

Housing Development Bank

Report of the Board of Management and
audited financial statements in accordance with Vietnamese
Accounting Standards and Accounting System for Credit Institutions

for the financial year ended 31 December 2010

Housing Development Bank

TABLE OF CONTENTS

	<i>Pages</i>
REPORT OF THE BOARD OF MANAGEMENT	1 - 2
AUDITED FINANCIAL STATEMENTS	
Independent auditors' report	3
Balance sheet	4 - 6
Income statement	7
Statement of retained earnings	8
Cash flow statement	9 - 10
Notes to the financial statements	11 - 64

Housing Development Bank

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Housing Development Bank ("the Bank") presents its report and the Bank's financial statements as at and for the year ended 31 December 2010.

THE BANK

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

Establishment and Operations

The Bank was established and operated under Decision No. 47/QĐ-UB issued by the People's Committee of Ho Chi Minh City on 11 February 1989.

The Bank has been established to carry out banking business such as mobilising and receiving short, medium and long-term deposits from organisations and individuals; lending on a short, medium and long term basis to various organisations 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.

Charter Capital

The initial charter capital of the Bank was VND 3,000 million and subsequently supplemented from time to time. The charter capital as at 31 December 2010 was VND 2,000,000 million (as at 31 December 2009 was VND 1,550,000 million).

Board of Management

The members of the Board of Management during the financial year ended 31 December 2010 and at the date of this report are as follows:

Name	Position	Date
Ms. Le Thi Bang Tam	Chairwoman	Appointed on 12 June 2010
Mr. Nguyen Huu Thanh	Chairman	Resigned on 15 March 2010
Ms. Nguyen Thi Phuong Thao	Vice chairwoman	Appointed on 20 July 2010
Mr. Nguyen Huu Thanh	Vice chairman	Appointed on 20 July 2010
Mr. Luu Duc Khanh	Vice chairman	Appointed on 20 July 2010
Ms. Do Thi Hong Dung	Member	Appointed on 23 July 2008
Mr. Diep Dung	Member	Appointed on 15 March 2010
Mr. Nguyen Huu Dang	Member	Appointed on 31 December 2010
Mr. Luu Van Son	Member	Appointed on 31 December 2010
Mr. Tran Huu Thai	Vice chairman	Resigned on 15 March 2010
Mr. Le Chi Hieu	Member	Resigned on 15 March 2010

Board of Supervisors

The members of Board of Supervisors during the financial year ended 31 December 2010 and at the date of this report are as follows:

Name	Position	Date
Mr. Dao Duy Tuong	Chief Supervisor	Appointed on 31 December 2010
Ms. Dang Thi Quy	Chief Supervisor	Resigned on 4 December 2010
Ms. Nguyen Thi Phung	Member	Appointed on 23 July 2008
Mr. To Xuan Thanh	Member	Appointed on 31 December 2010

Housing Development Bank

REPORT OF THE BOARD OF MANAGEMENT (continued)

EVENTS AFTER THE BALANCE SHEET DATE

The Bank's shareholders have fully paid the contribution amount to increase the charter capital from VND 2,000 billion to VND 3,000 billion on 25 December 2010. The Bank has received the Business Registration Certificate applicable to Joint Stock Company - 14th amendment approving its charter capital of VND 3,000 billion issued by the Department of Planning and Investment of Ho Chi Minh City on 5 January 2011.

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

AUDITORS

The auditors, Ernst & Young Vietnam Limited, have expressed their willingness to accept reappointment.

STATEMENT OF THE MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Bank's management is responsible for the financial statements which give a true and fair view of the state of affairs of the Bank and of its results and cash flows for the financial year ended 31 December 2010. In preparing those financial statements, the Board of Director is required to:

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

The Bank's management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Bank and to ensure that the accounting records comply with the registered accounting system. The management is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Bank's management confirms that the Bank has complied with the above requirements in preparing the accompanying financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Bank as at 31 December 2010, 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.

On behalf of the Board of Management:



Ms. Nguyen Thi Phuong Thao
Vice Chairwoman

Ho Chi Minh City, Vietnam

27 January 2011

Reference: 60752693/14503158

INDEPENDENT AUDITORS' REPORT

To the Board of Management of Housing Development Bank

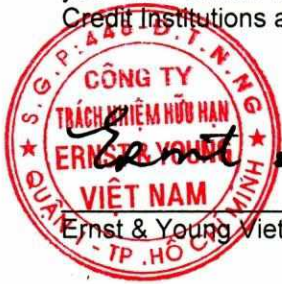
We have audited the balance sheet of Housing Development Bank ("the Bank") as at 31 December 2010, the income statement, the statement of retained earnings and the cash flows statement for the year then ended and the notes thereto as set out on pages 4 to 64 (collectively referred to as "the financial statements"). These financial statements are the responsibility of the Bank's management. 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 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 from 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 management, 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 financial statements, in all material aspects, give a true and fair view of the financial position of the Bank as at 31 December 2010 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 comply with relevant regulations stipulated by the State Bank of Vietnam.



Ernst & Young Vietnam Ltd.
Ernst & Young Vietnam Limited



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



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

Ho Chi Minh City, Vietnam

27 January 2011

Housing Development Bank

BALANCE SHEET
as at 31 December 2010

	Notes	31 December 2010 VND	31 December 2009 VND
ASSETS			
Cash, gold, jewellery and gemstones	3	799,106,091,513	527,164,469,963
Balances with the State Bank of Vietnam	4	736,099,414,685	517,670,356,426
Placements with and loans to other banks		8,550,235,829,979	5,492,895,003,433
Placements with other banks	5	8,550,235,829,979	5,492,895,003,433
Loans to other banks		-	-
Provision for loans to other banks		-	-
Trading securities		-	495,000
Trading securities		-	495,000
Provision for impairment of trading securities		-	-
Derivatives and other financial assets	17	859,200,000	-
Loans and advances to customers		11,643,356,120,882	8,167,217,755,266
Loans and advances to customers	6	11,728,192,948,022	8,230,883,732,406
Provision for credit losses	7	(84,836,827,140)	(63,665,977,140)
Investment securities	8	7,451,847,740,918	2,635,880,938,302
Available-for-sale securities	8.1	5,804,615,176,035	1,290,494,982,719
Held-to-maturity securities	8.2	1,738,095,229,258	1,418,079,743,583
Provision for impairment of investment securities	8.1	(90,862,664,375)	(72,693,788,000)
Long-term investments		169,862,189,881	70,271,310,665
Investments in subsidiaries		-	-
Investments in joint ventures		-	-
Investments in associates		-	-
Other long-term investments	9	169,862,189,881	70,271,310,665
Provision for impairment of long-term investments		-	-
Fixed assets	10	256,043,367,871	250,618,171,345
<i>Tangible fixed assets</i>	<i>10.1</i>	<i>193,853,525,392</i>	<i>187,263,453,454</i>
Cost		242,607,774,429	215,776,239,518
Accumulated depreciation		(48,754,249,037)	(28,512,786,064)
<i>Financial lease</i>		-	-
Cost		-	-
Accumulated depreciation		-	-
<i>Intangible fixed assets</i>	<i>10.2</i>	<i>62,189,842,479</i>	<i>63,354,717,891</i>
Cost		71,177,342,245	66,087,226,955
Accumulated amortization		(8,987,499,766)	(2,732,509,064)
Investment properties		-	-
Cost		-	-
Accumulated depreciation		-	-
Other assets		4,781,816,948,465	1,465,708,770,464
Receivables	11	4,112,539,173,260	1,187,561,788,899
Accrued interest and fees receivables	12	421,001,042,054	161,390,373,342
Deferred tax assets	21.2	158,408,998	-
Other assets	13	248,118,324,153	116,756,608,223
<i>In which: Goodwill</i>		-	-
Provision for impairment of other assets		-	-
TOTAL ASSETS		34,389,226,904,194	19,127,427,270,864

Housing Development Bank

BALANCE SHEET (continued)
as at 31 December 2010


	Notes	31 December 2010 VND	31 December 2009 VND
LIABILITIES			
Borrowings from the Government and the State Bank of Vietnam	14	2,182,623,367,622	105,525,742,368
Deposits and borrowings from other banks		7,254,530,266,622	5,215,054,828,540
Deposits from other banks	15	7,254,530,266,622	5,215,054,828,540
Borrowings from other banks		-	-
Customer deposits	16	13,986,212,955,048	9,459,244,334,064
Derivatives and other financial liabilities	17	-	12,531,578,600
Entrusted funds and loans exposed to risks		-	-
Valuable papers issued	18	7,071,044,173,423	2,339,310,949,155
Other liabilities		1,537,179,493,007	199,595,655,343
Accrued interest and fees payables	19	373,858,732,559	136,280,862,931
Deferred tax liabilities		-	-
Other payables	20	1,154,701,360,448	54,590,392,412
Provision for contingent liabilities and commitments	7	8,619,400,000	8,724,400,000
TOTAL LIABILITIES		<u>32,031,590,255,722</u>	<u>17,331,263,088,070</u>
OWNERS' EQUITY			
Capital and reserves			
Capital		2,004,043,016,800	1,554,043,016,800
Charter capital	22.1	2,000,000,000,000	1,550,000,000,000
Fund for capital expenditure		-	-
Share premium	22.1	4,043,016,800	4,043,016,800
Treasury shares		-	-
Preference shares		-	-
Other capitals		-	-
Reserves	22.1	69,670,635,657	47,916,249,181
Foreign currency difference reserve		-	-
Asset revaluation reserve		-	-
Retained earnings		<u>283,922,996,015</u>	<u>194,204,916,813</u>
TOTAL OWNERS' EQUITY		<u>2,357,636,648,472</u>	<u>1,796,164,182,794</u>
TOTAL LIABILITIES AND OWNERS' EQUITY		<u>34,389,226,904,194</u>	<u>19,127,427,270,864</u>

Housing Development Bank

BALANCE SHEET (continued)
as at 31 December 2010

OFF BALANCE SHEET ITEMS

	Notes	31 December 2010 VND	31 December 2009 VND
Contingencies			
Financial guarantees		-	-
Letters of credit		179,246,557,018	142,118,217,183
Other guarantees		663,367,895,383	1,290,523,244,421
Commitments			
Commitments to customers		-	-
Other commitments		-	-
	37	842,614,452,401	1,432,641,461,604

Prepared by: 



Ms. Ho Dang Hoang Quyen
Accounting Manager

Reviewed by:



Mr. Pham Van Dau
Chief Financial Officer

Approved by:



Mr. Nguyen Huu Dang
General Director

Ho Chi Minh City, Vietnam

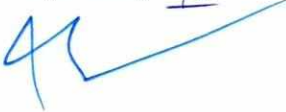
27 January 2011

Housing Development Bank

INCOME STATEMENT

for the financial year ended 31 December 2010

	Notes	2010 VND	2009 VND
Interest and similar income	25	2,353,157,943,803	1,039,175,112,484
Interest and similar expenses	26	(1,830,750,360,622)	(804,460,853,556)
Net interest income		522,407,583,181	234,714,258,928
Fees and commission income		172,265,070,831	151,793,905,169
Fees and commission expenses		(18,753,360,404)	(11,385,476,156)
Net fees and commission income	27	153,511,710,427	140,408,429,013
Net (loss)/gain from currencies and gold trading	28	(38,596,669,979)	63,410,288,990
Net gain/(loss) from securities trading		-	-
Net gain/(loss) from securities investment	29	16,795,395,821	(5,124,572,774)
Net gain from other long-term investments	30	22,165,000,000	44,000,000,000
Other income		11,285,492,591	915,112,090
Other expenses		(842,767,222)	(954,570,231)
Net other income/(loss)	31	10,442,725,369	(39,458,141)
Income from long-term investments	32	23,872,915,577	15,274,793,994
TOTAL OPERATING INCOME		710,598,660,396	492,643,740,010
Personnel expenses		(162,462,720,873)	(91,944,910,665)
Depreciation and amortisation charges		(27,267,989,230)	(14,281,851,479)
Other operating expenses		(148,175,963,613)	(94,231,761,616)
TOTAL OPERATING EXPENSES	33	(337,906,673,716)	(200,458,523,760)
Profit before credit loss expense		372,691,986,680	292,185,216,250
Credit loss expense	7	(21,959,850,000)	(37,280,116,736)
PROFIT BEFORE TAX		350,732,136,680	254,905,099,514
Current enterprise income tax	21.1	(81,481,974,795)	(60,289,835,602)
Deferred income tax benefit/(expense)	21.2	158,408,998	(410,347,099)
Enterprise income tax expense		(81,323,565,797)	(60,700,182,701)
NET PROFIT FOR THE YEAR		269,408,570,883	194,204,916,813
Basic earnings per share	23	1,698	1,253

Prepared by: 

Reviewed by: 

Approved by: 

Ms. Ho Dang Hoang Quyen
Accounting Manager

Mr. Pham Van Dau
Chief Financial Officer

Mr. Nguyen Huu Dang
General Director

Ho Chi Minh City, Vietnam

27 January 2011

Housing Development Bank

STATEMENT OF RETAINED EARNINGS for the year ended 31 December 2010

	Notes	2010 VND	2009 VND
RETAINED EARNINGS AT THE BEGINNING OF THE YEAR	22.1	194,204,916,813	59,943,737,379
Net profit for the year	22.1	269,408,570,883	194,204,916,813
EARNINGS BEFORE APPROPRIATIONS		463,613,487,696	254,148,654,192
Less:			
- Appropriation to reserves for prior year	22.1	(24,390,491,681)	(16,734,229,926)
- Dividend for prior year	22.1	(155,000,000,000)	(42,909,507,453)
- Others	22.1	(300,000,000)	(300,000,000)
RETAINED EARNINGS AT THE END OF THE YEAR		283,922,996,015	194,204,916,813
Less:			
- Interim dividend advanced for current year	11, 24	(155,000,000,000)	-
RETAINED EARNINGS AVAILABLE FOR APPROPRIATION TO RESERVES AND FURTHER DIVIDENDS		128,922,996,015	194,204,916,813

