

Ho Chi Minh City Development Joint Stock Bank

Separate financial statements

31 December 2017



Ho Chi Minh City Development Joint Stock Bank

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Ho Chi Minh City Development Joint Stock Bank

GENERAL INFORMATION

THE BANK

Ho Chi Minh City Development Joint Stock 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.

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.

THE BOARD OF DIRECTORS

Members of the Board of Directors of the Bank during the year and as at the date of this report are:

<i>Name</i>	<i>Position</i>	<i>Date of appointment/reappointment</i>
Ms. Le Thi Bang Tam	Chairwoman	Re-appointment on 21 April 2017
Ms. Nguyen Thi Phuong Thao	Standing Vice Chairwoman	Re-appointment on 21 April 2017
Mr. Luu Duc Khanh	Vice Chairman	Re-appointment on 21 April 2017
Mr. Nguyen Thanh Do	Vice Chairman	Appointment on 21 April 2017
Mr. Nguyen Huu Dang	Member	Re-appointment on 21 April 2017
Mr. Chu Viet Cuong	Member	Re-appointment on 21 April 2017
Ms. Nguyen Thi Tam	Member	Re-appointment on 21 April 2017
Mr. Lim Peng Khoon	Member	Re-appointment on 21 April 2017
Mr. Ly Vinh Quang	Independent Member	Appointment on 21 April 2017

THE BOARD OF SUPERVISION

The members of the Board of Supervision of the Bank during the year and as at the date of this report are:

<i>Name</i>	<i>Position</i>	<i>Date of reappointment</i>
Mr. Dao Duy Tuong	Chief Supervisor	21 April 2017
Ms. Nguyen Thi Phung	Member	21 April 2017
Ms. Nguyen Thi Tich	Member	21 April 2017

THE BOARD OF MANAGEMENT, CHIEF FINANCIAL OFFICER AND CHIEF ACCOUNTANT

The members of the Board of Management, Chief Financial Officer and Chief Accountant of the Bank during the year and as at the date of this report are:

<i>Name</i>	<i>Position</i>	<i>Date of appointment/reappointment/resignation</i>
Mr. Nguyen Huu Dang	General Director	Appointment on 22 October 2015
Ms. Nguyen Doan Duy Ai	Deputy General Director	Appointment on 15 August 2007
Mr. Pham Quoc Thanh	Deputy General Director	Appointment on 11 March 2016
Mr. Nguyen Minh Duc	Deputy General Director	Appointment on 30 December 2013
Mr. Le Thanh Tung	Deputy General Director	Appointment on 16 September 2009
Mr. Nguyen Thanh Phuong	Deputy General Director	Appointment on 22 January 2018
Mr. Le Thanh Trung	Deputy General Director	Appointment on 15 February 2016
Mr. Tran Hoai Nam	Deputy General Director	Appointment on 27 February 2016
Mr. Tran Thai Hoa	Deputy General Director	Appointment on 27 May 2015
Mr. Pham Thien Long	Deputy General Director	Resignation on 10 January 2018
Mr. Pham Van Dau	Chief Financial Officer	Appointment on 16 September 2009
Ms. Ho Dang Hoang Quyen	Chief Accountant	Appointment on 7 July 2011

Ho Chi Minh City Development Joint Stock Bank

GENERAL INFORMATION (continued)

LEGAL REPRESENTATIVE

The legal representative of the Bank during the year and at the date of this report is Mr. Nguyen Huu Dang - General Director.

AUDITORS

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

Ho Chi Minh City Development Joint Stock Bank

REPORT OF MANAGEMENT

The Board of Management of Ho Chi Minh Development Joint Stock Bank ("the Bank") is pleased to present this report and the separate financial statements of the Bank as at 31 December 2017 and for the year then ended.

THE BOARD OF MANAGEMENT'S RESPONSIBILITY FOR THE SEPARATE FINANCIAL STATEMENTS

The Board of Management of the Bank is responsible for the separate financial statements which give a true and fair view of the separate financial position of the Bank as at 31 December 2017 and the separate results of their operations and their separate cash flows for the year. In preparing these separate financial statements, the Board of Management is required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgements and estimates that are reasonable and prudent;
- ▶ state whether applicable account standards have been followed subject to any material departures disclosed and explained in the separate financial statements; and
- ▶ prepare the separate financial statements on the going basis unless it is inappropriate to presume that the Bank 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 separate financial position of the Bank 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Management confirmed that it has complied with the above requirements in preparing the accompanying separate financial statements.

STATEMENT BY THE BOARD OF MANAGEMENT

The Board of Management does hereby state that, in its opinion, the accompanying separate financial statements give a true and fair view of the separate financial position of the Bank as at 31 December 2017, the separate results of its operations and its separate cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other statutory requirements relevant to preparation and presentation of the separate financial statements.

On behalf of The Board of Management



Mr Nguyen Huu Dang
General Director

Ho Chi Minh City, Vietnam

30 March 2018

Reference: 60752693/19309533

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying separate financial statements of Ho Chi Minh City Development Joint Stock Bank ("the Bank"), as prepared on 30 March 2018 and set out on pages 6 to 76 which comprise the separate balance sheet as at 31 December 2017, the separate income statement and the separate cash flows statement for the year then ended and the notes thereto.

The Board of Management's responsibility

The Board of Management is responsible for preparation and fair presentation of these separate financial statements in accordance with Vietnamese Accounting Standards, Accounting System for Credit Institutions and other statutory requirements relevant to the preparation and presentation of the separate financial statements, and for such internal control system as the Board of Management determines is necessary to enable the preparation and presentation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion, the separate financial statements give a true and fair view, in all material respects, of the separate financial position of the Bank as at 31 December 2017, and of the results of its separate operations and its separate cash flows for the year then ended in accordance with the Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other relevant statutory obligations related to the preparation and presentation of the separate financial statements.

Other matter

The separate financial statements of the Bank for the year ended 31 December 2016 were audited by another audit firm which expressed an unmodified opinion on those separate financial statements on 31 March 2017.



Dang Phuong Ha
Deputy General Director
Audit Practicing Registration Certificate
No. 2400-2018-004-1



Vu Tien Dung
Auditor
Audit Practicing Registration Certificate
No. 3221-2015-004-1

Ho Chi Minh City, Vietnam

30 March 2018

Ho Chi Minh City Development Joint Stock Bank

SEPARATE BALANCE SHEET
as at 31 December 2017

B02/TCTD

	<i>Notes</i>	<i>Ending balance VND million</i>	<i>Opening balance VND million</i>
ASSETS			
Cash and gold	5	1,511,580	1,600,939
Balances with the State Bank of Vietnam	6	1,547,687	2,082,408
Due from banks		22,317,134	19,002,925
Placements with other banks	7.1	19,126,573	15,294,192
Loans to other banks	7.2	3,190,561	3,708,733
Securities held for trading	8	4,690,398	396,937
Trading securities		4,693,398	400,000
Provision for trading securities		(3,000)	(3,063)
Derivatives and other financial assets	9	-	11,195
Loans and advances to customers		94,193,371	73,536,606
Loans and advances to customers	10	95,048,397	74,206,546
Provision for credit losses of loans and advances to customers	12	(855,026)	(669,940)
Purchased debts	11	3,875	5,489
Purchased debts		7,749	8,690
Provision for credit losses of purchased debts	12	(3,874)	(3,201)
Investment securities		45,802,141	34,261,091
Available-for-sale securities	13.1	37,417,732	24,267,353
Held-to-maturity securities	13.2	9,614,647	11,020,813
Provision for investment securities	13.4	(1,230,238)	(1,027,075)
Long-term investments		967,925	974,094
Investments in subsidiaries	14.1	589,688	589,688
Other long term investments		490,087	495,945
Provision for long-term investments	14.2	(111,850)	(111,539)
Fixed assets		1,499,442	1,327,918
<i>Tangible fixed assets</i>	15.1	506,494	507,329
Cost		1,015,471	949,393
Accumulated depreciation		(508,977)	(442,064)
<i>Intangible fixed assets</i>	15.2	992,948	820,589
Cost		1,142,770	953,772
Accumulated amortization		(149,822)	(133,183)
Other assets		7,577,195	9,089,690
Receivables	16.1	3,404,776	5,157,656
Interest and fees receivable	16.2	3,252,336	2,989,988
Deferred corporate income tax assets	23.2	21,238	17,311
Other assets	16.3	959,726	960,193
Provision for other assets	16.4	(60,881)	(35,458)
TOTAL ASSETS		180,110,748	142,289,292

Ho Chi Minh City Development Joint Stock Bank

SEPARATE BALANCE SHEET (continued)
as at 31 December 2017

B02/TCTD

	<i>Notes</i>	<i>Ending balance VND million</i>	<i>Opening balance VND million</i>
LIABILITIES			
Due from the Government and the State Bank of Vietnam	17	156,253	177,635
Due to other banks	18	35,211,056	18,833,298
Deposit to other banks	18.1	12,310,041	13,886,528
Borrowings from other banks	18.2	22,901,015	4,946,770
Due to customers	19	120,628,498	103,342,441
Derivatives and other financial liabilities		46,568	-
Other borrowed and entrusted funds	20	2,927,741	2,843,432
Valuable paper issued	21	4,465,000	5,400,014
Other liabilities		2,896,090	2,609,888
Interest and fees payable	22.1	2,551,378	2,300,404
Other payables	22.2	344,712	309,484
TOTAL LIABILITIES		166,331,206	133,206,708
OWNERS' EQUITY			
Capital		11,852,342	8,104,686
Charter capital		9,810,000	8,100,000
Fund for capital expenditure		89	89
Share premium		2,042,255	4,599
Treasury shares		(2)	(2)
Reserves		370,953	413,563
Retained earnings		1,556,247	564,335
TOTAL OWNERS' EQUITY	24.1	13,779,542	9,082,584
TOTAL LIABILITES AND OWNERS' EQUITY		180,110,748	142,289,292

Ho Chi Minh City Development Joint Stock Bank

SEPARATE BALANCE SHEET (continued)
as at 31 December 2017

B02/TCTD

OFF-BALANCE SHEET ITEMS

	<i>Notes</i>	<i>Ending balance VND million</i>	<i>Opening balance VND million</i>
Credit guarantees		9,052	9,862
Foreign exchange commitments		41,045,492	34,900,432
- <i>Spot foreign exchange commitments – buy</i>		3,880,370	2,942,536
- <i>Spot foreign exchange commitments – sell</i>		3,166,761	1,288,271
- <i>Cross currency swap contracts</i>		33,998,361	30,669,625
Letters of credit		1,073,114	1,046,968
Other guarantees		3,392,157	2,592,745
Total	37	45,519,815	38,550,007

Prepared by: 



Ms. Ho Dang Hoang Quyen
Chief Accountant

Reviewed by:



Mr. Pham Van Dau
Chief Finance Officer

Approved by:



Mr. Nguyen Huu Dang
General Director

Ho Chi Minh City, Vietnam


30 March 2018

Ho Chi Minh City Development Joint Stock Bank

SEPERATE INCOME STATEMENT
for the year ended 31 December 2017

B03/TCTD

	Notes	Current year VND million	Previous year VND million
Interest and similar income	25	11,099,926	8,418,440
Interest and similar expenses	26	(7,498,795)	(5,909,340)
Net interest and similar income		3,601,131	2,509,100
Fee and commission income		200,085	166,331
Fee and commission expenses		(65,597)	(49,096)
Net fee and commission income	27	134,488	117,235
Net income from foreign currencies	28	172,970	221,636
Net income from securities held for trading	29	5,708	82,503
Net income from investment securities	30	484,895	151,159
Other operating income		193,281	150,377
Other operating expenses		(19,637)	(13,868)
Net income from other operating activities	31	173,644	136,509
Income from long term investments	32	193,881	137,285
TOTAL OPERATING INCOME		4,766,717	3,355,427
Personnel expenses		(1,036,273)	(806,726)
Depreciation and amortization charges		(94,008)	(109,634)
Other operating expenses		(1,175,509)	(1,001,378)
TOTAL OPERATING EXPENSES	33	(2,305,790)	(1,917,738)
Net operating profit before provision for credit losses		2,460,927	1,437,689
Credit losses expense	12	(420,392)	(608,161)
PROFIT BEFORE TAX		2,040,535	829,528
Current corporate income tax expense	23.1	(359,560)	(136,605)
Deferred corporate income tax	23.2	3,927	(6,325)
Corporate income tax expenses		(355,633)	(142,930)
NET PROFIT AFTER TAX		1,684,902	686,598

Prepared by: 



Ms. Ho Dang Hoang Quyên
Chief Accountant

Reviewed by: 



Mr. Pham Van Dau
Chief Finance Officer

Approved by: 



Mr. Nguyen Huu Dang
General Director

Ho Chi Minh City, Viet Nam

30 March 2018

Ho Chi Minh City Development Joint Stock Bank

SEPERATE CASH FLOWS STATEMENT
for the year ended 31 December 2017

B04/TCTD


	<i>Notes</i>	<i>Current year VND million</i>	<i>Previous year VND million</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and similar receipts		11,220,245	7,461,650
Interest and similar payments		(7,246,726)	(5,281,036)
Net fee and commission receipts		119,525	108,485
Net receipts from trading of securities, gold and foreign currencies		634,497	681,507
Other income		58,224	27,564
Recoveries from bad debts written-off previously	31	105,836	89,342
Payments to employees and other operating expenses		(2,211,471)	(1,763,752)
Corporate income tax paid during the year	23	(400,051)	(121,584)
Net cash flows from operating profit before changes in operating assets and liabilities		2,280,079	1,202,176
Changes in operating assets		(35,680,376)	(32,146,308)
Decrease in due from banks		14,000	1,838,570
Increase in securities held for trading		(16,356,325)	(13,048,241)
(Increase)/decrease in derivatives and other financial assets		57,763	35,233
Increase in loans to customers		(20,841,289)	(21,743,832)
Utilization of provision to write-off loans to customers, securities and long-term investments		(19,318)	(322,193)
Decrease in other assets		1,464,793	1,094,155
Changes in operating liabilities		32,877,202	39,432,923
Decrease in due to Government and the State Bank of Vietnam		(21,382)	(2,310,686)
Increase in due to other banks		16,377,758	12,938,854
Increase in due to customers (including State Treasury)		17,286,057	28,759,048
(Decrease)/increase in other borrowed and entrusted funds		(935,014)	70,014
Increase/(decrease) in debt issued		84,309	20,869
Increase/(decrease) in other liabilities		89,074	(44,642)
Utilization of funds		(3,600)	(534)
Net cash from operating activities		(523,095)	8,488,791
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(8,578)	(257,991)
Proceeds from disposal of fixed assets		10,738	29,079
Payments for investments in other entities		-	(125,000)
Proceeds from investments in other entities		12,527	83,072
Dividends received from long-term investments	32	193,881	137,285
Net cash flows from investing activities		208,568	(133,555)

Ho Chi Minh City Development Joint Stock Bank

SEPERATE CASH FLOWS STATEMENT (continued)
for the year ended 31 December 2017

B04/TCTD

	<i>Notes</i>	<i>Current year VND million</i>	<i>Previous year VND million</i>
CASH FLOWS FROM FINANCING ACTIVITY			
Increasing capital from issuing shares	24.1	3,018,656	-
Proceeds from the issuance of long-term valuable papers		-	1,000,000
Payments for long-term valuable papers		-	(970,000)
Dividends paid	24.3	-	(809,987)
Cash flows used in financing activities		3,018,656	(779,987)
Net increase in cash for the year		2,704,129	7,575,249
Cash and cash equivalents at the beginning of the year		21,586,272	14,011,023
Cash and cash equivalents at the end of the year	34	24,290,401	21,586,272

Prepared by: 



Ms. Ho Dang Hoang Quyen
Chief Accountant

Reviewed by:



Mr. Pham Van Dau
Chief Finance Officer

Approved by:



Mr. Nguyen Huu Dang
General Director

Ho Chi Minh, Viet Nam

30 March 2018

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
as at 31 December 2017 and for the year then ended

B05/TCTD

1. GENERAL INFORMATION

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

Establishment and Operations

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

The Bank's principal activities are to provide banking services including mobilizing and receiving short, medium and long-term deposits from organizations and individuals; making short, medium and long-term loans to organizations 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; settlement services and other banking services as allowed by the SBV.

