C rating	2,877,029	-	1,814,767	-	5,517	-	4,697,313
Group D rating	139,586	-	612,197	-	36	-	751,819
Non-performing	**1,025**	**-**	**46**	**-**	**1,161,273**	**368,491**	**1,530,835**
Group E rating	1,025	-	46	-	1,161,273	368,491	1,530,835
	66,545,917	**-**	**3,684,552**	**-**	**1,413,725**	**787,447**	**72,431,641**

27. LOANS AND ADVANCES TO CUSTOMERS (continued)

27.2. Loans and advances to retail customers (continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

Unit: VND million

	For the year 2019							
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*POCI*	*Total*
Gross carrying amount as at 1 January 2019	**66,545,917**	**-**	**3,684,552**	**-**	**1,413,725**	**787,447**	**-**	**72,431,641**
New assets originated or purchased	73,282,521	-	634,090	-	151,925	22,421	-	74,090,957
Assets derecognised or repaid (excluding write offs)	(38,977,487)	-	(1,808,817)	-	(528,822)	(155,963)	-	(41,471,089)
Transfer to stage 1 – individually impaired	-	-	-	-	-	-	-	-
Transfer to stage 2 – individually impaired	-	-	-	-	-	-	-	-
Transfer to stage 3 – individually impaired	(74,308)	-	(114,248)	-	(9,650)	198,206.00	-	-
Transfer to stage 1 – collective	1,254,536	-	(1,194,694)	-	(49,687)	(10,155)	-	-
Transfer to stage 2 – collective	(1,260,181)	-	1,278,244	-	(17,210)	(853)	-	-
Transfer to stage 3 – collective	(161,130)	-	(165,794)	-	343,177	(16,253)	-	-
Amounts written off	(1,634)	-	(18,294)	-	(229,543)	(1,436)	-	(250,907)
Reclassification from other assets	124,060	-	-	-	-	-	-	124,060
As at 31 December 2019	**100,732,294**	**-**	**2,295,039**	**-**	**1,073,915**	**823,414**	**-**	**104,924,662**

Unit: VND million

	For the year 2018							
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*POCI*	*Total*
Gross carrying amount as at 1 January 2018	**60,066,016**	**193,269**	**2,417,758**	**368,496**	**1,279,578**	**670,763**	**-**	**64,995,880**
New assets originated or purchased	38,106,151	16,514	1,298,915	36,305	225,269	57,450	1,078,510	40,819,114
Assets derecognised or repaid (excluding write offs)	(30,025,318)	(72,413)	(1,036,196)	(82,976)	(441,067)	(318,964)	-	(31,976,934)
Transfer to stage 1 – individually impaired	-	-	-	-	-	-	-	-
Transfer to stage 2 – individually impaired	-	-	-	-	-	-	-	-
Transfer to stage 3 – individually impaired	(493,674)	-	(18,256)	(38,116)	(5,750)	555,796	-	-
Transfer to stage 1 – collective	858,189	(124,613)	(641,879)	(61,908)	(12,401)	(17,388)	-	-
Transfer to stage 2 – collective	(1,786,966)	(12,757)	1,860,840	(31,773)	(18,462)	(10,882)	-	-
Transfer to stage 3 – collective	(177,408)	-	(195,312)	(190,028)	712,076	(149,328)	-	-
Amounts written off	(1,073)	-	(1,318)	-	(325,518)	-	(1,078,510)	(1,406,419)
As at 31 December 2018	**66,545,917**	**-**	**3,684,552**	**-**	**1,413,725**	**787,447**	**-**	**72,431,641**

27. LOANS AND ADVANCES TO CUSTOMERS (continued)

27.2. Loans and advances to retail customers (continued)

Unit: VND million

	For the year 2019							
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*POCI*	*Total*
ECL allowances as at 1 January 2019	**289,846**	-	**171,980**	-	**551,520**	**88,504**	-	**1,101,850**
New assets originated or purchased	370,257	-	45,559	-	146,027	3,313	-	565,156
Assets derecognised or repaid (excluding write offs)	(125,654)	-	(68,760)	-	(162,530)	(18,484)	-	(375,428)
Transfer to stage 1 – individually impaired	-	-	-	-	-	-	-	-
Transfer to stage 2 – individually impaired	-	-	-	-	-	-	-	-
Transfer to stage 3 – individually impaired	(233)	-	(9,244)	-	(1,887)	11,364	-	-
Transfer to stage 1 – collective	63,260	-	(48,553)	-	(14,054)	(653)	-	-
Transfer to stage 2 – collective	(7,735)	-	14,294	-	(6,549)	(10)	-	-
Transfer to stage 3 – collective	(6,041)	-	(21,764)	-	33,557	(5,752)	-	-
Impact on ECL of exposures transferred between stages during the year	(47,498)	-	61,783	-	112,177	69,721	-	196,183
Changes to inputs used for ECL calculations	24,685	-	9,352	-	35,021	416,068	-	485,126
Utilization of ECL allowance in the year	(1,634)	-	(18,294)	-	(229,543)	(1,436)	-	(250,907)
Reclassification from other assets	27	-	-	-	-	-	-	27
As at 31 December 2019	**559,280**	-	**136,353**	-	**463,739**	**562,635**	-	**1,722,007**

Unit: VND million

	For the year 2018							
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*POCI*	*Total*
ECL allowances as at 1 January 2018	**232,453**	**3,871**	**97,633**	**9,130**	**443,209**	**467,222**	-	**1,253,518**
New assets originated or purchased	147,145	406	56,674	832	214,067	29,431	1,078,510	1,527,065
Assets derecognised or repaid (excluding write offs)	(103,940)	(1,399)	(34,837)	(3,928)	(104,061)	(216,876)	-	(465,041)
Transfer to stage 1 – individually impaired	-	-	-	-	-	-	-	-
Transfer to stage 2 – individually impaired	-	-	-	-	-	-	-	-
Transfer to stage 3 – individually impaired	(11,958)	-	(1,742)	(1,641)	(3,689)	19,030	-	-
Transfer to stage 1 – collective	40,809	(2,283)	(16,428)	(2,854)	(5,416)	(13,828)	-	-
Transfer to stage 2 – collective	(11,074)	(595)	25,312	(1,537)	(6,289)	(5,817)	-	-
Transfer to stage 3 – collective	(3,478)	-	(27,502)	(2)	132,644	(101,662)	-	-
Impact on ECL of exposures transferred between stages during the year	(27,203)	-	61,440	-	208,306	33,452	-	275,995
Changes to inputs used for ECL calculations	27,092	-	12,721	-	(1,733)	(122,448)	-	(84,368)
Utilization of ECL allowance in the year	-	-	(1,291)	-	(325,518)	-	(1,078,510)	(1,405,319)
As at 31 December 2018	**289,846**	-	**171,980**	-	**551,520**	**88,504**	-	**1,101,850**

28. OTHER ASSETS

	31 December 2019 VND million	*31 December 2018 VND million*
Financial assets		
Deposits for office rent (i)	101,714	106,861
Deposits for economic contracts	44,763	77,349
Receivables from loans sold (iii)	567,348	-
Receivables from principal and interest of bonds due on holiday	-	231,486
Settlements on behalf of other credit institutions (iv)	-	2,259,597
Other financial assets	572,526	589,732
	1,286,351	**3,265,025**
Non-financial assets		
Deposits for land purchase (ii)	377,397	377,467
Prepayment to suppliers	117,826	90,734
Receivables related to Interest Subsidy Program	20,006	20,006
Materials	12,916	10,735
Prepaid expenses	571,775	706,746
Other non-financial assets	1,119,948	826,664
	2,219,868	**2,032,352**
	3,506,219	**5,297,377**
Allowances for ECL (v)	(444,809)	(44,521)
	3,061,410	**5,252,856**

(i) These are deposits for office rent of the Bank's headquarter and branches.

(ii) These are deposits to purchase the Bank's offices in Hanoi and Ho Chi Minh City.

(iii) These are outstanding receivables from loans sold to authorised debt purchasing companies.

(iv) This represents the amounts pending for settlement at NAPAS due to timing difference. The outstanding items have been cleared in January 2019.

(v) Allowances for ECL of other assets include:

	31 December 2019 VND million	*31 December 2018 VND million*
Receivables from loans sold	354,141	-
Other financial assets	90,668	44,521
	444,809	**44,521**

28. OTHER ASSETS (continued)

An analysis of changes in allowances for ECL on receivables during the years is as follows:

	2019 *VND million*	*2018* *VND million*
Balance as at 1 January	**44,521**	**1,724,035**
Allowances reversed from receivables from loans sold *(Note 16)*	354,141	(1,647,504)
Allowances (reversed)/made for other financial assets *(Note 16)*	46,244	(3,605)
Allowances reversed due to the liquidation of subsidiary (*)	-	(26,863)
Utilisation of allowances	(70)	(44)
Allowances reversed for other non-financial assets *(Note 18)*	-	(1,498)
Reclassification to provision for loans to customers	(27)	-
Balance as at 31 December	**444,809**	**44,521**

(*) This is the reversal of allowances for other assets previously owned by Techcom Finance Limited One Member Company.

An analysis of changes in the gross carrying amount and the corresponding ECL allowances for receivables from loans sold is as follows:

	For the year 2019		*For the year 2018*	
	Stage 3 Individual VND million	*Total VND million*	*Stage 3 Collective VND million*	*Total VND million*
Gross carrying amount as at 1 January	-	-	**1,862,038**	**1,862,038**
New assets originated or purchased	567,348	567,348	-	-
Write offs	-	-	(1,862,038)	(1,862,038)
As at 31 December	**567,348**	**567,348**	-	-

	For the year 2019		*For the year 2018*	
	Stage 3 Individual VND million	*Total VND million*	*Stage 3 Collective VND million*	*Total VND million*
ECL allowances as at 1 January	-	-	**1,647,504**	**1,647,504**
New assets originated or purchased	354,141	354,141	-	-
Write offs	-	-	(1,647,504)	(1,647,504)
As at 31 December	**354,141**	**354,141**	-	-

29. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

	31 December 2019 *VND million*	*31 December 2018* *VND million*
Tangible assets	4,018,060	2,601,599
Right-of-use assets	1,092,297	-
Construction in progress ("CIP")	2,792,672	3,459,747
	7,903,029	**6,061,346**

29. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS (continued)

Movement of tangible assets during the year ended 31 December 2019 is as follows:

	Buildings & improvements VND million	*Machines & equipment VND million*	*Means of transportation VND million*	*Definite land use rights VND million*	*Others VND million*	*Total VND million*
Cost						
As at 1 January 2019	1,887,102	1,217,801	164,463	647,826	1,605	3,918,797
Additions	11,231	85,142	42,702	4,289	325	143,689
Transfer from CIP	110,606	191,960	23,020	1,420,528	-	1,746,114
Disposals	(15,098)	(177,784)	(19,966)	(8,144)	(256)	(221,248)
Others	(325,446)	(240)	-	-	-	(325,686)
As at 31 December 2019	1,668,395	1,316,879	210,219	2,064,499	1,674	5,261,666
Accumulated depreciation						
As at 1 January 2019	276,481	906,264	102,489	30,567	1,397	1,317,198
Charge for the year	41,162	102,639	18,507	29	131	162,468
Disposals	(2,757)	(177,418)	(18,912)	-	(256)	(199,343)
Others	(6,564)	74	(81)	(30,149)	3	(36,717)
As at 31 December 2019	308,322	831,559	102,003	447	1,275	1,243,606
Net book value						
As at 1 January 2019	1,610,621	311,537	61,974	617,259	208	2,601,599
As at 31 December 2019	1,360,073	485,320	108,216	2,064,052	399	4,018,060

29. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS (continued)

Movement of tangible assets during the year ended 31 December 2018 is as follows:

	Buildings & improvements VND million	*Machines & equipment VND million*	*Means of transportation VND million*	*Definite land use rights VND million*	*Others VND million*	*Total VND million*
Cost						
As at 1 January 2018	1,779,569	1,115,220	148,850	616,223	2,144	3,662,006
Additions	117,122	198,398	10,795	22,924	-	349,239
Transfer from CIP	102,790	3,711	6,920	4,050	-	117,471
Reclassification	(4,629)	-	-	4,629	-	-
Disposals	(106,289)	(98,623)	-	-	(402)	(205,314)
Others	(1,461)	(905)	(2,102)	-	(137)	(4,605)
As at 31 December 2018	1,887,102	1,217,801	164,463	647,826	1,605	3,918,797
Accumulated depreciation						
As at 1 January 2018	237,737	907,839	90,611	18,447	1,777	1,256,411
Charge for the year	49,473	93,454	13,980	12,120	153	169,180
Disposals	(10,719)	(94,142)	-	-	(396)	(105,257)
Others	(10)	(887)	(2,102)	-	(137)	(3,136)
As at 31 December 2018	276,481	906,264	102,489	30,567	1,397	1,317,198
Net book value						
As at 1 January 2018	1,541,832	207,381	58,239	597,776	367	2,405,595
As at 31 December 2018	1,610,621	311,537	61,974	617,259	208	2,601,599

29. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS (continued)

Set out below, are the carrying amounts of the Bank and its subsidiaries' right-of-use assets and lease liabilities and the movements during the year:

	Right-of-use assets				
	Properties VND million	*Means of transportation VND million*	*Other equipment VND million*	*Total VND million*	*Lease liabilities VND million*
As at 31 December 2018	-	-	-	-	-
Remeasured balance at beginning of the year under IFRS 16	694,502	-	668	695,170	(606,565)
As at 1 January 2019	**694,502**	-	**668**	**695,170**	**(606,565)**
Additions	772,952	8,749	4,615	786,316	(786,316)
Depreciation expense	(379,302)	(4,161)	(1,810)	(385,273)	-
Interest expense	-	-	-	-	(81,480)
Payments	-	-	-	-	770,972
Disposals	(3,550)	(366)	-	(3,916)	4,273
As at 31 December 2019	**1,084,602**	**4,222**	**3,473**	**1,092,297**	**(699,116)**

30. GOODWILL AND OTHER INTANGIBLE ASSETS

Movement of goodwill and other intangible assets during year ended 31 December 2019 is as follows:

	Computer software VND million	*Others VND million*	*Total VND million*
Cost			
As at 1 January 2019	887,850	4,361	892,211
Additions	113,446	485	113,931
Transfer from CIP	15,476	-	15,476
Others	31	-	31
As at 31 December 2019	1,016,803	4,846	1,021,649
Accumulated amortisation			
As at 1 January 2019	576,469	2,421	578,890
Charge for the year	92,463	55	92,518
As at 31 December 2019	668,932	2,476	671,408
Net book value			
As at 1 January 2019	311,381	1,940	313,321
As at 31 December 2019	347,871	2,370	350,241

Movement of goodwill and other intangible assets during year ended 31 December 2018 is as follows:

	Goodwill VND million	*Computer software VND million*	*Others VND million*	*Total VND million*
Cost				
As at 1 January 2018	49,411	828,990	4,403	882,804
Additions	-	52,335	-	52,335
Transfer from CIP	-	7,888	-	7,888
Disposals	(49,411)	(339)	(42)	(49,792)
Others	-	(1,024)	-	(1,024)
As at 31 December 2018	-	887,850	4,361	892,211
Accumulated amortisation				
As at 1 January 2018	-	487,127	2,385	489,512
Charge for the year	-	90,345	78	90,423
Disposals	-	(243)	(42)	(285)
Others	-	(760)	-	(760)
As at 31 December 2018	-	576,469	2,421	578,890
Net book value				
As at 1 January 2018	49,411	341,863	2,018	393,292
As at 31 December 2018	-	311,381	1,940	313,321

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

	31 December 2019 VND million	*31 December 2018 VND million*
Deposits from the State Treasury	-	2,008,425
Borrowings from the State Bank of Vietnam	-	4,024,907
	-	**6,033,332**

32. DUE TO OTHER BANKS

	31 December 2019 VND million	*31 December 2018 VND million*
Demand deposits	6,416,010	5,037,660
Term deposits	32,244,128	23,970,642
Borrowings	21,909,856	6,516,988
	60,569,994	**35,525,290**

33. DEPOSITS FROM CUSTOMERS

	31 December 2019 VND million	*31 December 2018 VND million*
Retail customers:	169,101,458	143,822,470
- *Term deposits*	*123,076,855*	*118,297,204*
- *Current accounts*	*46,022,581*	*25,524,063*
- *Marginal deposits*	*2,022*	*1,203*
Corporate customers:	64,559,007	60,095,996
- *Term deposits*	*30,867,994*	*27,101,539*
- *Current accounts*	*30,030,815*	*29,767,481*
- *Marginal deposits*	*3,660,198*	*3,226,976*
	233,660,465	**203,918,466**

34. OTHER BORROWED FUNDS

	31 December 2019 VND million	*31 December 2018 VND million*
Other borrowed funds in VND:		
- International credit project with Japan Bank for International Cooperation	48,769	111,247
- Joint Stock Commercial Bank for Investment and Development of Vietnam	771,889	882,222
	820,658	**993,469**

35. DEBT INSTRUMENTS ISSUED

	31 December 2019 VND million	*31 December 2018 VND million*
Bonds	11,625,893	7,027,302
- *From 1 year to 5 years*	*10,766,253*	*2,924,495*
- *Over 5 years*	*859,640*	*4,102,807*
Certificates of deposits	6,026,166	6,332,249
- *From 1 year to 5 years*	*6,026,166*	*6,332,249*
	17,652,059	**13,359,551**

A reconciliation of liabilities arising from financing activities is as follows:

	Bonds with term over 5 years	
	2019 VND million	*2018 VND million*
As at 1 January 2019	**4,102,807**	**6,811,575**
Proceeds from long-term debt instruments issued qualified to classify as subordinated debts	-	310,000
Payments for long-term debt instruments issued qualified to classify as subordinated debts	(3,245,094)	(3,023,087)
Accrued interest	1,927	4,319
As at 31 December 2019	**859,640**	**4,102,807**

36. CURRENT TAX LIABILITIES

	31 December 2019 VND million	*31 December 2018 VND million*
Value added tax	24,327	16,080
Corporate income tax	848,194	915,054
Other taxes	61,503	48,928
	934,024	**980,062**

36. CURRENT TAX LIABILITIES (continued)

Movements of taxation are as follows:

	As at 1 January		*Incurred during the year*			*As at 31 December*	
	Payable VND million	*Receivable VND million*	*Payable VND million*	*Adjustment VND million*	*Paid VND million*	*Payable VND million*	*Receivable VND million*
For the year ended 31 December 2019							
Value added tax	16,080	-	221,110	568	(213,431)	24,327	-
Corporate income tax	915,054	-	2,612,059	-	(2,678,919)	848,194	-
Other taxes	48,928	-	734,385	(559)	(721,251)	61,503	-
Total	**980,062**	**-**	**3,567,554**	**9**	**(3,613,601)**	**934,024**	**-**
For the year ended 31 December 2018							
Value added tax	10,406	-	179,588	2	(173,916)	16,080	-
Corporate income tax	866,900	-	2,185,246	3,666	(2,140,758)	915,054	-
Other taxes	51,087	-	546,669	(344)	(548,484)	48,928	-
Total	**928,393**	**-**	**2,911,503**	**3,324**	**(2,863,158)**	**980,062**	**-**

37. OTHER LIABILITIES

	31 December 2019 VND million	*31 December 2018 VND million*
Financial liabilities		
Remittance payables (i)	3,087,402	5,059,137
Reimbursements awaiting settlement	30,284	19,577
Deposit of customers awaiting settlement	16,459	85,103
Deposit certificates of customers awaiting settlement	19,343	137,805
Advance from customers	-	1,798
Lease liabilities (Note 29)	699,116	-
Collection on behalf of other credit institutions	370,161	-
Others awaiting settlement	783,971	149,987
Other payables	328,973	239,398
	5,335,709	**5,692,805**
Non-financial liabilities		
Deferred proceeds from sales of collaterals	50,946	83,833
Bonus and welfare	10,226	7,062
Payable to employees	1,044,173	794,768
Deferred income	226,397	169,815
Accrued salaries	286,394	401,467
Accrued operating expenses	596,659	441,414
Allowances for credit losses on off-balance sheet commitments (*Note 37.1*)	320,063	358,742
Other non-financial liabilities	13,038	12,582
	2,547,896	**2,269,683**
	7,883,605	**7,962,488**

(i) This represents the amounts pending for settlement at NAPAS due to timing difference. The outstanding items as at 31 December 2019 have been cleared in January 2020.

37.1. Allowances for credit losses on off-balance sheet commitments

An analysis of changes in the gross carrying amount and the corresponding allowances for credit losses in relation to off-balance sheet commitments is as follows:

	For the year 2019 VND million	*For the year 2018 VND million*
As at 1 January	**358,742**	**450,568**
Allowance reversed during the year	(38,679)	(91,826)
As at 31 December	**320,063**	**358,742**

37. OTHER LIABILITIES (continued)

37.1. Allowances for credit losses on off-balance sheet commitments (continued)

37.1.1. Financial guarantees

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and stage classification. The amounts presented are gross of allowances for credit losses. Details of the Bank's internal grading system are explained in Note 41.2.4.2 and policies on whether ECLs are calculated on an individual or collective basis are set out in Note 41.2.4.6.

Unit: VND million

	31 December 2019						
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Performing	**21,919,175**	**8,712**	**391,030**	**-**	**3,051**	**1,539**	**22,323,507**
Group A rating	20,384,612	8,712	149,597	-	3,051	-	20,545,972
Group B rating	1,297,305	-	239,205	-	-	-	1,536,510
Group C rating	48,465	-	273	-	-	-	48,738
Group D rating	188,793	-	1,955	-	-	1,539	192,287
Non-performing	**-**	**-**	**-**	**-**	**146**	**744**	**890**
Group E rating	-	-	-	-	146	744	890
	21,919,175	**8,712**	**391,030**	**-**	**3,197**	**2,283**	**22,324,397**

Unit: VND million

	31 December 2018						
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Performing	**18,696,716**	**-**	**305,306**	**20,404**	**11,373**	**-**	**19,033,799**
Group A rating	17,734,127	-	233,562	-	3,051	-	17,970,740
Group B rating	726,181	-	57,898	-	83	-	784,162
Group C rating	23,826	-	5,554	20,404	8,000	-	57,784
Group D rating	212,582	-	8,292	-	239	-	221,113
Non-performing	**-**	**-**	**-**	**-**	**13,662**	**100**	**13,762**
Group E rating	-	-	-	-	13,662	100	13,762
	18,696,716	**-**	**305,306**	**20,404**	**25,035**	**100**	**19,047,561**

37. OTHER LIABILITIES (continued)

37.1. Allowances for credit losses on off-balance sheet commitments (continued)

37.1.1. Financial guarantees (continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

Unit: VND million

	For the year 2019						
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Gross carrying amount as at 1 January 2019 (*)	**18,696,716**	**-**	**305,306**	**20,404**	**25,035**	**100**	**19,047,561**
New assets originated or purchased	17,808,428	8,712	347,296	-	21	2,183	18,166,640
Assets derecognised or repaid	(14,585,948)	-	(261,569)	(20,404)	(21,859)	-	(14,889,780)
Foreign exchange adjustments	(21)	-	(3)	-	-	-	(24)
As at 31 December 2019	**21,919,175**	**8,712**	**391,030**	**-**	**3,197**	**2,283**	**22,324,397**

Unit: VND million

	For the year 2018						
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Gross carrying amount as at 1 January 2018 (*)	**14,769,206**	**-**	**1,107,222**	**20,404**	**112,761**	**100**	**16,009,693**
New assets originated or purchased	16,462,915	-	193,725	-	8,373	-	16,665,013
Assets derecognised or repaid	(12,536,435)	-	(996,159)	-	(96,099)	-	(13,628,693)
Foreign exchange adjustments	1,030	-	518	-	-	-	1,548
As at 31 December 2018	**18,696,716**	**-**	**305,306**	**20,404**	**25,035**	**100**	**19,047,561**

Unit: VND million

	For the year 2019						
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
ECL allowances as at 1 January 2019	**31,446**	**-**	**5,451**	**-**	**6,631**	**100**	**43,628**
Allowance made/(reversed)	(1,755)	342	(3,973)	-	(5,537)	284	(10,639)
As at 31 December 2019	**29,691**	**342**	**1,478**	**-**	**1,094**	**384**	**32,989**

Unit: VND million

	For the year 2018						
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
ECL allowances as at 1 January 2018	**28,637**	**-**	**8,446**	**-**	**82,925**	**-**	**120,008**
Allowance made/(reversed)	2,808	-	(2,997)	-	(76,294)	100	(76,383)
Foreign exchange adjustments	1	-	2	-	-	-	3
As at 31 December 2018	**31,446**	**-**	**5,451**	**-**	**6,631**	**100**	**43,628**

(*) The balance subjected to ECL provisioning is determined by conversion factors in ECL models.

37. OTHER LIABILITIES (continued)

37.1. Allowances for credit losses on off-balance sheet commitments (continued)

37.1.2. Letters of credit

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 41.2.4.2 and policies on whether ECLs are calculated on an individual or collective basis are set out in Note 41.2.4.6.

