

Housing Development Bank

Audited Financial Statements in accordance with the Vietnamese
Accounting Standards and Accounting System for Credit Institutions

for the financial year ended 31 December 2009

Housing Development Bank

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Reference: 60752693/13990233

INDEPENDENT AUDITORS' REPORT
on the financial statements of Housing Development Bank
for the financial year ended 31 December 2009

**To: The Board of Management and the Board of Directors of
Housing Development Bank**

We have audited the balance sheet of Housing Development Bank ("the Bank") as at 31 December 2009, the income statement, the statement of retained earnings, the cash flows statement for the year then ended and the notes thereto ("the financial statements"), as set out on pages 2 to 58. These financial statements are the responsibility of the Bank's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of Opinion

We conducted our audit in accordance with the Vietnamese and International Standards on Auditing applicable in Vietnam. These standards require that we plan and perform the audit to obtain reasonable assurance to determine whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Bank's Board of Directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the accompanying financial statements, in all material aspects, give a true and fair view of the financial position of the Bank as at 31 December 2009 and its financial performance and its cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and Accounting System for Credit Institutions and other relevant regulations by the State Bank of Vietnam.



Ernst & Young Vietnam Ltd.
Ernst & Young Vietnam Limited

[Signature]

Vo Tan Hoang Van
Deputy General Director
Registered Auditor
Certificate No. 0264/KTV

Ho Chi Minh City, Vietnam
30 January 2010

[Signature]

Nguyen Xuan Dai
Auditor in-charge
Registered Auditor
Certificate No. 0452/KTV

Housing Development Bank

BALANCE SHEET
as at 31 December 2009

| | Notes | 31/12/2009 VNDm | 31/12/2008 VNDm |
|--|----------|--------------------|--------------------|
| ASSETS | | | |
| Cash, gold, jewelry, gemstones | 3 | 527,166 | 135,310 |
| Balances with State Bank of Vietnam ("the SBV") | 4 | 517,670 | 382,124 |
| Placements with and loans to other banks | | 5,492,895 | 1,939,755 |
| Placements with other banks | 5 | 5,492,895 | 1,939,755 |
| Loans to other banks | | - | - |
| Provision for loans to other banks | | - | - |
| Trading securities | | - | - |
| Trading securities | | - | - |
| Provision for impairment of trading securities | | - | - |
| Derivatives and other financial assets | | - | - |
| Loans and advances to customers | | 8,167,218 | 6,135,342 |
| Loans and advances to customers | 6 | 8,230,884 | 6,175,404 |
| Provision for credit losses | 7 | (63,666) | (40,062) |
| Investment securities | 8 | 2,635,881 | 250,469 |
| Securities available-for-sale | 8.1 | 1,290,495 | 30,150 |
| Securities held-to-maturity | 8.2 | 1,418,080 | 243,539 |
| Provision for impairment of investment securities | 8.1 | (72,694) | (23,220) |
| Long-term investments | | 70,271 | 253,151 |
| Investments in subsidiaries | | - | - |
| Investments in joint ventures | | - | - |
| Investments in associates | | - | - |
| Other long-term investments | 9 | 70,271 | 254,094 |
| Provision for impairment of long-term investments | 9 | - | (943) |
| Fixed assets | | 250,618 | 150,489 |
| <i>Tangible fixed assets</i> | 10.1 | 187,263 | 127,569 |
| Cost | | 215,776 | 144,493 |
| Accumulated depreciation | | (28,513) | (16,924) |
| <i>Financial lease</i> | | - | - |
| Cost | | - | - |
| Accumulated depreciation | | - | - |
| <i>Intangible fixed assets</i> | 10.2 | 63,355 | 22,920 |
| Cost | | 66,087 | 23,546 |
| Accumulated amortization | | (2,732) | (626) |
| Investment properties | | - | - |
| Cost | | - | - |
| Accumulated depreciation | | - | - |
| Other assets | | 1,465,708 | 311,277 |
| Receivables | 11 | 1,187,562 | 228,290 |
| Accrued interest and fees receivables | 12 | 161,390 | 67,519 |
| Deferred tax assets | 21.2 | - | 410 |
| Other assets | 13 | 116,756 | 15,058 |
| <i>In which: Goodwill</i> | | - | - |
| Provision for impairment of other assets | | - | - |
| TOTAL ASSETS | | 19,127,427 | 9,557,917 |

Housing Development Bank

BALANCE SHEET (continued)
as at 31 December 2009

| | Notes | 31/12/2009 VNDm | 31/12/2008 VNDm |
|---|-------------|--------------------------|-------------------------|
| LIABILITIES | | | |
| Borrowings from the Government and the SBV | 14 | 105,526 | 97,620 |
| Deposits and borrowings from other banks | | 5,215,055 | 2,072,849 |
| Deposits from other banks | 15 | 5,215,055 | 2,072,849 |
| Borrowings from other banks | | - | - |
| Customer deposits | 16 | 9,459,244 | 4,336,883 |
| Derivatives and other financial liabilities | 17 | 12,532 | - |
| Entrusted funds and loans exposed to risks to the Bank | | - | - |
| Valuable papers issued by the Bank | 18 | 2,339,311 | 1,264,861 |
| Other liabilities | | 199,594 | 113,113 |
| Accrued interest and fees payables | 19 | 136,280 | 80,395 |
| Deferred tax liabilities | | - | - |
| Other payables | 20 | 54,590 | 31,862 |
| Provision for contingent liabilities and commitments | 7 | 8,724 | 856 |
| TOTAL LIABILITIES | | <u>17,331,262</u> | <u>7,885,326</u> |
| OWNERS' EQUITY | | | |
| Capital and reserves | | 1,796,165 | 1,672,591 |
| Capital | | 1,554,043 | 1,554,043 |
| Share capital | 22.1 | 1,550,000 | 1,550,000 |
| Fund for capital expenditure | | - | - |
| Share premium | 22.1 | 4,043 | 4,043 |
| Treasury shares (buy back shares) | | - | - |
| Preference shares | | - | - |
| Other capitals | | - | - |
| Reserves | 22.1 | 47,917 | 58,604 |
| Foreign currency difference reserve | | - | - |
| Asset revaluation reserve | | - | - |
| Retained earnings | | <u>194,205</u> | <u>59,944</u> |
| TOTAL LIABILITIES AND OWNERS' EQUITY | | <u>19,127,427</u> | <u>9,557,917</u> |

Housing Development Bank

BALANCE SHEET (continued)
as at 31 December 2009

OFF BALANCE SHEET ITEMS

| | Notes | 31/12/2009 VNDm | 31/12/2008 VNDm |
|--------------------------|-----------|--------------------|--------------------|
| Contingencies | | | |
| Financial guarantees | | 1,290,523 | 115,738 |
| Letters of credit | | 142,117 | 30,984 |
| Commitments | | | |
| Commitments to customers | | - | - |
| Other commitments | | - | - |
| | 36 | 1,432,640 | 146,722 |

Prepared by



Ms. Trinh Thu Thao
Vice Accounting Manager

Reviewed by



Ms. Ho Dang Hoang Quyen
Accounting Manager

Approved by



Ms. Nguyen Thi Phuong Thao
General Director

Ho Chi Minh City, Vietnam

30 January 2010

Housing Development Bank

INCOME STATEMENT

for the financial year ended 31 December 2009

| | Notes | 2009 VNDm | 2008 VNDm |
|--|-----------|------------------|------------------|
| Interest and similar income | 24 | 1,039,175 | 1,084,874 |
| Interest and similar expenses | 25 | (804,461) | (970,679) |
| Net interest income | | 234,714 | 114,195 |
| Fees and commission income | 26 | 151,794 | 80,024 |
| Fees and commission expenses | 26 | (11,358) | (7,178) |
| Net fees and commission income | 26 | 140,409 | 72,846 |
| Net gain from dealing currencies and gold trading | 27 | 63,410 | 15,723 |
| Net gain/(loss) from securities trading | | - | - |
| Net (loss) from securities investment | 28 | (5,124) | (5,679) |
| Net gain from other long-term investments | 29 | 44,000 | 7,375 |
| Other operating income | 30 | 914 | 1,024 |
| Other operating expenses | 30 | (955) | (165) |
| Net other operating (loss)/income | 30 | (41) | 859 |
| Gains from long-term investments | 31 | 15,275 | 9,084 |
| TOTAL OPERATING INCOME | | 492,643 | 214,403 |
| Personnel expenses | | (91,848) | (68,380) |
| Depreciation and amortization charges | | (14,279) | (7,141) |
| Other operating expenses | 32 | (94,332) | (56,474) |
| TOTAL OPERATING EXPENSES | | (200,459) | (131,995) |
| Profit before provision for credit losses | | 292,184 | 82,408 |
| Provision expense for credit losses | 7 | (37,279) | (2,133) |
| PROFIT BEFORE TAX | | 254,905 | 80,275 |
| Current enterprise income tax expense | 21.1 | (60,290) | (20,741) |
| Deferred income tax (expense)/income | 21.2 | (410) | 410 |
| Enterprise income tax expense | | (60,700) | (20,331) |
| PROFIT AFTER TAX | | 194,205 | 59,944 |
| Basic earnings per share (VND/share) | 23 | 1,253 | 594 |

Prepared by



Ms. Trinh Thu Thao
Vice Accounting Manager

Reviewed by



Ms. Ho Dang Hoang Quyen
Accounting Manager



Ms. Nguyen Thi Phuong Thao
General Director

Ho Chi Minh City, Vietnam

30 January 2010

Housing Development Bank

STATEMENT OF RETAINED EARNINGS
for the financial year ended 31 December 2009

| | Notes | 2009 VNDm | 2008 VNDm |
|---|-------------|----------------|----------------|
| RETAINED EARNINGS AT THE BEGINNING OF THE YEAR | 22.1 | 59,944 | 90,969 |
| Profit after tax | 22.1 | 194,205 | 59,944 |
| EARNINGS BEFORE APPROPRIATIONS | | 254,149 | 150,913 |
| Less: | | | |
| - Create to reserves for prior year | 22.1 | (16,734) | (40,669) |
| - Dividend for prior year | 22.1 | (42,910) | (50,000) |
| - Others | 22.1 | (300) | (300) |
| RETAINED EARNINGS AT THE END OF THE YEAR | | 194,205 | 59,944 |

The Bank has not yet created the statutory reserves from the net profit after tax for the year 2009. The statutory reserves will be made in accordance with the approval by the shareholders at the Annual General Meeting of Shareholders of the Bank.

Prepared by



Ms. Trinh Thu Thao
Vice Accounting Manager

Reviewed by



Ms. Ho Dang Hoang Quyen
Accounting Manager

Approved by



Ms. Nguyen Thi Phuong Thao
General Director

Ho Chi Minh City, Vietnam

30 January 2010

Housing Development Bank

CASH FLOW STATEMENT

for the financial year ended 31 December 2009

| | Notes | 2009 VNDm | 2008 VNDm |
|--|-------|------------------|------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Interest and similar income | | 947,949 | 1,226,239 |
| Interest and similar expense | | (748,576) | (1,024,026) |
| Fees and commission income received | | 143,846 | 72,846 |
| Net amount of actual receipts from trading gold and foreign currencies | | 122,845 | 27,864 |
| Other operating (expense)/income | | (132) | 434 |
| Recovery of bad debts previously written-off | | - | - |
| Payments to employees and administration affairs | | (187,808) | (121,743) |
| Enterprise income tax paid for the year | 21.1 | (58,918) | (24,485) |
| Net cash flows from operating activities before changes in net operating assets and liabilities | | 219,206 | 157,129 |
| Changes in operating assets | | | |
| (Increase) in placements with and loans to other banks | | (1,272,181) | (82,772) |
| (Increase)/decrease in trading securities | | (2,304,097) | 1,182,310 |
| (Increase)/Decrease in derivatives and other financial assets | | - | - |
| (Increase)/decrease in loans and advances to customers | | (2,055,480) | 2,736,962 |
| Utilizations of provisions to write-off (loan losses, investment securities, long-term investments) | | (5,807) | - |
| (Increase)/decrease in other assets | | (889,697) | 587,188 |
| Changes in operating liabilities | | | |
| Increase in borrowings from the Government and the SBV | | 7,906 | 96,829 |
| Increase/(decrease) in deposits and borrowings from other banks | | 3,142,206 | (6,081,294) |
| Increase in customer deposits (including State Treasury) | | 5,122,361 | 796,988 |
| Increase in valuable papers issued by the Banks (excluding issued debts in financial activities) | | 1,074,450 | 504,075 |
| Increase/(Decrease) in entrusted funds and loans exposed to risks to the Bank | | - | - |
| Increase/(decrease) in other liabilities | | 10,089 | (406,347) |
| Reserves utilization in the year | 22.1 | (9,229) | (12,053) |
| Net cash flows from/(used in) operating activities | | 3,039,727 | (520,985) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Purchase of fixed assets | | (225,187) | (248,664) |
| Proceeds from disposals of fixed assets | | 293 | 600 |
| Disbursements for disposals of fixed assets | | - | - |
| Purchases of investment property | | - | - |
| Proceeds from disposals of investment property | | - | - |
| Disbursements for disposals of investment property | | - | - |
| Additional investments in other entities | | (39,671) | (165,730) |
| Receipts from investments in other entities | | 90,000 | 50,000 |
| Dividend receipts and profit shared from long-term investments | | 4,753 | 7,024 |
| Net cash flows (used in) investing activities | | (169,812) | (356,770) |

Housing Development Bank

CASH FLOW STATEMENT (continued)
as at and for the financial year ended 31 December 2009

| | Notes | 2009 VNDm | 2008 VNDm |
|---|-----------|------------------|------------------|
| CASH FLOW FROM FINANCING ACTIVITY | | | |
| Increase in share capital | | - | 885,828 |
| Proceeds from subordinated debts to increase tier 2 capital | | - | - |
| Repayment of subordinated debts to reduce tier 2 capital | | - | - |
| Dividends paid | | (61,554) | (51,086) |
| Purchases of treasury shares (buy back shares) | | - | - |
| Proceeds from sale of treasury shares (buy back shares) | | - | - |
| Net cash flows (used in)/from financing activities | | (61,554) | 834,742 |
| Net increase/(decrease) in cash and cash equivalents | | 2,808,361 | (43,013) |
| Cash and cash equivalents at the beginning of the year | | 2,053,217 | 2,096,230 |
| Foreign exchange difference | | - | - |
| Cash and cash equivalents at the end of the year | 33 | 4,861,578 | 2,053,217 |

NON MONETARY TRANSACTION

| | | |
|--|---|---------|
| Increase share capital from share premiums | - | 119,777 |
|--|---|---------|

Prepared by



Ms. Trinh Thu Thao
Vice Accounting Manager

Reviewed by



Ms. Ho Dang Hoang Quyen
Accounting Manager

Approved by



Ms. Nguyen Thi Phuong Thao
General Director

Ho Chi Minh City, Vietnam

30 January 2010

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS

as at and for the financial year ended 31 December 2009

1. CORPORATE INFORMATION

Housing Development Bank (herein referred to as "HDBank" or "the Bank") is a commercial joint-stock bank incorporated and registered in the Socialist Republic of Vietnam.

