

**Ho Chi Minh City Development Bank**  
(previously known as Housing Development Bank)

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

As at and for the year ended 31 December 2012

**Ho Chi Minh City Development Bank**  
(previously known as Housing Development Bank)

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# Ho Chi Minh City Development Bank

(previously known as Housing Development Bank)

## GENERAL INFORMATION

### THE BANK

Ho Chi Minh City Development Bank (herein referred to as "the Bank"), previously known as Housing Development Bank, is a commercial joint stock bank incorporated in the Socialist Republic of Vietnam.

The Bank was established under Decision No. 47/QD-UB issued by the People's Committee of Ho Chi Minh City on 11 February 1989 and Banking License No. 00019/NH-GP issued by the State Bank of Vietnam ("the SBV") on 6 June 1992.

On 16 March 2012, the SBV issued Decision No. 2096/QD-NHNN to approve the change in the Bank's name from Housing Development Bank into Ho Chi Minh City Development Bank.

The Bank was established to carry out banking services including mobilising and receiving short, medium and long-term deposits from organisations and individuals; making short, medium and long-term loans to organisations and individuals based on the nature and capability of the Bank's capital resources; conducting foreign currency transactions; providing international trade finance services, discounting of commercial notes, bonds and valuable papers; and other banking services as allowed by the SBV.

The Bank's Head Office is located at HD Tower, 25 bis Nguyen Thi Minh Khai Street, District 1, Ho Chi Minh City. As at 31 December 2012, the Bank had twenty four (24) branches, seventy five (75) transaction offices and twenty one (21) savings points located in cities and provinces throughout Vietnam.

### BOARD OF DIRECTORS

The members of the Board of Directors during the year ended 31 December 2012 and at the date of this report are as follows:

<b>Name</b>	<b>Position</b>	<b>Date of Appointment/Resignation</b>
Ms. Le Thi Bang Tam	Chairwoman	Appointed on 27 April 2012
Ms. Nguyen Thi Phuong Thao	Standing Vice Chairwoman	Appointed on 27 April 2012
Mr. Luu Duc Khanh	Vice Chairman	Appointed on 27 April 2012
Mr. Diep Dung	Vice Chairman	Appointed on 27 April 2012
Mr. Nguyen Huu Thanh	Vice Chairman	Resigned on 27 April 2012
Mr. Luu Van Son	Member	Appointed on 27 April 2012
Mr. Nguyen Huu Dang	Member	Appointed on 27 April 2012
Ms. Do Thi Hong Dung	Member	Resigned on 27 April 2012

### BOARD OF SUPERVISORS

The members of the Board of Supervisors during the year ended 31 December 2012 and at the date of this report are as follows:

<b>Name</b>	<b>Position</b>	<b>Date of Appointment</b>
Mr. Dao Duy Tuong	Chief Supervisor	31 December 2010
Ms. Nguyen Thi Phung	Member	23 July 2008
Mr. To Xuan Thanh	Member	31 December 2010

# Ho Chi Minh City Development Bank

(previously known as Housing Development Bank)

## GENERAL INFORMATION (continued)

### BOARD OF MANAGEMENT, CHIEF FINANCIAL OFFICER AND CHIEF ACCOUNTANT

The members of the Board of Management, Chief Financial Officer and Chief Accountant during the year ended 31 December 2012 and at the date of this report are as follows:

<b>Name</b>	<b>Position</b>	<b>Date of Appointment/Resignation</b>
Mr. Nguyen Huu Dang	General Director	Appointed on 22 October 2010
Ms. Nguyen Doan Duy Ai	Deputy General Director	Appointed on 15 August 2007
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. Pham Thien Long	Deputy General Director	Appointed on 5 April 2011
Mr. Le Thanh Trung	Deputy General Director	Appointed on 15 February 2012
Mr. Tran Hoai Nam	Deputy General Director	Appointed on 27 February 2012
Mr. Đam The Thai	Deputy General Director	Appointed on 25 January 2013
Mr. Le Xuan Vu	Deputy General Director	Appointed on 18 January 2013
Mr. Nguyen Manh Quan	Deputy General Director	Resigned on 25 January 2013
Mr. Pham Van Dau	Chief Financial Officer	Appointed on 16 September 2009
Ms. Ho Dang Hoang Quyen	Chief Accountant	Appointed on 7 July 2011

### LEGAL REPRESENTATIVE

The legal representative of the Bank during the year ended 31 December 2012 and at the date of this report is Mr. Nguyen Huu Dang, General Director.

### AUDITOR

The auditors of the Bank are Ernst & Young Vietnam Limited.



**Ho Chi Minh City Development Bank**  
(previously known as Housing Development Bank)

**REPORT OF THE BOARD OF MANAGEMENT**

The management of Ho Chi Minh City Development Bank ("the Bank"), previously known as Housing Development Bank, presents its report and the financial statements of the Bank as at and for the financial year ended 31 December 2012.

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

Management is responsible for the financial statements of each financial year which give a true and fair view of the state of affairs of the Bank and of the results of its operation and its cash flows for the year. In preparing those financial statements, management is required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgments and estimates that are reasonable and prudent;
- ▶ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the 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.

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. 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 commits to comply with the above requirements in preparing the financial statements as at and for the year ended 31 December 2012.

**STATEMENT BY MANAGEMENT**

Management does hereby state that, in its opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2012 and of the results of its operations 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.

On behalf of the Board of Management:



NGÂN HÀNG  
THƯƠNG MẠI CỔ PHẦN  
PHÁT TRIỂN  
THÀNH PHỐ  
HỒ CHÍ MINH

Mr. Nguyễn Hữu Dạng  
General Director

Ho Chi Minh City, Vietnam

25 March 2013

Reference: 60752693/15503163

## INDEPENDENT AUDITORS' REPORT

To: **The Shareholders of Ho Chi Minh City Development Bank**

We have audited the financial statements of Ho Chi Minh City Development Bank ("the Bank"), previously known as Housing Development Bank, as set out on pages 5 to 68, which comprise the balance sheet as at 31 December 2012, the income statement and the cash flow statement for the year then ended and the notes thereto.

The preparation and presentation of these financial statements are the responsibility of the 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 the Vietnamese Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance to determine whether the financial statements are free from material misstatement. 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 management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### *Audit Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2012, and of the results of its operations 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

  
Michael Yu Lim  
Deputy General Director  
Certificate No: 0629/KTV



Hoang Thi Hong Minh  
Auditor  
Certificate No: 0761/KTV

Ho Chi Minh City, Vietnam

25 March 2013



**Ho Chi Minh City Development Bank**  
(previously known as Housing Development Bank)

BALANCE SHEET  
as at 31 December 2012

B02/TCTD

	Notes	31 December 2012 VND	31 December 2011 VND
<b>ASSETS</b>			
<b>Cash, gold and precious stones</b>	<b>5</b>	<b>807,468,024,948</b>	<b>1,276,718,594,608</b>
<b>Balances with the State Bank of Vietnam</b>	<b>6</b>	<b>701,234,182,913</b>	<b>1,410,215,684,528</b>
<b>Due from and loans to other banks</b>	<b>7</b>	<b>7,376,463,960,142</b>	<b>9,129,450,113,581</b>
Deposits with other banks	7.1	4,376,463,960,142	9,129,450,113,581
Loans and advances to other banks	7.2	3,000,000,000,000	-
Provision for loss of loans and advances to other banks		-	-
<b>Trading securities</b>	<b>8</b>	<b>207,405,555,556</b>	-
Trading securities		207,405,555,556	-
Provision for decline in value of trading securities		-	-
<b>Derivatives and other financial assets</b>	<b>9</b>	<b>360,000,000</b>	-
<b>Loans and advances to customers</b>		<b>20,952,361,188,370</b>	<b>13,707,101,357,470</b>
Loans and advances to customers	10	21,147,824,873,683	13,847,786,090,627
Provision for loan losses	11	(195,463,685,313)	(140,684,733,157)
<b>Investment securities</b>	<b>12</b>	<b>11,736,418,608,313</b>	<b>10,671,563,664,617</b>
Available-for-sale investment securities	12.1	10,372,146,639,365	8,955,690,040,031
Held-to-maturity investment securities	12.2	1,486,435,268,025	1,890,768,349,806
Provision for decline in value of investment securities	12.1	(122,163,299,077)	(174,894,725,220)
<b>Long-term investments</b>	<b>13</b>	<b>57,616,952,338</b>	<b>199,177,949,881</b>
Investments in subsidiaries		-	-
Investments in joint ventures		-	-
Investments in associates		-	-
Other long-term investments		61,491,310,665	199,177,949,881
Provision for decline in value of long-term investments		(3,874,358,327)	-
<b>Fixed assets</b>		<b>311,834,279,881</b>	<b>327,505,960,129</b>
<i>Tangible fixed assets</i>	<i>14.1</i>	<i>255,582,722,580</i>	<i>265,275,008,622</i>
Cost		374,143,380,732	339,306,317,611
Accumulated depreciation		(118,560,658,152)	(74,031,308,989)
<i>Financial lease</i>		-	-
Cost		-	-
Accumulated depreciation		-	-
<i>Intangible fixed assets</i>	<i>14.2</i>	<i>56,251,557,301</i>	<i>62,230,951,507</i>
Cost		80,450,649,528	78,690,210,328
Accumulated amortisation		(24,199,092,227)	(16,459,258,821)
<b>Investment properties</b>		-	-
Cost		-	-
Accumulated depreciation		-	-
<b>Other assets</b>		<b>10,631,667,937,987</b>	<b>8,303,688,015,032</b>
Receivables	15	8,908,174,751,420	6,937,597,323,779
Interest and fees receivable	16	1,277,182,875,086	987,190,764,727
Deferred tax assets		-	-
Other assets	17	453,370,311,481	385,959,926,526
<i>In which: Goodwill</i>		-	-
Provision for doubtful debts		(7,060,000,000)	(7,060,000,000)
<b>TOTAL ASSETS</b>		<b>52,782,830,690,448</b>	<b>45,025,421,339,846</b>

**Ho Chi Minh City Development Bank**  
(previously known as Housing Development Bank)

BALANCE SHEET (continued)  
as at 31 December 2012

B02/TCTD

	Notes	31 December 2012 VND	31 December 2011 VND
<b>LIABILITIES</b>			
<b>Borrowings from the Government and the State Bank of Vietnam</b>	<b>18</b>	<b>565,531,992,435</b>	<b>1,070,276,780,371</b>
<b>Due to and borrowings from other banks</b>	<b>19</b>	<b>7,895,374,488,026</b>	<b>11,684,453,209,552</b>
Deposits from other banks		3,533,223,288,026	11,684,453,209,552
Borrowings from other banks		4,362,151,200,000	-
<b>Due to customers</b>	<b>20</b>	<b>34,261,860,116,786</b>	<b>19,089,859,618,148</b>
<b>Derivatives and other financial liabilities</b>		-	<b>2,789,558,902</b>
<b>Grants, entrusted funds and loans exposed to risks</b>		-	-
<b>Valuable papers issued</b>	<b>21</b>	<b>3,644,839,683,515</b>	<b>7,838,230,091,647</b>
<b>Other liabilities</b>		<b>1,021,478,311,739</b>	<b>1,792,180,479,747</b>
Interest and fees payable	22	639,452,701,208	709,792,217,518
Deferred tax liabilities	24.2	23,616,380	2,575,020,592
Other payables	23	375,742,308,125	1,073,627,497,822
Provision for contingent liabilities and off-balance sheet commitments	11	6,259,686,026	6,185,743,815
<b>TOTAL LIABILITIES</b>		<b><u>47,389,084,592,501</u></b>	<b><u>41,477,789,738,367</u></b>
<b>OWNERS' EQUITY</b>			
<b>Capital and reserves</b>			
<b>Capital</b>		<b>5,004,043,016,800</b>	<b>3,004,043,016,800</b>
Charter capital	25.1	5,000,000,000,000	3,000,000,000,000
Fund for capital expenditure		-	-
Share premium	25.1	4,043,016,800	4,043,016,800
Treasury shares		-	-
Preference shares		-	-
Other capital		-	-
<b>Reserves</b>	<b>25.1</b>	<b>53,298,582,457</b>	<b>90,730,718,845</b>
<b>Foreign currency difference reserve</b>		-	-
<b>Asset revaluation reserve</b>		-	-
<b>Retained earnings</b>	<b>25.1</b>	<b>336,404,498,690</b>	<b>452,857,865,834</b>
<b>TOTAL OWNERS' EQUITY</b>		<b><u>5,393,746,097,947</u></b>	<b><u>3,547,631,601,479</u></b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b><u>52,782,830,690,448</u></b>	<b><u>45,025,421,339,846</u></b>




**Ho Chi Minh City Development Bank**  
(previously known as Housing Development Bank)

BALANCE SHEET (continued)  
as at 31 December 2012

B02/TCTD

**OFF BALANCE SHEET ITEMS**

	Notes	31 December 2012 VND	31 December 2011 VND
<b>Contingencies</b>			
Financial guarantees		-	-
Letters of credit		277,486,714,514	141,178,961,687
Other guarantees		1,029,659,383,949	398,326,908,251
<b>Commitments</b>			
Commitments to customers		-	-
Other commitments		-	-
		<b>1,307,146,098,463</b>	<b>539,505,869,938</b>

Prepared by: 

Ms. Ho Dang Hoang Quyen  
Chief Accountant

Reviewed by: 

Mr. Pham Van Dau  
Chief Financial Officer

Approved by: 

Mr. Nguyen Huu Dang  
General Director



Ho Chi Minh City, Vietnam


25 March 2013

Ho Chi Minh City Development Bank  
(previously known as Housing Development Bank)

INCOME STATEMENT  
for the year ended 31 December 2012

B03/TCTD

	Notes	2012 VND	2011 VND
Interest and similar income	28	5,195,232,247,234	5,340,655,733,569
Interest and similar expenses	29	(4,345,159,278,402)	(4,031,823,646,416)
<b>Net interest and similar income</b>		<b>850,072,968,832</b>	<b>1,308,832,087,153</b>
Fees and commission income		46,344,535,613	102,574,465,029
Fees and commission expenses		(28,718,510,672)	(38,379,619,871)
<b>Net fees and commission income</b>	<b>30</b>	<b>17,626,024,941</b>	<b>64,194,845,158</b>
<b>Net loss from foreign currencies and gold trading</b>	<b>31</b>	<b>(43,304,784,267)</b>	<b>(93,489,424,431)</b>
<b>Net gain from dealing of trading securities</b>	<b>32</b>	<b>8,592,464,240</b>	-
<b>Net gain/(loss) from dealing of investment securities</b>	<b>33</b>	<b>315,178,910,662</b>	<b>(44,775,764,727)</b>
Other operating income		377,392,999,858	11,578,149,137
Other operating expenses		(29,633,018,777)	(9,642,290,955)
<b>Net other operating income</b>	<b>34</b>	<b>347,759,981,081</b>	<b>1,935,858,182</b>
<b>Income from long-term investments</b>	<b>35</b>	<b>26,482,194,605</b>	<b>9,988,190,148</b>
<b>TOTAL OPERATING INCOME</b>		<b>1,522,407,760,094</b>	<b>1,246,685,791,483</b>
Personnel expenses		(301,888,321,247)	(267,297,109,756)
Depreciation and amortisation charges		(58,947,366,006)	(36,222,926,944)
Other operating expenses		(435,686,172,891)	(291,082,545,691)
<b>TOTAL OPERATING EXPENSES</b>	<b>36</b>	<b>(796,521,860,144)</b>	<b>(594,602,582,391)</b>
<b>Net operating profit before credit loss expense</b>		<b>725,885,899,950</b>	<b>652,083,209,092</b>
<b>Credit loss expense</b>	<b>11</b>	<b>(298,735,979,395)</b>	<b>(86,106,790,982)</b>
<b>PROFIT BEFORE TAX</b>		<b>427,149,920,555</b>	<b>565,976,418,110</b>
Current corporate income tax expense	24.1	(103,270,667,165)	(136,746,576,681)
Deferred income tax benefit/(expense)	24.2	2,551,404,212	(2,733,429,590)
<b>Total corporate income tax expense</b>		<b>(100,719,262,953)</b>	<b>(139,480,006,271)</b>
<b>NET PROFIT FOR THE YEAR</b>		<b>326,430,657,602</b>	<b>426,496,411,839</b>
<b>Basic earnings per share</b>	<b>26</b>	<b>814</b>	<b>1,427</b>