Prepared by: 

Ms. Ho Dang Hoang Quyen
Accounting Manager

Reviewed by: 

Mr. Pham Van Dau
Chief Financial Officer

Approved by: 

Mr. Nguyen Huu Dang
General Director



Ho Chi Minh City, Vietnam

27 January 2011

Housing Development Bank

CASH FLOW STATEMENT

as at and for the year ended 31 December 2010

	Notes	2010 VND	2009 VND
CASH FLOW FROM OPERATING ACTIVITIES			
Interest and similar income received		2,098,136,578,075	947,945,785,310
Interest and similar expense paid		(1,853,500,768,430)	(748,574,444,161)
Fees and commission income received		148,539,753,836	143,844,876,484
Net amount of actual receipts from securities, gold and foreign currencies trading		4,944,334,708	122,845,859,385
Other operating income/(expense)		10,808,197,008	(130,544,062)
Recovery of bad debts previously written-off		-	-
Payments to employees and administration affairs		(306,512,627,234)	(187,807,016,206)
Enterprise income tax paid for the year	21.1	(73,757,198,658)	(58,917,660,949)
Net cash flows from operating activities before changes in net operating assets and liabilities		28,658,269,305	219,206,855,801
Changes in operating assets			
Decrease/(increase) in placements with and loans to other banks		262,027,400,000	(1,272,181,020,789)
Increase in trading securities		(4,842,273,563,991)	(2,304,097,555,554)
Increase in derivatives and other financial assets		(859,200,000)	-
Increase in loans and advances to customers		(3,497,309,215,616)	(2,055,479,211,188)
Utilisations of provisions to write-off (loan losses, investment securities, long-term investments)		(894,000,000)	(5,807,000,000)
Increase in other assets		(2,568,276,971,006)	(889,696,951,555)
Changes in operating liabilities			
Increase in borrowings from the Government and the SBV		2,077,097,625,254	7,905,952,281
Increase in deposits and borrowings from other banks		2,039,475,438,082	3,142,207,101,739
Increase in customer deposits		4,526,968,620,984	5,122,361,614,432
Increase in valuable papers issued (excluding issued debts in financial activities)		4,731,733,224,268	1,074,449,108,846
Increase/(decrease) in entrusted funds and loans exposed to risks		-	-
Decrease in derivatives and other financial liabilities		(12,531,578,600)	-
Increase in other liabilities		1,075,726,445,908	10,088,517,836
Reserves utilisation in the year		(2,936,105,205)	(9,230,337,601)
Net cash flows from operating activities		3,816,606,389,383	3,039,727,074,248

Housing Development Bank

CASH FLOW STATEMENT (continued)
as at and for the year ended 31 December 2010

	Notes	2010 VND	2009 VND
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(76,403,469,846)	(225,190,810,623)
Proceeds from disposals of fixed assets		477,295,583	294,746,699
Cost of disposals of fixed assets		-	-
Purchases of investment property		-	-
Proceeds from disposals of investment property		-	-
Cost of disposals of investment property		-	-
Additional investments in other entities		(122,674,606,216)	(39,671,310,665)
Receipts from investments in other entities		40,215,000,000	90,000,000,000
Dividend receipts and profit shared from long-term investments		11,427,249,577	4,753,620,289
Net cash flows used in investing activities		(146,958,530,902)	(169,813,754,300)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase in share capital	22.1	450,000,000,000	-
Proceeds from subordinated debts to increase tier 2 capital		-	-
Repayment of subordinated debts to reduce tier 2 capital		-	-
Dividends paid		(309,908,952,126)	(61,553,512,437)
Purchases of treasury shares		-	-
Proceeds from sale of treasury shares		-	-
Net cash flows from/(used in) financing activities		140,091,047,874	(61,553,512,437)
Net increase in cash and cash equivalents		3,809,738,906,355	2,808,359,807,511
Cash and cash equivalents at the beginning of the year		4,861,576,829,822	2,053,217,022,311
Foreign exchange difference		-	-
Cash and cash equivalents at the end of the year	34	8,671,315,736,177	4,861,576,829,822

Prepared by: 

Reviewed by: 

Approved by: 

Ms. Ho Dang Hoang Quyen
Accounting Manager

Mr. Pham Van Dau
Chief Financial Officer

Mr. Nguyen Huu Dang
General Director

Ho Chi Minh City, Vietnam
27 January 2011

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS

as at and for the financial year ended 31 December 2010

1. CORPORATE INFORMATION

Housing Development Bank (herein referred to as "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 on 11 February 1989 according to Decision 47/QD-UB and 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 6 June 1992	The Bank was authorized to carry out banking business such as mobilising and receiving short, medium and long term deposits from various organisations and individuals; lending on a short, medium and long term basis to various organisations 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 authorised 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 organisations and individuals; accepting FC savings under the requirements stipulated by the SBV; borrowing and accepting FC funds from foreign organisations and individuals; offering short, medium and long-term loans to various organisations 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 authorised 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. 437/NHNN.HCM02 issued by the SBV dated 21 January 2003	The Bank was authorised 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 authorised to trade gold in overseas accounts.
7	Decision No. 90/QD-NHNN issued by the SBV dated 19 January 2010	The Bank was authorised for securities underwriting and securities custodian (in which including underwriting for bonds issuing and bonds depository).
8	Decision No. 2705/QD-NHNN issued by the SBV dated 12 November 2010	The Bank was authorised to issue and pay for domestic debit cards, carry out insurance agent services.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

1. CORPORATE INFORMATION (continued)

Charter capital

The initial charter capital of the Bank was VND 3,000 million and subsequently supplemented from time to time. The charter capital as at 31 December 2010 was VND 2,000,000 million (as at 31 December 2009 was VND 1,550,000 million).

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

<i>Charter capital increased to (VND million)</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	6 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
2,000,000	Letter No. 6554/NHNN-TTGSNH	27 August 2010

Board of Management

The members of the Board of Management during the financial year ended 31 December 2010 and at the date of this report are as follows:

<i>Name</i>	<i>Position</i>	<i>Date</i>
Ms. Le Thi Bang Tam	Chairwoman	Appointed on 12 June 2010
Mr. Nguyen Huu Thanh	Chairman	Resigned on 15 March 2010
Ms. Nguyen Thi Phuong Thao	Vice chairwoman	Appointed on 20 July 2010
Mr. Nguyen Huu Thanh	Vice chairman	Appointed on 20 July 2010
Mr. Luu Duc Khanh	Vice chairman	Appointed on 20 July 2010
Ms. Do Thi Hong Dung	Member	Appointed on 23 July 2008
Mr. Diep Dung	Member	Appointed on 15 March 2010
Mr. Nguyen Huu Dang	Member	Appointed on 31 December 2010
Mr. Luu Van Son	Member	Appointed on 31 December 2010
Mr. Tran Huu Thai	Vice chairman	Resigned on 15 March 2010
Mr. Le Chi Hieu	Member	Resigned on 15 March 2010

Board of Supervisors

The members of the Board of Supervisors during the financial year ended 31 December 2010 and at the date of this report are as follows:

<i>Name</i>	<i>Position</i>	<i>Date</i>
Mr. Dao Duy Tuong	Chief Supervisor	Appointed on 31 December 2010
Ms. Dang Thi Quy	Chief Supervisor	Resigned on 4 December 2010
Ms. Nguyen Thi Phung	Member	Appointed on 23 July 2008
Mr. To Xuan Thanh	Member	Appointed on 31 December 2010

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

1. CORPORATE INFORMATION (continued)

Board of Directors and Accounting Manager

The members of the Board Directors and Accounting Manager during the financial year ended 31 December 2010 and at the date of this report are as follows:

<i>Name</i>	<i>Position</i>	<i>Date</i>
Mr. Nguyen Huu Dang	General Director	Appointed on 22 October 2010
Ms Nguyen Thi Phuong Thao	General Director	Resigned on 22 October 2010
Ms. Nguyen Doan Duy Ai	Deputy General Director	Appointed on 15 August 2007
Mr. Dam The Thai	Deputy General Director	Appointed on 30 August 2010
Mr. Le Hong Son	Deputy General Director	Appointed on 4 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
Mr. Nguyen Manh Quan	Deputy General Director	Appointed on 11 November 2010
Mr. Pham Van Dau	Chief Financial Officer	Appointed on 16 September 2009
Ms. Ho Dang Hoang Quyen	Accounting Manager	Appointed on 27 December 2007

Head Office

The Bank's Head Office is located at Abacus Building, 58 Nguyen Dinh Chieu Street, District 1, Ho Chi Minh City. As at 31 December 2010, the Bank had one (1) Head Office, nineteen (19) branches, sixty nine (69) transaction offices and seven (7) savings points located in cities and provinces in Vietnam.

Employees

Total number of employees of the Bank as at 31 December 2010 was 1,752 persons (31 December 2009: 1,288 persons).

2. SIGNIFICANT ACCOUNTING POLICIES

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

Management confirms 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 Vietnam Dong ("VND"), 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 1 January 2005 and amendments of and additions to 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).

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 *Basis of preparation* (continued)

The accompanying financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Vietnam. Accordingly, the accompanying balance sheet, the income statement, the statement of retained earnings, the cash flow statement and the accompanying notes and their utilisation 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.

New accounting policies issued but not yet effective

Circular No. 210/2009/TT-BTC providing guidance for the adoption in Vietnam of the International Financial Reporting Standards on presentation and disclosures of financial instruments in Vietnam.

On 6 November 2009, the Ministry of Finance issued Circular No. 210/2009/TT-BTC providing guidance for the adoption in Vietnam of the International Financial Reporting Standards on presentation and disclosures of financial instruments. The adoption of the circular will require further disclosures and have impact on the presentation of certain financial instruments in the financial statements. The circular will become effective for financial years beginning on or after 1 January 2011.

2.3 *Fiscal year*

The Bank's fiscal year starts on 1 January and ends on 31 December.

2.4 *Changes of accounting policies*

In 2010, the Bank applied Circular No. 244/2009/TT-BTC dated 31 December 2009 issued by the Ministry of Finance, which guides the amendments and supplements of business accounting regime. Accordingly, the following changes of accounting policies applied since 1 January 2010:

- ▶ For stock dividends and bonus shares, the Bank has only updated the numbers of additional shares received without recognising dividend income in the income statement at nominal value.

Furthermore, in 2010, the Bank also applied Circular No. 203/2009/TT-BTC dated 20 October 2009, regarding the management, use and calculation of depreciation of fixed assets, which is effective from 1 January 2010.

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 allowance in accordance with the Law on Credit Institutions effective from 1 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.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 *Provision for credit losses* (continued)

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.

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, loans will be classified at the end of each quarter for first three quarters and in 30 November for the fourth quarter in the financial year.

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 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).

2.7 *Investment in securities*

2.7.1 *Held-to-maturity securities*

Held-to-maturity investments are debt securities acquired by the Bank for the purpose of earning interest and the Bank has the intention and ability to hold these securities to maturity. Held-to-maturity investments have fixed or determinable payments and specific maturity date. In case these securities are sold before maturity, they will be transferred to trading securities or available-for-sale securities.

They are initially recognised at face value at the purchase date. The accrued interest income (for debt securities with interest payment in arrears) and unearned interest income (for debt securities with interest payment in advance) incurred before the purchase date are recorded in a separate account. 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 (-) unearned interest income (for debt securities with interest payment in advance) is also recorded in a separate account.

In subsequent periods, these securities are continuously recorded at face value, and the discount/premium is amortised to the income statement on a straight-line basis over the remaining term of securities. Interest of these investments is recognised into the income statement on an accrual basis using the coupon interest rate of the securities.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 *Investment in securities* (continued)

2.7.1 *Held-to-maturity securities* (continued)

Held-to-maturity investments are reviewed for the possibility of decline in their value periodically. Provision for a decline in value of securities is made when its cost is higher than market value. Provision for a decline in value is recognised into the income statement in "Net gain/(loss) from dealing of investment securities".

2.7.2 *Available-for-sale securities*

Available-for-sale investments include debt and equity securities which are held by the Bank for the purpose of investment and sale, and which do not qualify to classify as trading and held-to-maturity securities but can be sold when there is benefit and the Bank is not the founder shareholder, the strategic partner, or does not have significant influence in establishing and deciding the financial and operating policies of investees through a written agreement to assign its representatives in the Board of Management/Board of Directors of the investees.

Available-for-sale equity securities are initially recognised at cost at the purchase date and continuously presented at cost in subsequent periods.

Available-for-sale debt securities are initially recognised at face value at the purchase date. The accrued interest income (for debt securities with interest payment in arrears) and unearned interest income (for debt securities with interest payment in advance) incurred before the purchase date are recorded in a separate account. 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 (-) unearned interest income (for debt securities with interest payment in advance) is also recorded in a separate account.