Establishment and Operations

The Bank is a commercial joint stock bank which was established to operate under the following Decisions:

| No. | Decision | Description |
|------------|--|--|
| 1 | Decision No. 47/QD-UB issued by the People's Committee of Ho Chi Minh City on 11 February 1989 | Establishment of the Bank. |
| 2 | Decision No. 102/QD-NH5 issued by the SBV dated 06 June 1992 | The Bank was authorized to carry out banking business such as mobilizing and receiving short, medium and long term deposits from various organizations and individuals; lending on a short, medium and long term basis to various organizations and individuals up to the nature and ability of the Bank's capital resources; conducting foreign currency transactions; international trade finance services, discounting of commercial notes, bonds and valuable papers; and other banking services as approved by the State Bank of Vietnam ("SBV"). |
| 3 | Decision No. 217/QD-NH7 issued by the SBV dated 14 October 1992 | The Bank was authorized to carry out foreign currency ("FC") dealings and to conduct banking services in FC, including FC demand deposits, term deposits and current accounts from local and foreign organizations and individuals; accepting FC savings under the requirements stipulated by the SBV; borrowing and accepting FC funds from foreign organizations and individuals; offering short, medium and long-term loans to various organizations and individuals doing business in Vietnam; conducting currency dealings at exchange rates specified by the SBV; rendering overseas foreign exchange services; and making FC payments within Vietnam. |
| 4 | Official Letter No. 74/NHNN-CNH issued by the SBV dated 21 January 2003 | The Bank was authorized to conduct certain foreign exchange transactions, including offering FC loan guarantees; issuing or acting as agent for FC valuable papers; discounting, rediscounting and mortgaging FC commercial notes and others; and doing world-standard gold business locally and overseas. |
| 5 | Official Letter No. 473/NHNN.HCM02 issued by the SBV dated 21 January 2003 | The Bank was authorized to conduct two additional foreign exchange operations, including international settlements and currency dealings in the international markets. |
| 6 | Decision No. 1002/QD-NHNN issued by the SBV dated 11 May 2007 | The Bank was authorized to trade gold in overseas accounts. |

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

1. CORPORATE INFORMATION (continued)

Share capital

The share capital of the Bank as at 31 December 2009 amounted to VNDm 1,550,000 (31 December 2008: VNDm 1,550,000) which has been fully contributed by the shareholders.

Since the establishment date, the share capital of the Bank has increased as follows:

| <i>Share capital has increased to (VNDm)</i> | <i>Approval by SBV or People's Committee of Ho Chi Minh City</i> | <i>Date issued</i> |
|--|--|--------------------|
| 3,000 | Decision No. 47/QD-UBND | 11 February 1989 |
| 5,000 | Decision No. 102/QD-NH5 | 06 June 1992 |
| 10,008 | Decision No. 199/QD-NH5 | 23 October 1993 |
| 21,616 | Decision No. 71/QD-NH5 | 18 April 1994 |
| 42,074 | Decision No. 50/1998/QD-NHNN5 | 22 January 1998 |
| 49,726 | Decision No. 291/1998/QD-NHNN5 | 27 August 1998 |
| 59,726 | Decision No. 61/1999/QD-NHNN5 | 20 February 1999 |
| 70,026 | Letter No. 677/ NHTP.2002 | 12 June 2002 |
| 150,023 | Letter No. 2088/ NHNN-HCM.02 | 10 December 2004 |
| 200,259 | Letter No. 1748/ NHNN-HCM.02 | 12 August 2005 |
| 300,000 | Letter No. 2446/ NHNN-HCM.02 | 27 December 2005 |
| 500,000 | Letter No. 1779/ NHNN-HCM.02 | 19 December 2006 |
| 1,000,000 | Letter No. 931/NHNN-HCM.02 | 25 June 2007 |
| 1,550,000 | Letter No. 1682/NHNN-HCM.02 | 25 September 2008 |

Board of Management

The members of the Board of Management during the year 2009 and at the date of this report are as follows:

| <i>Name</i> | <i>Position</i> | <i>Date</i> |
|----------------------------|-----------------|----------------------------|
| Mr. Nguyen Huu Thanh | Chairman | Appointed on 23 July 2008 |
| Mr. Tran Huu Thai | Vice Chairman | Appointed on 23 July 2008 |
| Ms. Nguyen Thi Phuong Thao | Vice Chairman | Appointed on 23 July 2008 |
| Mr. Le Chi Hieu | Member | Appointed on 23 July 2008 |
| Ms. Do Thi Hong Dung | Member | Appointed on 23 July 2008 |
| Mr. Luu Duc Khanh | Member | Appointed on 31 March 2009 |

Board of Directors

The members of the Board of Directors during the year 2009 and at the date of this report are as follows:

| <i>Name</i> | <i>Position</i> | <i>Date</i> |
|----------------------------|-------------------------|--------------------------------|
| Ms. Nguyen Thi Phuong Thao | General Director | Appointed on 19 January 2009 |
| Ms. Nguyen Doan Duy Ai | Deputy General Director | Appointed on 15 August 2007 |
| Mr. Nguyen Huu Dang | Deputy General Director | Appointed on 09 October 2007 |
| Mr. Nguyen Manh Quan | Deputy General Director | Appointed on 18 February 2009 |
| Mr. Le Hong Son | Deputy General Director | Appointed on 04 May 2009 |
| Mr. Nguyen Minh Duc | Deputy General Director | Appointed on 31 July 2009 |
| Mr. Le Thanh Tung | Deputy General Director | Appointed on 16 September 2009 |

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

1. CORPORATE INFORMATION (continued)

Head Office

The Bank's Head Office in Abacus Building located at 58 Nguyen Dinh Chieu Street, District 1, Ho Chi Minh City. As at 31 December 2009, the Bank had one (01) Head Office, seventeen (17) branches and forty seven (47) transaction offices located in cities and provinces in Vietnam.

Employees

Total number of employees of the Bank as at 31 December 2009 was 1,288 people (31 December 2008: 783 people).

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 *Compliance with Vietnamese Accounting Standards and Accounting System for Credit Institutions*

The Board of Directors believes that the accompanying financial statements are prepared in accordance with Vietnamese Accounting Standards and Accounting System for Credit Institutions.

2.2 *Basis of preparation*

The financial statements of the Bank, which are expressed in millions of Vietnam Dong ("VNDm"), are prepared in accordance with Decision No. 479/2004/QD-NHNN dated 29 April 2004 issued by the Governor of the State Bank of Vietnam with effect from 01 January 2005 and amended, revised decision on Decision No. 479/2004/QD-NHNN, Decision No. 16/2007/QD-NHNN dated 18 April 2007 by the Governor of the State Bank of Vietnam, and the Vietnamese Accounting Standards ("VAS") issued by the Ministry of Finance including:

- ▶ Decision No. 149/2001/QD-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (Series 1);
- ▶ Decision No. 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 2);
- ▶ Decision No. 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 3);
- ▶ Decision No. 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 4); and
- ▶ Decision No. 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (Series 5).

The accompanying financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Vietnam. Accordingly, the accompanying balance sheet, the related statements of income, the statement of retained earnings, the cash flows and the accompanying notes and their utilization are not designed for those who are not informed about the Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

2.3 *Fiscal year*

The Bank's fiscal year starts on 01 January and ends on 31 December.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 *Changes of accounting policies*

Recognition of securities investments

Based on the guidance of the Official Letter No. 7459/NHNN-KTTC issued by the State Bank of Vietnam on 30 August 2006, the equity securities that the Bank holds less than 20% voting right shall be accounted into the item of Other long-term investment.

Since 14 April 2009, the Bank has followed the Official Letter No. 2601/NHNN-TCKT issued on 14 April 2009 by the State Bank, guiding the review of classification and the basis of provision for a decline in value of financial investments. According to this Official Letter and the guidance of the Official Letter No. 7459/NHNN-KTTC above, only capital contributions, investments in other entities of which the Bank hold less than 20% voting right and is the founder shareholder; or strategic partner; or capable of certain dominant in the process of establishing and deciding financial policies and operations of the investees through a written agreement on assignment of officers to the Board of Directors/Executive Board can be classified as long-term investments. Accordingly, as at 31 December 2009, the Bank has reclassified a certain investments in the portfolio from other long-term investments to securities available-for-sale, and make provision for a decline in value of securities for these portfolios in accordance with current regulation on provisions applicable to portfolios available for sale.

Because the Official Letter No. 2601/NHNN-TCKT do not require retroactiveness, and based on the guidance of the Circular No. 20/2006/TT-BTC issued by Ministry of Finance dated 20 March 2006 guiding the implementation of VAS No. 29 - "Changes in accounting policies, accounting estimates and errors", the change of accounting policies due to the initial application of legal provisions or accounting standards, accounting policies does not require retroactive adjustment, the beginning balances on the accompanying financial statements do not cover the above adjustments.

2.5 *Loans and advances to customers*

Loans and advances to customers are presented at the principal amounts outstanding at the end of the year.

2.6 *Provision for credit losses*

Loans and advances to customers are classified and provided for in accordance with the Law on Credit Institutions effective from 01 October 1998; Law on Amendment and Supplementation to a number of articles of the Law on Credit Institutions effective from 1 October 2004; Decision No. 1627/2001/QD-NHNN dated 31 December 2001 by the Governor of the State Bank of Vietnam on lending statutory; Decision No. 127/2005/QD-NHNN dated 3 February 2005 amending and supplementing Decision No. 1627/2001/QD-NHNN; Decision No. 493/2005/QD-NHNN dated 22 April 2005 and Decision No. 18/2007/QD-NHNN dated 25 April 2007 by the State Bank of Vietnam on loan classification and provision. Accordingly, loans are classified into *Current*, *Special Mention*, *Substandard*, *Doubtful* and *Loss* on the basis of payment arrears status and other qualitative factors.

Net loan and advance exposure for each individual customer is calculated by subtracting from the loan balance the related determined value of collateral assets which is subject to certain accepted discount rates in accordance with Decision No. 493/2005/QD-NHNN and Decision No. 18/2007/QD-NHNN.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 *Provision for credit losses* (continued)

Specific provision is established based on the net loan and advance exposure for each individual customer using the prescribed provision rates applicable to that loan classification as follows:

| Group | Category | Specific provision rate |
|--------------|-----------------|--------------------------------|
| 1 | Current | 0% |
| 2 | Special Mention | 5% |
| 3 | Substandard | 20% |
| 4 | Doubtful | 50% |
| 5 | Loss | 100% |

Loans classified as *Substandard*, *Doubtful* or *Loss* is considered non-performing.

According to Decision No. 493/2005/QD-NHNN, a general provision is made for credit losses which are yet to be identified during the loan classification process and in making specific provision as well as in case of the Bank's potential financial difficulties due to deterioration in loan quality. Accordingly, within 5 years commencing from May 2005, the Bank is required to fully create and maintain a general provision at 0.75% of total of loans classified in groups 1 to 4.

The Bank has made and maintained a general provision of 0.60% of total loan balance from group 1 to 4 plus guarantees and acceptance for payment (equivalent to 80.00% of total required provision of 0.75%) as at 30 November 2009.

The provisions are recorded in the income statement as an expense and will be used to write-off any credit losses incurred. According to Decision No. 493/2005/QD-NHNN, at the discretion of the Bank's Bad Debt Resolution Committee, the Bank can write-off the loans that are classified in Group 5 and of which the borrower are bankrupted or liquidated (for corporate) or are deceased or missing (for individuals).

Status of debts classification and provision distribution in accordance with Decision No. 493/2005/QD-NHNN is presented in Notes 7.

2.7 *Investment in securities*

2.7.1 *Securities held-to-maturity*

Held-to-maturity investments are debt securities which carry fixed or determinable payments and have fixed maturities and which the Bank has the intention and ability to hold to maturity. These securities will not be sold before maturity or transferred to trading securities or available-for-sale securities. They are initially recognised at face value at the purchase date. Any discount/premium which is the difference between the cost and the amount being the face value plus (+) accrued interest income (for debt securities with interest payment in arrears) or minus (-) accrued interest income (for debt securities with interest payment in advance) is amortised on a straight-line basis over the remaining term of securities to the income statement. Interest of these investments is recognised on a straight-line basis over the remaining term of securities using nominal interest rate.

Subsequently, held-to-maturity investments are continuously recognised at face value and minus provision for a decline in value of securities (if any) in the next accounting periods. The provision for a decline in value of securities is made when there is a prolonged decline in value. Any provision for a decline in value of securities is recognised in the income statement as "Net gain/(loss) from securities investment".

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 *Investment in securities* (continued)

2.7.2 *Securities available-for-sale*

Available-for-sale investments include debt and equity securities which do not qualify to be classified as trading and held-to-maturity and the Bank is not the founder shareholder; or the strategic partner; or capable of certain dominant in the process of establishing and deciding financial policies and operations of investees through written agreement on assignment officers to the Board of Directors/Executive Board. Equity securities are measured at cost while debt securities are initially recognized at cost. Discount/premium is the difference between original cost and the amount which is par value plus accrued interest income (for debt securities with interest payment in arrears) or minus accrued interest income (for debt securities with interest payment in advance) and is amortized on straight-line basis till the maturity date to the income statement. Interest of these investments is recognized on straight-line basis using nominal interest rate.

Subsequently, available-for-sale investments are continuously recognised at face value and minus provision for a decline in value of securities (if any) in the next accounting periods. The provision for a decline in value of securities is made when market value is less than net carrying value. Any provision for a decline in value of securities is recognised in the income statement as "Net gain/(loss) from securities investment".

2.8 *Other long-term investments*

Other long-term investments and capital contributions represent the capital investments in other entities of which the Bank holds less than 20% voting right and is the founder shareholder; or strategic partner; or capable of certain dominant in the process of establishing and deciding financial policies and operations of the investees through a written agreement on assignment of officers to the Board of Directors/Executive Board. These investments are recorded at cost. Provision for impairment is recognized into the income statement when the market price is lower than the book value applicable to securities investments and when there is objective evidence for prolonged decline of initial investments and capital contributions.

Other long-term investments are stated at cost less provision for investments. A provision for long-term investments is created in case any entity being invested by the Bank is in a loss position (except for losses as identified in the business projects prior to investment) in accordance with Circular No. 228/2009/TT-BTC dated 07 December 2009 by the Ministry of Finance. Accordingly, the provision amount is the difference between the actual contributed capital from economic entities and actual equity multiplied by the percentage of contributed legal capital of an entity to total actual contributed capital of all economic entities.

2.9 *Intangible fixed assets*

Intangible fixed assets are stated at cost less accumulated amortization.

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

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

When assets are sold or liquidated, their cost and accumulated depreciation are deducted from the balance sheet item and any gains or losses resulting from their disposal are recorded to the income statement.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 *Tangible fixed assets*

Tangible fixed assets are stated at cost less accumulated depreciation.

