**KLB: Explanation for the difference of over 10% in the consolidated financial statement of the first 6 months of 2020 year on year**

On 14 Aug 2020, Kien Long Commercial Joint Stock Bank explained the difference of over 10% in the consolidated financial statement of the first 6 months of 2020 year on year as follows:

1. Explanation for the difference of over 10% in Kienlongbank's accumulated after-tax profit in the first 6 months of 2020 compared to that of the first 6 months of 2019:

Accumulated after-tax profit of Kienlongbank in the audited financial statement of the first 6 months of 2020 decreased by VND 36,638 million, equivalent to a decrease of 30.84% ​​compared to that of the first 6 months of 2019, mainly due to the following reasons:

- Total income increased by VND 52,243 million, equivalent to an increase of 7.99%, in which, mainly due to:

+ Net interest income decreased by VND 35,216 million, equivalent to a decrease of 6.02% due to Kienlongbank's implementation of policies on supporting customers affected by Covid-19 in accordance with Circular No. 01/2020/TT-NHNN dated 13 Mar 2020 of the State Bank of Vietnam

+ Net profit from trading investment securities increased by VND 31,158 million, equivalent to an increase of 456.73%, due to Kienlongbank's sale of some government bonds in the investment portfolio

+ Net profit from other activities increased by VND 48,522 million, equivalent to an increase of 335.98% due to income generated from transfer of warehouse for lease of the subsidiary

- Total cost increased by VND 98,010 million, equivalent to an increase of 19.38%, mainly due to:

+ Operating expense increased by VND 43,489 million, equivalent to an increase of 9.04% due to increased costs for management activities, public services and staffs

+ The cost of provision for credit losses increased by VND 54,521 million, equivalent to an increase of 222.73%, mainly due to the specific provision for loans to a group of customers whose collateral was shares of another bank under the debt settlement plan approved by the State Bank of Vietnam

Unit: VND million

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| --- | --- | --- | --- | --- |
| No | Indicator | The first 6 months of 2019 | The first 6 months of 2020 | Increase/ decrease accumulated until Jun 2020 year on year  |
| Difference | Rate % |
| I | Total income | 654,193  | 706,436  | 52,243 | 7.99 |
| 1 | Net profit | 585,320 | 550,104 | (35,216) | (6.02) |
| 2 | Net profit/ loss from services | 30,381 | 35,643 | 5,262 | 17.32 |
| 3 | Net gain/ loss from forex trading | 16,393  | 18,854 | 2,461 | 15.01 |
| 4 | Net gain/ loss from trading commercial securities | - | - | - | - |
| 5 | Net gain/ loss from trading investment securities | 6,822  | 37,980 | 31,158 | 456.73 |
| 6 | Net gain/ loss from other activities | 14,442  | 62,964 | 48,522 | 335.98 |
| 7 | Income from capital contribution, share purchase | 835  | 891 | 56 | 6.71 |
| II | Total expense | 505,710  | 603,720 | 98,010 | 19.38 |
| 1 | Operating expense | 481,231  | 524,720 | 43,489 | 9.04 |
| 2 | Provision for credit losses | 24,479  | 79,000 | 54,521 | 222.73 |
| III | Total profit before tax | 148,483  | 102,716 | (45,767) | (30.82) |
| IV | Corporate income tax  | 29,686  | 20,557 | (9,129) | (30.75) |
| V | Profit after tax | 118,797  | 82,159 | (36,638) | (30.84) |

Note: Kienlongbank's consolidated after-tax in the audited financial statement remained unchanged compared to after-tax profit in the unaudited financial statement

2. Reasons for the difference in Kienlongbank's accumulated after-tax profit in the consolidated financial statement of the 6 months of 2020 after the audit:

Accumulated after-tax profit of Kienlongbank in consolidated financial statement of the first 6 months of 2020 after auditing decreased by VND 36,638 million, equivalent to a decrease of 30.84% compared to that of the first 6 months of 2019, the main reasons are as follows:

- Reduced income due to Kienlongbank's implementation of policies to support customers affected by Covid-19 in accordance with Circular No.01/2000/TT-NHNN dated 13 Mar 2020 of the State Bank of Vietnam

- Increase in the cost of provision for credit risks of loans for a group of customers with collateral of shares of another bank under the debt settlement plan approved by the State Bank of Vietnam. This effect is only temporary, after the settlement of collateral for the above loans (expected in 2020), based on the money collected, Kienlongbank will record a reversal of provisions contributing to income increase in 2020