

HD Bank

Committed to your best returns



ANNUAL REPORT 2015





CONTENT

CHAIRWOMAN'S LETTER

OVERVIEW

- HDBank Profile
- Vision /Mission/Values
- Key Development Milestones
- 10 Highlights of the Year
- Outstanding Awards in 2015

BANKING MANAGEMENT

- Organizational Structure
- Board of Directors
- Report from Board of Directors
- Board of Supervisors
- Report from Board of Supervisors
- Board of Management
- Management Report
- Independent Auditor's Statement

2015 OPERATION REPORT

- General report of the Board of Management
- Retail Banking Division
- Commercial Banking Division
- Corporate and Institutional Banking Division (CIB)
- Treasury Division
- Risk Management Division
- Operation Division
- Human Resources Division
- Information Technology and E-Banking Division
- Community Activities

2016 ACTION DIRECTIONS

INDEPENDENT AUDITOR'S REPORT

- General Information
- Report of Management
- Consolidated Balance Sheet
- Consolidated Income Statement
- Consolidated Cash Flow Statement
- Notes to the Consolidated Financial Statements

NETWORK

CHAIRWOMAN'S LETTER

Dear distinguished Customers, Shareholders and HDBank's Members,

In 2015, the Vietnamese economy witnessed positive developments with such significant milestones as: GDP growth reached the highest level in the past five years, inflation was subdued; and Vietnam participated in the successful negotiation of the TPP Agreement. However, the instability of the world financial markets (the Chinese stock market's bubble busted; volatility of the US dollar interest rate; devaluation of the Yuan; fluctuation of oil prices, etc.) continued to have many adverse impacts on the domestic financial and monetary markets. In previous years, due to economic difficulties and the instability of the domestic and international financial markets, many businesses and banks fell into insecurity and were at risk of insolvency; some banks were even put under special supervision and forced to merger. In the wake of these challenges, HDBank implemented a vigorous self-restructuring plan to reform itself comprehensively through the merger with Dai A Bank and acquisition of SGVF (currently HDSAISON). The year 2015 has rewarded the efforts and determination of all of HDBank's executives and staff: After the merger, the Bank had stable performance and achieved encouraging results.

Regarding business performance, key indicators such as total assets, deposit balance, loans, and profits increased compared to 2014. HDBank's consolidated total assets in 2015 reached VND 106,486 billion, an increase of 7%; total mobilization reached VND 82,390 billion, a growth of 19.4%; loan balance reached VND 67,180 billion, increasing by 24.1% (in which the bank-only loan balance increased by 21.8%); and profit after tax reached VND 647 billion, increasing by 32.1% over 2014. Almost all of our business lines reached or exceeded the targets for 2015 set by the General Meeting of Shareholders.

Business support activities such as risk management, human resources and network expansion, and information technology also made significant improvement. In 2015, the Bank's non-performing loan balance fell sharply compared to 2014; prudential ratios were within the limits prescribed by the State Bank; the Bank's personnel basically remained stable with more attention was paid to the enhancement of its quality through training programs; HDBank's network continued to expand with the establishment of eight branches and three transaction offices, making up a grand total of 220 banking units across the country; information technology infrastructure was gradually innovated and utilized to reinforce business effectiveness as well as banking governance.

Along with business activities, the Bank also attached great importance to social security activities by carrying out many charitable programs such as: gifting health insurance cards to low-income households; constructing charity and gratitude houses; offering scholarships; giving presents to poor communes; and visiting elderly homes and organizations taking care of poor patients, etc.

In 2015, HDBank was proud to continue receiving more valuable rewards and recognition from the State authorities as well as the domestic and international media, and to continue earning the trust of our customers and shareholders. According to the Bank's preliminary assessment of joint stock commercial banks (excluding four major state-owned commercial banks), HDBank was ranked in the top ten largest joint stock commercial banks among about thirty banks in Vietnam. Such achievements were results of whole-hearted efforts, contributions and hard work of all HDBank executives and staff; the effective directions and support of State regulatory bodies particularly the State Bank of Vietnam; the trust and support of nearly



“We would like to express our sincerest gratitude to our Shareholders, Partners State regulators for all the trust, support and our appreciation to all HDBank's officers for their great contribution to the Bank's strong growth and endurance.”

2000 shareholders, our customers and partners nationwide and worldwide as well as the interest of press agencies etc.

The year 2016 is expected to bring more changes. Vietnam has officially become a member of the ASEAN Economic Community, and the TPP Agreement is to be executed; the Party's and Government's determination and policies of further restructuring, reforming Vietnam's economy to boost openness and integration will open up many opportunities for a financial environment with sustainable development, but will also pose many challenges for the Bank in continuing its development in such a competitive environment.



While being proud of our achievements in 2015, we also need to be aware of existing problems and potential risks within areas such as corporate governance, service quality, business efficiency, and NPLs etc., so that we may continue to strive together successfully. As such, the Board of Directors and the Board of Management will develop and direct determined implementation of plans for 2016 and the next five years as approved by shareholders, aiming at building HDBank into a modern commercial bank managed under international standards, boosting business efficiency and sustainability development.

HDBank's Board of Directors believes that with the unanimous determination of all of HDBank's executives and staff members, and with the trust and support of our shareholders, partners and regulatory agencies at all levels, we will overcome future challenges and seize opportunities to reach our assigned objectives. The Board of Directors commits together with the Board of Management and all HDBank staff on the path to reach HDBank targets.

On behalf of the HDBank Directors, I am honored to thank our shareholders, partners, and customers, as well as the state regulatory bodies at all levels for

their trust and support. Also, I would like to thank all HDBank staff for giving your hands to build up the strong and sustainable HDBank as we see it today. We hope that you will keep journeying with HDBank towards ours the next stages of development.

May you all enjoy good health, happiness and success!

Chairwoman of the HDBank Board of Directors

LE THI BANG TAM

OVERVIEW

- HDBank Profile
- Vision / Mission / Core Values
- Key Development Milestones
- 10 Highlights of the Year
- Outstanding Awards

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HDBank has made some of the most vigorous changes in Vietnam and been reaching out to the world. With almost 26 years of development, we are pioneers in creativity and innovation who deliver the best financial solutions for all of our clients. In order to bring the most benefit to our clients, partners, shareholders and community, HDBank has strived to up-scale and develop our capacity through the proactive integration and restructuring of our banking system.

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HDBANK PROFILE

- **Trading name:** HO CHI MINH CITY DEVELOPMENT JOINT STOCK COMMERCIAL BANK (HDBank)
- **Date of establishment:** 4th January, 1990
- **Head Office:** 25 Bis Nguyen Thi Minh Khai, Ben Nghe Ward, District 1, Ho Chi Minh City
- **Tel:** (08) 62 915 916 | Fax: (08) 62 915 901
- **Email:** info@hdbank.com.vn
- **Website:** www.hdbank.com.vn
- **Networks:** As of 31st December 2015, HDBank had 220 banking units (including: 01 Head Office, 01 Representative Office in the North, 51 branches, 167 sub-branches), and 02 subsidiaries with over 4,500 service introduction points (SIPs).

As one of the top 10 commercial banks in Vietnam with more than 26 years of experience in Vietnam's business and currently advancing into the global market, HDBank possesses the greater financial capacity, advanced technology and numerous banking services for individuals, corporations and investors. HDBank has created modern transaction locations and carries out professional and friendly customer Service in order to live up to its motto: **"Committed to your best returns"** for its clients and community.

With its mergers with DaiA Bank and SGVF - HDFinance recently, HDBank became one of the largest banks in Vietnam. As of 31st December 2015, HDBank had total assets of nearly VND 110,000 billion, a chartered capital of VND 8,100 billion, a staff of almost 10,000, a network of over 220 banking units and over 4,500 SIPs across the country, with more soon to open overseas. In the international market, HDBank has established relations with more than 450 banks in over 150 countries and territories.

HDBank has been constantly growing, comprehensively developing and advancing into the global stage.





HD Bank



HD Bank

SUBSIDIARIES AND AFFILIATES

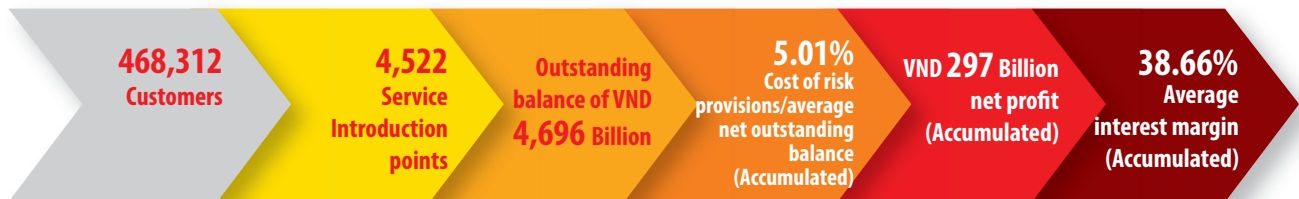


HD SAISON FINANCE COMPANY LIMITED

Address: Floor 8-9-10, Gilimex Building, 24C Phan Dang Luu Street, Ward 6, Binh Thanh District, Ho Chi Minh City.

HD SAISON is a consumer finance company with a charter capital of VND 550 billion. Before being acquired by HDBank, the company was called SGVF, owned by French bank Société Générale. After acquisition, SGVF was renamed as HDFinance. In May 2015, CREDIT SAISON (Japan) invested in HDFinance by acquiring 49% of charter capital, and HDFinance was renamed HD SAISON, as it remains today. HDBank owns 50% of HD SAISON and the remaining 1% owned by Ho Chi Minh City Securities Corporation (HSC).

HD SAISON is one of the three largest consumer finance companies in the Vietnamese lending market today. The company now provides, across the country, major financial products such as motorcycle loans, home electronics loans, and cash loans for consumption purposes.



ASSET MANAGEMENT COMPANY LIMITED - HO CHI MINH CITY DEVELOPMENT JOINT STOCK COMMERCIAL BANK (AMC-HDBank)

Address: L519 Nguyen Thi Dinh - Cat Lai Ward – District 2 - HCM City

AMC-HDBank officially operated on the 13th January 2011 with a total charter capital of VND150 billion. The key operations of the AMC-HDBank Company are:

- To receive and manage outstanding debts related to debts which are handled for the quickest recovery.
- To actively exploit security assets for debts under HDBank's right to dispose, in order to bring benefits to HDBank.
- To restructure outstanding debts through measures such as: rescheduling, reduction and exemption of interest rates, further investment, and converting debts into equity.

After merging with HDBank (November 2013) and moving headquarters from Bien Hoa, Dong Nai Province, to Ho Chi Minh City (October 2014), the AMC-HDBank Company has implemented several measures to handle and recover overdue debts for their parent bank (following clients, actively supporting the court and judgment enforcement agency etc.). The total value of overdue debts recovered in 2015 was as follows (unit: VND):

	2015
Total value recovered debts:	90,789,114,722
Principal	42,996,785,314
Interest	6,653,015,941
Partial amounts	41,139,313,467

The AMC-HDBank Company has always operated with a key motto to ensure that income covers expenses without losses. With timely and thorough support of its parent banks, business achievements of the AMC-HDBank Company in 2015 were considerable, achieving high profits as can be seen below (unit: VND):

	2015
Revenue from service providers	5,137,307,306
Cost of goods sold	2,416,263,182
Gross profit	2,721,044,124
Financial income	25,560,522,098
Financial costs	22,664,999,999
Management costs	2,315,581,197
Operating profits	3,300,985,026
Other profits	(471,347,639)
Profit before tax	2,829,637,387
Profit after tax	2,829,637,387

▶ **NEW VISION**

Become a leading financial group with a top-ten commercial bank in Vietnam as the core business that has superior products and customer service, an international network, operational excellence and a brand name our clients are proud to be associated with.

▶ **MISSION**

Mission towards Customers

We are committed to delivering the highest value to our customers by providing innovative full-packaged financial solutions to meet their diverse and changing needs base on customer insights.

Mission towards Employees

We will create a professional, exciting and rewarding work environment where our people can learn, innovate and share to develop successful careers.

Mission towards Partners

We are committed to maximising value for our shareholders and partners through robust and sustainable growth, effective governance and rigorous risk management.

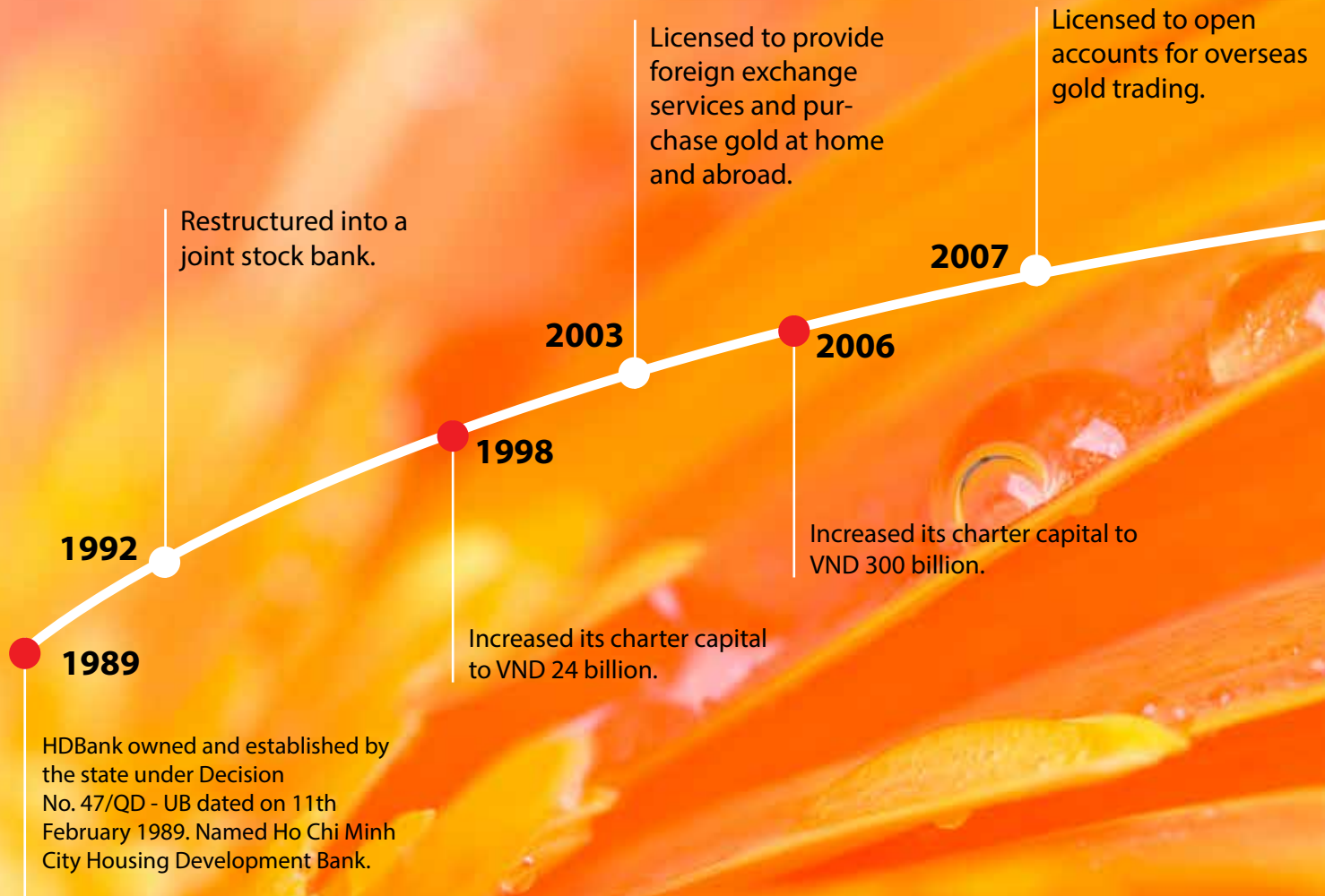


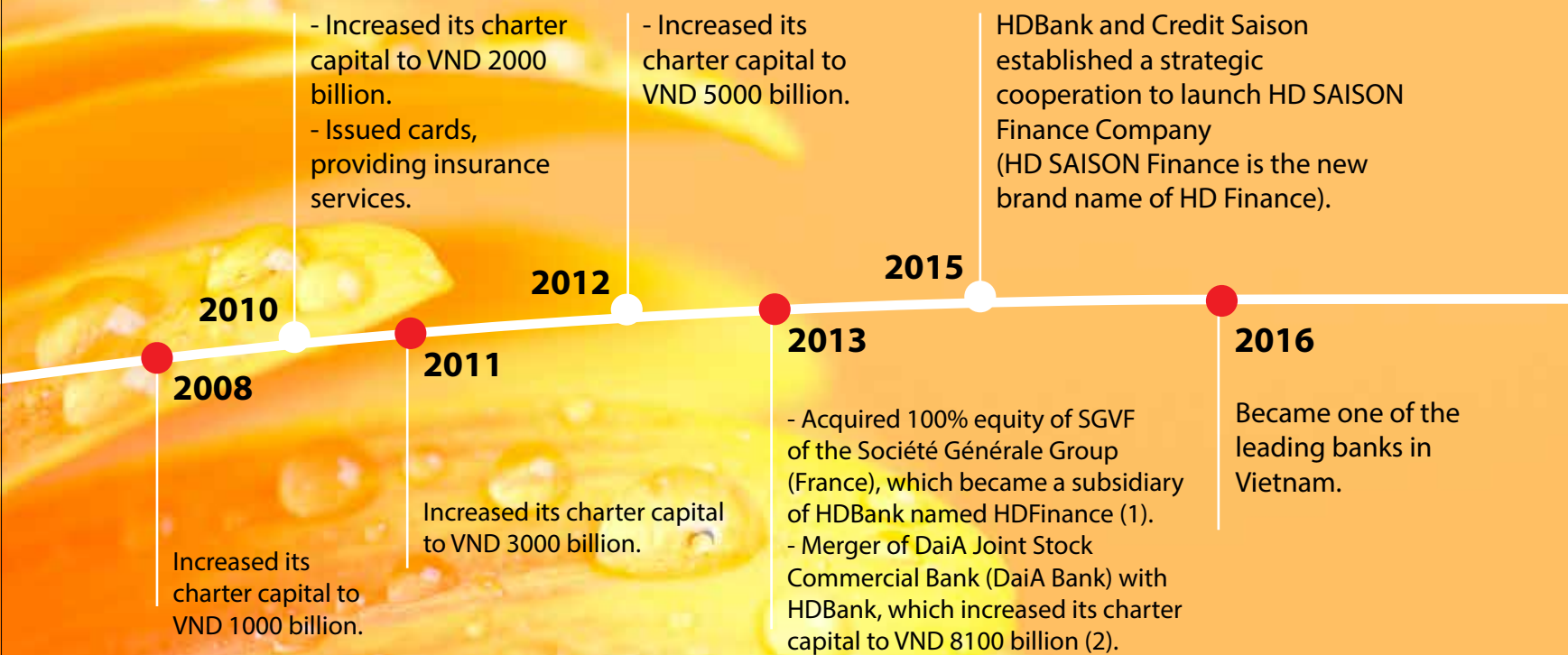
► CORE VALUES

- **Client focus:** We place customers at the centre of our activities and always strive to exceed customer expectations;
- **Consistent leadership – Flexible actions:** We have a clear sense of our goals and are consistent in pursuing them. We are proactive and flexible in our actions to accomplish these goals;
- **Excellence and innovation:** We continually learn, innovate and improve ourselves to achieve operational excellence and excel at customer service;
- **Professionalism and teamwork:** We work and behave professionally. We share and cooperate amicably with our colleagues and partners based on mutual trust and respect;
- **Integrity and responsibility:** We are trustworthy and honest. We are bold in our approach to taking initiative and responsibility.



KEY DEVELOPMENT MILESTONES





(1) In 2013, HDBank acquired 100% equity of Viet Finance Company Limited - Societe Generale (SGVF) of the Société Générale Group (Republic of France) - one of the three largest consumer finance companies in Vietnam, to become a subsidiary of HDBank named HDFinance.

(2) Dai A Bank had 20 years of banking experience, with a charter capital of VND 3,100 billion. Through the merger with DaiA Bank, HDBank increased its charter capital to VND 8,100 billion (total assets of nearly VND 90,000 billion), and became one of the top 10 largest commercial banks in Vietnam.

10 HIGHLIGHTS OF THE YEAR

1. Receiving the Third-class Labor Medal for the second time and other prestigious awards

In 2015, HDBank was honoured to receive the Third-class Labor Medal for the second time from the President for outstanding achievements in renovating the banking sector, contributing to the worthy causes of building socialism and national defense. In 2015, HDBank also continued to receive numerous awards, such as: “Best Management” in Asia by Euromoney Global Financial Magazine (from the U.K); “Good Trade Growth in the First Quarter 2014 - Good Trade Growth in the First Quarter 2015” by Wells Fargo; “2015 Best Management Banks” by Euromoney; Certificate of Merit of the Governor of the State Bank of Vietnam for excellent achievements regarding the ODA international credit project, etcetera.

2. Launching HD SAISON Finance Company

In April 2015, HDBank and Credit Saison – Japan’s leading institution for credit card issuance - completed equity interest procedures in HD Finance, and renamed it HD SAISON Finance Company Limited (HD SAISON Finance). HD SAISON Finance now has over 4,000 service introduction locations across the country. With its advantage of business experience at Credit Saison and its vast market knowledge and HDBank Vietnam network, HD SAISON Finance will provide the Vietnamese market with products and services such as credit cards, prepaid cards, and loan products. Along with development plans in Vietnam, the strategic cooperation between HDBank and Credit Saison will be expanded to markets in Asean countries such as Myanmar and Cambodia.

3. Developing a vast network nationwide

As part of its aim to bring the bank closer to customers and offer them the best conveniences, in 2015, HDBank continued to expand its network in the provinces and cities throughout the country. Accordingly, locations such as Thanh Hoa HDBank, Binh Phuoc HDBank, Quang Ngai HDBank and Lang Son HDBank continue to be added to the map of HDBank’s transaction locations. HDBank has more than 220 banking transactions locations and over 4,000 financial transaction locations nationwide, and is expanding into the international market.

4. Cooperating with many strategic partners inside and outside of Vietnam

In 2015, HDBank developed deep and wide domestic relationships with regards to banking services such as: implementing the agreement with the General Department of Taxation on e-tax services; cooperating with the S Vietnam State Treasury to develop state budget collection services; cooperating with Vietnam’s Development Bank (VDB) to provide banking services; cooperating with VNPT; signing agreements with Vietnam Air Traffic Management (VATM); signing contracts with the Ministry of Finance regarding ODA disbursement; and disbursing 23% of its total funds, etcetera. Additionally, HDBank has continued to expand its international collaborations, such as signing the agreement with Vietnam Dai-ichi Life Insurance Company, negotiating with other insurance companies, and signing strategic cooperation contracts with HanaBank (The Republic of Korea).





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5. Expanding our international relationships

Following the trend of international economic integration with the aim of achieving long-term benefits such as mutual cooperation and multifaceted support, in 2015, HDBank continued to seek potential strategic partners who align with the development strategy of the bank. HDBank worked with the U.S Ambassador Delegation, as well as multinational enterprises' delegations such as Hong Leong, Malaysia, Myanmar, and Thailand etc. Furthermore, HDBank has also been in contact with several partners from countries including Japan, Europe and South Korea.



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6. Community activities

In 2015, HDBank allocated over VND 1.5 billion to community activities across the country. HDBank continued to offer health insurance cards for poor households through the "10,000 Health Insurance Cards" program. Moreover, HDBank provided charity and gratitude houses to households in locations such as Thua Thien Hue Province, Quang Ngai Province, and Binh Phuoc Province, and offered scholarships to the poor students who face many disadvantages in their studies. In addition, annual community activities such as visiting and taking care of people who have contributed to the revolution, as well as elderly citizens and children in social institutions, have become regular cultural activities of HDBank.



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7. 2015 HDBank International Chess Tournament

The 5th HDBank International Chess Tournament in 2015 attracted 85 professional players from 14 countries around the world. There were 42 Vietnamese players and 43 international players from leading chess countries such as Germany, India, Switzerland, Indonesia, Philippines, Australia, Singapore, Russia, Ukraine, Uzbekistan and Hungary. Compared to the 2014 season, this year's tournament got the attention of more players from three countries considered strong chess-playing nations - namely Germany, Switzerland and South Korea. The professional players with an ELO average of 2229, among them 22 GMs and WGMs (Super Grandmasters), 21 IMs and WIMs (International Grandmasters), 14 FMs and WFM (grandmaster FIDE), and 5 CMs and WCMs (Pre Grandmasters) joined the tournament this year.



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8. HDBank National Sport Festival

The 2015 HDBank national sport festival set a new record of 400 athletes participating in 197 games/matches in four categories: football, badminton, table tennis, and tennis. Qualifications in the three regions of South, North and Central areas were held successfully in Dong Nai, Binh Dinh and Nghe An. The qualifier attracted nearly 1,000 athletes participating in 311 games/matches in all categories. To increase the attractiveness of the festival, this year's prizes were changed in order to boost the spirit of the athletes. This annual sport festival was not only a lively playground, it was also an opportunity for staff to meet, exchange experiences in a healthy and fun spirit of solidarity, and enjoyed the rewarding corporate culture of HDBank.

9. Implementing the "Lighting the Flame of Faith" program

This program consisted of workshops and team building for senior leaders in Nha Trang City (Khanh Hoa), and workshops and teambuilding for junior leaders in the Southern regions in Ba Ria-Vung Tau, and Northern, Central and Highland regions in Vinh Phuc province. The program "Lighting the Flame of Faith" has helped to strengthen the bonds and solidarity between the leaders of HDBank.

During the "Lighting the Flame of Faith" program, the Board of Directors also formally launched the "Gerberas" project. The objective of the project was to comprehensively direct HDBank towards reviewing and adjusting its organizational structure, personnel, as well as all policies and procedures of the bank.