In subsequent periods, these securities are continuously recorded at face value, and the discount/premium is amortised to the income statement on a straight-line basis over the remaining term of securities. Interest of these investments is recognised into the income statement on an accrual basis using the coupon interest rate of the securities

Available-for-sale securities are reviewed for the possibility of decline in their value. Provision for a decline in value of securities is made when its cost is higher than market value. Provision for a decline in value is recognised into the income statement in "Net gain/(loss) from dealing of investment securities".

2.8 *Repurchase and reverse repurchase contracts*

Securities are sold and concurrently are committed to be repurchased at the determined time in future will still be recognised in the financial statements. The amount received from such commitment is recognised as a liability in the balance sheet and the difference between the selling price and repurchasing price is allocated to the income statement on a straight-line basis in accordance with the interest rate stipulated in the contract over the term of the contract.

Securities are purchased and concurrently are committed to be resold at the determined time in future will not be recognised in the financial statements. The payment under such commitment is recognised as an asset in the balance sheet and the difference between the purchasing price and reselling price is allocated to the income statement on a straight-line basis in accordance with the interest rate stipulated in the contract over the term of the contract.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 *Other long-term investments*

Other long term investments represent capital contributions and investments in other entities which the Bank holds less than 20% voting rights and is the founder shareholder, the strategic partner, or has ability to make certain influence on preparing and making the financial and operating policies of the investees through a written agreement to assign of its representatives in the Board of Management/Board of Directors.

Other long-term investments are initially recognised at cost at the purchase date and continuously presented at cost minus the provision, if any, in subsequent periods. Provision for impairment is recognised in the income statement when market values are lower than cost, or where there is other objective evidence of prolonged impairment in other long-term investments.

Provision for impairment of long-term investment is made if the investees incur net loss (except for the loss is incurred in line with the business plan before the investment) in accordance with Circular No. 228/2009/TT-BTC issued by the Ministry of Finance on 7 December 2009. The level of provision for impairment loss is equal to the excess of total actual capital contributions of all owners in the investee over the owners' equity of the investee multiplied by the percentage of the Bank's capital contribution in the total actual capital contributions of all owners at the previous year-end.

2.10 *Provision for decline in value of securities*

Provision for decline in value of securities is determined and made in accordance with provisions of Guidance Letter No. 2601/NHNN-TCKT dated 14 April 2009 issued by the State Bank of Vietnam and Circular No. 228/2009/TT-BTC issued by the Ministry of Finance dated 7 December 2009 as follows:

- ▶ Listed securities: The Bank obtains the quoted closing market prices at the balance sheet date or at the latest trading day close to the balance sheet date.
- ▶ Unlisted securities (trading on the over-the-counter market - OTC):
 - (i) The Bank uses the average market price of securities based on three (3) quoted prices from the large brokers whose charter capital is above VND 300 billion.
 - (ii) In case that fair value or market prices of securities are not available or cannot be determined reliably, the Bank uses its valuation methods to determine the fair value of securities and calculates provision for decline in value of investments. If the fair value of securities cannot be determined reliably using this approach, investments in unlisted shares are carried at cost.

2.11 *Intangible fixed assets*

Intangible fixed assets are stated at cost less accumulated amortisation.

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 capitalised 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 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 *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.

2.13 *Depreciation and amortisation*

Depreciation and amortisation 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 and structures	5 - 25 years
Machinery and equipment	7 - 10 years
Means of transportation	6 - 10 years
Office equipment	3 - 10 years
Other fixed assets	3 - 10 years
Definite-term land use rights	lease term
Accounting software	3 - 8 years

Land use rights which is granted by the Government and has indefinite term, is not amortised.

2.14 *Recognition of income and expense*

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

Fees and commissions are recognised when incurred.

Dividend income on equity investments is recognised in the income statement when the Bank's right to receive the payment is established. For stock dividends and bonus shares, the Bank only updates the number of shares, without recognising dividend income in the income statement.

2.15 *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 44*). Income and expenses arising in foreign currencies during the year are converted into VND at rates ruling at the transaction dates. Unrealised foreign exchange differences arising from the translation of monetary assets and liabilities at the balance sheet date are recognised in the income statement.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Enterprise income taxes

Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be paid to (or recovered from) the taxation authorities. The tax rates and tax laws are applied and enacted at the 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 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Enterprise income taxes

Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be paid to (or recovered from) the taxation authorities. The tax rates and tax laws are applied and enacted at the 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 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprise cash, gold, jewellery, gemstones, current accounts with the SBV, Treasury notes and other short-term valuable papers which are qualified for discount with the SBV, and balances and loans due from banks with an original maturity of less than three months from transaction dates and securities investments with maturity of less than three months from purchase date.

2.18 Provision for off balance sheet commitments

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

Specific 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 Other receivables

Receivables other than receivables from credit activities of the Bank initially recorded at cost and continuously presented at cost in subsequent periods.

Provision for doubtful debts should be set up based on the aging schedule of overdue debts or expected losses which may occur in case where a debt has not been due for payment but an economic organisation is bankrupted or liquidated, or individual debtor is missing, run away, being prosecuted, under a trial or serving sentences or dead. Provision for a decline in value is recognised into the income statement as "Operating expense".

The Bank makes provision for doubtful debts under the guidance of Circular No. 228/2009/TT-BTC issued by the Ministry of Finance on 7 December 2009 as follows:

<u>Overdue period</u>	<u>Provision rate</u>
From over six (6) months up to one (1) year	30%
From one (1) year up to two (2) years	50%
From two (2) years up to three (3) years	70%
Over three (3) years	100%

2.20 Derivative contracts

Forward currency contracts

With respect to foreign currency forward contracts, difference between VND value of sale or purchase of foreign currency under forward rate and spot rate at effective date of contract is recognised as asset item - "Derivatives and other financial assets" if it is positive or liability item - "Derivatives and other financial liabilities" if it is negative. This difference will be amortised on straight-line basis during term of contract. At the report date, commitments announced of foreign currency forward contracts are revalued using the official exchange rate by the SBV. Gain or loss from revaluation is recognised into "Net gain/loss from foreign currencies and gold trading".

2.21 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 realise the asset and settle the liability simultaneously.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Use of estimates

The preparation of the financial statements requires management 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.

2.23 Employee benefits

2.23.1 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 16% 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.

2.23.2 Voluntary resignation and retrenchment benefits

Voluntary resignation benefits: The Bank has the obligation, under Article 42 of the Vietnam Labor Code amended on 2 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). The average monthly salary used in this calculation is the average monthly salary of the six-month period up to the resignation date.

Retrenchment benefits: The Bank has the obligation, under Article 17 of the Vietnam Labor Code, to pay allowance to employees who are retrenched as a result of organisational 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.

While the obligations under Article 17 and 42 are compulsory, the implementation of these Articles is subject to the detailed guidance issued by the Ministry of Finance in implementing circulars. In accordance with Circular No. 64/1999/TT-BTC dated 7 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 from 1% to 3% per annum on the basic salary of the employees; and the outstanding balance of employee termination reserve which was previously created at 5% 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 2010, the Bank has recorded a provision for voluntary resignation and retrenchment benefits equal to 3% 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.

2.23.3 Unemployment benefits

According to Circular No. 04/2009/TT-BLDTBXH guiding Decree No. 127/2008/ND-CP on unemployment insurance, from 1 January 2009, the Bank is obliged to pay unemployment insurance at 1% of its salary fund used for payment of unemployment insurance for insurance participants and deduct 1% of salary of each employee to simultaneously pay to the Unemployment Insurance Fund.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

3. CASH, GOLD, JEWELRY AND GEMSTONES

	31 December 2010 VND	31 December 2009 VND
Cash on hand in VND	154,361,471,055	113,539,819,377
Cash on hand in foreign currencies ("FC")	78,020,887,458	24,545,080,586
Monetary gold	566,723,733,000	389,079,570,000
	<u>799,106,091,513</u>	<u>527,164,469,963</u>

4. BALANCES WITH THE STATE BANK OF VIETNAM

	31 December 2010 VND	31 December 2009 VND
Current account at the SBV	<u>736,099,414,685</u>	<u>517,670,356,426</u>

Balances with the State Bank of Vietnam ("SBV") include settlement and compulsory deposits. At 31 December 2010, compulsory deposits in VND and settlement deposits in foreign currencies earn annual interest at rates of 1.20% p.a. and 0.10% p.a, respectively.

In accordance with the regulations of the SBV as at 31 December 2010, the Bank is required to maintain certain cash reserves with the SBV in the form of compulsory deposits as follows:

- Reserves are computed at 3% and 1% of customer deposits in VND with original maturities of less than 12 months and over 12 months, respectively.
- Reserves are computed at 4.00% and 2.00% of customer deposits in foreign currencies with original maturities of less than 12 months and over 12 months, respectively.

Accordingly, total required average compulsory deposits (in both VND and foreign currencies) in December 2010 were VNDm 313,970 and USD 2,300,150, respectively.

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

5. PLACEMENTS WITH OTHER BANKS

	31 December 2010 VND	31 December 2009 VND
Demand deposits to other banks (Note 5.1)	1,291,840,229,979	123,473,183,433
Term deposits to other banks (Note 5.2)	7,258,395,600,000	5,369,421,820,000
	<u>8,550,235,829,979</u>	<u>5,492,895,003,433</u>

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

5. PLACEMENTS WITH OTHER BANKS (continued)

5.1 Demand deposits to other banks

	31 December 2010 VND	31 December 2009 VND
Demand deposits to local Banks		
In VND	5,121,067,039	30,844,212,447
In FC	630,920,608,423	26,956,646,392
Demand deposits in FC to foreign banks	655,798,554,517	65,659,121,994
Demand deposits in gold to local banks	-	13,202,600
	<u>1,291,840,229,979</u>	<u>123,473,183,433</u>

5.2 Term deposits to other banks

	31 December 2010 VND	31 December 2009 VND
<i>Term deposits to other banks of 3 months or less</i>		
Term deposits to local banks		
In VND	5,026,350,000,000	3,280,000,000,000
In FC	709,950,000,000	360,668,820,000
Term deposits in gold to local banks	107,970,000,000	52,600,000,000
Included in cash and cash equivalents (Note 34)	<u>5,844,270,000,000</u>	<u>3,693,268,820,000</u>
<i>Term deposits to other banks of more than 3 months</i>		
Term deposits to local banks		
In VND	804,400,000,000	1,470,000,000,000
In FC	393,785,600,000	206,153,000,000
Term deposits in gold to local banks	215,940,000,000	-
	<u>1,414,125,600,000</u>	<u>1,676,153,000,000</u>
	<u>7,258,395,600,000</u>	<u>5,369,421,820,000</u>

Interest rates of term deposits to other banks at the year-end were as follows:

	31 December 2010 per annum (%)	31 December 2009 per annum (%)
Term deposits to local banks		
In VND	10.50 - 13.50	9.47 - 12.00
In FC	0.10 - 1.80	0.10 - 3.60
Term deposits in gold to local banks	3.40 - 3.70	6.00

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

6. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2010 VND	31 December 2009 VND
Loans to local economic entities and individuals	9,816,349,999,311	7,614,560,105,052
Discounted commercial notes and valuable papers	1,911,842,948,711	616,323,627,354
	<u>11,728,192,948,022</u>	<u>8,230,883,732,406</u>

Interest rates of loans and advances to customers at the year-end were as follows:

	31 December 2010 per annum (%)	31 December 2009 per annum (%)
Commercial loans		
In VND	6.00 - 25.00	3.00 - 21.00
In FC	2.29 - 10.00	2.29 - 10.00
In gold	3.00 - 8.50	6.50 - 8.50

Commercial loans include short-term, medium and long-term loans, and syndicated loans that the Bank is the lead manager, in VND and USD.