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

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

When assets are sold or liquidated, their cost and accumulated depreciation are deducted from the balance sheet item and any gains or losses resulting from their disposal are recorded to the income statement.

2.11 *Lease*

The Bank as a lessee

Operating lease payments are not recognized in the balance sheet. Any rental payables are accounted for on a straight-line basis over the lease term and included in "Other operating expenses".

2.12 *Depreciation and amortization*

Depreciation and amortization of tangible fixed assets and intangible fixed assets is calculated on a straight-line basis over the estimated useful life of the assets, which are as follows:

| | |
|-------------------------|--------------|
| Buildings, structures | 5 - 25 years |
| Machinery and equipment | 7 - 10 years |
| Means of transportation | 6 - 10 years |
| Office equipment | 3 - 10 years |
| Accounting software | 3 - 8 years |
| Other fixed assets | 3 - 10 years |

The land use right of the Bank has indefinite term, therefore is not amortized.

2.13 *Recognition of income and expense*

Interest income and expense are recognized in the income statement on accrual basis using nominal interest rate. The recognition of accrued interest income is suspended when a loan is classified from group 2 to 5 according to Decision No. 493/2005/QD-NHNN and Decision No. 18/2007/QD-NHNN. Suspended interest income is recorded off balance sheet and recognized in the income statement upon actual receipt.

Fees and commissions are recognized when incurred.

Dividend income on equity investments is recognized in the income statement when the Bank's right to receive the payment is established.

2.14 *Foreign currency transactions*

The Bank maintains its accounting system and records all transactions in original currencies. Monetary assets and liabilities denominated in foreign currencies at year-end are translated into VND using exchange rates ruling at the balance sheet date (see list of exchange rates of applicable foreign currencies against VND as at 31 December in Note 43). Income and expenses arising in foreign currencies during the year are converted into VND at rates ruling at the transaction dates. Unrealized foreign exchange differences arising from the translation of monetary assets and liabilities at the balance sheet date are recognized in the income statement.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Enterprise income taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted as at the balance sheet date.

Current income tax is charged or credited to the income statement, except when it relates to items recognised directly to equity, in which case the current income tax is also dealt with in equity.

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

The Bank's tax returns are subject to examination by the tax authorities. Due to the ambiguity associated with the applicability of tax laws and regulations in Vietnam, amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

Deferred tax

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

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 related transaction affects neither the accounting profit nor taxable profit or loss.

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 in respect of deductible temporary difference which arises from the initial recognition of an asset or liability which at the time of the related transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Previously unrecognised deferred income tax assets are re-assessed at each balance sheet 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.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset realised or the liability is settled based on tax rates and tax laws that have been enacted at the balance sheet date.

Deferred tax is charged or credited to the income statement, except when it relates to items recognised directly to equity, in which case the deferred tax is also dealt with in the equity account.

Deferred tax assets and liabilities are offset when there is a legally enforceable right for the Bank to set off current tax assets against current tax liabilities and when they relate to income taxes levied on the same taxable entity by the same taxation authority.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 *Cash and cash equivalents*

Cash and cash equivalents as referred to in the cash flow statement comprises cash, gold, jewelry, gemstones, current accounts with the SBV and placements with and loans to other banks with an original maturity of three months or less.

2.17 *Fiduciary assets*

Assets held in a fiduciary capacity are not reported in the financial statements as they are not assets of the Bank.

2.18 *Provision for off balance sheet commitments*

According to Article 6 of Decision No. 493/2005/QD-NHNN and Decision No. 18/2007/QD-NHNN by the SBV, credit institutions must classify and make provision for guarantees, payment acceptances, and non-cancelable loan commitments with specific effective date (generally called off balance sheet commitments) into groups, namely *Current*, *Special Mention*, *Substandard*, *Doubtful* and *Loss* based on the overdue status and other qualitative factors.

Specific and general provision for off balance sheet commitments is calculated similarly to the provision for loans and advances to customers as described in Note 2.6. Provision expense is recorded as provision for credit losses in the income statement and provision balance is recorded in other liabilities in the balance sheet.

2.19 *Forward and swap currency contracts*

With respect to foreign currency forward, swap currency contracts, difference between VND value of sale or purchase quantity of foreign currency under forward rate and spot rate at effective date of contract is recognized as asset item - "Derivatives and other financial assets" if positive or liability item - "Derivatives and other financial liabilities" if negative. This difference will be amortized on straight-line basis during term of contract. At the report date, commitment according to foreign currency forward and swap currency contract are reassessed by official exchange rate launched by the SBV. Gain or loss from reassessment is recognized to "Net gain/loss from foreign currencies and gold trading".

2.20 *Offsetting*

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

2.21 *Use of estimates*

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

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Employee benefits

2.22.1 Post employment benefits

Post employment benefits are paid to retired employees of the Bank by the Social Insurance Agency which belongs to the Ministry of Labor and Social Affairs. The Bank is required to contribute to these post employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 15.00% of an employee's basic salary on a monthly basis. The Bank has no further obligation to fund the post employment benefits of its employees, other than the liability to pay Social Insurance Agency on a monthly basis.

2.22.2 Voluntary resignation and retrenchment benefits

Voluntary resignation benefits: the Bank has the obligation, under Section 42 of the Vietnam Labor Code amended on 02 April 2002, to pay allowance arising from voluntarily resignation of employees, equal to one-half month's salary for each year of employment plus salary allowances (if any). From 01 January 2009, the Bank accrued for unemployment insurance according to Decision No. 127/2008/ND-CP dated 12 December 2008. Accordingly, the employee contributes 1% of his/her monthly salary; the employer contributes 1% of the employee's monthly salary and the Government contributes 1% of the employee's salary fund.

Retrenchment benefits: the Bank has the obligation, under Section 17 of the Vietnam Labor Code, to pay allowance to employees who are retrenched as a result of organizational restructuring or technological changes. In such case, the Bank shall pay to employees an allowance for loss of work equivalent to the aggregate amount of one month's salary for each year of employment, but no less than two months' salary. Allowance increase or reverse is recorded in the income statement.

While the obligations under Sections 17 and 42 are compulsory, the implementation of these Sections is subject to detailed guidance issued by the Ministry of Finance in implementing circulars. In accordance with Circular No. 64/1999/TT-BTC dated 07 June 1999 and Circular No. 82/2003/TT-BTC dated 14 August 2003 by the Ministry of Finance which superseded Circular No. 64/1999/TT-BTC, banks are required to calculate retrenchment allowance equal to 3.00% per annum on the basic salary of the employees; and the outstanding balance of employee termination reserve which was previously created at 10.00% from the profit after tax and after appropriation of supplementary capital reserve in accordance with the guidance of Circular No. 64/1999/TT-BTC should be transferred to retrenchment allowance as provided under Circular No. 82/2003/TT-BTC.

In 2009, the Bank has recorded a provision for voluntary resignation and retrenchment benefits adequately equal to 3.00% per annum on the basic salary of the employees under Circular No. 82/2003/TT-BTC dated 14 August 2003 by the Ministry of Finance.

3. CASH, GOLD, JEWELRY, GEMSTONES

| | 31/12/2009 | 31/12/2008 |
|---|----------------|----------------|
| | VNDm | VNDm |
| Cash on hand in VND | 113,540 | 54,486 |
| Cash on hand in foreign currencies ("FC") | 24,547 | 20,754 |
| Monetary gold | 389,079 | 60,070 |
| | <u>527,166</u> | <u>135,310</u> |

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

4. BALANCES WITH THE STATE BANK OF VIETNAM ("SBV")

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|-----------------|--------------------|--------------------|
| Current account | <u>517,670</u> | <u>382,124</u> |

Balances with the State Bank of Vietnam include settlement and compulsory deposits. In 2009, compulsory deposits in VND & settlement deposits in foreign currencies earn annual interest at rates of 1.20% p.a. and 0.10% p.a., respectively as at 31 December 2009 (formerly of 3.60% p.a. and 0.50% p.a., respectively).

In accordance with the regulations of the SBV, the Bank is required to maintain certain cash reserves with the SBV in the form of compulsory deposits, which are computed at 3.00% and 1.00% (2008: 6.00% and 2.00%) of customer deposits in VND with original maturities of less than 12 months and over 12 months; and at 7.00% and 3.00% (2008: 7.00% and 3.00%) of customer deposits in foreign currencies with original maturities of less than 12 months and over 12 months. Accordingly, total required average compulsory deposits (in both VND and foreign currencies) in December 2009 were VNDm 174,037 and USD 1,946,130.

During the year, the Bank has complied with the SBV's requirements regarding the calculation and maintenance of the compulsory deposits with the SBV.

5. PLACEMENTS WITH AND LOANS TO OTHER BANKS

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|---|--------------------|--------------------|
| Demand deposits to other banks (Note 5.1) | 123,473 | 61,043 |
| Term deposits to other banks (Note 5.2) | <u>5,369,422</u> | <u>1,878,712</u> |
| | <u>5,492,895</u> | <u>1,939,755</u> |

5.1 Demand deposits to other banks

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|--|--------------------|--------------------|
| Demand deposits in VND to local banks | 30,844 | 9,360 |
| Demand deposits in FC to local banks | 26,957 | 24,485 |
| Demand deposits in FC to foreign banks | 65,659 | 27,198 |
| Demand deposits in gold to local banks | 13 | - |
| | <u>123,473</u> | <u>61,043</u> |

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

5. PLACEMENTS WITH AND LOANS TO OTHER BANKS (continued)

5.2 Term deposits to other banks

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|--|--------------------|--------------------|
| Term deposits to other banks of 3 months or less | | |
| Term deposits in VND to local banks | 3,280,000 | 1,395,000 |
| Term deposits in FC to local banks | 360,669 | - |
| Term deposits in gold to local banks | 52,600 | 79,740 |
| Included in cash and cash equivalents (Note 33) | 3,693,269 | 1,474,740 |
| Term deposits to other banks of more than 3 months | | |
| Term deposits in VND to local banks | 1,470,000 | 341,952 |
| Term deposits in FC to local banks | 206,153 | - |
| Term deposits in gold to local banks | - | 62,020 |
| | 1,676,153 | 403,972 |
| | 5,369,422 | 1,878,712 |

Year-end interest rates of term deposits to other banks were as follows:

| | 31/12/2009 Per annum | 31/12/2008 Per annum |
|--------------------------------------|-------------------------|-------------------------|
| Term deposits to local banks | | |
| In VND | from 9.47% to 12.00% | from 4.70% to 18.00% |
| In FC | from 0.10% to 3.60% | none |
| Term deposits in gold to local banks | 6.00% | from 5.00% to 5.80% |

6. LOANS AND ADVANCES TO CUSTOMERS

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|---|--------------------|--------------------|
| Loans to local economic entities, individuals | 7,614,560 | 5,703,081 |
| Discounted commercial notes and valuable papers | 616,324 | 472,323 |
| | 8,230,884 | 6,175,404 |

Year-end interest rates of loans and advances to customers were as follows:

| | 31/12/2009 Per annum | 31/12/2008 Per annum |
|------------------|-------------------------|-------------------------|
| Commercial loans | | |
| In VND | from 3.00% to 21.00% | from 11.55% to 12.75% |
| In FC | from 2.29% to 10.00% | from 8.00% to 8.50% |
| In gold | from 6.50% to 8.50% | from 8.00% to 8.50% |

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

6. LOANS AND ADVANCES TO CUSTOMERS (continued)

6.1 Analysis of loans by quality

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|-----------------|-------------------------|-------------------------|
| Current | 8,096,064 | 5,946,387 |
| Special mention | 44,137 | 110,086 |
| Substandard | 7,558 | 51,172 |
| Doubtful | 7,477 | 36,091 |
| Loss | 75,648 | 31,668 |
| | <u>8,230,884</u> | <u>6,175,404</u> |

6.2 Analysis of loans by original terms

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|-------------------|-------------------------|-------------------------|
| Short-term loans | 5,352,348 | 3,159,593 |
| Medium-term loans | 1,184,183 | 1,586,540 |
| Long-term loans | 1,694,353 | 1,429,271 |
| | <u>8,230,884</u> | <u>6,175,404</u> |

6.3 Analysis of loans by type of customers and ownership

Analysis of loans by ownership as at year end was as follows:

| | 31/12/2009 | | 31/12/2008 | |
|-------------------------------------|-------------------------|----------------------|-------------------------|----------------------|
| | VNDm | % | VNDm | % |
| Corporate loans | | | | |
| Private limited liability companies | 1,862,525 | 22.63 | 1,121,474 | 18.16 |
| Private companies | 121,113 | 1.47 | 124,421 | 2.01 |
| Central State-owned enterprises | 97,552 | 1.19 | 101,130 | 1.64 |
| State joint-stock companies | 44,795 | 0.54 | 4,821 | 0.08 |
| Foreign-invested enterprises | 32,386 | 0.39 | 1,134 | 0.02 |
| Local State-owned enterprises | 26,288 | 0.32 | 43,773 | 0.71 |
| State limited liability companies | 12,769 | 0.15 | 8,244 | 0.13 |
| Co-operatives | 2,320 | 0.03 | 356 | 0.01 |
| Other joint-stock companies | 1,898,709 | 23.07 | 1,219,548 | 19.75 |
| | <u>4,098,457</u> | <u>49.79</u> | <u>2,624,901</u> | <u>42.51</u> |
| Individual loans | <u>4,132,427</u> | <u>50.21</u> | <u>3,550,503</u> | <u>57.49</u> |
| | <u>8,230,884</u> | <u>100.00</u> | <u>6,175,404</u> | <u>100.00</u> |

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

6. LOANS AND ADVANCES TO CUSTOMERS (continued)

6.4 Analysis of loan portfolio by industry

| | 31/12/2009 | | 31/12/2008 | |
|--|------------------|---------------|------------------|---------------|
| | VNDm | % | VNDm | % |
| Individuals and public activities | 4,139,924 | 50.30 | 3,564,135 | 57.73 |
| Constructions | 1,851,799 | 22.50 | 1,283,896 | 20.79 |
| Processing industry | 444,583 | 5.40 | 104,478 | 1.69 |
| Trading, repair of motor vehicles, motorcycles, personal appliances and household appliances | 392,535 | 4.77 | 285,258 | 4.62 |
| Electricity, gas and water supply/distribution | 333,757 | 4.05 | 169,250 | 2.74 |
| Transportation, warehousing and communications | 317,495 | 3.86 | 276,711 | 4.48 |
| Households services | 259,395 | 3.16 | 213,225 | 3.45 |
| Assets trading activities and services | 139,104 | 1.69 | 64,792 | 1.05 |
| Science and technology activities | 102,736 | 1.25 | 15,649 | 0.25 |
| Hospitality | 84,331 | 1.02 | 45,981 | 0.74 |
| Financial services | 40,720 | 0.49 | 28,610 | 0.46 |
| Agricultural and forestry | 35,978 | 0.44 | 81,824 | 1.32 |
| Sport and cultural activities | 28,511 | 0.35 | 25,044 | 0.41 |
| Health care and social relief activities | 27,069 | 0.33 | 1,036 | 0.02 |
| Aquaculture | 20,607 | 0.25 | 6,402 | 0.10 |
| Education and training | 5,332 | 0.06 | 8,012 | 0.13 |
| International activity of organization | 5,000 | 0.06 | - | - |
| State governance and national defence: Communist Party, unions, social obligations | 2,008 | 0.02 | 1,101 | 0.02 |
| | 8,230,884 | 100.00 | 6,175,404 | 100.00 |

7. PROVISION FOR CREDIT LOSSES

The Bank has classified its loans and advances to customers in accordance with Decision No. 493/2005/QD-NHNN and Decision No. 18/2007/QD-NHNN. Accordingly, annual provision for credit losses as at 30 November was made based on the classification of outstanding loan balances and the guarantees in off balance sheet items as at 30 November.