10. HDBank national cultural performances

After two qualifying rounds in the South and North, the Final round themed on "Lighting the Flame of Faith" brought more than 1,000 actors together with 58 singing, dancing, and vaudeville shows. The performances were meticulously organized over a long time, with elaborate costumes and many participants. The stage was bright and colourful, with the regional scenery and melodies on the level of professional performances.





OUTSTANDING AWARDS IN 2015



NATIONAL

- The Second Third-class Labor Medal from the President.
- Certificate of Merit by the Governor of the State Bank of Vietnam for excellent achievements regarding the ODA international credit project.
- Vietnam Gold Star Award.
- “Most Prestigious Bank” in 2015 by the Vietnam Economic Times. “The Bank with the Best Quality of Service” in 2015 by the Vietnam Economic Times. Certificate of Merit of the Southeast Asian Chess Association for contributions to regional chess.

INTERNATIONAL

- “Best Managed Company” in Asia 2015 by Euromoney magazine
- “Best Cash Management” from 2011 to present by Asiamoney magazine and Euromoney magazine
- “Best Trade Growth in the First Quarter, 2015” by Wells Fargo (USA)

BANKING MANAGEMENT

Organizational Structure

Board of Directors

Report from Board of Directors

Board of Supervisors

Report from Board of Supervisors

Board of Management

Management Report

Independent Auditor's Statement





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During these 26 years, HDBank's power is deliberately built up by the unification and solidarity of about 10,000 professional and experienced staff members; mindful and visionary management team, including the top domestic experts and those who have experience in the international along with the support of our partners, shareholders, and the millions of valued customers.

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BANKING MANAGEMENT SYSTEM

The banking management system is the foundation for the effective management and operation of a bank. Therefore, effective banking management is a leading principle of HDBank. Our organizational structure ensures effective coordination between the Board of Directors, the Executive Board and the Board of Management, and the Board of Supervisors. This as well as the compensation system based on labor results, transparent and timely reporting, and good relations with shareholders are the four key principles that constitute our effective banking management system.

The HDBank management system is based on domestic and international regulations and standards. The legal basis for the HDBank management system is the Law on Credit Institutions of Vietnam, Enterprise Law, and HDBank Charter. The regulations of the State Securities Commission may also affect the HDBank management system as a public company. Additionally, the HDBank management system is also built to align with international norms and practices, with the consultancy of Vietnam Price Water House Coopers Company, Limited. HDBank regularly reviews and examines its management system whenever there are new events, new regulations or changes in standards, so that we can make the appropriate corrections.



ORGANIZATION STRUCTURE

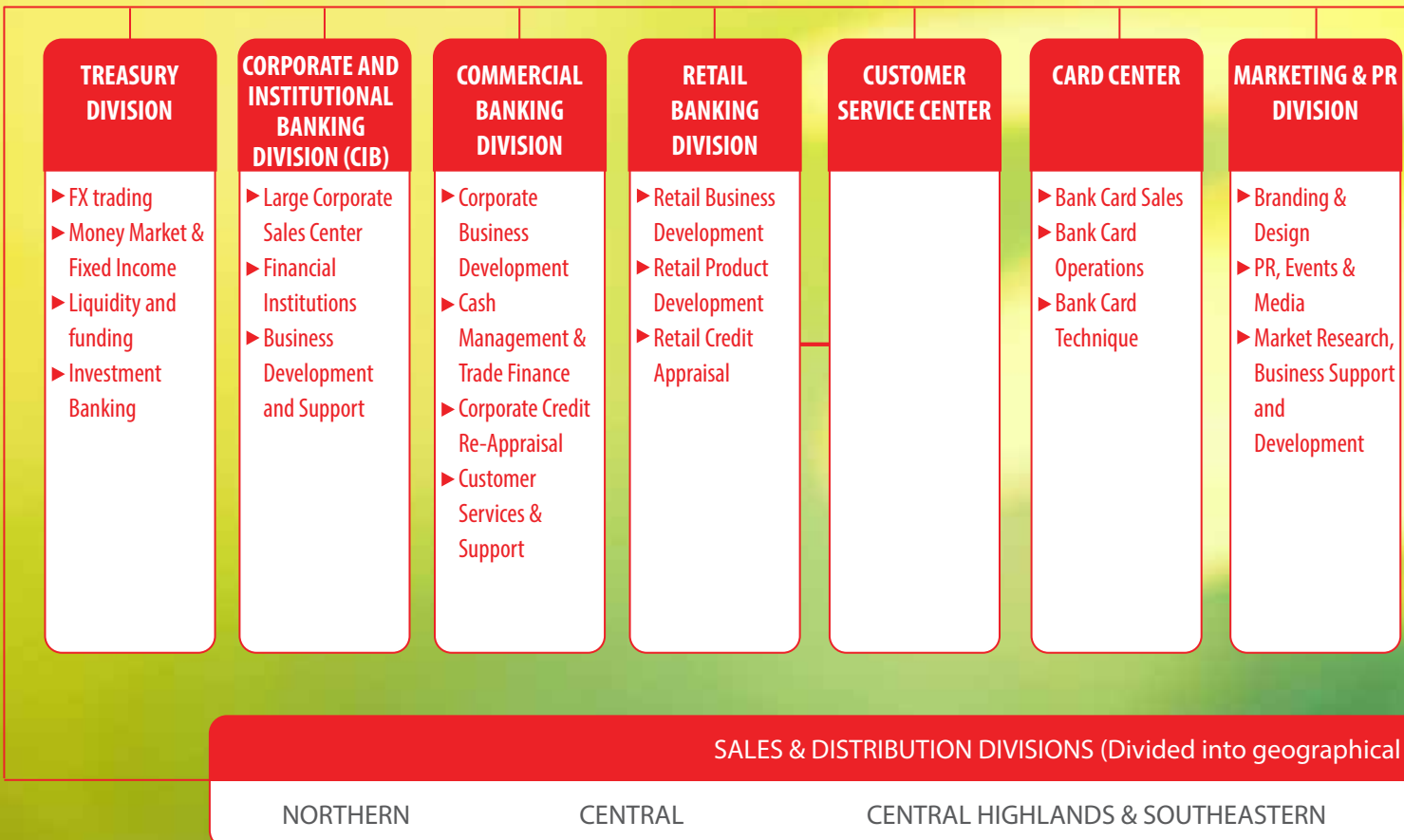
The independence and effective coordination between the Board of Directors, Board of Supervisors and Board of Management are ensured by our organizational structure, appropriate decentralization and responsible management apparatus.

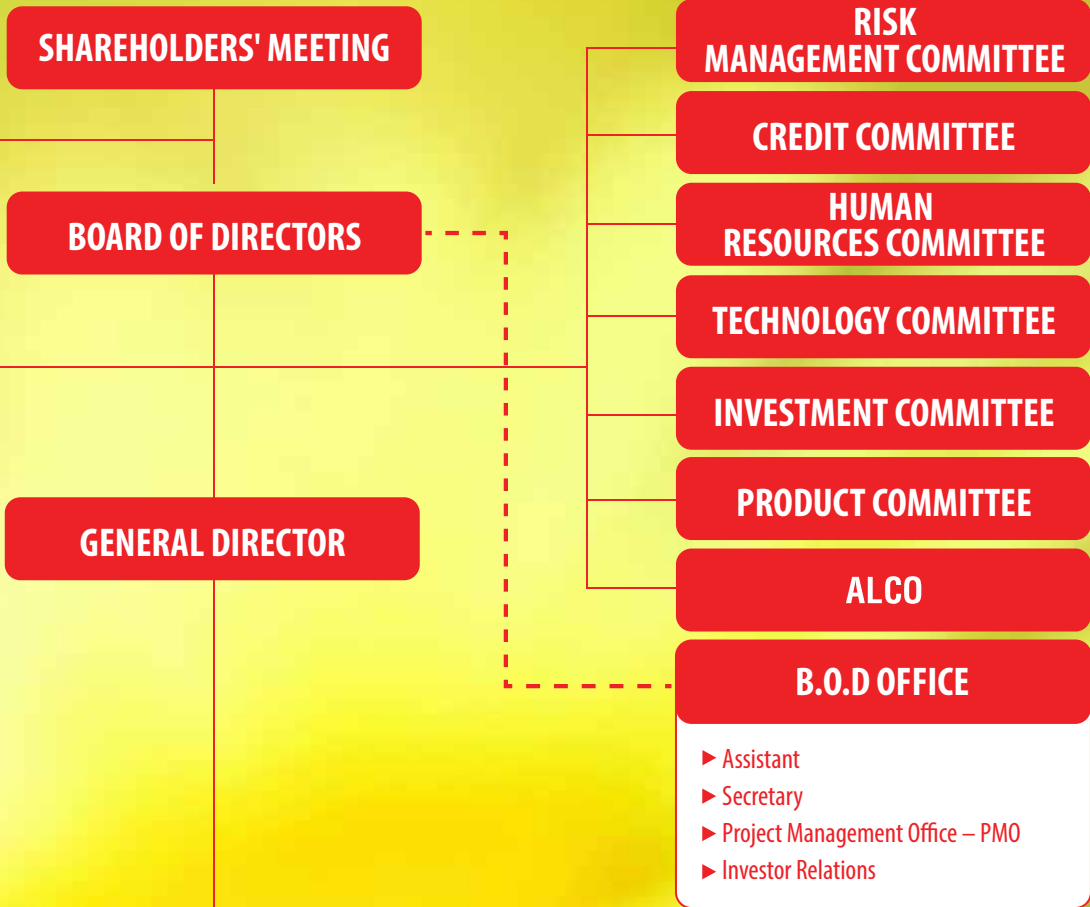
Our authorized decentralization mechanism is set up and implemented appropriately, specifically and transparently, avoiding conflicts of interest and ensuring that staff are not assigned positions or tasks with contradictory or overlapped purposes and interests. Absolutely no staff members of the bank has favorable conditions to manipulate or conceal information for personal purposes, or conceal violations of legal provisions and internal regulations.

ORGANIZATION CHART

BOARD OF SUPERVISORS

INTERNAL AUDIT DIVISION





**OPERATIONS DIVISION
(CHIEF OPERATING OFFICER – COO)**

Operation	Internal Services
▶ Payment Center (Domestic & International Payment, Treasury Support)	▶ Quality Management (QM)
▶ Accounting & Cash Control	▶ Administration
▶ Credit Support & Management	▶ Purchase
▶ Collateral Appraisal	▶ Fixed Asset Management
	▶ Network Development & Basic Construction

IT

- ▶ Core Banking Development
- ▶ Database
- ▶ IT Service
- ▶ IT Infrastructure
- ▶ Security and Information Protection
- ▶ E-Banking
- ▶ IT Project

CONTROL RISK OFFICE (CRO)

- ▶ Credit Risk Management
- ▶ Market & Regulatory -Risk Management
- ▶ Operation Risk Management
- ▶ Loans Recovery & Collection

LEGAL & COMPLIANCE

- ▶ Legal
- ▶ Compliance

FINANCIAL PLANNING & DIVISION

- ▶ Financial Accounting & Tax Management
- ▶ Accounting Planning & Financial Analysis
- ▶ ALM
- ▶ Accounting Policy & Cash
- ▶ Accounting Control

HUMAN RESOURCES DIVISION

- ▶ HR Management & Policy
- ▶ Recruitment
- ▶ Training
- ▶ Services & HR Support

which manage sub-regions, areas, branches, transaction offices and saving desks)

HO CHI MINH CITY

SOUTHWESTERN



BOARD OF DIRECTORS

The Board of Directors is the bank's governing body, and has full authority to represent the bank in decisions and exercising rights and obligations, except for matters under the authority of the General Meeting of Shareholders. Regulations concerning the organization and operation of the Board of Directors and the members of the Board of Directors in each term are decided by the General Meeting of Shareholders in accordance with the standards and conditions prescribed by law and the Charter of the Bank. The Board of Directors determines the structure, functions and duties of the management and administration team of the bank in line with its procedures and business scope. The Board of Directors also makes decisions on mechanism authorizations and job allocations within the Board of Directors, the Board of Supervisors, the General Director and the assistant apparatus. A member of the Board of Directors cannot concurrently be a member of the Board of Supervisors. The Chairman of the Board of Directors cannot concurrently be an executive officer of the bank, a member of the Board of Management, or an operator of another credit institution, except in the case that this institution is a subsidiary of the bank.



Ms. LE THI BANG TAM
Chairwoman of the Board of Directors

Ms. Le Thi Bang Tam is an excellent manager of finances and the national budget, especially in external financial affairs. She was a Deputy Minister and General Director of the Central State Treasury, and also held positions in the Ministry of Finance and as Chairwoman of the State Capital Investment Corporation (SCIC).

As the head of HDBank, she has made significant contributions to HDBank's achievements and development strategies.. She is a graduate of an Advanced Economic Management course (Soviet Union) and holds a doctorate degree in Credit Finance (Soviet Union), and an International Finance Certificate awarded by the North University of London.



Ms. NGUYEN THI PHUONG THAO
Permanent Vice Chairwoman

Ms. Nguyen Thi Phuong Thao has worked for many years in the field of economics in Vietnam and other foreign countries, especially in the areas of banking and finance. She has participated in the management of several overseas banks, and has also founded and managed a number of banks in Vietnam. As the Permanent Vice-Chairwoman of HDBank, she has carried out many reforms, contributing to the bank's sustainable growth and development. Besides active roles in various businesses,

she also takes part in other educational, social and charitable organizations with the purpose of strengthening community connections. She holds a doctorate degree in Economic Cybernetics from the Mendeleev Institute, a BA degree in Credit Finance from the Moscow Commerce Institute, and a BA degree in Labor Economic Management from the Moscow National Economics College. She is the founder member of the Academy of System Research in the Russian Federation.



Mr. LUU DUC KHANH
Vice Chairman

As an expert in the banking and finance sector and a member of HDBank's BoD, Mr. Luu Duc Khanh has utilized many business strategies, risk management methods and technologies in order to transform HDBank into a modern bank meeting international standards. He served in many important positions at

banks such as HSBC, Techcombank and ABBank, and contributed to their stable successes in Vietnam. He holds a bachelor degree from the Lvov Polytechnic College in the Soviet Union, a bachelor degree in Economics from HCMC University of Economics, and an MBA degree from the New England University in Australia.

BOARD OF DIRECTORS

**Mr. DIEP DUNG***Vice Chairman*

Mr. Diep Dung possesses vast experience in construction, industry, banking and finance. As a board member, he assists the Board of Management in devising strategic steps and attracting new business opportunities to the bank in order to improve its overall performance. He held several management

positions in Tan Thuan Export and Processing Zone Construction and Business Joint-Venture Company, TanThuan Industrial Development Company, and HCMC State Finance Investment Company. He holds an MA degree in Corporate Finance and graduated from the Advanced Politics course.

**Ms. NGUYEN THI TAM***Independent Member*

As a senior expert, Ms. Nguyen Thi Tam has 35 years of experience in banking and finance, especially in management and governance of credit institutions and import-export payment. She served in many important positions at Vietcombank, recently as Deputy General Director and as a member of and consultant for its Board of Directors.

She holds a bachelor degree in English, an Advanced Banking Theory Certificate, an MA Certificate from the Switzerland International Cooperation Organization and the United States AMOS TUCK, and graduated from an Advanced Politics course. She has received Orders and a Certificate of Merit of the President, Government and banking sector.

**Mr. LUU VAN SON***Board Member*

Mr. Luu Van Son has extensive experience in trade, import-export, and foreign relations, both domestically and internationally. With the ability to seek and capitalize on opportunities in new businesses, he is expected to bring promising results to HDBank, thus carving out great progress for commercial banks

in Vietnam. He has served for many years at management level for HCMC SOVICO ZAO Company, Viet Nam Electronics Export-Import Joint-Stock Company, SGS Rubber Investment Joint-Stock Company and Saigon-Phu Quoc Sovico Joint-Stock Company. He holds a bachelor degree in Business Administration.



Mr. NGUYEN HUU DANG
Board Member – General Director

Mr. Nguyen Huu Dang has been working at HDBank for more than 16 years. With his years of experience in the banking sector, he regularly offers new strategies which bring practical results to the development of HDBank. He used to serve as managing

officer at the SBV's Department of non-state credit organizations, and as a credit officer in other organizations. He also worked at the branch of the State Bank of Vietnam in Dong Thap Province and at the Vietnam Bank for Industry and Trade (VietinBank). He holds an MA degree in Banking.



Mr. CHU VIET CUONG
Board Member

Mr. Chu Viet Cuong has many years of management experience at Finance – Credit Institutions and large-scale domestic and foreign enterprises. He used to be General Director of BNP Paribas- Prevoir JV; Deputy General Director of Prudential Assurance LTD;

and Chairman of the Board of Directors of DaiA Bank. He holds a bachelor degree / MA degree from Khaccop University in the Soviet Union, an MA from the United Kingdom, and an MA from the United States MIT / Singapore NTU.



Mr. LIM PENG KHOON
Independent Board Member

Mr. Lim Peng Khoon has a wealth of experience in banking, namely in the fields of finance, securities and information technology. He served in many important positions at HSBC Hong Kong Bank, Stock Exchange and Futures in HongKong,

HongKong Monetary Committee, and at a number of financial institutions in Vietnam. He also holds a certificate from the Banking Experts Training Institute in the UK, and a Senior Specialist Certificate from the Malaysia Banking Institute.

REPORT FROM THE BOARD OF DIRECTORS

2015 ASSESSMENT OF BANKING ACTIVITIES

Despite positive changes, in 2015, the Vietnamese economy in general and the banking sector in particular still experienced difficulties from the past, and had to overcome adverse fluctuations in the world market such as: the China stock market bubble burst; changes in the US dollar interest rate; devaluation of the Yuan; changes in oil prices etcetera. In this situation, HDBank has continued to implement a vigorous self-restructuring plan, and comprehensively innovated through its merger with DaiA Bank and acquisition of SGVF (currently HDSAISON). Since the merger, the bank has operated stably and achieved encouraging results.

Business Activities

With the active direction and support of the Board of Directors, along with the efforts of the different departments, divisions, and sales units, consolidated business operations of the bank's entire system in 2015 obtained the following results:

Consolidated Results as of 31st December 2015 (Unit: billion VND%)

Targets	Results in 2015	Compared to plan in 2015	Increase (+) / Decrease (-) compared to results in 2014
1. Total assets	106,486	88.1%	+7.0%
2. Deposits mobilized from primary market	82,390	107.1%	+19.4%
3. Lending to primary market (including corporate bonds)	67,180	109.8%	+24.1%
4. Pre-tax Profits	788	94.9%	+26.7%
5. Profits after tax	630	97.4%	+32.1%
6. Profitability:			
- ROE	8.28%	103.5%	+1.4%
- ROA	0.61%	105.5%	0.0%

Compared to 2014, almost all indicators showed that business results achieved in 2015 have improved, as shown by the increase in total assets, deposit balances, loans, and profits before and after tax. However, compared to the planned results for 2015, some targets have not reached the objectives submitted to the General Meeting of Shareholders. Objective factors such as the unfavorable economic conditions and credit growth limited by the State Bank of Vietnam were the main reasons why the bank did not meet all of its planned objectives. However, factors attributable to HDBank had to be mentioned. Although 2015 saw progress made in cost management, which was always an area emphasized in the meetings of the Board of Directors, it did not achieve the expected results. Products and service development policies helped to increase mobilization revenue and loans, but the net interest margin were not very high. The development and implementation of business plans needed reasonable adjustment and better timing to ensure the interrelation of such plans and the most feasible action plans were in place.

Risk Management and Non-Performing Loans Settlement / Collection

In 2015, the Board of Directors focused on strengthening risk management in all aspects of its banking operations. They reorganized the loan portfolio management and overdue debts, and issued several new regulations related to suspicious transaction monitoring, self-assessment and risk control. Professional ethics principles were promulgated in order to raise awareness of risks within the system as a whole. The bank also amended some regulations on collateral assets, Contract forms, credit rating with a view to improve credit quality yet simplify credit rating and loan approval, IT applications for risk management were given more focus. The bank also paid more attention to the guidelines and policies of the State Bank in relation to risk management, FATCA and Basel compliance for frequent and prompt directions.

Bad debt settlement and collection continued to be carried out well in 2015. The results were: by the end of 2015, non-performing loans (NPL) ratio at HDBank was 1.08%, and consolidated NPL ratio of the whole system was 1.31% (below the threshold of 3% as stipulated by the State Bank of Vietnam and much lower than that of 2014). However, due to many subjective and objective factors, the possibility of potential NPL and overdue loans remains quite high. Hence the Board of Directors always focuses on risk management in order to take precautionary measures and comprehensively manage the situation in a timely manner.

Banking Governance, Human Resources and Network Development

Banking Governance: In order to review the bank's model, organizational structure, regulations, processes and procedures applied to the entire system, and to improve governance capacity, the Board of Directors has established a Review Team for the HDBank Restructuring Project (according to Decision No.59/2015/QĐ-HĐQT dated on 11th May 2015), in which a member of the Board of Directors acts as leader. Under the direction of the Board of Directors to improve governance capacity and governance process, The Executive Board and the departments and divisions also reviewed, planned, amended, updated and issued regulations and business procedures complying with regulations of the State Bank of Vietnam, as well as the practical conditions of HDBank.

Human Resources : With the total number of staff of HDBank and its subsidiaries up to 7,278 by the end of 2015 (an increase of 6.7% compared to end of 2014), the Board of Directors has determined that human resource management should be a primary focus. Therefore, the Board of Directors directed the Human Resources Division and the relevant units to gradually standardize the human resource model at the head office as well as the business units, monitoring performance and improving personnel quality. Therefore, by the end of 2015, the bank's personnel was satisfactory within each unit as well as throughout the whole system. Training for key staff was implemented in 2015, with the first training courses for branch directors completed.



Network Development: The Board of Directors continued to direct the implementation of the Bank's network restructuring plan as approved by the State Bank of Vietnam: officially opened and operated 8 new branches and 3 transaction offices in 2015, bringing its network up to 220 locations, including 1 headquarters, 1 representative office in the Northern Region, 51 branches and 167 transaction offices. Locations were rearranged and the brands of some branches and transaction offices of HDBank and DaiA Bank before the merger were adjusted in order to suit their geographical conditions and the operation model of the bank after the merger.

Local and International Cooperation

In 2015, the Board of Directors continued to direct the establishment of cooperative relationships, domestically and internationally, in order to maximize opportunities to attract financial resources and develop their banking services.

- Domestic partners: General Department of Taxation, the State Treasury, the Vietnam Development Bank (VDB), Vietnam Posts and Telecommunications (VNPT), Vietnam Air Traffic Management Corporation (VATM), Vietnam Electricity (EVN), the Ministry of Finance (ODA disbursement), etc.
- Foreign partners: International financial institutions in the banking sector and insurance sector such as ADB, World Bank, JICA, Hana Bank, and Daichi Life etc.

As the financial market became volatile, the Board of Directors always kept abreast of domestic and international market developments to seek potential strategic partners for HDBank.

Community Activities

In 2015, the Board of Directors directed the bank to continue organizing charitable programs such as: building gratitude and charity houses; sponsoring Vietnamese heroic mothers and the elderly; funding eye surgery for poor blind people across the country; offering scholarships to low-income gifted students; and offering health insurance cards for poor households, etcetera.

Overall in 2015, in spite of the many objective and subjective challenges and difficulties, under the active leadership and close supervision of the Board of Directors and Executive Board, all HDBank staff members have worked our best and obtained encouraging results for the bank.

Assessment of the activities of the Executive Board

2015's encouraging results were achieved thanks to the close direction and supervision of the Executive Board and the specialized Committees, in accordance with the long-term development strategies of the bank and the 2015 business plan approved by the General Meeting of Shareholders. The Executive Board, headed by the General Director, regularly reported to the Board of Directors on the management and business operations of the bank, effectively implemented focused solutions approved by the Board of Directors, and strictly implemented the Resolutions, Decisions and Notifications of the Board of Directors, as well as the recommendations and proposals in the report of the Board of Supervisors and Internal Audit. It is fair to say that the General Director and the assistant apparatus have performed their roles, functions and duties well in 2015, and have successfully completed the objectives which the General Meeting of Shareholders and the Board of Directors assigned, particularly:

- Completed tasks within the 2015 business plan, as approved by the General Meeting of Shareholders.
- Mostly completed the bank restructuring project through merging with DaiA Bank and acquiring 100% of the SGVF Finance Company, resulting in the bank's stable operations.
- Actively implemented projects such as: seeking foreign strategic partners; restructuring the bank's whole system and operation mechanism; and ISO quality management etcetera, in order to build a foundation for sustainable development.





BOARD OF SUPERVISORS

The Board of Supervisors is responsible for controlling and assessing compliance with the provisions of law, the charter, and internal regulations, as well as the implementation of policies, resolutions, and decisions of the General Meeting of Shareholders and Board of Directors. It also reviews the bank's financial activities and supervises compliance with the accounting regime, HDBank internal examinations, controls and audits.

The Board of Supervisors is in charge of the Internal Audit Department and the implementation of internal audit functions and compliances. They have the right to use an independent consultant and the right to access and provide adequate, accurate and timely information and documents relating to the management and administration of the bank to exercise their duties and powers.

The Board of Supervisors is responsible for promptly notifying the Board of Directors if they detect violations of the bank's manager, and for prompting the infringer to immediately stop violations and take remedial measures, if any.

The Board of Supervisors reports to the Shareholders' Meeting on the banking management of the General Director and the Board of Directors. The Board of Supervisors has the right to convene an extraordinary meeting of shareholders in the event that the Board of Directors has decided to seriously violate the provisions of law or exceeded its authority, and in other cases provided for in the charter of the bank.

HDBank's Board of Supervisors consists of three members, including:

Ms. NGUYEN THI PHUNG

Board Member

Ms. Nguyen Thi Phung has 22 years of experience in the banking and finance sector. She has made great contributions to the development of HDBank for many years. She joined HDBank in 2003 as the Controller and Internal Auditor. Since 2008, she has served as a Member of the BoS. She holds a bachelor degree in Credit and Monetary.

