

Ho Chi Minh Development Joint Stock Bank

Interim consolidated financial statements

30 June 2017



Ho Chi Minh City Development Joint Stock Bank

CONTENTS

	<i>Pages</i>
General information	1 - 2
Report of the Board of Management	3
Report on review of interim consolidated financial statements	4 - 5
Interim consolidated balance sheet	6 - 8
Interim consolidated income statement	9
Interim consolidated cash flows statement	10 - 11
Notes to the interim consolidated financial statements	12 - 84

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 period and as at the date of this report are as follows:

<u>Name</u>	<u>Position</u>	<u>Date of appointment/ reappointment</u>
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 period and as at the date of this report are as follows:

<u>Name</u>	<u>Position</u>	<u>Date of reappointment</u>
Mr. Dao Duy Tuong	Chief Supervisor	Re-appointment on 21 April 2017
Ms. Nguyen Thi Phung	Member	Re-appointment on 21 April 2017
Ms. Nguyen Thi Tich	Member	Re-appointment on 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 period and as at the date of this report are as follows:

<u>Name</u>	<u>Position</u>	<u>Date of appointment</u>
Mr. Nguyen Huu Dang	General Director	Appointment on 22 October 2010
Ms. Nguyen Doan Duy Ai	Deputy General Director	Appointment on 15 August 2007
Mr. Pham Quoc Thanh	Deputy General Director	Appointment on 11 March 2013
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. Pham Thien Long	Deputy General Director	Appointment on 5 April 2011
Mr. Le Thanh Trung	Deputy General Director	Appointment on 15 February 2012
Mr. Tran Hoai Nam	Deputy General Director	Appointment on 27 February 2012
Mr. Tran Thai Hoa	Deputy General Director	Appointment on 27 May 2015
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 for the six-month period ended 30 June 2017 and at the date of this report is Mr. Nguyen Huu Dang, General Director.

AUDITORS

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

Ho Chi Minh City Development Joint Stock Bank

REPORT OF BOARD OF MANAGEMENT

Board of Management of Ho Chi Minh Development Joint Stock Bank ("the Bank") is pleased to present this report and the interim consolidated financial statements of the Bank and its subsidiaries for the six-month period ended 30 June 2017.

RESPONSIBILITY OF MANAGEMENT IN RESPECT OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS.

The Board of Management of the Bank is responsible for the interim consolidated financial statements which give a true and fair view of the interim consolidated financial position of the Bank and its subsidiaries and of the interim consolidated results of their operations and their interim consolidated cash flows for the period. In preparing these interim consolidated 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 interim consolidated financial statements; and
- ▶ prepare the interim consolidated financial statements on the going basis unless it is inappropriate to presume that the Bank and its subsidiaries will continue in business.

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

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

STATEMENT BY THE BOARD OF MANAGEMENT

The Board of Management of the Bank does hereby state that, in its opinion, the accompanying interim consolidated financial statements give a true and fair view of the interim consolidated financial position of the Bank and its subsidiaries as at 30 June 2017, the interim consolidated results of their operations and their interim consolidated cash flows for the six-month period then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions, regulations stipulated by the State Bank of Vietnam and other statutory requirements relevant to preparation and presentation of the interim consolidated financial statements.

For and on behalf of the Board of Management:



Mr. Nguyen Huu Dang
General Director

Ho Chi Minh City, Vietnam

4 October 2017



Ernst & Young Vietnam Limited
28th Floor, Bitexco Financial Tower
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Reference: 60752693/19309533- HN

REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

We have reviewed the accompanying interim consolidated financial statements of Ho Chi Minh City Development Joint Stock Bank ("the Bank") and its subsidiaries, as prepared on 4 October 2017 and set out on pages 6 to 84 which comprise the interim consolidated balance sheet as at 30 June 2017, the interim consolidated income statement and the interim consolidated cash flows statement for the six-month period then ended and the notes thereto.

Management's responsibility

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

Auditors' responsibility

Our responsibility is to express a conclusion on the interim consolidated financial statements based on our review. We conducted our review in accordance with Vietnamese Standard on Review Engagements No. 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Vietnamese Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not give a true and fair view, in all material respects, of the interim consolidated financial position of the Bank and its subsidiaries as at 30 June 2017, and of the interim consolidated results of its operations and its interim consolidated cash flows for the six-month period then ended in accordance with Vietnamese Accounting Standards, Accounting System for Credit institutions, regulations stipulated by the State Bank of Vietnam and the statutory requirements relevant to preparation and presentation of interim consolidated financial statements.

Other matter

The consolidated financial statements of the Bank and its subsidiaries for the year ended 31 December 2016 were audited by another firm which expressed an unmodified opinion on those financial statements on 31 March 2017. Moreover, the interim consolidated statements of the Bank and its subsidiaries for the six month period ended 30 June 2016 were also reviewed by this audit firm which expressed unmodified conclusion on those financial statements on 29 September 2016.

Ernst & Young Vietnam Limited



Dang Phuong Ha
Deputy General Director
Audit Practicing Registration Certificate No. 2400-2013-004-1

Ho Chi Minh City, Vietnam

4 October 2017

Ho Chi Minh City Development Joint Stock Bank

INTERIM CONSOLIDATED BALANCE SHEET
as at 30 June 2017

B02a/TCTD-HN

	Notes	30 June 2017 VND million	31 December 2016 VND million
ASSETS			
Cash and gold	6	1,361,279	1,636,010
Balances with the State Bank of Vietnam	7	5,583,069	2,389,302
Placements with and loans to other credit institutions		22,723,038	18,580,047
Placements with other credit institutions	8.1	20,324,082	15,971,314
Loans to other credit institutions	8.2	2,398,956	2,608,733
Trading securities	9	397,000	396,937
Trading securities		400,000	400,000
Provision for trading securities		(3,000)	(3,063)
Loans and advances to customers		95,875,982	81,303,975
Loans and advances to customers	11	96,945,442	82,224,372
Provision for credit losses	13	(1,069,460)	(920,397)
Debt purchases	12	5,489	5,489
Debt purchases		8,127	8,690
Provision for credit losses of debt purchases		(2,638)	(3,201)
Investment securities		32,459,476	34,261,091
Available-for-sale securities	14.1	25,016,638	24,267,353
Held-to-maturity securities	14.2	8,508,655	11,020,813
Provision for investment securities	14.4	(1,065,817)	(1,027,075)
Long-term investments		372,427	384,406
Other long term investments	15.1	485,658	495,945
Provision for long-term investments	15.2	(113,231)	(111,539)
Fixed assets		1,315,165	1,351,960
<i>Tangible fixed assets</i>	16.1	487,161	524,984
Cost		1,008,283	1,003,485
Accumulated depreciation		(521,122)	(478,501)
<i>Intangible fixed assets</i>	16.2	828,004	826,976
Cost		1,000,122	987,948
Accumulated depreciation		(172,118)	(160,972)
Investment properties	17	58,444	88,381
Cost		58,649	88,765
Accumulate depreciation		(205)	(384)
Other assets		9,376,969	9,896,674
Receivables	18.1	4,868,298	5,290,387
Interest and fees receivable	18.2	3,019,485	3,113,887
Deferred tax assets	25.2	17,311	17,311
Other assets	18.3	1,506,902	1,510,547
<i>In which: Goodwill</i>	5	36,496	39,377
Provision for other assets	18.4	(35,027)	(35,458)
TOTAL ASSETS		169,528,338	150,294,272

Ho Chi Minh City Development Joint Stock Bank

INTERIM CONSOLIDATED BALANCE SHEET (continued)
as at 30 June 2017

B02a/TCTD-HN

	<i>Notes</i>	<i>30 June 2017</i> <i>VND million</i>	<i>31 December 2016</i> <i>VND million</i>
LIABILITIES			
Borrowings from the Government and the State Bank of Vietnam	19	153,157	177,635
Due to and borrowings from other credit institutions	20	25,107,077	19,684,665
Due to other credit institutions	20.1	17,593,161	13,621,415
Borrowings from other credit institutions	20.2	7,513,916	6,063,250
Due to customers	21	115,710,752	103,299,771
Derivatives and other financial liabilities	10	88,896	9,326
Other borrowed and entrusted funds	22	2,907,267	2,843,432
Valuable papers issued	23	11,353,000	11,027,014
Other liabilities		3,559,344	3,309,786
Interest and fees payable	24.1	2,752,689	2,463,250
Other payables	24.2	806,655	846,536
TOTAL LIABILITIES		158,879,493	140,351,629
OWNERS' EQUITY			
Capital		8,104,686	8,104,686
Charter capital	26.1	8,100,000	8,100,000
Fund for capital expenditure		89	89
Share premium	26.1	4,599	4,599
Treasury shares		(2)	(2)
Foreign currency exchange differences		(4,010)	-
Reserves	26.1	463,362	465,280
Retained earnings	26.1	1,364,964	747,047
Non-controlling Interests	26.1	719,843	625,630
TOTAL OWNERS' EQUITY		10,648,845	9,942,643
TOTAL LIABILITIES AND OWNERS' EQUITY		169,528,338	150,294,272

Ho Chi Minh City Development Joint Stock Bank

INTERIM CONSOLIDATED BALANCE SHEET (continued)
as at 30 June 2017

B02a/TCTD-HN

INTERIM OFF BALANCE SHEET ITEMS

	Notes	30 June 2017 VND million	31 December 2016 VND million
Credit guarantees		8,762	9,862
Foreign exchange commitments		42,532,862	35,669,948
- Spot foreign exchange commitments – buy		2,990,506	2,942,536
- Spot foreign exchange commitments – sell		2,062,100	1,288,271
- Cross currency swap contracts		37,480,256	31,439,141
Letters of credit		1,066,095	1,046,968
Other guarantees		3,020,805	2,592,745
Total	40	46,628,524	39,319,523

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

4 October 2017

Ho Chi Minh City Development Joint Stock Bank

INTERIM CONSOLIDATED INCOME STATEMENT
for the six-month period ended 30 June 2017

B03a/TCTD-HN

	Notes	For the six-month period ended 30 June 2017 VND million	For the six-month period ended 30 June 2016 VND million
Interest and similar income	28	6,989,689	5,192,798
Interest and similar expenses	29	(4,257,159)	(2,984,172)
Net interest and similar income		2,732,530	2,208,626
Fee and commission income		93,639	79,422
Fee and commission expenses		(23,270)	(24,765)
Net fee and commission income	30	70,369	54,657
Net gain from foreign currencies and gold trading	31	90,294	102,272
Net gain from trading securities	32	4,469	-
Net gain/(loss) from investment securities	33	158,270	(88,079)
Other operating income		115,444	34,000
Other operating expenses		(16,149)	(13,696)
Net gain from other operating activities	34	99,295	20,304
Income from long term investments	35	43,594	3,475
TOTAL OPERATING INCOME		3,198,821	2,301,255
Personnel expenses		(908,660)	(646,795)
Depreciation and amortization charges		(55,278)	(59,638)
Other operating expenses		(920,168)	(762,705)
TOTAL OPERATING EXPENSES	36	(1,884,106)	(1,469,138)
Net operating profit before credit loss expenses		1,314,715	832,117
Provision expense for credit losses	13	(433,647)	(429,932)
PROFIT BEFORE TAX		881,068	402,185
Current corporate income tax expense	25.1	(168,048)	(81,887)
Deferred corporate income tax	25.2	-	-
Corporate income tax expenses		(168,048)	(81,887)
PROFIT AFTER TAX		713,020	320,298
Attributable to:			
Common shareholders of the Bank		618,807	241,403
Non-controlling interest	26.1	94,213	78,895
Basic earnings per share (VND)	27	764	298