6.1 Analysis of loans by quality

	31 December 2010 VND	31 December 2009 VND
Current	11,397,929,035,604	8,096,064,173,433
Special mention	232,698,536,427	44,136,475,737
Substandard	31,754,988,844	7,558,012,135
Doubtful	18,716,976,226	7,476,586,935
Loss	47,093,410,921	75,648,484,166
	<u>11,728,192,948,022</u>	<u>8,230,883,732,406</u>

6.2 Analysis of loans by original terms

	31 December 2010 VND	31 December 2009 VND
Short-term loans	8,226,724,669,806	5,352,347,622,666
Medium-term loans	1,644,497,350,751	1,184,183,546,152
Long-term loans	1,856,970,927,465	1,694,352,563,588
	<u>11,728,192,948,022</u>	<u>8,230,883,732,406</u>

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

6. LOANS AND ADVANCES TO CUSTOMERS (continued)

6.3 Analysis of loans by type of customers and ownership

	31 December 2010		31 December 2009	
	VND	%	VND	%
Corporate loans	5,281,921,445,067	45.03	4,098,456,284,957	49.79
Private limited liability companies	2,352,944,550,817	20.06	1,862,524,741,752	22.63
Central State-owned enterprises	244,975,585,945	2.09	97,551,833,000	1.19
Foreign-invested enterprises	166,074,253,336	1.42	32,385,960,441	0.39
Private companies	131,849,421,807	1.12	121,112,668,560	1.47
State joint-stock companies	29,867,465,025	0.25	44,794,714,266	0.54
Co-operatives	29,514,400,000	0.25	2,319,996,667	0.03
Local State-owned enterprises	25,869,000,000	0.22	26,288,513,000	0.32
State limited liability companies	17,054,712,200	0.15	12,768,849,741	0.15
Joint businesses	2,382,947,852	0.02	-	0.00
Other joint-stock companies	2,281,389,108,085	19.45	1,898,709,007,530	23.07
Individual loans	6,446,271,502,955	54.97	4,132,427,447,449	50.21
	11,728,192,948,022	100.00	8,230,883,732,406	100.00

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

6. LOANS AND ADVANCES TO CUSTOMERS (continued)

6.4 Analysis of loan portfolio by industry

	31 December 2010		31 December 2009	
	VND	%	VND	%
Individuals and public activities	6,168,087,366,533	52.59	4,139,924,514,786	50.30
Constructions	1,504,593,050,235	12.83	1,851,798,665,205	22.50
Processing industry	940,577,448,060	8.02	444,583,001,567	5.40
Trading, repair of motor vehicles, motorcycles, personal appliances and household appliances	810,556,548,311	6.91	392,534,628,646	4.77
Households services	768,930,826,498	6.56	259,395,123,279	3.16
Transportation, warehousing and communications	595,784,356,686	5.08	317,495,459,370	3.86
Electricity, gas and water supply/distribution	233,119,858,420	1.99	333,757,552,639	4.05
Science and technology activities	205,395,880,669	1.75	102,735,700,000	1.25
Agricultural and forestry	152,929,639,797	1.30	35,978,067,091	0.44
Financial services	97,001,301,652	0.83	40,720,027,459	0.49
Hotel and restaurant	87,192,617,321	0.74	84,331,062,501	1.02
Aquaculture	73,884,422,478	0.63	20,606,906,987	0.25
Assets trading activities and advisory services	27,381,243,569	0.23	139,103,969,999	1.69
Sport and cultural activities	26,054,600,000	0.22	28,510,513,000	0.35
Education and training	18,007,450,000	0.15	5,331,650,000	0.06
Health care and social relief activities	13,308,137,793	0.11	27,068,789,878	0.33
State governance and national defense, Communist Party, unions, social obligations	4,334,000,000	0.04	2,008,099,999	0.02
International activity of organisation	650,000,000	0.01	5,000,000,000	0.06
Mining industry	404,200,000	0.01	-	-
	11,728,192,948,022	100.00	8,230,883,732,406	100.00

7. PROVISION FOR CREDIT LOSSES

Details of provision for credit losses on the balance sheet were as follows:

	31 December 2010 VND	31 December 2009 VND
Provision for loans and advances to customers	84,836,827,140	63,665,977,140
Provision for contingent liabilities and commitments	8,619,400,000	8,724,400,000
	93,456,227,140	72,390,377,140

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

7. PROVISION FOR CREDIT LOSSES (continued)

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

	<i>Specific provision VND</i>	<i>General provision VND</i>	<i>Total VND</i>
Balance at 1 January 2010	22,771,450,000	49,618,927,140	72,390,377,140
Provisions charged for the year	4,228,000,000	31,912,000,000	36,140,000,000
Reversal of provisions during the year	(3,540,150,000)	(10,640,000,000)	(14,180,150,000)
Loans written-off from January to November	(894,000,000)	-	(894,000,000)
Balance at 30 November and 31 December 2010	<u>22,565,300,000</u>	<u>70,890,927,140</u>	<u>93,456,227,140</u>

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

	<i>Specific provision VND</i>	<i>General provision VND</i>	<i>Total VND</i>
Balance at 1 January 2009	23,325,060,000	17,592,200,404	40,917,260,404
Provisions charged for the year	9,392,390,000	33,574,726,736	42,967,116,736
Reversal of provisions during the year	(4,139,000,000)	(1,548,000,000)	(5,687,000,000)
Balance at 30 November	28,578,450,000	49,618,927,140	78,197,377,140
Loans written-off in December	(5,807,000,000)	-	(5,807,000,000)
Balance at 31 December 2009	<u>22,771,450,000</u>	<u>49,618,927,140</u>	<u>72,390,377,140</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 to make the loan classification and provision. Accordingly, provision for credit losses for the year ended 31 December 2010 has been made based on the classification of outstanding loan balances and off-balance sheet exposures as at 30 November 2010.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

7. PROVISION FOR CREDIT LOSSES (continued)

The breakdown of loan classification and provision as required by Decision No. 493/2005/QD-NHNN, Decision No. 18/2007/QD-NHNN and the Bank's own policy as at 30 November 2010 were as follows:

	<i>Loan balance (*)</i> VND	<i>Specific</i> <i>provision</i> VND	<i>General</i> <i>provision</i> VND	<i>Total</i> VND
<i>Loans to customers</i>				
Current	8,019,009,760,271	-	60,139,085,940	60,139,085,940
Special mention	240,809,373,049	3,913,300,000	1,806,070,298	5,719,370,298
Substandard	15,850,300,000	609,000,000	118,877,250	727,877,250
Doubtful	27,665,820,226	5,421,000,000	207,493,652	5,628,493,652
Loss	49,510,549,003	12,622,000,000	-	12,622,000,000
	<u>8,352,845,802,549</u>	22,565,300,000	62,271,527,140	84,836,827,140
<i>Contingent liabilities and commitments</i>				
Current	<u>1,149,366,739,816</u>	-	8,619,400,000	8,619,400,000
		<u>22,565,300,000</u>	<u>70,890,927,140</u>	<u>93,456,227,140</u>

(*) As at 30 November 2010

As at 30 November 2010, the Bank made adequate general and specific provision for all balances of loans as at 30 November 2010 in accordance with Decision No. 493/2005/QD-NHNN and Decision No. 18/2007/QD-NHNN of the SBV.

8. INVESTMENT SECURITIES

	<i>31 December 2010</i> VND	<i>31 December 2009</i> VND
Available-for-sale securities	5,804,615,176,035	1,290,494,982,719
Debt securities	5,485,459,641,758	1,054,000,000,000
Issued by the Government	2,202,459,641,758	-
Issued by other local banks	2,100,000,000,000	-
Issued by local business entities	1,183,000,000,000	1,054,000,000,000
Equity securities	319,155,534,277	236,494,982,719
Issued by other local banks	142,132,800,000	134,798,700,000
Issued by local business entities	177,022,734,277	101,696,282,719
Provision for impairment of available-for-sale securities	(90,862,664,375)	(72,693,788,000)
Held-to-maturity securities	1,738,095,229,258	1,418,079,743,583
Issued by the Government	44,220,708,078	584,858,322,174
Issued by other local banks	950,000,000,000	490,000,000,000
Issued by local business entities	743,874,521,180	343,221,421,409
Provision for impairment of held-to-maturity securities	-	-
	<u>7,451,847,740,918</u>	<u>2,635,880,938,302</u>

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

8. INVESTMENT SECURITIES (continued)

8.1 Available-for-sale securities

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

	31 December 2010		31 December 2009	
	Face value VND	Carrying value VND	Face value VND	Carrying value VND
Bonds issued by Viet Nam Development Bank	1,320,000,000,000	1,375,573,036,558	-	-
Certificate of Deposits 161210 of Sacombank	500,000,000,000	500,000,000,000	-	-
Bills 211210001 issued by MHB - Sai Gon branch	500,000,000,000	500,000,000,000	-	-
Bills 211210002 issued by Eximbank	500,000,000,000	500,000,000,000	-	-
Bills 301210001 issued by Eximbank	500,000,000,000	500,000,000,000	-	-
Government bonds 09092010	300,000,000,000	300,005,712,935	-	-
Government bonds 08072010	200,000,000,000	200,000,000,000	-	-
Bonds issued by Ho Chi Minh City HDReal JSC (Note 38)	200,000,000,000	200,000,000,000	-	-
Bonds issued by Ha Quang Real Estate JSC	200,000,000,000	200,000,000,000	-	-
Bonds issued by Phu Hoang Anh JSC	189,000,000,000	189,000,000,000	-	339,000,000,000
Bonds issued by HCMC General Import & Export and Investment JSC	175,000,000,000	175,000,000,000	339,000,000,000	175,000,000,000
Bonds issued by Phu Long Real Estate (Note 38)	150,000,000,000	150,000,000,000	-	-
Bonds issued by Development and Investment Cat Trang Corporation	150,000,000,000	150,000,000,000	-	-
Bonds of Treasury - TP109060	150,000,000,000	149,880,892,265	-	-
Bond of Government for Thu Thiem's Project	100,000,000,000	100,000,000,000	-	-
Bonds issued by VietinBank	100,000,000,000	100,000,000,000	-	-
Bonds issued by Hoa Binh Real Estate Ltd.	89,000,000,000	89,000,000,000	-	-
Bonds issued by Government 5/4	47,000,000,000	47,000,000,000	-	-
Bonds issued by Khang An Real Estate Investment JSC	30,000,000,000	30,000,000,000	40,000,000,000	40,000,000,000
Bond issued by Government 1/3	20,000,000,000	20,000,000,000	-	-
Bond issued by Government 21/3	10,000,000,000	10,000,000,000	-	-
Bonds issued by Hoa Binh Securities JSC	-	-	200,000,000,000	200,000,000,000
Bonds issued by Thien Thai Hotels & Tourism JSC	-	-	200,000,000,000	200,000,000,000
Bonds issued by Ocean Securities JSC	-	-	100,000,000,000	100,000,000,000
	5,430,000,000,000	5,485,459,641,758	1,054,000,000,000	1,054,000,000,000

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

8. INVESTMENT SECURITIES (continued)

8.1 Available-for-sale securities (continued)

Details of available-for-sale debt securities at 31 December 2010 were as follows:

	Carrying value VND	Term of securities	Interest paying period	Interest rate per annum (%)	Margin interest rate per annum (%)	Basis of interest calculation	Interest repricing period
Bonds issued by Viet Nam Development Bank	1,375,573,036,558	2 - 5 years	Annually	11.70 - 15.00	-	-	-
Bills issued by Eximbank	1,000,000,000,000	6 months	Maturity	12.50	-	-	-
Government bonds	826,886,605,200	3 - 5 years	Annually	8.75 - 10.40	-	-	-
Bill 211210001 issued by MHB - SG branch	500,000,000,000	3 months	Maturity	14.00	-	-	-
Certificate of Deposits 161210 of Sacombank	500,000,000,000	6 months	Maturity	13.50	-	-	-
Bonds issued by City Housing Development Real Estate Business JSC	200,000,000,000	3 years	6 months	15.50 in the first six months	4.00	(*)	6 months
Bonds issued by Ha Quang Real Estate JSC	200,000,000,000	3 years	Annually	15.50 in the first year	4.00	(*)	-
Bonds issued by Phu Hoang Anh JSC	189,000,000,000	3 years	6 months	11.00 - 12.00 in the first year	3.50	(*)	6 months
Bonds issued by HCMC General Import & Export & Investment JSC	175,000,000,000	3 years	6 months	-	4.00	(*)	6 months
Bonds issued by Phu Long Real Estate	150,000,000,000	3 years	6 months	12.50 in the first six months	3.50	(*)	6 months
Bonds issued by Development and Investment White Sand Company	150,000,000,000	3 years	6 months	18.00 in the first six months	4.50	(**)	6 months
Bonds issued by VietinBank	100,000,000,000	2 years	Annually	12.50	1.00	(***)	-
Bonds issued by Hoa Binh Real Estate Ltd.	89,000,000,000	3 years	6 months	15.00 - 16.50 in the first six months	3.50	(*)	6 months
Bonds issued by Khang An Investment Real Estate JSC	30,000,000,000	3 years	6 months	17.00 - 17.50	3.50	(*)	6 months
	5,485,459,641,758						

(*) 12-month saving deposits interest rate of the Bank applicable to individuals.

(**) 12-month deposits interest rate of the Bank applicable to individuals.

(***) average of 12-month saving deposits interest rate of four commercial State-owned banks.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

8. INVESTMENT SECURITIES (continued)

8.1 Available-for-sale securities (continued)

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

	31 December 2010		31 December 2009	
	Carrying value VND	Ownership of the Bank (%)	Carrying value VND	Ownership of the Bank (%)
Investment in other banks				
<i>Listed shares</i>				
JS Commercial Bank for Foreign Trade of Vietnam	110,634,100,000	0.84	106,100,000,000	0.88
Vietnam JS Commercial Bank for Industry and Trade	23,057,000,000	0.15	20,257,000,000	0.18
	133,691,100,000		126,357,000,000	
<i>Unlisted shares</i>				
Gia Dinh Commercial JS Bank	8,441,700,000	0.42	8,441,700,000	0.84
	8,441,700,000		8,441,700,000	
Investments in business entities				
<i>Listed shares</i>				
HCMC Securities Corporation	50,819,558,725	8.49	46,579,942,719	11.00
Vietnam Securities Investment Fund	34,116,208,091	3.41	23,116,340,000	2.31
HCMC Infrastructure Investment JSC	20,157,774,376	2.68	-	-
Thu Duc Housing Development Corporation	19,986,733,198	5.28	-	-
SMC Trading Investment JSC	19,942,459,887	8.11	-	-
	145,022,734,277		69,696,282,719	
<i>Unlisted shares</i>				
VietFund Management Company	32,000,000,000	2.37	32,000,000,000	2.37
	319,155,534,277		236,494,982,719	

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

	31 December 2010 VND	31 December 2009 VND
Beginning balance	72,693,788,000	23,220,000,000
Provision transferred from long-term investments	-	943,000,000
Provision charged for the year	18,168,876,375	58,157,000,000
Reversal of provision during the year	-	(9,626,212,000)
Ending balance	90,862,664,375	72,693,788,000