Mr. DAO DUY TUONG

Head of the BOS

Mr. Dao Duy Tuong has many years' experience in the finance-accounting area. With a wealth of expertise, he plays a crucial role in controlling all business operations and ensuring safe and effective operations in accordance with the requirements of HDBank and the State Bank. He has joined HDBank's BOS in 2010.

He holds a Bachelor's degree in Economics, Accounting Major.

Ms. NGUYEN THI TICH

BOS Member

Ms. Nguyen Thi Tich worked at the State Bank's Lao Cai Branch and Thai Nguyen Branch. She worked in various banking departments and used to be Deputy General Director and General Director of Techcombank.

She holds a bachelor degree in Economics. She has received many medals from the State and the banking sector.

REPORT FROM THE BOARD OF SUPERVISORS

The Board of Supervisors completed the 2015 operation plan as approved by the General Meeting of Shareholders with the main target being to protect the interests of shareholders through monitoring the banking governance activities of the Board of Directors and the Board of Management.

The Board of Supervisors holds quarterly meetings and monthly briefings with the Internal Audit in order to review and assess their records and findings. They accordingly make adjustments and set additional objectives and action plans if necessary, giving support to the Internal Audit to ensure their ability to complete their proposed audit plan. Through the Internal Audit, the Board of Supervisors periodically monitors areas such as investment, capital business, credit, basic construction investment, asset procurement, information technology, accounting, and operation safety. They also regularly monitor the implementation of the resolutions and decisions of the General Meeting of Shareholders and Board of Directors; monitor the implementation of recommendations of the Board of Supervisors and the Banking Supervisory Agency of the State Bank; and evaluate six-month financial statements and annual financial statements.

With the principle of risk-oriented audit, the Internal Audit has successfully completed their proposed audit plan. Audit performance in groups reached 77 units (110% of the planned objective); and 240 unscheduled inspections and specialized examinations were conducted (104% of the planned objective). Audit objectives focused on issues with high risk and frequent violations in previous years. Units in

the system which are evaluated as high risk (human risk, operational risk etc.) are given careful attention so they can be audited in accordance with the current Internal Audit policy. At the same time, in the context of an unstable economic situation, potential bad debts, and the risk of real estate bubble when increasing credit for this sector, the Board of Supervisors directed the Internal Audit to regularly audit operational safety indicators and the granted credit limit, in accordance with the provisions and directives of the State Bank, in order to ensure the safe and stable operation of HDBank. Based upon the findings of the Internal Audit, the Board of Supervisors has reported problems posing risks to the operation of HDBank to the Board of Directors, the Board of Management and the management levels of the bank in order to decide on subsequent business directions, correct and supplement regulations, procedures and professional guidance, and strengthen internal controls to prevent and mitigate risks to HDBank.

2015 saw the gradual improvement of Internal Audit apparatus, which supplemented sufficiently qualified, experienced and professionally ethical personnel. The Internal Audit is divided regionally, being allocated appropriate personnel for each area in order to keep up to date with local situations, ensuring effective and timely audit implementation.

In 2016, the Board of Supervisors set out an action plan submitted to the General Meeting of Shareholders for approval, which aims at enhancing the role of the Board of Supervisors in the Bank's operation control. The main tasks of

the Board of Supervisors in 2016 have focused on the following areas:

- Monitoring compliance with the provisions of law, the State Bank and HDBank, as well as compliance with the charter of HDBank in banking governance, and HDBank's system operation.
- Supervising HDBank management and operation in accordance with the adopted Resolution of the Shareholders Meeting. Specifically, developing the 2016 action programs of the Board of Management with 4 core goals: to boost credit growth associated with high efficiency, safe operations, quality of service, and cost control.
- Implementing the planned Internal Audit, supporting the Board of Management in risk control, and detecting violations in order to achieve the 4 core goals set out in the action plan mentioned above. Focusing evaluations of coordination mechanisms in risk management on the Business Unit and the Division/ Department and Board of the Head Office; examining and evaluating the quality of the internal control system established by the Board of Management; and accordingly making specific recommendations for consolidating the system.
- Monitoring Internal Audit activity in terms of quantity and quality in order to accomplish the proposed plan; self-assessing the quality of Internal Audit operations; orientating and approving the audit plan in 2016; building an organization structure; and approving of internal regulations, tools, and working programs of the Internal Audit in order to operate efficiently and best serve the objectives of the Board of Supervisors in 2016.



Mr NGUYEN HUU DANG

Board Member and General Director

Please see more about Mr. Nguyen Huu Dang's biography in page 31.



Mr. NGUYEN MINH DUC

Deputy General Director

Mr. Nguyen Minh Duc has vast experience in managing and directing credit finance organizations. He has contributed to HDBank's successes, especially regarding risk management and compliance. He was originally a lecturer at the Economics Faculty of the Maritime University and has held many senior posts in a number of banks in Vietnam. He holds an MA in Economics and a Bachelor's degree in Law.



Mr. PHAM QUOC THANH

Deputy General Director

Mr. Pham Quoc Thanh has more than 20 years of experience in banking, especially in risk management, structuring and orienting macro activities in business banking. He previously served at HSBC, ACB, ABBank and Techcombank. He holds a bachelor degree in Banking Credit and in Foreign Languages.



Mr. LE THANH TRUNG

Deputy General Director

Mr. Le Thanh Trung has more than 20 years of experience in the banking and finance industry. He is particularly experienced with network administration, organization, risk management, customer development... He used to hold senior managerial roles at Vietcombank Leasing Company as well as some banks such as Vietcombank, Shinhanvina Bank. He holds a Doctorate degree in Economics and a Bachelor degree in Law.

BOARD OF MANAGEMENT

This board includes the General Director, Deputy General Directors, Chief Financial Officer and Directors of Divisions. The General Director is the head of the Board of Management and the highest executive of the bank, being supervised by the Board of Management and the Board of Directors, and responsible to the Board of Management and the law regarding the daily operations of the bank. The Board of Directors can appoint one of its members or another person as the General Director. The General Director, Deputy General Director and other equivalent titles cannot concurrently act as the executive or chairman of the Board of Directors of another credit institution, unless it is a subsidiary of the bank. They also may not be the General Director or Deputy General Director of other companies.



Mr. TRAN HOAI NAM
Deputy General Director

Mr. Tran Hoai Nam has extensive experience in the banking and finance sector, particularly in managing business banking and financial institutions. He is currently responsible for managing and developing CIB Division at HDBank; and expanding the bank network and cooperation with domestic and international partners. He used to work at the management level at Citibank and VIB. He graduated from the Hanoi University of Science and Technology and received an MA degree from Asian Institute of Technology (AIT) in Thailand.



Mr. LE THANH TUNG
Deputy General Director

Mr. Le Thanh Tung has worked at HDBank for more than 17 years as the roles of branch manager and regional director. With his leadership capacity and keenness, he managed and developed the business operations of branches and transaction offices in the region, making great contributions to expand the network and growth of HDBank. He had many years of management experience in banking and finance companies before working at HDBank. He has currently served as an HDBank's Party Committee Secretary. He holds an MBA degree and a BA degree in Law.



Mr. TRAN QUOC ANH
Director of Retail Banking Division

Mr. Tran Quoc Anh has 20 years of experience in the banking and finance sector. Especially, he has extensive experience and passion for business in modern retail banking. Before working at HDBank, he spent many years working at ACB with important positions in Retail Division as Product Manager, Director of Credit Center, and Deputy Head of the Credit Department at the Head Office, etc. He holds a bachelor degree in Banking from HCMC Banking University.

BOARD OF MANAGEMENT



Ms. PHAN THI TRAM ANH
Chief Operating Officer

Ms. Phan Thi Tram Anh has worked at HDBank for nearly 20 years, and has experienced diverse banking activities. With her leadership capacity and keenness, she has made great contributions to HDBank in managing business operations, especially in: leading the Operation Division to develop the Centralized Credit Support Management Model; coordinating centralized Cash Funds; managing and monitoring the operation of the bank's whole system; and innovating HDBank's quality of service. She holds a Bachelor of Economics, Bachelor of Foreign Languages and Bachelor of Law.



Mr. PHAM VAN DAU
Chief Financial Officer

With more than 15 years of experience in the banking and finance sector, Mr. Pham Van Dau takes major responsibility for making the most efficient financial operations and building detailed plans for the development of the bank. He has insightful understanding and masters the profession of credit, accounting, finance, capital and planning. He holds an MA degree of Economics.



Mr. TRAN THAI HOA
Deputy General Director of HDBank

Mr. Tran Thai Hoa has vast experience of management in the banking and finance sector, with more than 20 years working in various banks. Before joining HDBank in May 2015, he spent 13 years at the State Bank of Vietnam HCM Branch, and 7 years at VietA Bank as Director and Deputy General Director. He holds a bachelor degree from HCMC Banking University.



Mr. LE XUAN VU
Deputy General Director

Mr. Le Xuan Vu has almost 20 years of experience in the banking and finance sector. Especially, he has vast experiences in the banking modernization. Then he is one of the pioneers in the innovation and creativity in order to boosting business and applying the international standards into the management of banking and financial activities. He received an MBA degree from the North Central University in the US.



Ms. NGUYEN DOAN DUY AI
Deputy General Director

Being an active, confident and knowledgeable woman in the banking and financial sector, Ms. Nguyen Doan Duy Ai has made significant contribution to HDBank's success in present, particularly in the currency trading maintaining the liquidity of monetary activities of the whole system. She used to work for many years in the international payment, banking and finance sections of various domestic and international banks like Crédit Lyonnais, VPBank and Techcombank. She holds a bachelor degree in Banking Credit.



Mr. PHAM THIEN LONG
Deputy General Director

Mr. Pham Thien Long has 15 years of experience in the banking and finance sector. With an adept knowledge of the Vietnamese market, he has contributed greatly to the structuring and development of Commercial Banking Division, strengthened the cooperation among HDBank and famous and trusted partners inside and outside the country... He previously served at HSBC, ACB and ABBank. He holds a master's degree in International Management from ESCP-EAP in France and a master's degree in Finance from AIT in Thailand. He also took part in training courses and placement schemes in more than 20 countries (including the United States, France, and Canada).

MANAGEMENT REPORT

The legal basis of the governance model of HDBank

HDBank's governance model complies with the Regulation on organization and operation of HDBank in the Decision No.119B/2013/QD-HDQT dated 2nd July 2013.

Committees

HDBank's Board of Directors consist of committees/ subsidiary councils, including the Risk Management Committee, Human Resources Committee, Credit Committee, Technology Committee, Investment Committee, and ALCO. These committees have the participation of members of the Board of Directors, operating under the regulations issued by the Board of Directors and organizing monthly meetings to consult and make proposals to the board on matters within its jurisdiction regarding banking governance.

- + Risk Management Committee (established by Decision 55A/2013/QD-HDDQT dated 13th May 2013, operating under the regulation of the organization and operation of the Risk Management Committee in Decision 203/2013/QD-HDQT dated 7th November 2013). There are 6 members, of which Ms. Nguyen Thi Tam Bang is Committee Chairwoman.
- + Human Resources Committee (established by Decision 139F/2014/QD-HDQT dated 15th September 2014, operating under the regulation on the organization and operation of the Human Resources Committee in Decision 18/2013/QD-HDQT dated 19th March 2013). There are 4 members, of which Ms. Nguyen Thi Tam Bang is Committee Chairwoman.



+ Credit Committee (established by Decision 139E/2014/QD-HDQT dated 15th September 2014, operating under the regulation of credit approval in Decision 239/2012/QD-HDQT dated 30th October 2012). There are 14 members, of which Ms. Nguyen Thi Phuong Thao is Committee Chairwoman.

+ ALCO (established under Decision 64B/2014/QD-HDQT dated 25th April 2014, operating under the regulation on assets and liabilities management in Decision 77/2013/QD-HDQT dated on 22nd May 2013). There are 9 members, of which Ms. Nguyen Thi Phuong Thao is Committee Chairwoman.

+ Technology Committee (established by Decision 64A/2014/QD-HDQT dated 25th April 2014). There are 4 members, of which Mr Lim Khoon Peng is Committee Chairman.

+ Investment Committee (established under Decision 111C/2013/QD-HDQT dated 26th June 2013). There are 4 members, of which Nguyen Thi Phuong Thao is Committee Chairwoman.

Management decentralization policy

HDBank's management system consists of: the Board of Directors, the Board of Management, and the Board of Supervisors. HDBank has issued internal documents including:

- The regulation of the organization and operation of the Board of Directors issued with Decision 111B/2013/QD-HDQT dated 26th June 2013.
- The regulation of the organization and operation of the Board of Supervisors issued with Decision 55B/2013/QD-HDQT dated 26th June 2013.
- The operation regulation of the General Director issued with Decision 123/QD-NHCPN dated 27th December 1999, and the amended Decision No.115/2013/QD-HDQT dated 27th June 2013.
- The internal authorization system from the General Director the Legal representative for to the Branch Directors and Managers of Transaction Offices to manage and operate business activities at the Branches and Transaction Offices under their own authority.

Policy for transactions of related parties.

When conducting transactions with customers, HDBank always complies with the provisions of the Law on Credit Institutions concerning subjects who are related parties of the Bank. For transactions with related parties, HDBank strictly obeys the procedures of seeking approval from competent authorities, signing transactions publicly and transparently for the benefit of HDBank and in accordance with the

regulations of the State Bank. HDBank has also developed internal policies to specify the kinds of customer who HDBank provides with loans and lending restrictions as prescribed by the law, and discloses benefits applicable to the manager and director of HDBank and their related people, thus implementing the declaration of HDBank's concerned persons as requested by the State authority agency.

Compensations based on business results

HDBank has properly and fully implemented policies for laborers' wages, bonuses, social insurance, and health insurance. Policies for salaries and mechanisms of reward and punishment are specific and transparent, and income of staff within units of the whole banking system is based on work aptitude, encouraging individuals with outstanding achievements. In 2014, most of the revenue from business salaries was spent on establishing a reward fund, which is listed within the top 5 reward levels in the banking system. There are also appropriate and strict sanctions for staff members who have disciplinary violations and do not complete their set tasks. Apart from improved policies and welfare, HDBank also focus on the career development of its staff. Training has been implemented effectively, meeting the demand of human resources. We have uniformly developed training programs in areas based on the proportion of officers and staff, making sure that all training programs are tailored to each position in order to enhance efficiency and create a professional image for HDBank.



The transparent system of reporting and information

KM report: serving the needs of transactions and data export, reporting of business units and the head office. This is also the communication channel, supporting online transactions between the head office, branches and transaction offices, business units, and other units in the entire HDBank system. Management Report: Periodic reports (daily, monthly, quarterly, annually) on risk management, operations, public relations, evaluation of the competitiveness of HDBank, evaluation of plan implementation in business units for the Board of Directors and Management Team.

Relationship and communication with shareholders

HDBank has always focused on fulfilling obligations to shareholders based on the principle of compliance with the law, and ensuring fairness and attention to each party's best interests. Property rights, the right to receive information and be consulted, and other interests of the shareholders under the Law on Enterprises, the Law on Credit Institutions and the Bank's Charter are guaranteed.

The general difficulties of the economy in recent years along with the crisis of the banking and finance sector and the gloominess of the stock market have had adverse effects on the operation

of the banking sector, causing losses or remarkable decrease of profits for many banks. However, in this difficult context, in 2013, HDBank successfully completed a merger with DaiA Bank, and the acquisition of 100% of HDFinance financial companies, putting the bank into a new position, and continuing profitable business operations with annual dividend payment to shareholders.

In banking operations, to ensure the value of assets of shareholders, HDBank stipulates that transaction contracts with: members of the Board of Directors and members of the Board of Supervisors; the General Director; major shareholders and relevant managers and members of the Board of Supervisors; major shareholders of the bank and its subsidiaries; and associated companies with a value of more than 20% of the charter capital recorded in the latest audited financial statements must be approved by the General Meeting of Shareholders before signing. In such case, the concerned shareholders have no voting rights. Contracts with a value equal to or less than 20% of the bank's charter capital recorded in the latest audited financial statements (as stipulated by the State Bank) must be approved by the Board of

Directors before signing. In this case, the relevant members have no voting rights. Members of the Board of Management, the Board of Supervisors, the General Director and the other executive officers are not permitted to buy or sell or trade shares of the bank or of its subsidiaries, as they have the right to possess information which affects the price of these shares while other shareholders have no such information.

Additionally, HDBank ensures the rights of reporting and accessing information and the right to participate in decision-making process of all shareholders through the organization of an annual shareholders' meeting in accordance with the law. In addition, shareholders are also regularly given updated information relating to the business operations of the bank, as well as relating to the changes in orientation activities, through various channels of information ranging from direct mail to published information on HDBank's website. HDBank's website content is increasingly diversified and improved to ensure that shareholders and all stakeholders have a system of accessing rich, professional and efficient information about HDBank. All feedback and comments from shareholders are received and processed in a positive way.



Internal Audit and the responsibility to implement recommendations of the Internal Audit

Implementing the regulation on the internal control system and Internal Audit, issued with Decision 110/2013/QĐ-TGD.

The Internal Audit operates under the Board of Supervisors, and is responsible for the implementation of internal audit activities, under the compliance of the bank. The Internal Audit conducts reviews, independent assessments of compliances as well as the appropriateness of regulations, internal policies, procedures and processes established in the bank; giving warnings of violations and risk warnings, and recommendations for solutions to improve the efficiency of the systems, processes, and regulations, thus contributing to the safe, effective and legal operation of the bank. The Internal Audit of the bank is organized into a vertically unified system. The organizational apparatus of the Internal Audit is decided by the Board of Directors on the basis of the proposals of the Board of Supervisors.

Independent audit

In addition to the internal audit department, HDBank also hired Vietnam Ernst and Young as an independent auditor as prescribed by the State Bank to audit the activities of the bank. The independent auditors will review and certify the bank's truthfulness and report on the basis of annual accounting

statements of the bank's revenues and expenditures. They also prepare an audit report and submit this to the Board of Directors after ending the fiscal year. During its operation, HDBank has selected a leading independent audit organization in Vietnam which meets conditions as regulated by the State Bank to conduct audits during the fiscal year.

Commitment to the best returns

"Committed to your best returns" for customers is one of the core quality policies in HDBank's operation on the basis of providing perfect financial services, dynamic staff, and a professional, efficient and internationally standardized working environment.

The above contents have been concretized in the Quality Policy No. 1669/2013/CS-TGD dated 11th November 2013, Quality Manual No. 775/2014/ST-TGD dated on 1st April 2014.

HDBank's Social Responsibility

HDBank considers contribution to the development and prosperity of the community as a part of the role and responsibilities of the bank. With awareness of its social responsibility, HDBank has always provided full tax payments to the state, a protective and friendly environment, gender equality, improvement of the quality of workers' lives, a safety

policy for all employees, training and development of excellent human resources, etcetera. Annually, HDBank allocates a budget for sponsor activities, and actively participates in community projects and charity activities such as building houses of gratitude, offering scholarships to poor students, creating favorable conditions for low-income gifted students, aiding victims of natural disasters, helping orphans, children with disabilities the isolated and lonely elderly, funding the arts, cultural activities and sports.

These practical contributions to the community have created a good image of HDBank, which has aided the sustainable growth of HDBank, as well as the economic growth, social well-being and integration of the country. In the future, HDBank will continue to maintain and enhance existing programs, implementing new initiatives in line with our core values of sharing responsibility between the community and society of HDBank.

25 years of sustainable development, integration pioneers

In 2013, DaiA Bank was merged with HDBank. This was the first voluntary merger of two strong performing banks. HDBank also acquired 100% equity of the Consumer Finance Company of the Republic of France in Vietnam (Vietnam-Société Générale (SGVF) finance company), which became a subsidiary of HDBank named HDFinance. It is fair to say that HDBank started the trend of mergers and acquisitions of financial and credit institutions in Vietnam.

Year	2008	2009	2010	2011	2012	2013	2014	2015
Dividend ratio	6%	10%	14%	12.6%	7%	3.5%(*)		10%
Earnings Per Share EPS(VND/Shares)	594	1,253	1,698	1,427	814	434(*)	585	633

(*)Dividend ratio and EPS above are applied HDBank separately, excluding DaiA Bank

INDEPENDENT AUDITOR'S STATEMENT

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") and its subsidiaries as of April 29th, 2016 and set out on pages 6 to 89, including the balance sheet as of December 31st, 2015, the income statement and the cash flow statement for the year then ended and the notes thereto.

Responsibility of the Bank's General Director Board

The Bank's General Director Board is responsible for truthfully and appropriately preparing the financial statements of the Bank and its subsidiaries complying with Vietnamese Accounting Standards and Accounting System for Credit Institutions, regulations of the State Bank of Vietnam, and legal documents regarding preparation and presentation of financial statements, and is responsible for necessary internal control to ensure that preparation and presentation is carried out without fundamental mistakes due to fraud.

Responsibility of the Auditor

Our responsibility is to express an opinion on these financial statements based on our audit. We have audited in accordance with Vietnam Accounting Standards. These standards require that we comply with the standards and principles of professional ethics, and plan and perform the audit to obtain reasonable assurance to determine whether the financial statements are free from material misstatements.

An audit includes evidence supporting the amounts and disclosures in the financial statements. The audit procedures are selected based on auditor's examination, including risk assessments of material misstatements due to fraud. When conducting the risk assessment, the auditor reviewed the Bank's internal control and its subsidiaries relating to preparing and presenting the financial statements in order to carry out tailored auditing procedures without aiming at giving an opinion on the efficiency of the internal control. The audit also includes the appropriateness of the accounting policies and accounting estimates of the Bank's Board of Directors and an assessment of overview financial statements.

We believe that our audit provides a reasonable basis for our opinion.

Opinion of Auditor

In our opinion, the financial statements, in all material aspects, give a true and fair view of the financial position of the Bank and its subsidiaries as of 31 December 2015, as well as its business performance and its cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and the Accounting System for Credit Institutions. They also comply with relevant regulations stipulated by the State Bank of Vietnam, and legal documents regarding preparation and presentation of financial statements.

Ernst & Young Vietnam Limited

Nguyễn Xuân Đại

Deputy General Director

Registered Auditor

Certificate No. 0452-2013-004-1

Ho Chi Minh City, Vietnam

April 29th, 2016

Võ Ngọc Minh

Auditor

Registered Auditor

Certificate No. 2105-2013-004-1



2015 OPERATION REPORT

General report of the Board of Management

Retail Banking Division

Commercial Banking Division

Corporate and Institutional Banking Division (CIB)

Treasury Division

Risk Management Division

Operation Division

Human Resources Division

Information Technology and E-Banking Division

Community Activities



“ Today’s HDBank has made stable steps on the path of becoming one of the largest commercial banks in Vietnam ”



GENERAL REPORT OF THE BOARD OF MANAGEMENT

Background

Despite the fact that the world economy in 2015 experienced some positive signals, development remained slow and unstable. The economic growth in many jurisdictions was fluctuating, unstable and unsustainable. The US recovered fastest out of the group of developed countries; the Euro Zone recovered slowly with slow-paced growth; the recovery speed of Japan was not stable; the shock on China's stock market and the depreciation of the Yuan led to instability and avoidance of risky assets. Meanwhile, the international financial and monetary markets fluctuated complexly and unpredictably, negatively impacting the stability of the world economy; and the fall of oil and raw material prices negatively impacting countries exporting oil and raw materials. Although world economic conditions have fallen into a cycle of low growth, Vietnam's economy in 2015 still achieved positive results. GDP growth is estimated to have increased by 6.68% compared to 2014, higher than the targeted 6.2%, while the average consumer price index (CPI) in 2015 increased by 0.63% compared to the 2014 average. Despite these achievements, Vietnam's economy still faced some difficulties in the sharp decrease of raw materials prices and energy, which significantly affected exports, while Vietnam imported many high-value consumer goods, resulting in an unfavorable balance of trade. The US dollar has remained bullish compared to many other currencies, causing pressure to devalue the VND.



Banking operations in 2015 still faced challenges; however, with the clear direction of the Board of Directors and the efforts of all staff, HDBank has achieved the following results:

Organization and the branch network

Human Resources

The total number of staff as of 31st December 2015 was 8,464 people (not including security staff and staff for cleaning jobs).

The branch network as of 31st December, 2015:

The branch network: 1 Head Office, 1 Representative Office, 51 branches, 167 sub-branches.

- **In Southern areas (HCM City):** 1 Head Office, 11 branches, 49 sub-branches.
- **In Northern areas (Hanoi, Ha Tinh, Hai Duong, Hai Phong, Bac Ninh, Nghe An, Thanh Hoa, Nam Dinh, Quang Ninh, Lang Son, Lao Cai):** 1 Representative Office, 15 branches, 61 sub-branches.
- **In Central areas: (Da Nang, Khanh Hoa, Binh Thuan, Quang Ngai, Hue, Binh Dinh):** 6 branches, 7 sub-branches.
- **Central highlands (Daklak, Lam Dong, Gia Lai, KonTum):** 4 branches, 2 sub-branches.
- **Southeast areas: (Dong Nai, Binh Duong, Ba Ria – Vung Tau, Tay Ninh, Binh Phuoc):** 6 branches, 42 sub-branches. .
- **Southwest areas: (Long An, An Giang, Can Tho, Ben Tre, Ca Mau, Soc Trang, Vinh Long, Kien Giang, Dong Thap):** 9 branches, 6 sub-branches.

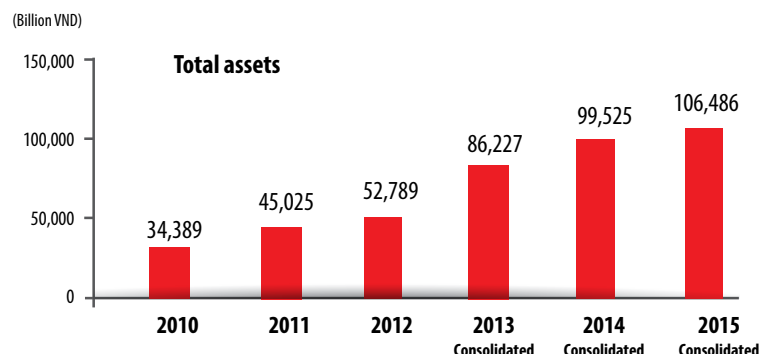
2 subsidiaries:

1. HDSaison Finance Co. Ltd (HD Saison)
2. Ho Chi Minh City Development Commercial Joint Stock Bank Asset Management Company

HDBank's Business Performance

Operation: As of 31st December 2015, HDBank's charter capital reached VND 8,100 billion, unchanged from the end of 2014.