Unit: VND million

	31 December 2019						
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Performing	**12,504,909**	**-**	**770,125**	**-**	**-**	**-**	**13,275,034**
Group A rating	11,001,761	-	2,954	-	-	-	11,004,715
Group B rating	1,404,391	-	767,171	-	-	-	2,171,562
Group C rating	43,895	-	-	-	-	-	43,895
Group D rating	54,862	-	-	-	-	-	54,862
	12,504,909	**-**	**770,125**	**-**	**-**	**-**	**13,275,034**

Unit: VND million

	31 December 2018						
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Performing	**7,785,330**	**-**	**13,043**	**127,969**	**1,777**	**-**	**7,928,119**
Group A rating	6,951,476	-	12,283	-	-	-	6,963,759
Group B rating	695,290	-	760	-	1,777	-	697,827
Group C rating	1,617	-	-	127,969	-	-	129,586
Group D rating	136,947	-	-	-	-	-	136,947
Non-performing	**-**	**-**	**-**	**-**	**-**	**626**	**626**
Group E rating	-	-	-	-	-	626	626
	7,785,330	**-**	**13,043**	**127,969**	**1,777**	**626**	**7,928,745**

37. OTHER LIABILITIES (continued)

37.1. Allowances for credit losses on off-balance sheet commitments (continued)

37.1.2. Letters of credit (continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

Unit: VND million

	For the year 2019						
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Gross carrying amount as at 1 January 2019 (*)	**7,785,330**	**-**	**13,043**	**127,969**	**1,777**	**626**	**7,928,745**
New assets originated or purchased	12,264,263	-	770,125	-	-	-	13,034,388
Assets derecognised or repaid	(7,540,639)	-	(13,043)	(127,969)	(1,777)	(626)	(7,684,054)
Foreign exchange adjustments	(4,045)	-	-	-	-	-	(4,045)
As at 31 December 2019	**12,504,909**	**-**	**770,125**	**-**	**-**	**-**	**13,275,034**

Unit: VND million

	For the year 2018						
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Gross carrying amount as at 1 January 2018 (*)	**6,389,072**	**-**	**196,913**	**817**	**688**	**2,750**	**6,590,240**
New assets originated or purchased	7,685,356	-	6,892	127,174	1,777	-	7,821,199
Assets derecognised or repaid	(6,291,381)	-	(190,966)	-	(688)	(2,145)	(6,485,180)
Foreign exchange adjustments	2,283	-	204	(22)	-	21	2,486
As at 31 December 2018	**7,785,330**	**-**	**13,043**	**127,969**	**1,777**	**626**	**7,928,745**

Unit: VND million

	For the year 2019						
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
ECL allowances as at 1 January 2019	**25,233**	**-**	**101**	**-**	**51**	**-**	**25,385**
Allowance made/(reversed)	(1,786)	-	33,755	-	(51)	-	31,918
As at 31 December 2019	**23,447**	**-**	**33,856**	**-**	**-**	**-**	**57,303**

Unit: VND million

	For the year 2018						
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
ECL allowances as at 1 January 2018	**12,670**	**-**	**6,513**	**-**	**-**	**-**	**19,183**
Allowance made/(reversed)	12,542	-	(6,419)	-	51	-	6,174
Foreign exchange adjustments	21	-	7	-	-	-	28
As at 31 December 2018	**25,233**	**-**	**101**	**-**	**51**	**-**	**25,385**

(*) The balance subjected to ECL provisioning is determined by conversion factors in ECL models.

37. OTHER LIABILITIES (continued)

37.1. Allowances for credit losses on off-balance sheet commitments (continued)

37.1.3. Undrawn loan commitments

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 41.2.4.2 and policies on whether ECLs are calculated on an individual or collective basis are set out in Note 41.2.4.6.

Unit: VND million

	31 December 2019						
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Performing	**113,682,020**	**3,408,668**	**5,391,356**	**-**	**176**	**11,678**	**122,493,898**
Group A rating	95,029,076	-	2,570,723	-	-	-	97,599,799
Group B rating	17,274,740	2,428,910	2,478,093	-	-	-	22,181,743
Group C rating	941,603	979,659	293,972	-	-	-	2,215,234
Group D rating	436,601	99	48,568	-	176	11,678	497,122
	113,682,020	**3,408,668**	**5,391,356**	**-**	**176**	**11,678**	**122,493,898**

Unit: VND million

	31 December 2018						
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Performing	**92,690,918**	**-**	**8,263,071**	**-**	**43,586**	**-**	**100,997,575**
Group A rating	82,443,961	-	2,863,133	-	35,191	-	85,342,285
Group B rating	8,970,331	-	1,355,185	-	-	-	10,325,516
Group C rating	915,543	-	1,692,557	-	-	-	2,608,100
Group D rating	361,083	-	2,352,196	-	8,395	-	2,721,674
Non-performing	**676**	**-**	**-**	**-**	**43,854**	**-**	**44,530**
Group E rating	676	-	-	-	43,854	-	44,530
	92,691,594	**-**	**8,263,071**	**-**	**87,440**	**-**	**101,042,105**

37. OTHER LIABILITIES (continued)

37.1. Allowances for credit losses on off-balance sheet commitments (continued)

37.1.3. Undrawn loan commitments (continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

Unit: VND million

	For the year 2019						
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Gross carrying amount as at 1 January 2019 (*)	**92,691,594**	**-**	**8,263,071**	**-**	**87,440**	**-**	**101,042,105**
New assets originated or purchased	76,044,608	3,408,668	1,619,299	-	-	13,019	81,085,594
Assets derecognised or repaid	(55,054,182)	-	(4,491,014)	-	(87,264)	(1,341)	(59,633,801)
As at 31 December 2019	**113,682,020**	**3,408,668**	**5,391,356**	**-**	**176**	**11,678**	**122,493,898**

Unit: VND million

	For the year 2018						
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Gross carrying amount as at 1 January 2018 (*)	**76,691,369**	**-**	**10,213,590**	**-**	**876,730**	**-**	**87,781,689**
New assets originated or purchased	53,682,387	-	2,074,780	-	660	-	55,757,827
Assets derecognised or repaid	(37,682,162)	-	(4,025,299)	-	(789,950)	-	(42,497,411)
As at 31 December 2018	**92,691,594**	**-**	**8,263,071**	**-**	**87,440**	**-**	**101,042,105**

Unit: VND million

	For the year 2019						
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
ECL allowances as at 1 January 2019	**172,105**	**-**	**86,062**	**-**	**31,562**	**-**	**289,729**
Allowance made/(reversed)	22,491	4,205	(56,189)	-	(31,444)	979	(59,958)
As at 31 December 2019	**194,596**	**4,205**	**29,873**	**-**	**118**	**979**	**229,771**

Unit: VND million

	For the year 2018						
	Stage 1 Collective	*Stage 1 Individual*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
ECL allowances as at 1 January 2018	**172,622**	**-**	**44,832**	**-**	**93,923**	**-**	**311,377**
Allowance made/(reversed)	(517)	-	41,230	-	(62,361)	-	(21,648)
As at 31 December 2018	**172,105**	**-**	**86,062**	**-**	**31,562**	**-**	**289,729**

(*) The balance subjected to ECL provisioning is determined by conversion factors in ECL models.

38. CAPITAL AND RESERVES

38.1. Share capital

Authorised

	31 December 2019 Number of shares	*31 December 2018 Number of shares*
Ordinary shares	3,500,139,962	3,496,592,160

Ordinary shares

	Number of shares	*VND million*
As at 1 January 2019	**3,496,592,160**	**34,965,922**
Issuance of shares	3,547,802	35,478
As at 31 December 2019	**3,500,139,962**	**35,001,400**

Treasury shares and Share premium

	Share premium VND million	*Treasury shares VND million*
As at 1 January 2019	**1,563,953**	**(56,798)**
Issuance of shares	(50)	-
Equity-settled share-based payment	72,264	11,730
As at 31 December 2019	**1,636,167**	**(45,068)**

Nominal value of the Bank's ordinary share is VND 10,000. Each share is entitled to one vote at shareholders' meeting of the Bank. All shareholders are entitled to receive dividend as declared from time to time. All ordinary shares are ranked equally with regard to the Bank's residual assets.

During the year, the Bank issued 3,547,802 shares to their employees under Employee Stock Ownership Plan program.

38. CAPITAL AND RESERVES (continued)

38.2. Statutory reserves

	2019				*2018*		
	Capital supplementary reserve VND million	*Financial reserve VND million*	*Other reserve VND million*	*Total VND million*	*Capital supplementary reserve VND million*	*Financial reserve VND million*	*Total VND million*
As at 1 January	**892,289**	**2,975,083**	**-**	**3,867,372**	**3,983,752**	**2,172,702**	**6,156,454**
Issuance of shares	-	-	-	-	(3,496,592)	-	(3,496,592)
Appropriation to reserves	440,602	874,149	-	1,314,751	408,270	808,721	1,216,991
Utilisation of reserves	-	(9,913)	-	(9,913)	-	(59)	(59)
Others	-	-	474	474	(3,141)	(6,281)	(9,422)
As at 31 December	**1,332,891**	**3,839,319**	**474**	**5,172,684**	**892,289**	**2,975,083**	**3,867,372**

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

a. Financial instruments recorded at fair value

The following section describes how to determine the fair value of financial instruments recorded at fair value using valuation methods. The method is based on estimates and assumptions of the Bank and its subsidiaries which are made on the views of market participants.

Methods for determination of fair value and fair value level

The Bank and its subsidiaries use the following levels to assess and present the fair value of financial instruments:

Level 1: Listed (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Valuation techniques

Government debt securities

Government debt securities are financial instruments issued by sovereign governments and include both long-term bonds and short-term bills with fixed or floating rate interest payments. These instruments are mostly highly liquid and traded in active markets resulting in a Level 1 classification. When active market prices are not available, the Bank uses discounted cash flow models with observable market inputs of similar instruments and bond prices to estimate future index levels and extrapolates yields outside the range of active market trading, in which instances the Bank classifies those securities as Level 2.

Debt securities issued by credit institutions and corporates

Whilst most of these instruments are standard fixed or floating rate securities, some may have more complex coupon or embedded derivative characteristics. The Bank uses active market prices when available, or other observable inputs in discounted cash flow models and the relevant credit spreads to estimate the corresponding fair value. Bonds issued by corporates and credit institutions are Level 1 instruments when the bonds are listed in active market, Level 2 instruments where inputs are observable data or Level 3 instruments where significant inputs cannot be referenced to observable data and, therefore, inputs are adjusted for relative tenor and issuer quality.

Equity instruments

Some equity instruments are actively traded on public stock exchanges with readily available active prices on a regular basis. Such instruments are classified as Level 1.

Equity investments in non-listed entities are initially recognised at transaction price and re-measured (to the extent information is available) and valued on a case-by-case basis and classified as Level 3.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

a. Financial instruments recorded at fair value (continued)

Cross currency swap and interest rate swap

The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations by estimating future cash flows and discounting them with the appropriate yield curves incorporating funding costs relevant to the position. The Bank's cross currency swap and interest rate swap contracts are generally Level 2.

Foreign exchange contracts

Foreign exchange contracts include foreign exchange forward and swap contracts. These instruments are valued by either observable foreign exchange rates, observable or calculated forward points and option valuation models. The Bank classifies foreign exchange contracts as Level 2 financial instruments when no unobservable inputs are used for their valuation or the unobservable inputs used are not significant to the measurement (as a whole).

The following table presents the fair value of the financial instruments by levels as at 31 December 2019:

	Level 1 VND million	*Level 2 VND million*	*Level 3 VND million*	*Total VND million*
Cash and cash equivalents				
Investment securities (*)	-	-	10,787	10,787
Financial assets at FVTPL				
Government bonds	5,941,723	1,027,643	-	6,969,366
Credit institution bonds	185,885	-	3,366,244	3,552,129
Equity instruments	-	-	5,750	5,750
Loans and advances to customers			1,945,766	1,945,766
	6,127,608	**1,027,643**	**5,317,760**	**12,473,011**
Derivative financial assets				
Foreign exchange contracts	-	242,475	-	242,475
Cross currency swap and interest rate swap	-	828,287	-	828,287
	-	**1,070,762**	**-**	**1,070,762**
Debt instruments at FVOCI				
Government bonds	10,965,263	1,348,596	-	12,313,859
Credit institution bonds	2,225,047	10,870,807	8,464,278	21,560,132
Corporate bonds	587,885	-	30,171,608	30,759,493
	13,778,195	**12,219,403**	**38,635,886**	**64,633,484**
Equity instruments at FVOCI	**644**	**-**	**721,289**	**721,933**
Derivative financial liabilities				
Foreign exchange contracts	-	(375,893)	-	(375,893)
Cross currency swap and interest rate swap	-	(194,792)	-	(194,792)
	-	**(570,685)**	**-**	**(570,685)**
Total	**19,906,447**	**13,747,123**	**44,685,722**	**78,339,292**

(*) Investment securities which have original term of three months or less are reclassified into cash and cash equivalents.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

a. Financial instruments recorded at fair value (continued)

The following table presents the fair value of the financial instruments by levels as at 31 December 2018:

	Level 1 *VND million*	*Level 2* *VND million*	*Level 3* *VND million*	*Total* *VND million*
Cash and cash equivalents				
Investment securities (*)	-	-	11,632	11,632
Financial assets at FVTPL				
Government bonds	2,073,954	1,736,864	-	3,810,818
Credit institution bonds	1,658,525	58,899	1,049,250	2,766,674
Corporate bonds	-	-	1,159,384	1,159,384
	3,732,479	**1,795,763**	**2,208,634**	**7,736,876**
Derivative financial assets				
Foreign exchange contracts	-	413,073	-	413,073
Cross currency swap and interest rate swap	-	166,447	-	166,447
	-	**579,520**	**-**	**579,520**
Debt instruments at FVOCI				
Government bonds	1,917,092	3,497,835	-	5,414,927
Credit institution bonds	3,742,098	7,688,001	9,011,223	20,441,322
Corporate bonds	4,598,799	-	33,907,392	38,506,191
	10,257,989	**11,185,836**	**42,918,615**	**64,362,440**
Equity instruments at FVOCI	**623**	**-**	**14,179**	**14,802**
Derivative financial liabilities				
Foreign exchange contracts	-	(408,224)	-	(408,224)
Cross currency swap and interest rate swap	-	(424,064)	-	(424,064)
	-	**(832,288)**	**-**	**(832,288)**
Total	**13,991,091**	**12,728,831**	**45,153,060**	**71,872,982**

39. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

b. Financial instruments not recorded at fair value

Fair value of financial assets and financial liabilities which are not measured at fair value is as below:

- Debt instruments at amortised cost:

	Level 1 *VND million*	*Level 2* *VND million*	*Level 3* *VND million*	*Total* *VND million*
As at 31 December 2019				
Government bonds	-	3,391,261	-	3,391,261
Corporate bonds	-	125,167	200,661	325,828
	-	**3,516,428**	**200,661**	**3,717,089**
As at 31 December 2018				
Government bonds	-	3,681,247	-	3,681,247
Credit institution bonds	-	32,571	-	32,571
Corporate bonds	-	91,082	20,233,478	20,324,560
	-	**3,804,900**	**20,233,478**	**24,038,378**

- Financial assets being cash and balances at the State Bank of Vietnam and due from other banks and financial liabilities being due to the Government, the State Bank of Vietnam and other banks are short term with interest rates in line with the rates applied by other banks and interbank rates. Therefore, their carrying amount approximates their fair value.

- Financial assets being loans and advances to customers, and financial liabilities being deposits from customers and debt instruments issued:

  - Deposits from customers, other borrowed funds and debts issued: the majority of the deposits, other borrowed funds and debt instruments issued by the Bank bear interest at rates which are similar to prevailing market rates (which is the average interest rates of deposits issued in the current period). Hence, the carrying value of these financial liabilities shall be a reasonable approximation of the fair value.

  - Loans to customers: most of the Bank and its subsidiaries' loan portfolio earns interest at rates which are floating in line with the market rates. Also, the Bank and its subsidiaries' loan portfolio does not have significant transaction costs, discount or premium on the loan to customer transactions. Hence, the carrying value of the loans shall be a reasonable approximation of the fair value.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

c. The determination of levels of the fair value of financial instruments was conducted at beginning of the year

The table below shows a reconciliation of the opening and closing amount of Level 3 financial assets which were recorded at fair value:

	Financial assets at FVTPL				*Debt and equity instruments at FVOCI*		
	Credit institution bonds VND million	*Corporate bonds VND million*	*Equity securities VND million*	*Loans and advance to customers VND million*	*Credit institution bonds VND million*	*Corporate bonds VND million*	*Equity securities VND million*
For the year ended 31 December 2019							
As at 1 January 2019	1,049,250	1,159,384	-	-	9,011,223	33,907,392	14,179
Total gains or losses	167,066	(17,208)	-	-	315,792	609,867	4,114
▸ *in profit or loss*	*167,066*	*(17,208)*	-	-	*(26,898)*	*217,003*	-
▸ *in other comprehensive income*	-	-	-	-	*342,690*	*392,864*	*4,114*
Purchase	3,178,364	-	5,750	-	7,298,281	29,203,721	702,996
Settlement	(1,028,436)	(1,142,176)	-	-	(8,161,018)	(33,539,487)	-
Transferred from level 3 (*)	-	-	-	-	-	(9,885)	-
Reclassification	-	-	-	1,945,766		-	-
As at 31 December 2019	**3,366,244**	**-**	**5,750**	**1,945,766**	**8,464,278**	**30,171,608**	**721,289**
For the year ended 31 December 2018							
As at 1 January 2018	-	2,568,133	-	-	5,066,447	14,975,030	227,249
Total gains or losses	36,335	78,638	-	-	112,336	309,158	-
▸ *in profit or loss*	*36,335*	*78,638*	-	-	(1,851)	247,887	-
▸ *in other comprehensive income*	-	-	-	-	114,187	61,271	-
Purchase	1,012,915	1,135,000	-	-	5,183,020	31,045,167	-
Settlement	-	(2,622,387)	-	-	(1,350,580)	(12,421,963)	(227,249)
Transferred to level 3 (**)	-	-	-	-	-	-	14,179
As at 31 December 2018	**1,049,250**	**1,159,384**	**-**	**-**	**9,011,223**	**33,907,392**	**14,179**

(*) These instruments were transferred from Level 3 to Level 1 because their prices were obtained in active markets at the reporting date.

(**) These instruments were measured at cost as at 31 December 2017 under IAS 39.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

d. Information about significant unobservable inputs used in Level 3 fair value measurements

As at 31 December 2019, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) included unquoted corporate bonds, unquoted credit institution bonds, unquoted equity securities and loans and advances to customers which are summarised as follows:

	Classification	*Valuation technique*	*Unobservable inputs*
Assets			
Financial instruments at fair value through profit and losses			
Unquoted credit instruction bonds	FVTPL	Discounted cash flow	Discount rates
Loans and advances to customers	FVTPL	Discounted cash flow Black-scholes model	Discount rates Share price
Unquoted equity securities	FVTPL	Net asset value	Net asset value, earnings and financial ratio multiples
Financial instruments at fair value through other comprehensive income			
Unquoted credit institution bonds	FVOCI	Discounted cash flow	Discount rates
Unquoted corporate bonds	FVOCI	Discounted cash flow	Discount rates
Unquoted equity securities	FVOCI	Net asset value	Net asset value, earnings and financial ratio multiples

The discount rates of unquoted corporate bonds are determined based on the average interest rate of loans and advances to customers with similar characteristics: same sector, tenor and repricing period while the discount rates of unquoted credit institution bonds are determined based on the interest rate of governmental credit institution bonds with similar tenors. A significant increase/decrease in the average interest rate of loans and advances to customers and interest rate of governmental credit institution bonds would result in a significant lower/higher fair value measurement of the unquoted corporate bonds and credit institution bonds.

Valuation of unquoted equity securities includes unobservable inputs such as net asset value, earnings and financial ratio multiples. A significant increase/decrease in the net asset value, earnings and financial ratios multiples would result in a significant higher/lower fair value measurement.

The movement in fair value arising from reasonably possible changes to the significant unobservable input is assessed as not significant.

40. REPO AND REVERSE REPO AGREEMENTS AND ASSETS HELD OR PLEDGED AS COLLATERAL

The following table summarises the consideration paid, including accrued interest which is recorded in the consolidated statement of financial position under "reverse repos", reflecting the transaction's economic substance as a loan to other bank and the liability arising from the consideration received, including accrued interest which is recorded in the consolidated of financial position under "repos", reflecting the transaction's economic substance as a borrowing from other bank.

	31 December 2019 VND million	*31 December 2018 VND million*
Reverse repo agreements		
Consideration paid for reverse repos	5,742,779	3,783,441
Repo agreements		
Consideration received for repos	530,108	4,028,270

The following table summarises the assets which are pledged and held as collateral for repo and reverse repo agreements.

	31 December 2019 VND million	*31 December 2018 VND million*
Assets held as collateral		
Assets held as collateral under reverse repo agreements (*)	5,512,700	3,653,000
Assets pledged as collateral		
Assets pledged as collateral under repo agreements	500,000	3,358,000

(*) The assets are classified as debt instruments at fair value through other comprehensive income.

41. RISK MANAGEMENT

41.1. Introduction

Risk is inherent in the Bank and its subsidiaries' activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank and its subsidiaries' continuing profitability and each person within the Bank and its subsidiaries is accountable for the risk exposures relating to his or her responsibilities. The Bank and its subsidiaries are exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non–trading risks. It is also subject to country risk and various operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Bank's policy is to monitor those business risks through the Bank and its subsidiaries' strategic planning process.

(i) Risk Management Structure

The Board of Management is responsible for the detection and control of risks. However, each separate member will be responsible for monitoring and managing the risks.

(ii) Board of Directors

The Board of Directors is responsible for the overall risk management in the Bank and its subsidiaries.

(iii) Risk Committee

The Risk Committee consults with the Board of Directors in promulgating the process and policies related to risks in banking activities which are under the authority of the Board of Directors.

The Risk Committee analyses and recommends the warnings on safety level of the Bank on potential effectible risk and prevention methods in short-term and long-term.

The Risk Committee reviews and assesses suitability and effectiveness of current risk management processes and policies of the Bank to recommend with the Board of Directors on requirements of changes in the current processes, policies and operating strategy.

(iv) Board of Supervisors

The Board of Supervisors is responsible for overall risk management in the Bank and its subsidiaries.

(v) Internal Audit

According to the annual internal audit plan, the operating procedures of the Bank and its subsidiaries will be audited by the internal audit unit to examine the adequacy and compliance of the procedures. Internal audit discusses the evaluation results with the Board of Directors and reports findings and recommendations to the Board of Supervisors.

41. RISK MANAGEMENT (continued)

41.1. Introduction (continued)

(vi) Audit Risk Committee ("ARCO")

Audit Risk Committee ("ARCO") is established by the Board of Directors for the purpose of undertaking a number of functions and tasks related to the audit, supervising and monitoring risk management of the Bank's operating activities which are assigned/authorised by the Board of Directors.

ARCO is responsible for promulgating and monitoring risk management framework, risk appetites and risk management policies in the Bank's operating activities and approving market risk limit, credit risk limit for each industry, business line and other general risk limits of the Bank.

(vii) Risk measurement and reporting system

The Bank and its subsidiaries' risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models.

Monitoring and controlling risks are primarily performed based on limits established by the Bank and its subsidiaries and complied with safety regulations of the State Bank of Vietnam. These limits reflect the business strategy and market environment of the Bank and its subsidiaries as well as the level of risk that the Bank and its subsidiaries are willing to accept.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Management, the Board of Directors and the Head of each business division. The report includes aggregate credit exposure, credit metric forecasts, limit exceptions, liquidity ratios and risk profile changes. The Board of Directors assesses the appropriateness of the allowance for expected credit losses on a quarterly basis. The Board of Directors receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Bank and its subsidiaries.

For all levels throughout the Bank and its subsidiaries, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

(viii) Risk reduction

The Bank and its subsidiaries have been actively using collateral assets to reduce credit risk.

(ix) Excessive risk concentration

Risk concentrations arise when a number of counterparties of the Bank and its subsidiaries are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations indicate the relative sensitivity of the Bank and its subsidiaries' performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Bank and its subsidiaries' policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Bank and its subsidiaries to manage risk concentrations at both the relationship and industry levels.

41. RISK MANAGEMENT (continued)

41.2. Credit risk

Credit risk is the risk that the Bank and its subsidiaries incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank and its subsidiaries manage and control credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank and its subsidiaries have established credit quality review processes to provide early identification of possible changes in the creditworthiness of counterparties. Counterparty limits are established through the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to quarter revision. The credit quality review process aims to allow the Bank and its subsidiaries to assess the potential loss as a result of the risks to which they are exposed and take corrective action.

41.2.1. Credit quality and credit risk

Currently, the Bank and its subsidiaries have already set up internal credit ratings to score customers based on risk level. The Bank and its subsidiaries have not established internal credit rating for other financial assets based on their risk level.

41.2.2. Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded on the consolidated statement of financial position. In the case of credit derivatives, the Bank is also exposed to, or protected from, the risk of default of the underlying entity referenced by the derivative.

With gross-settled derivatives, the Bank is also exposed to a settlement risk, being the risk that the Bank honours its obligation, but the counterparty fails to deliver the counter value.

41.2.3. Credit-related commitments risks

The Bank and its subsidiaries make available to their customers guarantees that may require that the Bank and its subsidiaries make payments on their behalf and enter into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank and its subsidiaries to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank and its subsidiaries to similar risks to loans and are mitigated by the same control processes and policies.

41. RISK MANAGEMENT (continued)

41.2. Credit risk (continued)

41.2.4. Impairment assessment

For the purpose of presenting consolidated financial statements under IFRS, the Bank and its subsidiaries use an expected loss model for the recognition of losses on impaired financial assets. This means that the Bank and its subsidiaries always account for ECLs and update the loss allowance for change in these ECLs at each reporting date to reflect changes in credit risk since initial recognition. Consequently, the Bank and its subsidiaries need to take into account the following information:

- The probability-weighted outcome;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort.