Prepared by: 

Ms. Ho Dang Hoang Quyên  
Chief Accountant

Reviewed by: 

Mr. Pham Van Dau  
Chief Financial Officer

Approved by: 

Mr. Nguyen Huu Dang  
General Director



Ho Chi Minh City, Vietnam  
25 March 2013



**Ho Chi Minh City Development Bank**  
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CASH FLOW STATEMENT  
for the year ended 31 December 2012

B04/TCTD

	Notes	2012 VND	2011 VND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest and similar receipts		4,814,939,713,567	4,758,528,965,604
Interest and similar payments		(4,415,018,766,013)	(3,694,153,828,929)
Fees and commission income received		17,226,117,581	59,453,388,591
Net receipts/(payments) from securities, gold and foreign currencies trading		169,207,840,550	(54,750,819,603)
Other operating income		26,029,977,028	3,252,971,175
Recovery of bad debts previously written-off	34	6,932,944,273	-
Payments to employees and other operating expenses		(733,693,879,144)	(554,440,753,344)
Corporate income tax paid during the year	24	(144,271,611,169)	(136,756,234,607)
<b>Net operating cash flows before changes in operating assets and liabilities</b>		<b>(258,647,663,327)</b>	<b>381,133,688,887</b>
<b>Changes in operating assets</b>			
Decrease/(increase) in due from and loans to other banks		2,098,956,909,764	(4,712,099,400,000)
Increase in investment securities		(1,179,023,206,335)	(3,282,747,984,544)
Decrease in derivatives and other financial assets		-	859,200,000
Increase in loans and advances to customers		(7,343,670,421,281)	(2,119,593,142,605)
Use of provisions to write-off loans, investment securities, long-term investments	11	(243,883,085,028)	(32,692,541,150)
Increase in other assets		(1,629,567,242,970)	(2,968,030,528,703)
<b>Changes in operating liabilities</b>			
Decrease in borrowings from the Government and the SBV		(504,744,787,936)	(1,112,346,587,251)
(Decrease)/increase in due to and borrowings from other banks		(3,789,078,721,526)	4,429,922,942,930
Increase in due to customers		15,172,000,498,638	5,103,646,663,100
(Decrease)/increase in valuable papers issued (excluding issued debts in financial activities)		(4,193,390,408,132)	767,185,918,224
Increase/(decrease) in grants, entrusted funds and loans exposed to risks		-	-
(Decrease)/increase in derivatives and other financial liabilities		(2,789,558,902)	2,481,968,069
Decrease in other liabilities		(705,073,889,341)	(67,060,175,572)
Use of reserves during the year		(18,049,281,288)	(10,904,997,017)
<b>Net cash flows used in operating activities</b>		<b>(2,596,960,857,664)</b>	<b>(3,620,244,975,632)</b>

**Ho Chi Minh City Development Bank**  
(previously known as Housing Development Bank)

CASH FLOW STATEMENT (continued)  
for the year ended 31 December 2012

B04/TCTD

	Notes	2012 VND	2011 VND
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets	14	(55,360,226,265)	(106,174,856,811)
Proceeds from disposals of fixed assets		31,964,000,000	319,675,858
Payments for disposals of fixed assets		-	-
Purchases of investment property		-	-
Proceeds from disposals of investment property		-	-
Payments for disposals of investment property		-	-
Additional investments in other entities		-	(55,265,760,000)
Receipts from investments in other entities		-	-
Dividends received and profit from long-term investments		15,053,569,605	17,548,034,853
<b>Net cash flows used in investing activities</b>		<b>(8,342,656,660)</b>	<b>(143,572,906,100)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Capital contributions	25.1	2,000,000,000,000	1,000,000,000,000
Proceeds from issuance of long-term convertible valuable papers and other long-term borrowings		-	-
Repayment of long-term convertible valuable papers and other long-term borrowings		-	-
Dividends paid	27	(226,957,800,626)	(217,338,461,728)
Purchases of treasury shares		-	-
Proceeds from sale of treasury shares		-	-
<b>Net cash flows from financing activities</b>		<b>1,773,042,199,374</b>	<b>782,661,538,272</b>
<b>Net decrease in cash and cash equivalents during the year</b>		<b>(832,261,314,950)</b>	<b>(2,981,156,343,460)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>5,690,159,392,717</b>	<b>8,671,315,736,177</b>
<b>Foreign exchange difference</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>	37	<b>4,857,898,077,767</b>	<b>5,690,159,392,717</b>

Prepared by: 

Ms. Ho Dang Hoang Quyen  
Chief Accountant

Reviewed by: 

Mr. Pham Van Dau  
Chief Financial Officer

Approved by: 

Mr. Nguyen Huu Dang  
General Director



Ho Chi Minh City, Vietnam

25 March 2013



# Ho Chi Minh City Development Bank

(previously known as Housing Development Bank)

NOTES TO THE FINANCIAL STATEMENTS  
as at and for the year ended 31 December 2012

B05/TCTD

## 1. CORPORATE INFORMATION

Ho Chi Minh City Development Bank (herein referred to as "the Bank"), previously known as Housing Development Bank, is a commercial joint stock bank incorporated and registered in the Socialist Republic of Vietnam.

### Establishment and Operations

The Bank was established on 11 February 1989 according to Decision No. 47/QD-UB issued by the People's Committee of Ho Chi Minh City and Banking License No. 00019/NH-GP issued by the State Bank of Vietnam ("SBV") on 6 June 1992.

The Bank was established to carry out banking services including mobilising and receiving short, medium and long-term deposits from organisations and individuals; making short, medium and long-term loans to organisations and individuals based on the nature and capability of the Bank's capital resources; conducting foreign currency transactions; providing international trade finance services, discounting of commercial notes, bonds and valuable papers; and other banking services as allowed by the SBV.

### Charter capital

The charter capital of the Bank as at 31 December 2012 was VND 5,000,000 million (31 December 2011: VND 3,000,000 million).

### Locations and the branch networks

The Bank's Head Office is located at HD Tower, 25 bis Nguyen Thi Minh Khai Street, District 1, Ho Chi Minh City. As at 31 December 2012, the Bank had twenty-four (24) branches, seventy-five (75) transaction offices and twenty-one (21) savings points located in cities and provinces throughout Vietnam.

### Employees

The Bank's total number of employees as at 31 December 2012 was 2,227 persons (31 December 2011: 2,162 persons).

## 2. FISCAL YEAR AND ACCOUNTING CURRENCY

### 2.1 Fiscal year

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

### 2.2 Accounting currency

The Bank maintains its accounting records in Vietnam Dong ("VND").

## 3. ACCOUNTING STANDARDS AND SYSTEM

### 3.1 Compliance with Vietnamese Accounting Standards and Accounting System for Credit Institutions

Management confirms that the accompanying financial statements have been prepared in accordance with Vietnamese Accounting Standards and Accounting System for Credit Institutions.

# Ho Chi Minh City Development Bank

(previously known as Housing Development Bank)

NOTES TO THE FINANCIAL STATEMENTS (continued)  
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## 3. ACCOUNTING STANDARDS AND SYSTEM (continued)

### 3.2 *Accounting standards and system*

The financial statements of the Bank expressed in Vietnam Dong ("VND") are prepared in accordance with the Accounting System for Credit Institutions required under Decision No. 479/2004/QD-NHNN dated 29 April 2004 issued by the Governor of the State Bank of Vietnam which was enacted from 1 January 2005 and subsequent amendments of and additions to Decision No. 479/2004/QD-NHNN, Decision No. 16/2007/QD-NHNN dated 18 April 2007 issued by the Governor of the State Bank of Vietnam regarding to the financial reporting mechanism for credit institutions, and the Vietnamese Accounting Standards ("VAS") issued by the Ministry of Finance as per:

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

The accompanying financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Vietnam. Accordingly, the accompanying balance sheet, income statement, cash flow statement and the accompanying notes and their utilisation are not designed for those who are not informed about 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.

### 3.3 *Use of estimates*

The preparation of the financial statements requires the Bank's management 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.

#### *Going concern*

Management of the Bank has assessed the Bank's ability to continue as a going concern and recognised that the Bank has sufficient resources to maintain its business operations in a definite future. In addition, management is not aware of any significant uncertainties that may affect the Bank's ability to continue as a going concern. Therefore, the financial statements are prepared on a going concern basis.



**3. ACCOUNTING STANDARDS AND SYSTEM (continued)**

**3.4 Changes in accounting policies and disclosures**

The accounting policies adopted by the Bank in preparation of the financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2011, except the following change in accounting policy.

On 24 October 2012, the Ministry of Finance issued Circular No. 180/2012/TT-BTC guiding the financial settlement of termination allowance given to employees. According to this Circular, in 2012, the Bank may use the balance of the termination allowance created as prescribed in Circular No. 82/2003/TT-BTC dated 14 August 2003 of the Ministry of Finance up to 31 December 2011 (if any) to pay to employees. If the termination allowance is not available or not sufficient to pay to employees, the shortage amount will be recognised in other operating expense when preparing the financial statements, and may be deductible for the income tax calculation purposes. In preparing the financial statements for 2012, if there is outstanding balance of termination allowance after making payments to the employees, the Bank must write off the balance as other income in 2012 and must not carry forward to the subsequent years.

Accordingly, the Bank ceased to make the termination allowance and wrote-off the entire balance to the income statement during the year (*Note 34*).

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**4.1 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, due from and loans to other 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 which can easily change into the certain amount and no risks in change in cash from purchase date.

**4.2 Loans and advances to customers**

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

**4.3 Provision for loan losses**

*Loan classification*

Loans and advances to customers are classified and provided for allowance in accordance with the Law on Credit Institutions No. 47/2010/QH12 effective from 1 January 2011; Decision No. 1627/2001/QD-NHNN dated 31 December 2001 issued 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 as *Current*, *Special Mention*, *Substandard*, *Doubtful* and *Loss* on the basis of payment arrears status and other qualitative factors.

The loans which are classified as *Substandard*, *Doubtful* and *Loss* are considered as non-performing loans.

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

**4.3 Provision for loan losses (continued)**

According to Decision No. 493/2005/QĐ-NHNN, loans are classified at the end of each quarter for first three quarters and on 30 November for the fourth quarter in the financial year.

On 23 April 2012, the State Bank of Vietnam issued Decision No. 780/QĐ-NHNN stipulating the loan classification for restructured loans and advances. Accordingly, the classification loans and advances which have been rescheduled and extended for repayment based on the credit evaluation of the financial performance and the ability to repay the loans after restructuring or extension, remains unchanged and same as prior to the restructuring or extension.

On 4 August 2010, the Bank registered and received approval from the State Bank of Vietnam in Letter No. 5799/NHNN-TTGSNH to apply the internal credit scoring system which classifies the loan portfolio according to Article 7 of Decision No. 493/2005/QĐ-NHNN. Under this system, the Bank's loans are assessed and classified based on both qualitative and quantitative factors.

These loans are classified at risk levels as follows:

No.	Rating	Group	Name
1	AAA	1	Current
2	AA	1	Current
3	A	1	Current
4	BBB	2	Special Mention
5	BB	2	Special Mention
6	B	3	Substandard
7	CCC	3	Substandard
8	CC	4	Doubtful
9	C	4	Doubtful
10	D	5	Loss

*Specific provision*

Specific provision is created on the net loans and advances exposure of each borrower using a fixed provision rates as follows:

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

Net loans and advances exposure for each borrower is calculated by subtracting from the loan balance the discounted value of collateral. Decision No. 493/2005/QĐ-NHNN and Decision No. 18/2007/QĐ-NHNN stipulated specific discount rates for certain accepted collaterals.



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

**4.3 Provision for loan losses (continued)**

*General provision*

In accordance with Decision No. 493/2005/QD-NHNN, a general provision is made for loan losses which have not yet been identified during the loan classification and specific provisioning process and for the credit institutions' potential financial difficulties due to deterioration in loan quality. As such, the Bank is required to fully create and maintain a general provision at 0.75% of total loans and advances to customers, guarantees, payment acceptances and non-cancelable loan commitments with specific effective date which are classified in groups 1 to 4.

*Use of provision*

The provisions are recorded as an expense in the income statement and will be used to write off any loan losses incurred. According to Decision No. 493/2005/QD-NHNN and Decision No. 18/2007/QD-NHNN, the Bank should establish the Bad Debt Resolution Committee to approve the writing-off of loans which are classified in Group 5 or loans of corporate borrowers which are bankrupted or liquidated or individual borrowers who are deceased or missing.

**4.4 Trading securities**

Trading securities are debt securities, equity securities and other securities acquired by the Bank and planned to be sold in a short period for benefits from price variance.

Trading securities are initially recorded at the cost at transaction date and always presented at cost during subsequent periods.

Interest earned in the period is recognised in the income statement on a cash basis.

These securities are subject to review for possible impairment at the balance sheet date. Provision for a decline in value of trading securities is provided when their carrying value is higher than market value in compliance with Circular No. 228/2009/TT-BTC issued by the Ministry of Finance on 7 December 2009. In case of market price cannot be determined, provision is not made. Provision for decline in value is recognised in "Net gain/loss from dealing of trading securities" of the income statement.

**4.5 Investment securities**

**4.5.1 Held-to-maturity securities**

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

These securities are initially recognised at par value at the purchase date. The accrued interest income (for debt securities with interest payment in arrears) and deferred interest income (for debt securities with interest payment in advance) are recognised in a separate account. Discount/premium which is the difference between the cost and the amount being the par value plus (+) accrued interest income (for debt securities with interest payment in arrears) or minus (-) deferred interest income (for debt securities with interest payment in advance) is also recognised in a separate account.



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

**4.5 Investment securities** (continued)

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

In subsequent periods, these securities are continuously recorded at par value, and the discount/premium (if any) is amortised to the income statement on a straight-line basis over the remaining term of securities. The interest received in arrears is recorded on the following principle: the accrued interest amount prior to the purchase is recognised as a deduction in the value of such securities, corresponding to the accrued interest income account; and the accrued interest amount after the purchase is recognised into the income of the Bank and its subsidiary under the cumulative method. The amount of interest received in advance is amortised to the securities investment interest income on a straight-line basis over the term of securities investment.

Periodically, Held-to-maturity investments are subject to review for potential impairment of their value. Provision for a decline in value is made when carrying value higher than market value according to Circular No. 228/2009/TT-BTC issued by the Ministry of Finance dated 7 December 2009. In case market prices of securities are not available or cannot be determined reliably, no provision is required. Provision for a decline in value is recognised in "Net gain (loss) from dealing of investment securities" of the income statement.

**4.5.2 Available-for-sale securities**

Available-for-sale securities include debt and equity securities acquired by the Bank for the purpose of investment and available-for-sale, not regularly traded but can be sold when there is a benefit. The Bank is also the founder shareholder and strategic partner and does not have the ability to make certain influence in establishing and making the financial and operating policies of the investees through a written agreement on assignment of its officers to the Board of Directors/Management.