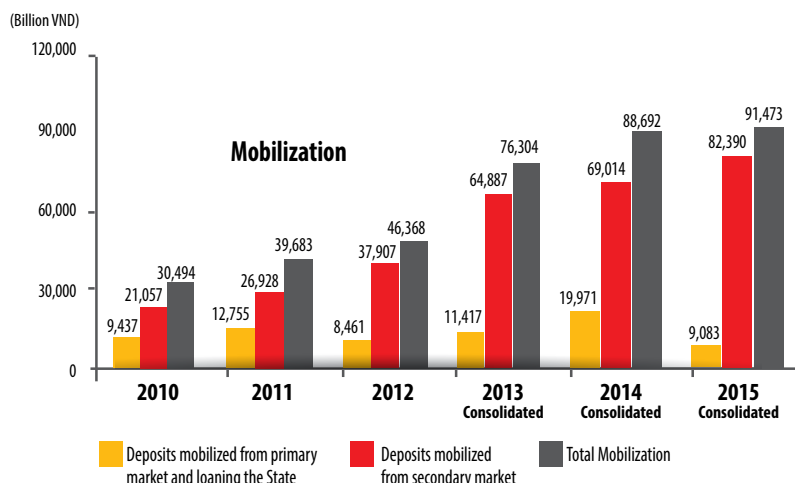
Total Assets: As of 31st December 2015, HDBank's total assets reached VND 106,486 billion, an increase of 7% compared with the end of 2014.



Total capital mobilization:

Total deposits as of 31st December 2015 reached 91,473 billion; an increase of 3% compared to the end of 2014, in which

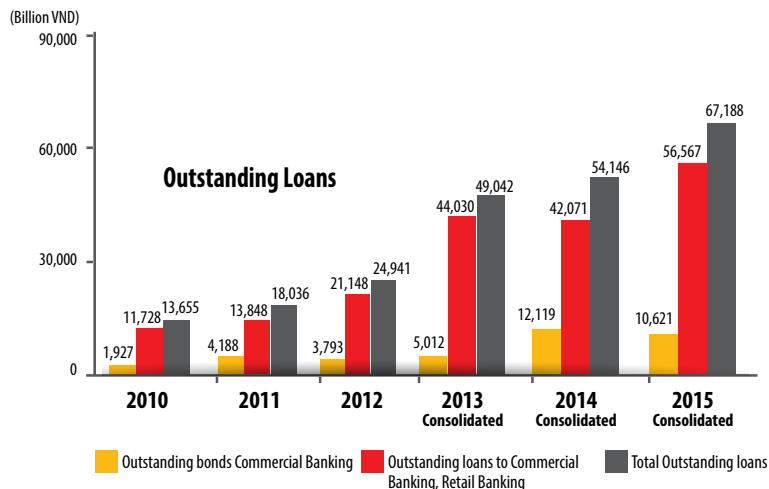
- deposits from individuals, coporates: VND 82,390 billion, an increase of 19% compared to the end of 2014.
- deposits from other credit institutions and borrowing from the Government and the SBV: VND 9,083 billion, a decrease of 54% compared with the end of 2014.



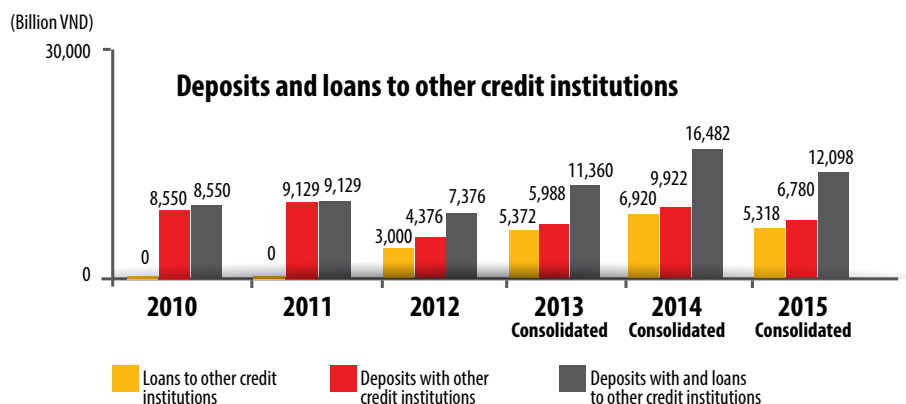
Credit activities and investment in corporate bonds:

• Outstanding loans to individuals, coporates: As of 31st December 2015, outstanding loans to customers reached VND 56,567 billion, accounting for 68.7% of deposits to customers.

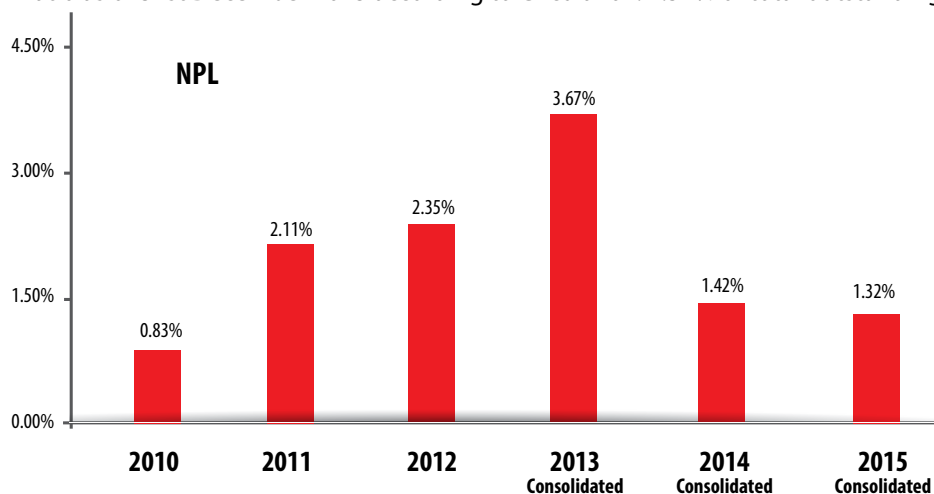
• The rate of credit growth (including corporate bonds) of HDBank in 2015 increased by 24% compared to that of 2014.



- Outstanding loans to other credit institutions: VND 5,318 billion, a decrease of 23% compared to end of 2014



- NPL ratio as of 31st December 2015 according to Circular 02: 1.32% of total outstanding loans.



Investments in securities and long-term investments:

As of 31st December 2015 the total securities investments and equity of HDBank reached VND 23,171 billion, a decrease 12% compared to the end of 2014.

Regulatory compliance with prudential ratios and risk provisions:

- Compulsory reserves: strictly followed
- Capital adequacy ratio: 13.4%. (Statutory ratio $\geq 9\%$)
- Ratio short-term funding being used for medium and long-term lending: 41.3% (Statutory ratio $\leq 60\%$)
- Quick ratio: 13.4% (Statutory ratio $\geq 10\%$)
- Ratio of total equity/charter capital and reserve funds: 14.2% (Statutory ratio $\leq 40\%$)
- The ratio of fixed asset investment / charter capital and reserve funds for supplementing charter capital: 27.4% (Statutory ratio: $\leq 50\%$)
- The ratio of granting credit to one customer / equity: 13.2% (Statutory ratio $\leq 15\%$)

The implementation of risk provision

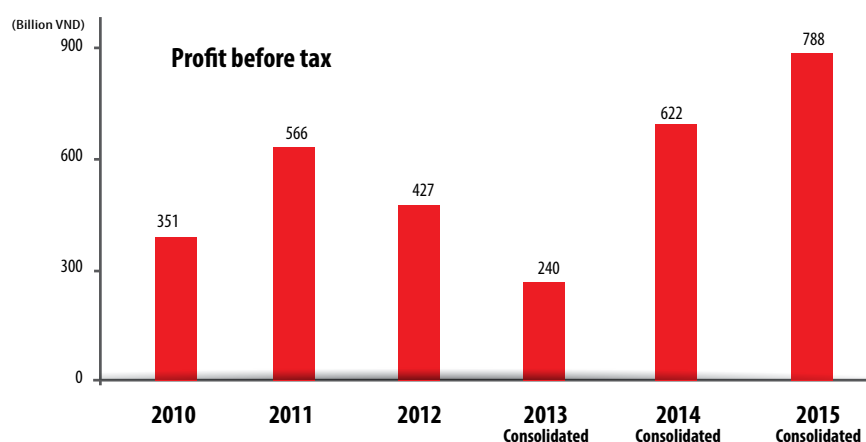
The total credit provision balances as of 31st December 2015: VND 709 billion, in which:

+ Specific provision: VND 305 billion.

+ General provision: VND 404 billion.

Provision for VAMC bonds: VND 383 billion.

The consolidated pre-tax profit of HDBank reached VND 788 billion, an increase of 27% compared to 2014, in which the pre-tax profit of HDBank reached VND 502 billion, and profit after tax reached VND 408 billion.



General Assessment

2015 was a significant year for the banking sector, and was the final year in which to implement the project of restructuring the credit institution system in the 2011-2015 period, and continue towards the 2016-2020 period. As of the end of 2015, the whole sector's credit growth reached 17.02% compared to the same period of 2014, marking the highest growth rate since 2011. Capital mobilization from credit institutions increased by 13.49%, and total means of payment increased by 13.6%. The liquidity of the commercial banking system continued to be improved in order to ensure solvency, contributing to controlling the inflation and stability of the macro-economy. The average exchange rate of VND against the US dollar remained stable after a sharp fluctuation in mid-August, 2015.

Faced with the above situation, HDBank has successfully implemented a restructuring plan since 2013 after the merger with DaiA Bank, although we have had to tackle many difficulties accompanying the merging parties. However, the whole Board of Directors, the Board of Management and its staff have not stopped in their efforts to achieve encouraging results, particularly:

Total assets reached VND 106,486 billion, an increase of 7% compared to 2014; total deposits reached VND 91,473 billion, an increase of 3% compared to 2014; total loans reached VND 67,188 billion, an increase of 24% compared to 2014, the NPL ratio was 1.32% (<3% stipulated by the State Bank of Vietnam); pre-tax profit was VND 788 billion, an increase of 27% compared to 2014; a cash dividend of 10%; and staff numbers reached nearly 9,000 people at 220 banking units.

Besides effective operations, HDBank always ensured its prudential ratio were complied with Circular 36 and the 2010 Credit Institutions Law and full provisions as prescribed.

HDBank has continuously invested in a modern information technology system to provide more facilities and diversified products to customers while constantly strengthened its risk management and mitigation and reduced processing times.



RETAIL BANKING DIVISION

Innovating and renovating product systems to provide diversified financial solutions for customers' needs, based on the specific characteristics of each region.

2015 BUSINESS RESULTS

CREDIT

Sustainable and effective growth

Credit structure

HDBank focused on lending to the commerce and manufacturing industry, construction industry and automotive industry. In particular, loans for business and real estate accounted for the highest proportion of total outstanding loans for individual customers, reaching 61%, while 39% was allocated to loans for cars and consumption loan products.

Business loans

With the target of dominating the loan market for the commercial and service industries, HDBank has innovated super-flexible and optimal products, and implemented various loan programs, approaching customers directly in the area. HDBank launched programs such as: (i) loans for key industries, (ii) loans for distribution agents, (iii) loans for grocery "accessing capital – welcoming a fortune at your home", or cooperating with Vinafoods 2 to lend for rice collection. HDBank's Customer Relations Officer directly communicated and maximized the number of clients on each street and market, etc. Flexible, high-tailored policies brought positive efficiency. Lending products for business increased stably, making a significant contribution to the total loan portfolio of HDBank, accounting for 33% in total loans portfolio.

Real estate loans

In addition to its product structure being consistent with the actual situation, HDBank continued to promote its affiliation with real estate partners in order to enhance credit growth and exploit business opportunities, increase benefits to customers and build a lending program for customers with average or higher incomes. HDBank expanded its portfolio of real estate projects across the country up to 205 projects.

Car loans

2015 also saw strong growth in loans for the purchase of automobiles, growing by 180% compared to 2014. To achieve these results, in 2015 HDBank launched many loan programs with preeminent features such as: lending for groups of customers; lending for lines of cars as mortgaged assets; flexible documents; and a shortened processing time, and HDBank also collaborated with several strategic partners to promote this segment.

Besides credit products focusing on urban areas, HDBank also concentrated on building products and special programs which were suited to the agricultural production characteristics of each local area, promoting partnerships to exploit rural potential such as: (i) a loan program to buy "Yanmar" agricultural machines (ii) loans on mortgage claims arising from fish purchase contracts. Additionally, HDBank also promoted lending links under the supply chain, taking





advantage of collaborative parties to bring the highest benefit to customers, such as in our cooperation with Vinafoods 2 for paddy loan programs, and in our cooperation with the C.P. Vietnam company for a loan program for constructing breeding facilities. 2015 was also the year that HDBank made breakthrough improvements on processes, procedures and operations to shorten processing times and make procedures more flexible.

Benefits for customers

In addition to focusing on attracting new customers, benefits for existing customers were prioritized through policies such as loan programs for existing customers. Additionally, HDBank also deployed bank assurance products - insurance linked to loans which provided customers with protective solution packages, in order to enhance customers' benefits when banking with HDBank.

MOBILIZATION AND RETAIL BANKING SERVICES

Profit – Safety – Utility

In 2015, HDBank produced diverse products and services throughout our entire system in order to bring about outstanding utility for customers. Customers had more choices with our highly profitable mobilization products which meet various needs, such as: savings with flexible interest (interest paid at maturity, periodically, or beginning of the period); periodically cumulative deposits accompanying the HDBank insurance package; and flexible payment deposit integrated utilities (such as bill payments for electricity, water, air tickets, insurance, tuition and loans). During the past year, HDBank also increased service utilities to customers who conducted transactions at the counter as well as via internet banking. These include: gold keeping under terms determined with preferential rates; collecting fees for life insurance; bill payment services with affiliate partners;

and opening accumulated savings accounts online with internet banking security.

Constantly developing to achieve convenience for customers, HDBank has developed insurance packages with deposit services such as the “Bao Ngan Tuong Lai Product”- an accumulated savings account - giving customers the opportunity to save more and achieve their personal financial plans. Along with various utility products, our promotions programs throughout the years have brought us thousands of chances to win customers who participate in programs like “Happy Birthday – Greeting The Spring - Win Gold”, “Win Billions – Win European Vacation”, and “Win Beautiful Kitchen – Win Billions”. This not only gives customers the opportunity to receive meaningful gifts, but also to receive prizes such as a savings card of 1 billion, or 1 kilogram of SJC etc.

EBANKING SERVICE (SMART BANKING)

Quick – Secure – Diversified

HDBank proudly provides customers with competitive and excellent eBanking services.

- Domestic fund transfers (inside/ outside of HDBank’s system via account number, sending remittance using the card / account number, recurring transfers, transferring fund for receipt with an ID card).
- Topping-up for prepaid mobile phones for all telecommunications networks.
- Bill settlement for post-paid mobile costs, ADSL costs, Homephone costs, PSTN costs and air ticket costs (Vietnam Airlines, Vietjet Air, Jetstar, Air Asia etc.), electricity, water, insurance fees for Manulife, debts.
- Bill settlement for Jetstar / Air Mekong costs for agents or tourism delegations.
- Online savings.

HDBank’s Smart Banking services are taking up a significant proportion of the market share of banks providing ebanking services in general, and HDBank is also one of the best banks exploiting the features of modern banking services, in particularly.



CARD: ADAPTING TO NEW TRENDS:
Increasing utility and safety

HDBank has continuously focused on developing new products and services in line with market trends and customers' needs. We have increased the duration of credit cards, improved cardholder services, and improved customer safety by enhancing our operational team to handle card transaction risks, allowing us to successfully reclaim tens of millions worth of cardholders' money. Our products are diversified to suit a wide range of customer profiles, such as: credit cards and international debit Visa; international nonphysical pre-paid MasterCard; payroll cards for enterprises; student cards for universities; co-branded cards with insurance companies; California Fitness and Yoga company combined 0% installment payment services; MyCard for individuals who want to print their image on the card; and opening cards via the internet. Currently, HDBank is ranked 13th in the market, including 39 bank members of the Vietnam Card Association and many other banks operating in Vietnam (Source: The first 6-month report of 2015 of the Vietnam Card Association). Not only have our high-ranking number and market share asserted HDBank's card brand in the market, card operations in 2015 obtained a large gross profit of nearly VND 7 billion, while for many other banks with perennial card operations, profit from this product was still a difficult issue.

2016 BUSINESS DIRECTIONS

CREDIT PRODUCTS

Constantly improving processes, products and services to meet diverse customer needs, continuing to focus on developing our core product groups of: production and business, real estate, automotive industry, and agriculture. Providing diverse products and services, optimizing costs, increasing the proportion of income from services, building flexible mechanisms in interest rate policies and fees, providing products and services with added benefit to increase income from fees. Promoting partner affiliation, taking advantage of the strength of partnered parties to exploit business opportunities and benefits for both the parties and our customers. Improving credit quality, improving the centralized debt notification process and the control of NPLs.

Mobilization:

Continuing to build and structure diverse deposit products, focusing on serving the interests of our targeted customer segments (the elderly, children etc.). Developing accompanying insurance products to bring further benefits to customers.

Service quality:

Focusing on improvement in the coordination process of credit operation in order to increase our quality of service, optimizing resources and best risk management while continuing to focus on improving service quality, building our image as professional, dynamic staff with a common motto: "Commit to your best returns" "Committed to the best returns" for customers. Promotion: In 2016, HDBank will continue to carry out many promotions to express our appreciation for our customers, who bring the highest value to the bank.

Card products:

2016 goals for our card products are as follows:

Developing products and services through technology partners in line with current global trends, including nonphysical cards and fintech, and outsourcing solutions when upgrading card infrastructure.

Combining the card with other products and services in the manner of a package. Selling under a chain as HDSaison, VietJetAir, insurance, etc.

Perfecting our product system through deploying new products such as platinum cards for VIP customers, and domestic credit cards linked to the level 1 and level 2 distribution system of the Vietnam Dairy Products Joint Stock Company (Vinamilk).

Focusing our card business on specific profits instead of simply chasing the numbers.

2016 Action Directions:

To put customers at the center of all activities. The Retail Banking Division will continue to enhance the quality of customer services, recruitment and training of human resources, meeting the development requirements of the bank. It will also improve and launch products and services in line with our targeted customer profiles, keeping in mind regional business characteristics and focusing on risk management, which is one of the essential elements for sustainable growth.

Increasing business efficiency and quality of human resources in branches and transaction offices

To focus on developing existing customers, providing a package of "Financial Solutions" under the "House - Automobiles - Manufacturing and Trading Link" chain and the "Partner - Group" chain to create an ecosystem of loyal customers who use most of

the products and banking services of HDBank. To continuously improve the KPI policy, attractive rewards and welfare regime for good staff with high labor productivity. To strengthen qualified sales and to create an image of professional and dedicated staff who are always "Committed to your best returns" for customers and partners. At the same time, to promote the network in depth and gradually increase the scale and business efficiency of the branches and transaction offices.

To automate retail operation: the latest technology applications

The Retail Banking Division promoted the use of modern IT systems in their business operations with the objective to automatize a minimum of 90% of retail operation. At the same time, to build online tools to fully recognize the business performance of each employee in the areas of sales, customer data analysis and debt warning, and to also build tools to support management, business efficiency analysis, and labor productivity for branches and transaction offices at management level.

To continue to improve effective channels for seeking customers, and build a concentrated sales model using the entire resources of the branches and transaction offices.

To promote the leading role of branches in the direction and management of affiliated transaction offices, and to ensure safe operation and increasing efficiency. At the same time, to develop a pilot focused sales model through utilizing the entire resources of the branches and transaction offices to enhance our brand image, business efficiency and managerial roles. In parallel with the concentrated sales model, to continue to improve the efficiency to access customers in accordance with regional characteristics. Agricultural workshops for rural areas to access directly and respond quickly to the needs of our customers, contributing the development of the rural economy.

COMMERCIAL BANKING DIVISION

Commercial Banking CMB is a pillar of business operations in HDBank, and has provide various banking products and services such as: Cash Management Services; Credit and Guarantees; International Settlements; Foreign Currencies Trading; Financial Solutions; and E-Banking etc.

Evaluation of CMB activities in 2015

Commercial Banking (CMB) remains a key part of business operations in HDBank, and has served a huge number of SME clients with revenues reaching 2,000 billion VND. Judging by the 19,257 customers reached by the end of 2015 (a raise of about 23%), HDBank's CMB has made remarkable progress in the management system, products and services, and technology to improve banking facilities for customers.

MOBILIZATION AND FINANCIAL SERVICES

Along with a wealth of experience in the banking industry, the HDBank brand has built a strong reputation for its mobilization and financial services in the business community. In 2015, in addition to maintaining the level from the previous year and attracting new customers, the deposit growth rate for SME clients remained stable at 15%, and the amount of demand deposits was maintained at 30-40% of total deposits. Cash management was provided in many forms: centralized account management, payroll services, commission and service revenues/ expenditures of households in cash, electronic tax filing services or services of state budget revenues and tariffs guarantee. Deposit services: in addition to payment accounts and regular savings accounts, HDBank - CMB offered flexible types of accounts, such as term deposits with flexible withdrawals and automatic cumulative deposits to the account. In many years, HDBank was awarded Best Cash Management in Vietnam by Asiamoney magazine and Euromoney magazine.

CREDIT

Corporate credit grew by 30%, which was higher than the average credit growth rate of the banking sector (18%), in which NPL ratio was controlled under 1%: lower than the ratio regulated by the SBV (3%).

HDBank - CMB has always improved credit products to meet the market trends. Accordingly, in terms of the conventional credit, HDBank - CMB improved flexible loan products, offering standardized loan product in order to reduce the processing time by standardizing the procedures and credit conditions aiming at supplying cash flow from the bank to enterprises at the soonest. Corporate overdraft products provide funds immediately for payment, payroll. HDBank - CMB also offers specialized products for various industries such as financing for rice, cashew and coffee imports, car loans and financing for construction contractors,... especially funding products and programs which are designed under the specific regions or for particular customers, to financial trading for their supply chain and distribution.



LỄ KÝ KẾT HỢP TÁC GIỮA HDBANK & HANA BANK

SIGNING CEREMONY BETWEEN HDBANK & HANA BANK



In 2015, HDBank provided financing for the distributor of the Vietnam Beer and Beverage Company; several Vinamilk agencies (most Southern Vinamilk agencies are already clients of HDBank), the distributor of the Petroleum Company, cars for transportation, sponsored distributors of animal feed, fertilizers and plant protection products, and companies in the supply chain of C.P. Company. HDBank - CMB also launched several programs with preferential interest rates for VND and USD, such as VND preferential interest rates for SME clients, lending VND with major incentives in interest rates, and preferential loans for import and export enterprises.

In addition, HDBank - CMB effectively used capital at low prices from sources like JBIC, JICA and DPL3 to support customers. Loans under the JBIC and JICA programs: HDBank was awarded certificates of merit by the Governor of the State Bank and continued to be selected as an agency that supplies capital at a low price from JBIC and JICA for SME clients. In 2015, HDBank enhanced its capital from these two programs for most 300 customers, with total loans reaching most VND 250 billion.

COMMERCIAL BANKING SERVICES FOR ORGANIZATIONS

International payment is also the Bank's outstanding activity. In the international market, HDBank has established relationships with over 300 banks and their branches in more than 150 countries and different regions of the world. Financial institution partners and customers continued to trust HDBank for our international payment operation, which officially reached nearly USD 1.8 billion in 2015. Income from service increased by 56%, with most of the gain being from credit and non-credit and international settlement services.



2016 ACTION PLAN

In 2015, HDBank - CMB identified 2016 objectives towards achieving the goals of sustainable development and effective business growth.

To sharply increase deposit mobilization to balance and lending: increase of 51%. To achieve this objective, HDBank - CMB continued to improve the ratio of demand deposit/total deposits from 35-40%, develop competitive products and customer care programs for large customers, follow market interest rates to make the appropriate adjustment of interest rates, effectively manage customer's account cash flow, and increase utilities of Ebanking to boost account transactions.

To continue growing an effective credit balance to over 30% and keep NPL ratio at under 1%: SMEs are the main customer segment of corporate banking for CMB in 2016. Besides, customers that are foreign investors are also a potential target. HDBank has always focused on the standardization of the credit approval process to speed up the credit application processing and increase the average loan profitability. HDBank also seeks and effectively develops cheap funds from affiliate programs, such as JBIC, JICA, Development Funds for Small and Medium Enterprises, Green Credit Funds and Development Policy Loan 3 (DPL3) to supply more capital for customers' business operations.

Supply chain financing with three main benefits -- to increase the number of customers, the outstanding credit balance for SMEs, and the deposit balance - continues to be a major activity of Commercial Banking – CMB in 2016. Through the partnership between HDBank and large enterprises in supply chain and distributors financing, HDBank is to scale up this activity in



2016 for existing and potential customers, such as Vietnam Livestock Joint Stock Company, Vietnam Dairy Products JSC (Vinamilk) and Ho Chi Minh Trade Cooperative Union (Saigon Coop).

Customer growth from various channels: to increase small and medium enterprises as described above while scaling up to the medium customer segment through the selection of customers on the stock exchange who are good customers with transparent finances, clear business operations and easy to control.

Cross-selling products (especially wholesale products and services for retail banking): cross-selling is a KPI metric for the corporate customer relations team -- to integrate retail products and services into products and services for corporate customers, train corporate customer relations teams on wholesale products and services for retail/individual customers, and make cross-selling a sales culture within HDBank.