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, Viet Nam

4 October 2017

Ho Chi Minh City Development Joint Stock Bank

INTERIM CONSOLIDATED CASH FLOWS STATEMENT
for the six-month period ended 30 June 2017

B04a/TCTD-HN

	Notes	For the six-month period ended 30 June 2017 VND million	For the six-month period ended 30 June 2016 VND million
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and similar receipts		7,226,193	4,379,822
Interest and similar payments		(3,970,687)	(2,810,078)
Net fee and commission receipts		62,538	53,691
Net receipts from trading of securities, gold and foreign currencies		238,060	140,562
Other income		39,226	1,048
Recoveries from bad debts written-off previously	34	58,236	17,993
Payments to employees and other operating expenses		(1,827,136)	(1,385,726)
Corporate income tax paid during the period	25	(170,620)	(134,861)
Net cash flows from operating profit before changes in operating assets and liabilities		1,655,810	262,451
Changes in operating assets			
Decrease in due from and loans to other credit institutions		-	1,143,570
Decrease/(increase) in securities		1,641,102	(6,925,503)
Decrease/(increase) in derivatives and other financial assets		79,570	(64,919)
Increase in loans to customers		(14,720,507)	(15,220,363)
Utilization of provision to write-off loans to customers, securities and long-term investments		(244,146)	(207,756)
Decrease in other assets		434,806	1,646,933
Changes in operating liabilities			
Decrease in borrowings from the Government and the SBV		(24,478)	(2,266,558)
Increase in due to and borrowings from other credit institutions		5,422,412	5,146,080
Increase in customer deposits		12,410,981	18,624,638
Increase/(decrease) in other borrowed and entrusted funds		63,835	(10,716)
Increase in valuable papers issued		325,986	1,148,000
(Decrease)/increase in other liabilities		(29,478)	201,246
Use of bonus and welfare fund		(2,808)	(534)
Net cash from operating activities		7,013,085	3,476,569
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	16	(18,473)	(18,865)
Proceeds from disposal of fixed assets		1,626	10,106
Proceeds from disposal of investment properties		42,746	2,320
Payments for investments in other entities		-	(16,840)
Proceeds from investments in other entities		10,287	-
Dividends received from long-term investments		16,766	3,475
Net cash flows from/(used in) investing activities		52,952	(19,804)

Ho Chi Minh City Development Joint Stock Bank

INTERIM CONSOLIDATED CASH FLOWS STATEMENT (continued)
for the six-month period ended 30 June 2017

B04a/TCTD-HN

	Notes	For the six-month period ended 30 June 2017 VND million	For the six-month period ended 30 June 2016 VND million
CASH FLOWS FROM FINANCING ACTIVITY			
Dividends paid	26.3	-	(809,987)
Cash used in financing activity		-	(809,987)
Net increase in cash for the period		7,066,037	2,646,778
Cash and cash equivalents at the beginning of the period		22,605,359	14,069,062
Foreign exchange difference		(4,010)	4,528
Cash and cash equivalents at the end of the period	37	29,667,386	16,720,368

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

4 October 2017

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
as at 30 June 2017 and for the six-month period ended

B05a/TCTD-HN

1. CORPORATE 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 30 June 2017 is VND8,100 million (as at 31 December 2016: VND8,100 million).

Operation network

The bank's Head Office is located at HD Tower, 25 bis Nguyen Thi Minh Khai street, District 1, Ho Chi Minh City. As at 30 June 2017, the Bank had one (1) Head Office, one (1) representative office in the North, fifty two (52) branches, one hundred and seventy four (174) transaction offices located in cities and provinces throughout Vietnam.

Subsidiaries

As at 30 June 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, tenthly (10) amended on 10 April 2015	Finance/ Banking	50%

The SBV issued Official Letter No. 9647/NHNN-TTGSNH dated 25 December 2014 to approve the Bank's proposed divestment of its 50% equity interest in HD SAISON and change the legal form of HD SAISON from one member limited liability company to limited liability company with two or more members. As at 30 June 2017 the Bank completed its divestment of 50% equity interest in HD Finance to investors.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

1. CORPORATE INFORMATION (continued)

Subsidiaries (continued)

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

Employees

The Bank's total number of employees as at 30 June 2017 was 12,671 (as at 31 December 2016: 11,102).

2. BASIS OF PREPARATION

2.1 *Accounting standards and system*

The interim consolidated financial statements of the Bank and its subsidiaries 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 State Bank of Vietnam, Vietnamese Accounting Standard No. 27 - Interim Financial Reporting and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

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

The accompanying interim consolidated financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Vietnam. Accordingly, the accompanying interim consolidated balance sheet, the interim consolidated income statement, the interim consolidated cash flows statement and the notes to the interim consolidated financial statements and their utilization 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 interim consolidated financial position, results of interim consolidated operations and interim consolidated cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

Items or balances required by Decision No. 16/2007/QD-NHNN dated 18 April 2007 and Circular No. 49/2014/TT-NHNN dated 31 December 2014 issued by the SBV stipulating the financial statements reporting mechanism for credit institutions that are not shown in these interim consolidated financial statements indicate nil balance.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

2. BASIS OF PREPARATION (continued)

2.2 *Basis of consolidation*

The interim consolidated financial statements comprise the interim financial statements of the Bank and its subsidiaries for the six-month period ended 30 June 2017. The interim financial statements of the subsidiaries are prepared for the same reporting period as the parent bank, using consistent accounting policies.

All intra-company balances, income and expenses and unrealized gains or losses resulting from intra-company transactions are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Bank obtains control.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the interim consolidated income statement and within equity in the interim consolidated balance sheet.

2.3 *Fiscal year*

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

The Bank and its subsidiaries' interim starts on 1 January and ends on 30 June.

2.4 *Currency unit used in accounting*

The Bank and its subsidiaries maintain records in Vietnam Dong ("VND").

3. ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the interim consolidated financial statements requires the Board of Management of the Bank and its subsidiaries 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. Therefore, 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 and its subsidiaries in preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Bank and its subsidiaries' consolidated financial statements for the year ended 31 December 2016 and of the Bank and its subsidiaries' consolidated financial statements for the six-month period ended 30 June 2016, except for the following change in the accounting policies:

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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 *Changes in accounting policies and disclosures* (continued)

Law on Accounting No. 88/2015/QH13

The National Assembly approved Law on Accounting No. 88/2015/QH13 ("New Accounting Law") on 20 November 2015. The new Accounting Law supplements regulations on electronic vouchers and stipulates regulations on measurement and recognition at fair value of certain types of assets and liabilities which their values are frequently changes in line with market values and can be determined reliably. The new Accounting Law comes into effect from 1 January 2017.

4.2 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, gold, balances with the State Bank of Vietnam, treasury notes and other short-term valuable papers which can be discounted with the State Bank of Vietnam, 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.

4.3 *Debts purchases*

Purchased debts are promulgated and presented at purchasing price on the contract. 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 accrued before the purchase date; (ii) record the interest income in the period by the amount incurred after the purchase date.

The Bank and its subsidiaries classify the debt purchased and make credit provision in accordance with regulations on credit loss provisions and utilization as presented in *Note 4.5*.

4.4 *Loans and advances to customers*

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

4.5 *Provision for credit losses*

The classification of placements with and loans to other credit institutions, 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").

In accordance with the requirements of Circular 02 and Circular 09, specific provision for debts is made based on the principal balance & debt classification of individual customer as at the last working day of each quarter. For the last quarter, the specific provision is made at the last working day of November. The specific provision is calculated by taking the principal balance less discounted value of collaterals multiplied by provision rates. The classification, specific and general provision rates for each group are presented as follows:

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Provision for credit losses (continued)

Loan group		Classification criteria	Specific provision rate	General 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%	0.75%
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%	0.75%
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 in compliance with Clauses 1, 3, 4, 5, 6, Article 126 of the Law on Credit Institutions; or ▪ Debts made in compliance with Clauses 1, 2, 3, 4, Article 127 of the Law on Credit Institutions; or ▪ Debts made in compliance 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%	0.75%
4	Doubtful	(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%	0.75%

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Provision for credit losses (continued)

Loan group		Classification criteria	Specific provision rate	General provision rate
5	Loss	(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 (a) 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%	0%

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

When the Bank participates in a syndicated loan as a participant, it should classify loans (including syndicated loans) of the customer into a higher of the risk group assessed by the leading bank and by the Bank.

4.6 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 and Official Letter No. 8499/NHNN-TCKT on "Accounting guidance on selling and purchasing of loan transactions 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.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Upon the sale of loans to VAMC, the Bank writes off loan balances and corresponding specific provisions and recognize special bonds issued by VAMC at par value. When receiving loans previously sold to VAMC, the Bank and its subsidiaries use 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 interim consolidated income statement.

4.7 *Business combination and goodwill*

Business combinations are accounted for using the purchase method. The cost of a business combination is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange plus any costs directly attributable to the business combination. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of business combination.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is measured at cost less any accumulated amortization. Negative goodwill is recognized immediately in profit or loss and positive goodwill is amortized over 10-year period on a straight-line basis.

4.8 *Trading securities*

Securities held for trading include debt securities, equity securities and other securities acquired and held for resale within one year in order to gain profit on price variances.

Trading securities are initially recognized at the cost on transaction date and subsequently measured at the lower of the book value and the market value.

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

Securities held for trading are subject to 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 is recognized in the "Net gain/ (loss) from securities held for trading" account of the interim consolidated income statement.

The market prices of listed securities are determined based on the quoted prices on the stock markets (which are closing prices on the Ho Chi Minh City Stock Exchange on the Hanoi Stock Exchange).

The market values of unlisted shares which have been registered on the unlisted public companies market (UPCoM) are the average prices of the trading market at the date of provision.

The market values of unlisted shares which have not been registered on the unlisted public companies market (UPCoM) are the average public price quotations obtained from at least three (3) reputable and large securities companies in the market. Other securities that have no quoted prices are carried at cost.

In accordance with Circular 02 and Circular 09, provision is made for corporate bonds which are unlisted on the stock exchange or not registered for trading on the market of unlisted public companies as presented in Note 4.5.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 *Investment securities*

4.9.1 *Available for sale securities*

Available-for-sale securities include debt and equity securities that are acquired by the Bank and its subsidiaries 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 and its subsidiaries are also neither the founding shareholder nor the strategic partner and does not have the ability to make certain influence in establishing and making the financial and operating policies of the investees through a written agreement on assignment of its 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 interim consolidated 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.