41.2.4.1. Definition of default and cure

The Bank and its subsidiaries consider a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Bank and its subsidiaries consider a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank and its subsidiaries carefully consider whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

For treasury and money market, non-retail and retail lending portfolio:

- The financial instruments being rescheduled/restructured for the second time or extended its maturity date for the first time;
- The borrower failing to fulfil Off-balance sheet commitments (including financial guarantee and letters of credit) and the Bank has to grant them a loan to cover that obligation;
- The borrower having interest exemption or deduction;
- The borrower having non-performing loans at other credit institutions;
- The borrower having written off exposure or sold loans;
- Internal rating of the borrower indicating default; or
- The borrower having early warning signals ("EWS") indicating default or near-default.

For share margin financing portfolio:

- A material decreases in the underlying collateral value where the collateral value coverage does not meet 160%.

It is the Bank and its subsidiaries' policy to consider a financial instrument as "cured" and therefore re-classified out of Stage 3 when none of the default criteria has been present for at least one month for short term debts or three consecutive months for middle and long-term debts since the day the Bank and its subsidiaries received full repayment of the overdue principals and interests or at the decision by relevant committees to remove it out of Default portfolio. The decision on whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

41. RISK MANAGEMENT (continued)

41.2. Credit risk (continued)

41.2.4. Impairment assessment (continued)

41.2.4.2. The Bank's internal rating and probability of default estimation process

The Bank and its subsidiaries' Risk Management Department operates its internal rating models. The Bank and its subsidiaries run separate models for their key portfolios in which their customers are rated from Aaa to E3 using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. These information sources are first used to determine the PDs within the Bank's Basel II framework. The internal credit grades are assigned based on these Basel II grades. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 Stage classification of the exposure. This is repeated for each economic scenarios as appropriate.

Treasury, trading and interbank relationships

The Bank and its subsidiaries' treasury, trading and interbank relationships and counterparties comprise of financial services institutions, banks, broker-dealers, and exchanges. For these relationships with local financial institutions, the Bank's internal risk department analyses publicly available information such as financial information and other external data, and assigns the internal rating that will be mapped to internal Master PD scale to identify PD, as shown in the table below. For the relationships with foreign financial institutions, the Bank and its subsidiaries use external data, e.g. Moody's, to identify PD for its counterparties, as shown in the table below.

Foreign financial institutions:

Moody's rating	*12 month Moody's PD*	*12 month IFRS PD*
Aaa	0.00%	0.00%
Aa1	0.01%	0.01%
Aa2	0.01%	0.02%
Aa3	0.02%	0.02%
A1	0.02%	0.04%
A2	0.04%	0.06%
A3	0.06%	0.09%
Baa1	0.09%	0.14%
Baa2	0.14%	0.22%
Baa3	0.21%	0.33%
Ba1	0.33%	0.51%
Ba2	0.51%	0.79%
Ba3	0.79%	1.22%
B1	1.22%	1.88%
B2	1.88%	2.88%
B3	2.87%	4.39%
Caa1	4.38%	6.64%
Caa2	6.62%	9.92%
Caa3	9.89%	14.57%
Ca-C	14.53%	20.89%

41. RISK MANAGEMENT (continued)

41.2. Credit risk (continued)

41.2.4. Impairment assessment (continued)

41.2.4.2. The Bank's internal rating and probability of default estimation process (continued)

Treasury, trading and interbank relationships (continued)

Local financial institutions:

Internal rating grade	*Master scale rating grade*	*12-month Basel II PD*	*12-month IFRS PD*
AAA - AA	Aa3	0.28%	0.08%
A - BBB	A1	0.58%	0.17%
BB	A2	0.89%	0.26%
B	A3	1.35%	0.40%
CCC	B1	2.04%	0.61%
CC	B2	2.97%	0.89%
C	B3	4.27%	1.29%

Corporate lending

For corporate lending, the borrowers are assessed by specialised credit risk employees of the Bank and its subsidiaries. The credit risk assessment is based on a credit scoring model that takes into account various historical, current and forward-looking information such as:

- Financial report component, including the following criteria:
  - Financial structure;
  - Liquidity ratio;
  - Solvency ratio;
  - Revenue size & activities;
  - Financial growth perspective.
- Transaction and past due behaviour, including the following criteria:
  - Delinquency status;
  - Relationship with the Bank;
  - CASA balance;
  - Transactional information.
- Other criteria that evaluate corporate customers' credit ability:
  - Characteristic, objective of corporate;
  - Competitive strategy;
  - Boards of Directors;
  - Product and TT objective;
  - Supply and production;
  - Distribution and sales;
  - Industry risk.

The complexity and granularity of the rating techniques varies based on the exposure of the Bank and its subsidiaries and the complexity and size of the customer.

41. RISK MANAGEMENT (continued)

41.2. Credit risk (continued)

41.2.4. Impairment assessment (continued)

41.2.4.2. The Bank's internal rating and probability of default estimation process (continued)

Corporate lending (continued)

Internal rating grade	*12-month Basel II PD range*	*12-month IFRS 9 PD range*
Performing		
Aaa – A3	0.03% - 1.75%	0.00% - 0.50%
B1 – B3	1.75% - 4.90%	0. 50% - 1.50%
C1 – C3	4.90% - 11.00%	1.50% - 3.55%
D1 – D4	11.00% - 99.99%	3.55% - 99.99%
Non-performing		
E1 – E3	100.00%	100.00%

Retail lending

Retail lending comprises of auto, mortgage, credit cards, overdraft and other personal loans. These products are rated by a scorecard with the following key inputs:

- Demographic information;
- Past-due information;
- Transaction behaviour;
- Limit utilisation behaviour;
- Financial ability.

Retail lending - Secured - Real estates

Internal rating grade	*12-month Basel II PD*	*12-month IFRS 9 PD*
Performing		
Aaa – A3	0.03% - 1.75%	0.03% - 1.87%
B1 – B3	1.75% - 4.90%	1.87% - 5.44%
C1 – C3	4.90% - 11.00%	5.44% - 12.19%
D1 – D4	11.00% - 99.99%	12.19% - 99.99%
Non-performing		
E1 – E3	100.00%	100.00%

Retail lending - Unsecured

Internal rating grade	*12-month Basel II PD*	*12-month IFRS 9 PD*
Performing		
Aaa – A3	0.03% - 1.75%	0.06% - 3.46%
B1 – B3	1.75% - 4.90%	3.46% - 9.75%
C1 – C3	4.90% - 11.00%	9.75% - 20.65%
D1 – D4	11.00% - 99.99%	20.65% - 99.99%
Non-performing		
E1 – E3	100.00%	100.00%

41. RISK MANAGEMENT (continued)

41.2. Credit risk (continued)

41.2.4. Impairment assessment (continued)

41.2.4.2. The Bank's internal rating and probability of default estimation process (continued)

Retail lending (continued)

Retail lending - Secured - Other collaterals

Internal rating grade	*12 month Basel II PD*	*12 month IFRS 9 PD*
Performing		
Aaa – A3	0.03% - 1.75%	0.05% - 2.97%
B1 – B3	1.75% - 4.90%	2.97% - 8.46%
C1 – C3	4.90% - 11.00%	8.46% - 18.22%
D1 – D4	11.00% - 99.99%	18.22% - 99.99%
Non-performing		
E1 – E3	100.00%	100.00%

41.2.4.3. Exposure at default

The exposure at default ("EAD") represents the gross carrying amount of the financial instruments subjected to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Bank and its subsidiaries assess the possible default events within 12 months for the calculation of the 12-month ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Bank and its subsidiaries determine EAD by modelling the range of possible exposure outcomes at various points in time, corresponding to the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of the Bank and its subsidiaries' models.

41.2.4.4. Loss given default

For corporate lending, LGD values are assessed at least every three months by account managers and reviewed and approved by the Bank's specialised credit risk department. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison with the amount expected to be recovered or realised from any collateral held.

The Bank and its subsidiaries segment their retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g. product type, months on book, etc.) as well as borrower characteristics.

41. RISK MANAGEMENT (continued)

41.2. Credit risk (continued)

41.2.4. Impairment assessment (continued)

41.2.4.4. Loss given default (continued)

Recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the group. The Bank and its subsidiaries estimate regulatory and IFRS 9 LGDs on a different basis. Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

41.2.4.5. Significant increase in credit risk

The Bank and its subsidiaries continuously monitor all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subjected to 12-month ECL or life time ECL, the Bank and its subsidiaries assess whether there has been a significant increase in credit risk since initial recognition.

The Bank and its subsidiaries apply a qualitative method for triggering a significant increase in credit risk for an asset, such as the rating downgrade in notches. In certain cases, the Bank and its subsidiaries may also consider that events explained in Note 41.2.4.1 are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets (as set out in Note 41.2.4.6), the Bank and its subsidiaries apply the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

41. RISK MANAGEMENT (continued)

41.2. Credit risk (continued)

41.2.4. Impairment assessment (continued)

41.2.4.6. Grouping financial assets measured on a collective basis

As explained in Note 7.9.1, being dependant on the factors below, the Bank calculates ECLs either on a collective or an individual basis.

The Bank and its subsidiaries determine the allowances appropriate for each individually significant loan or advance on an individual basis, taking into account any overdue payments of interests, credit rating downgrades, or infringements of the original terms of the contract. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty, projected receipts and the expected payout should bankruptcy ensue, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. Expected credit loss allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

All the other assets which are not individually significant will be measured on a collective basis. The Banks and its subsidiaries group these exposures into smaller homogeneous portfolios, based on the combination of internal and external characteristics of the loans, as described below:

For retail lending:

- Months on book;
- Days past due;
- Product segment.

For corporate lending:

- Customer segment;
- Days past due.

41.2.5. Collateral assets

To mitigate its credit risks on financial assets, the Bank and its subsidiaries seek to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collaterals, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Bank and its subsidiaries use active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models.

41. RISK MANAGEMENT (continued)

41.2. Credit risk (continued)

41.2.6. Analysis by sector

The following table shows the risk concentration by sector for financial assets (not including allowance for impairment) on the consolidated financial statements:

	Cash and cash equivalents VND million	*Due from other banks VND million*	*Financial assets at FVTPL VND million*	*Derivative financial assets VND million*	*Loans and advances to customers VND million*	*Debt instruments at FVOCI VND million*	*Debt instruments at amortised cost VND million*	*Other financial assets VND million*	*Off-balance sheet commitments VND million*
As at 31 December 2019									
Government	3,192,256	-	6,969,366	-	-	12,313,859	3,391,261	-	-
Banking	38,523,415	9,582,047	3,552,129	206,782	-	21,560,132	-	90,159	1,414,350
Corporate	10,787	-	1,951,516	863,980	133,846,043	30,759,493	327,145	1,191,128	139,884,545
Retail	-	-	-	-	104,924,662	-	-	5,064	16,794,434
	41,726,458	**9,582,047**	**12,473,011**	**1,070,762**	**238,770,705**	**64,633,484**	**3,718,406**	**1,286,351**	**158,093,329**

	Cash and cash equivalents VND million	*Due from other banks VND million*	*Financial assets at FVTPL VND million*	*Derivative financial assets VND million*	*Loans and advances to customers VND million*	*Debt instruments at FVOCI VND million*	*Debt instruments at amortised cost VND million*	*Other financial assets VND million*	*Off-balance sheet commitments VND million*
As at 31 December 2018									
Government	10,555,483	-	3,810,818	-	-	5,414,927	3,853,144	-	-
Banking	24,096,866	11,676,732	2,766,674	456,976	-	20,441,322	32,373	2,627,876	-
Corporate	11,632	-	1,159,384	122,544	93,819,613	38,506,191	20,594,026	622,294	124,930,675
Retail	-	-	-	-	72,431,641	-	-	14,855	3,087,736
	34,663,981	**11,676,732**	**7,736,876**	**579,520**	**166,251,254**	**64,362,440**	**24,479,543**	**3,265,025**	**128,018,411**

41. RISK MANAGEMENT (continued)

41.2. Credit risk (continued)

41.2.7. Commitments and guarantees

To meet the financial needs of customers, the Bank and its subsidiaries enter into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the consolidated statement of financial position, they do contain credit risk and are, therefore, part of the overall risk of the Bank and its subsidiaries.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank and its subsidiaries would have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the consolidated financial statements.

The following table presents the maximum credit risk of the Bank and its subsidiaries for the commitments and guarantees:

	31 December 2019 VND million	*31 December 2018 VND million*
Letters of credit	13,275,034	7,928,745
Financial guarantees	22,324,397	19,047,561
Undrawn loan commitments	122,493,898	101,042,105
	158,093,329	**128,018,411**

41.2.8. Analysis of non-performing loans

Non-performing loans comprise of loans of group E rating.