Human resources: To strengthen business in parallel with the consolidation of personnel, which is a core element for development. With this objective, HDBank - CMB is also very focused on maintaining resources at the head office and business units -- to create salary policies, and bonus and training programs, from basic to advanced, giving employees a positive, stable working environment. Attracting outside talent is also important to HDBank - CMB. The management team and employees are ready to introduce friends and colleagues to HDBank to work together under one roof in solidarity.

These practical and enthusiastic actions have built a HDBank - CMB boat with the unique direction of success, making a great contribution to HDBank with a projected profit of **VND 315 billion**.

CORPORATE AND INSTITUTIONAL BANKING DIVISION (CIB)

Beside providing products and services for individual customers and small and medium enterprises, HDBank has continuously researched and launched special products and services for groups, corporations and large enterprises. The products and services were “tailor-made” to meet the growing demands of large groups and corporations, especially in the industries of electricity, petroleum, post office telecommunications, mining of minerals, transportation, textiles, manufacturing, and the import and export of agricultural, forestry and aquatic products. The products and services for the large corporate customers segment are specifically-designed flexible product and solution packages that focus on standard products and services, such as credit, guarantees, account payment service, deposits, investments international settlements and currency trading.



2015 operation results

With their effective action plan and experienced staff at leading banks, domestically and internationally, the CIB and Financial Institutions Division of HDBank contributed greatly to the business results of the whole system in 2015. Capital mobilization was the strength of the CIB and Financial Institutions with 2015 results being VND 12,330 billion, an increase of 20% compared to 2014. HDBank made achievements in outstanding balance with special risk management, helping CIB and Financial Institutions to keep bad debts low.

2015 also marked the success of the CIB and Financial Institutions in international settlement operation and foreign exchange transactions, with the international settlements turnover reaching USD 650 million, an increase of 68% compared to 2014, and supporting import businesses through refinancing L/C and UPAS L/C. The number of CIB and Financial Institutions customers grew by 20% over 2014 and is expected to increase rapidly in the coming years.

2015 also marked a successful year for the CIB and Financial Institutions Division along with HDBank as HDBank was the first commercial bank to be selected by the Government and Ministry of Finance for on-lending and share of 20% credit risk with the Ministry of Finance for ODA from JICA to implement the phase 2 Nhon Trach Water Supply Project. Being a pioneer in the ODA initiative stage for the economy through Nhon Trach Water Supply Project, Dong Nai, HDBank also participated in management and

on-lending for the climate change adaptation project for the two provinces of Tra Vinh and Ben Tre with the value of USD 34 million of IFAD, simultaneously acting as the main unit evaluating customer capacity, and managing and supervising debt settlement at the Program of Development Policy Loan 3 (DPL3) with the value of USD 200 million from The World Bank (WB)).

With respect to the relationship with Financial Institutions, HDBank also had outstanding achievements and constantly improved its reputation in the domestic and international market.

- For the successive three years, HDBank has been rated as number 1 of the 10 domestic commercial banks to be selected as the bank providing services to the Ministry of Finance by the State Bank of Vietnam.

- In addition, HDBank has developed a positive relationship with the General Department of Vietnam Customs, Vietnam State Treasury and the General Department of Taxation to implement several projects, the most remarkable of which is the State Budget Collection, a tax guarantee for imported goods that electronically connects with the Department of Customs, the State Treasury and Department of Taxation in the province. The project helped reform administrative procedures, creating favorable conditions for businesses in the implementation of the obligation to pay import and export tax and enterprise tax. The Bank's executive

was held particular interest in the project and planned to continuously boost the collection and payment for the state budget in 2015.

- HDBank is trusted by the State Bank and was selected as a bank providing money transfer services for the contract of supplying crude oil of Vietnam Oil Corporation in the country. With the difficult Vietnamese economic situation, HDBank focused on not only enhancing its reputation in the domestic finance and banking market, but also on actively strengthening its brand in the international market. In particular, HDBank was granted quota and promoted cooperation by well-known international financial institutions, such as the Asian Development Bank (ADB), Industrial and Commercial Bank of China (ICBC), China Construction Bank (CCB), Hanabank Bank of Korea, Hua Nan Commercial Bank of Taiwan, Thanachart Bank of Thailand, the Hyakugo Bank of Japan, International Economic Cooperation Bank (IBEC), International Investment Bank (IIB) of the Federal Republic of Russia, Far East National Bank (FeNb), Wells Fargo Bank, JP Morgan Bank of U.S, Deutsche Bank, Commerzbank of Germany, BNP Paribas Bank of France, Italian Intesa Sanpaolo Bank of Italy and Commonwealth Bank of Australia. The Division also expanded correspondent relationship development with over 450 banks all over the world. Becoming the issuing bank in the Trade Finance Program (TFP), ADB expressed that HDBank continuously improved the quality of service, particularly in trade finance and export support activities, and expanded its network of correspondent banks, enhancing its credibility in the international market international market.

Action plans for 2016

2016 continues to be a year of changes, bringing opportunities as well as challenges for the banks in Vietnam. To overcome these challenges and seize new opportunities, the CIB and Financial Institutions Division is focused on developing core customers, including State-owned corporations and large foreign private corporations, to promote the core product of capital mobilization, with an increase of 47% compared to 2015, the outstanding loan balance increasing by 129% and guarantee

service, international settlement and currency trading increasing by 34%. Simultaneously, the Division continues to provide on-lending services and act as a bank serving loan projects/ programs from ODA loans and foreign loans, strengthen relationships and cooperation with domestic and international financial institutions, effectively use the Trade Finance Program (TFP) of ADB to participate in the International Trade Finance (GTFP) of IFC, in collaboration with the Corporate

Banking Division, to develop customer chains, and promote the development of competent, professional and enthusiastic human resources to complete these objectives successfully.

In addition, to integrate into the international financial market and access capital flows from potential investors to expand its operation, HDBank is expected to select and propose 1 in 3 international ratings organizations, such as Moody's, Standard & Poors or Fitch that review credit ratings for HDBank in 2016 and the coming years.

TREASURY DIVISION

In 2015, the Bank's capital management, currency trading and investment were continued to expand and develop. HDBank continuously affirmed its strong reputation in the monetary and capital market in maintaining an active role in the capital transaction, investment and currency trading operation.

CAPITAL MANAGEMENT OPERATIONS

HDBank ensured the absolute safety of liquidity, daily solvency, required reserves and solvency ratios. The management liquidity complied with prudential principles, in accordance with the provisions of Basel II. The Bank conducted stress tests periodically and drafted contingency plans in case of a liquidity crisis.

Balance and capital management also ensured the efficiency in using capital, prioritizing the development of credit with low interest rates, using surplus capital for the purpose of business operations and profitable, safe investments.

HDBank completely operated the FTP mechanism between the head office and branches, and between the trading book and banking book of the Treasury Division, thereby created favorable conditions to stimulate business development and identify business efficiency accurately and fairly.

billion, a 28.7% decrease compared to 2014, with interest revenue reaching VND 438 billion and the deposit balance of due to/borrowing from the interbank market reaching VND 6,595 billion, a decrease of 66.2% compared to 2014, with the interest payment amount of VND 365 billion.

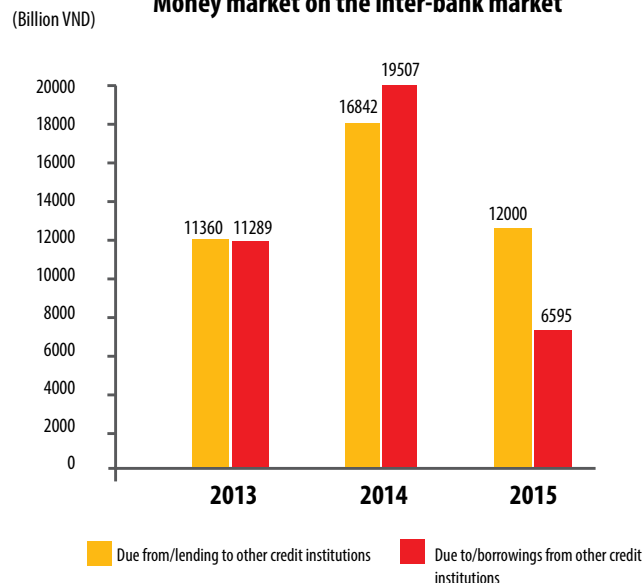
In 2015, HDBank successfully issued VND 3,000 billion of medium- and long-term bonds to mobilize capital, reaching an accumulated balance of VND 5,300 billion that represented 6.6% of total deposits and helped improve the capital capacity of the Bank. In particular, in 2015, HDBank successfully issued VND 1,500 billion bonds with 10 year-term to increase tier 2 capital 10-year term. The successful bond issuance of tier 2 capitals helped improve financial capacity, increasing the capital adequacy ratio and HDBank's lending capacity.

CAPITAL BUSINESS ACTIVITY IN THE INTER-BANK MARKET

Besides capital safety management, HDBank effectively mobilized and utilized capital and inter-bank capital for the capital trading. Apart from focusing on product diversification, and market share growth in the monetary market, HDBank ensured credibility, partner support and sound competition, helping adjust monetary supply and demand, and the stability in the interbank market, in accordance with the policies of the State Bank of Vietnam.

As of December 31st, 2015, the deposit balance/loans balance in the interbank market reached VND 12,000

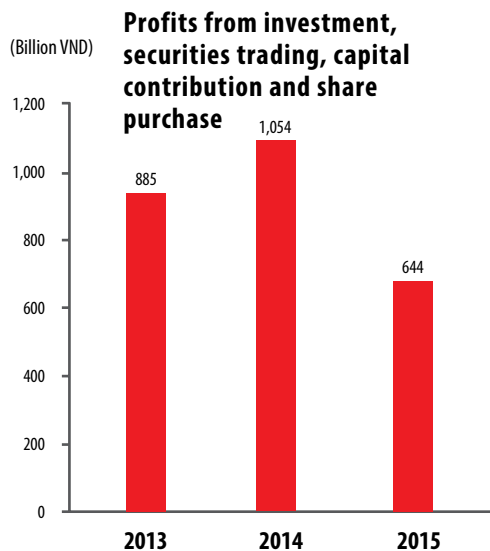
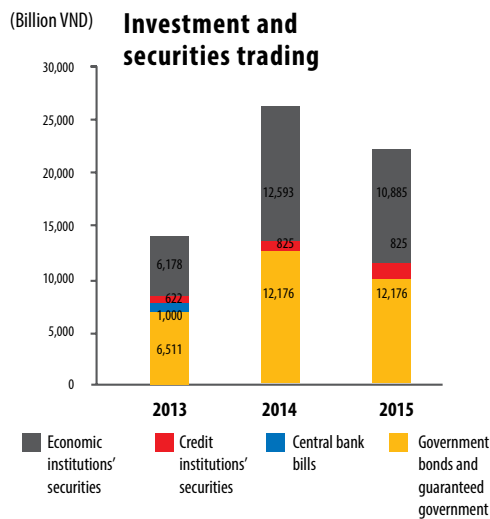
Money market on the inter-bank market





SECURITIES INVESTMENT AND TRADING

Securities investment and trading continued to form a significant proportion of the HDBank business results. In 2015, HDBank became one of the most active and regular member on the primary and secondary markets. The holdings portfolio and sales of government bonds and government guaranteed bonds significantly increased, with diversified types and terms, raising HDBank's reputation in the market. In addition, HDBank took advantage of trading and investment opportunities in corporate bonds and equity securities, which yielded high returns. As of December 31st, 2015, the portfolio of Government bonds and government guaranteed bonds and central bank bills reached VND 10,109 billion (a decrease of 17% compared to 2014); the portfolio of corporate bonds and equity securities reached VND 10,885 billion (a decrease of 13.5% compared to 2014); and the profits from the investment and trading securities (including capital contribution and share purchase) reached VND 644 billion (a decrease of 38.8% compared to 2014). Securities trading and investment activities have been restructured on the principle of compliance with regulatory requirements. Accordingly, the Bank focused on debt securities trading (government bonds and corporate bonds), restructuring the equity securities business under the new regulations.



CURRENCY TRADING

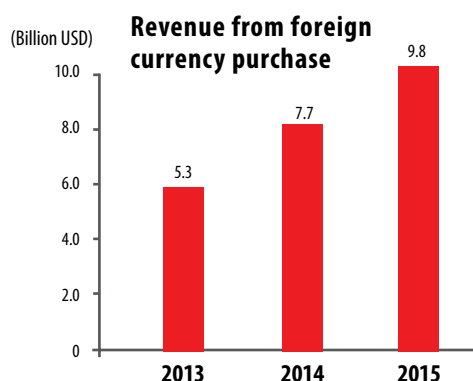
The 2015 foreign exchange market saw a lot of complex fluctuation; the exchange rate went up and down sharply due to the influence of the world market. In this context, risks were mitigated and the adverse volatility in the market were avoided with effective currency trading in 2015. Business operations achieved strong growth, but enterprises did not escape the challenges, with low demands for foreign currency payment, few business opportunities and fierce competition for market share. HDBank actively expanded and diversified its customer base, and promoted proprietary trading and capital trading in cross-selling activities and enhanced derivatives, along with proactively capturing and analyzing market information.

In 2015, HDBank continued to promote the application of information technology and issued relevant regulations, bringing significant efficiency in currency trading as well as improvement in management capacity, compliance with risk management and management of foreign exchange position.

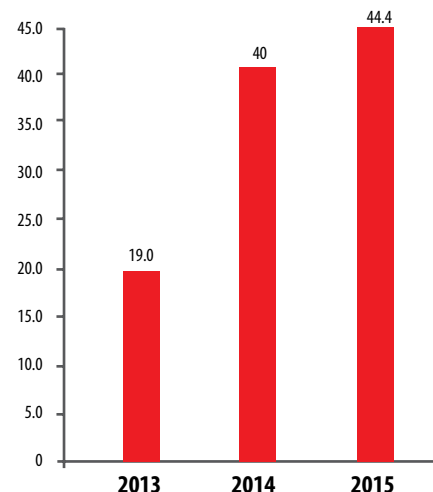
As of December 31st, 2015, the sales of foreign currency trading reached US 9.8 billion, an increase of 27% compared to 2014, and the profit from currency trading and derivatives reached VND 44.4 billion, an increase of 11 % compared to 2014.

GOLD BUSINESS

With a network of 116 gold transaction points nationwide, HDBank helped customers exchange and purchase of gold bars, and stabilized the gold policies of the State Bank of Vietnam. As of December 31, 2015, the value of buying and selling of gold reached most SJC 458 thousand ounce



Profits from currency trading and derivatives



2016 ACTION PLAN OF CURRENCY MANAGEMENT AND INVESTMENT

- To ensure balance safety and efficient use of resources throughout the whole system, meeting capital needs in a timely fashion, and ensuring liquidity and payment at any time.
- To promote interbank capital business and foreign currency trading on interbank market, market influence through the sales and scale of transactions, and the credibility of the market, to provide support if necessary.
- To improve equity management and capacity and risk management of interest rates and exchange rates; collect and analyze data and market forecasts to take advantage of business opportunities.
- To efficiently use available capital through cross-selling operation and derivatives between equity business and currency trading.
- To optimize the transaction limit in both directions, expanding market share and diversifying customers.
- To promote investment activities and business of government bonds and government guaranteed bonds, maintaining a leading role in business operations of the whole system.
- To restructure the investment and business activities of corporate bonds and securities, complying with regulations of the State Bank of Vietnam and HDBank.
- To strengthen the sales capacity of capital and forex dealers, develop a modern structure and enhance the development of sales personnel.
- To continue issuing HDBank's mid- and long-term bonds to strengthen the capacity and stability of the capital.
- To comply with the regulations of the State Bank of Vietnam and build regulations and relevant procedures, complying with HDBank's risk requirements for international standards (Basel II).
- To continue the improvement and application of information technology in the treasury business.



RISK MANAGEMENT DIVISION

Orientation on the strategy of risk management

HDBank pays attention to risk management, with steady improvement to ensure safe business operations. The HDBank's strategy is to develop a risk management system suitable with business operations that complies with the requirements of the State Bank of Vietnam and international standards in order to control the effectiveness of credit, market, liquidity and operational risks.

Risk management system of HDBank

ORGANIZATIONAL STRUCTURE

The HDBank's risk management model is based on three lines of defense of Basel II: control of transactions at business units, implementation of monitoring systems of head office departments, and independent examination and assessment of Control/Internal Audit Department.

In 2015, HDBank continued improving the organizational structure and execution of risk management activities, including:

- To hold monthly meetings of the Risk Management Committee and ALCO, and weekly meetings of Head Office's Credit Committee.
- To apply centralized disbursement control and credit support.
- To apply centralized credit approval for individual loans.
- To apply centralized collateral pricing and hold weekly meetings of the Pricing Committee at Head Office.
- To apply centralized fund management.
- To better control risks while improving the effectiveness of operations.

SYSTEM OF REGULATIONS, LIMITS AND PRUDENTIAL RATIOS

HDBank continues to develop and improve the system of regulations, limits and safe indicators. This system is organized by three levels: Procedures (enacted by the Board of Management to provide general direction and policies), Regulations and Guidance/Products (enacted by the General Director for implementing which is suitable in each period), including all banking activities to standardize operations and ensure the Bank's safety.

Since 2013, HDBank has successfully implemented the quality management system based on ISO 9001 and 5S standards (Sort - Set in order - Shine - Standardize - Sustain) and retains the system to improve the process of serving customers as well as other professional processes, and to raise competitiveness and risk management expertise.

Furthermore, on a regular basis, HDBank regulates the system of limits related to credit operation, currency dealings and investments, and operational safety indicators (KRI) related to liquidity, balance of assets and liabilities to comply with the State Bank of Vietnam regulations and specialized operations of HDBank.

EXAMINATION AND MONITORING SYSTEM

HDBank gives extra attention to the monitoring, control and examination system and regards it as a base to detect, alert and prevent risks. The system applies various methods simultaneously: automatically via the informatics system, regularly (daily, monthly) conducted by specialized control departments, or at the time each transaction occurs, in which HDBank has implemented the monitoring of suspicious transactions. The Board of Executives and Management receive regular reports on monitoring results, on-site examination of data, analysis, alerts and specific suggestions in order to provide effective direction.

Risk management activities

CREDIT RISK MANAGEMENT

HDBank has developed a strict system of granting credit from Head Office to business units, including departments at all stages: sale, assessment, approval, disbursement and recovery. The credit granting process is applied based on the principle of independence at stages, including suggestion – assessment/appraisal – approval, in which steps and responsibilities of each related subject is clearly specified. Furthermore, related to the system of strict regulations on granting credit and collateral assets, HDBank also sets limits on loan structures based on industries, objectives and collateral assets, in order to restrict centralized risks.

HDBank has successfully established the credit rating system for customers as individuals, organizations and credit institutions (in consultation with E&Y Audit Company) and submitted it to the State Bank of Vietnam for formal application since 2011, as an important step in the process of granting credits, classifying loans and extracting risk.

HDBank has implemented many systems and tools to better control risks, including loan origination, limit control, centralized approval at approving centers, disbursement and performance of contract procedures, and centralized notarization at credit support centers.

HDBank continues to monitor the handling of overdue loans via the Overdue Loan Handling Direction Committee and with participation of the Board of Management, in collaboration with regions, and effectively handle overdue loans in accordance with State policy. In 2015, HDBank implemented the handling of overdue loans effectively, in accordance with the general policy of the State Bank of Vietnam, by keeping the rate of overdue loans to under 1%.

LIQUIDITY AND MARKET RISK MANAGEMENT

HDBank continues to improve the model of management of liquidity risk and interest risk (in consultation with PwC Audit Company), in accordance with international standards, such as the analysis of forward gap, interest rate change gap, variation sensitivity (NII) scenario, stress test and Basel III indicators, such as liquidity coverage ratio (LCR) and net stable funding ratio (NSFR).

The liquidity and market risk management department have monitored and regularly given warnings, of limits on foreign currency trading, and investment in liability and debt securities. Prudential ratios of liquidity and operation under regulations of the SBV (Circular No. 36) are always followed.

Furthermore, HDBank has applied the VAR calculation step by step for foreign currency dealings (in consultation with experts from the JICA project – SBV) in order to predict the maximum loss and will continue to apply this calculation for similar activities.

OPERATIONAL RISK MANAGEMENT

HDBank continues its operational risk management through its policy (procedure) and step-by-step implementation of monitoring risk indicators related to human resources and the informatics technology system.

At the end of 2014, HDBank developed the Loss Data Collection and Risk Control Self- Assessment (RCSA) based on the model of the EntroFine Consultant Company.

Since 2015, HDBank has completed the review of data gaps in the data system compared to Basel II under the consultation of EntroFine and continues to prepare for the implementation plan of Basel II (scheduled to run in 2018 as per SBV regulation) based on the selection of a top foreign consulting firm.

OPERATION DIVISION

In 2015, HDBank worked to increase operational effectiveness and strongly promote business. The Operation Division dramatically improved service quality, modernized technology, standardized techniques to minimize processes and reduce transaction time, and increased the quality of operational staff and standardized training.

OPERATIONAL PERFORMANCE IN 2015

MANAGEMENT OF THE QUALITY OF CUSTOMER SERVICE

In 2015, the Operation Division adopted a set of service quality standards where they openly assessed their service quality in order to renew and attract customers, maintain focus on customers and prioritize customer needs. At the same time, training and self-training programs were offered improving the skills of operational staff. Professional qualification examinations were held employees received a certificate when they passed. Furthermore, the Operation Division works closely with the recruitment division and trains source employees for the entire system to secure good operations in any situation. The Bank focused on standardization of regulations and the process of transactions at counters to simplify operational processes and apply modernized technology in order to conduct transactions faster and more easily.

In 2015, treasury activities were conducted in accordance with regulations, guidelines and directions of the SBV. In particular, security for safes and vaults were assured, customer demand for cash was met in timely manner, cash supply to ATMs was well-managed both in term of quantity and denomination structure.

- Counting, parcelling, preservation, delivery, receipts and cash expenses, valuable assets and papers were carried out according to procedures and regulations to protect the safety of banking treasury assets and meet business requirements. In 2015, total receipts of cash increased by 61.8%

and cash expenses increased by 61.9% compared to 2014.

- Arrangement, preservation, classification of cash, valuable assets and papers at the counters and warehouses are always neat, tidy and scientific to ensure treasury safety; apply measures to secure the quality of money and assets preserved in the treasury, equipped with journey supervision, working with police, security and banking safeguards to develop plans to protect treasury, equipped with security forces for 24/24 to ensure the safety of cash and assets of units in HDBank.
- Take regularly all statistical mechanisms, inventory of cash and valuable assets based on daily/monthly/quarterly/yearly, and take regular/unscheduled inventory according to regulations.

Regular examination and supervision of guidelines and treasury safety and transaction documents are reviewed to ensure operational management safety and compliance with regulations and operational processes.

In 2015, foreign currency remittance was expanded with more counterparties to supply remittance services for customers. The turnover of remittance increased moderately and attracted more customers to HDBank.

OPERATIONS MANAGEMENT AND CREDIT SUPPORT

Credit management and support of business units has been specialized with the simplification of documents and procedures base on ensuring risk limitation for HDBank. Enacting and implementing policies, directions,





technical processes of credit management and support, are specially focused to ensure thorough operations over the whole system of HDBank with the factual, timely advice for leaders in the management and control of risks to assure credit safety.

The Operation Division successfully implemented the model of centralized credit management and support at the head office for Ho Chi Minh region in March 2015, Hanoi in October 2015 and business units in the north (from Ha Tinh to the north) in March 2016, and in the other regions in 2016. Credit management and support center is a business unit performing all related professions after credit approval. The model of centralized credit management and support is to secure independence among business units and professional units, better control risks in credit activities, create specialization in expertise, reduce the time of compilation of files and loan disbursement, and meet the capital demands of customers in a timely fashion. This model corresponds with the current trend in the governance of commercial banks in Vietnam. In 2015, the Operation Division has also applied informatics technology to the operation of credit management and support, such as automatic loan receipts and automatic interest- calculating slip.

PROFESSIONAL OF COLLATERAL ASSET APPRAISAL

Appraisal of collateral asset in credit has been improved by applying informatics technology, simplifying processes and improving regulations to meet the demand of customers in a timely fashion. At the same time, establishing the market price of land in provinces/cities where HDBank operates has been expanded to help reduce the time of price assessment, increasing progress of lending and helping the completion of the business plan. The asset appraisal software has been improved, complemented with the function of monitoring the daily progress to secure the quality of services supplied for internal customers as well as external customers. The control of professionals in the system has been focused and controls

have been implemented synchronously to better control risks in the credit operation of HDBank.

DOMESTIC AND INTERNATIONAL PAYMENT SERVICES

Domestic and international payment services have been developed step by step, becoming a key activity and creating sources of service receipts. The payment center, together with the creativity of employees and the interest and direction of the Board of Directors, has been continuously studied to raise the professional skills, apply digital technology, standardise payment processes, overcome many difficulties, and confront the strong competition of many well-known and experienced banks in the market. Domestic and international payment operation of HDBank have steadily established their brand name in domestic and international markets. HDBank has developed agent relationships with more than 6,400 banks and branches in many countries and territories in the world.

The quality of international payments of HDBank has received many international awards from well-known banks in the world like Well Fargo Bank, Deutsche Bank, JP Morgan Chase and Citibank These include awards for banks performing precise operations and recognized as the formal member of two payment clearing systems in the EU, Target 2 and EBA, granted collateral limits on trade finance by ADB.

In 2015, HDBank achieved strong growth when compared to previous years. The number of transactions and customers using domestic and international payment services via HDBank has increased remarkably. The turnover of remittance service fee in 2015 went up by 242% compared to 2014. The turnover of trade finance activities increased by 214% and the turnover of TTR transactions increased by 51.5% compared to 2014. HDBank provides international remittance services in various kinds of currency: USD, EUR, JPY, GBP, CAD, SGD, AUD, THB, CHF or other currencies (buying, selling, conversion via USD) to meet the different demands of customers. Domestic payment transfers have performed mainly through traditional channels, such as interbank electric payment (Citad) of the SBV and VCB-Money of Vietcombank, BIDV or through credit at the SBV. With the

application of digital technology and automatic money transfers, HDBank assures fast, accurate safe and secure payment activities to meet the demands of customers, with diversified payment products. In 2015, the turnover of domestic transactions at HDBank increased by 40.18% and the turnover of remittance increased by 2% compared to 2014.