Available-for-sale securities are subject to 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 is recognized in the "Net gain/(loss) from investment securities" account of the interim consolidated income statement.

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 4.5.

4.9.2 *Held-to-maturity-securities*

(i) *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 and its subsidiaries annually calculate and make allowance in accordance with Circular No. 14/2015/TT-NHNN dated 28 August 2015 amending and supplementing some articles of Circular No. 19/2013/TT-NHNN which stimulates the purchase, sale and write-off bad debts of VAMC.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Investments securities (continued)

4.9.2 Held-to-maturity securities (continued)

(i) Special bonds issued by VAMC (continued)

As required by Circular No. 14/2015/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).

Credit institutions should co-operate with VAMC to determine the recovery of the bad debts.

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

On settlement date of special bonds, gains from the debts shall be recognized into "Other operating income".

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

(ii) 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 recognised and measured similarly as available-for-sale securities.

Periodically, held-to-maturity investments are subject to review for potential impairment of their value. Provision for diminution in value is made when carrying value is higher than market value according to Circular No. 228/2009/TT-BTC dated 7 December 2009 and Circular No. 89/2013/TT-BTC dated 28 June 2013 issued by the Ministry of Finance. In case market prices of securities are not available or cannot be determined reliably, no provision is calculated. Provision for a diminution in value is recognized in "Net gain (loss) from investment securities" of the interim consolidated income statement.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 *Investments securities* (continued)

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

(ii) *Other held-to-maturity securities* (continued)

Provision for credit losses of 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 4.5*.

4.10 *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 and investment in BCC (Business Cooperation Contract). These investments are initially recorded at cost at the investment date.

Other long-term investments are initially recognized at cost at the purchase date and continuously presented at cost less the provision for diminution in value (if any) in subsequent period.

Provision for diminution in value 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. For an investment in listed shares or shares which fair value can be determined reliably, provision is made based on the shares' market value (similarly to provision for diminution in value of trading securities).

For an investment in shares which fair value cannot be determined reliably, the provision is made based on the total invested amount of all parties in the entity (at face value) minus (-) owners' equity multiplied by (x) the ownership ratio of the Bank and its subsidiaries (at face value) 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.

4.11 *Fixed assets*

Fixed assets are stated at cost less accumulated depreciation.

The cost of a fixed asset comprises any directly attributable cost that the Bank and its subsidiaries are bringing the fixed asset to working 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 interim consolidated income statement as incurred.

When fixed assets are sold or liquidated, their costs and accumulated depreciation are removed from the interim consolidated balance sheet and any gain or loss resulting from their disposal is included in the interim consolidated income statement.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Leases

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.

Payments for rental are not charged to the balance sheet. Rentals under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the lease.

4.13 Investment properties

Investment properties are stated at cost less accumulated amortization.

Expenses related to investment properties incurred after initial recognition are recorded in the remaining value of the investment properties when the Bank and its subsidiaries have the ability to obtain the economic benefits in future more than the initial valuation of the investment properties.

Depreciation of investment properties are calculated on a straight-line basis over the estimated useful life of the assets as follows:

Building 10 - 40 years

Investment properties are no longer recognized and presented in the interim consolidated balance sheet after selling or after the investment properties are no longer used and considered no economic benefit in future from the disposal of the investment properties. The difference between the net proceeds from disposal of the investment properties with its remaining value is recognized in operating results in the period.

The transfer of properties from the owner used to investment properties only if there is a change in the purpose of using as the owners stop using the properties and begin operating lease to another party or at the end of the construction phase. The transfer from investment property to owners used only when there is a change in use, such as the case of the owners start to use this asset or initiated for the purpose of sale.

4.14 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 assets	4 - 10 years
Land use rights	6 - 49 years
Computer software	3 - 8 years

The land use rights of the Bank with indenite term are not amortized. The land use rights with definite term are amortized over the term of use.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 *Receivables*

4.15.1 *Receivables classified as credit assets*

Doubtful receivables are classified and provided for allowance by the Bank in accordance with the regulations on recognition and use of provision against credit risk as presented in *Note 4.5*.

4.15.2 *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 in "Other operating expenses" of the interim consolidated income statement during the period.

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%

4.16 *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 are generated in relation to these expenses.

The following types of expenses are recorded as prepaid expense and are amortized over one (1) to five hundred forty (540) months to the interim consolidated income statement:

- ▶ Prepaid expenses for rental
- ▶ Majors repairs of fixed assets
- ▶ Tools and equipments
- ▶ Prepaid expense for other services.

4.17 *Due to and borrowing from other credit institutions and customers*

Due to and borrowing from other credit institutions, due to customers are disclosed at the principal amounts outstanding at the date ended of financial year.

4.18 *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 and its subsidiaries.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Capital

Charter capital

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

Share premium

The Bank and its subsidiaries record 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.

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 or loss upon purchase, sale, issue or cancellation of the Bank and its subsidiaries' own equity instruments.

4.20 Recognition of income and expense

Interest income and expenses

Interest income and interest expenses are recognized in the interim consolidated 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 items and recognized in the interim consolidated income statement upon actual receipt.

Income from securities investment

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

Fees and commissions

Fees and commissions are recognized when services are provided.

Dividend income

Cash dividends from equity investment are recognized in the interim consolidated income statement when the Bank and its subsidiaries' 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 interim consolidated 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 interim consolidated balance sheet.
 - If the sale price is higher than the book value of the debt, the difference shall be recorded in the interim consolidated income statement of the Bank and its subsidiaries;
 - 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 and its subsidiaries in the period.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Recognition of income and expense (continued)

Income and expense from sale of debts (continued)

- ▶ For debts written off and monitored off balance sheet, the proceeds from sale of debts shall be recognized as other income of the Bank and its subsidiaries.

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.

4.21 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 interim consolidated balance sheet date.

Current income tax is charged or credited to the consolidated 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 and its subsidiaries to set off current tax assets against current tax liabilities and when the Bank and its subsidiaries intends to settle its current tax assets and liabilities on a net basis.

The tax returns of the Bank and its subsidiaries are subject to examination by the tax authorities. Due to the ambiguity associated with the applicability of tax laws and regulations, amounts reported in the consolidated 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 consolidated balance sheet date between the tax base of assets and liabilities and their carrying amount recorded in consolidated financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, carried forward unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward unused tax credit and unused tax losses can be recognized. Deferred tax asset and Deferred tax payable are determine on the basis of expected tax rate applied for the year when assets are recovered or liabilities are settled and on basis of effective and applicable tax rates and tax laws at the end of accounting year.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.22 *Fiduciary assets*

Entrusted operations that the Bank and its subsidiaries bear no risks

The Bank and its subsidiaries provide services of holding assets in trust or in a fiduciary capacity. Assets held in trust or in a fiduciary capacity are not reported in the interim consolidated financial statements since they are not assets of the Bank and its subsidiaries.

4.23 *Off-balance-sheet commitments*

According to circular 02 and Circular 09 issued by the State Bank of Vietnam, credit institutions are required to classify for guarantees, acceptances for payment and irrevocable loan commitments with specific effective date (generally called "off balance sheet commitments") into different groups as regulated in Article 10, Circular 02. Accordingly, off-balance-sheet commitments are classified into groups such as Current, Special Mention, Substandard, Doubtful and Loss based on the overdue status and other qualitative factors.

4.24 *Foreign currency transactions*

In accordance with the Accounting System of the Bank and its subsidiaries, all transactions are recorded in original currencies. Monetary assets and liabilities denominated in foreign currencies at year-end are translated into VND using exchange rates ruling at the balance sheet date (Note 50). Income and expenses of the Bank and its subsidiaries arising in foreign currencies during the year are converted into VND at real rates ruling at the transaction dates. Unrealized foreign exchange differences arising from the revaluation of monetary assets and liabilities are recognized and followed in the "Foreign exchange differences" under "Equity" section in the interim consolidated balance sheet and will be transferred to the consolidated income statement at the end of the financial year.

4.25 *Derivatives and other financial assets/ liabilities*

Foreign currency forward and swap contracts

The Bank and its subsidiaries involve 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 business purpose of the Bank and its subsidiaries.

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 and followed in the "Foreign exchange differences" under "Equity" section in the interim consolidated balance sheet and will be transferred to the consolidated income statement at the end of the financial year.

The currency 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. The currency swap contracts are revaluated periodically, the difference is charged into "Foreign exchange differences" under "Equity" and will be recorded to the consolidated income statement at the end of the financial year.

4.26 *Offsetting*

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

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.27 *Financial instruments*

Financial instruments – initial recognition and presentation

Financial assets

Financial assets within the scope of Circular No. 210/2009/TT-BTC issued by the Ministry of Finance on 6 November 2009 providing guidance for the adoption in Vietnam of the International Financial Reporting Standards on presentation and disclosures of financial instruments (“Circular 210”) are classified, for disclosures in the notes to the interim consolidated financial statements, as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables or available-for-sale financial assets as appropriate. The Bank and its subsidiaries determine the classification of its financial assets at initial recognition.

All financial assets are recognized initially at cost plus directly attributable transaction costs.

The Bank and its subsidiaries' financial assets include cash and short-term deposits, trade and other receivables, loan receivables, quoted and unquoted financial instruments and derivative financial instruments.

Financial liabilities

Financial liabilities within the scope of Circular 210 are classified, for disclosures in the notes to the interim consolidated financial statements, as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost as appropriate. The Bank and its subsidiaries determine the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at cost net of directly attributable transaction costs.

The Bank and its subsidiaries' financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Financial instruments – subsequent re-measurement

There is currently no guidance in Circular 210 in relation to subsequent re-measurement of financial instruments. Accordingly, the financial instruments are subsequently re-measured at cost.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the interim consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.28 Employee benefits

4.28.1 Post-employment benefits

Post-employment benefits are paid to retired employees of the Bank and its subsidiaries by the Social Insurance Agency, which belongs to the Ministry of Labour and Social Affairs. The Bank and its subsidiaries are required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 18% of an employee's basic salary on a monthly basis. Besides, the Bank and its subsidiaries have no further obligation.

4.28.2 Voluntary resignation benefits

The Bank and its subsidiaries have the obligation, under the Vietnam Labour Code to pay allowance arising from voluntarily resignation of employees, equal to one-half month's salary for each year of employment plus salary allowances (if any) until 31 December 2008. The salary used in this allowance calculation will be adjusted at the end of each reporting period by the average salary of the last six-month period up to the resignation date.

4.28.3 Unemployment insurance

According to current regulations on unemployment insurance, from 1 January 2009, the Bank and its subsidiaries are required to contribute to the unemployment insurance at the rate of 1% of salary and wage fund of unemployment insurance joiners and deduct 1% of monthly salary and wage of each employee to contribute to the unemployment insurance fund.