Details of provision for credit losses on balance sheet as at 31 December 2009 were as follows:

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|--|--------------------|--------------------|
| Provision for loans to customers | 63,666 | 40,062 |
| Provision for contingent liabilities and commitments | 8,724 | 856 |
| | 72,390 | 40,918 |

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

7. PROVISION FOR CREDIT LOSSES (continued)

Changes in the provision for credit losses in current year were as follows:

| | <i>Specific provision VNDm</i> | <i>General provision VNDm</i> | <i>Total VNDm</i> |
|--|--|---------------------------------------|-----------------------|
| Beginning balance | 23,325 | 17,593 | 40,918 |
| Provisions charged for the year | 9,392 | 33,574 | 42,966 |
| Reversal of provisions during the year | <u>(4,139)</u> | <u>(1,548)</u> | <u>(5,687)</u> |
| Balance as at 30 November | 28,578 | 49,619 | 78,197 |
| Bad debts written-off in December | <u>(5,807)</u> | <u>-</u> | <u>(5,807)</u> |
| Ending balance | <u>22,771</u> | <u>49,619</u> | <u>72,390</u> |

Changes in the provision for credit losses in prior year were as follows:

| | <i>Specific provision VNDm</i> | <i>General provision VNDm</i> | <i>Total VNDm</i> |
|--|--|---------------------------------------|-----------------------|
| Beginning balance | 10,129 | 28,656 | 38,785 |
| Provisions charged for the year | 14,289 | 13,692 | 27,981 |
| Reversal of provisions during the year | <u>(1,093)</u> | <u>(24,755)</u> | <u>(25,848)</u> |
| Balance as at 30 November | 23,325 | 17,593 | 40,918 |
| Bad debts written-off in December | <u>-</u> | <u>-</u> | <u>-</u> |
| Ending balance | <u>23,325</u> | <u>17,593</u> | <u>40,918</u> |

The Bank adopts Article 6 of Decision No. 493/2005/QD-NHNN, Decision No. 18/2007/QD-NHNN of the SBV and its own policy on loan classification and provision. Accordingly, provision for credit losses for the year ended 31 December 2009 is made on the basis of classification of outstanding loan balances and off balance sheet exposures as at 30 November 2009.

The breakdown of loan classification and provision as required by Decision No. 493/2005/QD-NHNN, Decision No. 18/2007/QD-NHNN and its own policy as at 30 November 2009 were as follows:

| <i>Classification</i> | <i>Loan balance (*) VNDm</i> | <i>Specific provision VNDm</i> | <i>General provision VNDm</i> | <i>Total VNDm</i> |
|-----------------------|--------------------------------------|--|---------------------------------------|-----------------------|
| Current (**) | 7,128,840 | - | 50,622 | 50,622 |
| Special mention | 44,607 | 1,519 | 334 | 1,853 |
| Substandard | 5,686 | 342 | 43 | 385 |
| Doubtful | 15,819 | 2,369 | 119 | 2,488 |
| Loss | <u>74,508</u> | <u>24,348</u> | <u>-</u> | <u>24,348</u> |
| | <u>7,269,460</u> | <u>28,578</u> | <u>51,118</u> | <u>79,696</u> |

(*): As at 30 November 2009

(**): In which, entrusted loans were amounting to VNDm 379,101. The entrusted credit institution bears risks for these loans.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

7. PROVISION FOR CREDIT LOSSES (continued)

Provision for contingent liabilities and commitments as at 30 November 2009 were as follows:

| <i>Classification</i> | <i>Balance (*) VNDm</i> | <i>Specific provision VNDm</i> | <i>General provision VNDm</i> | <i>Total provision VNDm</i> |
|-----------------------|-----------------------------|--|---------------------------------------|-------------------------------------|
| Current | 1,454,067 | - | 10,906 | 10,906 |
| Special mention | - | - | - | - |
| Substandard | - | - | - | - |
| Doubtful | - | - | - | - |
| Loss | - | - | - | - |
| | 1,454,067 | - | 10,906 | 10,906 |

(*): As at 30 November 2009

As at 30 November 2009, the Bank made adequate specific provision for all balances of loans as at 30 November 2009 in accordance with Decision No. 493/2005/QD-NHNN and Decision No. 18/2007/QD-NHNN of the SBV.

| <i>Provision for credit losses</i> | <i>Specific provision for loans VNDm</i> | <i>General provision for loans VNDm</i> | <i>Specific provision for commitme nts VNDm</i> | <i>General provision for commitme nts VNDm</i> | <i>Total VNDm</i> |
|--|--|---|---|--|-----------------------|
| According to Decision No. 493/2005/QD-NHNN | 28,578 | 51,118 | - | 10,906 | 90,602 |
| Provision actually charged | 28,578 | 40,895 | - | 8,724 | 78,197 |
| Difference | - | 10,223 | - | 2,182 | 12,405 |

According to Decision No. 493/2005/QD-NHNN, the Bank is permitted to fully make general provision for all loan portfolio, contingent liabilities and commitments during 5 years since this Decision becomes effective (May 2005). The Bank will make adequate general provision for all loan portfolio, contingent liabilities and commitments in accordance with Decision No. 493/2005/QD-NHNN and Decision No. 18/2007/QD-NHNN in the period from January to May of 2010.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

8. INVESTMENT SECURITIES

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|--|--------------------|--------------------|
| Securities available-for-sale | | |
| Debt securities | | |
| Securities issued by local business entities | 1,054,000 | - |
| Equity securities | | |
| Securities issued by other local banks | 134,799 | - |
| Securities issued by local business entities | 101,696 | 30,150 |
| | 236,495 | 30,150 |
| | 1,290,495 | 30,150 |
| Provision for impairment of securities available-for-sale | (72,694) | (23,220) |
| Held-to-maturity securities | | |
| Securities issued by the Government | 584,858 | 143,539 |
| Debt securities issued by other local banks | 490,000 | 100,000 |
| Debt securities issued by local business entities | 343,222 | - |
| | 1,418,080 | 243,539 |
| Provision for impairment of securities held-to-maturity | - | - |
| | 2,635,881 | 250,469 |

8.1 Securities available-for-sale

Details of debt investments available-for-sale as at 31 December were as follows:

| | 31/12/2009 | |
|---|--------------------|------------------------|
| | Face value VNDm | Carrying value VNDm |
| Bonds issued by Phu Hoang Anh JSC | 339,000 | 339,000 |
| Bonds issued by Hoa Binh Securities JSC | 200,000 | 200,000 |
| Bonds issued by Thien Thai Hotels & Tourism JSC | 200,000 | 200,000 |
| Bonds issued by HCM City General Import & Export and Investment JSC | 175,000 | 175,000 |
| Bonds issued by Dai Duong Securities JSC | 100,000 | 100,000 |
| Bonds issued by Khang An Real Estate Investment JSC | 40,000 | 40,000 |
| | 1,054,000 | 1,054,000 |

Bonds issued by Phu Hoang Anh JSC have a term of three (03) years and earn interest at rate ranging from 11.00% p.a. to 12.00% p.a. for the first interest period, and floating in the following periods which is computed by the Bank's mobilization interest at rate of twelve (12) months paid in arrears plus 3.50% but not lower than the first interest period's. Interest rate is to be adjusted for each six (06) months and paid semi-annually.

Bonds issued by Hoa Binh Securities JSC comprises a bond with the face value of VNDm 50,000 matured after twenty-four (24) months with interest at rate of 13.50% p.a. and another bond with the face value of VNDm 150,000 matured after twelve (12) months with interest at rate of 12.00% p.a.. Interest is paid at maturity.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

8. INVESTMENT SECURITIES (continued)

8.1 Securities available-for-sale (continued)

Bonds issued by Thien Thai Hotel & Tourism JSC have a term of three (03) years and earn interest at rate of 14.50% p.a. in the first interest period, and floating in the following periods which is computed by the interest rate of saving deposits with the term of twelve (12) months plus 4.00% p.a. Interest rate is to be adjusted for each six (06) months and paid semi-annually.

Bonds issued by HCM City General Import & Export and Investment JSC have a term of three (03) years and earn interest at rate of 14.00% p.a. in the first interest period and floating in the following periods which is computed by the interest rate of saving deposits in VND with the term of twelve (12) months paid in arrears plus 4.00% p.a. Interest is paid semi-annually.

Bonds issued by Dai Duong Securities JSC have a term of twelve (12) months and earn interest at rate of 11.50% p.a. Interest is paid at maturity.

Bonds issued by Khang An Real Estate JSC have a term of twelve (12) years and earn interest at rate of 18.00% p.a. The interest at rate is to be adjusted for each six (06) months and computed by the interest rate of twelve-month saving deposits paid in arrear plus 3.50% but not lower than 18.00% p.a. Interest is paid semi-annually.

Details of equity securities available-for-sale as at 31 December were as follows:

| | 31/12/2009 | | 31/12/2008 | |
|--------------------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|
| | Carrying value VNDm | % ownership of the Bank | Carrying value VNDm | % ownership of the Bank |
| Investment in other banks | | | | |
| <i>Listed shares</i> | | | | |
| Vietnam Commercial JS Bank (*) | 106,100 | 0.08 | - | - |
| Vietnam Industrial JS Bank | 20,257 | 0.09 | - | - |
| | 126,357 | | - | |
| <i>Unlisted shares</i> | | | | |
| Gia Dinh Commercial JS Bank (*) | 8,442 | 0.84 | - | - |
| | 134,799 | | - | |
| Investments in business entities | | | | |
| <i>Listed shares</i> | | | | |
| Hochiminh Securities Corporation (*) | 46,580 | 1.97 | - | - |
| Vietnam Securities Investment Fund | 23,116 | 0.69 | 30,150 | 0.90 |
| | 69,696 | | 30,150 | |
| <i>Unlisted shares</i> | | | | |
| Vietnam Investment Fund (*) | 32,000 | 2.37 | - | - |
| | 101,696 | | 30,150 | |
| | 236,495 | | 30,150 | |

(*): The Bank has reclassified those amounts from other long-term investment to securities available-for-sale.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

8. INVESTMENT SECURITIES (continued)

8.1 Securities available-for-sale (continued)

Movement in provision for impairment of securities available-for-sale as at 31 December was as follows:

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|--|--------------------|--------------------|
| Beginning balance | 23,220 | 5,400 |
| Provision transferred from long-term investment (Note 9) | 943 | - |
| Provision charged for the year | 58,157 | 17,820 |
| Reversal of provision during the year | (9,626) | - |
| Ending balance | <u>72,694</u> | <u>23,220</u> |

8.2 Securities held-to-maturity

| | 31/12/2009 | | 31/12/2008 | |
|--|-----------------------|---------------------------|-----------------------|---------------------------|
| | Face value VNDm | Carrying value VNDm | Face value VNDm | Carrying value VNDm |
| Government bills and bonds | 576,003 | 584,758 | 143,439 | 143,439 |
| Bonds and bills issued by other local banks | 350,000 | 350,000 | - | - |
| Bonds issued by local business entities | 345,000 | 343,222 | - | - |
| Certificates of deposits issued by other local banks | 140,000 | 140,000 | 100,000 | 100,000 |
| Government educational bonds | 100 | 100 | 100 | 100 |
| | <u>1,411,103</u> | <u>1,418,080</u> | <u>243,539</u> | <u>243,539</u> |

Government bills and bonds issued by the State Treasury have a term of two (02) years, five (05) years and earn interest at rate ranging from 8.50% p.a. to 17.50% p.a. (2008: from 8.45% p.a. to 8.75% p.a.). In which, the local authority bonds for the Project of Ho Chi Minh City Urban issued on 31 August 2009 have a term of three (03) years and earn a fixed interest at rate of 10.40% p.a. Interest is paid annually.

Bonds and bills issued by other local Banks comprise of the bills issued by Nam A Bank with the term of six (06) months and earn interest at rate of 9.57% p.a. which is paid at maturity and bonds issued by Military Commercial Joint-Stock Bank with the term of two (02) years and earn interest at rate of 10.00% p.a. which is paid annually.

Bonds issued by local business entities comprise of the bonds issued by Viet Long Hue Investment Joint Stock Company with the term of three (03) years and earn interest at rate of 11.50% p.a. which is paid semi-annually, the bonds issued by Lilama Corporation with the term of five (05) years and earn interest at rate of 8.80% p.a. which is paid annually and the bonds issued by Sacombank Securities Joint Stock Company with the term of eighteen (18) months and earn interest at rate of 12.5% p.a. which is paid quarterly.

Certificates of deposits issued by other local banks include certificates of deposits from Vietnam Technological and Commercial Joint-stock Bank with the term of five (05) years and earn interest at rate of 8.60% p.a. (2008: 8.60% p.a.) and the certificates of deposits from Dai Tin Commercial Joint Stock Bank with the term of three (03) months and earn interest at rate of 10.35% p.a.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

8. INVESTMENT SECURITIES (continued)

8.2 Securities held-to-maturity (continued)

Education Government bonds have a term of five (05) years and earn interest at rate of 8.20% p.a. (2008: 8.20% p.a.) which interest is paid at maturity.

The Bank has the intention to hold these above securities until maturity.

9. OTHER LONG-TERM INVESTMENTS

Details of the Bank's other long-term investments as at 31 December was as follows:

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|---|--------------------|--------------------|
| Investments in other banks (*) | - | 114,542 |
| Investments in business entities (Note 9.1) | 70,271 | 139,552 |
| | 70,271 | 254,094 |
| Provision for impairment of long-term investments | - | (943) |
| | 70,271 | 253,151 |

(*): The Bank reclassified these amounts from other long-term investment to securities available-for-sale.