	31 December 2019 VND million	*31 December 2018 VND million*
Non-performing loans	3,034,160	2,728,417
Non-performing loan ratio	1.27%	1.64%
Individual impairment loss of non-performing loans	(837,129)	(453,627)

41. RISK MANAGEMENT (continued)

41.2. Credit risk (continued)

41.2.9. Overview of modified and forborne loans

VND million

		Performing portfolio		*Non-performing portfolio*			*Impairment provision of forborne loans*			
	Gross carrying amount	*Permanent modification*	*Total performing forborne*	*Permanent modification*	*Total non-performing forborne*	*Total forborne loans*	*Performing*	*Non-performing*	*Total allowance*	*Forbearance ratio*
As at 31 December 2019										
Due from other banks	9,582,047	-	-	-	-	-	-	-	-	0.00%
Loans and advances to customers	238,770,705	723,184	723,184	397,422	397,422	1,120,606	35,269	396,685	431,954	0.47%
- *Corporate*	*133,846,043*	*713,236*	*713,236*	*922*	*922*	*714,158*	*35,234*	*185*	*35,419*	*0.53%*
- *Retail*	*104,924,662*	*9,948*	*9,948*	*396,500*	*396,500*	*406,448*	*35*	*396,500*	*396,535*	*0.39%*
Total	**248,352,752**	**723,184**	**723,184**	**397,422**	**397,422**	**1,120,606**	**35,269**	**396,685**	**431,954**	**0.45%**

VND million

		Performing portfolio			*Impairment provision of forborne loans*		
	Gross carrying amount	*Permanent modification*	*Total performing forborne*	*Total forborne loans*	*Performing*	*Total allowance*	*Forbearance ratio*
As at 31 December 2018							
Due from other banks	11,676,732	-	-	-	-	-	0.00%
Loans and advances to customers	166,251,254	1,007,432	1,007,432	1,007,432	164,604	164,604	0.61%
- *Corporate*	*93,819,613*	*376,928*	*376,928*	*376,928*	*70,305*	*70,305*	*0.40%*
- *Retail*	*72,431,641*	*630,504*	*630,504*	*630,504*	*94,299*	*94,299*	*0.87%*
Total	**177,927,986**	**1,007,432**	**1,007,432**	**1,007,432**	**164,604**	**164,604**	**0.57%**

41. RISK MANAGEMENT (continued)

41.3. Liquidity risk and funding management

Liquidity risk is defined as the risk that the Bank and its subsidiaries might be unable to meet their payment obligations when they fall due under both normal and stress circumstances. To limit this risk, the Bank and its subsidiaries have arranged for diversified funding sources in addition to their core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank and its subsidiaries have developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank and its subsidiaries maintain a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank and its subsidiaries also have committed lines of credit that it can access to meet liquidity needs. In addition, the Bank and its subsidiaries maintain a compulsory reserve at the SBV based on deposits from customers (*Note 22*). The most important is to maintain limits on the ratio of net liquid assets to customer liabilities, to reflect market conditions. Liquid assets consist of cash, gold; balances with the SBV; debt instruments negotiable by the SBV; demand deposits in correspondent banks, except for commitments for specific payment purpose; zero term deposits in credit institutions and Government provisionary notes.

Analysis of financial assets and liabilities by remaining contractual maturities

a. Maturity profile of the discounted cash flows of financial assets and liabilities

The table below summarises the maturity profile of the discounted cash flows of the Bank and its subsidiaries' financial assets and liabilities as at year end. Repayments subjected to notice are treated as if notice were to be given immediately. However, the Bank and its subsidiaries expect that many customers will not request repayment on the earliest date it could be required to pay and the table does not reflect the expected cash flows indicated by its deposit retention history.

41. RISK MANAGEMENT (continued)

41.3. Liquidity risk and funding management (continued)

a. *Maturity profile of the discounted cash flows of financial assets and liabilities* (continued)

As at 31 December 2019	*Overdue up to 3 months VND million*	*Overdue over 3 months VND million*	*On demand VND million*	*Up to 1 month VND million*	*From 1 to 3 months VND million*	*From 3 to 12 months VND million*	*From 1 to 5 years VND million*	*Over 5 years VND million*	*Total VND million*
Financial assets									
Cash and cash equivalents	-	-	20,005,222	22,240,729	4,301,134	-	-	-	46,547,085
Due from other banks	-	-	-	1,055,410	7,469,243	1,057,394	-	-	9,582,047
Financial assets at FVTPL	-	-	-	566,184	160,562	1,276,287	1,406,042	9,063,936	12,473,011
In which: Government bonds and bonds with settlement guaranteed by the Government	-	-	-	*185,884*	-	-	*87,695*	*6,881,672*	*7,155,251*
Derivative financial assets	-	-	-	321,731	105,385	714,051	135,929	-	1,277,096
Loans and advances to customers	186,252	2,083,149	-	12,202,361	22,061,309	65,697,665	44,367,912	92,172,057	238,770,705
Debt instruments at FVOCI	-	-	-	586,179	678,620	21,715,110	25,485,628	16,167,947	64,633,484
In which: Government bonds and bonds with settlement guaranteed by the Government	-	-	-	*377,573*	*316,128*	*3,785,704*	*8,237,721*	*12,692,587*	*25,409,713*
Equity instruments at FVOCI	-	-	-	13	-	702,996	-	18,924	721,933
Debt instruments at amortised cost	62,709	62,709	-	-	-	-	577,982	3,015,006	3,718,406
In which: Government bonds and bonds with settlement guaranteed by the Government	*62,709*	*62,709*	-	-	-	-	*376,004*	*3,015,006*	*3,516,428*
Other financial assets	-	88,327	-	283,037	107	768,402	146,478	-	1,286,351
Total financial assets	**248,961**	**2,234,185**	**20,005,222**	**37,255,644**	**34,776,360**	**91,931,905**	**72,119,971**	**120,437,870**	**379,010,118**
Liabilities									
Due to other banks	-	-	6,416,010	27,832,487	16,901,524	8,780,059	636,892	3,022	60,569,994
Derivative financial liabilities	-	-	-	163,583	150,756	286,949	175,731	-	777,019
Deposits from customers	-	-	79,715,616	63,076,499	36,342,012	50,178,567	4,285,717	62,054	233,660,465
Other borrowed funds	-	-	-	-	40,380	55,446	724,832	-	820,658
Debt instruments issued	-	-	-	-	-	4,173,974	13,478,085	-	17,652,059
Other financial liabilities	-	-	-	3,968,785	278,990	260,025	783,942	43,967	5,335,709
Total financial liabilities	**-**	**-**	**86,131,626**	**95,041,354**	**53,713,662**	**63,735,020**	**20,085,199**	**109,043**	**318,815,904**
Net liquidity gap	**248,961**	**2,234,185**	**(66,126,404)**	**(57,785,710)**	**(18,937,302)**	**28,196,885**	**52,034,772**	**120,328,827**	**60,194,214**

41. **RISK MANAGEMENT** (continued)

41.3. **Liquidity risk and funding management** (continued)

a. ***Maturity profile of the discounted cash flows of financial assets and liabilities*** (continued)

As at 31 December 2018	*Overdue up to 3 months VND million*	*Overdue over 3 months VND million*	*On demand VND million*	*Up to 1 month VND million*	*From 1 to 3 months VND million*	*From 3 to 12 months VND million*	*From 1 to 5 years VND million*	*Over 5 years VND million*	*Total VND million*
Financial assets									
Cash and cash equivalents	-	-	22,118,006	10,571,033	4,581,409	-	-	-	37,270,448
Due from other banks	-	-	-	3,666,436	3,643,742	4,366,554	-	-	11,676,732
Financial assets at FVTPL	-	-	-	-	839,456	1,369,178	2,162,534	3,365,708	7,736,876
In which: Government bonds and bonds with settlement guaranteed by the Government	-	-	-	-	-	-	*2,162,534*	*3,365,708*	*5,528,242*
Derivative financial assets	-	-	-	238,810	207,087	424,263	144,962	-	1,015,122
Loans and advances to customers	2,675,086	2,717,691	-	14,577,191	17,211,915	35,219,244	36,525,533	57,324,594	166,251,254
Debt instruments at FVOCI	-	-	-	2,157,920	1,667,750	22,361,094	31,206,040	6,969,636	64,362,440
In which: Government bonds and bonds with settlement guaranteed by the Government	-	-	-	*2,119,245*	*1,667,267*	*1,883,069*	*8,710,495*	*2,464,950*	*16,845,026*
Equity instruments at FVOCI	-	-	-	-	-	-	-	14,802	14,802
Debt instruments at amortised cost	-	3,971,173	-	-	32,373	17,206,974	1,941,343	1,327,680	24,479,543
In which: Government bonds and bonds with settlement guaranteed by the Government	-	*3,971,173*	-	-	*32,373*	-	-	-	*4,003,546*
Other financial assets	-	39,650	-	58,639	3,043,913	6,563	105,867	10,393	3,265,025
Total financial assets	**2,675,086**	**6,728,514**	**22,118,006**	**31,270,029**	**31,227,645**	**80,953,870**	**72,086,279**	**69,012,813**	**316,072,242**
Liabilities									
Due to the Government and the SBV	-	-	-	5,032,850	1,000,482	-	-	-	6,033,332
Due to other banks	-	-	5,037,660	24,451,735	3,082,260	2,950,124	-	3,511	35,525,290
Derivative financial liabilities	-	-	-	188,000	107,755	272,362	699,773	-	1,267,890
Deposits from customers	-	-	57,801,153	53,046,786	33,790,561	53,079,148	6,134,258	66,560	203,918,466
Other borrowed funds	-	-	-	-	22,953	20,771	949,745	-	993,469
Debt instruments issued	-	-	-	307,345	-	2,485,724	7,325,316	3,241,166	13,359,551
Other financial liabilities	-	-	-	5,394,083	16,007	67,430	206,888	8,397	5,692,805
Total financial liabilities	**-**	**-**	**62,838,813**	**88,420,799**	**38,020,018**	**58,875,559**	**15,315,980**	**3,319,634**	**266,790,803**
Net liquidity gap	**2,675,086**	**6,728,514**	**(40,720,807)**	**(57,150,770)**	**(6,792,373)**	**22,078,311**	**56,770,299**	**65,693,179**	**49,281,439**

41. RISK MANAGEMENT (continued)

41.3. Liquidity risk and funding management (continued)

b. Maturity profile of the undiscounted cash flows of financial liabilities

The table below summarises the maturity profile of the undiscounted cash flows of the Bank and its subsidiaries' financial liabilities as at year end:

	On demand VND million	*Up to 1 month VND million*	*From 1 to 3 months VND million*	*From 3 to 12 months VND million*	*From 1 to 5 years VND million*	*Over 5 years VND million*	*Total VND million*
As at 31 December 2019							
Due to other banks	6,416,010	28,239,993	17,254,811	9,002,135	645,085	3,181	61,561,215
Derivative financial liabilities	-	186,794	232,756	604,193	323,882	-	1,347,625
Deposits from customers	79,715,616	62,127,907	37,019,122	52,366,716	4,633,073	138,740	236,001,174
Other borrowed funds	-	-	40,906	58,384	801,924	-	901,214
Debt instruments issued	-	-	-	4,398,847	15,700,269	-	20,099,116
Other financial liabilities	-	3,968,785	278,990	260,025	783,942	43,967	5,335,709
Total financial liabilities	**86,131,626**	**94,523,479**	**54,826,585**	**66,690,300**	**22,888,175**	**185,888**	**325,246,053**
As at 31 December 2018							
Due to the Government and the SBV	-	5,038,605	1,007,474	-	-	-	6,046,079
Due to other banks	5,037,660	24,497,830	3,079,233	2,983,236	-	4,084	35,602,043
Derivative financial liabilities	-	206,526	147,653	435,941	80,993	-	871,113
Deposits from customers	57,801,153	52,794,323	34,304,719	55,211,479	6,982,952	142,632	207,237,258
Other borrowed funds	-	-	27,091	25,075	1,200,307	-	1,252,473
Debt instruments issued	-	300,388	-	2,994,580	8,879,627	5,899,132	18,073,727
Other financial liabilities	-	5,394,083	16,007	67,430	206,888	8,397	5,692,805
Total financial liabilities	**62,838,813**	**88,231,755**	**38,582,177**	**61,717,741**	**17,350,767**	**6,054,245**	**274,775,498**

41. RISK MANAGEMENT (continued)

41.3. Liquidity risk and funding management (continued)

The table below presents the status of the remaining maturity of the commitments and liabilities:

	Up to 1 month VND million	*From 1 to 3 months VND million*	*From 3 to 12 months VND million*	*From 1 to 5 years VND million*	*Over 5 years VND million*	*Total VND million*
As at 31 December 2019						
Letters of credit	-	-	16,557	13,249,243	9,234	13,275,034
Financial guarantees	3,819,890	4,241,377	8,875,950	4,846,197	540,983	22,324,397
Undrawn loan commitments	6,320,112	11,426,473	34,027,563	22,979,994	47,739,756	122,493,898
Total commitments and guarantees	**10,140,002**	**15,667,850**	**42,920,070**	**41,075,434**	**48,289,973**	**158,093,329**
As at 31 December 2018						
Letters of credit	-	-	13,059	7,915,686	-	7,928,745
Financial guarantees	2,167,167	3,364,563	7,060,437	6,336,981	118,413	19,047,561
Undrawn loan commitments	9,758,320	7,204,892	19,360,296	38,025,175	26,693,422	101,042,105
Total commitments and guarantees	**11,925,487**	**10,569,455**	**26,433,792**	**52,277,842**	**26,811,835**	**128,018,411**

41.4. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Bank and its subsidiaries classify exposures to market risk into either trading or non–trading portfolios and manage each of those portfolios separately. Non–trading positions are managed and monitored using other sensitivity analysis.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board of Directors has established limits on the non–trading interest rate gaps for stipulated periods. The Bank and its subsidiaries' policy is to monitor positions on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

The table below analyses the interest rate risk for financial assets and financial liabilities of the Bank and its subsidiaries presented at the gross carrying amount and classified by the repricing date or maturity, whichever is earlier.