Charter capital

The charter capital of the Bank as at 31 December 2017 is VND9,810 Billion (as at 31 December 2016: VND8,100 Billion).

Operation network

The Bank's Head Office is located at HD Tower, 25 Bis Nguyen Thi Minh Khai Street, District 1, and Ho Chi Minh City. As at 31 December 2017, the Bank had one (1) Head Office, one (1) representative office in the North, fifty seven (57) branches, one hundred and eighty one (181) transaction offices located in cities and provinces throughout Vietnam.

Subsidiaries

As at 31 December 2017, the Bank had two (2) subsidiaries:

Subsidiary	Operating License No.	Nature of business	Ownership of the Bank
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, sixthly (6) amended on 13 January 2015	Assets management	100%
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, thirteenth (13) amended on 5 February 2018	Finance/ Banking	50%

Employees

The Bank's total number of employees as at 31 December 2017 was 5,264 persons (as at 31 December 2016: 4,430 persons).

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

B05/TCTD

2. ACCOUNTING PERIOD AND ACCOUNTING CURRENCY

2.1 Fiscal year

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

2.2 Accounting currency

The separate financial statements are prepared in VND. For the presentation of the separate financial statements, the data is rounded to millions and expressed in millions of Vietnam dong ("VND million").

3. ACCOUNTING STANDARDS AND SYSTEM

3.1 Statement of compliance

The Board of Management of the Bank confirms that the accompanying separate financial statements have been prepared in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other statutory requirements relevant to preparation and presentation of the separate financial statements.

3.2 Purpose of preparing the separate financial statements

The Banks have subsidiaries as presented in Note 1 and Note 14.1. The Bank has prepared this separate financial statement in order to meet the disclosure requirements, specifically as stipulated in Circular No. 52/2012 / TT-BTC - Guidance on disclosure of information on the stock market and the Official Letter No. 1419 / UBCK-PTTT - Guiding Circular No. 52/2012 / TT-BTC.. Accordingly, the Bank has prepared the consolidated financial statements of the Bank and its subsidiaries for the year ended 31 December 2017 ("the consolidated financial statements") dated March 30, 2018.

Users of the financial statements should read them together with the consolidated financial statements mentioned above in order to obtain full information on the consolidated financial position, consolidated results of operations and consolidated cash flows of the Bank and its subsidiaries.

3.2 Basis of preparation

The financial statements of the Bank have been prepared in accordance with the Accounting System applicable to Credit Institutions required under Decision No. 479/2004/QD-NHNN issued on 29 April 2004 and Circular No. 10/2014/TT-NHNN dated 20 March 2014 amending and supplementing Decision No. 479/2004/QD-NHNN, Decision No. 16/2007/QD-NHNN dated 18 April 2007, Circular No. 49/2014/TT-NHNN amending and supplementing a number of articles of financial reporting mechanism for credit institution required under Decision No. 16/2007/QD-NHNN by the Governor of the State Bank of Vietnam, and the Accounting Systems of Credit Institutions issued in conjunction with the Decision No. 479/2004 / QD-NHNN issued by the Governor of the State Bank of Vietnam and the Vietnamese Accounting Standards issued by the Ministry of Finance include:

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

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

B05/TCTD

3. ACCOUNTING STANDARDS AND SYSTEM

3.3 *Basis of preparation* (continued)

- ▶ Decision No. 12/2005/QĐ-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Standards on Accounting (Series 4); and
- ▶ Decision No. 100/2005/QĐ-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Standards on Accounting (Series 5).

Accordingly, the accompanying separate financial statements, including their utilizations are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the separate financial position, results of separate operations and separate cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

Items which are not presented in the separate financial statements in accordance with Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 and Circular No. 49/2014/TT-NHNN dated 31 December 2014 issued by the State Bank of Vietnam indicate have nil balance.

3.4 *Assumptions and uses of estimates*

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 *Changes in accounting policies and disclosures*

The accounting policies adopted by the Bank in preparation of the financial statements for the year ended 31 December 2017 are consistent with those followed in the preparation of the Bank's separate financial statements for the year ended 31 December 2016 and of the Bank's separate financial statements for year ended 31 December 2016, except for the following changes in the accounting policies:

Decree No. 93/2017/ND-CP un financial regime applicable to credit institutions, foreign bank branches and financial supervision and evaluation of efficiency of State capital investment at credit institutions with State owning 100% of charter capital and State-owned credit institutions

On 7 August 2017, the Government promulgated Decree No. 93/2017/ND-CP on the financial regime applicable to credit institutions, foreign bank branches, and financial supervision and efficiency evaluation of State capital investment in credit institutions with State owning 100% of charter capital and State-owned credit institutions ("Decree 93"). Decree 93 replaces Decree No. 57/2012/ND-CP dated 20 July 2012 of the Government, and takes effect on 25 September 2017, except for regulations on the efficiency evaluation of State investment in joint-stock credit institutions with State owning over 50% of charter capital

Circular No. 39/2016/TT-NHNN on lending activities to customers of credit institutions and foreign bank branches

On 30 December 2016, the SBV issued Circular No. 39/2016/TT-NHNN on lending activities to customers of credit institutions and foreign bank branches, which has taken effect from 15 March 2017.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

B05/TCTD

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Accounting policies standards issued but not yet effective

On 29 December 2017, the SBV issued Circular No. 22/2017/TT-NHNN amending and supplementing a number of articles of the Chart of account system applicable to credit institutions issued in connection with Decision No. 479/2004/QĐ-NHNN dated 29 April 2004 and the financial reporting regime applicable to credit institutions required under Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 by the Governor of the SBV ("Circular 22").

The main changes in Circular 22 are as follows:

- ▶ Amending and supplementing the guidance on the accounting treatment for foreign exchange and gold transactions;
- ▶ Amending a number of accounts in the Chart of account system applicable to credit institutions;
- ▶ Amending the guidance on the accounting treatment for some accounts in the Chart of account system applicable to credit institutions; and
- ▶ Amending and supplementing the guidance on the Financial reporting regime applicable to credit institutions.

Circular 22 will take effect on 1 April 2018.

4.3 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, gold, balances with the State Bank of Vietnam, demand deposits, due from and loans to other credit institutions on demand or with an original maturity of less than three months from the transaction date and securities investments with maturity of less than three months from purchase dates which are readily convertible into cash at the reporting date.

4.4 Due from other banks

Deposits and borrowings from other credit institutions are presented at the principal amounts outstanding at the end of the financial year.

The classification of credit risks for placements with and loans to other credit institutions and the provision of corresponding provisions are made in accordance with Circular No. 02/2013/TT-NHNN issued by the State Bank on 21 January 2013 regulates the classification of assets, the level of deduction, the method of risk provisioning and the use of provisions to deal with risks in the operations of credit institutions and branches, and Circular 09/2014/TT-NHNN issued by the SBV on 18 March 2014 on the amendment and supplement of some articles of Circular 02 ("Circular 09").

In accordingly, the Bank makes specific provision for due from other banks (except demand deposits) in accordance with the method described in *Note 4.6*.

According to Circular 02, the Bank does not need to make a general provision for due from other banks.

4.5 Purchased debts

Purchased debts are recorded at the purchasing price on the contract and classified to the group with risk level is not lower than its original group classified before purchase. If the interest receipt thereafter includes the accrued interest before purchase date, the interest recognition is made as follows: (i) reduce the value of purchased debts by the interest incurred before the purchase date; (ii) record the interest income in the year by the amount incurred after the purchase date.

The Bank classify the debt purchased and make credit provision in accordance with regulations on setting up of provisions and using of credit loss provisions and utilization presented in *Note 4.6*.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Loans and advances to customers

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

Short term loans are loans have maturities under one year from the loan disbursement date. Medium term loans are loans have maturities from one to five years from the loan disbursement date. Long term loans are loans have maturities over five years from the loan disbursement date.

The classification of debt and provision for credit losses is made in accordance with Circular 02 and Circular 09 as disclosed in Note 4.7.

4.7 Classification and provision for credit losses

The classification of due from other banks, direct and entrusted investments in unlisted corporate bond, loans to customers and entrustments for credit granting (collectively called "debts") is made in compliance with the quantitative method as prescribed in Article 10 of Circular 02/2013/TT-NHNN ("Circular 02") and Circular 09/2014/TT-NHNN amended and supplemented some articles of Circular 02 ("Circular 09").

The specific provision for debts as at 31 December is made based on the principal balance less discounted value of collaterals multiplied by provision rates which are determined based on the debt classification results as at 30 June 2017. The classification, specific and general provision rates for each group are presented as follows:

Loan group	Classification criteria	Specific provision rate
1 Current	(a) Current debts are assessed as fully and timely recoverable for both principals and interests; or (b) Debts are overdue for a period of less than 10 days and assessed as fully recoverable for both overdue principals and interests, and fully and timely recoverable for both remaining principals and interests.	0%
2 Special mention	(a) Debts are overdue for a period of between 10 days and 90 days; or (b) Debts of which the repayment terms are restructured for the first time.	5%
3 Sub Standard	(a) Debts are overdue for a period of between 91 days and 180 days; or (b) Debts of which the repayment terms are extended for the first time; or (c) Debts of which interests are exempted or reduced because customers do not have sufficient capability to pay all interests under credit contracts; or (d) Debts under one of the following cases which have not been recovered in less than 30 days from the date of the recovery decision: <ul style="list-style-type: none"> ▪ Debts made incompliance with Clauses 1, 3, 4, 5, 6, Article 126 of the Law on Credit Institutions ; or ▪ Debts made incompliance with Clauses 1, 2, 3, 4, Article 127 of the Law on Credit Institutions; or ▪ Debts made incompliance with Clauses 1, 2 and 5 of Article 128 of the Law on Credit Institutions. (e) Debts are required to be recovered according to regulatory inspection conclusions.	20%

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Provision for credit losses (continued)

Loan group		Classification criteria	Specific provision rate
4	Doubtful	<ul style="list-style-type: none"> (a) Debts are overdue for a period of between 181 days and 360 days; or (b) Debts of which the repayment terms are restructured for the first time but still overdue for a period of less than 90 days under that restructured repayment term; or (c) Debts of which the repayment terms are restructured for the second time; or (d) Debts are specified in point (d) of Loan group 3 and overdue for a period of between 30 days and 60 days after decisions of recovery have been issued; or (e) Debts are required to be recovered according to regulatory inspection conclusions but still outstanding with an overdue period up to 60 days since the recovery date as required by regulatory inspection conclusions. 	50%
5	Loss	<ul style="list-style-type: none"> (a) Debts are overdue for a period of more than 360 days; or (b) Debts of which the repayment terms are restructured for the first time but still overdue for a period of 90 days or more under that first restructured repayment term; or (c) Debts of which the repayment terms are restructured for the second time but still overdue under that second restructured repayment term; or (d) Debts of which the repayment terms are restructured for the third time or more, regardless of being overdue or not; or (e) Debts are specified in point (d) of Loan group 3 and overdue for a period of more than 60 days after decisions on recovery have been issued; or (f) Debts are required to be recovered under regulatory inspection conclusions but still outstanding with an overdue period of more than 60 days since the recovery date as required by regulatory inspection conclusions; or - Debts of credit institutions under special control as announced by the SBV, or debts of foreign bank branches which capital and assets are blocked. 	100%

If a customer has more than one debts with the Bank and any of outstanding debts are classified into higher risk groups, the entire remaining debts should also be classified into the higher risk groups.

If a customer is classified into debt group with lower risk than debt group in CIC list, the Bank must adjust the debt classification results according to CIC list.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 *Provision for credit losses* (continued)

The basis for determination of value and discounted value of collaterals is regulated in Circular 02

As at 31 December 2017, the Bank is also required to record a general provision at 0.75% of total outstanding debts as at 30 November 2017 excluding due from other banks and loans classified as loss.

4.8 *Loans sold to Vietnam Asset Management Company ("VAMC")*

The Bank sell loans to VAMC at the carrying amount in accordance with Decree No. 53/2013/ND-CP effective from 9 July 2013 on "Establishment, structure and operations of Vietnam Asset Management Company, Circular No. 19/2013/TT-NHNN "Regulations on purchasing, selling and writing-off of bad debts of Vietnam Asset Management Company, Circular No. 14/2015/TT-NHNN and Circular No 08/2016/TT-NHNN amend and supplement Circular 19/2013/TT-NHNN and Official Letter No. 8499/NHNN-TCKT on "Accounting guidance on selling and purchasing of bad debts between VAMC and credit institutions". Accordingly, selling price equals to the outstanding loan balance minus (-) unused balance of specific provision. The bank then receives the special bonds issued by VAMC.

Upon the sale of loans to VAMC, the Bank writes off loan balances and corresponding specific provisions and recognizes special bonds issued by VAMC at par value. When receiving loans previously sold to VAMC, the Bank uses annual specific provisions for special bonds to write off bad debts and recognize the difference between provision for credit losses and the remaining outstanding loan balance/bond value in "Other income" of the income statement.

4.9 *Securities held for trading*

4.9.1 *Classification and recognition*

Trading securities include debt securities purchased for trading purposes. Trading securities are initially recognized at cost on transaction date.

4.9.2 *Measurement*

Listed debt securities held for trading are recognized at cost less provision for diminution in value of securities, which is based on the yield quoted on the Hanoi Securities Exchange as at the balance sheet date.

Provision for credit losses on corporate bonds which are not listed on the stock market or not registered on the unlisted public companies market is made in accordance with Circular 02 and Circular 09 as described in Note 4.7.

Equity securities held for trading are recognized at cost at trading date and during holding period. Impairment review on a periodical basis. Provision for diminution in value of securities is made when the carrying value is higher than the market value in compliance with Circular No. 228/2009/TT-BTC issued by the Ministry of Finance on 7 December 2009. In case market prices of securities are not available or cannot be determined reliably, no provision is calculated.

Provision for securities held for trading which is mentioned above is reversed when the recoverable amount of securities held for trading increases after the provision is made as a result of an objective event. Provision is reversed up to the gross value of these securities before the provision is made.

Gains or losses from sales of trading securities are recognized in the separate income statement.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 *Securities held for trading* (continued)

4.9.2 *Measurement* (continued)

Interest and dividends derived from securities held for trading are recognized on cash basis in the separated income statement.

4.9.3 *Derecognition*

Trading securities are derecognised when the rights to receive cash flows from these securities are terminated or the Bank transfers substantially all the risks and benefits of owning stocks.

4.10 *Available-for-sale investment securities*

4.10.1 *Classification and recognition*

Available-for-sale securities include debt and equity securities that are acquired by the Bank for the investment and available-for-sale purposes, not regularly traded but can be sold when there is a benefit. For equity securities, the Bank are also neither the founding shareholder nor the strategic partner and do not have the ability to make certain influence in establishing and making the financial and operating policies of the investees through a written agreement on assignment of its personnel to the Board of Directors/Management.

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

Available-for-sale debt securities are recognized at par value at the purchase date. Accrued interest (for debt securities with interest payment in arrears) and deferred interest (for debt securities with interest payment in advance) is recognized in a separate account. Discount/premium, which is the difference between the cost and the amount being the par value plus (+) accrued interest (if any) or minus (-) deferred interest (if any) is also recognized in a separate account.