9.1 Investments in business entities

Detail of the Bank's other long-term investments in business entities as at 31 December was as follows:

| | 31/12/2009 | | | 31/12/2008 | | |
|---|--------------------|------------------------|------------------------|--------------------|------------------------|------------------------|
| | Face value VNDm | Carrying value VNDm | % owned by the Bank | Face value VNDm | Carrying value VNDm | % owned by the Bank |
| VietJet Aviation JSC | 30,000 | 30,000 | 5.00 | 30,000 | 30,000 | 5.00 |
| Chanh Phu Hoa Construction Investment JSC | 17,050 | 17,050 | 10.15 | 17,050 | 17,050 | 7.75 |
| Vinh Tuong Industrial JSC | 7,000 | 7,000 | 5.19 | 7,000 | 7,000 | 7.61 |
| Viet Nam Alliance Fund Management JSC | 4,950 | 4,950 | 9.90 | - | - | - |
| Bac Trung Nam Housing Development JSC | 4,400 | 4,400 | 8.80 | 4,400 | 4,400 | 8.80 |
| Banking Card and Credit JSC | 2,000 | 2,000 | 4.00 | 2,000 | 2,000 | 4.00 |
| Cadif Investment JSC | 1,500 | 1,500 | 1.50 | - | - | - |
| Vietnam Investment and Gold Trading JSC | 1,500 | 1,500 | 1.50 | 1,500 | 1,500 | 1.50 |
| PhuGia Gold JSC | 1,000 | 1,000 | 10.00 | - | - | - |
| Small & medium enterprise Guarantee Fund | 500 | 500 | 0.26 | 500 | 500 | 1.00 |
| Banking Training Co Ltd | 371 | 371 | 5.15 | 150 | 150 | 5.15 |
| HdReal JSC | - | - | - | 33,000 | 33,000 | 11.00 |
| Ho Chi Minh City Securities Corporation (*) | - | - | - | 13,355 | 30,952 | 3.38 |
| 3D JSC | - | - | - | 12,000 | 13,000 | 10.00 |
| | 70,271 | 70,271 | | 120,955 | 139,552 | |

(*): The Bank reclassified these amounts from other long-term investment to securities available-for-sale.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

10. FIXED ASSETS

10.1 Tangible fixed assets

Movements in tangible fixed assets for the year ended 31 December 2009 were as follows:

| | <i>Buildings, structures</i> | <i>Machinery and equipment</i> | <i>Means of transportation</i> | <i>Office equipment</i> | <i>Other fixed assets</i> | <i>Total</i> |
|--|----------------------------------|--|------------------------------------|-----------------------------|-----------------------------------|----------------|
| | VNDm | VNDm | VNDm | VNDm | VNDm | VNDm |
| Cost | | | | | | |
| Beginning balance | 103,274 | 5,266 | 21,121 | 14,255 | 577 | 144,493 |
| Newly purchased | 1,182 | 1,627 | 12,462 | 36,660 | 263 | 52,194 |
| Transferred from constructions in progress | 11,238 | 1,223 | 4,274 | 1,768 | 1,372 | 19,875 |
| Sold, disposed | (143) | (207) | (316) | (108) | (12) | (786) |
| Reclassification | - | 36 | (36) | - | - | (36) |
| Ending balance | <u>115,551</u> | <u>7,945</u> | <u>37,505</u> | <u>52,575</u> | <u>2,200</u> | <u>215,776</u> |
| Accumulated depreciation | | | | | | |
| Beginning balance | 5,963 | 1,699 | 3,580 | 5,548 | 134 | 16,924 |
| Depreciation for the year | 3,474 | 767 | 2,998 | 4,736 | 198 | 12,173 |
| Sold, disposed | (51) | (200) | (283) | (46) | (4) | (584) |
| Ending balance | <u>9,386</u> | <u>2,266</u> | <u>6,295</u> | <u>10,238</u> | <u>328</u> | <u>28,513</u> |
| Net carrying amount | | | | | | |
| Beginning balance | <u>97,311</u> | <u>3,567</u> | <u>17,541</u> | <u>8,707</u> | <u>443</u> | <u>127,569</u> |
| Ending balance | <u>106,165</u> | <u>5,679</u> | <u>31,210</u> | <u>42,337</u> | <u>1,872</u> | <u>187,263</u> |

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

10. FIXED ASSETS (continued)

10.1 *Tangible fixed assets* (continued)

Movements in tangible fixed assets for the year ended 31 December 2008 were as follows:

| | <i>Buildings, structures</i> | <i>Machinery equipment</i> | <i>Means of transportation</i> | <i>Office equipment</i> | <i>Other fixed assets</i> | <i>Total</i> |
|---------------------------------|----------------------------------|--------------------------------|------------------------------------|-----------------------------|-------------------------------|--------------|
| | VNDm | VNDm | VNDm | VNDm | VNDm | VNDm |
| Cost | | | | | | |
| Beginning balance | 41,698 | 3,581 | 10,820 | 8,262 | 265 | 64,626 |
| Newly purchased | 61,626 | 1,757 | 11,320 | 6,104 | 312 | 81,119 |
| Sold, disposed | (50) | (72) | (1,019) | (111) | - | (1,252) |
| Ending balance | 103,274 | 5,266 | 21,121 | 14,255 | 577 | 144,493 |
| Accumulated depreciation | | | | | | |
| Beginning balance | 4,434 | 1,199 | 2,535 | 2,951 | 55 | 11,174 |
| Depreciation for the year | 1,569 | 562 | 1,920 | 2,697 | 79 | 6,827 |
| Sold, disposed | (40) | (62) | (875) | (100) | - | (1,077) |
| Ending balance | 5,963 | 1,699 | 3,580 | 5,548 | 134 | 16,924 |
| Net carrying amount | | | | | | |
| Beginning balance | 37,264 | 2,382 | 8,285 | 5,311 | 210 | 53,452 |
| Ending balance | 97,311 | 3,567 | 17,541 | 8,707 | 443 | 127,569 |

Other information about tangible fixed assets:

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|--|--------------------|--------------------|
| Cost of tangible fixed assets fully depreciated but still in use | 2,962 | 2,116 |

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

10. FIXED ASSETS (continued)

10.2 Intangible fixed assets

Movements in intangible fixed assets for the year ended 31 December 2009 were as follows:

| | <i>Land use rights VNDm</i> | <i>Accounting software VNDm</i> | <i>Total VNDm</i> |
|---------------------------------|-------------------------------------|---|-----------------------|
| Cost | | | |
| Beginning balance | 21,581 | 1,965 | 23,546 |
| Purchased | - | 42,541 | 42,541 |
| Ending balance | <u>21,581</u> | <u>44,506</u> | <u>66,087</u> |
| Accumulated amortization | | | |
| Beginning balance | - | 626 | 626 |
| Amortised for the year | - | 2,106 | 2,106 |
| Ending balance | <u>-</u> | <u>2,732</u> | <u>2,732</u> |
| Net carrying amount | | | |
| Beginning balance | <u>21,581</u> | <u>1,339</u> | <u>22,920</u> |
| Ending balance | <u>21,581</u> | <u>41,774</u> | <u>63,355</u> |

Movements in intangible fixed assets for the year ended 31 December 2008 were as follows:

| | <i>Land use rights VNDm</i> | <i>Accounting software VNDm</i> | <i>Total VNDm</i> |
|---------------------------------|-------------------------------------|---|-----------------------|
| Cost | | | |
| Beginning balance | 12,212 | 1,102 | 13,314 |
| Purchased | 9,369 | 863 | 10,232 |
| Ending balance | <u>21,581</u> | <u>1,965</u> | <u>23,546</u> |
| Accumulated amortization | | | |
| Beginning balance | - | 312 | 312 |
| Amortised for the year | - | 314 | 314 |
| Ending balance | <u>-</u> | <u>626</u> | <u>626</u> |
| Net carrying amount | | | |
| Beginning balance | <u>12,212</u> | <u>790</u> | <u>13,002</u> |
| Ending balance | <u>21,581</u> | <u>1,339</u> | <u>22,920</u> |

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

10. FIXED ASSETS (continued)

10.2 Intangible fixed assets (continued)

Other information about intangible fixed assets:

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|--|--------------------|--------------------|
| Cost of tangible fixed assets fully depreciated but still in use | <u>157</u> | <u>-</u> |

11. RECEIVABLES

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|--|-------------------------|-----------------------|
| Deposits for purchase of bonds (i) | 796,000 | - |
| Acquisitions of fixed assets (Note 11.1) | 310,023 | 198,017 |
| Constructions in progress (Note 11.2) | 17,891 | 18,871 |
| Receivables from selling securities (ii) | 17,200 | - |
| Amounts awaiting payments from the State budget | 12,738 | - |
| Advances for operations | 11,858 | 4,182 |
| Deposits, mortgage and pledge | 8,912 | 3,985 |
| Dividend receivables | 5,144 | - |
| Accrued interest receivable on the subsidy program | 3,134 | - |
| Expenses incurred in resolving collaterals | 1,009 | 581 |
| Overhauls of fixed assets | 706 | 1,155 |
| Other receivables | 2,947 | 1,499 |
| | <u>1,187,562</u> | <u>228,290</u> |

(i) : This amount represented deposits for purchases of bonds in the following securities companies:

- Phu Gia Securities Corporation with the deposit amounting to VNDm 96,000 to buy purchase Government bonds issued by the State Treasury with the minimum interest at rate of 16.00% and convertible bonds issued by Military Commercial Joint-Stock Bank (the second issuance in 2007).
- Ocean Securities Company with the deposit amounting to VNDm 300,000 to purchase Government bonds, Treasury bills issued by the Government or the State Treasury with the minimum interest at rate of 17.00% p.a. This deposit earns the interest at rate ranging from 9.40% p.a. to 11.50% p.a.
- Agriseco - Giai Phong Branch with the deposit amounting to VNDm 170,000 to purchase the State Treasury or the Government bonds with the minimum interest at rate ranging from 12.50% p.a. to 18.00% p.a., in which, the deposit valued at VNDm 70,000 earns the interest at rate of 3.8% p.a. and the rest valued at VNDm 100,000 earns the interest at rate of 13.5% p.a.
- Thang Long Securities JSC with the deposit amounting to VNDm 100,000 to purchase bills and bonds issued by the State Treasury or Government bonds with the minimum interest at rate of 18.00% p.a. This deposit earns the interest at rate of 11.50% p.a.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

11. RECEIVABLES (continued)

- Agriseco - Ho Chi Minh City branch with the deposit amounting to VNDm 100,000 to buy bonds issued by State Treasury or Government with the minimum interest at rate of 12.50% p.a. This deposit earns interest at rate of 13.00% p.a.
 - BIDV Financial Investment JSC with the deposit amounting to VNDm 30,000 to purchase Government Bonds with the minimum interest at rate of 18.00% p.a. This deposit earns interest at rate of 15.00% p.a.
- (ii): This is the receivable from selling of 300,000 shares of Ho Chi Minh City Securities Corporation ("HCM") as at 31 December 2009.

11.1 Acquisitions of fixed assets

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|---|--------------------|--------------------|
| Purchases of houses and offices (*) | 292,732 | 127,863 |
| Fixed assets acquired for implementation of the core banking system in progress | 11,927 | 69,166 |
| Purchases of other assets | 5,364 | 988 |
| | <u>310,023</u> | <u>198,017</u> |

- (*): In which, a part of Abacus Building (from 1st floor to 5th floor and 8th floor) located at No. 58 Nguyen Dinh Chieu Street, District 1, Ho Chi Minh City amounting to VNDm 148,267 has been being in process of completing ownership transfer.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

11. RECEIVABLES (continued)

11.2 Constructions in progress ("CIP")

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|---------------------------------------|--------------------|--------------------|
| Tam Binh transaction office - Thu Duc | 9,596 | 6,561 |
| Van Hanh branch | 976 | - |
| Vinh branch | 870 | - |
| Nam Ky Khoi Nghia transaction office | 678 | - |
| Trieu Nu Vuong branch - Da Nang | 635 | 477 |
| Hoa Cuong transaction office | 621 | - |
| Can Tho branch | 599 | - |
| Nguyen Van Linh transaction office | 568 | - |
| Head office | 496 | 3,575 |
| Huynh Tan Phat transaction office | 386 | - |
| Le Van Sy transaction office | 348 | - |
| Hoa Hung transaction office | 321 | - |
| Thai Son transaction office | 309 | - |
| Au Co transaction office | 305 | - |
| North representative office | 211 | - |
| House at Pham Ngoc Thach | 152 | 6,586 |
| Tan Binh branch | 146 | - |
| Nguyen Duy Trinh transaction office | 142 | - |
| Tan Dinh transaction office | 135 | - |
| Sai Gon branch | 120 | - |
| Nha Trang branch | 77 | - |
| 3/2 transaction office | 63 | - |
| Dong Sai Gon transaction office | 59 | - |
| Card Center | 41 | - |
| Nguyen Trai branch | 37 | - |
| House at Binh Duong Avenue | - | 1,479 |
| Hai Chau transaction office - Da Nang | - | 193 |
| | 17,891 | 18,871 |

12. ACCRUED INTEREST AND FEES RECEIVABLES

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|---|--------------------|--------------------|
| Accrued interest receivables on deposits in VND | 50,599 | 9,991 |
| Accrued interest receivables on deposits in FC, gold | 675 | 507 |
| Accrued interest receivables on borrowings in VND | 28,172 | 37,196 |
| Accrued interest receivables on borrowings in FC, gold | 6,266 | 4,289 |
| Accrued interest receivables from securities available-for-sale | 6,203 | - |
| Accrued interest receivables from securities held-to-maturity | 60,568 | 15,536 |
| Forward contracts | 8,907 | - |
| | 161,390 | 67,519 |

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

13. OTHER ASSETS

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|--|-----------------------|----------------------|
| Entrusted funds (i) | 73,000 | - |
| Other receivables (ii) | 22,480 | - |
| Prepaid expenses (iii) | 16,736 | 10,814 |
| Foreclosed assets awaiting for resolution (iv) | 3,783 | 3,783 |
| Other assets | 757 | 461 |
| | <u>116,756</u> | <u>15,058</u> |

(i): This represented entrusted fund into Viet Nam Alliance Fund Management JSC in form of cash, securities and other investments with the maximum accepted loss of 5.00% of total investment capital. The entrusting period is 6 months starting from 10 December 2009 and the management fee is 2.00% p.a. over the total investment capital.

(ii): Other receivables represent transactions performed of buying 310 kilogram of gold on account at MKS Finance SA Gold Trading Floor and INTL Commodities Inc Gold Trading Floor with total payment of USD 10,967,547. At 31 December 2009, the Bank revaluated those gold using exchange rates ruling at the balance sheet date.

(iii): The prepaid expenses comprised of advertising, acquisition of tools and supplies, repairing fixed assets, operating lease and leasing lines.

(iv): The foreclosed assets awaiting for resolution were placed as collaterals for two (02) loan facilities at Da Nang branch under which the client became insolvent. The Bank possessed the ownership of these assets as at 31 December 2009.