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

8. INVESTMENT SECURITIES (continued)

8.2 Held-to-maturity securities

	31 December 2010		31 December 2009	
	Face value VND	Carrying value VND	Face value VND	Carrying value VND
Bonds and bills issued by other local banks	950,000,000,000	950,000,000,000	350,000,000,000	350,000,000,000
Government bills and bonds	44,733,800,000	44,220,708,078	576,002,600,000	584,758,322,174
Bonds issued by local business entities	745,000,000,000	743,874,521,180	345,000,000,000	343,221,421,409
Certificates of deposits issued by other local banks	-	-	140,000,000,000	140,000,000,000
Government educational bonds	-	-	100,000,000	100,000,000
	<u>1,739,733,800,000</u>	<u>1,738,095,229,258</u>	<u>1,411,102,600,000</u>	<u>1,418,079,743,583</u>

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

8. INVESTMENT SECURITIES (continued)

8.2 Held-to-maturity securities (continued)

Details of held-to-maturity securities at 31 December 2010 were as follows:

	Carrying value	Term of securities	Interest paying period	Interest rate per annum (%)	Margin interest rate per annum (%)	Basis of interest calculation	Interest repricing period
<i>Other banks</i>							
Gia Dinh Commercial JS Bank	400,000,000,000	3 months	Maturity	11.20	-	-	-
An Binh Commercial JS Bank	200,000,000,000	3 years	Annually	13.30	-	-	-
Military Commercial JS Bank	150,000,000,000	2 years	Annually	10.00	-	-	-
Technology Commercial JS Bank	100,000,000,000	5 years	Annually	8.60	-	-	-
Great Trust Commercial JS Bank	100,000,000,000	3 months	Maturity	11.80	-	-	-
<i>Economic entities</i>							
Thien Thai Hotel and Tourism JSC	200,000,000,000	3 years	6 months	14.50	4.00	(*)	6 months
Thien Thai Hotel and Tourism JSC	200,000,000,000	3 years	3 months	18.00	3.00	(*)	3 months
Viet Long Hue Investment JSC	145,000,000,000	3 years	6 months	11.50	3.50	(*)	6 months
Van Loi Ltd Corporation	100,000,000,000	3 years	Annually	15.00 in the first year	4.00	(**)	-
Lilama Viet Nam Ltd Corporation	98,874,521,180	5 years	Annually	8.80	-	-	-
<i>Others</i>							
Government bond issued in 2007	29,486,908,078	5 years	Maturity	8.70	-	-	-
Government bond issued in 2004, 2005	14,733,800,000	5 years	Annually	8.50	-	-	-
	1,738,095,229,258						

(*) 12-month saving deposits interest rate of the Bank applicable to individuals.

(**) average of 12-month saving deposits interest rate of four commercial State-owned banks.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

9. OTHER LONG-TERM INVESTMENTS

	31 December 2010 VND	31 December 2009 VND
Beginning balance	70,271,310,665	254,093,806,000
Increase during the year	117,640,879,216	39,671,310,665
Decrease during the year	(18,050,000,000)	(223,493,806,000)
<i>Withdrawal of capital contribution</i>	(1,000,000,000)	(137,052,106,000)
<i>Disposal (Note 38)</i>	(17,050,000,000)	(46,000,000,000)
<i>Transfer to available-for-sale securities</i>	-	(40,441,700,000)
Provision for impairment of long-term investments	-	-
Ending balance	169,862,189,881	70,271,310,665

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

9. OTHER LONG-TERM INVESTMENTS (continued)

Detail of the Bank's other long-term investments in business entities were as follows:

	31 December 2010			31 December 2009		
	Par value VND	Carrying value VND	% owned by the Bank	Par value VND	Carrying value VND	% owned by the Bank
City Housing Development Real Estate Business JSC	33,000,000,000	66,000,000,000	11.00	-	-	-
VietJet Aviation JSC	30,000,000,000	30,000,000,000	5.00	30,000,000,000	30,000,000,000	5.00
Son Ha International Corporation	15,000,000,000	21,000,000,000	7.50	-	-	-
Hoa Binh University	3,960,000,000	11,880,000,000	11.00	-	-	-
Duc Khai 25 Corporation	6,820,000,000	10,287,479,216	11.00	-	-	-
Phu Gia Securities JSC	4,730,000,000	7,473,400,000	11.00	-	-	-
Vinh Tuong Industrial Corporation	7,000,000,000	7,000,000,000	5.19	7,000,000,000	7,000,000,000	5.19
Viet Nam Alliance Fund Management JSC	4,950,000,000	4,950,000,000	9.90	4,950,000,000	4,950,000,000	9.90
Bac Trung Nam Housing Development JSC	4,400,000,000	4,400,000,000	8.80	4,400,000,000	4,400,000,000	8.80
Cadif Investment JSC	2,500,000,000	2,500,000,000	2.50	1,500,000,000	1,500,000,000	1.50
Banking Card and Credit JSC	2,000,000,000	2,000,000,000	4.00	2,000,000,000	2,000,000,000	4.00
Vietnam Investment and Gold Trading JSC	1,500,000,000	1,500,000,000	1.50	1,500,000,000	1,500,000,000	1.50
HCMC Credit Guarantee Fund for Small & Medium Enterprise	500,000,000	500,000,000	0.26	500,000,000	500,000,000	0.26
Banking Training Corporation	371,310,000	371,310,665	5.15	371,310,000	371,310,665	5.15
Chanh Phu Hoa Construction Investment JSC	-	-	-	17,050,000,000	17,050,000,000	10.15
Phu Gia Gold JSC	-	-	-	1,000,000,000	1,000,000,000	10.00
	116,731,310,000	169,862,189,881		70,271,310,000	70,271,310,665	

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

10. FIXED ASSETS

10.1 Tangible fixed assets

Cost	Buildings and structures VND	Machinery and equipment VND	Means of transportation VND	Office equipment VND	Other fixed assets VND	Total VND
Beginning balance	115,552,394,847	7,944,736,745	37,504,601,540	52,576,286,896	2,198,219,490	215,776,239,518
Newly purchased	2,181,538,442	5,065,696,417	4,048,746,995	12,592,174,192	497,636,395	24,385,792,441
Transferred from						
constructions in progress	1,077,301,067	1,330,327,867	823,654,425	722,402,750	338,858,163	4,292,544,272
Sold, disposed	(25,344,000)	(59,000,000)	(1,203,522,200)	(161,216,602)	-	(1,449,082,802)
Other decrease	(61,365,307)	(76,505,504)	(77,817,477)	(115,870,549)	(66,160,163)	(397,719,000)
Ending balance	118,724,525,049	14,205,255,525	41,095,663,283	65,613,776,687	2,968,553,885	242,607,774,429
Accumulated depreciation						
Beginning balance	9,387,104,812	2,266,357,155	6,293,195,572	10,238,191,686	327,936,839	28,512,786,064
Charged for the year	4,720,330,240	1,321,041,007	4,663,705,379	9,893,430,092	414,491,810	21,012,998,528
Sold, disposed	(19,852,800)	(59,000,000)	(371,086,024)	(156,376,756)	-	(606,315,580)
Other decrease	(47,819,810)	(12,402,098)	(48,110,113)	(39,307,824)	(17,580,130)	(165,219,975)
Ending balance	14,039,762,442	3,515,996,064	10,537,704,814	19,935,937,198	724,848,519	48,754,249,037
Net carrying amount						
Beginning balance	106,165,290,035	5,678,379,590	31,211,405,968	42,338,095,210	1,870,282,651	187,263,453,454
Ending balance	104,684,762,607	10,689,259,461	30,557,958,469	45,677,839,489	2,243,705,366	193,853,525,392

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

10. FIXED ASSETS (continued)

10.1 Tangible fixed assets (continued)

Other information about tangible fixed assets

	31 December 2010 VND	31 December 2009 VND
Cost of tangible fixed assets fully depreciated but still in use	<u>5,237,864,835</u>	<u>2,961,756,151</u>

10.2 Intangible fixed assets

	Land use rights VND	Accounting software VND	Total VND
Cost			
Beginning balance	21,581,323,700	44,505,903,255	66,087,226,955
Newly purchased	<u>966,760,000</u>	<u>4,123,355,290</u>	<u>5,090,115,290</u>
Ending balance	<u>22,548,083,700</u>	<u>48,629,258,545</u>	<u>71,177,342,245</u>
Accumulated amortisation			
Beginning balance	-	2,732,509,064	2,732,509,064
Charged for the year	<u>14,234,868</u>	<u>6,240,755,834</u>	<u>6,254,990,702</u>
Ending balance	<u>14,234,868</u>	<u>8,973,264,898</u>	<u>8,987,499,766</u>
Net carrying amount			
Beginning balance	<u>21,581,323,700</u>	<u>41,773,394,191</u>	<u>63,354,717,891</u>
Ending balance	<u>22,533,848,832</u>	<u>39,655,993,647</u>	<u>62,189,842,479</u>

Other information about intangible fixed assets:

	31 December 2010 VND	31 December 2009 VND
Cost of intangible fixed assets fully amortised but still in use	<u>168,543,548</u>	<u>157,053,292</u>

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

11. RECEIVABLES

	31 December 2010 VND	31 December 2009 VND
Deposits for bonds purchasing (Note 11.1)	3,234,550,000,000	796,000,000,000
Advances for acquisitions of fixed assets (Note 11.2)	338,944,766,100	310,023,036,320
Prepayment of bond interest (i)	269,546,944,555	-
Interim dividend of 2010	155,000,000,000	-
Constructions in progress (Note 11.3)	32,581,503,807	17,891,306,083
Advances for operations	24,350,932,647	11,858,819,965
Advances for stock purchasing (ii)	13,172,107,000	-
Deposits, mortgage and pledge	11,128,707,892	8,911,759,192
Dividend receivables	9,742,219,705	5,143,593,705
Interest receivable from entrusted investment contract	7,847,040,000	-
Interest receivable from term deposit	5,666,666,667	-
Amounts awaiting payments from the State budget	5,220,929,515	15,872,013,400
Expenses incurred in resolving collaterals	1,789,666,889	1,008,393,929
Receivables from selling securities	-	17,199,162,492
Other receivables	2,997,688,483	3,653,703,813
	<u>4,112,539,173,260</u>	<u>1,187,561,788,899</u>

(i) Interest payment for HDBank bonds issued on July 2010 amounting to VNDm 2,300,000. (Note 18)

(ii) Advances amounting to VNDm 8,138 to purchase Gia Dinh Bank's shares and VNDm 4,926 to purchase Vinh Tuong Industry JSC's shares.

11.1 Deposits for bonds purchasing

These are deposits for purchase of Government Bonds issued by the State Treasury at Securities Companies as follows:

	Deposit amount VND	Interest rate per annum (%)	Term (months)
Phu Gia Securities Corporation	881,050,000,000	3.00 - 18.00	3 - 12
Hoa Binh Securities Joint Stock Company	820,000,000,000	11.80 - 18.90	1 - 6
Sacombank Securities Joint Stock Companies	700,000,000,000	13.50 - 15.50	1 - 12
Agribank Securities Joint Stock Corporation	538,500,000,000	3.80 - 16.90	1 - 12
Phoenix Securities Corporation	295,000,000,000	11.20 - 15.00	1 - 3
	<u>3,234,550,000,000</u>		

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

11. RECEIVABLES (continued)

11.2 Advances for acquisitions of fixed assets

	31 December 2010 VND	31 December 2009 VND
Purchases of houses and offices (*)	316,771,297,889	293,773,602,171
Fixed assets acquired for implementation of the core banking system in progress	11,877,139,784	11,638,116,601
Purchases of other assets	10,296,328,427	4,611,317,548
	338,944,766,100	310,023,036,320

(*) During 2010, the Bank has made payment of VND 313,783 million (95% of contract value) to purchase the Abacus Tower building which the legal transfer procedures have not yet been completed at year end.