In subsequent periods, these securities are continuously recorded at par value, and the discount/premium (if any) is amortized to the income statement on a straight-line basis over the remaining term of securities. Interest received in arrears is recorded as follows: Cumulative interest incurred before the purchasing date is recorded as a decrease in the accrued interest; cumulative interest incurred after the purchasing date is recognized as income based on the accumulated method. Interest received in advance is amortized into the securities investment interest income on a straight-line basis over the term of securities investment.

4.10.2 *Measurement*

Periodically, available-for-sale securities will be considered for impairment.

Provision for impairment of equity securities is made when book value of the securities is higher than its market value which is determined according to Circular 228/2009/TT-BTC. In case market value of the securities is not possible to determined, provision for these securities will not be made. Provision for impairment is recorded to "Net gain/loss from investment securities" in the separate income statement

Listed debt securities are recognized at the cost less provision for impairment of securities which are determined bases on the rates of return that are listed on Hanoi Securities Trading Center at the balance sheet date.

For corporate bonds that have not yet been listed on the securities market or have not been registered for trading on unlisted public companies, the Bank shall made provisions for those bonds in accordance with Circular 02 and Circular 09 as presented in *Note 4.7*.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**4.11 Held-to-maturity investment securities***Special bonds issued by VAMC*

Special bonds issued by VAMC are fixed-term valuable papers used to purchase bad debts of the Bank. These special bonds are initially recognized at face value at the date of transaction and subsequently carried at the face value during the holding period. Face value of the bonds equals to the outstanding balance of the debts sold less their unused specific allowance.

During the holding period, the Bank annually calculate and make allowance in accordance with Circular No. 14/2015/TT-NHNN dated 28 August 2015 and Circular 08/2016/TT-NHNN dated 16 June 2016 amending and supplementing some articles of Circular No. 19/2013/TT-NHNN which stimulates the purchase, sale and write-off bad debts of VAMC.

As required by Circular No. 14/2015/TT-NHNN and Circular 08/2016/Tt-NHNN, each year within five consecutive working days prior to the maturity date of special bonds, the Bank is obliged to fully make specific provision for each special bond using the below formula:

$$X_{(m)} = \frac{Y}{n} \times m - (Z_m + X_{m-1})$$

- In which:

- $X_{(m)}$ is minimum provision for special bonds in the m^{th} year;
- X_{m-1} is accumulated specific provision for special bonds in the $m-1^{\text{th}}$ year;
- Y is face value of special bonds;
- n is term of special bonds (years);
- m is number of years from the bond issuance date to the provision date;
- Z_m is accumulated bad debt recoveries at the provision date (m^{th} year).

On settlement date of special bonds, interest occurred from debts collection shall be recognized into "Interest and similar income".

If $(Z_m + X_{m-1}) \geq (Y/n \times m)$, the specific provision ($X_{(m)}$) will be (0).

Specific provision for each special bond is recognized in the income statement in "Provision expense for credit losses"

Specific provision for each special bond is recognized in the income statement in "Provision expense for credit loss". General provision is not required for the special bonds.

Other held-to-maturity securities

Held-to-maturity securities are debt securities purchased by the Bank for the investment purpose of earning dividend and the Bank has the capability and intention to hold these investments until maturity. Held-to-maturity securities have the determined value and maturity date. In case the securities are sold before the maturity date, these securities will be reclassified to securities held for trading or available-for-sale securities.

Debt securities are recognized and measured similarly as available-for-sale securities at Note 4.10.

4.12 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specific date in the future ("repos") are not derecognized from the financial statements. The corresponding cash received is recognized in the balance sheet as a liability item. The difference between the sale price and repurchase price is recognized to the income statement using contract interest rate.

Conversely, securities purchased under agreements to resell at a specific date in the future ("reverse repos") are not recognized in the financial statements. The corresponding cash paid is recognized in the balance sheet as an asset item. The difference between the sale price and repurchase price is recognized to the income statement using contract interest rate.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Other long-term investments

4.13.1 Investments in subsidiaries

Investment in subsidiaries is recognized for one of followings:

- ▶ Credit institution and/or its related parties own more than 50% charter capital or more than 50% voting rights of the investee.
- ▶ Credit institution controls over directly or indirectly the nomination of most of or all members of the Board of Directors, Member's Council or General Director (Director) of its subsidiaries.
- ▶ Credit institution controls over the amendment and supplement of the Charter of its subsidiaries.
- ▶ Credit institution and its related parties directly or indirectly control over decisions and Resolutions of shareholders at Annual General Meeting, Board of Directors, Member's Council of its subsidiaries.

Investments in subsidiaries are carried at cost in the separate financial statements of the Bank. Dividends received from profit after tax of subsidiaries is recognized as income of the income statement.

Provisions for impairment of investments in subsidiaries are made for each impaired investment and are subject to revision at the end of accounting period. Provision for investments in subsidiaries is made when the investments are impaired due to the losses incurred by subsidiaries. Increase or decrease of provision balance is recognized in "Other operating income/expenses".

4.13.2 Other long-term investments

Other long-term investments represent investments in other entities in which the Bank holds less than or equal to 11% of voting rights. These investments are initially recorded at cost at the investment date.

For securities which are not listed but are registered for trading on unlisted public company market (UpCom), provision for diminution in value is made when their registered price for trading is lower than the carrying value of the securities at the end of accounting period.

In other cases, provision for diminution in the value of investment is made when the investee suffers loss, except that such loss had been forecasted in the investee's business plan before the investment was made. Provision for diminution in the value of investment is made using the below formula:

$$\text{Provision for diminution in value of each investment} = \left(\text{Total invested amount of all parties in the entity} - \text{Owners' equity of the entity} \right) \times \frac{\text{Invested amount of the Bank}}{\text{Total invested amount of all parties in the entity}}$$

Provision is reversed when the recoverable amount of the investment increases after the provision is made. Provision is reversed up to the gross value of the investment before the provision is made.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Fixed assets

Fixed assets are stated at cost less accumulated depreciation or accumulated amortization.

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

Expenditures for additions, improvements and renewals are added to the carrying amount of the assets and expenditures for maintenance and repairs are charged to the income statement as incurred.

When fixed assets are sold or retired, any gain or loss resulting from their disposal (the difference between the net disposal proceeds and the carrying amount) is included in the income statement.

4.15 Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

A lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Rentals under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

4.16 Depreciation and amortization

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

Buildings and structures	5 - 50 years
Machinery and equipment	7 - 14 years
Vehicles	6 - 10 years
Office equipment	3 - 10 years
Other tangible fixed assets	4 - 10 years
Software	3 - 8 years
Land use right	6 - 49 years

Infinite land use rights granted by the Government are not amortized. Definite term land use rights are amortized over the term of use.

4.17 Other receivables

4.17.1 Receivables classified as credit risk assets

Receivables classified as credit-risk assets are recognized at cost. Doubtful receivables are classified and provisions are recognized by the Bank in accordance with the regulations on recognition and use of provision presented in Note 4.6.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Other receivables

4.17.2 Other receivables

Receivables other than receivables from credit activities in the Bank's operations are recognized at cost.

Provision for receivables is determined based on the overdue status of debts or expected loss of current debts in case the debts are not due for payment yet but the corporate debtors have fallen into bankruptcy or are in the process of dissolution, or of individual debtors are missing, escaped, prosecuted, on trial or deceased. Provision expense incurred is recorded to "Other operating expenses" of the income statement during the year.

Provision for overdue debts is made in accordance with the guidance of Circular No.228/2009/TT-BTC and Circular No.89/2013/TT-BTC 2009 as follows:

<u>Overdue period</u>	<u>Provision rate</u>
From over six months up to one year	30%
From one year up to under two years	50%
From two years up to under three years	70%
From three years and above	100%

4.18 Prepaid expenses and deferred expenses

Prepaid expenses and amortization expenses are amortized over the period for which the amount is paid or the period in which economic benefit is generated in relation to these expenses.

4.19 Due to other banks, due to customers and debts issued

Due to other banks, due to customers and debts issued are presented at the principal amounts outstanding at the end of financial year.

4.20 Payables and accruals

Payables and accruals are recognized for amounts to be paid in the future for goods and services received, whether or not billed to the Bank.

4.21 Loan classification for off-balance-sheet commitments

Off-balance sheet commitments include guarantees, letter of credit and other non-cancellable operating commitments with specific implementing time.

Classification of off-balance-sheet commitments is made solely for the purposes of managing and monitoring the quality of credit granting activities in accordance with the classification policy applicable to loans as presented in Note 4.6.

According to Circular 02, the Bank does not need to made provision for off-balance-sheet commitments.

4.22 Fiduciary assets

Fiduciary assets are not considered as the Bank's asset, therefore they are not included in the separate financial statement of the Bank.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.23 Derivatives

The Bank involves in currency forward contracts and currency swap contracts to facilitate customers to transfer, modify or minimize foreign exchange risk or other market risks, and also for the trading purpose of the Bank.

Currency forward contract

The currency forward contracts are commitments to settle in cash on a pre-determined future date based on the difference between pre-determined exchange rates, calculated on the notional amount. The currency forward contracts are recognized at nominal value at the transaction date and are revalued for the reporting purpose at the exchange rate at the reporting date. Gains or losses realized or unrealized are recognized in the "Foreign exchange differences" under "Owners' Equity" section and will be transferred to the separate income statement at the end of the financial year.

Swap contract

The swap contracts are commitments to settle in cash on a pre-determined future date based on the difference between pre-determined exchange rates, calculated on the notional principal amount or commitments to settle interest based on a floating rate or a fixed rate calculated on the notional amount and in a given period. The difference between spot rate and forward rate are recorded at contract date as assets or liabilities and are amortized to the income statement straight-line basis over the contract period.

4.24 Capital

4.24.1 Ordinary Share

Capital contributed from issuance of shares is recognized in the charter capital account at face value.

4.24.2 Share premium

The Bank records the difference between the par value and issue price of shares if the issue price is higher than par value, and the difference between price of repurchasing of treasury stocks and the re-issue price of treasury stocks to share premium account. The expense related to issue shares will be recorded as the share premium deductible.

4.24.3 Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit and loss upon purchase, sale, issue or cancellation of the Bank's own equity instruments.

4.24.4 Funds and reserves

The Bank has set up the following reserves in accordance with the Law on Credit Institutions No. 47/2010/QH12 and Decree No. 93/2017/ND-CP and the Bank's Charter as follows:

	<i>Percentage of profit after tax</i>	<i>Maximum amount</i>
Capital supplementary reserve	5.00% of profit after tax	100.00% share capital
Financial reserve	10.00% of profit after tax	Not specified

Other equity funds will be allocated from profit after tax. The allocation from profit after tax and utilization of funds must be approved by the Board of Shareholders Meetings. These funds are not regulated by statutory and allowed to be fully allocated.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.25 Recognition of income and expenses

Interest income and interest expenses

Interest income and interest expenses are recognized in the income statement on an accrual basis. The recognition of accrued interest income is suspended when a loan is classified in Groups 2 to 5 in accordance with Circular 02 and Circular 09. Suspended interest income is reversed and monitored off-balance sheet and recognized in the income statement upon actual receipt.

The Bank has signed contracts to sell some securities on credit term. Accordingly, the buyer is subject to interest payment for the grace period in the contract. The interest rates are specified in the contracts and contract addendum. The interest of these contract are recognized on cash basis (Note 16 and Note 25).

Fees and commissions income

Fees and commissions are recognized on accrued basis.

Income from investment

Income from investment is recognized on the difference between the selling price and cost of the securities sold.

Cash dividends from equity investment are recognized in the income statement when the Bank's right to receive the payment is established. For stock dividends and bonus shares the number of shares is just updated and no dividend income is recognized in the income statement.

Income and expense from sale of debts

Income and expenses from the sale of debts are recognized in accordance with Decision No. 09/2015/TT-NHNN issued by the SBV promulgating regulations on sale and purchase of debts by credit institutions.

According to Circular No. 09/2015/TT-NHNN, the difference between the prices of debts purchased or sold and their book value is recorded as follows:

- ▶ For debts recorded in the balance sheet:
 - If the sale price is higher than the book value of the debt, the difference shall be recorded in the income statement of the Bank;
 - If the purchase or sale price is lower than the book value of the debt, the difference shall be used to offset against the indemnity paid by an individual or guarantor (in case such individual or guarantor is determined to be responsible for the damage and obliged to make indemnity under prevailing regulations), or the compensation paid by the insurer, or use of outstanding provision recognized as expense previously. The remaining balance (if any) shall be recognized as an operating expense of the Bank in the year.
- ▶ For debts written off and monitored off balance sheet, the proceeds from sale of debts shall be recognized as other income of the Bank.

Book value of debts purchased and sold is the book value of the principal, interest and related financial obligations (if any) of debts recorded in the balance sheet or the off balance sheet at the date of debt purchase or sale; or the book value at the date of writing-off of debts; or the book value of debts written off previously at the date of debt purchase and sale.

Debt purchase and sale price is the sum of money to be paid by a debt purchaser to a debt seller under a debt purchase and sale contract.

Other income

Other income are recognized on cash basis.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.65 Corporate income tax

Current corporate income tax

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

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

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

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

Deferred tax

Deferred tax is provided for temporary differences at the separate balance sheet date between the tax base of assets and liabilities and their carrying amount recorded in the separate financial statements reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- ▶ Deferred tax liabilities arise from the initial recognition of an asset or liability in a transaction that does not have an effect on the accounting profit or the taxable profit (or loss). tax) at the time of transaction
- ▶ Taxable temporary differences associated with investments in subsidiaries, associates and joint-ventures, where the Bank has the ability to control the timing of the reversal of the temporary difference and the temporary difference will not be reversed in the foreseeable future.

Deferred income tax assets should be recognized for all deductible temporary differences, the carrying amount of the tax deferred until further years of tax losses and unused tax losses, It is probable that future taxable profits will be available against which these deductible temporary differences, tax losses and unused tax losses can be utilized, except for:

- ▶ where the deferred tax asset in respect of deductible temporary difference which arises from the initial recognition of an asset or liability in a transaction a neither effect on the accounting profit nor taxable profit (or tax loss).
- ▶ in respect of deductible temporarily differences associated with investments in subsidiaries, associates, and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of the deferred tax asset has to be reviewed at the end of the financial year and the carrying amount should be reduced to the extent there will be enough taxable profit to utilise deferred tax assets. Deferred tax assets not yet recognized previously are recognized at the balance sheet date and are recognized when it is probable that future taxable profits will be available to utilize these unrecognized deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the fiscal year when the asset is recovered or the liability is settled, based on the effective tax rates and tax laws at the balance sheet date.

Deferred income tax is recognized in the income statement, except when it relates to items recognized directly to equity, in which case the deferred tax is also recorded directly in equity.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.27 *Foreign currency transactions*

In accordance with the accounting system of the Bank, all transactions are recorded in original currencies. Monetary assets and liabilities denominated in foreign currencies are translated into VND using exchange rates ruling at the balance sheet (*Note 47*). Income and expenses arising in foreign currencies during the year are converted into VND at rates ruling at the transaction dates. Foreign exchange differences arising from the translation of monetary assets and liabilities are recognized and followed in the "*Foreign exchange differences*" under "Owners' *Equity*" section and will be transferred to the separate income statement at the end of the financial year.

4.28 *Offsetting*

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet at 31 December 2017 if, and only if, there is currently enforceable legal right to offset financial assets against financial liabilities or vice-versa and there is an intention to settle on a net basis, or to realize the assets and settle the liability is made simultaneously.