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 recognised at face value at the purchase date. The accrued interest income (for debt securities with interest payment in arrears) and deferred interest income (for debt securities with interest payment in advance) are accounted for in a separate account. Discount/premium which is the negative/positive difference between the cost and the amount being the face value plus (+) accrued interest income (if any) or minus (-) deferred interest income (if any) is also accounted for in a separate account.

In subsequent periods, debt securities are continuously recorded at face value, and the discount/premium (if any) of the available-for-sale securities is amortised to the income statement on a straight-line basis over the remaining term of securities. The interest received in arrears is recorded on the following principle: the accrued interest amount prior to the purchase is recognised as a deduction in the value of such securities, corresponding to the accrued interest income account; and the accrued interest amount after the purchase is recognised into the income of the Bank and its subsidiary under the cumulative method. The amount of interest received in advance is amortised to the securities investment interest income on a straight-line basis over the term of securities investment.

Periodically, available-for-sale investments are reviewed for potential impairment of their value. Provision for a decline in value is made when carrying value higher than market value according to Circular No. 228/2009/TT-BTC issued by the Ministry of Finance dated 7 December 2009. In case market prices of securities are not available or cannot be determined reliably, no provision is required. Provision for a decline in value is recognised in "Net gain (loss) from dealing of investment securities" of the income statement".



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

**4.6 Repurchase and reverse repurchase agreements**

Securities sold under agreements to repurchase at a specific date in the future ("repos") are not derecognised from the financial statements. The corresponding cash received is recognised in the balance sheet as a liability item. The difference between the sale price and repurchase price is treated as interest expense and is amortised on a straight-line basis to the income statement over the term of the agreement.

Conversely, securities purchased under agreements to resell at a specific date in the future ("reverse repos") are not recognised in the financial statements. The corresponding cash paid is recognised in the balance sheet as an asset item. The difference between the purchase price and resale price is treated as interest income and is amortised on a straight-line basis to the income statement over the term of the agreement.

**4.7 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).

Periodically, other long term investments are subject to review for impairment. Provision for impairment is presented in "Other operating expense" of the income statement.

**4.8 Provision for decline in value of securities and long-term investments**

Provision for decline in value of securities and long-term investments 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.

**4.8.1 Provision for decline in value of securities**

- ▶ Listed securities: The Bank obtains the closing prices at the balance sheet date or at the latest trading date if there is no trading at 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 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.

**4.8.2 Provision for decline in value of long-term investments**

Provision for decline in value of long-term investments is made if the investees incur net loss (except for the loss is incurred in line with the business plan before the investment is made) in accordance with Circular No. 228/2009/TT-BTC issued by the Ministry of Finance. Provision is made if total actual capital contributions of all parties in the investee is higher than the owners' equity of the investee at its balance sheet date (using the financial information of the latest prior year).

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

**4.8 Provision for decline in value of securities and long-term investments (continued)**

**4.8.2 Provision for decline in value of long-term investments (continued)**

$$\text{Level of provision for loss of financial investments} = \left( \begin{array}{l} \text{Total actual} \\ \text{capital} \\ \text{contributions} \\ \text{of all parties} \\ \text{in the investee} \end{array} - \begin{array}{l} \text{Owners'} \\ \text{equity of the} \\ \text{investee} \end{array} \right) \times \frac{\text{Investment capital of the Bank}}{\text{Total actual capital contributions of all parties in the investee}}$$

**4.9 Fixed assets**

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.

Expenditure for additions, improvements and renewals are capitalised while expenditures for maintenance and repairs are charged to the income statement.

When fixed assets are sold or liquidated, their cost and accumulated depreciation are deducted from the balance sheet item and any gain/loss resulting from their disposal are included in to the income statement.

**4.10 Depreciation and amortisation**

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

Buildings and structures	5 - 25 years
Machinery and equipment	7 - 10 years
Vehicles	6 - 10 years
Office equipment	3 - 10 years
Other tangible fixed assets	3 - 10 years
Accounting software	3 - 8 years

The land use rights of the Bank with indefinite term are not amortised. The land use rights with definite term are amortised over the term of use.

**4.11 Other receivables**

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

Provision for doubtful debts is set up based on the aging schedule of overdue debts or expected losses which may occur in case where a debt has not yet 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 a serving sentence or dead. Provision expense is recognised in "Operating expenses" of the income statement.

The Bank makes provision for doubtful debts in accordance with 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 (06) months up to one (01) year	30%
From one (01) year up to under two (02) years	50%
From two (02) years up to under three (03) years	70%
From three (03) years and above	100%



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

**4.12 Recognition of income and expense**

Interest income and interest expense are recognised in the income statement on an accrual basis. The recognition of accrued interest income is suspended when a loan is classified in Group 2 to 5 in compliance with Decision No. 493/2005/QĐ-NHNN and Decision No. 18/2007/QĐ-NHNN. Suspended interest income is reversed and monitored in the off-balance sheet and recognised in income statement upon actual receipt.

Fees and commissions are recognised when the service are completed.

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

**4.13 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 2012 in Note 46). 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.

**4.14 Corporate income taxes**

*Current tax*

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be paid to (or recovered from) the taxation authorities, using tax rates and tax laws 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. As the application of tax laws and regulations in Vietnam is susceptible to varying interpretations, 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 balance sheet liability method on temporary differences between the tax base of assets and liabilities and their carrying amount for financial reporting purpose at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward unused tax credit and unused tax losses can be utilised, except where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss.



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

**4.14 Corporate income taxes (continued)**

*Deferred tax (continued)*

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 profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred income tax assets are reassessed 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 year 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 to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxable entity and the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

**4.15 Provision for off-balance-sheet commitments**

The Bank makes the loan classification and provision for guarantees, payment acceptances and non-cancelable loan commitments with specific effective date in accordance with Article 6 of Decision No. 493/2005/QĐ-NHNN (generally called "off-balance-sheet commitments"). Accordingly, off-balance sheet commitments are classified into groups such as Current, Special Mention, Substandard, Doubtful and Loss 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 4.3. Provision expense is recorded as "*Loan loss expense*" in the income statement and provision balance is recorded as "*Other liabilities*" in the balance sheet.

**4.16 Derivative instruments**

*Forward currency contracts*

With respect to foreign currency forward contracts, the difference between VND value of sale or purchase of foreign currency under forward rate and spot rate at the effective date of contract is recognised as an asset - "*Interest receivables from forward transactions*" if it is positive or a liability - "*Interest payables from forward transactions*" if it is negative. This difference will be amortised on a straight-line basis into "*Net gain/loss from foreign currencies and gold trading*" during the contract term. At the balance sheet date, foreign currency forward commitments are revalued using the official exchange rate ruling by the State Bank of Vietnam. Gain or loss from revaluation is recognised into "*Net gain/loss from foreign currencies and gold trading*" of the income statements.

**4.17 Offsetting**

Financial assets and financial liabilities are offset and reported at the net amount in the balance sheet if, and only if, the Bank has an enforceable legal right to offset financial assets against financial liabilities and the Bank has intention to settle on a net basis, or the realisation of the assets and settlement of liabilities is made simultaneously.



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## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 4.18 Employee benefits

#### 4.18.1 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 17% of an employee's basic salary on a monthly basis. The Bank has no further obligation.

#### 4.18.2 Voluntary resignation and retrenchment benefits

*Voluntary resignation benefits:* The Bank has the obligation, under Section 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) until 31 December 2008.

From 1 January 2009, the average monthly salary used in this allowance calculation will be adjusted at the end of each reporting period by the average salary of the last six-month period up to the reporting date.

*Retrenchment benefits:* Under Section 17 of the Vietnam Labor Code, the Bank has the obligation 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. Allowance increase or decrease is recorded in the operating expenses.

In 2012, the Bank ceased to make the provision for termination allowance and write off the entire balance of termination allowance in the income statement during the year in compliance with Circular No. 180/2012/TT-BTC issued on 24 October 2012 by the Ministry of Finance (*Note 34*).

#### 4.18.3 Unemployment benefits

According to Circular No. 4/2009/TT-BLĐTBXH 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 simultaneously deduct 1% of salary of each employee to pay to the Unemployment Insurance Fund.

### 4.19 Appropriation of net profits

Net profit after tax is available for appropriation to shareholders after approval by annual general meeting of shareholders, and after making appropriation to reserve funds in accordance with the Law on Credit Institutions No. 47/2010/QH12 effective on 1 January 2011 and Decree No. 57/2012/ND-CP effective on 15 September 2012.

The Bank maintains the following reserve funds which are appropriated from the Bank's net profit as proposed by the Board of Directors and subject to approval by shareholders at the annual general meeting:

#### ► Financial reserve

The fund is set aside for covering the remaining loss and damage of assets during the business after being covered by compensation paid by the persons causing such loss or damage, the indemnities of insurers, and the provisions recognised in expense; and used for other purposes as prescribed by law. The fund is recalculated at 10% of profit after tax and must not exceed 25% of the charter capital of the Bank. The appropriation of profit to this fund will be made in accordance with resolution of the shareholders at annual general meeting and recorded in the next financial year.

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

**4.19 Distribution of profits (continued)**

▶ Supplemental capital reserve

This fund is used for supplementing the charter capital of the Bank. The fund is recalculated at 5% of profit after tax and must not exceed the charter capital of the Bank. The appropriation of profit to this fund will be made in accordance with resolution of the shareholders at annual general meeting and recorded in the next financial year.

▶ Bonus and welfare fund

This fund is set aside for the purpose of pecuniary rewarding and encouraging, common benefits and improvement of the employees' benefits. The fund is appropriated as the discretion of the Bank and will be made in accordance with resolution of the shareholders at annual general meeting and recorded in the next financial year.

**5. CASH, GOLD AND PRECIOUS STONES**

	<i>31 December 2012</i> VND	<i>31 December 2011</i> VND
Monetary gold	385,795,540,000	754,166,770,000
Cash on hand in VND	293,454,442,600	382,612,756,500
Cash on hand in foreign currencies	128,218,042,348	139,939,068,108
	<b><u>807,468,024,948</u></b>	<b><u>1,276,718,594,608</u></b>

**6. BALANCES WITH THE STATE BANK OF VIETNAM**

	<i>31 December 2012</i> VND	<i>31 December 2011</i> VND
Current account	<b><u>701,234,182,913</u></b>	<b><u>1,410,215,684,528</u></b>

Balances with the State Bank of Vietnam (the "SBV") include settlement and compulsory deposits. As at 31 December 2012, compulsory deposits in VND and settlement deposits in foreign currencies earn annual interest at rates of 1.20% p.a and 0.05% p.a, respectively.

The compulsory deposit rates required by the SBV as at 31 December 2012 were 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 8% and 6% 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 2012 were VND 520,443 million and USD 5,212,000 respectively.



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**7. DUE FROM AND LOANS TO OTHER BANKS**

	31 December 2012 VND	31 December 2011 VND
Deposits in other banks	4,376,463,960,142	9,129,450,113,581
Loans to other banks	3,000,000,000,000	-
	<b><u>7,376,463,960,142</u></b>	<b><u>9,129,450,113,581</u></b>

**7.1 Deposits in other banks**

	31 December 2012 VND	31 December 2011 VND
Demand deposits		
- In VND	223,465,508,944	14,125,718,135
- In foreign currencies	125,730,360,962	24,988,284,335
Term deposits		
<i>With term under three months (Note 37)</i>		
- In VND	-	2,964,111,111,111
<i>With term over three months</i>		
- In VND	4,027,268,090,236	6,126,225,000,000
	<b><u>4,376,463,960,142</u></b>	<b><u>9,129,450,113,581</u></b>

The Bank has complied with Circular No. 21/2012/QĐ-NHNN issued by the SBV on 18 June 2012 whereby credit institutions and foreign bank branches are not allowed to make deposits at, or take deposits (except demand deposits) from other banks and foreign bank branches since the effective date of the Circular (1 September 2012). Thus, the Bank complied with the Circular.

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

	31 December 2012 % p.a.	31 December 2011 % p.a.
Term deposits in VND	8.50 - 15.00	10.40 - 23.00

**7.2 Loans to other banks**

	31 December 2012 VND	31 December 2011 VND
Loans to other banks with terms under three months (Note 37)		
- In VND	3,000,000,000,000	-
- In foreign currency	-	-
Provision for loan loss	-	-
	<b><u>3,000,000,000,000</u></b>	<b><u>-</u></b>

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

	31 December 2012 % p.a.	31 December 2011 % p.a.
Loans to other banks in VND	6.60 - 7.80	-

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**8. TRADING SECURITIES**

Details of trading securities as at 31 December were as follows:

	31 December 2012 VND	31 December 2011 VND
<b>Debt securities</b>		
Issued by local economic entities	207,405,555,556	-
<b>Provision for decline in value of trading securities</b>	-	-
	<u>207,405,555,556</u>	<u>-</u>

All of these trading securities are corporate bonds issued by VNT Limited Company.

**9. DERIVATIVES AND OTHER FINANCIAL ASSETS/FINANCIAL LIABILITIES**

	<i>Total contract value (using exchange rate at the contract date)</i>	<i>Total carrying value (using exchange rate at balance sheet date)</i>	
	VND	Assets VND	Liabilities VND
<b>As at 31 December 2012</b>			
<b>Currency derivatives</b>			
Forward contracts	208,640,000,000	360,000,000	-
<b>As at 31 December 2011</b>			
<b>Currency derivatives</b>			
Forward contracts	116,951,857,120	-	2,789,558,902

**10. LOANS AND ADVANCES TO CUSTOMERS**

	31 December 2012 VND	31 December 2011 VND
Loans to local economic entities and individuals	20,680,001,568,572	13,549,103,341,917
Overdraft and loans to credit card holders	425,493,511,666	252,760,582,102
Loans to foreign economic entities and individuals	22,489,152,570	881,000,000
Loans for discounted commercial notes and valuable papers	19,840,640,875	45,041,166,608
	<u>21,147,824,873,683</u>	<u>13,847,786,090,627</u>

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

	31 December 2012 (% p.a.)	31 December 2011 (% p.a.)
Commercial loans		
- In VND	2.80 - 27.00	6.00 - 28.30
- In foreign currencies	3.00 - 10.00	3.20 - 10.50
- In gold	2.50 - 5.60	2.50 - 8.50



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**10. LOANS AND ADVANCES TO CUSTOMERS (continued)**

**10.1 Analysis of loans by quality**

	31 December 2012 VND	31 December 2011 VND
Current	19,415,923,530,441	12,726,452,310,175
Special mention	1,234,341,032,354	829,437,805,927
Substandard	354,754,391,421	154,444,963,856
Doubtful	116,906,219,467	95,845,436,669
Loss	25,899,700,000	41,605,574,000
	<b><u>21,147,824,873,683</u></b>	<b><u>13,847,786,090,627</u></b>

**10.2 Analysis of loans by original terms**

	31 December 2012 VND	31 December 2011 VND
Short-term loans	17,575,945,843,248	10,069,423,266,989
Medium-term loans	1,794,861,889,000	1,862,607,554,163
Long-term loans	1,777,017,141,435	1,915,755,269,475
	<b><u>21,147,824,873,683</u></b>	<b><u>13,847,786,090,627</u></b>