11.3 Constructions in progress

	31 December 2010 VND	31 December 2009 VND
Head Office	11,157,821,610	11,130,531,155
Ha Noi branch and affiliated transaction offices	2,097,950,731	-
Sai Gon branch and affiliated transaction offices	2,043,140,910	1,184,042,864
Tan Binh branch and affiliated transaction offices	1,829,396,106	145,964,720
Da Nang branch and affiliated transaction offices	1,638,520,397	1,188,920,889
An Giang branch and affiliated transaction offices	1,377,572,358	-
Van Hanh branch and affiliated transaction offices	1,295,220,296	1,633,464,732
Lanh Binh Thang and affiliated transaction offices	1,290,912,512	320,591,283
Cong Hoa branch and affiliated transaction offices	1,170,567,604	305,329,964
Nguyen Trai branch and affiliated transaction offices	1,100,490,389	159,602,076
Can Tho branch and affiliated transaction offices, saving fund	1,046,094,960	598,663,573
Phu Nhuan branch and affiliated transaction offices	1,040,184,960	135,474,034
Hiep Phu branch and affiliated transaction offices	993,642,989	142,046,035
Vung Tau branch and affiliated transaction offices	898,352,677	-
Bien Hoa branch and affiliated transaction offices	883,958,917	-
Binh Duong branch and affiliated transaction offices, saving fund	882,818,763	-
Hai Phong branch and affiliated transaction offices	593,183,457	-
Nha Trang branch and affiliated transaction offices, saving fund	406,423,632	77,082,940
Vinh branch and affiliated transaction offices	357,464,272	869,591,818
Thang Long branch and affiliated transaction offices	286,642,726	-
Hoan Kiem branch and affiliated transaction offices, saving fund	191,143,541	-
	32,581,503,807	17,891,306,083

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

12. ACCRUED INTEREST AND FEE RECEIVABLES

	31 December 2010 VND	31 December 2009 VND
Accrued interest receivables on deposits in VND	91,957,017,332	49,143,783,339
Accrued interest receivables on deposits in FC, gold	2,415,220,064	675,288,392
Accrued interest receivables on borrowings in VND	58,574,211,106	28,172,440,917
Accrued interest receivables on borrowings in FC, gold	8,426,695,505	6,266,095,554
Accrued interest receivables from available-for-sale securities	187,929,972,223	6,203,023,211
Accrued interest receivables from held-to-maturity securities	63,313,838,883	60,568,372,796
Forward contracts	140,424,096	8,906,727,011
Fees receivable	8,243,662,845	1,454,642,122
	<u>421,001,042,054</u>	<u>161,390,373,342</u>

13. OTHER ASSETS

	31 December 2010 VND	31 December 2009 VND
Prepaid expenses (i)	171,804,878,452	16,734,870,724
Entrusted funds (ii)	68,991,120,000	73,000,000,000
Foreclosed assets awaiting resolution (iii)	3,783,253,797	3,783,253,797
Other assets	3,539,071,904	758,065,158
Other receivable	-	22,480,418,544
	<u>248,118,324,153</u>	<u>116,756,608,223</u>

- (i) Prepaid expenses included costs of tools and supplies, repairing cost of fixed assets, office renovation and leasing lines and prepaid expense for lease of eight floors, 25 Bis Nguyen Thi Minh Khai Tower with value VND 149,117 million.
- (ii) This represents entrusted fund into business projects of Ca Tam Viet Nam JSC, Sai Gon General Import Export JSC and PVFC Land JSC amounting to VND 42,000 million, VND 23,541 million and VND 3,450 million, respectively.
- (iii) The foreclosed assets waiting for resolution were placed as collaterals for two loans at Da Nang branch under which the borrower became insolvent. The Bank possessed the ownership of these assets as at 31 December 2009.

14. BORROWINGS FROM THE GOVERNMENT AND THE STATE BANK OF VIETNAM

	31 December 2010 VND	31 December 2009 VND
Borrowing from the State Bank of Vietnam (i)	2,002,935,079,259	-
Other borrowings	179,688,288,363	105,525,742,368
Asian Development Bank (ii)	31,731,270,863	14,496,154,868
Japan Bank of International Cooperation (iii)	147,957,017,500	91,029,587,500
	<u>2,182,623,367,622</u>	<u>105,525,742,368</u>

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

14. BORROWINGS FROM THE GOVERNMENT AND THE STATE BANK OF VIETNAM (continued)

- (i) These are borrowings from the open market through the SBV which are secured by the Government bonds. These borrowings have the term of one (1) week and bear interest rate of 10.00% per annum.
- (ii) These borrowings under the Credit Financing Project funded by Asia Development Bank through the SBV. According to the agreement dated 16 January 2006 and its amendments dated 24 November 2006 and 11 October 2010 signed with the SBV, total credit limit is to VND 68,000 million. The borrowings have a term of 20 years from 6 January 2004 and bear interest rate which is equivalent to the average interest rate of all types of term deposits in the banking system at end of each quarter.
- (iii) 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 SBV. According to the agreement dated 1 November 2007, the Bank obtained these loans to support enterprises which meet the criteria of the project.

15. DEPOSITS FROM OTHER BANKS

	31 December 2010 VND	31 December 2009 VND
Demand deposits	2,212,266,622	4,086,128,540
<i>In VND</i>	2,070,464,221	569,410,815
<i>In FC</i>	141,802,401	3,516,717,725
Term deposits	7,252,318,000,000	5,210,968,700,000
<i>In VND</i>	5,851,350,000,000	5,019,000,000,000
<i>In FC</i>	1,400,968,000,000	191,968,700,000
	<u>7,254,530,266,622</u>	<u>5,215,054,828,540</u>

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

16. CUSTOMER DEPOSITS

16.1 Analysis by products

	31 December 2010 VND	31 December 2009 VND
<i>Demand deposits</i>		
Demand deposits in VND	1,802,530,345,810	1,424,265,059,030
Demand saving deposits in VND	3,327,033,549	4,678,782,621
Demand deposits in FC	100,493,045,782	75,480,478,952
Demand saving deposits in FC	50,538,380,214	50,029,801,775
<i>Term deposits</i>		
Term deposits in VND	3,661,552,596,111	2,456,311,410,156
Term saving deposits in VND	2,830,167,638,295	1,061,497,147,784
Term deposits in FC	27,439,201,544	161,181,944,000
Term saving deposits in FC	1,215,459,665,888	478,088,590,823
<i>Deposits for specific purpose</i>		
In VND	25,322,542,357	35,229,009,816
In FC	19,283,691,245	208,780,852
<i>Margin deposits</i>		
In VND	67,584,552,586	55,798,848,138
In FC	106,175,055,559	53,776,762,937
<i>Other amounts owing to customers</i>		
Other saving deposits	4,076,339,206,108	3,602,697,717,180
	<u>13,986,212,955,048</u>	<u>9,459,244,334,064</u>

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

	31 December 2010 per annum (%)	31 December 2009 per annum (%)
Demand deposits in VND	1.20 - 9.50	1.50 - 10.02
Demand saving deposits in VND	maximum to 3.00	maximum to 3.00
Demand deposits in FC	0.20 - 1.20	0.20 - 1.20
Demand saving deposits in FC	0.20 - 1.20	0.20 - 1.40
Term deposits in VND	3.00 - 17.30	3.00 - 11.00
Term saving deposits in VND	8.00 - 14.50	7.80 - 14.50
Term deposits in FC	1.00 - 4.40	2.40 - 3.80
Term saving deposits in FC	0.20 - 6.50	1.90 - 7.15

For term saving deposits, in case customers withdraw before maturity, demand interest rate shall be applied if the actual deposit period is less than 1 month and 70.00% of term interest rate shall be applied if the actual days of deposits are over 1 month.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

16. CUSTOMER DEPOSITS (continued)

16.2 Analysis by customers

	31 December 2010 VND	31 December 2009 VND
Deposits from business entities		
Joint stock companies	2,323,370,334,193	2,055,622,660,523
Family businesses	1,349,855,904,475	548,871,512,210
State-owned enterprises	1,045,674,501,301	925,581,040,623
Private enterprises	830,285,414,216	642,949,527,840
Foreign invested enterprises	185,665,431,795	60,770,079,677
Others	69,616,991,428	24,939,136,074
Deposits from individuals	<u>8,181,744,377,640</u>	<u>5,200,510,377,117</u>
	<u>13,986,212,955,048</u>	<u>9,459,244,334,064</u>

17. DERIVATIVES AND OTHER FINANCIAL ASSETS/LIABILITIES

	<i>Total contract value (using exchange rate at the contract effective date)</i>	<i>Carrying value (using exchange rate at balance sheet date)</i>	
		Assets VND	Liabilities VND
As at 31 December 2010			
Derivatives			
Foreign currency forward commitments	22,804,800,000	859,200,000	-
As at 31 December 2009			
Derivatives			
Foreign currency forward commitments	174,370,163,200	-	12,531,578,600

18. VALUABLE PAPERS ISSUED

	31 December 2010 VND	31 December 2009 VND
Certificates of deposits with term		
Under 12 months	4,688,564,378,843	1,993,574,417,255
From 12 months to 5 years	82,479,794,580	345,736,531,900
Bonds		
From 12 months to 5 years	1,800,000,000,000	-
Over 5 years	500,000,000,000	-
	<u>7,071,044,173,423</u>	<u>2,339,310,949,155</u>

Certificates of deposits issued by the Bank comprised of certificates of deposits denominated in VND, FC and gold with term from 1 month to 2 years. Interest of certificates of deposits in gold is payable at maturity or on a quarter basis.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

18. VALUABLE PAPERS ISSUED (continued)

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

	31 December 2010 per annum (%)	31 December 2009 per annum (%)
Certificates of deposits in VND	10.50 - 14.00	9.05 - 10.36
Certificates of deposits in FC	4.45 - 5.00	3.80 - 4.45
Certificates of deposits in gold	0.20 - 4.50	1.20 - 5.00

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

19. ACCRUED INTEREST AND FEES PAYABLES

	31 December 2010 VND	31 December 2009 VND
Accrued interest payables on deposits in VND	115,699,143,614	63,835,670,705
Accrued interest payables on deposits in FC	516,071,175	667,436,776
Accrued interest payables on saving deposits in VND	76,456,020,875	47,265,073,926
Accrued interest payables on saving deposits in FC	13,375,327,715	2,194,630,812
Accrued interest payables on loans in VND	4,086,284,258	1,449,454,624
Accrued interest payables on valuable papers in VND	161,203,504,379	13,482,493,789
Accrued interest payables on valuable papers in FC, gold	2,332,799,820	7,386,092,000
Forward contracts	189,580,723	10,299
	<u>373,858,732,559</u>	<u>136,280,862,931</u>

20. OTHER PAYABLES

	31 December 2010 VND	31 December 2009 VND
Internal payables	5,246,067,780	1,083,067,780
Payables to employees	3,602,067,780	102,067,780
Provision for severance allowance	1,644,000,000	981,000,000
External payables	1,149,455,292,668	53,507,324,632
Deposits from the Bank's shareholders for capital contributions	1,000,000,000,000	-
Cash held in trust and awaiting payment	91,431,040,674	12,163,279,906
Statutory obligations (Note 21)	27,805,445,151	17,350,535,526
Unearned revenue	14,469,623,828	17,846,225,250
Accrued interest payable on deposits for capital contributions in the Bank	6,855,822,765	-
Interest payable on other deposits	2,552,414,778	-
Subsidy interest received from the State Budget	595,640,666	573,009,998
Dividend payables	404,183,342	313,135,468
Other payables	5,341,121,464	5,261,138,484
	<u>1,154,701,360,448</u>	<u>54,590,392,412</u>

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

20. OTHER PAYABLES (continued)

Unearned revenue mainly included unallocated guarantee fees and interest received in advance from term deposit contracts with Saigon - Hanoi Commercial JS Bank and Military Bank Commercial JS Bank amounting to VND 3,430 million and VND 9,610 million, respectively, and the unearned profit from the repo contract between the Bank and Mr Phan Minh Hoan with amount of VND 22,400 million regarding Saigon Development and Investment JSC's shares (SDI).

21. STATUTORY OBLIGATIONS

	Beginning balance VND	Movement during the year		Ending balance VND
		Payable VND	Paid VND	
Value added tax ("VAT")	4,309,674,902	7,829,673,102	(10,044,918,018)	2,094,429,986
VAT on providing services	1,548,201,645	7,133,883,966	(6,983,293,834)	1,698,791,777
VAT on foreign exchange trading	2,761,473,257	695,789,136	(3,061,624,184)	395,638,209
Enterprise income tax	12,625,985,916	81,481,974,795	(73,757,198,658)	20,350,762,053
Other taxes	414,874,708	11,745,457,747	(6,800,079,343)	5,360,253,112
Personal income tax	414,874,708	10,959,360,683	(6,012,482,279)	5,361,753,112
License tax	-	81,500,000	(83,000,000)	(1,500,000)
Withholding tax	-	474,537,618	(474,537,618)	-
Other payables	-	230,059,446	(230,059,446)	-
	17,350,535,526	101,057,105,644	(90,602,196,019)	27,805,445,151

The Bank has the obligation to pay enterprise income tax ("EIT") at a rate of 25% of taxable profit (year 2009: 25%)

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.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

21. STATUTORY OBLIGATIONS (continued)

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.

	2010 VND	2009 VND
Profit before tax	350,732,136,680	254,905,099,514
<i>Less:</i>		
Tax-exempt dividend income	(23,872,915,577)	(9,105,404,436)
Bonus shares	-	(5,377,580,000)
Realised foreign exchange gain	(30,582,459,508)	-
<i>Add:</i>		
Non-deductible expenses	1,019,430,480	737,227,332
Unrealised foreign exchange loss	633,635,990	-
Estimated current taxable profit	297,929,828,065	241,159,342,410
Estimated current EIT for the year		
EIT at the statutory rate of 25%	74,482,457,017	60,289,835,602
Under provision of EIT in prior year	6,999,517,778	-
Estimated current EIT expense	81,481,974,795	60,289,835,602
EIT payable at beginning of the year	12,625,985,916	11,253,811,263
EIT paid during the year	(73,757,198,658)	(58,917,660,949)
EIT payable at the end of the year	20,350,762,053	12,625,985,916

21.2 Deferred EIT

	<i>Balance sheet</i>		<i>Credited/(debited) to Income statement</i>	
	<i>31 December 2010 VND</i>	<i>31 December 2009 VND</i>	<i>2010 VND</i>	<i>2009 VND</i>
Deferred tax assets				
Provision for severance allowance	-	-	-	(410.347.099)
Unrealised foreign exchange loss	158.408.998	-	158.408.998	-
	158.408.998	-		
Net deferred tax benefit/(expense) charged to the income statement			158.408.998	(410.347.099)

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

22. CAPITAL AND RESERVES

22.1 Statement of changes in capital and reserves

	Share capital VND	Share premium VND	Financial reserve VND	Supplementary capital reserve VND	Other reserve VND	Bonus and welfare fund VND	Retained earnings VND	Total VND
Beginning balance	1,550,000,000,000	4,043,016,800	30,354,522,068	16,159,527,926	-	1,402,199,187	194,204,916,813	1,796,164,182,794
Increase in the year	450,000,000,000	-	19,390,491,681	-	4,000,000,000	1,000,000,000	245,018,079,202	719,408,570,883
Increase capital during the year	450,000,000,000	-	-	-	-	-	-	450,000,000,000
Profit for the year	-	-	-	-	-	-	269,408,570,883	269,408,570,883
Additional appropriation to reserves of the prior year	-	-	19,390,491,681	-	4,000,000,000	1,000,000,000	(24,390,491,681)	-
Decrease in the year	-	-	-	-	(557,180,205)	(2,078,925,000)	(155,300,000,000)	(157,936,105,205)
Reserves used during the year	-	-	-	-	(557,180,205)	(2,078,925,000)	(300,000,000)	(2,936,105,205)
Cash dividends	-	-	-	-	-	-	(155,000,000,000)	(155,000,000,000)
Ending balance	2,000,000,000,000	4,043,016,800	49,745,013,749	16,159,527,926	3,442,819,795	323,274,187	283,922,996,015	2,357,636,648,472

The Bank has received the Business Registration Certificate applicable to Joint Stock Company - 13th amendment approving its charter capital of VND 2,000 billion issued by the Department of Planning and Investment of Ho Chi Minh City on 6 December 2010.