4.29 *Employee benefits*

4.29.1 *Post-employment benefits*

Post-employment benefits are paid to retired employees of the Bank by the Social Insurance Agency, which belongs to the Ministry of Labor, Invalid and Social Affairs. The Bank is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 18% (until May 2017) and 17.5% (from 1 June 2017) of an employee's basic salary on a monthly basis. Besides, the Bank has no further obligation of post-employee benefits, except obligation of contributing monthly Social Insurance.

4.29.2 *Voluntary resignation benefits*

The Bank has the obligation, under Labor Code, to pay allowance arising from voluntary resignation of employees, equal to one-half month's salary for each year of employment up to 31 December 2008 plus salary allowances (if any). The average monthly salary used in this calculation is the average monthly salary of the latest six-month period up to the resignation date. From 01 January 2009, the average salary per month is calculated for the severance allowance is based on the nearest six-months average salary counted to the resignation date.

4.29.3 *Unemployment insurance*

According to the current regulations on unemployment insurance from 1 January 2009, the Bank and its subsidiary are obliged to pay unemployment insurance at 1% of its salary fund used to pay for unemployment insurance and deduct 1% of salary of each employee to pay simultaneously to the Unemployment Insurance Fund.

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5. CASH AND GOLD

	<i>Ending balance</i> <i>VND million</i>	<i>Opening balance</i> <i>VND million</i>
Cash on hand in VND	903,395	638,962
Cash on hand in foreign currencies	585,455	952,478
Monetary gold	22,730	9,499
	1,511,580	1,600,939

6. BALANCES WITH THE STATE BANK OF VIETNAM

	<i>Ending balance</i> <i>VND million</i>	<i>Opening balance</i> <i>VND million</i>
In VND	1,447,991	2,054,656
In USD	99,696	27,752
	1,547,687	2,082,408

Balances with the State Bank of Vietnam include settlement and compulsory reserve. The average balances of the Bank with the State Bank of Vietnam is no less than the compulsory reserve in the month. The compulsory reserve are calculated by multiplying previous month average deposit balances by the compulsory reserve rates.

The compulsory deposit rates are as follows:

	<i>Ending balance</i> <i>% p.a.</i>	<i>Opening balance</i> <i>% p.a.</i>
<i>Customers</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
<i>Foreign credit institution</i>		
Foreign deposit	1.00	1.00

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7. DUE FROM BANKS

7.1 Placements with other banks

	<i>Ending balance</i> VND million	<i>Opening balance</i> VND million
Demand deposits	12,404,273	12,258,192
- In VND	5,091,221	4,550,447
- In foreign currencies	7,313,052	7,707,745
Term deposits	6,722,300	3,036,000
- In VND	5,915,000	3,036,000
- In foreign currencies	807,300	-
	19,126,573	15,294,192

Changes in provision for deposits at other credit institutions during the year are as follows:

	<i>Current year</i> VND million	<i>Previous year</i> VND million
Beginning balance	-	103,620
Reversal during the year (Note 33)	-	(450)
Utilization during the year	-	(103,170)
Ending balance	-	-

Interest rates per year of deposits at other banks at the year-end are as follows:

	<i>Ending balance%</i> p.a.	<i>Opening balance</i> % p.a.
In VND	1.30 - 5.00	4.20 - 5.40
In foreign currencies	1.50 - 1.60	0.00

7.2 Loans to other banks

	<i>Ending balance</i> VND million	<i>Opening balance</i> VND million
Current		
- In VND	3,190,561	3,409,586
<i>In which :</i>		
<i>discounted and rediscounted loan</i>	904,561	624,586
- In foreign currencies	-	299,147
	3,190,561	3,708,733

Interest rates per year of deposits at other banks at the year -end are as follows:

	<i>Ending balance%</i> p.a.	<i>Opening balance</i> % p.a.
In VND	1.70 - 10.00	4.20 - 11.00
In foreign currencies	Not applicable	1.50

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8. SECURITIES HELD FOR TRADING

	<i>Ending balance</i> <i>VND million</i>	<i>Opening balance</i> <i>VND million</i>
Debt securities		
Government bonds	3,893,398	-
Unlisted debt securities issued by domestic credit institutions	400,000	-
Unlisted debt securities issued by domestic economic entities	400,000	400,000
Provision for credit loss of trading securities		
General provision	(3,000)	(3,063)
	4,690,398	396,937

Breakdown of trading securities at 31 December 2017 and 31 December 2016 as follows:

	<i>Ending balance</i>		<i>Opening balance</i>	
	<i>Par value</i> <i>VND million</i>	<i>Carrying value</i> <i>VND million</i>	<i>Par value</i> <i>VND million</i>	<i>Carrying value</i> <i>VND million</i>
Government bonds	3,650,000	3,893,398	-	-
Debt securities issued by domestic credit institution				
Vietnam Home Credit Limited liability financial company	400,000	400,000	-	-
Debt securities issued by domestic economic entities – Unlisted				
Viet Han trading, advertising, Construction and real estate Co., Ltd	400,000	400,000	400,000	400,000
		4,693,398		400,000

Debt securities issued by domestic economic entities above are classified as current loan group.

Changes in provision for deposits other credit institutions during the year are as follows:

	<i>Current year</i> <i>VND million</i>	<i>Previous year</i> <i>VND million</i>
Beginning balance	3,063	6,922
Provision reversed for the year (Note 29)	(63)	(3,859)
Ending balance	3,000	3,063

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9. DERIVATIVES AND OTHER FINANCIAL ASSETS

	<i>Total contract value (using exchange rate at the contract date)</i> VND million	<i>Total carrying value (using exchange rate at reporting date)</i>	
		<i>Assets</i> VND million	<i>Liabilities</i> VND million
Currency derivatives as at 31 December 2017			
Forward contracts	3,000,000	-	12,048
Swap contracts	17,018,446	-	34,520
Total	20,018,446	-	46,568
Net amount			46,568
Currency derivatives as at 31 December 2016			
Forward contracts	3,245,203	-	2,747
Swap contracts	15,276,849	13,942	-
Total	18,522,052	13,942	2,747
Net amount		11,195	

10. LOANS AND ADVANCES TO CUSTOMERS

	<i>Ending balance</i> VND million	<i>Opening balance</i> VND million
Loans to local economic entities and individuals	91,238,275	70,832,912
Loans for discounted commercial notes and valuable papers	1,491,581	3,059,047
Overdraft and loans to credit card holders	2,298,173	294,007
Loans to foreign economic entities and individuals	20,368	20,580
	95,048,397	74,206,546

10.1 Analysis of loans by quality

	<i>Ending balance</i> VND million	<i>Opening balance</i> VND million
Current	92,766,167	72,679,424
Special mention	1,240,980	745,481
Substandard	309,325	212,853
Doubtful	216,243	215,021
Loss	515,682	353,767
	95,048,397	74,206,546

10.2 Analysis of loans by original terms

	<i>Ending balance</i> VND million	<i>Opening balance</i> VND million
Short - term	51,769,032	30,289,546
Medium –Term	19,091,753	25,233,007
Long – Term	24,187,612	18,683,993
	95,048,397	74,206,546

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10. LOANS AND ADVANCES TO CUSTOMERS (continued)

10.3 Analysis of loans by type of customers and ownership

	Ending balance		Opening balance	
	VND million	%	VND million	%
Corporate loans	57,112,230	60.09	45,532,005	61.36
Joint-stock companies	29,966,935	31.52	26,970,387	36.34
Limited liability companies	22,117,947	23.26	13,109,955	17.67
State limited liability companies	1,860,979	1.96	1,979,449	2.67
Other State-owned enterprises	1,516,054	1.60	513,032	0.69
Family household business	946,070	1.00	1,276,613	1.72
State Joint – stock companies	442,218	0.47	408,783	0.55
Private companies	184,496	0.19	883,170	1.19
Co-operatives	14,674	0.02	23,708	0.03
Others	62,857	0.07	366,908	0.50
Individual loans	37,936,167	39.91	28,674,541	38.64
	95,048,397	100.00	74,206,546	100.00

10.4 Analysis of loans by currency

	Ending balance		Opening balance	
	VND million	%	VND million	%
In VND	87,608,155	92.17	69,647,686	93.86
In foreign currencies	7,440,242	7.83	4,558,860	6.14
	95,048,397	100.00	74,206,546	100.00

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10. LOANS AND ADVANCES TO CUSTOMERS (continued)

10.5 Analysis of loans by industry

	Ending balance		Opening balance	
	VND million	%	VND million	%
Household work, production and consumer services	31,740,153	33.40	28,008,693	37.74
Constructions	11,673,478	12.29	9,059,197	12.21
Real estate business	6,836,437	7.19	4,679,177	6.31
Processing industry	6,607,808	6.95	4,571,492	6.16
Agricultural, forestry and aquaculture	6,176,009	6.50	4,387,144	5.91
Hotel and restaurant	5,665,539	5.96	4,534,253	6.11
Electricity, gas and water supply/distribution	3,112,468	3.27	2,608,913	3.52
Financial, banking and insurance services	2,450,185	2.58	1,467,132	1.98
Wholesale and retail trade, repair of motor vehicles, motorcycles	2,094,572	2.20	2,084,496	2.81
Transportation and warehousing	2,076,111	2.18	2,256,132	3.04
Activities of the Communist Party, socio-political organizations, State management, national security and defense, compulsory social security	1,022,695	1.08	585,454	0.79
Science and technology activities	364,682	0.38	362,498	0.49
Mining	167,306	0.18	85,655	0.12
Art and entertainment services	145,459	0.15	82,933	0.11
Education and training	126,453	0.13	155,806	0.21
Health care and social relief activities	88,486	0.09	68,974	0.09
Media and communications	87,524	0.09	406,587	0.55
Administrations and supporting services	78,569	0.08	468,166	0.63
Water supplies and waste treatment	51,751	0.05	103,309	0.14
Other services	14,482,712	15.25	8,230,535	11.08
	95,048,397	100.00	74,206,546	100.00

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

	Ending balance % per annum	Opening balance % per annum
Commercial loans		
- In VND	0.00 – 37.50	0.00 - 37.50
- In foreign currencies	0.01 – 7.51	1.20 - 7.45

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11. PURCHASED DEBTS

	<i>31 December 2017</i> VND million	<i>31 December 2016</i> VND million
Debts purchased in VND	7,749	8,690
Provision for purchased debts	(3,874)	(3,201)
	3,875	5,489

Balances and interest of the purchased debts are as follows:

	<i>Ending balance</i> VND million	<i>Opening balance</i> VND million
Loan balances purchased	10,442	11,383
Interest of purchased debts	-	-
	10,442	11,383

Results of the loan classification as at 30 Nov 2017 and provision for purchased debts as required by Circular 02/2013/TT-NHNN, Circular 09/2014/TT-NHNN and the Bank's policy on loan classification and provision is as follows:

<i>Loan classification</i>	<i>Debt balance</i> VND million	<i>Specific provision</i> VND million	<i>General provision</i> VND million	<i>Total</i> VND million
Loss	7,749	(3,874)	-	(3,874)

Changes in provision for purchased debts in current year are as follows:

	<i>Specific provision</i> VND million	<i>General provision</i> VND million	<i>Total</i> VND million
31 December 2016	3,201	-	3,201
Provision in year (<i>Note 12</i>)	1,052	-	1,052
Provision used to resolve bad debts	(379)	-	(379)
31 December 2017	3,874	-	3,874

Changes in provision for purchased debts in previous year are as follows:

	<i>Specific provision</i> VND million	<i>General provision</i> VND million	<i>Total</i> VND million
31 December 2016	3,201	-	3,201
Provision/(Reversal)	-	-	-
31 December 2017	3,201	-	3,201

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12. PROVISION FOR CREDIT LOSSES

Provision expenses during the year comprised of:

	<i>Current year</i> <i>VND million</i>	<i>Previous year</i> <i>VND million</i>
Provision expense for loans and advances to customers	198,194	330,408
Provision for debts purchased (Note 11)	1,052	-
Provision expense for special bonds issued by VAMC (Note 13.4)	221,146	277,753
Total provision expense	420,392	608,161

Result of the loan classification as at 30 Nov 2017 and provision for credit losses of loans and advances to customers as required by Circular 02/2013/TT-NHNN, Circular 09/2014/TT-NHNN and the Bank's policy on loan classification and provision is as follows:

<i>Classification</i>	<i>Balance</i> <i>VND million</i>	<i>Specific</i> <i>provision</i> <i>VND million</i>	<i>General</i> <i>provision</i> <i>VND million</i>	<i>Total</i> <i>VND million</i>
Current	89,736,610	-	673,024	673,024
Special mention	1,441,997	18,590	10,815	29,405
Sub standard	335,809	7,441	2,519	9,960
Doubtful	227,970	27,022	1,710	28,732
Loss	554,926	120,840	-	120,840
	92,297,312	173,893	688,068	861,961

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

	<i>Specific</i> <i>provision</i> <i>VND million</i>	<i>General</i> <i>provision</i> <i>VND million</i>	<i>Total</i>
Opening balance	137,467	532,473	669,940
Provision is made until 30 November 2017	42,569	155,595	198,164
Provision is used to resolve bad debt until 30 November 2017	(6,143)	-	(6,143)
Balance as at 30 November 2017	173,893	688,068	861,961
Provision is made at December 2017	30	-	30
Provision is used to resolve bad debt during December	(6,965)	-	(6,965)
Closing balance	166,958	688,068	855,026

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12. PROVISION FOR CREDIT LOSSES (continued)

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

	<i>Specific provision VND million</i>	<i>General provision VND million</i>	<i>Total</i>
Opening balance	189,585	368,970	558,555
Arising during the year	166,905	163,503	330,408
Used during the year	(219,023)	-	(219,023)
Closing balance	137,467	532,473	669,940

13. INVESTMENT SECURITIES

13.1 Available-for-sale securities

	<i>Ending balance VND million</i>	<i>Opening balance VND million</i>
Debt securities		
Issued by the Government	30,323,311	18,153,613
Issued by other domestic credit institutions	800,000	-
Issued by domestic economic entities	5,162,202	5,259,048
	36,285,513	23,412,661
Equity securities		
Issued by domestic economic entities	1,132,219	854,692
	1,132,219	854,692
	37,417,732	24,267,353
Provision for available-for-sale securities		
- Provision for diminution in value	(76,093)	(91,220)
- General provision	(40,327)	(35,474)
- Specific provision	(237,741)	(237,741)
	(354,161)	(364,435)
Net amount	37,063,571	23,902,918

- Government bonds in VND have term from three (3) to fifteen (15) years and bear interest at rates from 0.00% p.a. to 11.50%p.a., interest is paid annually. In which, the Bank used some bonds amounting to VND 4,674,000 million as collaterals for borrowing at other credit institutions and for credit limit with the State Bank of Vietnam.
- Other credit institution bonds have term one (1) to three (3) years and bear interest at rates from 6.80% p.a to 10.50% p.a ., interest is paid annually.
- Bonds issued by other business entities have terms from one (1) to 10 (ten) years, interest is paid quarterly, semi-annually or annually. The current interest rate ranges 8.90% p.a. to 11.00% p.a. and is subject to change on a quarterly, semi-annually or annually basis depending on each type of bonds. Certain corporate bonds are secured by land use rights, real estate project and shares.

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13. INVESTMENT SECURITIES (continued)

13.2 Held-to-maturity securities

	<i>Ending balance</i> <i>VND million</i>	<i>Opening balance</i> <i>VND million</i>
Government bonds (a)	1,474,123	5,772,021
Special bonds VAMC (b)	1,838,855	2,229,084
Vietnam Development Bank bonds (c)	503,846	519,708
Bonds issued by other local credit institutions - Unlisted (d)	5,797,823	2,500,000
	9,614,647	11,020,813
Provision for held-to-maturity securities		
- General provision	-	(1,499)
- Special bonds provision (Note 12)	(876,077)	(661,141)
Net amount	8,738,570	10,358,173

(a) These are Government bonds that have term of three (3) to five (5) years and bear interest at 5.00% p.a. to 6.90% p.a., interest is paid annually.