**10.3 Analysis of loans by type of customers and ownership**

	31 December 2012		31 December 2011	
	VND	%	VND	%
<b>Corporate loans</b>	<b>10,246,634,673,304</b>	<b>48.452</b>	<b>8,689,727,733,307</b>	<b>62.752</b>
Other joint-stock companies	4,055,025,431,089	19.175	3,445,415,601,031	24.880
Other limited liability companies	3,461,794,220,546	16.370	3,592,189,750,783	25.941
Family household business	1,266,150,175,886	5.987	796,821,173,140	5.754
100% State limited liability companies	509,822,565,288	2.410	287,320,816,000	2.075
Other State-owned enterprises	379,310,391,721	1.794	134,052,394,600	0.968
Private companies	125,919,406,977	0.595	253,028,145,968	1.827
Foreign invested enterprises	82,002,655,734	0.388	124,365,103,854	0.898
State joint stock companies	72,605,056,288	0.343	31,517,555,807	0.228
Foreign joint businesses	16,048,396,154	0.076	7,184,542,124	0.052
Co-operatives	6,713,850,501	0.031	11,900,900,000	0.086
Joint businesses	812,650,000	0.004	412,500,000	0.003
State and administrative unit of government	566,800,000	0.003	1,000,000,000	0.007
Others	269,863,073,120	1.276	4,519,250,000	0.033
<b>Individual loans</b>	<b>10,901,190,200,379</b>	<b>51.548</b>	<b>5,158,058,357,320</b>	<b>37.248</b>
	<b><u>21,147,824,873,683</u></b>	<b><u>100.000</u></b>	<b><u>13,847,786,090,627</u></b>	<b><u>100.000</u></b>

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**10. LOANS AND ADVANCES TO CUSTOMERS** (continued)

**10.4 Analysis of loan portfolio by industry**

	31 December 2012		31 December 2011	
	VND	%	VND	%
Household work, production and consumer services	9,346,441,597,889	44.20	603,372,855,051	4.36
Constructions	1,457,586,721,619	6.88	1,914,768,418,913	13.83
Processing industry	1,298,272,536,219	6.14	1,132,271,983,696	8.18
Agricultural, forestry and aquaculture	1,232,433,691,930	5.83	1,127,761,255,076	8.14
Electricity, gas and water supply/distribution	713,327,221,555	3.37	572,776,921,841	4.14
Media and communications	599,318,127,254	2.83	534,354,890,757	3.86
Trading, repair of motor vehicles, motorcycles, personal appliances and household appliances	532,675,919,287	2.52	765,445,387,284	5.53
Science and technology activities	369,082,443,221	1.75	312,121,685,077	2.25
Real estate business	346,461,795,181	1.64	9,796,681,143	0.07
Mining industry	222,532,888,408	1.05	18,414,411,007	0.13
Hotel and restaurant	195,258,991,508	0.92	104,804,155,819	0.76
Transportation and warehousing	186,980,961,582	0.88	156,363,228,000	1.13
Financial, banking and insurance services	75,348,589,018	0.36	251,735,601,160	1.82
Administrations and supporting services	60,620,625,628	0.29	68,786,264,391	0.50
Art and entertainment services	34,993,943,457	0.17	44,817,892,712	0.32
Health care and social relief activities	26,162,818,834	0.12	24,217,891,448	0.17
State governance and national defense, Communist Party, unions, social obligations	20,323,929,450	0.10	3,532,855,566	0.02
Education and training	5,772,757,733	0.03	6,787,314,938	0.05
Water supplies and waste treatment	4,906,520,996	0.02	42,714,141,666	0.31
Other services	4,419,322,792,914	20.90	6,152,942,255,082	44.43
	<b>21,147,824,873,683</b>	<b>100.00</b>	<b>13,847,786,090,627</b>	<b>100.00</b>



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**11. CHANGES IN PROVISION FOR LOAN LOSSES**

Details of provision for credit losses on the balance sheet at the year end were summarised as follows:

	<i>31 December 2012</i> VND	<i>31 December 2011</i> VND
Provision for losses on loans and advances to customers	195,463,685,313	140,684,733,157
Provision for losses on contingent liabilities and off balance sheet commitments	<u>6,259,686,026</u>	<u>6,185,743,815</u>
	<b><u>201,723,371,339</u></b>	<b><u>146,870,476,972</u></b>

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

	<i>Specific provision</i> VND	<i>General provision</i> VND	<i>Total</i> VND
Beginning balance	43,557,134,187	103,313,342,785	146,870,476,972
Provisions charged for the year	261,708,617,949	59,809,618,782	321,518,236,731
Reversal of provision during the year	(505,273,000)	(22,276,984,336)	(22,782,257,336)
Provision used to write off bad debts during the year	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance as at 30 November 2012</b>	<b>304,760,479,136</b>	<b>140,845,977,231</b>	<b>445,606,456,367</b>
Provision used to write off bad loans in December 2012	<u>(243,883,085,028)</u>	<u>-</u>	<u>(243,883,085,028)</u>
<b>Ending balance</b>	<b><u>60,877,394,108</u></b>	<b><u>140,845,977,231</u></b>	<b><u>201,723,371,339</u></b>

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**11. CHANGES IN PROVISION FOR LOAN LOSSESS (continued)**

Details of loan classification and provision as required by Decision No. 493/2005/QD-NHNN, Decision No. 18/2007/QD-NHNN, Decision No. 780/QD-NHNN and the Bank's own policy as at 30 November 2012 are as follows:

<i>Classification</i>	<i>Loan balance VND</i>	<i>Specific provision VND</i>	<i>General provision VND</i>	<i>Total provision VND</i>
<i>Loan to customers</i>				
Current	16,207,391,371,393	-	121,555,435,286	121,555,435,286
Special mention	1,261,882,940,985	16,964,491,095	9,464,122,057	26,428,613,152
Substandard	358,280,709,882	25,081,549,072	2,687,105,324	27,768,654,396
Doubtful	117,283,805,129	17,906,143,940	879,628,538	18,785,772,478
Loss	316,348,081,189	244,808,295,029	-	244,808,295,029
	<u>18,261,186,908,578</u>	<u>304,760,479,136</u>	<u>134,586,291,205</u>	<u>439,346,770,341</u>
<i>Off-balance sheet commitments</i>				
Current	834,624,803,382	-	6,259,686,026	6,259,686,026
<b>Total</b>	<b><u>19,095,811,711,960</u></b>	<b><u>304,760,479,136</u></b>	<b><u>140,845,977,231</u></b>	<b><u>445,606,456,367</u></b>

**12. INVESTMENT SECURITIES**

	<i>31 December 2012 VND</i>	<i>31 December 2011 VND</i>
<b>Available-for-sale securities</b>	<b>10,249,983,340,288</b>	<b>8,780,795,314,811</b>
<b>Debt securities</b>	<b>8,472,157,283,049</b>	<b>8,595,664,054,505</b>
Issued by the Government	4,469,157,283,049	2,348,532,563,354
Issued by other local banks	1,700,000,000,000	3,609,131,491,151
Issued by local economic entities	2,303,000,000,000	2,638,000,000,000
<b>Equity securities</b>	<b>1,899,989,356,316</b>	<b>360,025,985,526</b>
Issued by other local banks	1,683,172,071,219	150,273,751,249
Issued by local economic entities	216,817,285,097	209,752,234,277
<b>Provision for decline in value of available-for-sale securities</b>	<b>(122,163,299,077)</b>	<b>(174,894,725,220)</b>
<b>Held-to-maturity securities</b>	<b>1,486,435,268,025</b>	<b>1,890,768,349,806</b>
<b>Debt securities</b>	<b>1,486,435,268,025</b>	<b>1,890,768,349,806</b>
Issued by the Government	3,598,900,000	41,040,728,834
Issued by other local banks	200,000,000,000	300,000,000,000
Issued by local economic entities	1,282,836,368,025	1,549,727,620,972
<b>Provision for decline in value of held-to-maturity securities</b>	<b>-</b>	<b>-</b>
	<b><u>11,736,418,608,313</u></b>	<b><u>10,671,563,664,617</u></b>



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**12. INVESTMENT SECURITIES (continued)**

**12.1 Available-for-sale securities**

**12.1.1 Debt securities**

	31 December 2012		31 December 2011	
	Face value VND	Carrying value VND	Face value VND	Carrying value VND
<b>Bills issued by the State Bank of Vietnam</b>	<b>300,000,000,000</b>	<b>300,000,000,000</b>	-	-
<b>Government bonds</b>	<b>4,085,482,000,000</b>	<b>4,169,157,283,049</b>	<b>2,320,000,000,000</b>	<b>2,348,532,563,354</b>
Government bonds	2,147,300,000,000	2,198,570,249,548	900,000,000,000	902,699,246,721
Bonds issued by Viet nam Development Bank	1,838,182,000,000	1,870,587,033,501	1,320,000,000,000	1,345,833,316,633
Government bonds issued by People's Committee of Ho Chi Minh City	100,000,000,000	100,000,000,000	-	-
Government bonds for Thu Thiem's Project	-	-	100,000,000,000	100,000,000,000
<b>Credit institutions</b>	<b>1,700,000,000,000</b>	<b>1,700,000,000,000</b>	<b>3,640,000,000,000</b>	<b>3,609,131,491,151</b>
Deposit certificates of Sai Gon Thuong Tin Commercial JSB	1,000,000,000,000	1,000,000,000,000	1,100,000,000,000	1,100,000,000,000
Bills issued by Viet Nam Export Import Bank	700,000,000,000	700,000,000,000	2,300,000,000,000	2,300,000,000,000
Bonds issued by Vietnam Technological and Commercial JSB	-	-	140,000,000,000	109,131,491,151
Bonds issued by Vietnam JSB for Industry and Trade	-	-	100,000,000,000	100,000,000,000
<b>Other economic entities</b>	<b>2,303,000,000,000</b>	<b>2,303,000,000,000</b>	<b>2,638,000,000,000</b>	<b>2,638,000,000,000</b>
	<b>8,388,482,000,000</b>	<b>8,472,157,283,049</b>	<b>8,598,000,000,000</b>	<b>8,595,664,054,505</b>

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## 12. INVESTMENT SECURITIES (continued)

### 12.1 Available-for-sale securities (continued)

#### 12.1.1 Debt securities (continued)

- Bills issued by the State Bank of Vietnam have the term of 56 days and bear interest rate of 6% per annum. The interest is paid on the maturity date.
- Government bonds have the terms from two to five years and bear interest rate ranging from 9.1% to 15.0% per annum. The interest is paid annually.
- Certificate deposits and bills issued by the credit institutions have the terms from months to eleven months and bear interest rate of 9.0% per annum. The interest is paid on the maturity date.
- The term of bonds issued by the economic entities ranges from three to five years and at interest rates ranging from 15.25% to 18.00% per annum. Interests are paid semi-annually or annually and the interest rate is subject to change in every three month, six month or annually depending on each type of bonds. Certain corporate bonds are secured by land use rights and shares.



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**12. INVESTMENT SECURITIES (continued)**

**12.1 Available-for-sale securities (continued)**

**12.1.2 Equity securities (continued)**

	31 December 2012			31 December 2011		
	Face value VND	Carrying value VND	Ownership of the Bank (%)	Face value VND	Carrying value VND	Ownership of the Bank (%)
<b>Investments in other banks</b>						
<i>Listed shares</i>						
- Vietnam JS Commercial Bank for Industry and Trade	797,419,640,000	1,641,153,169,719	2.33	30,278,180,000	130,647,381,249	0.08
- Vietnam Import and Export JS Bank	611,003,960,000	1,263,309,194,016	1.38	14,000,000,000	20,013,281,249	-
- JS Commercial Bank for Foreign Trade of Vietnam	170,137,500,000	267,209,875,703	0.07	16,278,180,000	110,634,100,000	0.08
	16,278,180,000	110,634,100,000		19,626,370,000	19,626,370,000	
<i>Unlisted shares</i>						
- JSB for Investment and Development of Vietnam	23,140,070,000	42,018,901,500	0.10	-	-	-
- Saigon Bank for Industry and Trade	22,210,390,000	41,089,221,500	0.03	929,680,000	929,680,000	0.04
- Viet Capital Commercial Bank	929,680,000	929,680,000	-	18,696,690,000	18,696,690,000	0.57
	-	-		111,630,330,000	209,752,234,277	
<b>Investments in business entities</b>	<b>123,457,430,000</b>	<b>216,817,285,097</b>				
<i>Listed shares</i>						
- Ho Chi Minh City Securities Corporation	119,857,430,000	212,017,285,097	4.10	76,630,330,000	174,752,234,277	2.19
- Vietnam Progressive Fund	41,354,150,000	98,006,062,145	10.98	21,823,750,000	59,549,058,725	-
- Son Ha International Corporation	26,400,000,000	15,342,624,000	6.58	16,050,000,000	21,000,000,000	6.01
- Vietnam Securities Investment Fund	17,565,900,000	21,823,108,776	1.73	17,285,100,000	34,116,208,091	1.73
- SMC Trading Investment JSC	17,285,100,000	34,116,208,091	3.35	9,902,280,000	19,942,459,887	3.35
- Thu Duc Ho Chi Minh City Development Corporation	9,902,280,000	19,942,459,887	1.58	6,000,000,000	19,986,733,198	1.58
- Ben Thanh Service and Trading JSC	6,000,000,000	19,986,733,198	1.53	-	-	-
- HCMC Infrastructure Investment JSC	1,350,000,000	2,800,089,000	-	5,569,200,000	20,157,774,376	0.74
<i>Unlisted shares</i>						
- Ut Xi Aquatic Products Processing Corporation	3,600,000,000	4,800,000,000	1.02	35,000,000,000	35,000,000,000	1.02
- An Giang Plant Protection JSC	3,000,000,000	3,000,000,000	0.10	3,000,000,000	3,000,000,000	-
- VietFund Management Company	600,000,000	1,800,000,000	-	-	-	2.37
	-	-		32,000,000,000	32,000,000,000	
	<b>944,017,140,000</b>	<b>1,899,989,356,316</b>		<b>161,534,880,000</b>	<b>360,025,985,526</b>	

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## 12. INVESTMENT SECURITIES (continued)

### 12.1 Available-for-sale securities (continued)

#### 12.1.2 Equity securities (continued)

Movement of provision for available-for-sale securities during the year was as follows:

	2012 VND	2011 VND
Beginning balance	174,894,725,220	90,862,664,375
Provision charged for the year	10,717,882,860	84,032,060,845
Reversal of provision during the year	(63,449,309,003)	-
<b>Ending balance</b>	<b><u>122,163,299,077</u></b>	<b><u>174,894,725,220</u></b>

### 12.2 Held-to-maturity securities

	<u>31 December 2012</u>		<u>31 December 2011</u>	
	Face value VND	Carrying value VND	Face value VND	Carrying value VND
Bonds issued by local economic entities	1,290,000,000,000	1,282,836,368,025	1,541,000,000,000	1,549,727,620,972
Bonds and bills issued by other local banks	200,000,000,000	200,000,000,000	300,000,000,000	300,000,000,000
Government bills and bonds	3,598,900,000	3,598,900,000	41,287,800,000	41,040,728,834
	<b><u>1,493,598,900,000</u></b>	<b><u>1,486,435,268,025</u></b>	<b><u>1,882,287,800,000</u></b>	<b><u>1,890,768,349,806</u></b>

- Government bonds have terms of five years and bear interest at rates ranging from 8.5% to 8.6% per annum, payable annually.
- Bonds issued by local banks are for a three year term and bear interest at the rate of 13.5% per annum, which is paid annually.
- Bonds issued by the local economic entities have three year terms and bear interest at rates ranging from 12% to 15% per annum. Interest payment is made every three months, six months or annually depending on each type of bonds. Some corporate bonds are secured by land use rights and term deposits.