5. BUSINESS COMBINATION

On 30 October 2013, the Bank acquired 100% equity interest of Ho Chi Minh City Development Joint Stock Bank Finance Co., Ltd. (HDFinance) (previously known as Société Générale Vietnam Finance Company Limited) according to the Resolution of the Annual General Meeting dated 26 April 2013 and Decision No. 2532/QD-NHNN issued by the State Bank of Vietnam. Total business combination cost amounting to VND629,376 million was paid in cash in 2015. Goodwill originated from the acquisition is VND115,251 million and amortized over ten (10) years.

In 2014, the Bank transferred 49% equity interest in HDFinance to Credit Saison Company and renamed to HD SAISON Finance Limited ("HD SAISON"). In May 2015, the Bank completed its divestment of 1% equity interest in HD SAISON to a domestic investor at the price of VND17,000 million and recognized a net gain amounting to VND9,604 million. The goodwill was reduced accordingly.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

5. BUSINESS COMBINATION (continued)

The movement of goodwill during the period is as follows:

	<i>For the six-month period ended 30 June 2017 VND million</i>	<i>For the six-month period ended 30 June 2016 VND million</i>
Total Goodwill	115,251	115,251
Amortization period (year)	10	10
Accumulative amortization of Goodwill at the beginning of the period	(75,874)	(70,111)
Carrying amount of Goodwill at the beginning of the period	39,377	45,140
Decrease during the period	(2,881)	(2,881)
Change for the period (<i>Note 34</i>)	(2,881)	(2,881)
Net book value of goodwill at the end of the period	36,496	42,259

6. CASH AND GOLD

	<i>30 June 2017 VND million</i>	<i>31 December 2016 VND million</i>
Cash on hand in VND	777,533	674,017
Cash on hand in foreign currencies	568,060	952,494
Monetary gold	15,686	9,499
	1,361,279	1,636,010

7. BALANCES WITH THE STATE BANK OF VIETNAM

	<i>30 June 2017 VND million</i>	<i>31 December 2016 VND million</i>
In VND	5,581,964	2,361,550
In USD	1,105	27,752
	5,583,069	2,389,302

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 is calculated by multiplying previous month average deposit balances and compulsory reserve rates.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

7. BALANCES WITH THE STATE BANK OF VIETNAM (continued)

The compulsory deposit rates are as follows:

	<i>30 June 2017</i>	<i>30 June 2016</i>
	<i>% p.a</i>	<i>% p.a</i>
	<u> </u>	<u> </u>
<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

8. DUE FROM AND LOANS TO OTHER CREDIT INSTITUTIONS

8.1 Due from other credit institutions

	<i>30 June 2017</i>	<i>31 December 2016</i>
	<i>VND million</i>	<i>VND million</i>
	<u> </u>	<u> </u>
Demand deposits	18,201,789	12,935,314
- In VND	9,686,522	4,738,561
- In foreign currencies	8,515,267	8,196,753
Term deposits	2,122,293	3,036,000
- In VND	2,055,000	3,036,000
- In foreign currencies	67,293	-
	<u>20,324,082</u>	<u>15,971,314</u>

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

8. DUE FROM AND LOANS TO OTHER CREDIT INSTITUTIONS (continued)

8.1 Due from other credit institutions (continued)

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

	<i>For the six-month period ended 30 June 2017 VND million</i>	<i>For the six-month period ended 30 June 2016 VND million</i>
Beginning balance	-	103,620
Reversal during the period (Note 36)	-	(450)
Provision charged during the period	-	(103,170)
Ending balance	-	-

Interest rates per year of deposits at other credit institutions at the period-end are as follows:

	<i>30 June 2017 % p.a</i>	<i>31 December 2016 % p.a</i>
In VND	1.80 - 5.30	4.20 - 5.40
In foreign currencies	1.50	0.00

8.2 Loans to other credit institutions

	<i>30 June 2017 VND million</i>	<i>31 December 2016 VND million</i>
Current		
- In VND	2,309,232	2,309,586
<i>In which :</i>		
<i>discounted and rediscounted loan</i>	1,609,233	624,586
- In foreign currency	89,724	299,147
	2,398,956	2,608,733

Interest rates per year of loans to other credit institutions at the period-end are as follows:

	<i>30 June 2017 % p.a</i>	<i>31 December 2016 % p.a</i>
In VND	1.80 - 5.30	4.20 - 5.40
In foreign currencies	1.50	0.00

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

9. TRADING SECURITIES

	<i>30 June 2017</i> <i>VND million</i>	<i>31 December 2016</i> <i>VND million</i>
Debt securities		
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)
	397,000	396,937

Breakdown of trading securities at 30 June 2017 and 31 December 2016 as follows:

	<i>30 June 2017</i>		<i>31 December 2016</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>
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
		400,000		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 period are as follows:

	<i>For the six-month</i> <i>period ended</i> <i>30 June 2017</i> <i>VND million</i>	<i>For the six-month</i> <i>period ended</i> <i>30 June 2016</i> <i>VND million</i>
Beginning balance	3,063	6,922
Reversal in the period (Note 32)	(63)	-
Ending balance	3,000	6,922

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

10. DERIVATIVES AND OTHER FINANCIAL ASSETS

	<i>Total contract value (using exchange rate at the contract date) VND million</i>	<i>Total carrying value (using exchange rate at reporting date)</i>	
		<i>Assets VND million</i>	<i>Liabilities VND million</i>
Currency derivatives as at 30 June 2017			
Forward contracts	3,049,537	5,632	-
Swap contracts	17,419,979	-	94,528
Total	20,469,516	5,632	94,528
Net amount			88,896
Currency derivatives as at 31 December 2016			
Forward contracts	3,245,203	-	2,747
Swap contracts	16,069,782	13,942	20,521
Total	19,314,985	13,942	23,268
			9,326

11. LOANS AND ADVANCES TO CUSTOMERS

	<i>30 June 2017 VND million</i>	<i>31 December 2016 VND million</i>
Loans to local economic entities and individuals	93,870,244	78,850,738
Loans for discounted commercial notes and valuable papers	1,953,064	3,059,047
Overdraft and loans to credit card holders	1,087,469	294,007
Loans to foreign economic entities and individuals	34,665	20,580
	96,945,442	82,224,372

11.1 Analysis of loans by quality

	<i>30 June 2017 VND million</i>	<i>31 December 2016 VND million</i>
Current	94,024,737	79,734,077
Special mention	1,372,650	1,291,514
Substandard	532,175	376,621
Doubtful	515,118	460,699
Loss	500,762	361,461
	96,945,442	82,224,372

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

11. LOANS AND ADVANCES TO CUSTOMERS (continued)

11.2 Analysis of loans by original terms

	30 June 2017 VND million	31 December 2016 VND million
Short-term loans	50,073,991	34,052,485
Medium-term loans	26,648,973	29,487,894
Long-term loans	20,222,478	18,683,993
	96,945,442	82,224,372

11.3 Analysis of loans by type of customers and ownership

	30 June 2017		31 December 2016	
	VND million	%	VND million	%
Corporate loans	48,963,907	50.52	45,494,950	55.33
Joint-stock companies	26,477,310	27.32	26,970,387	32.81
Limited liability companies	17,291,877	17.84	13,072,900	15.90
100% State limited liability companies	1,957,720	2.02	1,979,449	2.41
Family household business	1,339,419	1.38	1,276,613	1.55
State Joint – stock companies	676,261	0.70	408,783	0.50
Other State-owned enterprises	533,634	0.55	513,032	0.62
Private companies	524,029	0.54	883,170	1.07
Foreign joint venture enterprises	105,994	0.11	332,240	0.40
Co-operatives	18,965	0.02	23,708	0.03
Others	38,698	0.04	34,668	0.04
Individual loans	47,981,535	49.48	36,729,422	44.67
	96,945,442	100.00	82,224,372	100.00

11.4 Analysis of loans by currency

	30 June 2017		31 December 2016	
	VND million	%	VND million	%
In VND	90,099,559	92.94	77,665,512	94.46
In foreign currency and gold	6,845,883	7.06	4,558,860	5.54
	96,945,442	100.00	82,224,372	100.00

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

11. LOANS AND ADVANCES TO CUSTOMERS (continued)

11.5 Analysis of loans by industry

	30 June 2017		31 December 2016	
	VND million	%	VND million	%
Household work, production and consumer services	39,933,991	41.19	36,063,574	43.86
Constructions	7,994,825	8.25	9,059,197	11.02
Real estate business	6,006,845	6.20	4,679,177	5.69
Agricultural, forestry and aquaculture	5,314,067	5.48	4,387,144	5.34
Processing industry	4,912,579	5.07	4,571,492	5.56
Hotel and restaurant	4,577,366	4.72	4,534,253	5.51
Wholesale and retail trade, repair of motor vehicles, motorcycles	3,068,939	3.17	2,084,496	2.54
Electricity, gas and water supply/distribution	2,504,625	2.58	2,608,913	3.17
Transportation and warehousing	1,791,479	1.85	2,256,132	2.74
Financial, banking and insurance services	1,613,237	1.66	1,430,077	1.74
Mining industry	840,967	0.87	85,655	0.10
Science and technology activities	444,591	0.46	362,498	0.44
Media and communications	211,443	0.22	406,587	0.49
Education and training	150,963	0.16	155,806	0.19
Art and entertainment services	107,075	0.11	82,933	0.10
Administrations and supporting services	72,531	0.07	468,166	0.57
Health care and social relief activities	70,202	0.07	68,974	0.08
Water supplies and waste treatment	56,004	0.06	103,309	0.13
Other services	17,273,713	17.81	8,815,989	10.73
	96,945,442	100.00	82,224,372	100.00

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

	30 June 2017	31 December 2016
	% p.a	% p.a
Commercial loans		
- In VND	0,00 - 37,5	0,00 - 37,5
- In foreign currencies	0,77 - 7,45	1,20 - 7,45

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

12. DEBTS PURCHASES

	<i>30 June 2017</i> <i>VND million</i>	<i>31 December 2016</i> <i>VND million</i>
Debts purchased in VND	8,127	8,690
Provision for purchased debts	(2,638)	(3,201)
	5,489	5,489

Balances and interest of the purchased debts are as follows:

	<i>30 June 2017</i> <i>VND million</i>	<i>31 December 2016</i> <i>VND million</i>
Loan balances purchased	10,820	11,383
Interest of purchased debts	-	-
	10,820	11,383

Results of the loan classification as at 31 March 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> <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</i> <i>million</i>
Loss	8,127	(2,638)	-	(2,638)

Changes in provision for purchased debts in current period 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> <i>VND million</i>
31 December 2016	3,201	-	3,201
Reversal (<i>Note 13</i>)	(563)	-	(563)
30 June 2017	2,638	-	2,638

Changes in provision for purchased debts in previous period 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> <i>VND million</i>
31 December 2015	3,201	-	3,201
Provision/(Reversal)	-	-	-
30 June 2016	3,201	-	3,201

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

13. PROVISION FOR CREDIT LOSSES

Breakdown of provision for credit losses at the period-end is as follows:

	<i>30 June 2017</i> <i>VND million</i>	<i>31 December 2016</i> <i>VND million</i>
Provision for loans and advances to customers	1,069,460	920,397
Provision for purchased debts	2,638	3,201
Provision for special bonds issued by VAMC (Note 14.2)	702,142	661,141
	1,774,240	1,584,739