(b) These are special bonds issued by Vietnam Asset Management Company (VAMC) to purchase bad debts of the Bank. These bonds have term of five (5) years and bear interest at rate of 0.00%. Par value of these special bonds is the difference between the outstanding loan balance and the corresponding unused specific provision at the purchasing date.

/ (decrease) movement of VAMC bonds during the year are as follows:

	<i>Current year</i> <i>VND million</i>	<i>Previous year</i> <i>VND million</i>
Opening balance	2,229,084	3,012,652
Write-off during the year	(390,229)	(783,568)
Closing balance	1,838,855	2,229,084

(c) These bonds issued by Development Bank of Vietnam have terms in range from three (3) to ten (10) and bear interest rate from 5.70% p.a. to 9.20% p.a., in which, interest is paid annually.

(d) Bonds issued by local credit institutions have term of one (1) to ten (10) years and bear interest at the rate in range from 6.76% p.a. to 10.50% p.a., in which, interest is paid semi-annually or annually.

13.3 Analysis of securities classified as credit risk assets by quality

	<i>Ending balance</i> <i>VND million</i>	<i>Opening balance</i> <i>VND million</i>
Other economic entities bonds		
- Standard	4,862,202	4,959,048
- Loss	300,000	300,000
	5,162,202	5,259,048

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13. INVESTMENT SECURITIES (continued)

13.4 Provision for investment securities

Changes in provision for investment securities during the year are as follows:

	<i>Current year</i> <i>VND million</i>	<i>Previous year</i> <i>VND million</i>
Beginning balance		
Available-for-sale securities	364,435	132,126
Held-to-maturity securities (excluding special bonds issued by VAMC)	1,499	3,740
Special bond issued by VAMC	661,141	383,388
	1,027,075	519,254
Provision used to credit loss sold to VAMC	(6,210)	-
Provision/(reversal) in the year		
Available-for-sale securities (Note 30)	(10,274)	232,309
Held to maturity securities (excluding special bonds issued by VAMC) (Note 30)	(1,499)	(2,241)
Special bonds issued by VAMC (Note 12)	221,146	277,753
	203,163	507,821
Ending balance		
Available-for-sale securities	354,161	364,435
Held to maturity securities (excluding special bonds issued by VAMC)	-	1,499
Special bonds issued by VAMC (Note 12)	876,077	661,141
	1,230,238	1,027,075

14. LONG-TERM INVESTMENTS

	<i>Ending balance</i> <i>VND million</i>	<i>Opening balance</i> <i>VND million</i>
Subsidiaries investments	589,688	589,688
Other long-term investments	490,087	495,945
Provision for impairment value on long-term investment	(111,850)	(111,539)
	967,925	974,094

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14. LONG-TERM INVESTMENTS (continued)

14.1 Subsidiaries investments

Breakdown of subsidiaries investments as follow:

Nature of business	Ending balance		Opening balance		
	Cost VND million	Ownership of the Bank (%)	Cost VND million	Ownership of the Bank (%)	
HD SAISON Finance Co., Ltd ("HD SAISON"), previously known as Ho Chi Minh City Development Commercial Joint Stock Bank Finance Co., Ltd	Finance/ Banking	439,688	50.00	439,688	50.00
Ho Chi Minh City Development Commercial Joint Stock Bank Asset Management Company	Assets management	150,000	100.00	150,000	100.00
		589,688		589,688	

14.2 Provision for impairment of long-term investments

	Current year VND million	Previous year VND million
Beginning balance	111,539	111,074
Arising during the year (Note 33)	311	465
Ending balance	111,850	111,539

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15. FIXED ASSETS

15.1 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						
31 December 2016	418,854	152,165	171,130	198,124	9,120	949,393
Purchases	40,784	8,451	20,732	5,502	1,190	76,659
Disposal	(2,277)	(4,668)	(2,498)	(1,031)	(107)	(10,581)
31 December 2017	457,361	155,948	189,364	202,595	10,203	1,015,471
Accumulated depreciation						
31 December 2016	59,904	112,996	103,690	158,529	6,945	442,064
Charged for the year	16,296	15,449	18,861	25,920	781	77,307
Disposal	(2,230)	(4,643)	(2,466)	(951)	(104)	(10,394)
31 December 2017	73,970	123,802	120,085	183,498	7,622	508,977
Net book value						
31 December 2016	358,950	39,169	67,440	39,595	2,175	507,329
31 December 2017	383,391	32,146	69,279	19,097	2,581	506,494

Cost of fully depreciated tangible fixed assets that are still in use as at 31 December 2017 is VND244,750 million (31 December 2016: VND 139,234 million).

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15. FIXED ASSETS (continued)

15.2 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					
31 December 2016	45,386	759,438	148,597	351	953,772
Purchases	1,851	180,032	8,144	-	190,027
Disposal	-	(967)	(62)	-	(1,029)
31 December 2017	47,237	938,503	156,679	351	1,142,770
Accumulated depreciation					
31 December 2016	2,067	-	130,823	293	133,183
Depreciation during the year	1,128	-	15,515	58	16,701
Depreciation of disposal	-	-	(62)	-	(62)
31 December 2017	3,195	-	146,276	351	149,822
Net book value					
31 December 2016	43,319	759,438	17,774	58	820,589
31 December 2017	44,042	938,503	10,403	-	992,948

Cost of fully depreciated intangible fixed assets that are still in use as at 31 December 2017 is VND118,250 million (31 December 2016: VND 57,730 million).

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16. OTHER ASSETS

16.1 Receivables

	<i>Notes</i>	<i>Ending balance VND million</i>	<i>Opening balance VND million</i>
Receivables from sale of securities on credit	(i)	1,646,701	3,236,182
Advances for acquisitions of fixed assets	(ii)	629,952	826,422
Receivables from disposals of fixed assets		280,000	315,000
Constructions in progress		247,247	139,386
Advances for operating activities		162,421	124,074
Advances for investments		154,950	11,619
Deposit for rental office, fixed assets and tools		72,956	71,882
Advances for debt collateral resolution		24,806	24,338
Prepaid savings interest		22,645	23,594
Receivable from Vietnam Shipbuilding Industry Corporation (Vinashin)		11,456	22,912
Receivables from lease of Abacus Building		-	18,750
Receivables from entrusted deposits		6,979	8,909
Receivable from investment disposal		3,080	3,080
Deposits for rental/purchase office		-	160,000
Others		141,583	171,508
		3,404,776	5,157,656

(i) These are amounts due from individuals and enterprises relating to deferred payment contracts with the remaining principal of VND1,611,486 million and interest receivable of VND35,215 million. In addition, the principal and interest related to this receivable will be paid at the end of the term with the interest rate adjusted annually. These receivables will be paid in 2018. and 2019,

(ii) Advances for acquisitions of fixed assets comprise:

	<i>Ending balance VND million</i>	<i>Opening balance VND million</i>
Purchase of houses and offices	619,019	818,922
Transportation vehicles	7,942	-
Purchase of other assets	2,991	7,500
	629,952	826,422

16.2 Interest and fees receivables

	<i>Ending balance VND million</i>	<i>Opening balance VND million</i>
Loans interest	1,650,365	1,686,795
Interest on securities investment	1,565,205	1,277,929
Deposits interest	13,952	10,938
Other interest and fee	22,814	14,326
	3,252,336	2,989,988

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16. OTHER ASSETS (continued)

16.3 Other assets

	<i>Ending balance</i> <i>VND million</i>	<i>Opening balance</i> <i>VND million</i>
Prepaid and deferred expenses	542,577	550,185
Foreclosed assets awaiting resolution	377,717	385,610
Tools and supplies	35,982	20,948
Other asset	3,450	3,450
	959,726	960,193

16.4 Provision for other assets

Provision for other assets is comprised of:

	<i>Ending balance</i> <i>VND million</i>	<i>Opening balance</i> <i>VND million</i>
Other provisions	60,881	35,458

Changes in provision for credit risk during the year are as follow:

	<i>Current year</i> <i>VND million</i>	<i>Previous year</i> <i>VND million</i>
Beginning balance	35,458	38,989
Provision in year (Note 33)	36,878	44,337
Risk treatment	(11,455)	(47,868)
Ending balance	60,881	35,458

17. DUE FROM THE GOVERNMENT AND THE STATE BANK OF VIETNAM

	<i>Ending balance</i> <i>VND million</i>	<i>Opening balance</i> <i>VND million</i>
Japan Bank of International Cooperation (i)	132,815	155,844
Asian Development Bank (ii)	16,830	21,791
Development Fund for small and medium enterprise (iii)	6,608	-
	156,253	177,635

- (i) 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. Principals will be paid under contracts' schedule, interest paid quarterly.

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17. DUE FROM THE GOVERNMENT AND THE STATE BANK OF VIETNAM (continued)

- (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 borrowing were from Small and Medium Enterprise Development (SMEDF) which bears interest of 7.00% per annum, from 60 to 67 months. Principals and interest will be paid monthly.

18. DUE TO OTHER BANKS

	<i>Ending balance</i> <i>VND million</i>	<i>Opening balance</i> <i>VND million</i>
Due to other credit institutions	12,310,041	13,886,528
Borrowings from other credit institutions	22,901,015	4,946,770
	35,211,056	18,833,298

18.1 Due to other banks

	<i>Ending balance</i> <i>VND million</i>	<i>Opening balance</i> <i>VND million</i>
Demand deposits		
In VND	5,090,695	4,788,792
In foreign currencies	45,323	361
Term deposits		
In VND	6,508,000	5,773,525
In foreign currencies	666,023	3,323,850
	12,310,041	13,886,528

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

	<i>Ending balance</i> <i>% p.a.</i>	<i>Opening balance</i> <i>% p.a.</i>
Term deposits in VND	1.00 – 2.60	3.50 – 5.50
Term deposits in foreign currencies	1.60 – 1.80	1.00 – 1.65

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18. DUE TO OTHER BANKS (continued)

18.2 Borrowings from other banks

	<i>Ending balance VND million</i>	<i>Opening balance VND million</i>
Borrowings from local credit institutions in VND	21,376,115	3,889,786
Borrowings from credit institutions in foreign currencies	1,524,900	1,056,984
	22,901,015	4,946,770

At 31 December 2017, borrowings from other credit institutions have terms from 7 days to 63 days with interest rate in range from 1.10% p.a. to 3.60% p.a.

There are loans from credit institutions in USD, term from 2 months to 5 years bear interest ranges from 1.70% to 4.46% p.a.

In which, there are deposits and borrowings with total amount of VND24,785,213 million (31 December 2016: VND9,453,687 million) secured by available-for-sale securities amounted of VND25,044,000 million (31 December 2016: VND9,716,000 million).

19. DUE TO CUSTOMERS

19.1 Analysis by products

	<i>Ending balance VND million</i>	<i>Opening balance VND million</i>
Demand deposits	14,572,889	9,813,339
Demand deposits in VND	13,220,945	9,258,515
Demand deposits in foreign currencies	1,351,944	554,824
Term deposits	30,305,706	22,917,367
Term deposits in VND	28,924,855	22,139,695
Term deposits in foreign currencies	1,380,851	777,672
Saving deposit	74,762,053	69,853,278
Savings deposits in VND	73,920,025	68,698,004
Savings deposits in foreign currencies	842,028	1,155,274
Deposits for specific purposes	537,286	229,095
In VND	229,300	223,164
In foreign currencies	307,986	5,931
Margin deposits	248,588	191,470
In VND	201,686	164,232
In foreign currencies	46,902	27,238
Other amounts owing to customers	201,976	337,892
Other savings deposits	201,976	337,892
	120,628,498	103,342,441

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19. DUE TO CUSTOMERS (continued)

19.1 Analysis by products (continued)

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

	<i>Ending balance</i> %	<i>Opening balance</i> %
	<u> </u>	<u> </u>
Demand deposits in VND	0.00 - 1.00	0.00
Demand savings deposits in VND	0.7	0.07 - 1.00
Demand deposits in foreign currencies	0.00 - 0.2	0.00 - 0.01
Demand savings deposits in foreign currencies	0.00	0.00
Term deposits in VND	0.80 - 7.80	0.80 - 9.00
Term savings deposits in VND	0.00 - 9.50	0.20 - 9.50
Term deposits in foreign currencies	0.00	0.00
Term savings deposits in foreign currencies	0.00 - 1.60	0.00 - 1.60

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

19.2 Analysis of loans by type of customers and ownership

	<i>Ending balance</i> VND million	<i>Opening balance</i> VND million
	<u> </u>	<u> </u>
Deposits from economic entities	43,722,356	31,576,207
Other joint stock companies	20,443,288	11,601,598
100% State limited liability companies	6,315,561	4,502,869
Other State-owned enterprises	4,832,887	3,980,657
Other limited liability companies	4,361,935	3,585,710
Co-operatives	3,043,169	3,047,798
State joint stock companies	1,386,109	749,713
State and administrative unit of government	885,939	600,998
Joint-foreign-invested enterprises	749,557	540,521
Foreign joint venture enterprises	520,122	1,109,087
Over 50% State limited liability companies	188,293	413,022
Private companies	21,961	57,222
Joint Venture enterprises	6,054	4,902
Family household business	3,186	2,790
Others	964,295	1,379,320
Deposits from individuals	76,906,142	71,766,234
	<u>120,628,498</u>	<u>103,342,441</u>

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20. OTHER BORROWED AND ENTRUSTED FUNDS

	<i>Ending balance</i> <i>VND million</i>	<i>Opening balance</i> <i>VND million</i>
Other borrowed and entrusted funds in VND	1,691	5,821
Entrusted funds from Rural Development Fund	1,691	5,821
Other borrowed and entrusted funds in foreign currencies	2,926,050	2,837,611
Entrusted funds from Rural Development Fund	1,191	1,259
Entrusted funds of Nhon Trach water supplies construction program for reforming power sector - Phase II	54,459	-
Entrusted funds of support and development program for reforming power sector - Phase III (i)	2,870,400	2,836,352
	2,927,741	2,843,432

(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.

21. DEBT ISSUED

	<i>Ending balance</i> <i>VND million</i>	<i>Opening balance</i> <i>VND million</i>
Certificates of deposits		
Less than 12 months	535,000	70,014
Straight bonds		
From 12 months to 5 years (i)	930,000	2,330,000
Over 5 years (ii)	3,000,000	3,000,000
	4,465,000	5,400,014

(i) 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% p.a. to 8.00% p.a. 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% p.a. and 2.00% p.a. from the second year onward.