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**13. OTHER LONG-TERM INVESTMENTS**

	2012 VND	2011 VND
Beginning balance	199,177,949,881	169,862,189,881
Increase during the year	44,700,000,000	55,265,760,000
Decrease during the year	(182,386,639,216)	(25,950,000,000)
- Disposals	(182,386,639,216)	-
- Transfer to available-for-sale securities	-	(21,000,000,000)
- Reclassification to other receivables	-	(4,950,000,000)
	<u>61,491,310,665</u>	<u>199,177,949,881</u>
Provision for other long-term investments	<u>(3,874,358,327)</u>	<u>-</u>
<b>Ending balance</b>	<b><u>57,616,952,338</u></b>	<b><u>199,177,949,881</u></b>

Movement in provision for decline in value of other long-term investments during the year was as follows:

	2012 VND	2011 VND
Beginning balance	-	-
Provision charged for the year	3,874,358,327	-
Reversal of provision during the year	<u>-</u>	<u>-</u>
<b>Ending balance</b>	<b><u>3,874,358,327</u></b>	<b><u>-</u></b>

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**13. OTHER LONG-TERM INVESTMENTS (continued)**

Detail of the Bank's other long-term investments at the year-end are as follows:

	31 December 2012			31 December 2011		
	Par value VND	Carrying value VND	% owned by the Bank	Par value VND	Carrying value VND	% owned by the Bank
<b>Investments in business entities</b>						
VietJet Aviation JSC	30,000,000,000	30,000,000,000	5.00	30,000,000,000	30,000,000,000	5.00
Petechim JSC	22,000,000,000	22,000,000,000	11.00	-	-	-
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
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	2,000,000,000	2,000,000,000	2.00	2,000,000,000	2,000,000,000	2.53
Banking Training Corporation	520,840,000	371,310,665	4.94	503,310,000	371,310,665	4.78
HCMC Credit Guarantee Fund for Small & Medium Enterprise	500,000,000	500,000,000	0.26	500,000,000	500,000,000	0.26
Bank Securities Services	220,000,000	220,000,000	11.00	220,000,000	220,000,000	11.00
Bac Ha Hydraulic JSC	-	-	-	46,500,000,000	47,820,000,000	7.75
Ho Chi Minh City Development Real Estate Business JSC	-	-	-	33,000,000,000	66,000,000,000	11.00
Vinh Tuong Industrial Corporation	-	-	-	13,425,760,000	13,425,760,000	5.84
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
Hoa Binh University	-	-	-	3,960,000,000	11,880,000,000	11.00
Cadif Investment JSC	-	-	-	2,800,000,000	2,800,000,000	2.80
	<b>61,640,840,000</b>	<b>61,491,310,665</b>		<b>150,859,070,000</b>	<b>199,177,949,881</b>	



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## 14. FIXED ASSETS

### 14.1 Tangible fixed assets

Movements of tangible fixed assets during the year were as follows:

Cost	Buildings and structures VND	Machinery and equipment VND	Vehicles VND	Office equipment VND	Other fixed assets VND	Total VND
Beginning balance	118,591,839,694	31,034,122,037	66,594,444,804	116,262,753,932	6,823,157,144	339,306,317,611
Newly purchased	2,855,612,932	19,563,960,853	14,958,335,728	14,083,483,469	2,138,394,083	53,599,787,065
Transferred from constructions in progress	8,375,445,305	906,159,095	2,524,516,031	1,513,673,396	192,967,371	13,512,761,198
Other increase	40,104,545	-	-	110,666,308	-	150,770,853
Sold, disposed	(30,616,434,872)	(417,172,587)	(113,359,640)	(904,652,149)	(121,202,171)	(32,172,821,419)
Other decrease	-	(160,570,853)	(92,863,723)	-	-	(253,434,576)
Ending balance	99,246,567,604	50,926,498,545	83,871,073,200	131,065,924,956	9,033,316,427	374,143,380,732
<b>Accumulated depreciation</b>						
Beginning balance	17,645,676,310	6,509,228,142	16,160,745,914	32,654,308,056	1,061,350,567	74,031,308,989
Charged for the year	5,384,362,073	6,109,336,629	9,897,642,712	28,384,568,381	1,426,450,639	51,202,360,434
Other increase	-	-	-	5,172,166	-	5,172,166
Sold, disposed	(5,340,398,590)	(353,681,441)	(90,994,500)	(744,234,677)	(60,903,812)	(6,590,213,020)
Other decrease	-	(45,424,475)	(42,545,942)	-	-	(87,970,417)
Ending balance	17,689,639,793	12,219,458,855	25,924,848,184	60,299,813,926	2,426,897,394	118,560,658,152
<b>Net book value</b>						
Beginning balance	100,946,163,384	24,524,893,895	50,433,698,890	83,608,445,876	5,761,806,577	265,275,008,622
Ending balance	81,556,927,811	38,707,039,690	57,946,225,016	70,766,111,030	6,606,419,033	255,582,722,580

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**14. FIXED ASSETS** (continued)

**14.1 Tangible fixed assets** (continued)

**Other information about tangible fixed assets**

	31 December 2012 VND	31 December 2011 VND
Cost of tangible fixed assets fully depreciated but still in use	<u>12,884,006,948</u>	<u>8,552,583,223</u>

**14.2 Intangible fixed assets**

Movements of intangible fixed assets during the year were as follows:

	<i>Land use rights</i> VND	<i>Accounting software</i> VND	<i>Total</i> VND
<b>Cost</b>			
Beginning balance	22,548,083,700	56,142,126,628	78,690,210,328
Newly purchased	-	<u>1,760,439,200</u>	<u>1,760,439,200</u>
Ending balance	<u>22,548,083,700</u>	<u>57,902,565,828</u>	<u>80,450,649,528</u>
<b>Accumulated amortisation</b>			
Beginning balance	99,644,076	16,359,614,745	16,459,258,821
Charged for the year	<u>85,409,208</u>	<u>7,654,424,198</u>	<u>7,739,833,406</u>
Ending balance	<u>185,053,284</u>	<u>24,014,038,943</u>	<u>24,199,092,227</u>
<b>Net book value</b>			
Beginning balance	<u>22,448,439,624</u>	<u>39,782,511,883</u>	<u>62,230,951,507</u>
Ending balance	<u>22,363,030,416</u>	<u>33,888,526,885</u>	<u>56,251,557,301</u>

**Other information about intangible fixed assets**

	31 December 2012 VND	31 December 2011 VND
Cost of intangible fixed assets fully amortised but still in use	<u>1,210,157,349</u>	<u>725,019,114</u>



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## 15. OTHER RECEIVABLES

	Note	31 December 2012 VND	31 December 2011 VND
Deposits for purchase of bonds	15.1	3,637,300,000,000	3,536,301,998,000
Receivables from the sale of securities	(i)	1,955,729,700,327	165,017,500,000
Advances for acquisitions of fixed assets	15.2	1,115,704,500,054	693,054,627,776
Receivables from the sale of loans	(ii)	702,440,192,543	-
Advances under the agreements with the individuals		403,420,160,000	-
Receivables from disposals of fixed assets	(iii)	315,000,000,000	-
Advances for buying securities		200,821,981,084	-
Deposits for purchasing offices	(iv)	112,000,000,000	260,372,222,222
Receivables from overdue deposit		97,620,000,000	14,120,000,000
Advances for operating activities		96,046,717,674	36,395,285,766
Deposits, mortgage and pledge	(v)	71,530,489,836	15,017,339,889
Constructions in progress	(vi)	66,492,389,773	106,481,722,242
Advanced office rental	(vii)	41,273,718,271	-
CIT receivables	24	20,659,839,877	-
VAT receivables	24	528,808,362	5,889,589,849
Gold deposit as collateral assets for term deposit of other credit institutions at the Bank		-	1,882,291,000,000
Interim dividend		-	150,000,000,000
Other receivables		71,606,253,619	72,656,038,035
		<b>8,908,174,751,420</b>	<b>6,937,597,323,779</b>

- (i) This represents the receivables from the sale of securities to organisations and individuals with payment term of one year from the contract date.
- (ii) This is the receivable from the sale of loans (without recourse) with total proceeds of VND 763,543 million.
- (iii) This is the receivable from a local economic entity for the disposal of 2 buildings with total proceeds of VND 350,000 million.
- (iv) This is a deposit to a local economic entity to purchase the land plot located 1 Phan Ke Binh and 58 Nguyen Dinh Chieu, Ho Chi Minh City.
- (v) These amounts represent deposits for leasing offices amounting to VND 55,467 million. The remaining balance was a deposit for leasing office, fixed assets and tools and equipments of some branches.
- (vi) These are the advances for maintainance and upgrade of branches and transaction offices of the Bank.
- (vii) This is the prepaid expense for lease of Red Riverside Building for IT and Training Center within 10 years.

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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## 15. OTHER RECEIVABLES (continued)

### 15.1 Deposits for purchase of bonds

These are the deposits made to securities and fund management companies for investment opportunities. The Bank shall earn a fixed interest rate on these deposits during the contractual term. The Bank shall receive a refund of deposit plus an interest charge at the maturity date of the contract if the securities companies fail to find the investments. Breakdown of the outstanding deposits at 31 December 2012 was as follows:

<i>Broker</i>	<i>Deposit amount VND</i>	<i>Interest rate per annum</i>	<i>Term</i>
Vietnam Alliance Fund Management JSC	2,129,960,000,000	14.0% - 15.0%	6 months
Phu Gia Securities Corporation	<u>1,507,340,000,000</u>	14.0% - 17.5%	6 - 12 months
	<b><u>3,637,300,000,000</u></b>		

### 15.2 Advances for acquisition of fixed assets

	<i>31 December 2012 VND</i>	<i>31 December 2011 VND</i>
Purchase of houses and offices (*)	1,099,325,652,928	667,240,439,228
Fixed assets acquired for implementation of the core banking system in progress	7,768,557,905	10,579,417,857
Purchase of other assets	<u>8,610,289,221</u>	<u>15,234,770,691</u>
	<b><u>1,115,704,500,054</u></b>	<b><u>693,054,627,776</u></b>

(\*) In 2011, the Bank acquired the land plot No. 1 in Phan Ke Binh Street and 58 Nguyen Dinh Chieu Street, Ho Chi Minh City, and paid 75% of the contract value amounting to VND 448,500 million.

In addition, the Bank also purchased some assets including buildings and land use rights for office and branch amounting to VND 303,241 million.

The remaining amount mainly represents the deposits to purchase houses of Incomex project (VND 78,580 million), land use right and properties at Cua Nam, Ha Noi (VND 130,000 million) and fixed assets (real estates) in Ho Chi Minh City, Tien Giang and Ha Noi amounting to VND 139,004 million.



# Ho Chi Minh City Development Bank

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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## 16. ACCRUED INTEREST AND FEES RECEIVABLE

	31 December 2012 VND	31 December 2011 VND
Accrued interest on deposits with other banks in VND	407,162,349,570	280,987,725,565
Accrued interest on loans in VND	226,486,847,500	108,187,130,250
Accrued interest on loans in foreign currencies, gold	23,290,180,696	8,083,571,794
Accrued interest on available-for-sale securities	529,634,612,442	480,068,017,726
Accrued interest on held-to-maturity securities	90,525,236,384	108,833,388,855
Currency forward contracts	-	965,706,219
Fees receivable	83,648,494	65,224,318
	<b><u>1,277,182,875,086</u></b>	<b><u>987,190,764,727</u></b>

## 17. OTHER ASSETS

	31 December 2012 VND	31 December 2011 VND
Prepaid and deferred expenses (i)	385,017,777,502	327,513,041,743
Entrusted funds (ii)	45,450,000,000	45,450,000,000
Foreclosed assets awaiting resolution	16,479,541,599	3,783,253,797
Other assets	6,422,992,380	9,213,630,986
	<b><u>453,370,311,481</u></b>	<b><u>385,959,926,526</u></b>

(i) Prepaid expenses included costs of tools and supplies, repairing cost of fixed assets, office renovation and leasing offices and leased lines, in which the prepaid expense for lease of eight floors at 25 Bis Nguyen Thi Minh Khai Tower as the Bank's Head Office amounting to VND 254,019 million and the prepaid expense for lease of Hoan Kiem branch office amounting to VND 6,767 million.

(ii) Entrusted funds are funds contributed to the business projects of local economic entities amounting to VND 42,000 million and VND 3,450 million respectively.

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## 18. BORROWINGS FROM THE GOVERNMENT AND THE STATE BANK OF VIETNAM

	31 December 2012 VND	31 December 2011 VND
Borrowings from the State Bank of Vietnam (i)	400,000,000,000	830,470,825,992
Other borrowings	165,531,992,435	239,805,954,379
- Asian Development Bank (ii)	45,149,145,935	61,351,547,879
- Japan Bank of International Cooperation (iii)	120,382,846,500	178,454,406,500
	<u>565,531,992,435</u>	<u>1,070,276,780,371</u>

- (i) These are refinancing borrowings from the SBV to support for agriculture and rural development. These borrowings have the term of six (6) months and bear interest rate at the time of withdrawal.
- (ii) These borrowings were made 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 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 industry at end of each quarter.
- (iii) These borrowings were made under the Credit Financing for Small and Medium Enterprises Project - Phase II and Phase III 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.

## 19. DUE TO AND BORROWINGS FROM OTHER BANKS

	31 December 2012 VND	31 December 2011 VND
Deposits from other banks	3,533,223,288,026	11,684,453,209,552
Borrowings from other banks	4,362,151,200,000	-
	<u>7,895,374,488,026</u>	<u>11,684,453,209,552</u>

### 19.1 Deposits from other banks

	31 December 2012 VND	31 December 2011 VND
Demand deposits	1,981,288,026	3,869,997,103
- In VND	1,838,706,570	3,728,035,534
- In foreign currencies	142,581,456	141,961,569
Term deposits	3,531,242,000,000	11,680,583,212,449
- In VND	3,500,000,000,000	11,264,250,000,000
- In foreign currencies	31,242,000,000	416,333,212,449
	<u>3,533,223,288,026</u>	<u>11,684,453,209,552</u>



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## 19. DUE TO AND BORROWINGS FROM OTHER BANKS (continued)

### 19.1 Deposits from other banks (continued)

Interest rates applicable to deposits from other banks at the year-end were as follows:

	31 December 2012 % p.a.	31 December 2011 % p.a.
Demand deposits in VND	1.80	0.10 - 3.00
Demand deposits in foreign currencies	0.20 - 0.50	maximum 0.50
Term deposits in VND	8.50 - 13.50	10.50 - 19.00
Term deposits in foreign currencies	3.80	0.10 - 6.00

### 19.2 Borrowings from other banks

	31 December 2012 VND	31 December 2011 VND
Borrowings from other banks		
- In VND	3,000,000,000,000	-
- In foreign currencies	1,362,151,200,000	-
	<b><u>4,362,151,200,000</u></b>	<b><u>-</u></b>

Interest rates applicable to borrowings from other banks at the year-end were as follows:

	31 December 2012 % p.a.	31 December 2011 % p.a.
Borrowings in VND	6.44 - 7.80	-
Borrowings in foreign currencies	1.00 - 3.80	-

# Ho Chi Minh City Development Bank

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## 20. DUE TO CUSTOMERS

### 20.1 Analysis by products

	31 December 2012 VND	31 December 2011 VND
<i>Demand deposits</i>		
Demand deposits in VND	1,647,958,603,678	1,585,305,591,873
Demand savings deposits in VND	553,912,831	552,767,262
Demand deposits in foreign currencies	135,614,065,226	229,178,079,087
Demand saving deposits in foreign currencies	1,334,103,566	5,989,339,471
<i>Term deposits</i>		
Term deposits in VND	7,003,107,791,864	4,674,699,241,922
Term savings deposits in VND	23,972,593,306,127	11,031,030,875,281
Term deposits in foreign currencies	85,775,306,108	93,233,908,924
Term savings deposits in foreign currencies	1,087,047,842,657	1,309,199,136,630
<i>Deposits for specific purposes</i>		
In VND	9,643,759,533	18,047,246,906
In foreign currencies	434,259,146	12,597,007,041
<i>Margin deposits</i>		
In VND	74,047,283,498	53,374,992,910
In foreign currencies	20,881,107,792	32,633,375,078
<i>Other amounts owing to customers</i>		
Other savings deposits	222,868,774,760	44,018,055,763
	<b><u>34,261,860,116,786</u></b>	<b><u>19,089,859,618,148</u></b>

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

	31 December 2012 % p.a.	31 December 2011 % p.a.
Demand deposits in VND	1.80	1.20 - 6.00
Demand savings deposits in VND	1.80	maximum to 3.00
Demand deposits in foreign currencies	0.20 - 1.20	0.20 - 1.20
Demand savings deposits in foreign currencies	0.20 - 1.20	0.20 - 1.20
Term deposits in VND	1.80 - 14.00	3.00 - 14.00
Term savings deposits in VND	1.90 - 14.00	6.00 - 14.00
Term deposits in foreign currencies	0.50	0.50 - 2.00
Term savings deposits in foreign currencies	0.60 - 5.20	1.00 - 2.00

In case customers withdraw term savings deposits in VND and in foreign currency before the maturity date, the demand interest rate shall be applied.