The Bank has not yet created the statutory reserves from the net profit after tax for the year 2010. The appropriation to statutory reserves for 2010 will be made in accordance with the approval by the shareholders at the Annual General Meeting of Shareholders of the Bank and will be recorded in 2011.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

22. CAPITAL AND RESERVES (continued)

22.1 Statement of changes in capital and reserves (continued)

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

	2010	2009
Authorised shares	300,000,000	155,000,000
Issued shares	200,000,000	155,000,000
<i>Ordinary shares (shares)</i>	<i>200,000,000</i>	<i>155,000,000</i>
Shares in circulation	200,000,000	155,000,000
<i>Ordinary shares (shares)</i>	<i>200,000,000</i>	<i>155,000,000</i>
Par value of outstanding shares (VND)	10,000	10,000

The Bank was approved to increase its charter capital from VND 1,550 billion to VND 3,500 billion according to the Approval No. 6554/NHNN-TTGSNH granted on 27 August 2010 by the Director of the State Bank of Vietnam - Ho Chi Minh City Branch, and was approved to issue 145,000,000 shares according to Approval No. 687/UBCK-GCN granted on 24 September 2010 by the Chairman of the State Securities Commission.

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 create the following statutory reserves:

	<i>Percentage</i>	<i>Maximum balance</i>
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):

Supplementary capital reserve	At the discretion of shareholders at the Annual General Meeting of Shareholders	Not applicable
Bonus and welfare fund	At the discretion of shareholders at the Annual General Meeting of Shareholders	Not applicable
Other funds	At the discretion of shareholders at the Annual General Meeting of Shareholders	Not applicable

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

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

23. BASIC EARNINGS PER SHARE

Basic earnings per share is 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:

	2010	2009
Net profit after tax attributable to ordinary equity holders for basic earnings (VND)	269,408,570,883	194,204,916,813
Weighted average number of ordinary shares for basic earnings per shares (shares)	<u>158,698,630</u>	<u>155,000,000</u>
Basic earnings per share (VND/share)	<u>1,698</u>	<u>1,253</u>

Net profit attributable to the Bank's ordinary shareholders used to calculate basic earnings per share represents profit after tax, which does not exclude amounts used to create reserves according to the Bank's regulations and policies as presented in Note 22.2 and the interim dividend of 2010 as presented in Note 24.

24. DIVIDEND

On 13 December 2010, the Bank has made advances for the year 2010 interim dividends of VND 155,000 million (equivalent to 10% of the Bank's charter capital) in accordance with Resolution No. 64/NQ-HĐQT issued by the Board of Management dated 11 November 2010, which will be off-set against retained earnings in accordance with the approval by the shareholders at the Annual General Meeting of Shareholders of the Bank.

25. INTEREST AND SIMILAR INCOME

	2010 VND	2009 VND
Interest income from placements with and loans to other banks	363,133,139,705	264,966,946,800
Interest income from loans and advances to customers	996,672,764,805	629,995,974,101
Interest income from debt securities	679,267,817,524	95,663,680,664
Interest income from other credit activities	<u>314,084,221,769</u>	<u>48,548,510,919</u>
	<u>2,353,157,943,803</u>	<u>1,039,175,112,484</u>

26. INTEREST AND SIMILAR EXPENSES

	2010 VND	2009 VND
Interest expense from customer deposits	1,395,223,444,358	736,351,270,470
Interest expense from borrowings	65,026,040,965	8,583,873,627
Interest expense from valuable papers	335,599,017,664	55,433,967,074
Other expense from credit activities	<u>34,901,857,635</u>	<u>4,091,742,385</u>
	<u>1,830,750,360,622</u>	<u>804,460,853,556</u>

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

27. NET FEE AND COMMISSION INCOME

	2010 VND	2009 VND
Fee and commission income from providing services		
Settlement services	31,183,194,869	24,493,220,334
Advisory services	26,871,577,568	16,954,266,581
Trust and agent services	182,627,052	1,168,422,174
Discounted fees	83,971,038,913	83,086,600,411
Guarantee transactions	15,910,531,288	13,594,117,756
Treasury services	7,631,253,754	2,399,492,160
Collection of credit service fees	6,514,847,387	10,097,785,753
	<u>172,265,070,831</u>	<u>151,793,905,169</u>
Fee and commission expenses from providing services		
Settlement services	(2,881,878,121)	(1,791,027,892)
Advisory services	(1,951,172,571)	(445,782,518)
Trust and agent services	(885,792,134)	(27,048,849)
Postal and telecommunication	(8,019,463,750)	(5,749,323,737)
Treasury service	(2,371,124,539)	(1,558,792,721)
Brokerage services	(2,512,848,378)	(124,886,964)
Others	(131,080,911)	(1,688,613,475)
	<u>(18,753,360,404)</u>	<u>(11,385,476,156)</u>
Net fee and commission income	<u>153,511,710,427</u>	<u>140,408,429,013</u>

28. NET (LOSS)/GAIN FROM CURRENCIES AND GOLD TRADING

	2010 VND	2009 VND
Income from dealing foreign currencies and gold trading		
Income from foreign exchange spot	495,023,838,117	213,876,056,074
Income from gold trading	701,351,907,756	80,942,344,461
Income from currency derivatives	33,154,689,576	1,695,997,253
	<u>1,229,530,435,449</u>	<u>296,514,397,788</u>
Expense from dealing foreign currencies and gold trading		
Expense from foreign exchange spot	(504,222,611,902)	(202,159,289,774)
Expense from gold trading	(712,342,169,211)	(22,666,554,832)
Expense from currency derivatives	(51,562,324,315)	(8,278,264,192)
	<u>(1,268,127,105,428)</u>	<u>(233,104,108,798)</u>
Net (loss)/gain from dealing foreign currencies and gold trading	<u>(38,596,669,979)</u>	<u>63,410,288,990</u>

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

29. NET GAIN/(LOSS) FROM SALES OF SECURITIES INVESTMENT

	2010 VND	2009 VND
Income from sales of equity investments	38,195,280,451	47,029,156,152
Expense for sales of equity investments	(3,231,008,255)	(3,622,940,926)
Provision for impairment of securities investment	(18,168,876,375)	(48,530,788,000)
Net gain/(loss) from sales of securities investment	<u>16,795,395,821</u>	<u>(5,124,572,774)</u>

30. INCOME FROM LONG-TERM INVESTMENTS

	2010 VND	2009 VND
Income from sale of other long-term investments	39,215,000,000	90,000,000,000
Net carrying amount of other long-term investments (Note 9)	(17,050,000,000)	(46,000,000,000)
Net gain from other long-term investments	<u>22,165,000,000</u>	<u>44,000,000,000</u>

31. NET OTHER OPERATING INCOME/(LOSS)

	2010 VND	2009 VND
Other operating incomes		
Income from rental service	10,528,716,565	653,445,809
Gain from disposal of fixed assets	477,295,583	231,625,962
Other income	279,480,443	30,040,319
	<u>11,285,492,591</u>	<u>915,112,090</u>
Other operating expenses		
Loss from disposal of fixed assets	(842,767,222)	(140,994,586)
Other expenses	-	(813,575,645)
	<u>(842,767,222)</u>	<u>(954,570,231)</u>
Net other operating income/(loss)	<u>10,442,725,369</u>	<u>(39,458,141)</u>

32. NET GAIN FROM EQUITY INVESTMENTS

	2010 VND	2009 VND
Dividend received by cash from equity investments		
<i>From equity available for sale securities (recorded in account 15)</i>	7,960,984,577	2,199,024,500
<i>From long term investment (recorded in account 34)</i>	15,911,931,000	7,698,189,494
Bonus shares received	-	5,377,580,000
	<u>23,872,915,577</u>	<u>15,274,793,994</u>

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Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

33. OTHER OPERATING EXPENSES

	2010 VND	2009 VND
Expenses for employees	162,462,720,873	91,944,910,665
<i>Salary and allowance</i>	145,370,798,266	82,844,571,269
<i>Expense following to salary</i>	12,688,118,462	6,791,822,271
<i>Allowance expense</i>	3,799,509,145	2,208,517,125
<i>Social activities expense</i>	604,295,000	100,000,000
Depreciation expense	27,267,989,230	14,281,851,479
Other operating expenses	148,175,963,613	94,231,761,616
<i>Office rental</i>	40,892,462,201	22,155,489,180
<i>General administration expenses</i>	32,081,932,156	19,800,539,919
<i>Advertising, marketing, promotion and entertainment</i>	30,022,138,261	18,634,338,101
<i>Other taxes and fees</i>	6,669,784,749	11,103,082,353
<i>Tool and equipment</i>	7,876,953,919	4,854,560,896
<i>Repair and maintenance</i>	10,393,403,178	4,580,790,881
<i>Insurance for customer deposits</i>	7,324,979,587	4,208,371,499
<i>Material and printing</i>	4,647,016,083	2,831,352,753
<i>Business trip</i>	3,948,655,905	2,408,193,989
<i>Post and telecommunication</i>	3,289,029,836	2,060,660,678
<i>Insurance of the Bank's assets</i>	801,160,848	719,586,294
<i>Training</i>	228,446,890	706,000,616
<i>Other expenses</i>	-	168,794,457
	<u>337,906,673,716</u>	<u>200,458,523,760</u>

34. CASH AND CASH EQUIVALENTS

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

	31 December 2010 VND	31 December 2009 VND
Cash in VND	154,361,471,055	113,539,819,377
Cash in FC	78,020,887,458	24,545,080,586
Monetary gold	566,723,733,000	389,079,570,000
Current account with the SBV	736,099,414,685	517,670,356,426
Demand deposits with other banks	1,291,840,229,979	123,473,183,433
Term deposits with other banks with term of less than 90 days (Note 5.2)	5,844,270,000,000	3,693,268,820,000
	<u>8,671,315,736,177</u>	<u>4,861,576,829,822</u>

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

35. EMPLOYEES' INCOME

	<i>Actual amount</i>	
	2010	2009
I. Total number of employees (persons)	1,752	1,288
II. Employees' income (VND)		
1. Total salary	136,899,849,378	77,292,768,769
2. Lunch allowances	8,470,948,888	5,551,802,500
3. Total income (1+2)	145,370,798,266	82,844,571,269
4. Average monthly salary (VND/person)	6,010,706	4,616,147
5. Average monthly income (VND/person)	6,382,631	4,947,717

36. COLLATERALS AND MORTGAGES

	<i>Net book value</i>	
	31 December 2010 VND	31 December 2009 VND
Real estate properties	14.205.952.914.096	12,127,804,402,754
Movable assets	3.936.056.268.542	5,287,979,000,060
Valuable papers	3.656.321.907.118	3,870,412,602,675
Other assets	7.562.604.919.847	3,638,936,884,913
	29.360.936.009.603	24,925,132,890,402

37. 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 default 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.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

37. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

The Bank requires margin deposits to support credit-related financial instruments when it is deemed necessary. The margin deposit required varies from 0.00% 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 are as follows:

	31 December 2010 VND	31 December 2009 VND
Financial guarantees	769,350,103,496	1,344,573,486,463
At sight letters of credit	218,266,113,697	163,958,237,237
Deferred payment letters of credit	25,023,943,863	27,886,366,938
	<u>1,012,640,161,056</u>	<u>1,536,418,090,638</u>
Less: Margin deposits on guarantee/letters of credit	(170,025,708,655)	(103,776,629,034)
Contingent liabilities and commitments	<u>842,614,452,401</u>	<u>1,432,641,461,604</u>

38. 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 venturer;
- (c) the party is a member of the key management personnel of the Bank or its parent Company;
- (d) the party is a close member of the family of any person referred to in (a) or (c); and
- (e) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any person referred to in (c) or (d).