ADMINISTRATIVE GOVERNANCE AND PROCUREMENT

After the merger with Dai A Bank administration and governance helped ensure the safe and sound operation throughout the Bank's system. The issuance and implementation of policies, direction, administrative regulations and procedures as well as the management of administrative and security staff were carried out in professional and compliant manner. Besides, the safe and effective management of assets was strictly followed. The Operation Division has successfully researched and developed the centralized asset management model based on three-direction codes with advanced asset management software. Accordingly, the process of asset management has been improved to meet new situations. This tool helps the Head Office and business units manage and coordinate the use of assets accurately, rapidly and effectively, restricting maximum losses and minimizing the wrong use of assets. Moreover, purchasing assets and equipment are applied the automatization and centralization technology over the system in order to meet the demand of equipment, timely repairment and optimize costs.

DEVELOPMENT PLAN IN 2016

To organize thorough operations all over the system of HDBank to meet the requirements of strong development in scope and quality, and to secure safe and effective operations towards three objectives: to increase the quality of services and customer care; to increase operational effectiveness; to operate safely.

The increase of service quality for customers continues to be a focal point of operational activities. Accordingly, labor productivity and work effectiveness is put ahead of operations by focusing on innovation, application of modern technology, improvement of policies, regulations, and professional processes that simplify customer-related procedures and increase customer satisfaction. Regular training and development of professional staff, the wages and bonus system, and direct suitable professionals that contribute to business development, complete the plan of 2016.

Credit management and support at Head Office will be carried out throughout the Bank, and continues to complete the system of documents, policies, regulations, professional processes, helping control risks and credit safety. In 2016, HDBank will continue to develop the program of automatic change of interest rates, compile online contracts and related documents, mark KPIs of positions of credit management and support them automatically.

Assessment of price will focus on the improvement of technological applications to increase the quality of services and the effectiveness of work, completing policies and regulations to suit the market reality. In addition, the Operation Division will promote third-party appraisal in some regions in order to save costs and use human resources in internal collateral appraisal more effectively.

Domestic and international payment transfers will push automation with the application of digital technology, to rapidly develop international payment services, speed up trade finance products, serve export customers, and focus on remittance fees for study, immigration, travel and medication, helping increase the turnover from payment remittance services in 2016.

The foreign currency remittance will be implemented widely in 2016, alongside global counterparts, and HDBank will collaborate with traditional counterparts in markets where Vietnamese labor exports and immigrants, and provide remittance services with various channels of receiving money for customers. The turnover of remittance increases significantly and large customers come to HDBank.

The management of assets, coordination of using assets and tools of HDBank apply automated and centralized technology in order to secure the management of assets accurately, rapidly and effectively to restrict maximum losses.



HUMAN RESOURCES DIVISION

Human resources organization

2015 was marked with the determined efforts of HDBank to continue developing the system of human resources management, creating the foundation for expanding operations to effectively meet the growth requirements of the bank. Accordingly, HDBank developed a human resources strategy to create a working environment for employees that includes friendliness, effectiveness, profession and creativity. The human resources strategy is based upon the following three pillars:

- *To attract, recruit and retain staff who are qualified, committed and make an important contribution to the bank;*
- *To increase working effectiveness, and competitive bonus and wage structures;*
- *To provide effective and comprehensive training and development of human resources.*

Along with building the tools and foundation of human resources management, HDBank has leveraged the practice/best international standards in the working effectiveness management system by using the Balance Score Card (BSC) of the 136/2013/QD-HDQT Regulation. The working effectiveness management system could review the efficiency of each employee according to consistent criteria linked between the Bank's objectives and the objectives of each business unit and individual. HDBank is one of the few organizations to build a working effectiveness management system that not only focuses on the assessment of KPI indicators, but also evaluates and guides the behavior of each individual. The 2015 results have shown the working effectiveness of the entire system and of each individual. The Bank used these

results to allocate priority to its human resources development.

Human resource planning is the core activity to build principles for titles of direct sales and sales support. These principles are built scientifically, linking the personnel norm with the workload. Regional factors and the scale of each business unit are taken into the working efficiency, such as: surveys on average yield in the market of the group of banks, the group of banks with a similar scale HDBank, the group of banks with a higher scale than HDBank; determining appropriate personnel norm based on expected growth in 2016. HDBank actively builds a personnel norm plan in the early year, upon which HDBank organizes the recruitment and training for the whole system, supplying timely and sufficiently qualified personnel for



operation and the network development. The salary and bonus systems are implemented by associating employee income with working efficiency management result, incenting timely individuals with good performance. However, reasonable and firm actions are in place to address employees who with poor job performance.

2015 witnessed the outstanding efforts of HDBank in training and developing human resources with 336 training courses for 12,068 people. The Star Teller and Sales Pro Programs and e-Learning system was constantly being improved with high quality exam questions bank, assessment method and scoring. These programs created an environment that encouraged employees to learn actively. The training roadmap for each job title, and manuals and lessons were improved

2016 Directions

In 2016, the Human Resources Division developed the following action plan:

1. *Improve the quality of human services*
2. *Effectively control salary fund*
3. *Standardize and improve quality of training*

- Change the approach to human resources operation; organize regular recruitment activities to attract talent, such as Career Day at university-colleges across the country and internship programs; work with external training organizations to provide professional and qualified human resources.
- Promote communications and implement policies, regulations and the new compensation system with HDBank employees. In 2016, the human resources division will work with the operation division to improve the evaluation of KPIs to reward individuals and business units

and enhanced the quality of training programs.

With respect to training facilities, the training center is located in HDBank's head office in Ho Chi Minh City, which offers modern facilities (theory and practice classrooms, skill classrooms, rooms for the practice of core banking, a library and a room operating a virtual bank), 02 centers in Hanoi and Dong Nai for training and developing human resources in the whole system. In addition to improving the system of tools and human resources management platform, the internal service quality of the Bank is also enhanced with continuous development customer satisfaction surveys twice a year to assess 04 key criteria in the business processes in departments, including: Time – Human beings - Process - Product Service.

when results in the period are clearly identified, applying the "Lucky Star" and other attractive internal programs.

- Promote training for management-level employees, implementing the 'top-down' training model; accordingly, superiors would be responsible for training subordinates to ensure effectiveness and consistency in the training and development of all human resources; strengthen the responsibility of managers for the business unit and the entire system.
- Develop training courses under the standardization of titles program to ensure professionalism of every employee.
- Work with the Institute of Manpower, Banking and Finance (BTCF) to implement training programs on becoming a Branch Director for all heads/deputy heads of business units, heads of transaction

The results of the customer satisfaction surveys are used by Divisions/Departments/Boards/Centers of Head Office to propose measures to improve the internal quality of services in the next round. In the framework of this program, the Service Level Agreement (SLA) was held successfully and communicated widely to validate the investment in improving internal services quality, improving internal processes – procedures towards professional and more effective targets.

Human beings are the key to success of HDBank. We focus on maximizing their development through training courses and team-building, so they can journey with HDBank and becoming future leaders. In addition, HDBank values business development initiatives that contribute to community development.

offices and potential managers in order to provide medium- and senior-level employees, meeting the requirement in human resources and overall network development.

- Promote online training, e-learning (training via electronic technology), self-training in units, video-conference (conversation via online bridge); organize exams and workshops to increase employee knowledge and professional skills, reducing costs and using resources efficiently.
- Improve English training for HDBank employees, building a professional and confident team to meet the increasing demands of HDBank.
- Build the Study Tour Program for management-level employees (study in foreign banks) to develop the expertise of the HDBank management team.

INFORMATION TECHNOLOGY AND E-BANKING DIVISION

With the development of information technology (IT) under the motto “Modern banking technology – the key for success”, HDBank is constantly investing in a modern IT system to create preminent products and services, ensuring favorable conditions for integration with the development of international IT.

Recognizing the great potential of e-banking products, cash management products and card products, as well as the opportunity to differentiate HDBank from other banks, HDBank has made significant investments in e-banking.

HDBank has invested in the core banking system (SYMBOLS) to support comprehensive development and improvement of customer support services. HDBank is one of the first banks to successfully develop modern technological products, including: SMS Banking, Internet Banking, Mobile Banking, Online Payments, and cash management products connected with major partners. The IT infrastructure has been completed and supported continuous operations for all business units in the entire system. In addition, HDBank’s IT team is highly professional and responsive.

To remain competitive and ensure safety in all business conditions, the HDBank IT team conducts research and deployment of new, pioneering technologies in the IT field, while building automatic alert tools and risk management, strengthening functions to support business operations.

Essential to HDBank’s IT operation is research, training, implementation of new policies that encourage employees to participate in workshops that introduce new IT technologies to use applications, improve management efficiency and support for business operations.

HDBank allocates part of its annual budget to invest in research activities and the development of new technology applications for business operations, accounting for a minimum of 1% of total revenue.

The investment in technology has helped enhance the efficiency of banking operations, creating products and services that are increasingly diverse, convenient and that shorten transaction time to deliver the maximum benefit to the customer. In addition to basic products and services with modern technology, HDBank offers customers products and services like eBanking, Mobile Banking, ATM cards and electronic bill payment. HDBank was one of the first commercial banks to modernize payment methods, such as electronic tax payment and Customs guarantee.

HDBank built the IT service management system, so if customers have issues when conducting transactions they are immediately supported by professional team. This system also supports risk management for suspicious transactions in the online payment system. In addition, the system also allows customers to report errors to HDBank. More research is conducted in new technologies, including new products and equipment, to evaluate the needs of users and launch integrated products under different customer segments.

The research team also provided initiatives for integrating different systems. For example, all online applications support a unique password for each client in order to increase ease

Creative capacity, technology improvements, level of investment in technology

IT and E-Banking Division, with 93 full-time staff, was established and restructured in 2015 based on the foundation of the IT Center. Most staff qualifications are bachelor and over with professional knowledge. The organization structure includes Director of Department, 03 Centers and 01 division under Department.

- *Technology Infrastructure Management Center*
- *Operation and Monitoring Information Technology Center*
- *Core Banking and E-Banking Application Development Center*
- *Quality Management, Security and Compliance Division*

of use. By establishing a special working group to analyze end user needs and work with business units to develop synergies between technology and user needs, HDBank continuously improves service quality.

HDBank's technological products are designed to be service-oriented, so integration with providers is done quickly and easily. In addition, the technical team is always researching new technologies to improve efficiency and safety, such as: fingerprint identification technology, solutions for automatically approving records with an integrated electronic signature, and online security solutions through an authentication system carried by HSM, fully active in controlling the authentication system of O2 elements with token or SMS. HDBank has allocated annual funds for training key employees. With these funds for two years or five years, HDBank requires employees to participate in training

courses, domestically and internationally, in order to operate large systems as well as develop a strategic vision. Key employees receive training directly from top organizations, such as Microsoft, Oracle and HP.

HDBank has also signed a comprehensive agreement with Microsoft for additional software licenses of Windows 10 Enterprise.

In 2015, HDBank invested in upgrading its IT infrastructure. Key projects include implementation of:

- *Center data systems, including O2 centers running Active-Active, reserving and sharing the performance of the whole system.*
- *Computer systems (HP Superdome 2) and storage devices (VSP Hitachi G1000).*
- *Database system applications: Oracle 11g.*
- *Card system: Fidelity, Visa (Principal).*
- *Networking system: Cisco.*

HDBank continued to add more modern banking products in comparison to the whole banking industry, continuously improving service quality. Based on the modern core banking system along with the development of new technologies, HDBank increasingly diversified products and services, and rapidly responded to requirements of the Bank's business. HDBank has successfully deployed several advanced technology projects to provide the most convenient products for external and internal customers -- enhancing security for all transaction channels for customer information, transaction information, such as algorithms SHA1, 3DES, RSA, user authentication through the authentication system 2 factors, fingerprint authentication system, and an authentication system using digital signatures -- allowing customers to access the bank anytime, anywhere, and with many different authentication methods.



Number of e-commerce transactions in 2015

2,887,775

Total e-commerce in 2015 (Million VND)

13,001,900

Core banking system: Deploying centralized user functions to deliver the highest ease of use for employees in the whole system. This includes building and completing the checkpoint to help minimize manual actions, gradually automating the operation of the whole system, such as additional interest calculation, supporting auto debt collection functions, changing interest rate automatically.

Internet banking system: In 2015, the system continued to be improved in the speed of transaction through simplifying operations and optimal processing speed. Customers conducted transactions on all browsers without installing anything more and ensuring the highest level of safety in transactions through multiple layers of authentication. The Internet Banking supported transactions of deposits, loans, debt management and credit cards, interbank transfers, electricity payment bills, airline tickets, tuition payment, Topup, savings books, supporting the connect with General Department of Customs, supporting approval under multiple processes, Topup VietJet Air Agents, supporting additional function of card management and redeeming points. In addition, the system has also been adding facilities, such as user authentication by digital signatures, connecting with the General Department of Customs, HDSaison loans collection, direct payments for VietJet airfares, automatic alerts of suspicious transactions, automatic alerts for interbank transactions, shortening

the process of external money transfers, automating payment channels and reducing printing.

SMS banking system: Conducting 5,000 transactions/second to help customers manage information accounts in the most convenient way. In addition, the standby system has also been enhanced to ensure the continuous operation and minimize risks.

Mobile Banking system: Supporting most phones running operating system on the market, such as iOS, Android, Windows Mobile. The functions have been updated to meet the full range of features of the Internet Banking system

HRP system: Improving and ensuring the smooth operation of the current system, in collaboration with the Human Resources Division to develop requirements and evaluate new investment solutions.

Card system: Operating system is running smoothly, and coordinating implementation of salary payment package, co-branded card products and plans for upgrading the system of international card management.

Process management system: Improving working efficiency of the system, connecting the modules from online registration system and price evaluation to issue a report automatically.

Other application systems: Deploying additional functions for Contact Center, MM / FX online, centralized accounting management systems, thereby helping reduce costs and operational resources.

Number of customer using iBanking

96,452

Sales transaction via iBanking in 2015 (VND Million)

11,304,754

2016 Action Directions

Consolidating modern IT system to effectively support governance and development of products and services, the maximum automation of banking operation.

- *Developing IT human resources with qualified and high quality attributes. Building a professional IT team to meet the international standard on IT skills.*
- *To be skilled in the technology to ensure development widely and deeply, in quantity and quality, and increase efficiency, productivity of system operation. Promote the development of Ebanking channels products with platform on smartphones.*
- *Standardize the whole computer infrastructure (servers, workstations), the internet, connect devices towards virtualization and cloud computing, planning to ensure operation of general applications of HDBank.*
- *Upgrade Broadband Network system to ensure stable operations for application software systems focusing on Data Center System of the Bank, to meet operation requirements and inter-connected data between units.*
- *Complete rules and policies on information security, network security.*
- *Rehearsal for Disaster Prevention for Data center for all IT services, to ensure the availability of the system at a high level when the disaster (natural disasters, attacks, serious damage to the system) occurs.*

COMMUNITY ACTIVITIES

2015 Operation results

In 2015, operating in the difficult economic situation, HDBank maintains and regularly promotes community activities. We work closely with unions to implement internal movement activities and participate in activities launched by superior unions. We also actively participate in charitable initiatives in accordance with the HDBank annual plan, and care for employees, creating an enterprise culture characteristic of HDBank.

In particular, standard social welfare programs were implemented across the country in the past year, such as working with the government and the HCMC Association of Poor Patients to offer 10,000 health insurance cards for poor households nationwide, building houses of gratitude, providing a scholarship program, offering presents to poor communities, and visiting poor patient and elderly homes. In particular, for the HCMC Association for Poor Patients, HDBank funded VND 1.5 billion for these activities in 2015.

In 2016, we predict the economy will remain difficult, and the financial markets will face more complex challenges. However, 2016 will also bring several opportunities for HDBank to assert itself and reach strategic objectives. By continuing to support the Board of Directors and leadership team, HDBank will maintain and promote community initiatives to carry on the fine traditions of HDBank. Planning for community initiatives is always coordinated with the business operations of HDBank.





2016 Action directions

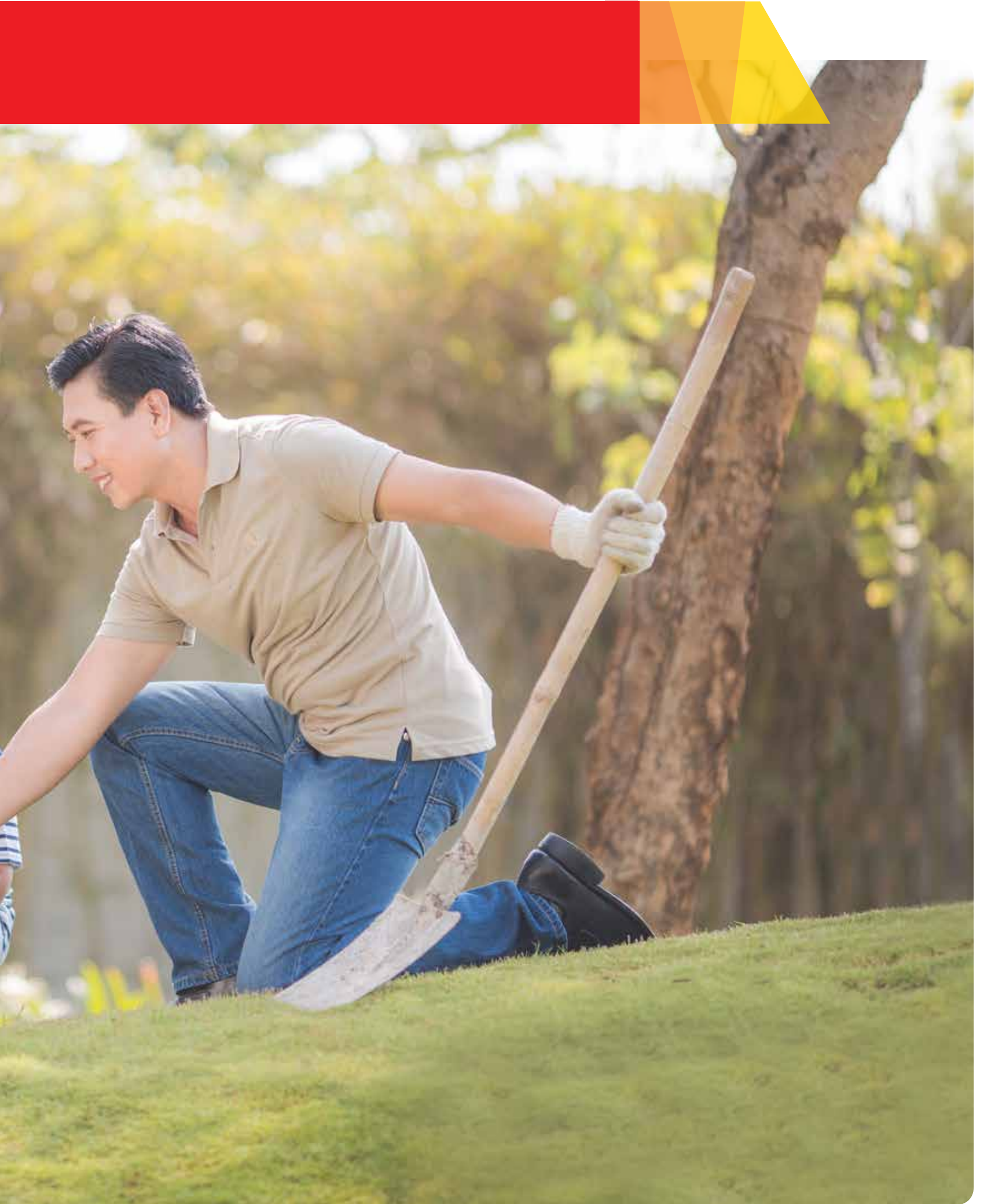
The 2016 key activities planned are as follows:

- Work with the local government and the HCMC Association of Poor Patients to offer 10,000 health insurance cards for poor households nationwide.
- Continue to build houses of charity and gratitude in provinces across the country.
- Continue to fund the HCMC Association of Poor Patients for community activities.
- Support people under the preferential treatment policy nationwide: wounded soldiers, poor children, children affected by Agent Orange.
- Implement the Annual Blood Donation Program within in the entire HDBank system.
- Offer scholarships for excellent students at universities and colleges across the country.
- Organize tours to return to traditional moral values and learn about the landscapes associated with ethnic historic breakthrough, which includes traditional history education for employees.
- Organize the HDBank International Chess Tournament, supporting young chess talent in the world.

With the motto **“Committed to your best returns”**, HDBank continues to implement community programs to share with the less fortunate people in society, to help them overcome the obstacles in life, rise up and integrate with the community.

2016 ACTION DIRECTIONS





2016 ECONOMIC OUTLOOK ASSESSMENT AND ACTION DIRECTIONS

2016 economic outlook

Continuing the trend of economic growth in 2015, the government has set a target economic growth rate of 6.7% in 2016 and a CPI growth rate of less than 5%, with exports increasing by 10% and the trade deficit not exceeding 5% of the exports. This means the Government believes that Vietnam's economy will continue to grow strongly and the macroeconomics will be stabilized this year. In addition, international organizations also made optimistic forecasts about the prospects for economic growth in Vietnam in 2016. In particular, the EIU research team of the economist magazine forecasts that GDP growth for Vietnam will reach approximately 7% in 2016.

With this growth rate, Vietnam is ranked ninth among countries with the fastest GDP growth rate. According to a forecast by the World Bank, the GDP growth rate of Vietnam will reach 6.6% in 2016 (close to the government target of 6.7%). According to the Economic Research of HSBC assessment, the growth target of 6.7% will be achieved by double digit export growth reflected in new investments. Domestic demand will continue to increase based on large personal expenses fueled by low interest rates.

Opportunities and challenges of integration

2015 marked an important turning point in international economic integration of Vietnam. Vietnam successfully negotiated a new generation of free trade agreements (TPP, AEC and EVFTA), which are not only constrained in terms of traditional trade, but also extend to the issues of economic institutions, such as the legal framework of intellectual property, state enterprises, investment, financial services and government procurement. This strengthens the development of opportunities for Vietnam in 2016, as well as creates a propulsive force for restructuring the economy. However, integration brings both opportunities and challenges for stakeholders. The integration process of Vietnam in recent decades has helped make achievements in economic growth, investments and exports, and improve incomes for workers. Greater openness signifies higher external risks, and worsens inherent risks. A lot of expectations were built when Vietnam joined the World Trade Organization, but massive capital flows into Vietnam without a flexibility in the monetary policy created a "bubble" in the real estate market and hyperinflation from 2007 to 2008.



Greater dependence on imports and foreign investment, along with weakness and waste of resources in State-owned enterprises, is a warning that Vietnam should not complacently participate in free trade agreements, such as TPP, AEC or EVFTA. At this time, the private sector in Vietnam has not yet grown to the same extent as enterprises with foreign investment. Private enterprises in Vietnam today are still mainly small and medium enterprises with size and performance disadvantages when compared to those with foreign investment. In particular, when the TPP takes effect, FDI is expected to increase, and coupled with the requirement of equal treatment between enterprises, domestic enterprises may face difficulties in competing in their own playground.

External difficulties

In addition to the integration process, the volatile world economic situation will significantly impact Vietnam.

- First, the US Federal Reserve increased the basic interest rate and suggested there would likely be four more interest rate increases in 2016.

This move not only affects the US economy, but also the global economy. One impact is the appreciation of the USD.

Because the VND is still anchored to the USD, prices will tend to increase when compared with other currencies, and this may negatively impact to exports, making the trade deficit worsen in 2016.

- Second, China's economy is forecasted to continue declining in 2016. Along with an unpredictable exchange rate policy, the Central Bank of China forced domestic policy makers to be more alert in every situation.

Exchange rate fluctuations of RMB/USD since August 11, 2015, showed signs of changing based on China's approach to directing the economy towards more liberalization. In particular, there is a strong possibility of the yuan continuing to depreciate against the dollar in 2016 as the currency was repeatedly devalued by almost 3% in the last two months.

- Third, the decrease in the price of crude oil price has been considered worldwide. It is quite possible oil prices will hit 20 USD/barrel at the end of 2016; in this event, revenues from crude oil will continue to decline, seriously threatening the balanced budget in the near future. This will force the government to consider tightening spending and restructuring expenses.



Operation of monetary policy of the State Bank of Vietnam in 2016

In 2016, the State Bank of Vietnam (SBV) remained steadfast in curbing inflation to remove challenges for businesses, and considered the VND to be more favorable than the USD.

During his address at the Vietnam Prospects Economic Workshop, the Deputy Governor of the State Bank Nguyen Thi Hong said that in 2016 the central bank would focus on regulating rational monetary policy. According to central bank representatives, while it was too early to discuss objectives and the specific direction, they could share the general direction of the central bank over the next few years.

Past results in macroeconomic management formed the basis for implementation of the 2016-2020 plan. In addition, as the Vietnamese economy has been strongly integrated into the global economy, the signed agreements creates many opportunities that we take benefit from.

Opportunities associated with the challenges

According to the Deputy Governor, the two biggest problems facing the economy are that aperture is too large and the total import-export turnover is above 100% of GDP, indicating a close relationship with the world.

Vietnam is the little boat in the sea. In the global economy, no country is immune to a global crisis, making running one's own economy very difficult.

Despite the challenges in the past year, the government has consistently restructured the economy from top to bottom; however, there exists difficulties when working capitals of businesses become dependent on the banking system. Balancing capital for economic development and the safety of banking operations is extremely difficult.