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## 20. DUE TO CUSTOMERS (continued)

### 20.2 Analysis by customers

	31 December 2012 VND	31 December 2011 VND
<b>Deposits from economic entities</b>	<b>8,977,462,176,845</b>	<b>7,879,848,215,607</b>
Other joint-stock companies	3,548,444,194,995	3,352,066,207,170
Family household business	1,385,772,973,725	1,190,414,498,802
Other limited liability companies	1,268,339,998,045	1,116,473,189,681
Other State-owned enterprises	992,130,070,561	513,454,536,326
100% State limited liability companies	839,534,953,764	956,486,803,600
State joint-stock companies	398,276,795,270	335,025,490,137
Co-operatives	133,981,780,146	57,829,435,545
100% foreign-invested enterprises	103,543,730,554	24,836,118,102
Over 50% State limited liability companies	64,920,271,756	11,874,213,345
State and administrative unit of government	59,514,591,336	25,059,278,014
Joint-foreign-invested enterprises	24,620,840,188	13,333,472,460
Private companies	21,918,458,804	23,673,175,912
Farming	171,772,230	-
Joint businesses	38,168,649	38,569,600
Others	136,253,576,822	259,283,226,913
<b>Deposits from individuals</b>	<b>25,284,397,939,941</b>	<b>11,210,011,402,541</b>
	<b><u>34,261,860,116,786</u></b>	<b><u>19,089,859,618,148</u></b>

## 21. VALUABLE PAPERS ISSUED

	31 December 2012 VND	31 December 2011 VND
<b>Certificates of deposits</b>		
Under 12 months	2,294,839,683,515	5,728,033,471,647
From 12 months to 5 years	-	10,196,620,000
<b>Straight bonds</b>		
From 12 months to 5 years	850,000,000,000	1,600,000,000,000
Over 5 years	500,000,000,000	500,000,000,000
	<b><u>3,644,839,683,515</u></b>	<b><u>7,838,230,091,647</u></b>

### 21.1 Certificates of deposits

Certificates of deposits issued by the Bank comprise of certificates of deposits denominated in VND and gold with terms ranging from one month to one year. Interest on certificates of deposits in gold is payable at maturity date or on a quarterly basis.

Interest rates applicable to valuable papers at the year-end were as follows:

	31 December 2012 % p.a.	31 December 2011 % p.a.
Certificates of deposits in VND	8.00 - 9.00	14.00
Certificates of deposits in gold	3.50	0.30 - 3.70

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

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**21. VALUABLE PAPERS ISSUED** (continued)

**21.2 Straight bonds**

The interest of these bonds is paid annually. The bonds bear a fixed interest rate of 13% per annum in the first year and the variable interest rate will be applied from second year and adjusted once a year equivalent to the average interest rate of the 12-month saving term deposits in VND of individuals (interest paid at the maturity date) applied by four largest banks in Vietnam plus 2% per annum.

Interest rates applicable to straight bonds at the year-end were as follows

	<i>31 December 2012</i> % p.a.	<i>31 December 2011</i> % p.a.
Straight bonds	12.75 - 13.45	15.50 - 16.70

**22. INTEREST AND FEES PAYABLE**

	<i>31 December 2012</i> VND	<i>31 December 2011</i> VND
Accrued interest on deposits from other banks in VND	214,235,937,438	310,409,920,525
Accrued interest on deposits from other banks in foreign currencies	469,362,105	1,306,853,068
Accrued interest on saving deposits in VND	246,887,493,647	94,691,043,419
Accrued interest on saving deposits in foreign currencies	2,353,182,098	5,033,390,910
Accrued interest on borrowings in VND	38,191,368,066	2,418,819,498
Accrued interest on borrowings in foreign currencies	3,847,220,901	-
Accrued interest on valuable papers in VND	131,766,838,213	290,839,172,042
Accrued interest on valuable papers in gold	1,684,155,883	4,595,846,500
Currency forward contracts	17,142,857	497,171,556
	<b><u>639,452,701,208</u></b>	<b><u>709,792,217,518</u></b>



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## 23. OTHER PAYABLES

	31 December 2012 VND	31 December 2011 VND
<b>Internal payables</b>	<b>6,256,667</b>	<b>2,124,969,883</b>
Payables to employees	6,256,667	-
Provision for severance allowance	-	2,124,969,883
<b>External payables</b>	<b>375,736,051,458</b>	<b>1,071,502,527,939</b>
Cash held in trust and awaiting payment	315,000,741,705	994,516,581,049
Other tax payables (Note 24)	475,973,964	2,207,669,507
Payables for the excess of settlement collaterals	-	35,922,876,667
Corporate income tax payables	-	20,341,104,127
Other payables	60,259,335,789	18,514,296,589
	<b><u>375,742,308,125</u></b>	<b><u>1,073,627,497,822</u></b>

## 24. STATUTORY OBLIGATIONS

	Beginning balance VND	Movement during the year		Ending balance VND
		Payable VND	Paid VND	
Value added tax ("VAT")	(5,889,589,849)	7,165,528,277	(1,804,746,790)	(528,808,362)
Providing services	(5,743,168,362)	6,327,905,525	(600,991,186)	(16,254,023)
Foreign exchange trading	(146,421,487)	837,622,752	(1,203,755,604)	(512,554,339)
Corporate income tax	20,341,104,127	103,270,667,165	(144,271,611,169)	(20,659,839,877)
Other taxes	2,207,669,507	21,732,453,831	(23,464,149,374)	475,973,964
Personal income tax	2,207,169,507	20,759,864,914	(22,491,060,457)	475,973,964
License tax	500,000	123,000,000	(123,500,000)	-
Withholding tax	-	849,588,917	(849,588,917)	-
Other payables	-	3,000,000	(3,000,000)	-
	<b><u>16,659,183,785</u></b>	<b><u>132,171,649,273</u></b>	<b><u>(169,543,507,333)</u></b>	<b><u>(20,712,674,275)</u></b>
<i>In which:</i>				
Payables to the State Budget	22,548,773,634			475,973,964
Receivables from the State Budget	(5,889,589,849)			(21,188,648,239)

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## 24. STATUTORY OBLIGATIONS (continued)

### 24.1 Current corporate income tax

The Bank has the obligation to pay current corporate income tax ("CIT") at a rate of 25% of taxable profit (2011: 25%)

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 income or expenses 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.

Current CIT expense during the year was calculated as follows:

	2012 VND	2011 VND
<b>Profit before tax</b>	<b>427,149,920,555</b>	<b>565,976,418,110</b>
<i>Less:</i>		
- Tax-exempt dividend income	(26,482,194,605)	(9,988,190,148)
- Realised foreign exchange loss	-	(633,635,990)
- Unrealised foreign exchange gain	(94,465,519)	(10,300,082,367)
<i>Add:</i>		
- Unrealised foreign exchange gain	10,300,082,367	-
- Non-deductible expenses	2,209,325,855	1,931,797,124
<b>Estimated current taxable profit</b>	<b>413,082,668,653</b>	<b>546,986,306,729</b>
<b>Estimated current CIT expense</b>	<b>103,270,667,165</b>	<b>136,746,576,681</b>
CIT payable at beginning of the year	20,341,104,127	20,350,762,053
CIT paid during the year	(144,271,611,169)	(136,756,234,607)
<b>CIT (receivable)/payable at the end of the year</b>	<b>(20,659,839,877)</b>	<b>20,341,104,127</b>

### 24.2 Deferred corporate income tax

	<i>Balance sheet</i>		<i>Credited/(debited) to Income statement</i>	
	31 December 2012 VND	31 December 2011 VND	2012 VND	2011 VND
<b>Deferred tax asset</b>				
Realised foreign exchange loss	-	-	-	(158,408,998)
<b>Deferred tax liability</b>				
Unrealised foreign exchange gain	(23,616,380)	(2,575,020,592)	(23,616,380)	(2,575,020,592)
Realised foreign exchange gain	-	-	2,575,020,592	-
	<b>(23,616,380)</b>	<b>(2,575,020,592)</b>		
<b>Net deferred tax benefit/(expense) charged to the income statement</b>			<b>2,551,404,212</b>	<b>(2,733,429,590)</b>



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**25. CAPITAL AND RESERVES**

**25.1 Statement of changes in capital and reserves**

Changes in the Bank's capital and reserves during the year were presented below:

<i>Item</i>	<i>Share capital VND</i>	<i>Share premium VND</i>	<i>Financial reserve VND</i>	<i>Supplementary capital reserve VND</i>	<i>Other reserve VND</i>	<i>Bonus and welfare fund VND (**)</i>	<i>Retained earnings VND</i>	<i>Total VND</i>
<b>Beginning balance</b>	<b>3,000,000,000,000</b>	<b>4,043,016,800</b>	<b>73,710,093,954</b>	<b>16,159,527,926</b>	<b>-</b>	<b>861,096,965</b>	<b>452,857,865,834</b>	<b>3,547,631,601,479</b>
<b>Increase in the year</b>								
Capital contribution (*)	2,000,000,000,000	-	-	-	-	-	-	2,000,000,000,000
Profit for the year	-	-	-	-	-	-	326,430,657,602	326,430,657,602
Additional appropriation to reserves of the prior year	-	-	21,309,820,592	21,309,820,592	20,000,000,000	3,000,000,000	(65,619,641,184)	-
<b>Decrease in the year</b>								
Reserves used during the year	-	-	(85,002,496,284)	-	(16,972,692,398)	(1,076,588,890)	(300,000,000)	(103,351,777,572)
Cash dividends	-	-	-	-	-	-	(376,964,383,562)	(376,964,383,562)
<b>Ending balance</b>	<b>5,000,000,000,000</b>	<b>4,043,016,800</b>	<b>10,017,418,262</b>	<b>37,469,348,518</b>	<b>3,027,307,602</b>	<b>2,784,508,075</b>	<b>336,404,498,690</b>	<b>5,393,746,097,947</b>

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## 25. CAPITAL AND RESERVES (continued)

### 25.1 Statement of changes in capital and reserves (continued)

(\*) During the year, the Bank's existing shareholders have contributed additional capital of VND 2,000 billion to increase the charter capital to VND 5,000 billion in accordance with Decision No. 9657/NHNN-TTGSNH dated 16 December 2011 of the State Bank of Vietnam, the plan of charter capital increase passed by shareholders at the annual general meeting on 16 June 2011 and the 20<sup>th</sup> Certificate of Business Registration for joint stock company issued by Department of Planning and Investment of Ho Chi Minh City dated 13 June 2012.

(\*\*) Although Circular No. 244/2009/TT-BTC issued by the Ministry of Finance dated 31 December 2009 requires bonus and welfare funds be accounted for as liabilities, the Bank currently classifies bonus and welfare funds as an item of owner's equity since there is no specific guidance from the SBV on the account to be used to record these reserves as a liability.

### 25.2 Statutory reserves

The Bank creates the following statutory reserves in compliance with the Law on Credit Institutions No. 47/2010/QH12 effective since 1 January 2011 and Decree No. 57/2012/ND - CP effective since 15 September 2012:

	<i>Calculation</i>	<i>Maximum balance</i>
Supplementary capital reserve	5% of profit after tax	100% chartered capital
Financial reserve	10% of profit after tax	25% chartered capital

Other funds are appropriated as the discretion of the Bank.

The appropriation of profits to statutory reserves will be made in accordance with resolution of the shareholders at annual general meeting and recorded in the next financial year.

## 26. BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit after tax for the year attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Data used in computation of basic earnings per share of the Bank follows:

	2012	2011
Net profit after tax attributable to ordinary equity holders for basic earnings (VND)	326,430,657,602	426,496,411,839
Weighted average number of ordinary shares for basic earnings per shares (shares)	401,092,896	298,904,110
Basic earnings per share (VND/share)	814	1,427
Par value (VND)	10,000	10,000

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 regulations and the Bank's policies as presented in Note 25.2.



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## 27. DIVIDENDS

	<i>Beginning balance VND</i>	<i>Movement during the year</i>		<i>Ending balance VND</i>
		<i>Payable VND</i>	<i>Paid VND</i>	
Dividend to shareholders	416,406,546	226,964,383,562	(226,957,800,626)	422,989,482

In accordance with Resolution No. 6/2012/NQ-DHDCD dated 27 April 2012 of the shareholders in relation to the approval of plan for appropriation of net profit of the year ended 31 December 2011, the Bank declared dividends to its shareholders amounting to VND 376,964,383,562 during the year, which includes the interim dividends of VND 150,000,000,000 that was paid in 2011.