Provision expenses during the period comprised of:

	<i>For the six-month period ended 30 June 2017</i> <i>VND million</i>	<i>For the six-month period ended 30 June 2016</i> <i>VND million</i>
Provision expense for loans and advances to customers	389,929	363,115
Reversed provision for debts purchased (Note 12)	(563)	-
Provision expense for special bonds issued by VAMC (Note 14.4)	44,281	66,817
Total provision expense charged for credit losses	433,647	429,932

Result of the loan classification as at 31 March 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, Restructuring Plan and the Bank and its subsidiaries' policy on loan classification and provision is as follows:

<i>Classification</i>	<i>Balance</i> <i>VND million</i>	<i>Specific provision</i> <i>VND million</i>	<i>General provision</i> <i>VND million</i>	<i>Total</i> <i>VND million</i>
Current	85,014,089	-	637,606	637,606
Special mention	1,626,711	40,791	12,200	52,991
Sub standard	442,134	53,362	3,316	56,678
Doubtful	542,837	153,742	4,071	157,813
Loss	520,792	121,245	-	121,245
	88,146,563	369,140	657,193	1,026,333

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

13. PROVISION FOR CREDIT LOSSES (continued)

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

	<i>Specific provision VND million</i>	<i>General provision VND million</i>	<i>Total</i>
31 December 2016	327,570	592,827	920,397
Arising during Quarter I	169,291	64,366	233,657
Utilization during Quarter I	(127,721)	-	(127,721)
Balance as at 31 March 2017	369,140	657,193	1,026,333
Arising during Quarter II	140,240	16,032	156,272
Utilization during Quarter II	(113,145)	-	(113,145)
30 June 2017	396,235	673,225	1,069,460

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

	<i>Specific provision VND million</i>	<i>General provision VND million</i>	<i>Total</i>
31 December 2015	301,573	404,022	705,595
Arising during Quarter I	166,741	94,482	261,223
Utilization during Quarter I	(37,353)	-	(37,353)
Balance as at 31 March 2016	430,961	498,504	929,465
Arising during Quarter II	77,514	24,378	101,892
Utilization during Quarter II	(67,233)	-	(67,233)
30 June 2016	441,242	522,882	964,124

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

14. INVESTMENT SECURITIES

14.1 Available-for-sale securities

	<i>30 June 2017</i> <i>VND million</i>	<i>31 December 2016</i> <i>VND million</i>
<i>Debt securities (Note 14.1.1)</i>		
Issued by the Government	17,829,486	18,153,613
Issued by other domestic credit institutions	300,000	-
Issued by domestic economic entities	6,101,019	5,259,048
	24,230,505	23,412,661
<i>Equity securities (Note 14.1.2)</i>		
Issued by domestic economic entities	786,133	854,692
	786,133	854,692
	25,016,638	24,267,353
Provision for available-for-sale securities		
- Provision for diminution in value	(86,144)	(91,220)
- General provision	(39,790)	(35,474)
- Specific provision	(237,741)	(237,741)
	(363,675)	(364,435)
Net amount	24,652,963	23,902,918

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

14. INVESTMENT SECURITIES (continued)

14.1 Available-for-sale securities (continued)

14.1.1 Debt securities (continued)

	30 June 2017 VND million	31 December 2016 VND million
Government bonds - Listed	17,829,486	18,153,613
Government bonds	16,203,503	13,447,752
Vietnam Development Bank bonds	1,617,858	4,195,932
Local Authorities bonds - Ho Chi Minh City	8,125	509,929
Bonds issued by other credit institutions - Unlisted	300,000	-
FE CREDIT	300,000	-
Bonds issued by other economic entities - Unlisted	6,101,019	5,259,048
Hanoi Housing Development And Investment Corporation	1,000,000	1,000,286
Hoang Anh Gia Lai Joint Stock Company	930,000	930,000
Development Investment Construction Joint Stock Company	800,000	800,000
Song Nhue Joint Stock Company	600,000	600,000
Dong Long ICO., Joint Stock Company	600,000	600,000
Others	2,171,019	1,328,762
	24,230,505	23,412,661

- Government bonds in VND have term from three (3) to fifteen (15) years and bear interest at rates from 5.00% to 9.50%, interest is paid annually. In which, the Bank used some bonds amounting to VND5,330,000 million as collaterals for borrowing at other credit institutions and for credit limit with State Bank of Vietnam.
- Other credit institution bonds have term one (1) year and bear interest at rates from 10.50% p.a, interest is paid annually.
- Bonds issued by other business entities have terms from two (2) to 10 (ten) years, interest is paid quarterly, semi-annually or annually. The current interest rate ranges 8.50% to 12.50% 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.

Ho Chi Minh City Development Joint Stock Bank

B05a/TCTD-HN

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period ended

14. INVESTMENT SECURITIES (continued)

14.1 Available for sale securities (continued)

14.1.2 Equity securities

	30 June 2017		31 December 2016	
	Carrying amount VND million	% owned	Carrying amount VND million	% owned
Investments in business entities				
<i>Listed shares</i>				
- VietJet Aviation Joint Stock Company	654,731	4.47	654,731	4.47
- Ocean Hospitality & Service Joint Stock Company - OCH	91,687	1.98	91,687	1.98
- PetroVietnam Drilling & Well Services Corporation - PVD	26,559	0.13	30,243	0.15
- Trading Joint Stock Company	13,156	1.56	19,942	3.35
- FPT Corporation	-	0.00	23,514	0.13
- Refrigeration Electrical Engineering Corporation – REE	-	0.00	20,377	0.26
- Thu Duc Ho Chi Minh City Development Corporation - TDH	-	0.00	14,198	0.76
	786,133		854,692	

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

14. INVESTMENT SECURITIES (continued)

14.2 Held-to-maturity securities

	<u>30 June 2017</u> VND million	<u>31 December 2016</u> VND million
Government bonds (a)	1,832,778	5,772,021
Special bonds VAMC (b)	2,067,558	2,229,084
Vietnam Development Bank bonds (c)	207,568	519,708
Bonds issued by other local credit institutions - Unlisted (d)	4,400,751	2,500,000
	<u>8,508,655</u>	<u>11,020,813</u>
Provision for held-to-maturity securities		
- General provision	-	(1,499)
- Special bonds provision (Note 13)	(702,142)	(661,141)
Net amount	<u>7,806,513</u>	<u>10,358,173</u>

(a) These are Government bonds that have term of three (3) to fifteen (15) years and bear interest at 5.00% to 7.40%, 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.

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

	<i>For the six-month period ended 30 June 2017</i> VND million	<i>For the six-month period ended 30 June 2016</i> VND million
Beginning balance	2,229,084	3,012,652
Write-off during the period	(161,526)	(256,704)
Ending balance	<u>2,067,558</u>	<u>2,755,948</u>

(c) These bonds issued by Development Bank of Vietnam have terms in range from three (3) to five (5) and bear interest rate from 6.3% 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 7.40% to 10.50% p.a, in which, interest is paid semi-annually or annually.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

14. INVESTMENT SECURITIES (continued)

14.3 Analysis of securities classified as credit risk assets by quality

	30 June 2017 VND million	31 December 2016 VND million
Other economic entities bonds		
- Standard	5,801,019	4,959,048
- Loss	300,000	300,000
	6,101,019	5,259,048

14.4 Provision for investment securities

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

	For the six-month period ended 30 June 2017 VND million	For the six-month period ended 30 June 2016 VND million
Beginning balance		
Available-for-sale securities	364,435	132,126
Held-to-maturity securities (excluded 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	(3,280)	-
Provision/(reversal) in the period		
Available for sale securities (Note 33)	(760)	128,610
Held to maturity securities (excluded special bonds issued by VAMC) (Note 33)	(1,499)	(2,241)
Special bonds issued by VAMC (Note 13)	44,281	66,817
	38,742	193,186
Ending balance		
Available for sale securities	363,675	260,736
Held to maturity securities (excluded special bonds issued by VAMC)	-	1,499
Special bonds issued by VAMC (Note 13)	702,142	450,205
	1,065,817	712,440

Ho Chi Minh City Development Joint Stock Bank

B05a/TCTD-HN

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)

as at 30 June 2017 and for the six-month period ended

15. LONG TERM INVESTMENTS

15.1 Other long-term investments

Other long-term investments at the period ended:

	30 June 2017			31 December 2016		
	Par value VND million	Carrying amount VND million	% owned	Par value VND million	Carrying amount VND million	% owned
Investments in credit institutions						
Vietcapital Commercial Joint Stock Bank	19,000	18,697	0.63	19,000	18,697	0.63
Saigon Bank for Industry and Trade	930	930	0.03	930	930	0.03
Investments in business entities						
Nhon Trach Investment Joint Stock Company - NIC	65,000	300,000	9.85	65,000	300,000	9.85
Ho Chi Minh City Housing Development Real Estate Joint Stock Company (HDREAL)	33,000	66,000	8.25	33,000	66,000	8.25
Mekong Aviation Joint Stock Company	24,000	9,000	8.40	24,000	9,000	8.40
Petechim Petroleum Trading Joint Stock Company	22,000	22,000	11.00	22,000	22,000	11.00
Dai Viet Securities Joint Stock Company	18,000	45,000	7.20	18,000	45,000	7.20
Vietnam management Fund Joint stock Company	4,480	4,480	2.66	4,480	4,480	1.08
Hoa Binh University	3,960	11,880	11.00	3,960	11,880	11.00
Ut Xi Aquatic Products Processing Corporation	3,600	3,000	1.02	3,600	3,000	1.02
Vietnam National Financial Switching Joint Stock Company (previously known as Banking Card and Credit Joint Stock Company)	2,600	2,000	0.83	2,600	2,000	1.36
Loc Troi Group Joint Stock Company (previously known as An Giang Plant Protection Joint Stock Company)	600	1,800	0.09	600	1,800	0.09
HCMC Credit Guarantee Fund for small and medium enterprise Banking Training Corporation	500	500	0.22	500	500	0.22
Duc Khai 25 Corporation	638	371	4.78	638	371	4.78
	-	-		6,820	10,287	11.00
	198,308	485,658		205,128	495,945	

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

15. LONG-TERM INVESTMENTS (continued)

15.2 Provision for long-term investments

	<i>For the six-month period ended 30 June 2017 VND million</i>	<i>For the six-month period ended 30 June 2016 VND million</i>
Beginning balance	111,539	111,074
Arising during the period (Note 36)	1,692	839
Ending balance	113,231	111,913

Ho Chi Minh City Development Joint Stock Bank

B05a/TC/TD-HN

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period ended

16. FIXED ASSETS

16.1 Tangible fixed assets

	Buildings and structures VND million	Machinery and equipment VND million	Vehicles VND million	Office equipment VND million	Other fixed assets VND million	Total VND million
Cost						
31 December 2016	428,367	152,165	172,711	241,122	9,120	1,003,485
Purchases	1,610	400	-	4,289	-	6,299
Disposal	(221)	(265)	(168)	(740)	(107)	(1,501)
30 June 2017	429,756	152,300	172,543	244,671	9,013	1,008,283
Accumulated depreciation						
31 December 2016	69,209	112,996	104,609	184,742	6,945	478,501
Charged for the period	8,107	8,551	9,574	17,363	415	44,010
Disposal	(206)	(259)	(135)	(686)	(103)	(1,389)
30 June 2017	77,110	121,288	114,048	201,419	7,257	521,122
Net book value						
31 December 2016	359,158	39,169	68,102	56,380	2,175	524,984
30 June 2017	352,646	31,012	58,495	43,252	1,756	487,161

Cost of fully depreciated tangible fixed assets that are still in use as at 30 June 2017 VND214,627 million (31 December 2016: VND169,734 million).