(ii) 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 end of the year are as follows:

	<i>Ending balance</i> <i>% p.a.</i>	<i>Opening balance</i> <i>% p.a.</i>
Deposit Certificates	5.50 - 6.80	1.00
Bonds from 12 months to less than 5 years	7.60 - 8.38	7.50 - 8.40
Above 5 years	7.70 - 8.50	7.70 - 8.50

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22. OTHER LIABILITIES

22.1 Interest and fees payable

	<i>Ending balance</i> VND million	<i>Opening balance</i> VND million
Interest on saving deposits in VND	1,902,225	1,748,016
Interest on deposits in VND	423,823	308,018
Interest on valuable papers in VND	164,489	194,869
Interest on borrowings in VND	24,149	10,118
Interest on entrusted funds from international entities	20,255	17,415
Foreign currency swap contracts	11,933	11,798
Interest on borrowings in foreign currencies	3,803	4,455
Interest on deposits in foreign currencies	280	4,267
Foreign currency forward contracts	72	1,302
Interest on saving deposits in foreign currencies	349	146
	2,551,378	2,300,404

22.2 Other payables

	<i>Ending balance</i> VND million	<i>Opening balance</i> VND million
Internal payables	26,809	9,037
Bonus and welfare Fund	11,079	8,994
Payables to employees	15,730	43
External payables	101,411	101,956
Cash held in trust and awaiting payment	36,324	17,135
Current income tax payables (Note 23)	29,272	69,763
VAT payables (Note 23)	28,982	6,212
Other tax payables (Note 23)	6,833	3,294
Abacus management fee	-	5,552
Other payables	216,492	198,491
Unearned revenue	56,612	65,455
Payables to construction in progress	3,188	2,764
Other payables	156,692	130,272
	344,712	309,484

23. STATUTORY OBLIGATIONS

	<i>Opening balance</i> VND million	<i>Movement during the year</i>		<i>Ending balance</i> VND million
		<i>Payable</i> VND million	<i>Paid</i> VND million	
Value added tax	6,212	50,211	(27,441)	28,982
Corporate income tax	69,763	359,560	(400,051)	29,272
Other taxes	3,294	52,067	(48,528)	6,833
Personal income tax	3,135	48,779	(45,287)	6,627
Withholding tax	159	1,776	(1,729)	206
License tax	-	236	(236)	-
Others	-	1,276	(1,276)	-
	79,269	461,838	(476,020)	65,087

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23. STATUTORY OBLIGATIONS (continued)

23.1 Current corporate income tax

The Bank has the obligations to pay corporate income tax ("CIT") at the rate of 20% of taxable profits (previous year: 20%).

Tax declarations of the Bank is subjected to examination by the tax authorities. Due to the ambiguity associated with the applicability of tax laws and regulations in Vietnam, amounts reported in the separate financial statements could be changed at a later date upon final determination by the tax authorities.

23.1 Current corporate income tax (continued)

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the separate income statement for the period from 1 January 2017 to 31 December 2017 because it excludes items of income or expenses that are taxable or deductible in other years due to the difference between accounting and tax regulations and it further excludes items that are never taxable or deductible. The Bank liability for current tax is calculated by using tax rates that have been enacted by the separate balance sheet date.

Current CIT during the year is calculated as follows:

	<i>Current year</i> <i>VND million</i>	<i>Previous year</i> <i>VND million</i>
Profit before tax	2,040,535	829,528
The Bank's CIT expense at rate 20%	408,107	165,906
<i>Deduct:</i>		
- Income from untaxable dividends	(38,776)	(27,457)
- Others	(14,947)	(6,202)
<i>Add:</i>		
- Non-deductible expenses	811	1,248
- Adjustment follow tax payable of previous years	404	-
- Other additions	3,961	3,110
CIT expenses during the year	359,560	136,605

23.2 Deferred CIT

	<i>Separate balance sheet</i>		<i>Effect on the separate income statement</i>	
	<i>Ending balance</i> <i>VND million</i>	<i>Opening balance</i> <i>VND million</i>	<i>Current year</i> <i>VND million</i>	<i>Previous year</i> <i>VND million</i>
Deferred tax assets				
Gain on exchanges differences	1,438	(2,489)	3,927	(6,325)
Provision for investments securities	19,800	19,800	-	-
	21,238	17,311		
Net deferred CIT income			3,927	(6,325)

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24. OWNERS' EQUITY

24.1 Statement of changes in owners' equity

Items	Charter capital VND million	Share premium VND million	Treasury shares VND million	Development and investment reserve VND million	Reserves of credit institutions VND million	Retained earnings VND million	Total VND million
31 December 2016	8,100,000	4,599	(2)	89	413,563	564,335	9,082,584
Capital increase 1st (*)	729,000	-	-	-	(162,000)	(567,000)	-
Capital increase 2nd (**)	981,000	2,037,656	-	-	-	-	3,018,656
Net profit after-tax for the year	-	-	-	-	-	1,684,902	1,684,902
Additional reserves for previous year	-	-	-	-	122,990	(122,990)	-
Additional bonus and welfare funds for previous year	-	-	-	-	-	(3,000)	(3,000)
Reserves used during the year	-	-	-	-	(3,600)	-	(3,600)
Balance as at 31 December 2017	9,810,000	2,042,255	(2)	89	370,953	1,556,247	13,779,542

(*) On October 17, 2017, the State Bank of Vietnam (SBV) approved the plan to increase the Bank's charter capital from VND8,100,000,000,000 to VND8,828,999,810,000 from the issuance of ordinary shares to pay dividends from undistributed profits. On that basis, the Bank registered with the SSC and issued 72,899,981 shares, bringing the total number of outstanding shares to 882,899,773 shares.

(**) December 7, 2017 the State Bank of Vietnam (SBV) has approved the plan to increase the Bank's chartered capital from VND8,828,999,810,000 to VND9,809,999,790,000, on which the Bank has now registered SSC and issuing 98,099,998 shares, increasing the number of outstanding shares to 980,999,771 shares.

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24. OWNERS' EQUITY (continued)

24.1 Statement of changes in owners' equity (continued)

Changes in the Bank's reserves during the year are presented below:

Items	Development reserve VND million	Financial reserve VND million	Capital Supplementary reserve VND million	Other reserve VND million	Total VND million
31 December 2016	70	238,118	147,064	28,311	413,563
Additional reserves for previous year	-	68,660	34,330	20,000	122,990
Using the capital increase fund in the year	-	-	(162,000)	-	(162,000)
Reserves used during the year	-	-	-	(3,600)	(3,600)
31 December 2017	70	306,778	19,394	44,711	370,953

24.2 Statutory reserves of the Bank

The Bank makes the statutory reserves in compliance with Law on Credit Institutions No. 47/2010/QH12, Decree No. 57/2012/ND-CP and the Charter of the Bank. Statutory reserves are made based on the Bank's performance of the year as follows:

	Basis for calculation	Maximum balance
Capital supplementary reserve	5% of profit after tax	100% of charter capital
Financial reserve	10% of profit after tax	Not specified

24.3 Dividend

	Current year VND million	Previous year VND million
Dividend payables at beginning of the year	755	742
Dividend payables during the year	-	810,000
Dividend paid during the year	-	(809,987)
Dividend payables at the year-end	755	755

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25. INTEREST AND SIMILAR INCOME

	<i>Current year</i> <i>VND million</i>	<i>Previous year</i> <i>VND million</i>
Interest income from loans and advances to credit institutions and customers	7,849,032	6,293,031
Interest income from trading and investing debt securities	2,314,150	1,663,479
- <i>Interest income from investing securities</i>	77,161	-
- <i>Interest income from trading securities</i>	2,236,989	1,663,479
Interest income from deposits	194,940	155,706
Interest income from guarantee services	52,513	59,809
Interest income from other credit activities (*)	689,291	246,415
	11,099,926	8,418,440

(*) Of which, VND 400,992 million is the interest payment from individuals and corporates under contracts to sell securities on credit terms (Note 16.1).

26. INTEREST AND SIMILAR EXPENSES

	<i>Current year</i> <i>VND million</i>	<i>Previous year</i> <i>VND million</i>
Interest expenses on deposits	6,823,358	5,291,754
Interest expenses on borrowings	260,158	183,453
Interest expenses on valuable papers	403,921	434,133
Others	11,358	-
	7,498,795	5,909,340

27. NET FEES AND COMMISSION INCOME

	<i>Current year</i> <i>VND million</i>	<i>Previous year</i> <i>VND million</i>
Fees and commission income		
- Settlement services	122,376	115,093
- Treasury services	12,188	11,634
- Advisory services	5,000	-
- Asset preservation services	389	305
- Trust and agent services	153	24
- Others	59,979	39,275
	200,085	166,331
Fees and commission expenses		
- Settlement services	(42,078)	(37,001)
- Treasury services	(6,908)	(5,546)
- Postal and telecommunication	(4,619)	(2,373)
- Trust and agent services	(159)	(185)
- Commissions	(125)	(26)
- Others	(11,708)	(3,965)
	(65,597)	(49,096)
Net fees and commission income	134,488	117,235

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28. NET INCOME FROM FOREIGN CURRENCIES TRADING

	<i>Current year</i> <i>VND million</i>	<i>Previous year</i> <i>VND million</i>
Income from foreign exchange		
Income from gold trading	1,555,842	488,957
Income from spot foreign exchange	4,364,791	3,536,281
Income from currency derivatives	209,932	252,458
	6,130,565	4,277,696
Expense from foreign exchange		
Expenses from gold trading	(1,555,591)	(486,875)
Expenses from spot foreign exchange	(4,312,326)	(3,474,350)
Expenses from currency derivatives	(89,678)	(94,835)
	(5,957,595)	(4,056,060)
Net gain from foreign exchange	172,970	221,636

29. NET INCOME FROM SECURITIES HELD FOR TRADING

	<i>Current year</i> <i>VND million</i>	<i>Previous year</i> <i>VND million</i>
Income from securities held for trading	12,474	78,644
Expenses from securities trading	(6,829)	-
Reversed general provision for securities held for trading (Note 8)	63	3,859
Net income from dealing of securities held for trading	5,708	82,503

30. NET INCOME FROM INVESTMENT SECURITIES

	<i>Current year</i> <i>VND million</i>	<i>Previous year</i> <i>VND million</i>
Income from dealing of available-for-sales securities (*)	504,650	397,435
Expenses from dealing of available-for-sales securities	(31,528)	(16,208)
Arising/(reversed) provision for available-for-sale securities (Note 13.4)	10,274	(232,309)
Net gain from dealing of available-for-sale securities	483,396	148,918
Reversed general provision for held-to-maturity securities (Note 13.4)	1,499	2,241
Net income from dealing of held-to-maturity securities	1,499	2,241
Net income from dealing of investment securities	484,895	151,159

(*) Cost of funds for government bonds investment (after deducting the discount/premium and accrued interest (if any)) amounted to VND 247,108 million.

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31. NET INCOME FROM OTHER OPERATING ACTIVITIES

	<i>Current year</i> <i>VND million</i>	<i>Previous year</i> <i>VND million</i>
Other operating income		
Income from recovery of written-off debts	105,836	89,342
Income from offering office rental services	37,938	26,877
Income from disposals of fixed assets and investment properties	9,584	19,603
Other income	39,923	14,555
	193,281	150,377
Other operating expenses		
Sponsoring expense	(2,449)	(2,663)
Other expenses	(17,188)	(11,205)
	(19,637)	(13,868)
Net other operating income	173,644	136,509

32. INCOME FROM LONG TERM INVESTMENTS

	<i>Current year</i> <i>VND million</i>	<i>Previous year</i> <i>VND million</i>
Dividends received from Equity securities (i)	43,024	2,814
Dividends received from capital contributions and long-term investments (ii)	150,857	134,471
	193,881	137,285

(i) This is dividends that received from investing in listed available-for-sales securities.

(ii) This is dividends received from capital contribution to subsidiary HD Saison.

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33. OPERATING EXPENSES

	<i>Current year</i> <i>VND million</i>	<i>Previous year</i> <i>VND million</i>
Tax payment and other fees	2,850	2,805
Employees remuneration	1,036,273	806,726
Salary and allowances	942,176	728,071
Salary related allowances	60,992	52,431
Allowances	33,105	26,224
Depreciation and amortization expense	94,008	109,634
Depreciation expenses on fixed assets	94,008	109,634
Expense for public affairs administration	35,015	26,552
Expense relating to business trips	33,225	26,536
Union activities	1,790	16
Insurance expenses, insurance for customers' deposits.	110,839	84,241
Provision expense/ (reversal) (excluding provision for credit loss, investment).	37,189	44,352
Reversed provision for credit institutions deposits (Note 7.1)	-	(450)
Provision expense for other assets (Note 16.4)	36,878	44,337
Provision expense for financial investment (Note 14.3)	311	465
Other operating expenses	989,616	843,428
Advertising, marketing, promotion and entertainment	328,333	240,305
Administrative expenses	246,765	204,850
Office rental	210,208	191,301
Repair and maintenance	98,947	111,438
Others	105,363	95,534
	2,305,790	1,917,738

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34. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the financial year cash flows statement for the year comprises the following balances in the financial year balance sheet at 31 December 2017:

	<i>Ending balance</i> VND million	<i>Opening balance</i> VND million
Cash in VND	903,395	638,962
Cash in foreign currencies	585,455	952,478
Monetary gold	22,730	9,499
Balances with the SBV	1,547,687	2,082,408
Demand deposits in other credit institutions	12,404,273	12,258,192
Deposits in other credit institutions with term of less than 90 days	6,722,300	3,036,000
Loans to other credit institutions with term of less than 90 days	2,104,561	2,608,733
	24,290,401	21,586,272

35. EMPLOYEES' INCOME

	<i>Current year</i> VND million	<i>Previous year</i> VND million
I. Total number of employees (persons)	4,982	4,276
II. Employees' income (VND million)		
1. Total salary	904,035	695,589
2. Other income	38,141	32,482
3. Total income (1+2)	942,176	728,071
4. Average monthly salary (VND million/person)	15.12	13.56
5. Average monthly income (VND million/person)	15.76	14.19

36. ASSETS, VALUABLE PAPERS, COLLATERALS AND DISCOUNTED AND RE-DISCOUNTED

36.1 Assets and valuable papers of customers pledged, discounted and re-discounted

a) Types and book value of collaterals of customers at the year-end are as follows:

	<i>Ending balance</i> VND million	<i>Opening balance</i> VND million
Real estate properties	126,515,406	100,908,041
Valuable papers	52,763,956	48,059,753
Movable assets	31,132,605	25,982,408
Other assets	58,842,927	33,670,035
	269,254,894	208,620,237

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36. ASSETS, VALUABLE PAPERS, COLLATERALS AND DISCOUNTED AND RE-DISCOUNTED (continued)

36.1 *Assets and valuable papers of customers pledged, discounted and re-discounted* (continued)

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

	<i>Ending balance</i> <i>VND million</i>	<i>Opening balance</i> <i>VND million</i>
Valuable papers	300,000	450,000

36.2 *Financial assets of the Bank mortgaged, pledged and discounted*

Breakdown of the Bank's financial assets mortgaged, pledged and discounted for borrowings or securities transferred under purchase and repurchases agreements with SBV and other credit institutions as at 31 December 2017 and 31 December 2016 are as follows:

	<i>Ending balance</i> <i>VND million</i>	<i>Opening balance</i> <i>VND million</i>
Valuable papers	25,044,000	9,716,000

37. CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of business, the Bank is parties to financial instruments which are recorded as off-balance sheet items at 31 December 2017. 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 balance sheet.

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

Financial guarantees are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party including guarantee for borrowings, settlement, and 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 represents a financing transaction by the Bank to its 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 as granting of a compulsory loan with a corresponding liability representing the financial obligation of the Bank to pay the beneficiaries and to fulfil the guarantor obligation.

Guarantee commitment is the commitment issued by the Bank 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.

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37. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Risk of the letter of credit is usually lower, in condition that the Bank 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 as granting of a compulsory loan with a corresponding liability representing the financial obligation of the Bank to pay the beneficiaries and to fulfill the guarantor obligation.

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

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 2 (two) days since transaction date. Currency swap commitments are commitments to purchase and sell with the same 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.