14. BORROWINGS FROM THE GOVERNMENT AND THE SBV

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|--|-----------------------|----------------------|
| Asian Development Bank (i) | 14,496 | 4,754 |
| Japan Bank of International Cooperation (ii) | 91,030 | 92,866 |
| | <u>105,526</u> | <u>97,620</u> |

(i): These borrowings under the Credit Financing Project funded by Asia Development Bank through the State Bank of Vietnam ("SBV"). According to the agreement dated 16 January 2006 and its amendment dated 24 November 2006 signed with the SBV, total borrowings amount to VNDm 30,000 and have a term of 20 years from 06 January 2004 and bear interest rate which is equivalent to the average interest rates of all types of term deposits in the banking system at end of each quarter.

(ii): These borrowings represent borrowings under the Credit Financing for Small and Medium Enterprises Project - Phase II funded by Japan Bank of International Cooperation (JBIC) through the State Bank of Vietnam ("SBV"). According to the agreement dated 01 November 2007, the Bank obtained these loans to support qualified enterprises which adapt criterion of the project.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

15. DEPOSITS AND BORROWINGS FROM OTHER BANKS

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|--|-------------------------|-------------------------|
| Demand deposits from local banks (Note 15.1) | 4,086 | 5,883 |
| Term deposits from local banks (Note 15.2) | 5,210,969 | 2,066,966 |
| | <u>5,215,055</u> | <u>2,072,849</u> |

15.1 Demand deposits from local banks

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|-----------------------|---------------------|---------------------|
| In VND | 569 | 527 |
| In foreign currencies | 3,517 | 5,356 |
| | <u>4,086</u> | <u>5,883</u> |

15.2 Term deposits from local banks

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|-----------------------|-------------------------|-------------------------|
| Less than 3 months | | |
| In VND | 3,319,000 | 1,872,000 |
| In foreign currencies | 191,969 | 25,466 |
| | <u>3,510,969</u> | <u>1,897,466</u> |
| More than 3 months | | |
| In VND | 1,700,000 | 169,500 |
| | <u>1,700,000</u> | <u>169,500</u> |
| | <u>5,210,969</u> | <u>2,066,966</u> |

Interest rates of term deposits by local banks at year-end were as follows:

| | 31/12/2009 Per annum | 31/12/2008 Per annum |
|--------|-------------------------|-------------------------|
| In VND | from 8.90% to 12.00% | from 4.40% to 17.50% |
| In FC | from 1.00% to 3.5% | 2.30% |

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

16. CUSTOMER DEPOSITS

16.1 Analysis by products

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|--------------------------------------|--------------------|--------------------|
| Demand deposits | | |
| Demand deposits in VND | 1,424,264 | 655,211 |
| Demand saving deposits in VND | 4,677 | 9,703 |
| Demand deposits in FC | 75,480 | 15,813 |
| Demand saving deposits in FC | 50,030 | 1,074 |
| Term deposits | | |
| Term deposits in VND | 2,456,311 | 1,481,047 |
| Term saving deposits in VND | 1,061,499 | 1,473,997 |
| Term deposits in FC | 161,182 | 6,380 |
| Term saving deposits in FC | 478,091 | 262,501 |
| Deposits for specific purpose | | |
| Deposits for specific purpose in VND | 35,229 | 18,348 |
| Deposits for specific purpose in FC | 209 | 25,776 |
| Margin deposits | | |
| Margin deposits in VND | 55,798 | 22,421 |
| Margin deposits in FC | 53,777 | 9,402 |
| Other amounts owing to customers | | |
| Other saving deposits | 3,602,697 | 355,210 |
| | 9,459,244 | 4,336,883 |

Interest rates at year end applicable to customer deposits were as follows:

| | 31/12/2009 <i>Per annum</i> | 31/12/2008 <i>Per annum</i> |
|-------------------------------|--------------------------------|--------------------------------|
| Demand deposits in VND | from 1.50% to 10.02% | maximum to 3.60% |
| Demand saving deposits in VND | maximum to 3.00% | maximum to 3.60% |
| Demand deposits in FC | from 0.20% to 1.20% | from 0.50% to 1.50% |
| Demand saving deposits in FC | from 0.20% to 1.40% | from 0.50% to 1.50% |
| Term deposits in VND | from 3.00% to 11.00% | from 5.50% to 9.00% |
| Term saving deposits in VND | from 7.80% to 14.50% | from 5.50% to 9.00% |
| Term deposits in FC | from 2.40% to 3.80% | from 2.50% to 3.70% |
| Term saving deposits in FC | from 1.90% to 7.15% | from 3.00% to 4.20% |

For term saving deposits, in case customers withdrew before maturity, non-term interest rate shall be applied if less than 1 month and 70% of term interest rate shall be applied for actual days if over 1 month.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

16. CUSTOMER DEPOSITS (continued)

16.2 Analysis by customers

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|---------------------------------|-------------------------|-------------------------|
| Deposits from business entities | | |
| Private enterprises and others | 3,272,383 | 1,907,423 |
| State-owned enterprises | 925,581 | 310,847 |
| Foreign invested enterprises | 60,770 | 10,652 |
| Deposits from individuals | 5,200,510 | 2,107,961 |
| | <u>9,459,244</u> | <u>4,336,883</u> |

17. DERIVATIVES

| | <i>Total contract value (using exchange rate at the contract effective date)</i> | <i>Net book value (using exchange rate at balance sheet date)</i> | |
|--|--|---|-----------------------------|
| | | <i>Assets VNDm</i> | <i>Liabilities VNDm</i> |
| As at 31 December 2009 | | | |
| Foreign currency forward commitment | 174,370 | - | 12,532 |

18. VALUABLE PAPERS ISSUED BY THE BANK

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|------------------------------------|-------------------------|-------------------------|
| Certificates of deposits with term | | |
| Under 12 months | 1,993,574 | 1,157,421 |
| From 12 months to 2 years | 345,737 | 107,440 |
| | <u>2,339,311</u> | <u>1,264,861</u> |

Certificates of deposits issued by the Bank comprised of certificates of deposits denominated in VND, FC and gold with term from one (01) month to two (02) years. Interest is payable at maturity for deposits with term from one (01) to three (03) months and quarterly for deposits of six (06) months and above.

Interest rates at year-end applicable to certificates of deposits were as follows:

| | 31/12/2009 <i>Per annum</i> | 31/12/2008 <i>Per annum</i> |
|----------------------------------|--------------------------------|--------------------------------|
| Certificates of deposits in VND | from 9.05% to 10.36% | from 9.90% to 11.96% |
| Certificates of deposits in FC | from 3.80% to 4.45% | from 3.50% to 5.95% |
| Certificates of deposits in gold | from 1.20% to 5.00% | from 2.00% to 4.60% |

No interest rate shall be applied in case customers withdraw before maturity date of certificates of deposits in gold.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

19. ACCRUED INTEREST AND FEES PAYABLES

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|--|--------------------|--------------------|
| Accrued interest payables of deposits in VND | 63,835 | 22,147 |
| Accrued interest payables of deposits in FC | 667 | 69 |
| Accrued interest payables of saving deposits in VND | 47,265 | 35,138 |
| Accrued interest payables of saving deposits in FC | 2,195 | 1,759 |
| Accrued interest payables of loans in VND | 1,449 | 1,177 |
| Accrued interest payables of valuable papers in VND | 13,483 | 15,986 |
| Accrued interest payables of valuable papers in FC, gold | 7,386 | 4,119 |
| | <u>136,280</u> | <u>80,395</u> |

20. OTHER PAYABLES

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|---|--------------------|--------------------|
| Payables to internal | | |
| Provision for severance allowance | 981 | 2,409 |
| Payables to employees | 102 | 302 |
| Payables to outside | | |
| Unearned revenue (i) | 17,847 | 37 |
| Statutory obligations (Note 21) | 17,351 | 11,395 |
| Cash held in trust and awaiting payment | 11,072 | 10,726 |
| Remittances payables | 1,092 | 253 |
| Repayment to the State Budget for the subsidy program | 573 | - |
| Dividend payables | 313 | 765 |
| Other payables | 5,259 | 5,975 |
| | <u>54,590</u> | <u>31,862</u> |

(i): Unearned revenue mainly included allocation of the collected guarantee fees, the interest amount received in advance from term deposit contracts with Saigon - Hanoi Commercial JS Bank and Military Bank Commercial JS Bank amounting to VNDm 3,430 and VNDm 9,610, respectively, and the unearned profit from the contract of entrusted investment with Lien Minh Vietnam Management Fund Company with amount of VNDm 4,800.

21. STATUTORY OBLIGATIONS

| | Beginning balance VNDm | Movement during the year | | Ending balance VNDm |
|---------------------------------|------------------------------|-----------------------------|---------------|---------------------------|
| | | Payable VNDm | Paid VNDm | |
| Value added tax ("VAT") | (25) | 16,552 | 12,217 | 4,310 |
| VAT on providing services | (35) | 6,499 | 4,915 | 1,549 |
| VAT on foreign exchange trading | 10 | 10,053 | 7,302 | 2,761 |
| Enterprise income tax | 11,254 | 60,290 | 58,918 | 12,626 |
| Other taxes | 166 | 1,856 | 1,607 | 415 |
| Personal income tax | 166 | 1,463 | 1,214 | 415 |
| License tax | - | 52 | 52 | - |
| Withholding tax | - | 341 | 341 | - |
| | <u>11,395</u> | <u>78,698</u> | <u>72,742</u> | <u>17,351</u> |

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

21. STATUTORY OBLIGATIONS (continued)

The Bank has the obligation to pay enterprise income tax ("EIT") at a rate of 25% of taxable profit (year 2008: 28%)

The tax returns filed by the Bank are subject to examination by the tax authorities. As the application of tax laws and regulations is susceptible to varying interpretations, the amounts reported in the financial statements could change at a later date upon final determination by the tax authorities.

21.1 Current EIT

The current tax payable is based on taxable profit for the year. The taxable profit of the Bank for the year differs from the profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods due to the differences between the Bank's accounting policies and the current tax policies, and it further excludes items that are not taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

| | 2009 VNDm | 2008 VNDm |
|---|----------------|---------------|
| Profit before tax | 254,905 | 80,275 |
| <i>Less:</i> | | |
| Dividend income not subject to EIT | (9,105) | (9,084) |
| Bonus shares | (5,378) | - |
| <i>Add:</i> | | |
| Provision for severance allowance | - | 1,641 |
| Non-deductible expenses | 737 | 1,244 |
| Estimated current taxable profit | 241,159 | 74,076 |
| Estimated current EIT | 60,290 | 20,741 |
| EIT payable at beginning of the year | 11,254 | 14,998 |
| EIT paid during the year | (58,918) | (24,485) |
| EIT payable at the end of the year | 12,626 | 11,254 |

21.2 Deferred EIT

The following are the deferred tax assets recognised by the Bank, and the movements thereon, during the current and prior year:

| | <i>Balance sheet</i> | | <i>Income statement</i> | |
|--|---------------------------------------|------------------------------------|----------------------------------|----------------------------|
| | <i>Beginning balance VNDm</i> | <i>Ending balance VNDm</i> | <i>Current year VNDm</i> | <i>Prior year VNDm</i> |
| Deferred tax assets | | | | |
| Provision for severance allowance | 410 | - | (410) | 410 |
| | 410 | - | | |
| Net deferred income tax (charge) credit to the income statement | | | (410) | 410 |

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

22. CAPITAL AND RESERVES

22.1 Statement of changes in capital and reserves

Changes in capital and reserves of the Bank in 2009 were described in the following table:

| | Share capital VNDm | Share premium VNDm | Financial reserve VNDm | Supplementary capital reserve VNDm | Bonus and welfare fund VNDm | Dividend reserve VNDm | BOM and BOD's fund VNDm | Retained earnings VNDm | Total VNDm |
|--------------------------------|--------------------|--------------------|------------------------|------------------------------------|-----------------------------|-----------------------|-------------------------|------------------------|------------------|
| Beginning balance | 1,550,000 | 4,043 | 24,687 | 13,177 | 2,548 | 18,192 | - | 59,944 | 1,672,591 |
| Increase in the year | - | - | - | - | - | - | - | - | - |
| Profit for the year | - | - | - | - | - | - | - | 194,205 | 194,205 |
| Addition to for the prior year | - | - | 5,666 | 2,982 | 5,100 | - | 2,986 | (16,734) | - |
| Decrease in the year | - | - | - | - | (6,243) | - | (2,986) | (300) | (9,529) |
| Utilization during the year | - | - | - | - | - | (18,192) | - | (42,910) | (61,102) |
| Cash dividends | - | - | - | - | - | - | - | - | - |
| Ending balance | 1,550,000 | 4,043 | 30,353 | 16,159 | 1,405 | - | - | 194,205 | 1,796,165 |

The Bank has not yet created the statutory reserves from the profit after tax for the year 2009. The statutory reserves shall be made in accordance with the approval by the shareholders at the Annual General Meeting of Shareholders of the Bank.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

22. CAPITAL AND RESERVES (continued)

22.1 Statement of changes in capital and reserves (continued)

Changes in capital and reserves of the Bank in 2008 were described in the following table:

| | Share capital VNDm | Share premium VNDm | Financial reserve VNDm | Supplementary capital reserve VNDm | Bonus and welfare fund VNDm | Dividend reserve VNDm | BOM and BOD's fund VNDm | Retained earnings VNDm | Total VNDm |
|--|--------------------------|--------------------------|------------------------------|--|---|-----------------------------|----------------------------------|------------------------------|------------------|
| Beginning balance | 500,000 | 119,777 | 13,224 | 7,144 | 2,106 | 7,338 | 176 | 90,969 | 740,734 |
| Increase in the year | | | | | | | | | |
| Capital increase | 881,785 | 4,043 | - | - | - | - | - | - | 885,828 |
| Transferred from share premium to capital | 119,777 | (119,777) | - | - | - | - | - | - | - |
| Reversal of proposed dividends in 2006 | - | - | - | - | - | - | - | 48,438 | 48,438 |
| Transferred from retained earnings to capital | 48,438 | - | - | - | - | - | - | (48,438) | - |
| Profit for the year | - | - | - | - | - | - | - | 59,944 | 59,944 |
| Decrease in the year | | | | | | | | | |
| Addition to reserves for the prior year | - | - | 11,463 | 6,033 | 10,319 | 10,854 | 2,000 | (40,669) | - |
| Utilization during the year | - | - | - | - | (9,877) | - | (2,176) | (300) | (12,353) |
| Cash dividends | - | - | - | - | - | - | - | (50,000) | (50,000) |
| Ending balance | 1,550,000 | 4,043 | 24,687 | 13,177 | 2,548 | 18,192 | - | 59,944 | 1,672,591 |

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

22. CAPITAL AND RESERVES (continued)

22.1 Statement of changes in capital and reserves (continued)

Details of the Bank's share capital were as follows:

| | 31/12/2009 | | 31/12/2008 | |
|---|------------------|----------------------------|------------------|----------------------------|
| | Total VNDm | Ordinary shares VNDm | Total VNDm | Ordinary shares VNDm |
| Share capital by the State | 597,293 | 597,293 | 658,983 | 658,983 |
| Share capital (shareholders, members...) | 952,707 | 952,707 | 891,017 | 891,017 |
| Share premium | 4,043 | 4,043 | 4,043 | 4,043 |
| | 1,554,043 | 1,554,043 | 1,554,043 | 1,554,043 |