Ho Chi Minh City Development Joint Stock Bank

B05a/TCTD-HN

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period ended

16. FIXED ASSETS (continued)

16.2 Intangible fixed assets

	Definite-term land use rights VND million	Indefinite-term land use rights VND million	Computer software VND million	Other assets VND million	Total VND million
Cost					
31 December 2016	45,386	759,438	181,223	1,901	987,948
Purchases	-	-	11,946	228	12,174
30 June 2017	45,386	759,438	193,169	2,129	1,000,122
Accumulated depreciation					
31 December 2016	2,067	-	157,304	1,601	160,972
Charged for the period	564	-	10,435	147	11,146
30 June 2017	2,631	-	167,739	1,748	172,118
Net book value					
31 December 2016	43,319	759,438	23,919	300	826,976
30 June 2017	42,755	759,438	25,430	381	828,004

Cost of fully depreciated intangible fixed assets that are still in use as at 30 June 2017 VND90,926 million (31 December 2016: VND79,011 million).

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

17. INVESTMENT PROPERTIES

Investment properties including land use rights with indefinite terms and buildings which were acquired by Asset Management Limited Company - Saigon Joint Stock Commercial Bank from bidding the foreclosed assets. The fair value of investment properties was not officially assessed and determined as at 30 June 2017. However, those properties are held for the purpose of earning rental income or for the capital appreciation. The Board of Management believes could not estimate the fair value of investment properties due to lack of information as at the interim balance sheet date.

	<i>Buildings and structures VND million</i>	<i>Land use rights VND million</i>	<i>Total VND million</i>
Cost			
31 December 2016	13,599	75,166	88,765
Transferred from construction in progress	1,612	11,000	12,612
Disposal	<u>(10,216)</u>	<u>(32,512)</u>	<u>(42,728)</u>
30 June 2017	<u>4,995</u>	<u>53,654</u>	<u>58,649</u>
Accumulated depreciation			
31 December 2016	384	-	384
Charged for the period	122	-	122
Disposal	<u>(301)</u>	<u>-</u>	<u>(301)</u>
30 June 2017	<u>205</u>	<u>-</u>	<u>205</u>
Net book value			
31 December 2016	<u>13,215</u>	<u>75,166</u>	<u>88,381</u>
30 June 2017	<u>4,790</u>	<u>53,654</u>	<u>58,444</u>

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

18. OTHER ASSETS

18.1 Receivables

	Notes	30 June 2017 VND million	31 December 2016 VND million
Receivables from sale of securities on credit	(i)	2,745,406	3,236,182
Advances for acquisitions of fixed assets	(ii)	913,333	885,318
Receivables from disposals of fixed assets	(iii)	280,000	315,000
Deposits for rental/purchase office	(iv)	166,000	160,000
Advances for operating activities		163,597	124,638
Constructions in progress	(v)	149,065	139,386
Deposit for rental office, fixed assets and tools		76,423	75,874
Dividends from VietJet (Note 35)		26,828	-
Advances for debt collateral resolution		26,477	24,338
Receivable from Vietnam Shipbuilding Industry Corporation (Vinashin)	(vi)	22,912	22,912
Receivables from lease of Abacus Building		18,750	18,750
Prepaid savings interest		16,241	23,594
Advances for investments		11,619	11,619
Receivables from entrusted deposits		8,478	8,909
Receivable from investment disposal		3,080	3,080
Ohters		240,089	240,787
		4,868,298	5,290,387

(i) These represent receivables from disposal securities of individuals and organisations on credits amounted to originally VND 2,659,635 million and accrual interest of VND 85,771 million. According to contracts and subcontracts, the principal and interest will be collected at end of period with interest adjustment annually. These receivables will be collected in year 2017, 2018 and 2019.

(ii) Advances for acquisitions of fixed assets comprise:

	30 June 2017 VND million	31 December 2016 VND million
Purchase of houses and offices	893,812	877,818
Transportation vehicles	12,754	-
Purchase of other assets	6,767	7,500
	913,333	885,318

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

18. OTHER ASSETS (continued)

18.1 Receivables (continued)

- (iii) This pertains to a receivable from a local economic for disposal of two buildings located at 69 Pham Ngoc Thach and 174 Phan Dang Luu, Ho Chi Minh City. These amounts are paid annually in 9 years. The first payment will be on 15 November 2017.
- (iv) This is advance to economic related to consulting, seeking and transferring land use right and assets to the Bank and its subsidiaries.
- (v) These are advances for maintainance, renovation and decoration of branches and transaction offices of the Bank and its subsidiaries.
- (vi) This represents a receivable from Shipbuilding Industry Corporation (Vinashin) (include principle and interest), which are being amortized to expense within five (5) years up to 2018.

18.2 Interest and fees receivable

	30 June 2017 VND million	31 December 2016 VND million
Deposits interest	9,718	10,938
Loans interest	1,864,527	1,811,978
Interest on securities investment	1,123,955	1,277,929
Other interest and fee	21,285	13,042
	3,019,485	3,113,887

18.3 Other assets

	30 June 2017 VND million	31 December 2016 VND million
Prepaid and deferred expenses (i)	1,045,423	1,056,943
Foreclosed assets awaiting resolution (ii)	383,543	385,610
Tools and supplies	37,990	25,167
Good will	36,496	39,377
Other asset	3,450	3,450
	1,506,902	1,510,547

- (i) Prepaid and deferred expenses include costs of tools and supplies, repairing cost of fixed assets, office renovation and leasing offices and leased lines, in which the prepaid expense for lease of 11 floors at No.25 Bis Nguyen Thi Minh Khai Tower and 7 floors at No.22-24-26 Pasteur as the Bank's Head Office and Branch amounting to VND236,151 million and VND131,501 million, respectively.
- (ii) Foreclosed assets represent collaterals obtained by the Bank to write off bad loans and other receivables. The transfer of ownership to the Bank was completed as the date of the financial statements.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

18. OTHER ASSETS (continued)

18.4 Provision for other assets

Provision for other assets is comprised of:

	30 June 2017 VND million	31 December 2016 VND million
Other provisions	35,027	35,458
	35,027	35,458

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

	For the six-month period ended 30 June 2017 VND million	For the six-month period ended 30 June 2016 VND million
Beggining balance	35,458	38,989
(Reversal)/ provision in the period (Note 36)	(431)	2,503
Ending balance	35,027	41,492

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

	30 June 2017 VND million	31 December 2016 VND million
Japan Bank of International Cooperation (i)	131,579	155,844
Asian Development Bank (ii)	19,295	21,791
Development Fund for small and medium enterprise (iii)	2,283	-
	153,157	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.
- (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 Development Fund for small and medium enterprise (SMEDF) which bears interest of 7.00% per annum, from 17 March 2017 to 16 March 2022 with total amount of VND2,283,079,311. Principals and interest will be paid monthly.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

20. DUE TO AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

	30 June 2017 VND million	31 December 2016 VND million
Due to other credit institutions	17,593,161	13,621,415
Borrowings from other credit institutions	7,513,916	6,063,250
	25,107,077	19,684,665

20.1 Due to other credit institutions

	30 June 2017 VND million	31 December 2016 VND million
Demand deposits		
In VND	9,592,858	4,524,040
Term deposits		
In VND	6,392,000	5,773,525
In foreign currencies	1,608,303	3,323,850
	17,593,161	13,621,415

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

	30 June 2017 %	31 December 2016 %
Term deposits in VND	1.40 - 5.50	3.50 - 5.50
Term deposits in foreign currencies	1.35 - 2.00	1.00 - 1.65

20.2 Borrowings from other credit institutions

	30 June 2017 VND million	31 December 2016 VND million
Borrowings from local credit institutions in VND	5,115,651	3,949,786
Borrowings from credit institutions in foreign currencies	2,398,265	2,113,464
	7,513,916	6,063,250

As at 30 June 2017, Borrowings from other credit institutions have terms from 7days to 60 days with interest rate in range from 1.90% p.a to 4.20% p.a. Borrowings from other credit institutions by USD, has term up to 1 year bear interest from 2.30% to 2.40%p.a.

Including in deposits and borrowings, there are deposits and borrowings with total amount of VND4,518,942 million (31 December 2016: VND6,855,901 million) secured by available for sale securities with total amount of VND5,330,000 million (31 December 2016: VND7,154,000 million).

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

21. DUE TO CUSTOMERS

21.1 Analysis by products

	30 June 2017 VND million	31 December 2016 VND million
Demand deposits	10,298,235	9,813,269
Demand deposits in VND	9,752,159	9,258,445
Demand deposits in foreign currencies	546,076	554,824
Term deposits	26,816,441	22,874,767
Term deposits in VND	26,556,771	22,097,095
Term deposits in foreign currencies	259,670	777,672
Saving deposit	77,874,299	69,853,278
Savings deposits in VND	76,825,421	68,698,004
Savings deposits in foreign currencies	1,048,878	1,155,274
Deposits for specific purposes	342,262	229,095
In VND	333,022	223,164
In foreign currencies	9,240	5,931
Margin deposits	121,161	191,470
In VND	105,808	164,232
In foreign currencies	15,353	27,238
Other amounts owing to customers	258,354	337,892
Other savings deposits	258,354	337,892
	115,710,752	103,299,771

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

	30 June 2017 % p.a	31 December 2016 % p.a
Demand deposits in VND	0.00	0.00
Demand savings deposits in VND	0.07-1.00	0.07-1.00
Demand deposits in foreign currencies	0.00-0.01	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.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

21. DUE TO CUSTOMERS (continued)

21.2 Analysis by customers and type of business

	30 June 2017 VND million	31 December 2016 VND million
Deposits from economic entities	35,965,181	31,533,537
Other joint stock companies	13,982,227	11,601,598
100% State limited liability companies	6,615,693	4,502,869
Other State-owned enterprises	3,998,630	3,980,657
Other limited liability companies	3,483,162	3,543,040
Co-operatives	3,050,472	3,047,798
Joint-foreign-invested enterprises	963,221	1,109,087
State and administrative unit of government	657,346	600,998
State joint stock companies	606,753	749,713
Joint-foreign-invested enterprises	561,236	540,521
Over 50% State limited liability companies	462,008	413,022
Private companies	75,766	57,222
Partnerships	12,176	4,902
Family household business	4,791	2,790
Others	1,491,700	1,379,320
Deposits from individuals	79,745,571	71,766,234
	115,710,752	103,299,771