## 28. INTEREST AND SIMILAR INCOME

	<i>2012 VND</i>	<i>2011 VND</i>
Interest income from loans and advances to customers	2,060,835,517,988	2,229,902,592,056
Interest income from trading and investment debt securities	1,428,949,270,457	1,156,346,415,904
Interest income from deposits in other banks	1,058,314,699,672	1,316,338,573,369
Interest income from other credit activities	647,132,759,117	638,068,152,240
	<b><u>5,195,232,247,234</u></b>	<b><u>5,340,655,733,569</u></b>

## 29. INTEREST AND SIMILAR EXPENSES

	<i>2012 VND</i>	<i>2011 VND</i>
Interest expense on deposits	3,655,266,800,552	3,135,427,303,948
Interest expense on valuable papers	586,092,245,371	662,224,240,960
Interest expense on borrowings	103,410,663,255	204,634,129,954
Expense from other credit activities	389,569,224	29,537,971,554
	<b><u>4,345,159,278,402</u></b>	<b><u>4,031,823,646,416</u></b>

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## 30. NET FEES AND COMMISSION INCOME

	2012 VND	2011 VND
<b>Fees and commission income</b>		
- Settlement services	21,001,175,159	48,290,009,818
- Guarantee services	11,800,035,491	13,404,793,814
- Discounted fees	4,778,275,891	14,503,840,073
- Advisory services	3,559,740,467	7,854,104,038
- Treasury services	3,074,585,383	14,660,121,596
- Credit service fees	1,824,252,146	3,616,892,633
- Trust and agent services	306,471,076	244,703,057
	<u><b>46,344,535,613</b></u>	<u><b>102,574,465,029</b></u>
<b>Fees and commission expenses</b>		
- Postal and telecommunication	(11,373,867,685)	(10,850,539,566)
- Settlement services	(7,481,611,090)	(6,219,194,146)
- Advisory services	(5,573,389,944)	(2,883,616,237)
- Treasury service	(3,595,845,150)	(16,696,667,533)
- Trust and agent services	(365,027,547)	(683,044,406)
- Brokerage services	(25,050,000)	(867,594,151)
- Others	(303,719,256)	(178,963,832)
	<u><b>(28,718,510,672)</b></u>	<u><b>(38,379,619,871)</b></u>
<b>Net fees and commission income</b>	<u><b>17,626,024,941</b></u>	<u><b>64,194,845,158</b></u>

## 31. NET LOSS FROM FOREIGN CURRENCIES AND GOLD TRADING

	2012 VND	2011 VND
<b>Income from foreign currencies and gold trading</b>		
Income from gold trading	1,067,094,836,644	878,152,862,320
Income from spot foreign exchange	558,812,047,278	1,224,398,370,799
Income from currency derivatives	7,576,819,151	6,584,514,951
	<u><b>1,633,483,703,073</b></u>	<u><b>2,109,135,748,070</b></u>
<b>Expense from foreign currencies and gold trading</b>		
Expense from gold trading	(1,147,769,343,038)	(984,105,258,951)
Expense from spot foreign exchange	(526,444,668,733)	(1,181,954,781,066)
Expense from currency derivatives	(2,574,475,569)	(36,565,132,484)
	<u><b>(1,676,788,487,340)</b></u>	<u><b>(2,202,625,172,501)</b></u>
<b>Net loss from foreign currencies and gold trading</b>	<u><b>(43,304,784,267)</b></u>	<u><b>(93,489,424,431)</b></u>



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## 32. NET GAIN FROM DEALING OF TRADING SECURITIES

	2012 VND	2011 VND
Income from securities trading	10,404,625,000	-
Expense from securities trading	(1,812,160,760)	-
Reversal/(provision) for a decline in value of trading securities	-	-
<b>Net gain from dealing of trading securities</b>	<b>8,592,464,240</b>	<b>-</b>

## 33. NET GAIN/(LOSS) FROM DEALING OF INVESTMENT SECURITIES

	2012 VND	2011 VND
Income from dealing of available-for-sales securities	264,067,135,247	58,886,965,249
Expense from dealing of available-for-sales securities	(22,118,605,523)	(26,952,456,731)
Reversal/(provision) for decline in value of available-for-sales securities	52,731,426,143	(84,032,060,845)
<b>Net gain/(loss) from dealing of available- for-sales securities</b>	<b>294,679,955,867</b>	<b>(52,097,552,327)</b>
Income from dealing of held-to-maturity securities	20,498,954,795	7,321,787,600
Expense from dealing of held-to-maturity securities	-	-
<b>Net gain from dealing of held-to-maturity securities</b>	<b>20,498,954,795</b>	<b>7,321,787,600</b>
<b>Net gain/(loss) from dealing of investment securities</b>	<b>315,178,910,662</b>	<b>(44,775,764,727)</b>

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## 34. NET OTHER OPERATING INCOME

	2012 VND	2011 VND
<b>Other operating income</b>		
Proceed from disposal of fixed assets	319,737,338,186	319,675,858
Gain from penalty of selling securities transactions	18,018,000,000	-
Rental income	9,297,321,428	9,023,188,419
Income from the sale of loans	8,380,463,318	-
Bad debt recovery	6,932,944,273	-
Income for fines for breach of contract	6,020,115,369	-
Income from promotion	4,517,065,000	-
Income from reversal of unemployment benefits	1,607,383,483	-
Other income	2,882,368,801	2,235,284,860
	<b>377,392,999,858</b>	<b>11,578,149,137</b>
<b>Other operating expense</b>		
Carrying amount of disposed fixed assets	(24,797,840,591)	(1,636,788,851)
Sponsoring	(2,409,850,000)	-
Liquidation of debt's collaterals	(1,661,184,200)	-
Fines due to violation of contracts	-	(7,870,197,745)
Other expenses	(764,143,986)	(135,304,359)
	<b>(29,633,018,777)</b>	<b>(9,642,290,955)</b>
<b>Net other operating income</b>	<b>347,759,981,081</b>	<b>1,935,858,182</b>

## 35. INCOME FROM LONG-TERM INVESTMENTS

	2012 VND	2011 VND
Dividends from long-term investments:		
- From equity available-for-sale securities	23,228,744,000	7,161,226,452
- From capital contributions and long-term investments	3,253,450,605	2,826,963,696
	<b>26,482,194,605</b>	<b>9,988,190,148</b>



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## 36. OPERATING EXPENSES

	2012 VND	2011 VND
Employees remuneration	301,888,321,247	267,297,109,756
- Salary and allowance	276,649,566,331	247,691,338,872
- Salary related allowance	17,796,270,300	13,661,916,803
- Allowance	7,438,184,616	4,857,674,081
- Social activities	4,300,000	1,086,180,000
Depreciation expense	58,947,366,006	36,222,926,944
Other operating expenses	435,686,172,891	291,082,545,691
- General administration expenses	112,547,082,469	53,734,702,062
- Office rental	102,600,027,177	75,446,513,175
- Advertising, marketing, promotion and entertainment	91,677,051,667	56,280,273,097
- Repair and maintenance	47,271,539,506	22,446,013,844
- Insurance for customer deposits	20,146,700,000	13,131,664,599
- Tools and equipments	19,172,786,463	15,546,165,643
- Business trip	12,865,064,937	11,078,629,983
- Material and printing	10,818,243,609	9,741,087,564
- Post and telecommunication	9,030,053,991	7,059,113,898
- Provision for a decline in value of investment securities	3,874,358,327	-
- Other taxes and fees	3,294,016,149	16,752,312,099
- Insurance of the Bank's assets	1,750,117,447	1,737,133,979
- Training	639,131,149	1,068,935,748
- Provision for overdue deposits	-	7,060,000,000
	<b><u>796,521,860,144</u></b>	<b><u>594,602,582,391</u></b>

## 37. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprised the following balances on the balance sheet:

	31 December 2012 VND	31 December 2011 VND
Cash in VND	293,454,442,600	382,612,756,500
Cash in foreign currencies	128,218,042,348	139,939,068,108
Monetary gold	385,795,540,000	754,166,770,000
Current account with the SBV	701,234,182,913	1,410,215,684,528
Demand deposits in other banks (Note 7.1)	349,195,869,906	39,114,002,470
Deposits in other banks less than 90 days (Note 7.1)	-	2,964,111,111,111
Loans to other banks (Note 7.2)	3,000,000,000,000	-
	<b><u>4,857,898,077,767</u></b>	<b><u>5,690,159,392,717</u></b>

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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## 38. EMPLOYEES' INCOME

	2012 VND	2011 VND
<b>I. Total number of employees</b> (persons)	2,227	2,162
<b>II. Employees' income (VND)</b>		
1. Total salary	259,587,862,081	231,910,640,571
2. Lunch allowances	17,061,704,250	15,780,698,301
<b>3. Total income (1+2)</b>	<b>276,649,566,331</b>	<b>247,691,338,872</b>
4. Average monthly salary (VND/person)	9,713,660	8,251,286
5. Average monthly income (VND/person)	10,352,102	8,812,757

## 39. COLLATERALS AND MORTGAGES

	<i>Book value (VND)</i>	
	31 December 2012	31 December 2011
Real estate properties	23,215,163,649,488	23,561,049,334,785
Valuable papers	12,963,115,764,142	3,783,063,710,665
Movable assets	6,680,515,812,866	5,011,265,067,505
Other assets	25,202,968,231,241	10,444,189,506,898
	<b>68,061,763,457,737</b>	<b>42,799,567,619,853</b>

## 40. 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 recognised 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.



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## 40. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

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 recognised by the Bank as granting of a compulsory loan with a corresponding liability representing the financial obligation of the Bank to pay the beneficiaries and to fulfill the guarantor obligation.

The Bank requires margin deposits to support credit-related financial instruments when it is deemed necessary. The margin deposit required varies to 100% of the value of a commitment granted, depending on the creditworthiness of clients as assessed by the Bank.

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

	<i>31 December 2012</i> VND	<i>31 December 2011</i> VND
Financial guarantees	1,106,304,704,412	448,847,024,072
At sight letters of credit	269,450,448,759	155,191,898,611
Deferred letters of credit	18,352,804,982	14,340,782,734
	<b>1,394,107,958,153</b>	<b>618,379,705,417</b>
Less: Margin deposits	(86,961,859,690)	(78,873,835,479)
<b>Contingent liabilities and commitments</b>	<b>1,307,146,098,463</b>	<b>539,505,869,938</b>

## 41. 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;
  - ▶ 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).

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## 41. RELATED PARTY TRANSACTIONS (continued)

Significant transactions with related parties in the year 2012 were as follows:

<i>Relationship</i>	<i>Transactions</i>	<i>Amount VND</i>
Shareholders (major or more than 5% share capital)	Capital contributions	218,423,580,000
	Demand deposits	11,827,152,684,560
	Term deposits	5,803,170,091,717
	Withdrawals of demand deposits	11,800,139,215,182
	Withdrawals of term deposits	5,928,930,674,150
	Dividends received from the Bank	8,095,405,419
	Investees	Term deposits
Demand deposits		4,911,726,525,131
Margin deposits		1,231,827,434
Other guarantee deposits		333,906,262,692
Deposits for specific purposes		79,146,400,000
Withdrawals of margin deposits		1,758,531,978
Withdrawals of demand deposits		5,129,790,545,444
Withdrawals of term deposits		1,760,830,328,332
Withdrawals of other guarantee deposits		333,906,262,692
Withdrawals of deposits for specific purposes		79,146,400,000
Borrowings from the Bank		303,000,000,000
Others	Term deposits	150,135,629,006
	Demand deposits	40,601,160,072,255
	Margin deposits	22,884,151,343
	Other guarantee deposits	1,562,535,775
	Withdrawals of demand deposits	40,734,828,997,746
	Withdrawals of term deposits	143,312,402,530
	Withdrawals of margin deposits	22,886,221,813
	Withdrawals of other guarantee deposits	1,562,535,775
	Receiving deposits for purchase of Government bonds	752,998,002,000
	Repaying loans from the Bank	3,175,000,000
	Purchasing bonds of the Bank	500,000,000,000
	Repaying bonds of the Bank	500,000,000,000
	Purchasing securities from the Bank	681,461,670,327
	Deposits for purchase of the Bank's shares	9,500,000,000



# Ho Chi Minh City Development Bank

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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## 41. RELATED PARTY TRANSACTIONS (continued)

Details of receivables from and payables to related parties as at 31 December 2012 were as follows:

<i>Relationship</i>	<i>Transactions</i>	<i>Receivables VND</i>	<i>Payables VND</i>
Shareholders (major or more than 5% share capital)	Term deposits	- 352,501,226,285	
	Demand deposits	- 71,644,344,597	
Investees	Term deposits	- 314,085,804,385	
	Current deposits	- 21,864,621,816	
	Margin deposits		1,379,966
	Loans	303,000,000,000	-
	Long term investment	720,000,000	-
Others	Term deposits	- 8,324,794,521	
	Current deposits	- 167,161,122,114	
	Deposits for purchase of Government bonds	3,637,300,000,000	-
	Other receivables	672,419,580,527	-
		<b><u>4,613,439,580,527</u></b>	<b><u>935,583,293,684</u></b>

## 42. RISK MANAGEMENT POLICIES

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

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

### 42.1 Credit risk

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

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 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. 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.

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.

# Ho Chi Minh City Development Bank

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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## 42. RISK MANAGEMENT POLICIES (continued)

### 42.1 Credit risk (continued)

#### (a) Financial assets not past due and not impaired

The financial assets which are not past due and not impaired comprise current loans and advances to customers in accordance with Decision No. 493/2005/QD-NHNN and Decision No. 18/2007/QD-NHNN; securities, receivables and other financial assets which are not past due and no provision is required as Circular No. 228/2009/TT-BTC.

The Bank believed that it can recover fully and timely these financial assets in the near future.

#### (b) Financial assets past due but not impaired

Past due financial assets but not impaired were presented as below:

	Past due			
	Less than 90 days VND	91-180 days VND	181-360 days VND	Over 360 days VND
<b>ASSETS</b>				
<b>Loans and advances to customers (i)</b>	<b>222,543,199,042</b>	<b>20,737,145,868</b>	<b>16,665,376,765</b>	<b>20,000,000,000</b>
<b>Investment securities</b>				<b>3,598,900,000</b>
- Held-to-maturity securities	-	-	-	3,598,900,000
<b>Other assets</b>	<b>39,909,166,667</b>	-	-	<b>97,620,000,000</b>
- Receivable from overdue deposits to other bank	-	-	-	97,620,000,000
- Accrued interest and fees receivables (ii)	39,909,166,667	-	-	-

The Bank currently holds real estate properties, movable assets, valuable papers and other assets as collaterals for these financial assets.

(i) These are past due financial instruments but not impaired because they are adequately secured by collaterals or these assets have been fully recovered at the date of the report.

(ii) Most of these accrued interest and fees receivables were overdue less than 90 days and fully collected in January 2013.

### 42.2 Market risk

#### (a) Interest risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities and off-balance sheet items in certain period.



# Ho Chi Minh City Development Bank

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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## 42. RISK MANAGEMENT POLICIES (continued)

### 42.2 Market risk (continued)

#### (a) Interest risk (continued)

##### *Interest sensitivity*

No analysis on interest sensitivity was performed for the year ended 31 December 2012. The Bank is in process of designing and completing the model of Assets Liabilities Management (ALM), with the advice of foreign consulting firm, including analysis of interest rate risk and net interest income sensitivity through changes in market interest rates.

##### *Analysis of assets and liabilities based on the re-pricing period of effective interest rate*

The re-pricing period of effective interest rate is the remaining period from the date of the financial statements to the next 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 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 re-pricing period of interest rate of investment and trading securities is determined based on the actual maturity term of each kind of securities as at the balance sheet date.
- ▶ The re-pricing period of interest rate of deposits with and loans to other banks; 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 re-pricing period of interest rate is determined based on the remaining contractual term calculated from the balance sheet date.
  - Items with floating interest rate: The re-pricing period of interest rate is determined based on the next interest reset date subsequent to the balance sheet date.
- ▶ The re-pricing period of interest rate of valuable papers is determined based on the remaining maturity term of each valuable paper calculated from the balance sheet date.
- ▶ The re-pricing period of interest rate of entrusted funds and loans exposed to risks to the Bank is determined based on the remaining contractual term calculated from the balance sheet date.
- ▶ Other liabilities are classified as non-bearing interest group.