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

38. RELATED PARTY TRANSACTIONS (continued)

Significant transactions with related parties in the year 2010 were as follows:

<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>2010 VND</i>	<i>2009 VND</i>
Ho Chi Minh City Finance and Investment State-owned Company	Shareholder	Deposit in current account Withdrawing from current account Term deposit	7,825,900,915,180 7,823,945,796,692 10,000,000,000	5,480,455,571,511 5,482,176,660,101 65,000,000,000
Bac Ha Investment JSC	Shareholder	Deposit in current account Withdrawing from current account	1,623,525,810,432 1,617,074,749,828	264,327,436,150 261,953,883,121
Bac Trung Nam Housing Development JSC	Investee	Deposit in current account Withdrawing from current account Margin deposit Withdrawing from margin deposit	38,488,092,623 39,558,499,761 110,000,000 23,530,026	54,098,827,558 57,434,580,451 113,530,026 90,000,000
Chanh Phu Hoa Construction and Investment JSC	Investee	Deposit in current account Withdrawing from current account	327,726 -	36,022,478,251 36,038,292,592
Viet Nga Investment JSC	Shareholder	Deposit in current account Withdrawing from current account Deposit in capital account	447,368,712,331 447,378,533,659 9,500,000,000	22,228,636,513 21,563,481,036 -
Phu Long Real Estate JSC	Shareholder	Deposit in current account Withdrawing from current account Deposit in capital account Withdrawing from capital account	1,980,876,000,313 1,981,040,349,852 1,165,408,549,848 971,331,244,836	- - - -
City Housing Development Real Estate Business JSC	Investee	Deposit in current account Withdrawing from current account	377,578,723,176 378,807,415,678	- -

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

38. RELATED PARTY TRANSACTIONS (continued)

Details of receivables from and payables to related parties as at 31 December 2010 were as follows:

<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Receivables VND</i>	<i>Payables VND</i>
Ho Chi Minh City Finance and Investment State-owned Company	Shareholder	Current account Capital account	- -	(4,918,134,254) (10,000,000,000)
Bac Ha Investment JSC	Shareholder	Current account	-	(9,059,895,107)
Bac Trung Nam Housing Development JSC	Investee	Loan Current account Margin deposit	7,000,000,000 - -	- (1,308,955,618) (110,000,000)
Chanh Phu Hoa Construction and Investment JSC	Investee	Current account	-	(11,102,599)
Viet Nga Investment JSC	Shareholder	Current account Capital account	- -	(680,090,225) (9,500,000,000)
Phu Long Real Estate JSC	Shareholder	Current account Capital account Bonds	- - 150,000,000,000	(12,181,036,858) (194,077,305,012)
City Housing Development Real Estate Business JSC	Investee	Current account Bonds	- 200,000,000,000	(361,745,063) -

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

39. RISK MANAGEMENT POLICIES RELATING TO FINANCIAL INSTRUMENTS

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 organisations 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 use 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 forward commitments for the purpose of interest rate risk management.

As for the management of credit risk, the Bank has issued credit policies and guidance of implementation to control 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, 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 assessment of interest rate difference, 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 Centralised Capital Management and Centralised 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.

40. CREDIT RISK

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

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

The Bank has established a review process of credit quality enabling early prediction of changes in financial status, repayment ability of borrowers 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 2010

41. MARKET RISK

41.1 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 as non-interest bearing group;
- ▶ Balances with the State Bank of Vietnam which represent current accounts are classified into group which has the re-pricing period of up to one month;
- ▶ The term of re-pricing actual interest rate of investment securities and trading securities are determined based on the actual maturity term as at the balance sheet date of each kind of securities;
- ▶ The term of re-pricing actual interest rate of placements with and loans to other banks; and loans to customers; borrowings from government and the State Bank of Vietnam; grants, entrusted funds and loans exposed to risks; deposits and borrowings from other banks and deposits from customers are determined as follows:
 - items with fixed interest rate for the entire contractual term: The term of re-pricing actual interest rate is determined based on the remaining contractual term calculated from the balance sheet date.
 - items with floating interest rate: The term of re-pricing actual interest rate is determined based on the next interest reset date subsequent to the balance sheet date.
- ▶ The term of re-pricing actual interest rate of valuable papers are determined based on the remaining maturity term of each valuable paper calculated from the balance sheet date;
- ▶ The term of re-pricing actual interest rate of entrusted funds and loans exposed to risks to the Bank are classified in re-pricing of interest rate in one (1) to five (5) years; and
- ▶ Other liabilities are classified as non-bearing interest group.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

41. MARKET RISK (continued)

41.1 Interest risk (continued)

	Overdue VND	Non-bearing interest VND	Re-pricing interest rate period							Total VND
			Up to 1 month VND	1 - 3 months VND	3 - 6 months VND	6 - 12 months VND	1 - 5 years VND	Above 5 years VND		
Assets										
Cash, gold, jewelry and gemstones	-	799,106,091,513	-	-	-	-	-	-	-	799,106,091,513
Balances with the SBV	-	-	736,099,414,685	-	-	-	-	-	-	736,099,414,685
Placements with and loans to other banks (*)	-	-	6,252,945,829,979	2,197,290,000,000	-	100,000,000,000	-	-	-	8,550,235,829,979
Derivatives and financial assets	-	859,200,000	-	-	-	-	-	-	-	859,200,000
Loans and advances to customers (*)	-	-	198,582,609,380	11,389,610,338,642	140,000,000,000	-	-	-	-	11,728,192,948,022
Investment securities (*)	-	333,889,334,277	400,000,000,000	630,000,000,000	1,346,880,895,579	500,000,000,000	4,331,940,175,437	-	-	7,542,710,405,293
Long-term investments (*)	-	169,862,189,881	-	-	-	-	-	-	-	169,862,189,881
Fixed assets	-	256,043,367,871	-	-	-	-	-	-	-	256,043,367,871
Other assets (*)	-	1,625,316,948,465	1,459,500,000,000	918,000,000,000	165,000,000,000	614,000,000,000	-	-	-	4,781,816,948,465
Total assets	-	3,185,077,132,007	9,047,127,854,044	15,134,900,338,642	1,651,880,895,579	1,214,000,000,000	4,331,940,175,437	-	-	34,564,926,395,709
Liabilities										
Deposits and borrowings from the SBV and other banks	-	-	7,268,145,345,881	2,098,937,313,363	70,070,975,000	-	-	-	-	9,437,153,634,244
Customer deposits	-	173,900,483,145	8,401,799,495,829	2,606,003,611,096	545,165,225,328	862,881,208,224	1,396,462,931,426	-	-	13,986,212,955,048
Valuable papers issued	-	-	731,090,516,137	2,373,126,557,518	1,122,433,529,258	534,568,300,510	2,309,825,270,000	-	-	7,071,044,173,423
Other liabilities	-	1,528,560,093,007	-	-	-	-	-	-	-	1,528,560,093,007
Total liabilities	-	1,702,460,576,152	16,401,035,357,847	7,078,067,481,977	1,737,669,729,586	1,397,449,508,734	3,706,288,201,426	-	-	32,022,970,855,722
Sensitive interest rate difference for balance sheet items	-	1,482,616,555,855	(7,353,907,503,803)	8,056,832,856,665	(85,788,834,007)	(183,449,508,734)	625,651,374,011	-	-	2,541,955,539,987
Off-balance sheet commitments affecting sensitive interest rate difference of assets and liabilities (net)	-	1,012,640,161,056	-	-	-	-	-	-	-	1,012,640,161,056
Sensitive interest rate difference for on and off-balance sheet items	-	469,976,394,799	(7,353,907,503,803)	8,056,832,856,665	(85,788,834,007)	(183,449,508,734)	625,651,374,011	-	-	1,529,315,378,931

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



Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

41. MARKET RISK (continued)

41.2 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 2010

41. MARKET RISK (continued)

41.2 Currency risk (continued)

	EUR equivalent VND	US\$ equivalent VND	Gold equivalent VND	Other currencies equivalent VND	Total VND
Assets					
Cash, gold, jewelry and gemstones	45,282,139,558	32,738,747,900	566,723,733,000	-	644,744,620,458
Balances with the SBV	-	43,934,832,620	-	-	43,934,832,620
Placements with and loans to other banks (*)	58,103,349,692	2,327,599,305,072	323,910,000,000	4,752,108,176	2,714,364,762,940
Loans and advances to customers (*)	32,308,871,659	751,767,793,332	590,626,239,570	-	1,374,702,904,561
Other assets (*)	41,832,154	44,553,349,389	3,883,932,830	-	48,479,114,373
Total assets	135,736,193,063	3,200,594,028,313	1,485,143,905,400	4,752,108,176	4,826,226,234,952
Liabilities					
Deposits and borrowings from other banks	139,461,270	1,400,970,341,131	-	-	1,401,109,802,401
Customer deposits	112,814,876,326	1,406,574,163,906	-	-	1,519,389,040,232
Valuable papers issued	-	153,871,560,763	1,397,172,612,660	-	1,551,044,173,423
Other liabilities	7,754,478	57,766,950,152	86,932,585,350	-	144,707,289,980
Total liabilities	112,962,092,074	3,019,183,015,952	1,484,105,198,010	-	4,616,250,306,036
FX position on balance sheet	22,774,100,989	181,411,012,361	1,038,707,390	4,752,108,176	209,975,928,916
FX position off balance sheet	-	-	-	-	-
FX position on and off-balance sheet	22,774,100,989	181,411,012,361	1,038,707,390	4,752,108,176	209,975,928,916

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

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

41. MARKET RISK (continued)

41.3 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 has diversified the mobilisation of deposits from various sources apart from its basic capital resources. In addition, the Bank has established policy for control of liquidity assets flexibly, monitor the future cash flows and daily liquidity. The Bank has also evaluated 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.

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

41. MARKET RISK (continued)

41.3 Liquidity risk (continued)

	Overdue					Current				Total VND
	Above 3 months VND	Up to 3 months VND	Up to 1 month VND	1 - 3 months VND	3 - 12 months VND	1 - 5 years VND	Above 5 years VND			
Assets										
Cash, gold, jewelry and gemstones	-	-	799,106,091,513	-	-	-	-	-	-	799,106,091,513
Balances with the SBV	-	-	736,099,414,685	-	-	-	-	-	-	736,099,414,685
Placements with and loans to other banks (*)	-	-	6,248,545,829,979	2,197,290,000,000	104,400,000,000	-	-	-	-	8,550,235,829,979
Derivatives and financial assets	-	-	859,200,000	-	-	-	-	-	-	859,200,000
Loans and advances to customers (*)	95,738,367,619	102,844,241,761	2,505,230,398,355	1,978,471,272,531	3,639,965,144,881	1,807,312,845,877	1,598,630,676,998	11,728,192,948,022		11,728,192,948,022
Investment securities (*)	-	-	733,889,334,277	630,000,000,000	1,846,880,895,579	4,331,940,175,437	-	7,542,710,405,293		169,862,189,881
Long-term investments (*)	-	-	-	-	-	169,862,189,881	-	-	-	169,862,189,881
Fixed assets	-	-	-	-	-	-	256,043,367,871	-	-	256,043,367,871
Other assets (*)	-	-	2,969,848,856,381	1,018,646,536,529	793,321,555,555	-	-	-	-	4,781,816,948,465
Total assets	95,738,367,619	102,844,241,761	13,993,579,125,190	5,824,407,809,060	6,384,567,596,015	6,309,115,211,195	1,854,674,044,869	34,564,926,395,709		
Liabilities										
Deposits and borrowings from the Government and the SBV and other banks	-	-	7,268,145,345,881	1,989,320,000,000	837,600,000	113,887,297,716	64,963,390,647	9,437,153,634,244		13,986,212,955,048
Customer deposits	-	-	8,575,699,978,974	2,606,003,611,096	1,408,046,433,552	1,396,462,931,426	-	-		7,071,044,173,423
Valuable papers issued	-	-	731,090,516,137	2,373,126,557,518	1,657,001,829,768	2,309,825,270,000	-	-		1,528,560,093,007
Other liabilities	-	-	1,528,560,093,007	-	-	-	-	-		-
Total liabilities	-	-	18,103,495,933,999	6,968,450,168,614	3,065,885,863,320	3,820,175,499,142	64,963,390,647	32,022,970,855,722		
Net liquidity	95,738,367,619	102,844,241,761	(4,109,916,808,809)	(1,144,042,359,554)	3,318,681,732,695	2,488,939,712,053	1,789,710,654,222	2,541,955,539,987		

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

Housing Development Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the financial year ended 31 December 2010

42. CAPITAL EXPENDITURE AND OPERATING LEASE COMMITMENTS

	31 December 2010 VND	31 December 2009 VND
Commitments to acquire of office buildings	99,411,174,720	31,923,000,000
Non-cancelable operating leases	170,599,086,059	370,739,000,000
<i>In which:</i>		
<i>Due within one year</i>	1,318,697,282	84,668,000,000
<i>Due within from two to five years</i>	83,253,733,349	246,528,000,000
<i>Due after five years</i>	86,026,655,429	39,543,000,000

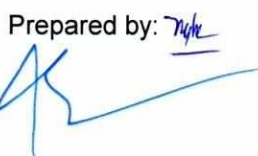
43. EVENTS AFTER THE BALANCE SHEET DATE

The Bank's shareholders have fully paid the contribution amount to increase the charter capital from VND 2,000 billion to VND 3,000 billion on 25 December 2010. The Bank has received the Business Registration Certificate applicable to Joint Stock Company - 14th amendment approving its charter capital of VND 3,000 billion issued by the Department of Planning and Investment of Ho Chi Minh City on 5 January 2011.

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

44. EXCHANGE RATES APPLICABLE FOREIGN CURRENCIES AT YEAR-END

	31 December 2010 VND	31 December 2009 VND
USD	18,932	17,941
EUR	27,432	26,743
GBP	31,889	29,992
JPY	254.85	200.38
SGD	16,021	13,278
CAD	20,563	17,628
AUD	20,918	16,599
Gold SJC (tale)	35,990,000	26,300,000

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Ho Chi Minh City, Vietnam

27 January 2011