According to the Deputy Governor, curbing inflation remains a major target of the 2016 monetary policy in order to remove challenges for businesses. Specifically, the central bank strives to constantly improve the VND position by keeping inflation under control, and strengthening the VND against the USD concerning credit policies: the focus will be on the manufacturing sectors like agricultural business, export and high-tech applications.

In 2016, we continue to settle bad debt, and limit the incurrence of new bad debt, by improving legal documents related to bad debt, the liquidity of operations and internal risk governance.

Action plan of the Board of Directors

2016 promises important milestones - Vietnam officially becomes a member of the ASEAN Economic Community, signing of the TPP Agreement, the Party's and Government's determination and policies of continued restructuring and reforming the Vietnamese economy toward further integration and openness. These achievements will open more opportunities, but also pose challenges for the banking industry and, in particular, HDBank. Recognizing the opportunities and challenges of the domestic and international economies, the Board of Directors and Board of Management have identified the following initiatives for 2016:

Business targets in 2016 (consolidated):

Targets	2016 Plan	Increase(+)/ Decrease(-) compared to 2015
Total assets	125,784	18.12%
Charter capital	8,100	0%
Deposits mobilized from primary market	94,759	15.01%
Outstanding loans 1	86,150	28.24%
NPL ratio	<3%	<3%
Profit before tax	972	23.40%
Profit after tax	763	21.19%
ROA	0.66%	7.49%
ROE	9.43%	13.88%

Implementation measures

The Board of Directors focuses on leading the operations of the bank. The Board Members, through the Bank's Committees, closely monitors the assigned tasks in order to promptly resolve issues and support the Board of Management in achieving their objectives:

- Develop revenues and reduce costs as efficiently as possible; identify solutions to enhance mobilization of mid- and long-term credit capital; develop diversified new products; increase the proportion of revenue from services and investment activities.
- Continue to strengthen risk management and settle NPL, minimize credit risk, maintain the NPL ratio within the limit allowed by the State Bank, build measures to prevent and mitigate operational risks, in particular, risks associated with staff ethics, and fully comply with the provisions of the law in the banking operations.
- Continue to perfect the Bank's organizational model aiming at stronger business departments and more compact administrative apparatus.
- Continue to lead the implementation of the network development plan submitted to the State Bank (branches and transaction offices in the country and the world), maximize the potential of the domestic market and expand into the international market based on the effective application of modern management methods.
- Organize and facilitate training of key employees and managers in banking management, strengthen and standardize training programs to improve the quality of human resources, promote human resources development by enhancing the work environment and corporate culture, thereby retaining and attracting new talent.
- Develop IT to increase productivity of operational staff, diversify products, develop services and use modern technology to improve the competitiveness and management capacity of the modern bank.
- Develop the banking strategy for the 2017-2021 period and report to the General Meeting of Shareholders in 2017 as follows:
 - + Establishing HDBank as a versatile commercial bank which offers excellent products and services in retail banking, personal customers, and small and medium enterprise customers (who are expected to account for approximately 60% of operating revenues) with an efficiently operating international network and a brand trusted by consumers. Based on this direction, HDBank will focus on four objectives: financial strategy, human resources development, modernization of banking technology, and risk management .
 - + Key measures: expand the scope and scale of HDBank operations based on effective quality and sustainable development, strengthen cooperation with domestic and international financial institutions to maximize mid- and long-term capital, and attract and facilitate foreign strategic partners to engage in banking operations through the issuance of new securities and listing on the stock market when conditions are favorable.



INDEPENDENT AUDITORS' REPORT

General Information

Report of Management

Consolidated Balance Sheet

Consolidated Income Statement

Consolidated Cash Flow Statement

Notes to the Consolidated Financial Statements



“ HDBank will continue its great success story by continuously improving and innovating its financial products and services for individuals and enterprises, on a platform committed to bringing the highest benefit to the customers, partners, shareholders and community ”



Ho Chi Minh City Development Bank

GENERAL INFORMATION

THE BANK

Ho Chi Minh City Development Bank (“the Bank”) is a commercial joint stock bank incorporated in the Socialist Republic of Vietnam.

The Bank was established and operates in accordance with 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.

Principal activities

The Bank’s principal activities are to provide banking services including mobilizing 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; providing settlement services and other banking services as allowed by the SBV.

Operation network

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 2015, the Bank had one (1) Head Office, one (1) representative office in the Northern area, fifty one (51) branches, one hundred and sixty seven (167) transaction offices located in cities and provinces throughout Vietnam.

Subsidiaries

As at 31 December 2015, the Bank had two (2) subsidiaries as follows:

No.	Company name	Business Registration Certificate No.	Sector	Ownership of the Bank
1	Ho Chi Minh City Development Commercial Joint Stock Bank Asset Management Company	3602376446 dated 13 September 2010 issued by the Department of Planning and Investment of Dong Nai Province, amended for the sixth time on 13 January 2015	Finance/ Banking	100%
2	HD SAISON Finance Co., Ltd (“HD SAISON”), previously known as Ho Chi Minh City Development Commercial Joint Stock Bank Finance Co., Ltd	0304990133 issued by the Department of Planning and Investment on 13 July 2007, amended for the tenth time on 10 April 2015	Finance/ Banking	50%

The SBV issued Official Letter No.9647/NHNN-TTGSNH dated 25 December 2014 to approve the Bank to dispose 50% equity interest in HD Finance and change the legal form of HD Finance from one member limited liability company to limited liability company with two or more members. As at 31 December 2015, the Bank completed its divestment of 50% equity interest in HD Finance to an investor.

The SBV issued Official Letter No. 2006/NHNN-TTGSNH dated 31 March 2015 to prescribe directions related to the organization and operation of the HD SAISON. Accordingly, within three years from the effective date of the joint venture contract, the Bank manages HD SAISON Finance Co., Ltd as a subsidiary in compliance with prevailing regulations.

Ho Chi Minh City Development Bank

GENERAL INFORMATION (continued)

BOARD OF DIRECTORS

Members of the Board of Directors during the year and at the date of these consolidated financial statements are as follows:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Ms. Le Thi Bang Tam	Chairwoman	27 April 2012
Ms. Nguyen Thi Phuong Thao	Standing Vice Chairwoman	27 April 2012
Mr. Luu Duc Khanh	Vice Chairman	27 April 2012
Mr. Diep Dung	Vice Chairman	27 April 2012
Mr. Luu Van Son	Member	27 April 2012
Mr. Nguyen Huu Dang	Member	27 April 2012
Mr. Chu Viet Cuong	Member	24 April 2014
Ms. Nguyen Thi Tam	Independent Member	26 April 2013
Mr. Lim Peng Khoon	Independent Member	24 April 2014

BOARD OF SUPERVISORS

Members of the Board of Supervisors during the year and at the date of these consolidated financial statements are as follows:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Mr. Dao Duy Tuong	Chief Supervisor	31 December 2010
Ms. Nguyen Thi Phung	Member	23 July 2008
Ms. Nguyen Thi Tich	Member	26 April 2013

BOARD OF MANAGEMENT, CHIEF FINANCIAL OFFICER AND CHIEF ACCOUNTANT

Members of the Board of Management, Chief Financial Officer and Chief Accountant during the year and at the date of these consolidated financial statements are as follows:

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Mr. Nguyen Huu Dang	General Director	22 October 2010
Ms. Nguyen Doan Duy Ai	Deputy General Director	15 August 2007
Mr. Pham Quoc Thanh	Deputy General Director	11 March 2013
Mr. Nguyen Minh Duc	Deputy General Director	30 December 2013
Mr. Le Thanh Tung	Deputy General Director	16 September 2009
Mr. Pham Thien Long	Deputy General Director	5 April 2011
Mr. Le Thanh Trung	Deputy General Director	15 February 2012
Mr. Tran Hoai Nam	Deputy General Director	27 February 2012
Mr. Le Xuan Vu	Deputy General Director	18 January 2013
Mr. Tran Thai Hoa	Deputy General Director	27 May 2015
Mr. Pham Van Dau	Chief Financial Officer	16 September 2009
Ms. Ho Dang Hoang Quyen	Chief Accountant	7 July 2011

LEGAL REPRESENTATIVE

The legal representative of the Bank for the financial year ended 31 December 2015 and at the date of consolidated financial statement is Mr. Nguyen Huu Dang, General Director.

AUDITORS

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

Ho Chi Minh City Development Bank

REPORT OF MANAGEMENT

The Board of Management of Ho Chi Minh City Development Bank (“the Bank”) is pleased to present its report and the consolidated financial statements of the Bank and its subsidiaries for the financial year ended 31 December 2015.

THE BOARD OF MANAGEMENT’S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Management is responsible for the consolidated financial statements, which give a true and fair view of the consolidated financial position, the consolidated income statement and their consolidated cash flows of the Bank and its subsidiaries. In preparing those consolidated financial statements, the Board of Management is required to:

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

The Board of Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the consolidated financial position of the Bank and its subsidiaries and to ensure that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Bank and its subsidiaries and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Management commits to comply with the above requirements in preparing the accompanying consolidated financial statements.

STATEMENT BY THE BOARD OF MANAGEMENT

The Board of Management does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2015 and of the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting system for credit institutions, regulations stipulated by the State Bank of Vietnam and statutory requirement relevant to preparation and presentation of consolidated financial statements.

On behalf of The Board of Management:



Mr. Nguyen Huu Dang
General Director

Ho Chi Minh City, Vietnam

29 April 2016

Ho Chi Minh City Development Bank

CONSOLIDATED BALANCE SHEET
as at 31 December 2015

B02/TCTD-HN

	Notes	31 December 2015 VND million	31 December 2014 VND million
ASSETS			
Cash and gold	6	1,472,407	818,918
Balances with the State Bank of Vietnam	7	2,742,385	2,408,922
Due from and loans to other credit institutions		11,994,220	16,834,982
Due from other credit institutions	8.1	6,779,815	9,922,400
Loans to other credit institutions	8.2	5,318,025	6,919,583
Provision for credit losses	8.1	(103,620)	(7,001)
Trading securities	9	916,034	936,975
Trading securities		922,956	936,975
Provision for diminution in value of trading securities		(6,922)	-
Derivatives and other financial assets	10	39,044	3,501
Loans and advances to customers		55,853,240	41,375,922
Loans and advances to customers	11	56,558,835	41,859,528
Provision for credit losses	13	(705,595)	(483,606)
Purchased debts	12	5,489	145,373
Purchased debts		8,690	145,373
Provision for credit losses of purchased debts		(3,201)	-
Investment securities		21,197,715	24,472,021
Available-for-sale investment securities	14.1	16,705,365	21,348,726
Held-to-maturity investment securities	14.2	5,011,604	3,307,347
Provision for investment securities	14.4	(519,254)	(184,052)
Long-term investments		419,118	228,538
Other long-term investments	15.1	530,192	249,632
Provision for long-term investments	15.2	(111,074)	(21,094)
Fixed assets		805,214	527,398
<i>Tangible fixed assets</i>	<i>16.1</i>	<i>518,828</i>	<i>310,928</i>
Cost		911,585	634,879
Accumulated depreciation		(392,757)	(323,951)
<i>Intangible fixed assets</i>	<i>16.2</i>	<i>286,386</i>	<i>216,470</i>
Cost		423,978	329,101
Accumulated amortization		(137,592)	(112,631)
Investment properties	17	64,838	-
Cost		64,984	-
Accumulated depreciation		(146)	-
Other assets		10,976,231	11,772,050
Receivables	18.1	7,651,409	8,669,527
Interest and fees receivable	18.2	1,916,536	1,892,784
Deferred corporate income tax assets	25.2	23,636	21,631
Other assets	18.3	1,423,639	1,208,122
<i>In which: Goodwill</i>	<i>5</i>	<i>45,140</i>	<i>51,921</i>
Provision for other assets	18.5	(38,989)	(20,014)
TOTAL ASSETS		106,485,935	99,524,600

Ho Chi Minh City Development Bank

CONSOLIDATED BALANCE SHEET(continued)
as at 31 December 2015

B02/TCTD-HN

	Notes	31 December 2015 VND million	31 December 2014 VND million
LIABILITIES			
Borrowings from the Government and the State Bank of Vietnam	19	2,488,321	184,195
Due to and borrowings from other credit institutions	20	6,594,931	19,506,707
Deposits from other credit institutions	20.1	3,031,471	9,550,113
Borrowings from other credit institutions	20.2	3,563,460	9,956,594
Due to customers	21	74,542,719	65,411,575
Grants, entrusted funds and loans exposed to risks	22	2,822,563	42,792
Valuable papers issued	23	7,847,000	3,580,000
Other liabilities		2,348,722	1,600,488
Interest and fees payable	24.1	1,744,418	1,216,852
Other payables	24.2	604,304	383,636
TOTAL LIABILITIES		96,644,256	90,325,757
OWNERS' EQUITY			
Capital		8,104,686	8,104,686
Charter capital		8,100,000	8,100,000
Fund for capital expenditure		89	89
Share premium		4,599	4,599
Treasury shares		(2)	(2)
Reserves		378,601	255,813
Retained earnings		909,128	513,550
TOTAL OWNERS' EQUITY	26.1	9,392,415	8,874,049
Non-controlling interest	26.1	449,264	324,794
TOTAL LIABILITIES AND OWNERS' EQUITY		106,485,935	99,524,600

Ho Chi Minh City Development Bank

CONSOLIDATED BALANCE SHEET(continued)
as at 31 December 2015

B02/TCTD-HN

OFF BALANCE SHEET ITEMS

	Notes	31 December 2015 VND million	31 December 2014 VND million
Guarantees for borrowings		12,062	10,700
Foreign exchange commitments		7,716,776	4,834,117
- <i>Buying foreign currencies</i>		1,590,000	2,370,928
- <i>Selling foreign currencies</i>		1,789,655	1,291,694
- <i>Swap transactions</i>		4,337,121	1,171,495
Letters of credit commitments		1,184,843	1,425,431
Other guarantees		1,924,973	1,767,888
Total	40	10,838,654	8,038,136

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

29 April 2016

Ho Chi Minh City Development Bank

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2015

B03/TCTD-HN

	Notes	2015 VND million	2014 VND million
Interest and similar income	28	7,922,478	6,298,131
Interest and similar expenses	29	(4,677,768)	(4,668,988)
Net interest and similar income		3,244,710	1,629,143
Fees and commission income		234,104	195,762
Fees and commission expenses		(45,997)	(69,422)
Net gain from fees and commission	30	188,107	126,340
Net gain from foreign currencies and gold trading	31	25,761	42,133
Net (loss)/gain from dealing of trading securities	32	(4,238)	80,461
Net gain from dealing of investment securities	33	48,787	474,637
Other operating income		78,663	84,405
Other operating expenses		(59,092)	(37,381)
Net other operating income	34	19,571	47,024
Income from long-term investments	35	609,939	499,084
TOTAL OPERATING INCOME		4,132,637	2,898,822
Personnel expenses		(1,008,069)	(740,441)
Depreciation and amortization charges		(104,258)	(115,665)
Other operating expenses		(1,297,257)	(964,029)
TOTAL OPERATING EXPENSES	36	(2,409,584)	(1,820,135)
Net operating profit before credit loss expense		1,723,053	1,078,687
Credit loss expense	13	(934,619)	(456,469)
PROFIT BEFORE TAX		788,434	622,218
Current corporate income tax expense	25.1	(160,328)	(145,543)
Deferred corporate income tax	25.2	2,005	202
Total corporate income tax expense		(158,323)	(145,341)
NET PROFIT FOR THE YEAR		630,111	476,877
<i>Attributable to:</i>			
- Common shareholders of the Bank		513,037	476,877
- Non-controlling interest	26.1	117,074	-
Basic earnings per share (VND/share)	27	633	585

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, Viet Nam

29 April 2016

Ho Chi Minh City Development Bank

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2015

B04/TCTD-HN

	Notes	2015 VND million	2014 VND million
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and similar receipts		8,040,541	6,172,248
Interest and similar payments		(4,160,384)	(4,428,695)
Net receipts from fees and commission		188,107	126,340
Net receipts from securities trading, gold and foreign currencies		113,220	460,544
Other operating income		15,597	16,765
Recovery of bad debts previously written-off	34	20,036	30,322
Payments to employees and other operating expenses		(2,188,303)	(1,731,196)
Corporate income tax paid during the year	25.1	(201,584)	(48,161)
Net operating cash flows from operating activities before changes in operating assets and liabilities		1,827,230	598,167
Changes in operating assets			
Decrease in due from and loans to other credit institutions		2,533,014	93,277
Decrease/(Increase) in investment securities		2,886,109	(10,097,825)
Increase in loans and advances to customers		(15,187,260)	(636,273)
Increase in derivatives and other financial assets		(35,543)	(1,654)
Decrease/(increase) in purchased debts		136,683	(145,373)
Increase in provisions for writing-off of loans, investment securities, long-term investments	12, 13	(327,385)	(225,328)
Decrease in other assets		10,180	4,779,559
Changes in operating liabilities			
Increase in borrowings from the Government and the SBV		2,304,126	56,021
(Decrease)/increase in due to and borrowings from other credit institutions		(12,911,776)	8,217,391
Increase in due to customers		9,131,144	3,027,642
Increase/(decrease) in grants, entrusted funds and loans exposed to risks		2,779,771	(73,318)
Increase in valuable papers issued		4,267,000	1,077,000
Increase in other operating liabilities		245,202	59,159
Use of bonus and welfare fund		(3,816)	(11,155)
Net cash (used in)/from operating activities		(2,345,321)	6,717,290

Ho Chi Minh City Development Bank

CONSOLIDATED CASH FLOW STATEMENT (continued)
for the year ended 31 December 2015

B04/TCTD-HN

	Notes	2015 VND million	2014 VND million
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	16,17	(432,025)	(53,774)
Proceeds from disposals of fixed assets		1,257	12,519
Payments for investing in other entities		(27,700)	(10,000)
Proceeds from investing in other entities		1,501,973	46,760
Dividends received and profit from long-term investments	35	77,639	44,738
Net cash from investing activities		1,121,144	40,243
CASH FLOWS FROM FINANCING ACTIVITY			
Dividends paid	26.3	-	(175,283)
Cash used in financing activity		-	(175,283)
Net (decrease)/increase in cash and cash equivalents during the year		(1,224,177)	6,582,250
Cash and cash equivalents at the beginning of the year		15,293,239	8,710,989
Cash and cash equivalents at the end of the year	37	14,069,062	15,293,239

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

29 April 2016

Ho Chi Minh City Development Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2015

B05/TCTD-HN

1. CASH AND GOLD

	31 December 2015 VND million	31 December 2014 VND million
Cash on hand in VND	639,509	538,926
Cash on hand in foreign currencies	820,147	265,291
Gold	12,751	14,701
	1,472,407	818,918

2. BALANCES WITH THE STATE BANK OF VIETNAM

	31 December 2015 VND million	31 December 2014 VND million
In VND	2,493,820	984,269
In USD	248,565	1,424,653
	2,742,385	2,408,922

Balances with the State Bank of Vietnam include settlement and compulsory deposits. During the year, compulsory deposits in VND and settlement deposits in foreign currencies earn interest at rates of 1.20% p.a. and 0.05% p.a., respectively.

The Bank and its subsidiaries should maintain monthly reserve balances with the SBV which are calculated by multiplying previous month average deposit balances and compulsory deposit rates. The compulsory deposit rates at the year-end are as follows:

	<i>Compulsory deposit rates</i>	
	<i>Current year</i>	<i>Previous year</i>
Demand deposits and term deposits with maturity term less than 12 months in VND	3.00%	3.00%
Term deposits with maturity term from 12 months and above in VND	1.00%	1.00%
Demand deposits and term deposits with maturity term less than 12 months in foreign currencies	8.00%	8.00%
Term deposits with maturity term from 12 months and above in foreign currencies	6.00%	6.00%

During the year, the Bank has complied with the notifications of the SBV regarding compulsory deposits.

Ho Chi Minh City Development Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2015

B05/TCTD-HN

3. DUE FROM AND LOANS TO OTHER CREDIT INSTITUTIONS

3.1 Due from other credit institutions

	31 December 2015 VND million	31 December 2014 VND million
Demand deposits		
- In VND	68,676	67,414
- In foreign currencies	795,961	1,342,557
Term deposits		
- In VND	4,553,620	8,130,001
- In foreign currencies	1,361,558	382,428
	6,779,815	9,922,400
Provision for credit loss	(103,620)	(7,001)
	6,676,195	9,915,399

Changes in provision of due from other credit institutions during the years are as follows:

	2015 VND million	2014 VND million
Beginning balance	7,001	13,055
Provision charged during the year	97,620	-
Reversal of provision during the year	(1,001)	(6,054)
Ending balance	103,620	7,001

Annual interest rates of term deposits at other credit institutions at the year-end are as follows:

	31 December 2015	31 December 2014
In VND	3.90% - 5.70%	3.40% - 5.00%
In foreign currencies	0.70% - 1.20%	0.40% - 0.50%

3.2 Loans to other credit institutions

	31 December 2015 VND million	31 December 2014 VND million
Current loan		
- In VND	4,934,950	6,465,195
<i>In which:</i>		
<i>discounted and re-discounted loan</i>	89,950	479,195
- In foreign currency	383,075	454,388
	5,318,025	6,919,583

Ho Chi Minh City Development Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2015

B05/TCTD-HN

Annual interest rates of loans to other credit institutions at the year-end are as follows:

	31 December 2015	31 December 2014
In VND	4.30% - 11.00%	3.50% - 11.00%
In foreign currencies	0.60% - 1.00%	1.20% - 1.50%

4. TRADING SECURITIES

	31 December 2015 VND million	31 December 2014 VND million
Debt securities		
Unlisted debt securities issued by local business entities	922,956	936,975
Provision for diminution in value of trading securities		
General provision	(6,922)	-
	916,034	936,975

5. DERIVATIVES AND OTHER FINANCIAL ASSETS

	Total contract value (using exchange rate at the contract date) VND million	Total carrying value (using exchange rate at balance sheet date)	
		Assets VND million	Liabilities VND million
Currency derivative financial instruments as at 31 December 2015			
Forward contracts	4,347,810	17,556	7,384
Swap contracts	1,996,203	28,872	-
Total	6,344,013	46,428	7,384
Net amount		39,044	
Currency derivative financial instruments as at 31 December 2014			
Forward contracts	1,826,966	3,853	-
Swap contracts	589,780	-	352
Total	2,416,746	3,853	352
Net amount		3,501	

Ho Chi Minh City Development Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2015

B05/TCTD-HN

6. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2015 VND million	31 December 2014 VND million
Loans to local economic entities and individuals	53,810,428	40,290,314
Loans for discounted commercial notes and valuable papers	2,298,677	1,278,735
Overdraft and loans to credit card holders	422,799	260,893
Loans to foreign economic entities and individuals	26,931	29,586
	<u>56,558,835</u>	<u>41,859,528</u>

6.1 Analysis of loans by quality

	31 December 2015 VND million	31 December 2014 VND million
Current	54,474,049	40,126,950
Special mention	1,187,695	877,743
Substandard	288,405	190,265
Doubtful	335,861	146,697
Loss	272,825	517,873
	<u>56,558,835</u>	<u>41,859,528</u>

6.2 Analysis of loans by original terms

	31 December 2015 VND million	31 December 2014 VND million
Short-term loans	22,060,108	18,887,951
Medium-term loans	20,162,349	14,448,355
Long-term loans	14,336,378	8,523,222
	<u>56,558,835</u>	<u>41,859,528</u>

Ho Chi Minh City Development Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2015

B05/TCTD-HN

6.3 Analysis of loans by type of customers and ownership

	31 December 2015		31 December 2014	
	VND million	%	VND million	%
Corporate loans	28,970,400	51.22	21,598,347	51.59
Other joint-stock companies	15,852,643	28.03	10,241,394	24.47
Other limited liability companies	9,552,151	16.89	8,008,157	19.13
100% State limited liability companies	850,032	1.50	1,049,172	2.51
Private companies	730,956	1.29	541,356	1.29
Family household business	692,517	1.22	728,504	1.74
Other State-owned enterprises	604,735	1.07	592,891	1.42
Foreign invested enterprises	422,873	0.75	177,284	0.42
State joint stock companies	182,910	0.32	163,193	0.39
Co-operatives	17,106	0.03	13,337	0.03
State and administrative unit of government	10,104	0.02	46,530	0.11
Foreign joint venture enterprises	5,690	0.01	1,399	0.00
Partnerships	96	0.00	1,890	0.00
Others	48,587	0.09	33,240	0.08
Individual loans	27,588,435	48.78	20,261,181	48.41
				100.0
	56,558,835	100.00	41,859,528	0

6.4 Analysis of loans by currency

	31 December 2015		31 December 2014	
	VND million	%	VND million	%
In VND	53,607,590	94.78	39,871,862	95.25
In foreign currency and gold	2,951,245	5.22	1,987,666	4.75
	56,558,835	100.00	41,859,528	100.00

Ho Chi Minh City Development Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2015

B05/TCTD-HN

6.5 Analysis of loans by industry

	31 December 2015		31 December 2014	
	VND million	%	VND million	%
Household work, production and consumer services	28,172,385	49.81	14,056,153	33.59
Constructions	5,000,975	8.84	3,089,057	7.38
Agricultural, forestry and aquaculture	3,795,381	6.71	2,001,536	4.78
Processing industry	2,124,555	3.76	2,844,206	6.79
Electricity, gas and water supply/distribution	2,016,680	3.57	1,480,328	3.54
Wholesale and retail trade, repair of motor vehicles, motorcycles	1,986,680	3.51	1,663,391	3.97
Real estate business	1,557,967	2.75	1,141,046	2.73
Hotel and restaurant	1,526,513	2.70	1,131,975	2.70
Transportation and warehousing	1,011,046	1.79	735,733	1.76
Financial, banking and insurance services	830,885	1.47	445,451	1.06
State governance and national defense, Communist Party, unions, social obligations	549,748	0.97	170,520	0.41
Administrations and supporting services	511,028	0.90	510,152	1.22
Science and technology activities	300,358	0.53	141,664	0.34
Education and training	220,737	0.39	297,998	0.71
Media and communications	218,271	0.39	888,072	2.12
Mining industry	125,504	0.22	262,782	0.63
Health care and social relief activities	85,088	0.15	68,506	0.16
Art and entertainment services	63,454	0.11	21,957	0.05
Water supplies and waste treatment	28,736	0.05	6,156	0.01
Other services	6,432,844	11.37	10,902,845	26.05
	56,558,835	100.00	41,859,528	100.00