Details of the shares issued by the Bank were as follows:

| | 2009 Unit | 2008 Unit |
|---|--------------|--------------|
| Authorized shares (share) | 155,000,000 | 155,000,000 |
| Issued shares | | |
| Ordinary shares (share) | 155,000,000 | 155,000,000 |
| Shares in circulation | | |
| Ordinary shares (share) | 155,000,000 | 155,000,000 |
| Par value of outstanding shares (VND/share) | 10,000 | 10,000 |

22.2 Statutory reserves

The Government issued Decree No. 146/2005/ND-CP dated on 23 November 2005 regarding the financial management regime of credit institutions which was effective from 16 December 2005. According to Decree No. 146/2005/ND-CP, commercial joint stock banks are required to make the following allocations of profit after tax to create statutory reserves:

| | Percentage from profit after tax | Maximum balance |
|------------------------|----------------------------------|-----------------------|
| Financial risk reserve | 10% of remaining profit | 25% chartered capital |

The following reserves are calculated based on the profit after tax, and after allocation to the financial risk reserve (the remaining profit after tax):

| | Percentage from the remaining profit after tax | Maximum balance |
|-------------------------------|--|-----------------|
| Supplementary capital reserve | At the direction of the Board of Management | Not applicable |
| Bonus and welfare fund | At the direction of the Board of Management | Not applicable |
| Other funds | At the direction of the Board of Management | Not applicable |

The utilization of these statutory reserves is in accordance with guidelines as discussed Decree No. 146/2005/ND-CP.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

23. BASIC EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit after tax for the year attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Details of basic earnings per share of the Bank as follow:

| | 2009 | 2008 |
|---|--------------|------------|
| Net profit after tax attributable to ordinary equity holders for basic earnings (VNDm) | 194,205 | 59,944 |
| Net profit distributable to ordinary equity holders (VNDm) | 194,205 | 59,944 |
| Weighted average number of ordinary shares for basic earnings per shares (million shares) | 155 | 101 |
| Basic earnings per share (VND/share) | 1,253 | 594 |

Net profit attributable to the Bank's ordinary shareholders used to calculate basic earnings per share represents profit after tax, which includes amounts used to create reserves according to the Bank's regulations and policies as presented in Note 22.2.

24. INTEREST AND SIMILAR INCOME

| | 2009 VNDm | 2008 VNDm |
|---|------------------|------------------|
| Interest income from placements with and loans to other banks | 264,967 | 141,358 |
| Interest income from loans and advances to customers | 629,995 | 818,936 |
| Interest income from trading, investing in debt securities | 95,664 | 62,626 |
| Interest income from other credit activities | 48,549 | 61,954 |
| | 1,039,175 | 1,084,874 |

25. INTEREST AND SIMILAR EXPENSES

| | 2009 VNDm | 2008 VNDm |
|---|----------------|----------------|
| Interest expense from customer deposits | 736,350 | 854,804 |
| Interest expense from borrowings | 8,584 | 58,699 |
| Interest expense from valuable papers | 55,433 | 55,941 |
| Other expense from credit activities | 4,094 | 1,235 |
| | 804,461 | 970,679 |

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

26. NET FEE AND COMMISSION INCOME

| | 2009 VNDm | 2008 VNDm |
|---|-----------------|----------------|
| Fee and commission income from providing services | | |
| Settlement services | 24,493 | 7,545 |
| Guarantee transactions | 13,594 | 2,311 |
| Treasury services | 2,399 | 1,072 |
| Trust and agent services | 1,167 | 841 |
| Advisory services | 16,954 | 1,715 |
| Discounted fees | 83,087 | 65,302 |
| Asset maintenance | - | 1 |
| Collection of credit service fees | 10,100 | 1,237 |
| | 151,794 | 80,024 |
| Fee and commission expenses from providing services | | |
| Settlement services | (1,791) | (1,748) |
| Postal and telecommunication | (5,750) | (2,939) |
| Treasury service | (1,558) | (1,182) |
| Trust and agent services | (27) | (409) |
| Advisory services | (446) | (488) |
| Brokerage services | (125) | (22) |
| Others | (1,688) | (390) |
| | (11,385) | (7,178) |
| Net fee and commission income | 140,409 | 72,846 |

27. NET GAIN FROM DEALING FOREIGN CURRENCIES AND GOLD TRADING

| | 2009 VNDm | 2008 VNDm |
|--|------------------|------------------|
| Income from dealing foreign currencies and gold trading | | |
| Income from foreign exchange spot | 213,876 | 532,833 |
| Income from gold trading | 80,942 | 12,441 |
| Income from currency derivatives | 1,696 | 4,982 |
| | 296,514 | 550,256 |
| Expense from dealing foreign currencies and gold trading | | |
| Expense from foreign exchange spot | (202,159) | (528,846) |
| Expense from gold trading | (22,667) | (864) |
| Expense from currency derivatives | (8,278) | (4,823) |
| | (233,104) | (534,533) |
| Net gain from dealing foreign currencies and gold trading | 63,410 | 15,723 |

28. NET (LOSS) FROM SECURITIES INVESTMENT

| | 2009 VNDm | 2008 VNDm |
|---|----------------|----------------|
| Income from sales of equity investments | 47,030 | - |
| Income from sale of LILAMA bonds | - | 12,141 |
| Expense for sales of equity investments | (3,623) | - |
| Provision for impairment of securities investment | (48,531) | (17,820) |
| Net (loss) from securities investment | (5,124) | (5,679) |

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

29. NET GAIN FROM OTHER LONG-TERM INVESTMENTS

| | 2009 VNDm | 2008 VNDm |
|--|----------------------|---------------------|
| Income from sale of other long-term investments | 90,000 | 50,000 |
| Net carrying amount of other long-term investments | <u>(46,000)</u> | <u>(42,625)</u> |
| Net gain from other long-term investments | <u>44,000</u> | <u>7,375</u> |

30. NET OTHER OPERATING (LOSS)/INCOME

| | 2009 VNDm | 2008 VNDm |
|--|--------------------|-------------------|
| Other operating income | | |
| Gain from disposal of fixed assets | 232 | 425 |
| Other income | <u>682</u> | <u>599</u> |
| | 914 | 1,024 |
| Other operating expenses | | |
| Loss from disposal of fixed assets | (141) | - |
| Other expenses | <u>(814)</u> | <u>(165)</u> |
| | (955) | (165) |
| Net other operating (loss)/income | <u>(41)</u> | <u>859</u> |

31. GAINS FROM LONG-TERM INVESTMENTS

| | 2009 VNDm | 2008 VNDm |
|--|----------------------|---------------------|
| Dividend received from equity securities | 2,198 | 1,080 |
| Dividend received from long-term investments | 7,699 | 5,944 |
| Bonus shares received | <u>5,378</u> | <u>2,060</u> |
| | <u>15,275</u> | <u>9,084</u> |

32. OTHER OPERATING EXPENSES

| | 2009 VNDm | 2008 VNDm |
|---|----------------------|----------------------|
| Other taxes and fees | 11,103 | 2,551 |
| Training | 705 | 107 |
| Office rental | 22,154 | 16,703 |
| Advertising, marketing, promotion and entertainment | 18,635 | 8,747 |
| Tool and equipment | 4,854 | 2,792 |
| Repair and maintenance | 4,581 | 2,770 |
| Material and printing | 2,831 | 2,018 |
| Business trip | 2,409 | 1,852 |
| Post and telecommunication | 2,061 | 1,446 |
| General administration expenses | 19,901 | 4,958 |
| Insurance of the Bank's assets | 720 | 453 |
| Insurance for customer deposits | 4,207 | 2,610 |
| Impairment loss of long-term investments | - | 943 |
| Other expenses | <u>171</u> | <u>8,524</u> |
| | <u>94,332</u> | <u>56,474</u> |

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

33. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flows statement comprised the following amounts on the balance sheet:

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|--|-------------------------|-------------------------|
| Cash in VND | 113,540 | 54,486 |
| Cash in FC | 24,547 | 20,754 |
| Monetary gold | 389,079 | 60,070 |
| Current account with the SBV | 517,670 | 382,124 |
| Demand deposits with other banks | 123,473 | 61,043 |
| Term deposits with other banks with term of 3 months or less | <u>3,693,269</u> | <u>1,474,740</u> |
| | <u>4,861,578</u> | <u>2,053,217</u> |

34. EMPLOYEES' INCOME

| | Actual amount 2009 | Actual amount 2008 |
|--|--------------------------|--------------------------|
| I. Total number of employees (<i>persons</i>) | 1,288 | 783 |
| II. Employees' income (<i>VNDm</i>) | | |
| 1. Total salary | 77,294 | 56,181 |
| 2. Lunch allowances | <u>5,551</u> | <u>3,755</u> |
| 3. Total income (1+2) | <u>82,845</u> | <u>59,936</u> |
| 4. Average monthly salary (<i>VNDm/person</i>) | <u>4.60</u> | <u>5.50</u> |
| 5. Average monthly income (<i>VNDm/person</i>) | <u>4.90</u> | <u>5.90</u> |

35. COLLATERALS AND MORTGAGES

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|------------------------|--------------------------|--------------------------|
| Real estate properties | 12,127,804 | 9,066,330 |
| Movable assets | 5,287,979 | 4,403,823 |
| Valuable papers | 3,870,413 | 2,113,916 |
| Other assets | <u>3,638,937</u> | <u>921,686</u> |
| | <u>24,925,133</u> | <u>16,505,755</u> |

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

36. CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of business, the Bank is a party to financial instruments which are recorded as off balance sheet items. These financial instruments mainly comprise financial guarantees and commercial letters of credit. These instruments involve elements of credit risk in excess of the amounts recognized in the balance sheet.

Credit risk for off balance sheet financial instruments is defined as the possibility of sustaining a loss because any other party to a financial instrument fails to perform in accordance with the terms of the contract.

Financial guarantees are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party including guarantee for borrowings, settlement, performing contracts and bidding. The credit risk involved in issuing guarantees is essentially the same as that involved in extending facilities to other customers.

Commercial at sight letters of credit represent a financing transaction by the Bank to its customer where the customer is usually the buyer/importer of goods and the beneficiary is typically the seller/exporter. Credit risk is limited as the merchandise shipped serves as collateral for the transaction.

Deferred payment letters of credits represent the amounts at risk should the contract be fully drawn upon and the client defaults in repayment to the beneficiary. Deferred payment letters of credit that were defaulted by clients are recognized by the Bank as granting of a compulsory loan with a corresponding liability representing the financial obligation of the Bank to pay the beneficiaries and to fulfill the guarantor obligation.

The Bank requires margin deposits to support credit-related financial instruments when it is deemed necessary. The margin deposit required varies from nil to 100.00% of the value of a commitment granted, depending on the creditworthiness of clients as assessed by the Bank.

The outstanding contingent liabilities and commitments as at 31 December are as follows:

| | 31/12/2009 | 31/12/2008 |
|--|-------------------------|-----------------------|
| | VNDm | VNDm |
| Financial guarantees | 1,344,573 | 129,484 |
| At sight letters of credit | 163,958 | 23,447 |
| Deferred payment letters of credit | 27,886 | 16,401 |
| | <u>1,536,417</u> | <u>169,332</u> |
| Less: Margin deposits on guarantee/letters of credit | (103,777) | (22,610) |
| Contingent liabilities and commitments | <u>1,432,640</u> | <u>146,722</u> |

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

37. RELATED PARTY TRANSACTIONS

Related party transactions include all transactions undertaken with other entities to which the Bank is related. Parties are considered as related parties if one party is able to control over or significantly influence to the other party in making decision of financial and operational policies. A party is deemed to be related to the Bank if:

- (a) directly, or indirectly through one or more intermediaries, the party:
- controls, is controlled by, or is under common control with, the Bank (this includes parents and subsidiaries);
 - has an interest in the Bank that gives it significant influence over the Bank;
 - has joint control over the Bank;
- (b) the party is a joint venture in which the Bank is a venture;
- (c) the party is a member of the key management personnel of the Bank or its parent;
- (d) the party is a close member of the family of any individual referred to in (a) or (c); and
- (e) the party is a bank that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such bank resides with, directly or indirectly, any individual referred to in (c) or (d),

Detail of receivables from and payables to related parties as at 31 December 2009 are as follows:

| Related parties | Relationship | Transactions | Receivables (Payables) | |
|--|--------------|-----------------|------------------------|----------|
| | | | VNDm | VNDm |
| Ho Chi Minh City Development and Investment Fund | Shareholder | Current account | - | (2,963) |
| | | Term deposit | - | (65,000) |
| Saigon Real Estate JSC | Shareholder | Current account | - | (8) |
| | | Capital account | - | (4) |
| | | Margin deposits | - | (112) |
| Chanh Phu Hoa Construction JSC | Investee | Current account | - | (11) |
| North-Central-South Housing Development JSC | Investee | Loans | 19,430 | - |
| | | Current account | - | (2,379) |
| | | Margin deposit | - | (24) |
| Bac Ha Investment JSC | Shareholder | Loans | 12,000 | - |
| | | Current account | - | (2,609) |
| Thu Duc House Development JSC | Shareholder | Current account | - | (327) |
| Vietnam Investment Fund | Investee | Current account | - | (1) |
| Viet Nga Investment JSC | Shareholder | Current account | - | (690) |

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

37, RELATED PARTY TRANSACTIONS (continued)

Significant transactions with related parties in the year 2009 are as follows:

| <i>Related parties</i> | <i>Relationship</i> | <i>Transactions</i> | <i>2009 VNDm</i> | <i>2008 VNDm</i> |
|--|---------------------|---------------------------------|----------------------|----------------------|
| Saigon Real Estate JSC | Shareholder | Deposits to current account | 61 | 509 |
| | | Withdrawal from current account | 2,409 | 1,100 |
| | | Deposits to capital account | 32 | 4,895 |
| | | Withdrawal from capital account | 1,264 | 3,664 |
| Bac Ha Investment JSC | Shareholder | Deposits to current account | 264,327 | 269,172 |
| | | Withdrawal from current account | 261,954 | 268,945 |
| Ho Chi Minh City Development and Investment Fund | Shareholder | Deposits to current account | 5,480,456 | 5,377,885 |
| | | Withdrawal from current account | 5,482,177 | 5,423,507 |
| | | Term deposit placement | 65,000 | - |
| | | Deposits to capital account | - | 45 |
| North-Central-South Housing Development JSC | Investee | Deposits to current account | 54,099 | 54,611 |
| | | Withdrawal from current account | 57,435 | 50,514 |
| | | Deposit to margin deposit | 114 | - |
| | | Withdrawal from margin deposit | 90 | - |
| Chanh Phu Hoa Construction JSC | Investee | Deposits to current account | 36,022 | 21,702 |
| | | Withdrawal from current account | 36,038 | 22,992 |
| | | Term deposit placement | - | 25 |
| | | Withdrawal from term deposit | - | 636 |
| Vietnam Investment Fund | Investee | Deposits to current account | 1 | - |
| Viet Nga Investment JSC | Shareholder | Deposits to current account | 22,229 | - |
| | | Withdrawal from current account | 21,563 | - |
| Thu Duc House Development JSC | Shareholder | Deposits to current account | 3,884 | - |
| | | Withdrawal from current account | 4,000 | - |

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

38. RISK MANAGEMENT POLICIES RELATING TO FINANCIAL INSTRUMENTS

Therefore, the use of financial instruments, including receipt of deposits from customers and investments in financial assets of high quality, has become a key activity enabling the Bank to achieve the required interest rate differences. In consideration of the aspect of risk management, the Bank is required to have a balance combination between the off balance sheet commitments (such as guarantees and letters of credit) with the loans (in local currency and foreign currency) to individuals and organizations depending on different levels of reliability. In addition, the Bank has also invested a portion of working capital in investment securities or loans to other banks. The risks related to foreign exchanges and interest rate changes are managed through the application of status limit in order to restrict the excessive concentration while engaging in activities to balance each other to reduce the risks. By holding multiple assets which are financial instruments with high quality, the Bank's balance sheet structure is completely able to prevent material risks during the course of business and ensure the liquidity. In addition, the Bank has also participated in many transactions to prevent risks related to financial instruments such as foreign exchange swap commitments for the purpose of interest rate risk management.