**42. RISK MANAGEMENT POLICIES (continued)**

**42.2 Market risk (continued)**

**(a) Interest risk (continued)**

	Overdue VND	Non-interest bearing VND	Re-pricing interest rate in period					Total VND
			Up to 1 month VND	1 - 3 months VND	3 - 6 months VND	6 - 12 months VND	1 - 5 years VND	
<b>Assets</b>								
Cash, gold, jewelry and gemstones	-	807,468,024,948	-	-	-	-	-	807,468,024,948
Balances with the SBV	-	-	701,234,182,913	-	-	-	-	701,234,182,913
Due from and loans to other banks (*)	-	-	3,099,195,869,906	2,622,000,000,000	605,268,090,236	50,000,000,000	1,000,000,000,000	7,376,463,960,142
Trading securities (*)	-	207,405,555,556	-	-	-	-	-	207,405,555,556
Derivatives and financial assets	-	360,000,000	-	-	-	-	-	360,000,000
Loans and advances to customers (*)	-	-	1,731,901,343,242	19,415,923,530,441	-	-	-	21,147,824,873,683
Investment securities (*)	-	1,903,588,256,316	1,000,000,000,000	3,538,866,896,044	1,854,339,330,195	3,061,787,424,835	-	11,858,581,907,390
Long-term investments (*)	-	61,491,310,665	-	-	-	-	-	61,491,310,665
Fixed assets	-	311,834,279,881	-	-	-	-	-	311,834,279,881
Other assets (*)	(**)	137,529,166,667	-	1,384,900,000,000	2,140,400,000,000	-	-	10,638,727,937,987
<b>Total assets</b>	<b>137,529,166,667</b>	<b>10,268,046,198,686</b>	<b>6,532,331,396,061</b>	<b>23,922,823,530,441</b>	<b>6,284,534,986,280</b>	<b>1,904,339,330,195</b>	<b>4,061,787,424,835</b>	<b>53,111,392,033,165</b>
<b>Liabilities</b>								
Borrowings from the Government and SBV	-	-	400,000,000,000	165,531,992,435	-	-	-	565,531,992,435
Due to and borrowings from other banks	-	-	3,793,381,288,026	2,354,140,000,000	500,000,000,000	247,853,200,000	1,000,000,000,000	7,895,374,488,026
Due to customers	-	95,065,316,290	8,980,093,609,782	2,670,633,713,624	1,200,231,156,007	20,912,613,222,878	403,222,098,205	34,261,860,116,786
Valuable papers issued	-	-	824,966,876,165	160,626,780,000	809,246,027,350	850,000,000,000	1,000,000,000,000	3,644,839,683,515
Other liabilities (*)	-	1,015,218,625,713	-	-	-	-	-	1,015,218,625,713
<b>Total liabilities</b>	<b>-</b>	<b>1,110,283,942,003</b>	<b>13,998,441,773,973</b>	<b>5,350,932,486,059</b>	<b>2,509,477,183,357</b>	<b>22,010,466,422,878</b>	<b>2,403,222,098,205</b>	<b>47,382,824,906,475</b>
<b>Sensitive interest rate difference</b>	<b>137,529,166,667</b>	<b>9,157,762,256,683</b>	<b>(7,466,110,377,912)</b>	<b>18,571,891,044,382</b>	<b>3,775,057,802,923</b>	<b>(20,106,127,092,683)</b>	<b>1,658,565,326,630</b>	<b>5,728,567,126,690</b>

(\*) Excluding provisions

(\*\*) The Bank has received VND 32,979 million in total overdue amount of VND 137,529 million.





# Ho Chi Minh City Development Bank

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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## 42. RISK MANAGEMENT POLICIES (continued)

### 42.2. *Market risk* (continued)

#### (b) *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 are 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.

# Ho Chi Minh City Development Bank

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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## 42. RISK MANAGEMENT POLICIES (continued)

### 42.2 Market risk (continued)

#### (b) Currency risk (continued)

Assets and liabilities denominated in foreign currencies were translated into VND at 31 December 2012 as follows:

	EUR equivalent VND	US\$ equivalent VND	Gold equivalent VND	Other currencies equivalent VND	Total VND
<b>Assets</b>					
Cash, gold, jewelry and gemstones	12,894,819,650	114,608,131,949	385,795,540,000	715,090,749	514,013,582,348
Balances with the SBV	-	110,692,452,772	-	-	110,692,452,772
Due from and loans to other banks	19,904,017,242	97,455,644,550	-	8,370,699,170	125,730,360,962
Loans and advances to customers (*)	492,109,968	2,479,436,263,654	427,218,349,350	-	2,907,146,722,972
Other assets	688,891	35,958,834,683	12,331,187,700	-	48,290,711,274
<b>Total assets</b>	<b>33,291,635,751</b>	<b>2,838,151,327,608</b>	<b>825,345,077,050</b>	<b>9,085,789,919</b>	<b>3,705,873,830,328</b>
<b>Liabilities</b>					
Due to and borrowings from other banks	139,980,872	1,393,395,800,584	-	-	1,393,535,781,456
Due to customers	29,658,984,972	1,300,349,065,798	-	1,078,633,725	1,331,086,684,495
Derivatives and financial liabilities	-	208,280,000,000	-	-	208,280,000,000
Valuable papers issued	-	-	504,114,402,350	-	504,114,402,350
Other liabilities	16,989,718	6,799,498,254	315,462,247,750	719,784	322,279,455,506
<b>Total liabilities</b>	<b>29,815,955,562</b>	<b>2,908,824,364,636</b>	<b>819,576,650,100</b>	<b>1,079,353,509</b>	<b>3,759,296,323,807</b>
<b>FX position on balance sheet</b>	<b>3,475,680,189</b>	<b>(70,673,037,028)</b>	<b>5,768,426,950</b>	<b>8,006,436,410</b>	<b>(53,422,493,479)</b>
<b>FX position off balance sheet</b>	-	-	-	-	-
<b>FX position on and off-balance sheet</b>	<b>3,475,680,189</b>	<b>(70,673,037,028)</b>	<b>5,768,426,950</b>	<b>8,006,436,410</b>	<b>(53,422,493,479)</b>

(\*) Excluding provisions



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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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## 42. RISK MANAGEMENT POLICIES (continued)

### 42.2 Market risk (continued)

#### (b) Currency risk (continued)

##### *Foreign currency sensitivity*

No analysis on foreign currency sensitivity was performed for the year ended 31 December 2012 since the Bank does not have sufficient data and technology.

#### (c) 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 manage the liquidity risk exposure, the Bank has diversified the mobilisation of deposits from various sources in addition to 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 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 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.
- ▶ 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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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## 42. RISK MANAGEMENT POLICIES (continued)

### 42.2 Market risk (continued)

#### (c) 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	
<b>Assets</b>								
Cash, gold, jewelry and gemstones	-	-	807,468,024,948	-	-	-	-	807,468,024,948
Balances with the SBV	-	-	701,234,182,913	-	-	-	-	701,234,182,913
Due from and loans to other banks (*)	-	-	3,099,195,869,906	2,622,000,000,000	655,268,090,236	1,000,000,000,000	-	7,376,463,960,142
Trading securities (*)	-	-	207,405,555,556	-	-	-	-	207,405,555,556
Derivatives and other financial assets	-	-	360,000,000	-	-	-	-	360,000,000
Loans and advances to customers (*)	(**)	(**)	2,195,966,866,101	2,673,529,041,942	11,381,054,445,787	1,857,279,086,511	1,308,094,090,100	21,147,824,873,683
Investment securities(*)	-	-	2,903,588,256,316	-	3,010,369,868,214	5,944,623,792,860	-	11,858,581,907,390
Long-term investments (*)	-	-	-	-	-	61,491,310,665	-	61,491,310,665
Fixed assets	-	-	46,737,718,786	119,952,469	1,231,330,676	128,137,186,074	135,608,091,876	311,834,279,881
Other assets (*)	97,620,000,000	(***)	3,913,777,121,956	2,166,454,166,667	4,061,233,982,697	44,733,500,000	315,000,000,000	10,638,727,937,987
<b>Total assets</b>	<b>790,908,646,257</b>	<b>1,078,521,863,652</b>	<b>13,875,733,596,482</b>	<b>7,462,103,161,078</b>	<b>19,109,157,707,610</b>	<b>9,036,264,876,110</b>	<b>1,758,702,181,976</b>	<b>53,111,392,033,165</b>
<b>Liabilities</b>								
Borrowings from the Government and the SBV	-	-	401,207,500,000	1,641,860,000	11,756,810,000	90,304,496,500	60,621,325,935	565,531,992,435
Due to and borrowings from other banks	-	-	3,793,381,288,026	2,354,140,000,000	747,853,200,000	1,000,000,000,000	-	7,895,374,488,026
Due to customers	-	-	9,075,158,926,072	2,670,633,713,624	22,112,844,378,885	403,222,098,205	1,000,000	34,261,860,116,786
Valuable papers issued	-	-	824,966,876,165	160,626,780,000	1,659,246,027,350	1,000,000,000,000	-	3,644,839,683,515
Other liabilities (*)	-	-	986,465,447,789	-	1,429,177,924	-	27,324,000,000	1,015,218,625,713
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>15,081,180,038,052</b>	<b>5,187,042,353,624</b>	<b>24,533,129,594,159</b>	<b>2,493,526,594,705</b>	<b>87,946,325,935</b>	<b>47,382,824,906,475</b>
<b>Net liquidity</b>	<b>790,908,646,257</b>	<b>1,078,521,863,652</b>	<b>(1,205,446,441,570)</b>	<b>2,275,060,807,454</b>	<b>(5,423,971,886,549)</b>	<b>6,542,738,281,405</b>	<b>1,670,755,856,041</b>	<b>5,728,567,126,690</b>

(\*) Excluding provisions

(\*\*) Including special mention loans of VND 1,234,341 million

(\*\*\*) The Bank has received VND 32,979 million in total overdue amount of VND 39,909 million



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## 43. CAPITAL EXPENDITURE AND OPERATING LEASE COMMITMENTS

	31 December 2012 VND	31 December 2011 VND
Commitments to acquired fixed assets	36,596,000,000	169,812,867,551
Non-cancelable operating leases	393,838,623,154	323,689,320,469
<i>In which:</i>		
<i>Due within one year</i>	73,661,271,895	64,464,483,288
<i>Due within from two to five years</i>	193,800,891,599	185,750,804,642
<i>Due after five years</i>	126,376,459,660	73,474,032,539

## 44. ADDITIONAL DISCLOSURE OF FINANCIAL ASSETS AND LIABILITIES IN COMPLIANCE WITH CIRCULAR 210

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 ("Circular 210") which is effective for financial years beginning on or after 01 January 2011.

Because Circular 210 only provides guidance for the presentation and disclosures of financial instruments, the concepts of financial assets, financial liabilities and other related concepts are only applied for the disclosure of this Note. The assets, liabilities and equity of the Bank have been recognised and accounted for 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.

### Financial assets

Financial assets of the Bank within the scope of the Circular No. 210/2009/TT-BTC comprise cash, gold, precious stones, balances with SBV, placements with other banks, loans and advances to customers and other banks, trading and investment securities, receivables and other assets under monetary derivative contracts.

According to Circular No. 210/2009/TT-BTC, financial assets are classified appropriately, for the purpose of disclosure in the financial statements, into one of the following categories:

▶ *Financial asset at fair value through profit or loss:*

It is a financial asset that meets either of the following conditions:

- a) It is classified as held for trading. A financial asset is classified as held for trading if:
  - ▶ It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
  - ▶ On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
  - ▶ It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)
- b) Upon initial recognition, it is designated by the Bank as at fair value through profit or loss.

# Ho Chi Minh City Development Bank

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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## 44. ADDITIONAL DISCLOSURE OF FINANCIAL ASSETS AND LIABILITIES IN COMPLIANCE WITH CIRCULAR 210 (continued)

### Financial assets (continued)

#### ▶ *Held-to-maturity investments:*

are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity other than:

- a) Those that the Bank upon initial recognition designates as at fair value through profit or loss;
- o b) Those that the entity designates as available for sale; and
- c) Those that meet the definitions of loans and receivables.

#### ▶ *Loans and receivables:*

are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than:

- a) Those that the Bank intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the Bank upon initial recognition designates as at fair value through profit or loss;
- b) Those that the Bank upon initial recognition designates as available for sale; or
- c) Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

#### ▶ *Available-for-sale assets:*

are non-derivative financial assets that are designated as available for sale or are not classified as:

- a) Loans and receivables;
- b) Held-to-maturity investments;
- c) Financial assets at fair value through profit or loss.

### Financial liabilities

Financial liabilities of the Bank under the Circular No. 210/2009/TT-BTC consist of borrowings from the Government and the State Bank of Vietnam, deposits and borrowings from other banks, due to customers, grants, entrusted funds and loans exposed to risks, valuable papers issued by the Bank, payables and other liabilities under monetary derivative contracts.

According to Circular No. 210/2009/TT-BTC, financial liabilities are classified appropriately, for the purpose of disclosure in the financial statements, into one of the following categories:

#### ▶ *Financial liabilities at fair value through profit or loss*

is a financial liability that meets either of the following conditions:

- a) It is classified as held for trading. A financial liability is classified as held for trading if:
  - ▶ It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
  - ▶ On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
  - ▶ It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).
- b) Upon initial recognition it is designated by the Bank as at fair value through profit or loss.

#### ▶ *Financial liabilities at amortised cost*

Financial liabilities are not categorised as at fair value through profit or loss will be classified financial liabilities at amortised cost.



**44. ADDITIONAL DISCLOSURE OF FINANCIAL ASSETS AND LIABILITIES IN COMPLIANCE WITH CIRCULAR 210 (continued)**

The carrying amount and fair value of the Bank's financial assets and liabilities were presented as at 31 December 2012 as below:

	Carrying amount				Fair value VND
	Trading securities		Other assets and liabilities at amortised cost		
	VND	VND	VND	VND	
<b>Financial assets</b>					
Cash, gold and precious stones	-	-	-	807,468,024,948	807,468,024,948 <sup>(*)</sup>
Balances with the SBV	-	-	701,234,182,913	-	701,234,182,913 <sup>(*)</sup>
Due from and loans to other banks	-	-	7,376,463,960,142	-	7,376,463,960,142 <sup>(**)</sup>
Trading securities	207,405,555,556	-	-	-	207,405,555,556 <sup>(**)</sup>
Derivatives and other financial assets	360,000,000	-	-	-	360,000,000 <sup>(**)</sup>
Loans and advances to customers	-	20,952,361,188,370	-	-	20,952,361,188,370 <sup>(**)</sup>
Available for sale securities	-	-	10,249,983,340,288	-	10,249,983,340,288 <sup>(**)</sup>
Held to maturity securities	-	1,486,435,268,025	-	-	1,486,435,268,025 <sup>(**)</sup>
Long-term investments	-	-	57,616,952,338	-	57,616,952,338 <sup>(**)</sup>
Other assets	-	-	-	8,812,315,370,766	8,812,315,370,766 <sup>(**)</sup>
<b>Total</b>	<b>207,765,555,556</b>	<b>1,486,435,268,025</b>	<b>29,030,059,331,425</b>	<b>9,619,783,395,714</b>	<b>50,651,643,843,346</b>
<b>Financial liabilities</b>					
Borrowings from the Government and the SBV	-	-	-	565,531,992,435	565,531,992,435 <sup>(**)</sup>
Due to and borrowings from other banks	-	-	-	7,895,374,488,026	7,895,374,488,026 <sup>(**)</sup>
Due to customers	-	-	-	34,261,860,116,786	34,261,860,116,786 <sup>(**)</sup>
Valuable papers issued	-	-	-	3,644,839,683,515	3,644,839,683,515 <sup>(**)</sup>
Other liabilities	-	-	-	1,012,805,183,164	1,012,805,183,164 <sup>(**)</sup>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,380,411,463,926</b>	<b>47,380,411,463,926</b>

<sup>(\*)</sup> Fair value of cash, gold, precious stones and balances with the SBV approximates their carrying amount as the short-term maturity of these financial instruments.

<sup>(\*\*)</sup> As the Vietnamese Accounting Standards and Accounting System for Credit Institutions and relevant regulations stipulated by the State Bank of Vietnam have no specific guidance on the fair value determination, the fair value of these items can not be determined.

**Ho Chi Minh City Development Bank**  
(previously known as Housing Development Bank)

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2012


B05/TCTD

**45. EVENTS AFTER THE BALANCE SHEET DATE**

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

**46. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST VND AT YEAR-END**

	31 December 2012 VND	31 December 2011 VND
USD	20,828	20,828
EUR	27,424	27,360
GBP	33,577	32,864
JPY	240.68	273.36
SGD	16,961	16,309
CAD	20,801	20,658
AUD	21,495	21,539
CNY	3,241	3,280
Gold SJC (tale)	46,150,000	42,100,000

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Ho Chi Minh City, Vietnam

25 March 2013