41. **RISK MANAGEMENT** (continued)

41.4. **Market risk** (continued)

Interest rate risk (continued)

		Interest rate repricing period							
As at 31 December 2019	*Gross carrying amount VND million*	*Up to one month VND million*	*1 to 3 months VND million*	*3 to 6 months VND million*	*6 to 12 months VND million*	*From 1 to 5 years VND million*	*Over 5 years VND million*	*Overdue VND million*	*Non-interest bearing VND million*
Assets									
Cash and cash equivalents	46,547,085	19,048,473	4,301,134	-	-	-	-	-	23,197,478
Due from other banks	9,582,047	1,055,410	7,469,243	918,286	139,108	-	-	-	-
Financial assets at FVTPL	12,473,011	4,079,704	977,770	2,183,423	3,294,921	387,478	1,543,965	-	5,750
In which: Government bonds and bonds with settlement guaranteed by the Government	*7,155,251*	*3,685,236*	*817,055*	*393,708*	*2,259,252*	-	-	-	-
Derivative financial assets	1,297,076	321,731	105,385	297,677	436,354	135,929	-	-	-
Loans and advances to customers	238,770,705	102,389,237	45,012,298	19,416,015	33,024,414	27,007,045	1,017,776	2,269,401	8,634,519
Debt instruments at FVOCI	64,633,484	19,685,508	20,557,435	9,862,437	14,528,104	-	-	-	-
In which: Government bonds and bonds with settlement guaranteed by the Government	*25,409,713*	*4,798,875*	*4,729,186*	*6,059,618*	*9,822,034*	-	-	-	-
Equity instruments at FVOCI	721,933	-	-	-	-	-	-	-	721,933
Debt instruments at amortised cost	3,718,406	-	2,006	250,837	3,214,978	125,167	-	125,418	-
In which: Government bonds and bonds with settlement guaranteed by the Government	*3,516,428*	-	-	*250,837*	*3,015,006*	*125,167*	-	*125,418*	-
Other financial assets	1,286,351	56	107	215	425	-	-	88,327	1,197,221
Total assets	**379,030,098**	**146,580,119**	**78,425,378**	**32,928,890**	**54,638,304**	**27,655,619**	**2,561,741**	**2,483,146**	**33,756,901**
Liabilities									
Due to other banks	60,569,994	27,832,486	16,901,524	8,475,350	304,710	636,892	3,022	-	6,416,010
Derivative financial liabilities	796,999	163,586	150,753	120,922	186,007	175,731	-	-	-
Deposits from customers	233,660,465	62,802,315	38,010,426	32,735,817	17,134,186	3,247,205	14,900	-	79,715,616
Other borrowed funds	820,658	-	40,380	-	55,446	724,832	-	-	-
Debt instruments issued	17,652,059	1,746,540	2,671,875	1,601,669	179,155	11,452,820	-	-	-
Other financial liabilities	5,335,709	22,580	2,939	12,239	67,027	553,851	40,480	-	4,636,593
Total liabilities	**318,835,884**	**92,567,507**	**57,777,897**	**42,945,997**	**17,926,531**	**16,791,331**	**58,402**	**-**	**90,768,219**
Total interest sensitivity gap	**60,194,214**	**54,012,612**	**20,647,481**	**(10,017,107)**	**36,711,773**	**10,864,288**	**2,503,339**	**2,483,146**	**(57,011,318)**

41. RISK MANAGEMENT (continued)

41.4. Market risk (continued)

Interest rate risk (continued)

		Interest rate repricing period							
As at 31 December 2018	*Gross carrying amount VND million*	*Up to one month VND million*	*1 to 3 months VND million*	*3 to 6 months VND million*	*6 to 12 months VND million*	*From 1 to 5 years VND million*	*Over 5 years VND million*	*Overdue VND million*	*Non-interest bearing VND million*
Assets									
Cash and cash equivalents	37,270,448	10,571,033	4,581,409	-	-	-	-	-	22,118,006
Due from other banks	11,676,732	3,666,436	3,643,742	2,364,692	2,001,862	-	-	-	-
Financial assets at FVTPL	7,736,876	257,409	3,635,383	1,910,184	1,933,900	-	-	-	-
In which: Government bonds and bonds with settlement guaranteed by the Government	*5,528,242*	*257,409*	*2,030,590*	*1,306,342*	*1,933,901*	-	-	-	-
Derivative financial assets	1,027,641	238,810	207,087	187,259	249,523	144,962	-	-	-
Loans and advances to customers	166,251,254	68,883,435	25,372,549	23,879,741	14,502,470	21,073,756	2,906,064	5,392,777	4,240,462
Debt instruments at FVOCI	64,362,440	7,673,756	34,208,343	8,963,306	13,516,744	-	-	-	291
In which: Government bonds and bonds with settlement guaranteed by the Government	*16,845,026*	*3,469,215*	*3,197,165*	*3,921,447*	*6,257,199*	-	-	-	-
Equity instruments at FVOCI	14,802	-	-	-	-	-	-	-	14,802
Debt instruments at amortised cost	24,479,543	10,401,918	8,885,222	-	1,221,230	-	-	3,971,173	-
In which: Government bonds and bonds with settlement guaranteed by the Government	*4,003,546*	-	*32,373*	-	-	-	-	*3,971,173*	-
Other financial assets	3,265,025	-	-	-	-	-	-	39,650	3,225,375
Total assets	**316,084,761**	**101,692,797**	**80,533,735**	**37,305,182**	**33,425,729**	**21,218,718**	**2,906,064**	**9,403,600**	**29,598,936**
Liabilities									
Due to the Government and the SBV	6,033,332	5,032,850	1,000,482	-	-	-	-	-	-
Due to other banks	35,525,290	24,474,664	3,061,700	1,620,160	1,327,595	-	3,511	-	5,037,660
Derivative financial liabilities	1,280,409	188,000	107,755	143,279	141,602	699,773	-	-	-
Deposits from customers	203,918,466	53,721,327	34,114,396	26,930,439	25,721,258	4,634,023	18,211	-	58,778,812
Other borrowed funds	993,469	-	22,953	2,372	18,399	949,745	-	-	-
Debt instruments issued	13,359,551	2,228,151	2,740,200	1,595,500	5,685,724	1,066,810	43,166	-	-
Other financial liabilities	5,692,805	-	-	-	-	-	-	-	5,692,805
Total liabilities	**266,803,322**	**85,644,992**	**41,047,486**	**30,291,750**	**32,894,578**	**7,350,351**	**64,888**	**-**	**69,509,277**
Total interest sensitivity gap	**49,281,439**	**16,047,805**	**39,486,249**	**7,013,432**	**531,151**	**13,868,367**	**2,841,176**	**9,403,600**	**(39,910,341)**

41. RISK MANAGEMENT (continued)

41.4. Market risk (continued)

Interest rate risk (continued)

Interest rate sensitivity

Assuming that all other variables unchanged, the fluctuation in interest rates that affect the pre-tax profit and equity of the Bank and its subsidiaries as follows:

	Increase in interest rate %	*Effect on Profit before tax VND million*	*Effect on Equity VND million*
As at 31 December 2019			
USD	1.50	(201,818)	(161,454)
VND	3.00	4,022,154	3,217,723
As at 31 December 2018			
USD	1.50	(33,406)	(26,725)
VND	3.00	2,669,580	2,135,664

The increase/decrease in basis points used to analyse the sensitivity to interest rates is assumed based on the conditions that can be observed on the current market.

A 3.00% decrease of VND interest rate and a 1.50% decrease of USD interest rate as at 31 December 2019 and 31 December 2018 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Bank and its subsidiaries are established and incorporated in Vietnam and accounting currency is Vietnam dong, the main transaction currencies of the Bank and its subsidiaries are Vietnam dong, gold, US dollar, Euro and other foreign currencies. The Bank and its subsidiaries establish limits on positions by currency. In accordance with the Bank's policy, positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

Classification of assets and liabilities by currency converted into VND of the Bank and its subsidiaries as at 31 December 2019 and as at 31 December 2018 is as follows:

41. RISK MANAGEMENT (continued)

41.4. Market risk (continued)

Currency risk (continued)

As at 31 December 2019	*VND* *VND million*	*USD converted* *VND million*	*EUR converted* *VND million*	*Gold converted* *VND million*	*Other currencies converted* *VND million*	*Total* *VND million*
Assets						
Cash and cash equivalents	33,299,051	12,307,757	531,910	12,836	395,531	46,547,085
Due from other banks	7,852,967	1,712,007	-	-	17,073	9,582,047
Financial assets at FVTPL	12,473,011	-	-	-	-	12,473,011
In which: Government bonds and bonds with settlement guaranteed by the Government	*7,155,251*	-	-	-	-	*7,155,251*
Derivative financial assets	90,738,526	97,809,407	1,049,820	-	8,935,425	198,533,178
Loans and advances to customers	218,192,952	17,399,271	540,730	-	2,637,752	238,770,705
Debt instruments at FVOCI	64,633,484	-	-	-	-	64,633,484
In which: Government bonds and bonds with settlement guaranteed by the Government	*25,409,713*	-	-	-	-	*25,409,713*
Equity instruments at FVOCI	721,933	-	-	-	-	721,933
Debt instruments at amortised cost	3,718,406	-	-	-	-	3,718,406
In which: Government bonds and bonds with settlement guaranteed by the Government	*3,516,428*	-	-	-	-	*3,516,428*
Other financial assets	1,131,293	153,633	29	-	1,396	1,286,351
Total financial assets	**432,761,623**	**129,382,075**	**2,122,489**	**12,836**	**11,987,177**	**576,266,200**
Liabilities						
Due to other banks	33,501,072	23,883,557	543,127	-	2,642,238	60,569,994
Derivative financial liabilities	88,739,253	99,548,359	1,042,542	-	8,702,947	198,033,101
Deposits from customers	221,812,336	10,720,374	530,625	-	597,130	233,660,465
Other borrowed funds	820,658	-	-	-	-	820,658
Debt instruments issued	17,652,059	-	-	-	-	17,652,059
Other financial liabilities	4,404,791	901,361	2,223	-	27,334	5,335,709
Total financial liabilities	**366,930,169**	**135,053,651**	**2,118,517**	**-**	**11,969,649**	**516,071,986**
Net gap	**65,831,454**	**(5,671,576)**	**3,972**	**12,836**	**17,528**	**60,194,214**

41. RISK MANAGEMENT (continued)

41.4. Market risk (continued)

Currency risk (continued)

As at 31 December 2018	*VND* *VND million*	*USD converted* *VND million*	*EUR converted* *VND million*	*Gold converted* *VND million*	*Other currencies converted* *VND million*	*Total* *VND million*
Assets						
Cash and cash equivalents	23,874,767	12,283,787	511,762	12,875	587,257	37,270,448
Due from other banks	9,856,965	1,819,767	-	-	-	11,676,732
Financial assets at FVTPL	7,736,876	-	-	-	-	7,736,876
In which: Government bonds and bonds with settlement guaranteed by the Government	*5,528,242*	-	-	-	-	*5,528,242*
Derivative financial assets	75,420,989	71,415,320	4,057,671	-	1,207,807	152,101,787
Loans and advances to customers	152,630,430	12,826,819	767,974	-	26,031	166,251,254
Debt instruments at FVOCI	64,362,440	-	-	-	-	64,362,440
In which: Government bonds and bonds with settlement guaranteed by the Government	*16,845,026*	-	-	-	-	*16,845,026*
Equity instruments at FVOCI	14,802	-	-	-	-	14,802
Debt instruments at amortised cost	24,479,543	-	-	-	-	24,479,543
In which: Government bonds and bonds with settlement guaranteed by the Government	*4,003,546*	-	-	-	-	*4,003,546*
Other financial assets	3,187,478	77,547	-	-	-	3,265,025
Total financial assets	**361,564,290**	**98,423,240**	**5,337,407**	**12,875**	**1,821,095**	**467,158,907**
Liabilities						
Due to the Government and the SBV	6,033,332	-	-	-	-	6,033,332
Due to other banks	27,978,119	6,764,160	756,937	-	26,074	35,525,290
Derivative financial liabilities	66,319,363	80,722,881	4,080,251	-	1,232,060	152,354,555
Deposits from customers	190,223,179	12,647,381	501,746	-	546,160	203,918,466
Other borrowed funds	993,469	-	-	-	-	993,469
Debt instruments issued	13,359,551	-	-	-	-	13,359,551
Other financial liabilities	5,007,538	662,829	9,000	-	13,438	5,692,805
Total financial liabilities	**309,914,551**	**100,797,251**	**5,347,934**	**-**	**1,817,732**	**417,877,468**
Net gap	**51,649,739**	**(2,374,011)**	**(10,527)**	**12,875**	**3,363**	**49,281,439**

41. RISK MANAGEMENT (continued)

41.4. Market risk (continued)

Currency risk (continued)

Exchange rate sensitivity

On the assumption that other variances are unchanged, the table below shows the sensitivity of profit before tax of the Bank and its subsidiaries (due to changes in fair value of assets and liabilities) to changes occurring at suitable level of US dollar, Euro and gold exchange rate. Risk due to changes in exchange rate to other foreign currencies of the Bank and its subsidiaries is not significant.