During the management of credit risk, the Bank has issued credit policies and guidance of implementation to standardize the Bank's credit activities. The risk of liquidity is limited by holding a large amount of cash and cash equivalents in the form of Nostro account, term deposits at the State Bank and other credit institutions and valuable papers. The rates of safety taking into account of risk factors are also used to manage liquidity risk. The Bank usually conducts interest rate difference assessment, comparisons with domestic and international markets for timely adjustments. In addition, the application of internal risk management processes becomes more efficient by deploying the system of Centralized Capital Management and Centralized Payment, under which all capital transactions and payments of the Bank are made by its Head Office. That allows the Bank to monitor the transformation of capital more effectively and reduce possible errors as well as unnecessary complex procedures.

39. CREDIT RISK

Credit risk is the possibility of losses in the banking activities of credit institutions due to customers do not or cannot perform their obligations as committed.

The Bank controls and manages credit risk by setting up payment limits corresponding to the levels of risk that the Bank may be acceptable for each customer.

The Bank has established a review process of credit quality enabling early prediction of changes in financial status, repayment ability of partners on the qualitative and quantitative basis. Credit limit for each customer is established through the application of credit rating system, in which each customer is classified at a level of risk. The level of risk can be amended and updated regularly.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

40. MARKET RISK

40.1 Interest risk

The re-pricing period of effective interest rate is the remaining period from the date of the financial statements to the latest re-pricing date of interest rate applicable to assets and liabilities which are subject to changes in interest rates.

The following assumptions and conditions are used in analysis of the re-pricing period of interest rates of the Bank's assets and liabilities:

- ▶ Cash, gold, jewelry, gemstones; long-term investment and other assets (including fixed assets, investment properties and other assets) are classified into group which is not subject to re-pricing of interest rate;
- ▶ Balances with the State Bank of Vietnam which represent current accounts are classified into group which has the repricing period of up to one month;
- ▶ Investment securities and trading securities are classified into group which is not subject to re-pricing of interest rate;
- ▶ Placements with and loans to other banks; loans and advances to customers; borrowings from the Government and SBV; deposits from credit institutions and customers are determined as follows:
 - Items which bear fixed interest rates during the term of contract are classified into group which is not subject to re-pricing of interest rate.
 - Items which bear floating interest rates are classified into relevant groups equivalent to the re-pricing period which is determined from the date of the financial statements to the latest re-pricing date of interest rates.
- ▶ Issuance of valuable papers are classified into group which is not subject to re-pricing of interest rate;
- ▶ Entrusted funds and loans exposed to risks to the Bank are classified in re-pricing of interest rate in one (01) to three (03) months; and
- ▶ Other liabilities are classified into group which is not subject to re-pricing of interest rate.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

40. MARKET RISK (continued)

40.1 Interest risk (continued)

| | Overdue VNDm | Not subject to re- pricing of interest rate | | Re-pricing of interest rate in | | | | | Total VNDm |
|--|-----------------|--|----------------|--------------------------------|--------------------|--------------------|---------------------|-------------------|-------------------|
| | | VNDm | VNDm | Up to 1 month VNDm | 1-3 months VNDm | 3-6 months VNDm | 6-12 months VNDm | 1-5 years VNDm | |
| Assets | | | | | | | | | |
| Cash, gold, jewelry, gemstones | - | 527,166 | - | - | - | - | - | - | 527,166 |
| Balances with the SBV | - | - | 517,670 | - | - | - | - | - | 517,670 |
| Placements with and loans to other banks | | 5,369,422 | 123,473 | - | - | - | - | - | 5,492,895 |
| Loans and advances to customers (*) | 90,683 | 3,162,741 | - | 4,977,460 | - | - | - | - | 8,230,884 |
| Investment securities (*) | - | 1,954,575 | - | - | 754,000 | - | - | - | 2,708,575 |
| Long-term investments | - | 70,271 | - | - | - | - | - | - | 70,271 |
| Fixed assets | - | 250,618 | - | - | - | - | - | - | 250,618 |
| Other assets | - | 1,465,708 | - | - | - | - | - | - | 1,465,708 |
| Total assets | 90,683 | 12,800,501 | 641,143 | 4,977,460 | 754,000 | - | - | - | 19,263,787 |
| Liabilities | | | | | | | | | |
| Borrowings from the Government and the SBV | - | - | 105,526 | - | - | - | - | - | 105,526 |
| Deposits and borrowings from other banks | - | 5,110,969 | 4,086 | 100,000 | - | - | - | - | 5,215,055 |
| Customer deposits | - | 8,652,324 | - | - | - | 750,720 | - | 56,200 | 9,459,244 |
| Derivatives and financial liabilities | - | 12,532 | - | - | - | - | - | - | 12,532 |
| Valuable papers issued by the Bank | - | 2,339,311 | - | - | - | - | - | - | 2,339,311 |
| Other liabilities (*) | - | 190,870 | - | - | - | - | - | - | 190,870 |
| Total liabilities | - | 16,306,006 | 109,612 | 100,000 | - | 750,720 | - | 56,200 | 17,322,538 |
| Sensitive difference with on balance sheet interest rate | 90,683 | (3,505,505) | 531,531 | 4,877,460 | 754,000 | (750,720) | - | (56,200) | 1,941,249 |
| Off balance sheet commitments affecting sensitive difference with interest rate of assets and liabilities (net) | - | 1,536,417 | - | - | - | - | - | - | 1,536,417 |
| Sensitive difference with on and off balance sheet interest rate | 90,683 | (1,969,088) | 531,531 | 4,877,460 | 754,000 | (750,720) | - | (56,200) | 3,477,666 |

(*): Total assets represent gross carrying value which does not include provision.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

40. MARKET RISK (continued)

40.2 Currency risk

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

As the Bank was incorporated and operates in Vietnam, VND is the reporting currency. The major currency in which the Bank transacts is also VND. The Bank's loans and advances were mainly denominated in VND with the remainder mainly in USD. However, some of the Bank's other assets are in currencies other than VND and USD. The Bank's management has set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.



Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

40. MARKET RISK (continued)

40.2 Currency risk (continued)

| | EUR equivalent VNDm | US\$ equivalent VNDm | Gold equivalent VNDm | Other currencies equivalent VNDm | Total VNDm |
|---|------------------------|-------------------------|-------------------------|--|------------------|
| Assets | | | | | |
| Cash, gold, jewelry, gemstones | 1,520 | 23,027 | 389,079 | - | 413,626 |
| Balances with the SBV | - | 36,430 | - | - | 36,430 |
| Placements with and loans to other banks | 50,350 | 605,823 | 52,613 | 3,265 | 712,051 |
| Loans and advances to customers (*) | - | 319,079 | 625,419 | - | 944,498 |
| Other assets | 73 | 286,631 | 234,272 | - | 520,976 |
| Total assets | 51,943 | 1,270,990 | 1,301,383 | 3,265 | 2,627,581 |
| Liabilities | | | | | |
| Deposits and borrowings from other banks | 136 | 195,350 | - | - | 195,486 |
| Customer deposits | 49,433 | 768,581 | 158 | 597 | 818,769 |
| Valuable papers issued by the Bank | - | 95,171 | 1,287,985 | - | 1,383,156 |
| Other liabilities (*) | 8 | 2,933 | 18,349 | - | 21,290 |
| Total liabilities | 49,577 | 1,062,035 | 1,306,492 | 597 | 2,418,701 |
| FX position on balance sheet | 2,366 | 208,955 | (5,109) | 2,668 | 208,880 |
| FX position off balance sheet | - | - | - | - | - |
| FX position on and off balance sheet | 2,366 | 208,955 | (5,109) | 2,668 | 208,880 |

(*): Total assets represent gross carrying value which does not include provision.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

40. MARKET RISK (continued)

40.3 *Liquidity risk*

Liquidity risk is the risk which the Bank has difficulties in meeting the obligations of financial liabilities. Liquidity risk occurs when the Bank cannot afford to settle debt obligations at the due dates in the normal or stress conditions. To minimise the liquidity risk exposure, the Bank should diversify the mobilisation of deposits from various sources apart from its basic capital resources. In addition, the Bank should have policy for control of liquidity assets flexibly, monitor the future cash flows and daily liquidity. The Bank should also evaluate the estimated cash flows and the availability of current collateral assets in case of obtaining more deposits.

The maturity term of assets and liabilities represents the remaining period of assets and liabilities as calculated from the balance sheet date to the settlement date in accordance with contractual terms and conditions.

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

- ▶ Balances with the SBV are classified as demand deposits which include compulsory deposits. The balance of compulsory deposits depends on the proportion and terms of the Bank's customer deposits.
- ▶ The maturity term of investment securities is calculated based on the maturity date of each kind of securities.
- ▶ The maturity term of placements with and loans to other banks; and loans to customers is determined on the maturity date as stipulated in contracts. The actual maturity term may be altered because loan contracts may be extended. Besides, loans to customers are reported at the carrying value after deducting provision for bad debts.
- ▶ The maturity term of long-term investments is considered as more than one year because these investments do not have specific maturity date.
- ▶ The maturity term of deposits and borrowings from other banks; and customer deposits are determined based on features of these items or the maturity date as stipulated in contracts. Vostro account and demand deposits are transacted as required by customers, and therefore, being classified as current accounts. The maturity term of borrowings and term deposits is determined based on the maturity date in contracts. In fact, these amounts may be rotated, and therefore, they last beyond the original maturity date.
- ▶ The maturity term of fixed assets is determined on the remaining useful life of assets.
- ▶ The maturity of accrued interest receivables and payables is supposed in less than one month.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

40. MARKET RISK (continued)

40.3 Liquidity risk (continued)

| | Overdue | | Current | | | | Above 5 years VNDm | Total VNDm |
|--|---------------------------|---------------------------|--------------------------|--------------------|------------------------|-------------------|--------------------------|---------------|
| | Above 3 months VNDm | Up to 3 months VNDm | Up to 1 month VNDm | 1-3 months VNDm | 3-12 months VNDm | 1-5 years VNDm | | |
| Assets | | | | | | | | |
| Cash, gold, jewelry, gemstones | - | - | 527,166 | - | - | - | 527,166 | |
| Balances with the SBV | - | - | 517,670 | - | - | - | 517,670 | |
| Placements with and loans to other banks | - | - | 3,896,952 | 916,533 | 679,410 | - | 5,492,895 | |
| Loans and advances to customers (*) | 51,391 | 39,292 | 2,133,784 | 1,051,986 | 2,186,783 | 1,528,061 | 8,230,884 | |
| Investment securities (*) | - | - | 364,831 | 40,000 | 599,504 | 1,704,240 | 2,708,575 | |
| Long-term investments | - | - | - | - | - | 70,271 | 70,271 | |
| Fixed assets | - | - | - | - | - | 250,618 | 250,618 | |
| Other assets | - | - | 1,154,120 | 128,897 | 172,746 | 9,945 | 1,465,708 | |
| Total assets | 51,391 | 39,292 | 8,594,523 | 2,137,416 | 3,638,443 | 3,024,043 | 19,263,787 | |
| Liabilities | | | | | | | | |
| Borrowings from the Government and the SBV | - | - | - | - | 11 | 51,995 | 105,526 | |
| Deposits and borrowings from other banks | - | - | 4,265,055 | 850,000 | 100,000 | - | 5,215,055 | |
| Customer deposits | - | - | 5,209,701 | 1,522,669 | 1,951,007 | 775,867 | 9,459,244 | |
| Derivatives and financial liabilities | - | - | - | 252 | 12,280 | - | 12,532 | |
| Valuable papers issued by the Bank | - | - | 720,668 | 983,079 | 432,917 | 202,647 | 2,339,311 | |
| Other liabilities (*) | - | - | 143,162 | 11,343 | 31,868 | 3,834 | 190,870 | |
| Total liabilities | - | - | 10,338,586 | 3,367,343 | 2,528,083 | 1,034,343 | 17,322,538 | |
| Net liquidity | 51,391 | 39,292 | (1,744,063) | (1,229,927) | 1,110,360 | 1,989,700 | 1,941,249 | |

(*): Total assets represent gross carrying value which does not include provision.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2009

41. CAPITAL EXPENDITURE AND OPERATING LEASE COMMITMENTS

| | 31/12/2009 VNDm | 31/12/2008 VNDm |
|--|--------------------|--------------------|
| Commitments to acquire of working office | <u>31,923</u> | <u>20,403</u> |
| Non-cancelable operating leases | <u>370,739</u> | <u>56,963</u> |
| <i>In which:</i> | | |
| <i>Due within one year</i> | 84,668 | 11,312 |
| <i>Due within from two to five years</i> | 246,528 | 38,882 |
| <i>Due after five years</i> | 39,543 | 6,769 |

42. EVENTS AFTER THE BALANCE SHEET DATE

There are no significant events occurred since the balance sheet date which would require adjustments or disclosures to be made in the financial statements.

43. EXCHANGE RATES APPLICABLE FOREIGN CURRENCIES AGAINST VIETNAMESE DONG AT YEAR-END

| | 31/12/2009 VND | 31/12/2008 VND |
|-----------------|-------------------|-------------------|
| USD | 17,941 | 16,977 |
| EUR | 26,743 | 24,435 |
| GBP | 29,992 | - |
| JPY | 200,38 | 191,7 |
| SGD | 13,278 | - |
| CAD | 17,628 | - |
| AUD | 16,599 | 11,935 |
| Gold SJC (tael) | 26,300,000 | 17,720,000 |

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30 January 2010