Annual interest rates of loans and advances to customer at the year-end are as follows:

	31 December 2015	31 December 2014
Commercial loans		
- In VND	1.70% - 25.00%	1.50% - 24.50%
- In foreign currencies	2.00% - 6.00%	2.20% - 8.75%
- In gold	8.50%	7.00% - 7.50%

Ho Chi Minh City Development Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2015

B05/TCTD-HN

7. PURCHASED DEBTS

	31 December 2015 VND million	31 December 2014 VND million
Purchased debts in VND	8,690	145,373
Provision for purchased debts	(3,201)	-
	5,489	145,373

Balances and interest of the purchased debts are as follows:

	31 December 2015 VND million	31 December 2014 VND million
Loan balances purchased	11,383	133,563
Interest of purchased debts	-	15,391
	11,383	148,954

Changes in provision for purchased debts for the year 2015 are as follows:

	Specific provision VND million	General provision VND million	Total VND million
Beginning balance	-	-	-
Provision charged during the year	43,004	-	43,004
Provision used to VAMC	(39,803)	-	(39,803)
Ending balance	3,201	-	3,201

8. PROVISION FOR CREDIT LOSSES

Changes in provision for credit losses during the year 2015 are as follows:

	Specific provision VND million	General provision VND million	Total VND million
Beginning balance	208,978	274,628	483,606
Provision charged during the period	360,624	126,321	486,945
Provision used to VAMC	(180,012)	-	(180,012)
Provision used to credit loss	(77,773)	-	(77,773)
Balance as at 30 November 2015	311,817	400,949	712,766
Provision charged in December	19,553	3,073	22,626
Provision used to credit loss in December	(29,797)	-	(29,797)
Ending balance	301,573	404,022	705,595

Ho Chi Minh City Development Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2015

B05/TCTD-HN

9. INVESTMENT SECURITIES

9.1 Available-for-sale securities

	31 December 2015 VND million	31 December 2014 VND million
Debt securities		
Issued by the Government	10,109,405	12,175,520
Issued by other local credit institutions	210,000	210,000
Issued by domestic economic entities	6,185,999	8,409,248
	16,505,404	20,794,768
Equity securities		
Issued by domestic economic entities	199,961	439,598
Issued by other local credit institutions	-	114,360
	199,961	553,958
	16,705,365	21,348,726
Provision for available-for-sale securities		
- Provision for diminution in value	(81,492)	(115,526)
- General provision	(50,634)	(63,012)
Net amount	16,573,239	21,170,188

9.2 Held-to-maturity securities

	31 December 2015 VND million	31 December 2014 VND million
Bonds issued by domestic economic entities -		
Unlisted	3,511,592	2,807,335
- <i>Special bonds issued by VAMC</i>	3,012,652	2,510,680
- <i>Corporate bonds</i>	498,940	296,655
Government bonds - Unlisted	12	12
Bonds issued by other local credit institutions -		
Unlisted	1,500,000	500,000
	5,011,604	3,307,347
Provision for held-to-maturity securities		
- General provision	(3,740)	(5,514)
- Special bonds provision	(383,388)	-
Net amount	4,624,476	3,301,833

Ho Chi Minh City Development Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2015

B05/TCTD-HN

10. FIXED ASSETS

10.1 Tangible fixed assets

	<i>Buildings and structures VND million</i>	<i>Machinery and equipment VND million</i>	<i>Vehicles VND million</i>	<i>Office equipment VND million</i>	<i>Other fixed assets VND million</i>	<i>Total VND million</i>
Cost						
As at 31 December 2014	185,808	134,119	144,188	163,434	7,330	634,879
Newly purchased	185,403	18,487	23,997	62,320	2,001	292,208
Disposals	(2,959)	(936)	(5,596)	(1,921)	(90)	(11,502)
Transfer to intangible fixed asset	(2,700)	-	-	-	-	(2,700)
Transfer to investment properties	(1,300)	-	-	-	-	(1,300)
As at 31 December 2015	<u>364,252</u>	<u>151,670</u>	<u>162,589</u>	<u>223,833</u>	<u>9,241</u>	<u>911,585</u>
Accumulated depreciation						
As at 31 December 2014	45,985	75,276	77,041	121,548	4,101	323,951
Charged for the year	11,874	19,623	18,780	27,356	1,516	79,149
Disposals	(2,859)	(913)	(5,090)	(1,416)	(65)	(10,343)
As at 31 December 2015	<u>55,000</u>	<u>93,986</u>	<u>90,731</u>	<u>147,488</u>	<u>5,552</u>	<u>392,757</u>
Net book value						
As at 31 December 2014	<u>139,823</u>	<u>58,843</u>	<u>67,147</u>	<u>41,886</u>	<u>3,229</u>	<u>310,928</u>
As at 31 December 2015	<u>309,252</u>	<u>57,684</u>	<u>71,858</u>	<u>76,345</u>	<u>3,689</u>	<u>518,828</u>

Cost of fully depreciated tangible fixed assets that are still in use as at 31 December 2015 is VND133,590 million (as at 31 December 2014: VND87,417 million).

Ho Chi Minh City Development Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2015

B05/TCTD-HN

10.2 Intangible fixed assets

	<i>Definite-term land use rights VND million</i>	<i>Indefinite-term land use rights VND million</i>	<i>Computer software VND million</i>	<i>Other assets VND million</i>	<i>Total VND million</i>
Cost					
As at 31 December 2014	7,198	161,598	158,813	1,492	329,101
Newly purchased	9,615	70,427	21,838	226	102,106
Transferred from tangible fixed asset	2,700	-	-	-	2,700
Transfer to investment properties	-	(9,071)	-	-	(9,071)
Other decrease	-	-	(858)	-	(858)
As at 31 December 2015	<u>19,513</u>	<u>222,954</u>	<u>179,793</u>	<u>1,718</u>	<u>423,978</u>
Accumulated amortization					
As at 31 December 2014	854	-	110,577	1,200	112,631
Charged for the year	386	-	24,439	138	24,963
Other decrease	-	-	(2)	-	(2)
As at 31 December 2015	<u>1,240</u>	<u>-</u>	<u>135,014</u>	<u>1,338</u>	<u>137,592</u>
Net book value					
As at 31 December 2014	<u>6,344</u>	<u>161,598</u>	<u>48,236</u>	<u>292</u>	<u>216,470</u>
As at 31 December 2015	<u>18,273</u>	<u>222,954</u>	<u>44,779</u>	<u>380</u>	<u>286,386</u>

Cost of fully depreciated intangible fixed assets that are still in use as at 31 December 2015 is VND52,238 million (as at 31 December 2014: VND50,091 million).

Ho Chi Minh City Development Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2015

B05/TCTD-HN

11. INVESTMENT PROPERTIES

Investment properties including land use rights with indefinite-terms and buildings which were acquired by Ho Chi Minh City Development Commercial Joint Stock Bank Asset Management Company from bidding the foreclosed assets. The fair value of investment properties was not officially assessed and determined as at 31 December 2015. However, those properties are held for the purpose of earning rental income or for the capital appreciation. The Board of Management believes that the fair value of investment properties was greater than their book value at the balance sheet date.

	<i>Buildings and structures VND million</i>	<i>Land use rights VND million</i>	<i>Total VND million</i>
Cost			
As at 31 December 2014	-	-	-
Newly purchased	8,659	29,052	37,711
Transferred from advances for acquisitions of fixed assets	564	16,338	16,902
Transferred from fixed assets	1,300	9,071	10,371
As at 31 December 2015	<u>10,523</u>	<u>54,461</u>	<u>64,984</u>
Accumulated depreciation			
As at 31 December 2014	-	-	-
Charged for the year	146	-	146
Other decrease	-	-	-
As at 31 December 2015	<u>146</u>	<u>-</u>	<u>146</u>
Net book value			
As at 31 December 2014	<u>-</u>	<u>-</u>	<u>-</u>
As at 31 December 2015	<u>10,377</u>	<u>54,461</u>	<u>64,838</u>

Ho Chi Minh City Development Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2015

B05/TCTD-HN

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

	31 December 2015 VND million	31 December 2014 VND million
Borrowing from the SBV by Open Market (i)		
- Loan pledged by valuable papers	2,233,966	-
Asian Development Bank (ii)	27,305	33,072
Japan Bank of International Cooperation (iii)	227,050	151,123
	2,488,321	184,195

(i) This is a borrowing from the SBV pledged by valuable papers with face value of VND2,284,000 million. The loan bears interest of 5% per annum and has term from fourteen (14) to fifty-six (56) days. The Bank has repaid the loan fully at the date of the consolidated financial statements.

(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 VND68,000 million. The borrowings have a term of 20 years from 6 January 2004 and bear interest at rate 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.

13. DUE TO AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

	31 December 2015 VND	31 December 2014 VND
Due to other credit institutions	3,031,471	9,550,113
Borrowings from other credit institutions	3,563,460	9,956,594
	6,594,931	19,506,707

13.1 Due to other credit institutions

	31 December 2015 VND	31 December 2014 VND
Demand deposits		
In VND	8,916	55,891
Term deposits		
In VND	2,814,600	8,304,446
In foreign currencies	207,955	1,189,776
	3,031,471	9,550,113

Ho Chi Minh City Development Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2015

B05/TCTD-HN

Annual interest rates applicable to due to other credit institutions at the year-end are as follows:

	31 December 2015	31 December 2014
Demand deposits in VND	0.70%	0.70%
Term deposits in VND	4.40% - 5.20%	3.00% - 6.30%
Term deposits in foreign currencies	0.30% - 0.70%	0.20% - 1.30%

13.2 Borrowings from other credit institutions

	31 December 2015 VND million	31 December 2014 VND million
Borrowings from local credit institutions in VND	3,070,000	6,586,786
Borrowings from credit institutions in foreign currencies	493,460	3,369,808
	3,563,460	9,956,594

Borrowings from other credit institutions have maximum terms of 12 months with interest rate in range from 5.00% p.a to 7.00% p.a. In which, the borrowings from Joint Stock Commercial Bank for Foreign Trade of Vietnam with total value of VND1,055,000 million is guaranteed by Government Bond and Bonds issued by Vietnam Development Bank with total face value of VND2,145,000 million. Remaining borrowings from other credit institutions are unsecured borrowings.

Ho Chi Minh City Development Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2015

B05/TCTD-HN

14. DUE TO CUSTOMERS

14.1 Analysis by products

	31 December 2015VND million	31 December 2014VND million
Demand deposits	5,613,538	4,432,950
Demand deposits in VND	4,774,031	4,128,750
Demand savings deposits in VND	13,948	380
Demand deposits in foreign currencies	825,084	303,220
Demand saving deposits in foreign currencies	475	590
Term deposits	68,165,298	60,224,194
Term deposits in VND	16,920,185	17,508,040
Term savings deposits in VND	48,985,795	40,551,100
Term deposits in foreign currencies	260,734	591,970
Term savings deposits in foreign currencies	1,998,584	1,573,080
Deposits for specific purposes	374,970	221,200
In VND	230,394	218,770
In foreign currencies	144,576	2,420
Margin deposits	227,850	147,690
In VND	174,161	56,980
In foreign currencies	53,689	90,710
Other amounts owing to customers	161,063	385,520
Other savings deposits	161,063	385,520
	74,542,719	65,411,570

Annual interest rates applicable to customer deposits at the year-end are as follows:

	31 December 2015	31 December 2014
Demand deposits in VND	0.10% - 1.00%	0.10% - 1.00%
Demand savings deposits in VND	0.70%	0.70%
Demand deposits in foreign currencies	0.10% - 0.20%	0.10% - 0.50%
Demand savings deposits in foreign currencies	0.20%	0.20%
Term deposits in VND	0.80% - 9.00%	12.00%
Term savings deposits in VND	0.70% - 11.00%	0.70% - 15.56%
Term deposits in foreign currencies	0.25%	0.25%
Term savings deposits in foreign currencies	0.25% - 2.40%	0.60% - 2.40%

In case term savings deposits are withdrawn before the maturity date, the demand interest rate shall be applied.

Ho Chi Minh City Development Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2015

B05/TCTD-HN

14.2 Analysis by customers and type of business

	31 December 2015 VND million	31 December 2014 VND million
Deposits from economic entities	26,663,979	25,702,907
Other joint stock companies	8,237,741	8,908,269
100% State limited liability companies	3,737,735	2,926,318
Other State-owned enterprises	3,359,292	3,300,147
Other limited liability companies	3,286,132	4,191,008
Family household business	3,242,873	2,812,475
State joint stock companies	536,304	1,237,995
Joint-foreign-invested enterprises	527,774	123,540
Over 50% State limited liability companies	490,154	370,244
100% Foreign invested enterprises	356,650	215,904
State and administrative unit of government	279,146	224,867
Private companies	100,243	39,935
Co-operatives	47,984	68,153
Farming	11,495	5,755
Partnerships	3,825	3,458
Others	2,446,631	1,274,839
Deposits from individuals	47,878,740	39,708,668
	74,542,719	65,411,575

15. GRANTS, ENTRUSTED FUNDS AND LOANS EXPOSED TO RISKS

	31 December 2015 VND million	31 December 2014 VND million
Grants, entrusted funds and loans in VND	19,376	41,540
Entrusted funds from		
Rural Development Fund II ("RDF II")	6,353	8,572
Entrusted funds from		
Rural Development Fund III ("RDF III")	13,023	32,968
Grants, entrusted funds and loans in foreign currencies	2,803,187	1,252
Entrusted funds from		
Rural Development Fund II ("RDF II")	275	289
Entrusted funds from		
Rural Development Fund III ("RDF III")	992	963
Entrusted funds of support and development program for reforming power sector - Phase III (i)	2,801,920	-
	2,822,563	42,792

- (i) The borrowing amounting to USD128 million from the Ministry of Finance is to finance support program for reforming power sector - Phase III for a period of 29 years from 4 August 2015 to 4 August 2043 and bear interest of six-month US Dollar LIBOR plus spread adjusted periodically by World Bank on 1 January and 1 July each year.

Ho Chi Minh City Development Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2015

B05/TCTD-HN

16. VALUABLE PAPERS ISSUED

	31 December 2015 VND million	31 December 2014 VND million
Certificates of deposits		
Less than 12 months	736,000	780,000
From 12 months to 5 years	1,281,000	-
Straight bonds		
From 12 months to 5 years	3,830,000	2,300,000
Over 5 years	2,000,000	500,000
	7,847,000	3,580,000

16.1 Certificates of deposits

Certificates of deposits issued by the Bank and its subsidiaries comprise of certificates of deposit in VND with terms ranging from one month to two years.

Annual interest rates applicable to certificates of deposits at the year-end are as follows:

	31 December 2015	31 December 2014.
Certificates of deposits in VND	8.80% - 13.00%	6.10%

16.2 Straight bonds

In the year of 2013 and 2014, the Bank issued bonds to mobilize funds. Interests from bonds are paid annually with a fixed interest rate from 7.20% to 8.00% in the first year and at the floating interest rate set annually by the sum of the average of 12-month saving term deposits paid in arrears of four largest banks in Vietnam and a spread in range between 1.20% and 2.00% from the second year onward.

In the year of 2015, the Bank issued bonds with terms of 10 years and interests of bonds are paid annually with fixed interest rate from 7.70% to 8.50% p.a in first five years. In case the bonds have not been redeemed by the Bank after 5 years, the applicable rate would be added by 0.50% p.a.

Annual interest rates applicable to straight bonds at the year-end are as follows:

	31 December 2015.	31 December 2014
Straight bonds	7.20% - 13.00%	8.00% - 9.70%

Ho Chi Minh City Development Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2015

B05/TCTD-HN

17. STATUTORY OBLIGATIONS

	Beginning balance VND million	Movement during the year		Ending balance VND million
		Payable VND million	Paid VND million	
Value added tax	3,477	36,011	(33,585)	5,903
Corporate income tax	114,640	160,762	(201,584)	73,818
Other taxes	2,384	37,738	(36,359)	3,763
Personal income tax	2,327	35,163	(33,947)	3,543
License tax	-	222	(222)	-
Withholding tax	57	2,192	(2,029)	220
Others	-	161	(161)	-
	120,501	234,511	(271,528)	83,484
<i>In which:</i>				
Corporate income tax payable	116,362			75,751
Corporate income tax receivable	(1,722)			(1,933)

18. INTEREST AND SIMILAR INCOME

	2015 VND million	2014 VND million
Interest income from loans and advances to customers	5,622,636	4,041,229
Interest income from trading and investing debt securities	1,591,936	1,518,987
- From investing securities	1,554,886	1,518,987
- From trading securities	37,050	-
Interest income from deposits	162,398	217,271
Interest income from guarantee services	37,053	26,270
Interest income from debt trading	30,790	-
Interest income from other credit activities	477,665	494,374
	7,922,478	6,298,131

19. INTEREST AND SIMILAR EXPENSES

	2015 VND million	2014 VND million
Interest expense on deposits	3,799,962	4,127,667
Interest expense on borrowings	294,529	251,635
Interest expense on valuable papers	483,405	254,987
Expense from other credit activities	99,872	34,699
	4,677,768	4,668,988

Ho Chi Minh City Development Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2015

B05/TCTD-HN

20. NET FEES AND COMMISSION INCOME

	2015 VND million	2014 VND million
Fees and commission income		
- Settlement services	100,981	66,303
- Supporting fee for insurance agency contract	90,909	-
- Treasury services	12,245	14,936
- Advisory services	5,286	31,036
- Trust and agent services	623	874
- Asset preservation services	135	5,208
- Discounted fees	-	54,390
- Others	23,925	23,015
	234,104	195,762
Fees and commission expenses		
- Settlement services	(34,870)	(20,627)
- Treasury service	(5,163)	(7,548)
- Postal and telecommunication	(2,032)	(4,085)
- Advisory services	(750)	(17,973)
- Entrusted and agent services	(248)	(511)
- Commission services	(100)	(6,825)
- Others	(2,834)	(11,853)
	(45,997)	(69,422)
Net fees and commission income	188,107	126,340

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated cash flow statement comprises the following balances in the consolidated balance sheet:

	31 December 2015 VND million	31 December 2014 VND million
Cash in VND	639,509	538,926
Cash in foreign currencies	820,147	265,291
Gold	12,751	14,701
Balances with the SBV	2,742,385	2,408,922
Demand deposits in other credit institutions	864,637	1,409,971
Deposits in other credit institutions with term of less than 90 days	5,811,558	8,505,428
Loans to other credit institutions with term of less than 90 days	3,178,075	2,150,000
	14,069,062	15,293,239

Ho Chi Minh City Development Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2015

B05/TCTD-HN

22. EMPLOYEES' INCOME

	2015	2014
I. Total average number of employees (persons)	7,355	6,815
II. Employees' income (VND million)		
1. Total salary	889,401	634,946
1. Other income	-	-
3. Lunch allowances	53,842	39,346
4. Total income (1+2+3)	943,243	674,292
5. Average monthly salary (VND/person)	10,077,059	7,764,077
6. Average monthly income (VND/person)	10,687,094	8,245,202

23. COLLATERALS AND MORTGAGES

23.1 Assets and valuable papers mortgaged, pledged and discounted

a) Assets and valuable papers of customers mortgaged, pledged and discounted

	31 December 2015 VND million	31 December 2014 VND million
Real estate properties	63,322,301	47,779,041
Valuable papers	35,000,578	34,227,612
Movable assets	20,421,501	12,099,977
Other assets	34,526,988	16,374,755
	153,271,368	110,481,385

b) Assets and valuable papers of other credit institutions mortgaged, pledged and discounted

	31 December 2015 VND million	31 December 2014 VND million
Valuable papers	450,000	300,000

Ho Chi Minh City Development Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2015

B05/TCTD-HN

23.2 Financial assets of the Bank mortgaged, pledged and discounted at other credit institutions

Breakdown of the Bank and its subsidiaries' financial assets mortgaged, pledged and discounted for borrowings or securities transfer under purchase and repurchase agreements with the SBV and other credit institutions as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015		
	Face value VND million	Book value VND million	Related obligations VND million
Valuable papers	4,429,000	4,961,539	3,288,967

	31 December 2014		
	Face value VND million	Book value VND million	Related obligations VND million
Valuable papers	5,556,405	5,652,612	4,197,688

24. CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of business, the Bank and its subsidiaries are parties to financial instruments which are recorded as off-balance sheet items. These financial instruments mainly comprise guarantee commitments and commercial letters of credit. These instruments involve elements of credit risk out of the items recognized in the consolidated 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 and its subsidiaries 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 loans to other customers.

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

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

Guarantee commitment is the commitment issued by the Bank and its subsidiaries to guarantee the performance of the customers to a third party including guarantee for borrowings, settlement, performing contracts and bidding... Credit risk of the borrowing guarantee, settlement guarantee in general is essentially the same as that involved in extending loans to other customers, while other guarantees, the risk is lower.

Risk of the letter of credit is usually lower, in condition that the Bank and its subsidiaries can control goods. Deferred letter of credit may have contingent risk higher than at sight letter of credit. Deferred payment letters of credit that were defaulted by clients are recognized by the Bank and its subsidiaries as granting of a compulsory loan with a corresponding liability

Ho Chi Minh City Development Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2015

B05/TCTD-HN

representing the financial obligation of the Bank and its subsidiaries to pay the beneficiaries and to fulfill the guarantor obligation.

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

The currency trading commitments are commitments to purchase, sell at spot and currency swap commitments. Commitments to purchase, sell at spot are commitments to purchase, sell currency according to exchange rate dealt and payment within two (2) days since transaction date. Currency swap commitments are commitments to purchase and sell with the notional principal amount (only two currencies used for transaction) to one client, including one transaction for term payment at spot and one transaction for term payment in the future with the exchange rate of both transactions determined at spot transaction date.

The outstanding contingent liabilities and commitments as at year-end are as follows:

	<i>31 December 2015</i> VND million	<i>31 December 2014</i> VND million
Guarantees for loans	12,062	10,700
Commitments on foreign exchange	7,716,776	4,834,117
- <i>Commitments on buying foreign currencies</i>	1,590,000	2,370,928
- <i>Commitments on selling foreign currencies</i>	1,789,655	1,291,694
- <i>Commitments on foreign currencies of swap</i>	4,337,121	1,171,495
Commitments on letters of credit	1,249,452	1,516,012
- <i>At sight letters of credit</i>	977,395	977,917
- <i>Deferred letters of credit</i>	272,057	538,095
Other guarantees	2,064,030	1,808,617
- <i>Settlement guarantee</i>	553,425	1,142,557
- <i>Contract performance guarantee</i>	357,781	131,479
- <i>Bidding guarantee</i>	27,662	62,536
- <i>Other guarantees</i>	1,125,162	472,045
	11,042,320	8,169,446
Less: Margin deposits	(203,666)	(131,310)
Contingent liabilities and commitments	10,838,654	8,038,136

Ho Chi Minh City Development Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2015

B05/TCTD-HN


25. CONCENTRATION OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS BY GEOGRAPHICAL REGIONS

	Domestic VND million	Overseas VND million	Total VND million
Assets at 31 December 2015 (*)			
Due from and loans to other credit institutions	11,533,308	564,532	12,097,840
Loans and advances to customers	56,558,835	-	56,558,835
Derivative and financial instruments (Nominal amount)	6,344,013	-	6,344,013
Trading securities and Investment securities	22,639,925	-	22,639,925
Long-term investments	530,192	-	530,192
Liabilities at 31 December 2015			
Due to and borrowings from other credit institutions	6,594,931	-	6,594,931
Customer deposits	74,542,719	-	74,542,719
Grants, entrusted funds and loans exposed to risks	2,822,563	-	2,822,563
Valuable papers issued	7,847,000	-	7,847,000
Off-balance-sheet commitments at 31 December 2015	10,838,654	-	10,838,654

(*)excluding provision

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

	31 December 2015 VND	31 December 2014 VND
USD	21,890	21,246
EUR	24,489	25,886
GBP	33,235	33,225
JPY	186.01	178.43
SGD	15,848	16,140
CAD	16,158	18,373
AUD	16,351	17,395
CNY	3,362	3,345
Gold SJC (tale)	32,550,000	34,850,000

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Mr. Nguyen Huu Dang
General Director

Ho Chi Minh City, Vietnam

29 April 2016

OUR NETWORK

DOMESTIC NETWORKS

HDBank

1 Head Office
219 transaction locations and saving desks
in 36 cities/provinces nationwide

Southern Region:

- | | |
|----------------------|----------------|
| 1. Ho Chi Minh City | 8. Ca Mau |
| 2. Ba Ria – Vung Tau | 9. Tay Ninh |
| 3. Binh Duong | 10. Soc Trang |
| 4. Dong Nai | 11. Vinh Long |
| 5. An Giang | 12. Dong Thap |
| 6. Long An | 13. Kien Giang |
| 7. Can Tho | 14. Ben Tre |

Central Region:

- | | |
|----------------|----------------|
| 15. Gia Lai | 22. Lam Dong |
| 16. Binh Thuan | 23. Kon Tum |
| 17. Dak Lak | 24. Binh Phuoc |
| 18. Khanh Hoa | 25. Binh Dinh |
| 19. Da Nang | 26. Hue |
| 20. Ha Tinh | 27. Quang Ngai |
| 21. Nghe An | |

Northern Region:

- | | |
|---------------|----------------|
| 28. Ha Noi | 33. Quang Ninh |
| 29. Hai Phong | 34. Thanh Hoa |
| 30. Hai Duong | 35. Lang Son |
| 31. Bac Ninh | 36. Nam Dinh |
| 32. Lao Cai | |



INTERNATIONAL NETWORKS

HDBank has built up strategic relationships with more than 210 banks and branches around the world. HDBank has marked a significant increase in the customer relation service, information technology modernization and the high quality of transactions.





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