22. OTHER BORROWED AND ENTRUSTED FUNDS

	30 June 2017 VND million	31 December 2016 VND million
Other borrowed and entrusted funds in VND	3,671	5,821
Entrusted funds from Rural Development Fund	3,671	5,821
Other borrowed and entrusted funds in foreign currencies	2,903,596	2,837,611
Entrusted funds from Rural Development Fund	1,275	1,259
Entrusted funds of Nhon Trach water supplies construction program for reforming power sector - Phase II	31,153	-
Entrusted funds of support and development program for reforming power sector - Phase III (i)	2,871,168	2,836,352
	2,907,267	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.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

23. VALUABLE PAPERS ISSUED

	30 June 2017 VND million	31 December 2016 VND million
Certificates of deposits (i)		
Less than 12 months	554,000	70,014
From 12 months to 5 years	5,739,000	5,097,000
Straight bonds (ii)		
From 12 months to 5 years	2,060,000	2,860,000
Over 5 years	3,000,000	3,000,000
	11,353,000	11,027,014

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

In 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 period-end are as follows:

	30 June 2017 % p.a	31 December 2016 % p.a
Straight bonds	7.5-13	7.5-13

24. OTHER LIABILITIES

24.1 Interest and fees payable

	30 June 2017 VND million	31 December 2016 VND million
Interest on saving deposits in VND	1,932,195	1,748,016
Interest on deposits in VND	349,184	307,869
Interest on valuable papers in VND	273,881	194,869
Interest on borrowings in VND	137,685	169,104
Interest on borrowings in foreign currencies	23,079	8,464
Interest on entrusted funds from international entities	19,715	17,415
Foreign currency swap contracts	15,711	11,798
Interest on deposits in foreign currencies	536	4,267
Interest on saving deposits in foreign currencies	347	146
Foreign currency forward contracts	356	1,302
	2,752,689	2,463,250

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

24. OTHER LIABILITIES (continued)

24.2 Other payables

	30 June 2017	31 December 2016
	VND million	VND million
Internal payables	118,690	99,420
Bonus and welfare Fund	8,141	8,994
Payables to employees	110,549	90,426
External payables	426,851	397,297
Cash held in trust and awaiting payment	252,640	171,219
Current income tax payables (Note 25)	89,940	92,512
Abacus management fee	5,552	5,552
Other tax payables	3,971	6,727
VAT payables (Note 25)	3,954	7,344
Commission payables	70,794	113,943
Other payables	261,114	349,819
Unearned revenue	72,629	71,716
Payables to construction in progress	3,865	2,764
Other payables	184,620	275,339
	806,655	846,536

25. STATUTORY OBLIGATIONS

	31 December 2016	Movement during the period		30 June 2017
		Payable	Paid	
	VND million	VND million	VND million	VND million
Value added tax	7,344	17,192	(20,582)	3,954
Corporate income tax	92,512	168,048	(170,620)	89,940
Other taxes	6,727	33,997	(36,753)	3,971
Personal income tax	6,369	30,308	(32,976)	3,701
Withholding tax	358	3,327	(3,415)	270
License tax	-	232	(232)	-
Others	-	130	(130)	-
	106,583	219,237	(227,955)	97,865

25.1 Current corporate income tax

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

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

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

25. STATUTORY OBLIGATIONS (continued)

25.1 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 consolidated statement of income 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 and its subsidiaries' liability for current tax is calculated by using tax rates that have been enacted by the interim consolidated balance sheet date.

Current CIT during the period is calculated as follows:

	<i>For the six-month period ended 30 June 2017 VND million</i>	<i>For the six-month period ended 30 June 2016 VND million</i>
Profit before tax	881,068	402,185
The Bank and its subsidiaries' s CIT expense at rate 20%	176,213	80,437
<i>Deduct:</i>		
- Income from untaxable dividends	(8,718)	(25,695)
- Loss from taxable used	-	(24)
- Other adjustments	(191)	-
<i>Add:</i>		
- Non-deductible expenses	168	1,593
- Adjustment on income due to consolidated financial statements	576	25,576
Total CIT expenses during the period	168,048	81,887

25.2 Deferred CIT

	<i>Consolidated balance sheet</i>		<i>Effect on the consolidated income statement</i>	
	<i>30 June 2017 VND million</i>	<i>31 December 2016 VND million</i>	<i>For the six-month period ended 30 June 2017 VND million</i>	<i>For the six-month period ended 30 June 2016 VND million</i>
Deferred tax assets				
Gain on exchanges differences	(2,489)	(2,489)	-	-
Provision for investments securities	19,800	19,800	-	-
	17,311	17,311		
Net deferred CIT income			-	-

Ho Chi Minh City Development Joint Stock Bank

B05a/TCTD-HN

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period ended

26. OWNERS' EQUITY

26.1 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 VND million	Foreign currency translation reserve VND million	Retained earnings VND million	Non-controlling interests VND million	Total VND million
31 December 2016	8,100,000	4,599	(2)	89	465,280	-	747,047	625,630	9,942,643
Net profit after-tax for the period	-	-	-	-	-	-	618,807	94,213	713,020
Appropriation to reserves	-	-	-	-	890	-	(890)	-	-
Reservers used during the period	-	-	-	-	(2,808)	-	-	-	(2,808)
Foreign exchange differences	-	-	-	-	-	(4,010)	-	-	(4,010)
Balance as at 30 June 2017	8,100,000	4,599	(2)	89	463,362	(4,010)	1,364,964	719,843	10,648,845

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

Items	Development reserve VND million	Financial reserve VND million	Supplementary capital reserve VND million	Other reserve VND million	Total VND million
31 December 2016	70	272,105	164,794	28,311	465,280
Appropriation to reserves	-	593	297	-	890
Reserves used during the period	-	-	-	(2,808)	(2,808)
30 June 2017	70	272,698	165,091	25,503	463,362

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

26. OWNER'S EQUITY (continued)

26.2 Statutory reserves of the Bank and its subsidiaries

The Bank and its subsidiaries make 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 and its subsidiaries. Statutory reserves are made based on the Bank and its subsidiaries' performance of the year as follows:

	<i>Basis for calculation</i>	<i>Maximum balance</i>	<i>Purpose</i>
Supplementary capital reserve	5% of profit after tax	100% of charter capital	Supplement capital, invest in construction, purchase of fixed assets for business operations
Financial reserve	10% of profit after tax	25% of charter capital	Cover remaining losses of assets incurred in business operations
Other reserves	Subject to resolution of the Annual general meeting of shareholders	Not defined	Subject to resolution of the Annual general meeting of shareholders

The statutory reserves were made in accordance with the Resolution of BOD in July 2017.

26.3 Dividend

	<i>For the six-month period ended 30 June 2017 VND million</i>	<i>For the six-month period ended 30 June 2016 VND million</i>
Dividend payables at beginning of the period	755	742
Dividend payables during the period	-	810,000
Dividend paid during the period	-	(809,987)
Dividend payables at the period-end	755	755

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

27. BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit after tax for the period attributable to ordinary shareholders of the Bank (after adjusted for appropriation of bonus and welfare reserves) by the weighted average number of ordinary shares outstanding during the period.

Information for basic earnings per share calculation of the Bank is as follows:

	<i>For the six-month period ended 30 June 2017 VND million</i>	<i>For the six-month period ended 30 June 2016 VND million</i>
Net profit attributable to ordinary shareholders of the Bank in the period (VND million)	618,807	241,403
Adjustment for appropriation to bonus and welfare funds (VND million)	-	-
Net profit attributable to ordinary share holders for basic earnings per share calculation (VND million)	618,807	241,403
Weighted average number of outstanding ordinary shares (shares)	809,999,792	809,999,792
Basic earnings per share (VND/share)	764	298

28. INTEREST AND SIMILAR INCOME

	<i>For the six-month period ended 30 June 2017 VND million</i>	<i>For the six-month period ended 30 June 2016 VND million</i>
Interest income from loans and advances to credit institutions and customers	5,594,913	4,111,255
Interest income from trading and investing debt securities	1,067,258	706,623
- Interest income from investing securities	1,028,625	696,548
- Interest income from trading securities	38,633	10,075
Interest income from deposits	122,664	95,109
Interest income from guarantee services	25,537	26,599
Interest income from other credit activities	179,317	253,212
	6,989,689	5,192,798

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

29. INTEREST AND SIMILAR EXPENSES

	<i>For the six-month period ended 30 June 2017 VND million</i>	<i>For the six-month period ended 30 June 2016 VND million</i>
Interest expense on deposits	3,287,602	2,370,593
Interest expense on borrowings	154,604	138,488
Interest expense on valuable papers	556,464	406,119
Loss from write off bad debts	258,489	68,972
	4,257,159	2,984,172

30. NET FEES AND COMMISSION INCOME

	<i>For the six-month period ended 30 June 2017 VND million</i>	<i>For the six-month period ended 30 June 2016 VND million</i>
Fees and commission income		
- Settlement services	54,347	58,003
- Treasury services	5,807	5,832
- Asset preservation services	38	243
- Trust and agent services	16	9
- Others	33,431	15,335
	93,639	79,422
Fees and commission expenses		
- Settlement services	(15,985)	(15,574)
- Treasury services	(2,668)	(2,054)
- Postal and telecommunication	(1,571)	(1,461)
- Trust and agent services	(83)	(100)
- Others	(2,963)	(5,576)
	(23,270)	(24,765)
Net fees and commission income	70,369	54,657

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

31. NET GAIN FROM FOREIGN CURRENCIES TRADING

	<i>For the six-month period ended 30 June 2017 VND million</i>	<i>For the six-month period ended 30 June 2016 VND million</i>
Income from foreign exchange		
Income from gold trading	647	508
Income from spot foreign exchange	129,717	85,206
Income from currency derivatives	97,089	89,015
	227,453	174,729
Expense from foreign exchange		
Expense from gold trading	(46)	(114)
Expense from spot foreign exchange	(108,684)	(54,653)
Expense from currency derivatives	(28,429)	(17,690)
	(137,159)	(72,457)
Net gain from foreign exchange	90,294	102,272

32. NET GAIN FROM DEALING OF TRADING SECURITIES

	<i>For the six-month period ended 30 June 2017 VND million</i>	<i>For the six-month period ended 30 June 2016 VND million</i>
Income from trading securities	4,406	-
Reversed general provision for trading securities (Note 9)	63	-
Net gain from dealing of trading securities	4,469	-

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

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

	<i>For the six-month period ended 30 June 2017 VND million</i>	<i>For the six-month period ended 30 June 2016 VND million</i>
Income from dealing of available-for-sales securities (*)	166,784	51,723
Expenses from dealing of available-for-sales securities	(10,773)	(13,433)
Arising/(reversed) provision for available-for-sale securities (Note 14.4)	760	(128,610)
Net gain/(Loss) from dealing of available-for-sale securities	156,771	(90,320)
Reversed general provision for held-to-maturity securities (Note 14.4)	1,499	2,241
Net gain from dealing of held-to-maturity securities	1,499	2,241
Net gain/(loss) from dealing of investment securities	158,270	(88,079)

(*) The expenses from mobilization capital for purchasing Government bonds is deducted premium/discount and accrual interests (if any) from Government bonds is amounted to VND 66,882 million.