Details of outstanding commitments and contingent liabilities at the year-end are as follows

	<i>Ending balance</i> <i>VND million</i>	<i>Opening balance</i> <i>VND million</i>
Credit guarantees	9,052	9,862
Foreign exchange commitments	41,045,492	34,900,432
<i>Spot foreign exchange commitments – buy</i>	3,880,370	2,942,536
<i>Spot foreign exchange commitments - sell</i>	3,166,761	1,288,271
<i>Cross currency swap contracts</i>	33,998,361	30,669,625
Letters of credit	1,127,402	1,092,889
<i>At sight letters of credit</i>	472,710	556,085
<i>Deferred letters of credit</i>	654,692	536,804
Other guarantees	3,569,437	2,730,003
<i>Settlement guarantee</i>	1,109,368	561,255
<i>Contract performance guarantee</i>	759,239	529,226
<i>Bid guarantee</i>	41,994	83,945
<i>Other guarantees</i>	1,658,836	1,555,577
	45,751,383	38,733,186
Less: Margin deposits	(231,568)	(183,179)
Contingent liabilities and commitments	45,519,815	38,550,007

38. RELATED PARTY TRANSACTIONS

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

- (a) Directly, or indirectly through one or more intermediaries, the party:
- ▶ controls, is controlled by, or is under common control with the Bank (including parents and subsidiaries);
 - ▶ has an interest (owing 5% or more of the charter capital or voting share capital) in the Bank that gives it significant influence over the Bank;
 - ▶ has joint control over the Bank;

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38. RELATED PARTY TRANSACTIONS (continued)

- (b) The party is a joint venture in which the Bank are ventures (owning over 11% of the charter capital or voting share capital but is not a subsidiary of the Bank);
- (c) The party is a member of the key management personnel (including Chief Financial Officer, Chief Accountant) of the Bank or its parent Company;
- (d) The party is a close member of the family of any person referred to in (a) or (c); or
- (e) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any person referred to in (c) or (d).

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

<i>Related parties</i>	<i>Transactions</i>	<i>Current year VND million</i>	<i>Previous year VND million</i>
Major shareholders and related parties of major shareholders	Deposits and interest paid	21,581,337	8,408,656
	Withdraw	21,183,882	8,460,840
	Interest from loans	43,614	-
	Interest from corporate bonds	31,500	31,287
Companies in which the Bank has long-term investments	Deposits and interest paid	62,545,631	32,447,722
	Withdraw	60,047,851	32,221,179
	Loans	3,513,207	1,096,659
	Interest income	10,938	21,949
Subsidiaries	Deposits and interest paid	29,745,626	29,223,906
	Withdraw	29,895,651	29,175,863
	Dividend received	150,000	125,000
	Capital contribution	150,000	125,000
	Loan interest received	96,852	115,657
	Interest expense	11,203	14,361
	Interest income swap contract	15,660	12,352
	Income from cooperation contracts to support information technology	12,515	12,515
	Income from financial advisory contract	-	4,430
	The cost of entrusting to handle the debt	3,281	2,307
	The cost of entrusting to handle the property	5,706	4,434
	Lending asset expenses	157	627
	Member of Board of Directors and Board of Managements and other related parties to these individuals	Deposits and interest paid	43,052,052
Withdraw		42,769,518	4,590,134
Loan, guarantee and mortgage		9,957,672	577,823
Debt collected		1,191,348	169,322
Interest debts collected		22,228	2,661
	Salary and bonus	48,309	38,359

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38. RELATED PARTY TRANSACTIONS (continued)

Receivables and payables with related parties at end of year as follow:

<i>Related party</i>	<i>Transactions</i>	<i>Receivables/(Payables)</i>	
		<i>Ending balance VND million</i>	<i>Opening balance VND million</i>
Major shareholders and related parties of major shareholders	Term deposits	(603,041)	(186,952)
	Demand deposits	(7,489)	(20,974)
	Treasury deposits	(46)	(46)
	Loans	474,300	474,300
	Available-for-sale securities	350,000	350,000
	Accrual interest from debt available-for-sale securities	23,819	23,819
	Accrued interest	830	394
Companies in which the Bank has long-term investment	Term deposits	(3,206,754)	(837,775)
	Demand deposits	(199,811)	(151,002)
	Loans	865,153	342,812
	Accrued interest	405	5,474
	Guaranteed and treasury deposit	(437)	(23)
	Receivables from transferring properties	-	315,000
	Rental deposit	-	20,000
	Advances for capital contribution to HDREAL	-	6,669
Subsidiaries	Term deposits	(72,800)	(42,600)
	Demand deposits	(83,907)	(265,182)
	Loans	980,000	1,137,055
	Advance for capital contribution	150,000	-
	Accrued interest	22,550	38,086
	Interest expense	(262)	(197)
	Prepaid rental expense	-	30,363
Member of Board of Directors and Board of Managements and other related parties to these individuals	Demand deposits	(93,670)	(99,098)
	Term savings	(729,810)	(429,976)
	Loans, guarantee and mortgage	5,913	440,118
	Accrual interest	92	4,328



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

	<i>Domestic VND million</i>	<i>Overseas VND million</i>	<i>Total VND million</i>
Assets at 31 December 2017 (*)			
Due from and loans to other credit institutions	21,655,964	661,170	22,317,134
Loans and advances to customers	95,048,397	-	95,048,397
Derivative and financial instruments (Nominal amount)	51,725,777	-	51,725,777
Trading securities and Investment securities	1,079,775	-	1,079,775
Other long term investments			
Liabilities at 31 December 2017	35,211,056	-	35,211,056
Due to and borrowings from other credit institutions	120,628,498	-	120,628,498
Customer deposits	20,018,446	-	20,018,446
Grants, entrusted funds and loans exposed to risks	2,927,741	-	2,927,741
Valuable papers issued	4,465,000	-	4,465,000
Off-balance-sheet commitments at 31 December 2017	45,751,383	-	45,751,383

(*) Not including provision for credit risk

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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40. INFORMATION BY GEOGRAPHICAL REGIONS

Information on income, expenses and assets and liabilities of each segment by geographical area of the Bank as at 31 December 2017 and for the financial year from 1 January 2017 to 31 December 2017 as follows:

	<i>Northern VND million</i>	<i>Central VND million</i>	<i>South VND million</i>	<i>Total submitted VND million</i>	<i>Eliminated VND million</i>	<i>Total VND million</i>
Interest and similar income	4,565,556	1,736,906	21,592,037	27,894,499	(16,794,573)	11,099,926
Interest and similar expenses	(3,624,873)	(1,312,600)	(19,355,895)	(24,293,368)	16,794,573	(7,498,795)
Net interest and similar income	940,683	424,306	2,236,142	3,601,131	-	3,601,131
Non-interest income	64,773	8,922	1,091,891	1,165,586	-	1,165,586
TOTAL OPERATING INCOME	1,005,456	433,228	3,328,033	4,766,717	-	4,766,717
TOTAL OPERATING EXPENSES	(382,243)	(203,957)	(1,719,590)	(2,305,790)	-	(2,305,790)
Net operating profit before provision for credit losses	623,213	229,271	1,608,443	2,460,927	-	2,460,927
Provision for credit losses	(88,813)	(30,138)	(301,441)	(420,392)	-	(420,392)
PROFIT/(LOSS) BEFORE TAX	534,400	199,133	1,307,002	2,040,535	-	2,040,535
ASSETS						
Cash and gold	386,215	187,887	937,478	1,511,580	-	1,511,580
Due to the State Bank of Vietnam and other credit institutions	38,619	59,895	23,766,307	23,864,821	-	23,864,821
Loans to customers	21,417,211	11,638,925	61,992,261	95,048,397	-	95,048,397
Debt purchasing	-	-	7,749	7,749	-	7,749
Investment	2,907,109	15,202	49,883,241	52,805,552	-	52,805,552
Other assets	7,245,879	337,668	8,133,878	15,717,425	(6,579,907)	9,137,518
Total asset	31,995,033	12,239,577	144,720,914	188,955,524	(6,579,907)	182,375,617
LIABILITIES						
Borrowing from the State Bank of Vietnam	83	-	156,170	156,253	-	156,253
Due to and borrowings from other credit institutions	18	-	35,211,038	35,211,056	-	35,211,056
Due to customer	29,777,699	9,902,649	80,948,150	120,628,498	-	120,628,498
Other liabilities	1,292,185	2,041,219	13,581,902	16,915,306	(6,579,907)	10,335,399
Total liabilities	31,069,985	11,943,868	129,897,260	172,911,113	(6,579,907)	166,331,206

41. FINANCIAL RISK MANAGEMENT

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

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

(i) *Risk management structure*

The Board of Directors is ultimately responsible for identifying and controlling risks. However, each separate member shall be responsible for managing and monitoring risks.

(ii) *Board of Directors*

The Board of Directors is responsible for monitoring the overall risk management process within the Bank.

(iii) *Risk Management Committee*

Risk Management Committee advises the Board of Directors in the promulgation of procedures and policies under their jurisdiction relating to risk management in the Bank's activities.

Risk Management Committee analyses and provides warnings on the potential risks that may affect the Bank's operation and preventive measures in the short term as well as long term.

Risk Management Committee reviews and evaluates the appropriateness and effectiveness of the risk management of procedures and policies of the Bank to make recommendations to the Board of Directors on the improvement of procedures, policies and operational strategies.

(iv) *Board of Supervision*

The Board of Supervision has the responsibility to control the overall risk management process within the Bank.

(v) *Internal Audit*

According to the annual internal audit plan, business processes throughout the Bank is audited annually by the internal audit function, which examines both the adequacy of the procedures and compliance with the Bank's procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Board of Supervision.

(vi) *Risk measurement and reporting systems*

The Bank's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which is an estimate of the ultimate actual loss based on statistical models.

Monitoring and controlling of risks is primarily performed based on limits established by the Bank in compliance with the State Bank of Vietnam's regulations. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept.

41. FINANCIAL RISK MANAGEMENT (continued)

(vi) Risk measurement and reporting systems (continued)

Information compiled from all business activities is examined and processed in order to analyse, control and early identify risks. This information is presented and explained to the Board of Management, Board of Directors, and the department heads. The report includes aggregate credit exposure, credit metric forecasts, limit exceptions, liquidity ratios and risk profile changes. The Board of Directors assesses the appropriateness of the allowance for credit losses on a quarterly basis. The Board of Directors receives a comprehensive risk report quarterly which is designed to provide all the necessary information to assess and conclude on the risks of the Bank.

For all levels throughout the Bank, specifically tailored risk reports are prepared and distributed in order to ensure that all business departments have access to *extensive, necessary and up-to-date information*.

(vii) Risk reduction

The Bank has actively used collateral to mitigate credit risk.

(viii) Excessive risk concentration

Concentrations arise when a number of counterparties of the Bank is engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would affect the group of customers' payment obligations or payment receipt rights when due under changes in economic, political or other conditions.

These above concentrations indicate the relative sensitivity of the Bank's performance to the developments of a particular industry or geographic allocation.

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risk are controlled and managed accordingly. Selective hedging is used within the Bank in respect of the industries and other related factors

42. CREDIT RISK

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations.

The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the financial position and creditworthiness of counterparties based on qualitative and quantitative indicators. Counterparty's limits are established by the use of a credit rating system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision.

The effective interest rates on deposits with the SBV, placements with and loans to other banks, loans and advances to customers in currencies are presented in *Notes 6, 7, 10 and 19*.

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42. CREDIT RISK (continued)

42.1 Maximum exposure to credit risk before collateral held or other credit enhancements

The maximum exposures to credit risk relating to each group of financial assets, which are equivalent to their book values on the separate balance sheet, are listed below:

	<i>Ending balance</i> <i>VND million</i>	<i>Opening balance</i> <i>VND million</i>
Credit risk exposures of balance sheet items		
Due from and loans to other credit institutions	22,317,134	19,002,925
Held for trading – Debt securities	800,000	400,000
Derivatives and other financial assets	20,018,446	18,522,052
Loans to customers		
<i>Individuals</i>	37,936,167	28,674,541
<i>Corporates</i>	57,112,230	45,532,005
Debts purchased	7,749	8,690
Investment securities		
<i>Debt securities - available-for-sale</i>	5,962,202	5,259,048
<i>Debt securities - held-to-maturity</i>	5,797,823	2,500,000
Credit risk exposures of off-balance sheet items		
Financial guarantees	3,578,489	2,739,865
Letters of credit	1,127,402	1,092,889

This table presents the worst scenario which the Bank will incur the maximum credit exposures as at 31 December 2017 and 31 December 2016, without taking into account of any collateral held or their credit enhancements.

42.2 Financial assets neither past due nor impaired

The Bank and its subsidiary's financial assets which are neither past due nor impaired comprise loans to customers classified as Group 1 (Current) loans in accordance with Circular No. 02/2013/TT-NHNN and Circular No. 09/2014/TT-NHNN; securities, receivables and other financial assets which are not past due and no provision is required in accordance with Circular No. 228/2009/TT-BTC and Circular No. 89/2013/TT-BTC issued at 28 June 2013.

The Bank see that they have absolute capacity to fully and timely recover these financial assets in the futures.

42.3 Financial assets past due but not impaired

The age of financial assets past due but not impaired as at 31 December 2017 is presented below:

	<i>Past due</i>				<i>Total</i> <i>VND</i> <i>million</i>
	<i>Less than</i> <i>90 days</i> <i>VND million</i>	<i>From 91 to</i> <i>180 days</i> <i>VND million</i>	<i>From 181</i> <i>to 360 days</i> <i>VND million</i>	<i>More than</i> <i>360 days</i> <i>VND million</i>	
Loans to customers	807,825	218,599	93,348	266,004	1,385,776

Loans that are overdue but not discounted are overdue loans but not required to make provisions as the Bank holds all collaterals in the form of counterparty deposits, real estate, movable assets, valuable papers and other types of collateral.

43. MARKET RISK

43.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair values of financial instruments. The Bank are exposed to interest rate risk as a result of mismatches of maturity dates or dates of interest rate re-pricing in respect of assets, liabilities and off-balance sheet instruments over a certain period. The Bank manage this risk by matching the dates of interest rate re-pricing of assets and liabilities through risk management strategies.

Analysis of assets and liabilities based on interest rate re-pricing date

Re-pricing term of the effective interest rate is the remaining period from the date of the separate financial statements to the nearest re-pricing date of interest rate applicable to assets and equity.

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

- ▶ Cash and gold; investment in equity securities; long-term investment and other assets (including fixed assets, investment properties and other assets) are classified as non-interest bearing items;
- ▶ The re-pricing term of balances with the State Bank of Vietnam is considered as up to one-month;
- ▶ The re-pricing term of investment securities and held-for-trading securities is calculated based on the time to maturity from the balance sheet date for each type of securities;
- ▶ The re-pricing term of placements with other banks and loans to other banks; loans to customers; borrowings from the Government and the State Bank of Vietnam; placements from other credit institutions and borrowings from other credit institutions; due to customers are determined as follows:
 - Items which bear fixed interest rate during the contractual term: The re-pricing term is determined based on the time to maturity from the balance sheet date.
 - Items which bear floating interest rate: The re-pricing term is determined based on the time to the nearest interest rate re-pricing date from the balance sheet date.
- ▶ The re-pricing term of valuable papers is determined based on the time to the nearest interest rate re-pricing date from the balance sheet date.