	Level of increase (%)	*Effects on Profit before tax VND million*
As at 31 December 2019		
USD	1.00	(56,716)
EUR	1.00	40
Gold	3.00	385
As at 31 December 2018		
USD	1.00	(23,740)
EUR	1.00	(105)
Gold	3.00	386

A 1.00% strengthening in the VND against USD, EUR and 3.00% against gold as at 31 December 2019 and as at 31 December 2018 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

41.5. Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank and its subsidiaries cannot expect to eliminate all operational risks, but they endeavour to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

42. LEASE COMMITMENTS

The Bank and its subsidiaries have entered into commercial leases for premises and equipment. These leases have an average life of between three and five years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases (e.g. such as those concerning dividends, additional debt and further leasing).

Future minimum lease payments under non–cancellable operating leases as at 31 December 2018 were as follows:

	31 December 2018 *VND million*
Within one year	369,713
After one year but not more than five years	358,256
More than five years	18,971
	746,940

43. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

Related party transactions include all transactions undertaken with other entities to which the Bank and its subsidiaries are related. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. A party is deemed to be a related party to the Bank and its subsidiaries if:

(a) Directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control by the Bank and its subsidiaries (this includes parents and subsidiaries);
- has contribution (own from 5% of chartered capital or share equity with voting right) in the Bank and its subsidiaries that gives it significant influence over the Bank and its subsidiaries; or
- has joint control over the Bank and its subsidiaries;

(b) The party is a joint-venture, associate in which the Bank and its subsidiaries are the ventures, investors (own over 11% of chartered capital or share equity with voting right but not subsidiaries);

(c) The party is a member of the key management personnel of the Bank and its subsidiaries;

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

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

43. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES (continued)

Bond transactions

VND million

		2019				2018			
Related party	*Relationship*	*Opening balance*	*Increase*	*Decrease*	*Closing balance*	*Opening balance*	*Increase*	*Decrease*	*Closing balance*
Masan Group Corporation Joint Stock Company	(i)								
Face value		38,492	1,064,823	(1,080,055)	23,260	274,155	913,109	(1,148,772)	38,492
Interest receivables		374	3,617	(3,424)	567	2,864	8,294	(10,784)	374
Masan Corporation Joint Stock Company	(ii)								
Face value		-	-	-	-	6,012	2,847,892	(2,853,904)	-
Interest receivables		-	-	-	-	16	3,225	(3,241)	-
Nui Phao Mining Company Limited	(ii)								
Face value		547,298	2,481,611	(2,856,843)	172,066	-	1,725,319	(1,178,021)	547,298
Interest receivables		19,641	3,909	(22,328)	1,222	-	20,439	(798)	19,641
Masan Resources Joint Stock Company	(ii)								
Face value		282,090	684,623	(829,729)	136,984	-	1,346,161	(1,064,071)	282,090
Interest receivables		1,164	778	(1,175)	767	-	1,636	(472)	1,164

43. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES (continued)

Loans to customers

VND million

		2019				*2018*			
Related party	*Relationship*	*Opening balance*	*Increase*	*Decrease*	*Closing balance*	*Opening balance*	*Increase*	*Decrease*	*Closing balance*
The European Plastic Window Joint Stock Company	(ii)								
Loans to customers - principal		487,336	698,631	(676,040)	509,927	394,097	652,705	(559,466)	487,336
Interest receivables		2,129	44,713	(44,614)	2,228	1,978	41,343	(41,192)	2,129
Nui Phao Mining Company Limited	(ii)								
Loans to customers - principal		1,158,160	1,366,955	(1,512,613)	1,012,502	890,802	1,648,913	(1,381,555)	1,158,160
Interest receivables		859	52,982	(52,983)	858	696	47,421	(47,258)	859
Vietnam Investment T&M Joint Stock Company	(iii)								
Loans to customers - principal		590,000	66,000	-	656,000	590,000	-	-	590,000
Interest receivables		2,898	62,904	(63,016)	2,786	3,278	61,314	(61,694)	2,898

Term deposits from customers

VND million

		2019				*2018*			
Related party	*Relationship*	*Opening balance*	*Increase*	*Decrease*	*Closing balance*	*Opening balance*	*Increase*	*Decrease*	*Closing balance*
Masan Group Corporation Joint Stock Company and a group of related companies	(iv)								
Term deposits from customers		652,922	1,410,303	(652,922)	1,410,303	2,231,676	16,999,304	(18,578,058)	652,922
Interest payables		2,190	41,505	(42,002)	1,693	4,058	98,283	(100,151)	2,190
Members of the Board of Directors, Supervisors, Management and other related individuals	(i), (iii)								
Term deposits from customers		1,046,110	442,222	(937,973)	550,359	396,937	6,148,743	(5,499,570)	1,046,110
Interest payables		12,068	39,476	(39,628)	11,916	8,259	68,329	(64,520)	12,068

43. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES (continued)

Derivative, foreign currency contracts

VND million

Related party	*Relationship*	*31 December 2019*	*31 December 2018*
The European Plastic Window Joint Stock Company	(ii)	49,482	98,965

Guarantee, letter of credit contracts

VND million

Related party	*Relationship*	*31 December 2019*	*31 December 2018*
The European Plastic Window Joint Stock Company	(ii)	35,384	21,323
Masan Group Corporation Joint Stock Company and a group of related companies	(iv)	67,342	166,771

Demand deposits from customers

VND million

Related party	*Relationship*	*31 December 2019*	*31 December 2018*
The European Plastic Window Joint Stock Company	(ii)	11,042	10,670
One Mount Group	(iii)	16,041	-
For Children Education Vietnam Joint Stock Company	(iii)	2,578	1,201
T&M Vietnam Investment Joint Stock Company	(iii)	1,336	963
Masan Group Corporation Joint Stock Company and a group of related companies	(iv)	752,246	67,984
Members of the Board of Directors, Supervisors, Management and other related individuals	(i), (iii)	103,162	200,648

Remuneration of the Board of Directors, Supervisors and Management

VND million

Related party	*Amount*	
	2019	*2018*
Remuneration of the Board of Directors, Supervisors and Management		
Remuneration of the Board of Directors and Supervisors	32,133	31,099
Remuneration of the Board of Management	145,317	154,886

(i) Shareholder has its representative in the Board of Directors of the Bank

(ii) Related party has its representative in the Board of Directors of the Bank

(iii) Related party has its representative related to members of the Board of Directors, or Board of Management or Board of Supervisors of the Bank

(iv) Masan Group Corporation Joint Stock Company and a group of related companies of Masan Group Corporation Joint Stock Company have its representative in the Board of Directors of the Bank or its representative related to members of the Board of Directors, or the Board of Management or the Board of Supervisors of the Bank

44. CAPITAL

The Bank and its subsidiaries maintain an actively managed capital base to cover risks inherent in the business and meet the capital adequacy requirements of the SBV. The adequacy of the Bank and its subsidiaries' capital is among other measures and adopted by the SBV in supervising the Bank.

Capital management

The primary objectives of the Bank's capital management policy are to ensure that the Bank and its subsidiaries comply with externally imposed capital requirements and maintain strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Bank and its subsidiaries manage their capital structure and make adjustments to it according to changes in economic conditions and the risk characteristics of their activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes have been made to the objectives, policies and processes from the prior periods. However, they are under constant review by the Board of Management.

Regulatory capital

The table below shows the regulatory capital and capital adequacy ratio of the Bank as at 31 December 2019 and 31 December 2018. According to regulations of the SBV, the regulatory capital and capital adequacy ratio are calculated following the guideline of Circular No. 13/VBHN-NHNN ("regulations on prudential ratios") and determined based on the audited consolidated financial statements of the Bank and its subsidiaries in accordance with Vietnam Accounting Standards, Vietnamese Accounting System for Credit Institutions and the statutory requirements relevant to preparation and presentation of the consolidated financial statements.

	31 December 2019 VND million	*31 December 2018 VND million*
Tier 1 Capital	61,780,598	44,498,544
Tier 2 Capital	1,392,945	4,267,845
Total equity capital	**63,173,543**	**48,766,389**
Risk weighted assets	408,436,937	341,024,380
Tier 1 capital adequacy ratio	15.13%	13.05%
Total capital adequacy ratio	15.47%	14.30%
Minimum adequacy for total capital ratio required by regulations on prudential ratios	9.00%	9.00%

45. EXCHANGE RATE OF FOREIGN CURRENCIES AS AT END OF THE YEAR

	31 December 2019 VND	*31 December 2018 VND*
USD	23,173	23,195
EUR	25,976	26,529
Gold	4,235,000	3,641,000

46. CORRESPONDING FIGURES

Certain corresponding figures presented in prior year's consolidated financial statements have been reclassified to conform to the current year's presentation:

	Note	*2018 (as previously reported) VND million*	*Reclassification VND million*	*2018 (reclassified) VND million*
CONSOLIDATED STATEMENT OF PROFIT AND LOSS				
Net interest and similar income	*(i)*	10,572,376	263,404	10,835,780
Net fee and commission income	*(i)*	3,883,510	(263,404)	3,620,106
CONSOLIDATED STATEMENT OF CASH FLOWS				
Interest received	*(i)*	19,627,569	263,404	19,890,973

(i) The Bank reclassified incomes related to credit activities (financial arrangement fees, financial arrangement commitment fees, penalty fees from ealier and late payments of loans) from "Net fee and commission income" to "Net interest and similar income".

47. SIGNIFICANT EVENTS DURING THE YEAR

On 30 January 2019, Techcom Capital Management Company Limited successfully transformed its legal form from a limited company to a joint stock company under Establishment and Operating Licence No. 57/GP-UBCK issued by the State Security Commission of Vietnam dated 30 January 2019, replacing Establishment and Operating Licence No. 40/UBCK-GP issued by the State Security Commission of Vietnam on 21 October 2008. There is no difference in term of permitted operating activities between these two official documents. Accordingly, the Company's name is changed to Techcom Capital Management Joint Stock Company.

48. EVENTS AFTER THE REPORTING DATE

There are no events after the reporting date that require disclosure or adjustment in the financial statements of the Bank and its subsidiaries.

On 23 January 2020, Vietnam confirmed the first two cases of Covid-19. Since then, Vietnam's Government has been implementing a number of measures to prevent and counter the spread of the disease into Vietnam. In February 2020, the Prime Minister of Vietnam officially announced a pandemic of acute respiratory infections caused by Coronavirus. In early April 2020, more aggressive measures were taken to combat possible outbreaks including a nationwide social distancing of 15 days.

Although being one of the best-organised pandemic control countries, Vietnam is still hit hard by the outbreak due to the slowdown of almost all national industries and the downturn of stock exchanges.

The ECL at 31 December 2019 was estimated based on a range of forecast economic conditions as at that date. The impact of Covid-19 on GDP and other key indicators will be considered when determining the severity and likelihood of downside economic scenarios that will be used to estimate ECL under IFRS 9 in 2020. Up to the date of the financial statements, the Bank is conducting assessment of the impact of Covid-19 on its operation as well as on the operations, cash flows and financial condition of its customers in order to implement restructuring loan repayments, waiving, reducing interest rates and fee for its customers. Significant increase in credit risk and other relevant information will be reflected in calculation of ECL in the interim financial statements for six-month period ending 30 June 2020.

Prepared by:	Approved by:	Approved by:
Ms. Bui Thi Khanh Van Chief Accountant	Ms. Thai Ha Linh Director of Accounting, Financial Policy and Tax, Finance and Planning Division	Mr. Phung Quang Hung Standing Deputy Chief Executive Officer cum Managing Director and Head of the Customer Service and Financial Advisory Division

25-04-2020

Hanoi, Vietnam