The following table presents the interest re-pricing period of the Bank's assets and liabilities as at 31 December 2017:

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43. MARKET RISKS (continued)

43.1 Interest rate risk (continued)

	Interest re-pricing period								Total VND million
	Overdue VND million	Non-interest bearing VND million	Up to 1 month VND million	1 -3 months VND million	3 -6 months VND million	6 – 12 months VND million	1 – 5 years VND million	Over 5 years VND million	
Assets									
Cash and gold	-	1,511,580	-	-	-	-	-	-	1,511,580
Balances with the State Bank of Vietnam	-	-	1,547,687	-	-	-	-	-	1,547,687
Due from and loans to other credit institutions – gross	-	-	18,711,134	2,806,000	-	700,000	100,000	-	22,317,134
Trading securities - gross	-	4,693,398	-	-	-	-	-	-	4,693,398
Loans to customers - gross	2,282,230	-	7,486,552	85,279,615	-	-	-	-	95,048,397
Debt purchasing – gross	7,749	-	-	-	-	-	-	-	7,749
Investment securities – gross	300,000	2,971,074	1,033,211	1,857,348	2,800,000	5,704,921	27,603,704	4,762,121	47,032,379
Long-term investments - gross	-	1,079,775	-	-	-	-	-	-	1,079,775
Fixed assets	-	1,499,442	-	-	-	-	-	-	1,499,442
Other assets – gross	79,013	2,718,054	314,256	3,257,796	525,740	607,813	118,171	17,233	7,638,076
Total assets	2,668,992	14,473,323	29,092,840	93,200,759	3,325,740	7,012,734	27,821,875	4,779,354	182,375,617
Liabilities									
Borrowings from the Government and the SBV	-	-	-	156,253	-	-	-	-	156,253
Due to and borrowings from other credit institutions	-	-	33,831,918	33,638	224,250	-	-	1,121,250	35,211,056
Derivative financial instruments and other financial assets	-	46,568	-	-	-	-	-	-	46,568
Due to customers	-	64,743	47,699,214	22,991,392	21,615,664	22,713,949	5,541,709	1,827	120,628,498
Grants, entrusted funds and loans exposed to risks	-	-	2,882	2,870,400	-	-	-	54,459	2,927,741
Valuable papers issued	-	-	135,000	400,000	400,000	530,000	500,000	2,500,000	4,465,000
Other liabilities – gross	-	344,752	457,703	693,331	698,270	540,549	69,940	91,545	2,896,090
Total liabilities	-	456,063	82,126,717	27,145,014	22,938,184	23,784,498	6,111,649	3,769,081	166,331,206
In-balance sheet interest sensitivity gap	2,668,992	14,017,260	(53,033,877)	66,055,745	(19,612,444)	(16,771,764)	21,710,226	1,010,273	16,044,411

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

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43. MARKET RISKS (continued)

43.1 Interest rate risk (continued)

At the reporting date, the Bank performed sensitivity analyzes for interest rates for the financial year ended 31 December 2017. Accordingly, if the interest rate increased by 0.2%, the after-tax profit of The bank will decrease VND47,104 million. If the interest rate is reduced by 0.2%, then the profit after tax of the Bank will increase by VND47,104 million.

43.2 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Bank is incorporated and operating in Vietnam with reporting currency as VND. The major currency of its transaction is also VND, some transactions are denominated in gold, USD, EUR and other foreign currencies. The Bank have set limits to control the positions of the currencies. Positions are monitored on a daily basis and hedging strategies are used to ensure positions of the currencies are maintained within the established limits.

The exchange rates of key foreign currencies to VND at the reporting date are presented at *Note 47*.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

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43. MARKET RISKS (continued)

43.2 Currency risk (continued)

The following table presents assets and liabilities in foreign currencies translated into VND as at 31 December 2017:

	<i>EUR equivalent VND million</i>	<i>USD equivalent VND million</i>	<i>Gold equivalent VND million</i>	<i>Other currencies equivalent VND million</i>	<i>Total VND million</i>
Assets					
Cash and gold	111,392	407,158	22,730	66,905	608,185
Balances with the State Bank of Vietnam	-	99,696	-	-	99,696
Due from and loans to other credit institutions - gross	6,468,402	1,617,662	-	34,288	8,120,352
Loans to customers – gross	-	7,385,785	-	54,457	7,440,242
Derivatives and other financial assets	-	649,787	-	15,861	665,648
Other assets – gross	-	66,329	-	2	66,331
Total assets	6,579,794	10,226,417	22,730	171,513	17,000,454
Liabilities and equity					
Due to and borrowings from other credit institutions	-	2,236,246	-	-	2,236,246
Due to customers	37,432	3,793,397	-	98,882	3,929,711
Grants, entrusted funds and loans exposed to risks	-	2,871,591	-	54,459	2,926,050
Derivatives and other financial liabilities	6,034,500	-	-	13,119	6,047,619
Other liabilities	11,858	48,846	231	1,489	62,424
Total liabilities and equity	6,083,790	8,950,080	231	167,949	15,202,050
Foreign exchange position on-balance sheet	496,004	1,276,337	22,499	3,564	1,798,404
Foreign exchange position off-balance sheet	(486,000)	210,775	-	881	(274,344)
Foreign exchange position on and off-balance sheet	10,004	1,487,112	22,499	4,445	1,524,060

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

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43. MARKET RISK (continued)

43.2 Currency risk (continued)

At the reporting date, the Bank performed sensitivity analyzes for the exchange rate for the financial period ended at 31 December 2017. If the exchange rate increased by 0.2%, the Bank's after tax profit would increased by VND2,877 million. If the exchange rate falls by 0.2%, the bank's after tax profit will drop by VND2,877 million.

43.3 Liquidity risk

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

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

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

- ▶ Balances with the central banks are classified as demand deposits which include compulsory deposits;
- ▶ The maturity term of investment securities is calculated based on the maturity date of each kind of securities; except for the maturity term of investments in Government bonds and bonds issued by the Vietnam Development Bank is considered within one month because of their high liquidity;
- ▶ The maturity term of due from and loans to other credit institutions, loans to customers is determined based on the maturity date as stipulated in contracts. The actual maturity term may be altered because loan contracts may be extended;
- ▶ The maturity term of long-term investments is considered as more than one year because these investments do not have specific maturity date;
- ▶ The maturity term of due to and borrowings from other credit institutions, due to customers are determined based on features of these items or the maturity date as stipulated in contracts. Vostro account and demand deposits are transacted as required by customers, and therefore, classified as current accounts. The maturity term of borrowings and term deposits is determined based on the maturity date in contracts. In practice, these amounts may be rolled over, and therefore, they may last beyond the original maturity date;
- ▶ The maturity term of a fixed asset is considered to be over five years as the majority of the Bank and its subsidiary's fixed assets are used for business purposes and are not intended to be transferred so it is possible to convert it into a low amount.

The following table presents assets and liabilities maturity from the Bank at 31 December 2017.



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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2017 and for the year then ended

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43. MARKET RISK (continued)

43.3 Liquidity risk (continued)

	Overdue			Current				Total VND million
	Above 3 months VND million	Up to 3 months VND million	Up to 1 month VND million	1 – 3 months VND million	3 – 12 months VND million	1 – 5 years VND million	Above 5 years VND million	
Assets								
Cash and gold	-	-	1,511,580	-	-	-	-	1,511,580
Balances with the State Bank of Vietnam	-	-	1,547,687	-	-	-	-	1,547,687
Due from and loans to other credit institutions - gross	-	-	18,711,134	2,806,000	700,000	100,000	-	22,317,134
Trading securities - gross	-	-	-	-	400,000	4,138,626	154,772	4,693,398
Loans to customers - gross	1,041,250	1,240,980	7,486,552	11,380,325	34,105,083	17,454,304	22,339,903	95,048,397
Debt purchasing - gross	7,749	-	-	-	-	-	-	7,749
Investment securities - gross	300,000	-	1,233,145	470,367	6,720,449	30,116,298	8,192,120	47,032,379
Long-term investments – gross	-	-	-	-	-	-	1,079,775	1,079,775
Fixed assets	-	-	955,293	4,908	17,870	81,096	440,275	1,499,442
Other assets - gross	79,013	-	603,896	2,888,051	1,143,255	2,379,300	544,561	7,638,076
Total assets	1,428,012	1,240,980	32,049,287	17,549,651	43,086,657	54,269,624	32,751,406	182,375,617
Liabilities								
Borrowings from the Government and the SBV	-	-	216	225	13,935	119,382	22,495	156,253
Due to and borrowings from other credit institutions	-	-	33,831,918	33,638	224,250	-	1,121,250	35,211,056
Due to customers	-	-	47,763,957	22,991,392	44,329,613	5,541,709	1,827	120,628,498
Derivatives and other financial liabilities	-	-	42,955	(43,912)	47,525	-	-	46,568
Grants, entrusted funds and loans exposed to risks	-	-	-	-	1,000	691	2,926,050	2,927,741
Valuable papers issued	-	-	135,000	400,000	930,000	500,000	2,500,000	4,465,000
Other liabilities	-	-	802,455	693,331	1,238,819	69,940	91,545	2,896,090
Total liabilities	-	-	82,576,501	24,074,674	46,785,142	6,231,722	6,663,167	166,331,206
Net liquidity gap	1,428,012	1,240,980	(50,527,214)	(6,525,023)	(3,698,485)	48,037,902	26,088,239	16,044,411

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE FINANCIAL STATEMENTS (continued)
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43. MARKET RISK (continued)

43.4 Market price risk

Except for the assets and liabilities presented above, the Bank has no other market price risks which have risk level accounting for 5% or more of net profit or the value of assets, liabilities accounting for 5% or more of total assets.

44. OPERATING LEASE COMMITMENTS

	<i>Ending balance</i> <i>VND million</i>	<i>Opening balance</i> <i>VND million</i>
Operating lease commitments	1,187,205	1,156,906
<i>In which:</i>		
- <i>Due within one year</i>	5,281	170,077
- <i>Due from one to five years</i>	372,145	400,702
- <i>Due after five years</i>	809,779	586,127

45. SUPPLEMENTAL NOTES TO FINANCIAL ASSETS AND FINANCIAL LIABILITIES

On 6 November 2009, the Ministry of Finance issued Circular No. 210/2009/TT-BTC providing guidance for the adoption in Vietnam of the International Financial Reporting Standards on presentation and disclosures of financial instruments ("Circular 210") which is effective for financial years beginning on or after 1 January 2011.

The Circular 210 only provides for the presentation and disclosures of financial instruments; therefore, the concepts of financial assets, financial liabilities and related concepts are applied solely for the supplemental presentation. Assets, liabilities and equity of the Bank have been recognized and measured in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and the statutory requirements relevant to preparation and presentation of the separate financial statements.

45. SUPPLEMENTAL NOTES TO FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial assets

Financial assets of the Bank within the scope of Circular 210 comprise cash and gold, balances with the State Bank of Vietnam, due from and loans to other credit institutions, loans to customers, held-for-trading and investment securities, receivables and other assets under currency derivative contracts.

According to Circular 210, financial assets are classified appropriately, for the purpose of disclosure in the separate financial statements, into one of the following categories:

► *A financial asset at fair value through the separate statement of income*

Is a financial asset that meets either of the following conditions:

- a) It is classified as held-for-trading. A financial asset is classed as held for trading. A financial asset is classified as held-for-trading if:
 - ✓ It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
 - ✓ There is evidence of recent actual pattern of short-term profit-taking; or
 - ✓ It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).
- b) Upon initial recognition, it is designated by the Bank

► *Held-to-maturity investments:*

Non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank intends and is able to hold to maturity, except:

- a) Financial assets that, at the time of initial recognition, have been classified as a recognized group at their fair value through the separate statement of income;
- b) Financial assets are classified as available-for-sale;
- c) Financial assets are satisfied the definitions of loans and receivables

► *Loans and receivables:*

Are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, not includes:

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

► *Available for sale assets:*

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

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

45. SUPPLEMENTAL NOTES TO FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial liabilities

Financial liabilities of the Bank under the Circular 210 consist of borrowings from the Government and the State Bank of Vietnam, deposits and borrowings from other banks, due to customers, grants, entrusted funds and loans exposed to risks, valuable papers issued by the Bank, payables and other liabilities under monetary derivative contracts.

According to Circular 210/2009/TT-BTC, financial liabilities are classified appropriately, for the purpose of disclosure in the separate financial statements, into one of the following categories:

► *Financial liabilities at fair value through profit or loss*

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

- a) It is classified as held for trading. A financial liability is classified as held for trading if:
 - ✓ It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
 - ✓ There is evidence of a recent actual pattern of short-term profit-taking; or
 - ✓ It is a derivative (except for a derivative that is a financial guarantee contract or designated and effective hedging instrument).
- b) Upon initial recognition it is designated by the Bank as at fair value through separate income statement.

► *Financial liabilities at amortized cost.*

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

Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and reported at the net amount in the separate balance sheet at 31 December 2017 if, and only if, the Bank has an enforceable legal right to offset financial assets against financial liabilities and the Bank has intention to settle on a net basis, or the realisation of the assets and settlement of liabilities is made simultaneously.

Determine the fair value of financial instruments

The fair value of cash and short term deposits approximate their carrying value due to short term maturity of these items.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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45. SUPPLEMENTARY NOTE ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The carrying amount and fair value of the Bank's financial assets and liabilities are presented as at 31 December 2017 as follows:

	Book Value						Fair Value VND million
	Trading VND million	Keep up to maturity VND million	Lend and receivable VND million	Available for sale VND million	Other assets and financial liabilities are accounted according to the distribution value VND million	Total book value VND million	
Financial assets							
Cash, gold and precious stones	-	-	-	-	1,511,580	1,511,580	1,511,580
Balances with the SBV	-	-	-	-	1,547,687	1,547,687	1,547,687
Due from and loans to other credit institutions	-	-	3,190,561	-	19,126,573	22,317,134	(*)
Trading securities	4,690,398	-	-	-	-	4,690,398	(*)
Loans and advances to customers	-	-	94,193,371	-	-	94,193,371	(*)
Purchased debts	-	-	3,875	-	-	3,875	(*)
Investment securities	-	8,738,570	-	37,063,571	-	45,802,141	(*)
Long-term investments	-	-	-	378,237	-	378,237	(*)
Other financial assets	-	-	4,971,993	-	-	4,971,993	(*)
Total	4,690,398	8,738,570	102,359,800	37,441,808	22,185,840	175,416,416	
Financial liabilities							
Borrowings from the Government and the SBV	-	-	-	-	156,253	156,253	(*)
Due to and borrowings from other credit institutions	-	-	-	-	35,211,056	35,211,056	(*)
Due to customers	-	-	-	-	120,628,498	120,628,498	(*)
Derivatives and other financial assets	46,568	-	-	-	-	46,568	(*)
Grants, entrusted funds and loans exposed to risks	-	-	-	-	2,927,741	2,927,741	(*)
Valuable papers issued	-	-	-	-	4,465,000	4,465,000	(*)
Other liabilities	-	-	-	-	2,551,378	2,551,378	(*)
Total	46,568	-	-	-	165,939,926	165,986,494	

(*) The fair value of these financial assets and liabilities cannot be determined because of the Vietnamese Accounting Standards and System of Credit Institutions and the regulations of the State Bank of Vietnam have not had specific guidance on the determination of fair value.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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46. EVENTS AFTER THE BALANCE SHEET DATE

No events occurring after the balance sheet date are required to be adjusted or presented in the separate financial statements for the year ended 31 December 2017 of the Bank.

47. EXCHANGE RATES OF APPLICABLE FOREIGN CURRENCIES AGAINST VIETNAM DONG AT THE END OF THE PERIOD

	<i>Ending balance</i> VND	<i>Opening balance</i> VND
USD	22,425	22,159
EUR	27,000	23,876
GBP	30,413	27,803
CAD	17,998	16,807
SGD	16,910	15,678
AUD	17,623	16,372
CNY	3,372	3,138
JPY	200.37	194.90
Gold SJC (ounce)	36,400,000	35,800,000

Prepared by: 



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Chief Accountant

Reviewed by: 

Mr. Pham Van Dau
Chief Financial Officer

Approved by: 



Mr. Nguyen Huu Dang
General Officer

Ho Chi Minh City, Vietnam

30 March 2018