34. NET GAIN FROM OTHER OPERATING ACTIVITIES

	<i>For the six-month period ended 30 June 2017 VND million</i>	<i>For the six-month period ended 30 June 2016 VND million</i>
Other operating income		
Income from recovery of written-off debts	58,236	17,993
Income from offering office rental services	13,672	2,051
Income from disposals of fixed assets and investment properties	1,833	2,364
Other income	41,703	11,592
	115,444	34,000
Other operating expenses		
Goodwill (Note 5)	(2,881)	(2,881)
Sponsoring cost	(1,414)	(1,598)
Expenses from disposal of fixed assets and investment properties	-	(115)
Other expenses	(11,854)	(9,102)
	(16,149)	(13,696)
Net other operating income	99,295	20,304

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

35. INCOME FROM CAPITAL CONTRIBUTION, SHARE PURCHASES

	<i>For the six-month period ended 30 June 2017 VND million</i>	<i>For the six-month period ended 30 June 2016 VND million</i>
Dividends received from Equity securities (i)	42,894	1,705
Dividends received from capital contributions and long-term investments	700	1,770
	43,594	3,475

- (i) This is dividends that received from investing in listed available-for-sales securities. In which, the first dividends payment in 2017 from Vietjet Joint Stock Company is amounted at VND 26,827,500,000 that received in 18 August 2017.

36. OPERATING EXPENSES

	<i>For the six-month period ended 30 June 2017 VND million</i>	<i>For the six-month period ended 30 June 2016 VND million</i>
Tax payment and other fees	1,488	1,410
Personnel expenses	908,660	646,795
Employees remuneration	832,511	590,612
Salary and allowance	64,716	49,138
Salary related allowance	11,433	7,045
Depreciation and amortization expense	55,278	59,638
Depreciation expenses on fixed assets	55,278	59,638
Expense for public affairs administration	18,636	17,387
Expense relating to business trips	18,145	16,282
Union activities	491	1,105
Insurance expenses, insurance for customers' deposits	52,823	37,638
Provision expense/(reversal) (excluding provision for credit loss, investment)	1,261	2,892
Reversed provision for credit institution deposits (Note 8.1)	-	(450)
(Reversal)/provision for other assets (Note 18.4)	(431)	2,503
Provision expense for financial investment (Note 15.2)	1,692	839
Other operating expenses	845,960	703,378
Advertising, marketing, promotion and entertainment	406,560	280,614
Office rental	105,632	99,897
Repair and maintenance	59,830	64,706
Post and telecommunication	40,945	34,752
Tools and equipment	31,268	45,857
Training	14,069	7,011
Others	187,656	170,541
	1,884,106	1,469,138

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

37. CASH AND CASH EQUIVALENTS

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

	<i>30 June 2017</i> <i>VND million</i>	<i>31 December 2016</i> <i>VND million</i>
Cash in VND	777,533	674,017
Cash in foreign currencies	568,060	952,494
Monetary gold	15,686	9,499
Balances with the SBV	5,583,069	2,389,302
Demand deposits in other credit institutions	18,201,788	12,935,314
Deposits in other credit institutions with term of less than 90 days	2,122,293	3,036,000
Loans to other credit institutions with term of less than 90 days	2,398,957	2,608,733
	29,667,386	22,605,359

38. EMPLOYEES' INCOME

	<i>For the six-month period ended 30 June 2017</i>	<i>For the six-month period ended 30 June 2016</i>
I. Total number of employees (persons)	12,310	9,661
II. Employees' income (VND million)		
1. Total salary	790,477	557,345
2. Other income	42,034	33,267
3. Total income (1+2)	832,511	590,612
4. Average monthly salary (VND million/person)	10,70	9,62
5. Average monthly income (VND million/person)	11,27	10,19

39. COLLATERALS AND MORTGAGES

39.1 *Assets and valuable papers of customers pledged, discounted and re-discounted*

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

	<i>30 June 2017</i> <i>VND million</i>	<i>31 December 2016</i> <i>VND million</i>
Real estate properties	100,384,693	100,908,041
Valuable papers	48,493,393	48,059,753
Movable assets	23,343,058	25,982,408
Other assets	39,004,864	33,670,035
	211,226,008	208,620,237

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

39. COLLATERALS AND MORTGAGES (continued)

39.1 *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*

	<u>30 June 2017</u> VND million	<u>31 December 2016</u> VND million
Valuable papers	<u>450,000</u>	<u>450,000</u>

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

Breakdown of the Bank and its subsidiaries' financial assets mortgaged, pledged and discounted for borrowings or securities transferred under purchase and repurchases agreements with SBV and other credit institutions as at 30 June 2017 and 31 December 2016 is as follows:

	<u>30 June 2017</u> VND million	<u>31 December 2016</u> VND million
Valuable papers	<u>5,330,000</u>	<u>7,154,000</u>

40. CONTINGENT LIABILITIES AND COMMITMENTS

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

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

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

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

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

40. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

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

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

The currency trading commitments are commitments to purchase, sell at spot and currency swap commitments. Commitments to purchase, sell at spot are commitments to purchase, sell currency according to exchange rate dealt and payment within 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 period-end are as follows

	30 June 2017 VND million	31 December 2016 VND million
Credit guarantees	8,762	9,862
Foreign exchange commitments	42,532,862	35,669,948
<i>Spot foreign exchange commitments - buy</i>	2,990,506	2,942,536
<i>Spot foreign exchange commitments - sell</i>	2,062,100	1,288,271
<i>Cross currency swap contracts</i>	37,480,256	31,439,141
Letters of credit	1,085,646	1,092,889
<i>At sight letters of credit</i>	630,550	556,085
<i>Deferred letters of credit</i>	455,096	536,804
Other guarantees	3,110,290	2,730,003
<i>Settlement guarantee</i>	697,635	561,255
<i>Contract performance guarantee</i>	735,964	529,226
<i>Bid guarantee</i>	112,619	83,945
<i>Other guarantees</i>	1,564,072	1,555,577
	46,737,560	39,502,702
Less: Margin deposits	(109,036)	(183,179)
Contingent liabilities and commitments	46,628,524	39,319,523

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

41. RELATED PARTY TRANSACTIONS

Related party transactions include all transactions undertaken with other entities to which the Bank and its subsidiaries are 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 and its subsidiaries if:

- (a) Directly, or indirectly through one or more intermediaries, the party:
 - ▶ controls, is controlled by, or is under common control with the Bank and its subsidiaries (including parents and subsidiaries);
 - ▶ has an interest (owing 5% or more of the charter capital or voting share capital) in the Bank and its subsidiaries that gives it significant influence over the Bank and its subsidiaries;
 - ▶ has joint control over the Bank and its subsidiaries;
- (b) The party is a joint venture in which the Bank and its subsidiaries are ventures (owning over 11% of the charter capital or voting share capital but is not a subsidiary of the Bank and its subsidiaries);
- (c) The party is a member of the key management personnel of the Bank and its subsidiaries 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 period are as follows:

<i>Related party</i>	<i>Transactions</i>	<i>For the six-month period ended 30 June 2017 VND million</i>	<i>For the six-month period ended 30 June 2016 VND million</i>
Major shareholders and related parties of major shareholders	Deposits disbursed	2,946,946	3,791,135
	Deposits taken	2,527,401	3,814,255
Companies in which the Bank has long-term investments	Deposits disbursed	32,356,723	16,488,714
	Deposits taken	32,178,675	16,957,918
Member of Board of Directors and Board of Managements and other related parties to these individuals	Deposits disbursed	19,631,795	829,312
	Deposits taken	17,862,151	730,104
	Salary and bonus	24,908	13,728
	Loan, guarantee and mortgage	7,488,525	39,958
	Debt collected	805,026	32,100
	Interest debts collected	13,377	592

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

41. RELATED PARTY TRANSACTIONS (continued)

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

<i>Related party</i>	<i>Transactions</i>	<i>Receivables/(Payables)</i>	
		<i>30 June 2017 VND million</i>	<i>31 December 2016 VND million</i>
Major shareholders and related parties of major shareholders	Term deposits	(420,630)	(186,952)
	Payment deposits	(1,030)	(20,974)
	Treasury deposits	-	(46)
	Available-for-sale securities	350,000	350,000
	Accrual interest from debt available-for-sale securities	7,940	23,819
Company in which the Bank has long-term investment	Term deposits	(982,000)	(837,775)
	Payment deposits	(103,243)	(151,002)
	Guaranteed deposit for treasury	(128)	(23)
	Loans	851,250	342,812
	Accrual interest	233	5,474
	Receivables from transferring properties	-	315,000
	Rental deposit	-	20,000
	Advances for capital contribution to HDREAL	6,669	6,669
Member of Board of Directors and Board of Managements and other related parties to these individuals	Demand deposits and demand savings	(138,125)	(244,074)
	Term savings	(1,987,055)	(97,918)
	Loans, guarantee and mortgage	3,625,043	1,203,234
	Accrual interest	2,307	4,326

42. 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 30 June 2017 (*)			
Due from and loans to other credit institutions	22,529,239	193,799	22,723,038
Loans and advances to customers	96,945,442	-	96,945,442
Derivative and financial instruments (Nominal amount)	33,925,293	-	33,925,293
Trading securities and Investment securities	485,658	-	485,658
Liabilities at 30 June 2017			
Due to and borrowings from other credit institutions	25,107,077	-	25,107,077
Customer deposits	115,710,752	-	115,710,752
Financial derivatives (Total transaction value amount to contract)	20,469,516	-	20,469,516
Grants, entrusted funds and loans exposed to risks	2,907,267	-	2,907,267
Valuable papers issued	11,353,000	-	11,353,000
Off-balance-sheet commitments at 30 June 2017	46,628,524	-	46,628,524

(*) Not including provision for credit risk

Ho Chi Minh City Development Joint Stock Bank

B05a/TCTD-HN

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period ended

43. INFORMATION BY GEOGRAPHICAL REGIONS

Information on income, expenses and assets and liabilities of each segment by geographical area of the Bank and its subsidiaries as at 30 June 2017 and for the six-month period ended as follows:

	Northern VND million	Central VND million	South VND million	Total submitted VND million	Eliminated VND million	Total VND million
Interest and similar income	2,178,326	800,724	11,895,081	14,874,131	(7,884,442)	6,989,689
Interest and similar expenses	(1,703,271)	(618,898)	(9,819,432)	(12,141,601)	7,884,442	(4,257,159)
Net interest and similar income	475,055	181,826	2,075,649	2,732,530	-	2,732,530
Non-interest income	15,494	4,152	446,645	466,291	-	466,291
TOTAL OPERATING INCOME	490,549	185,978	2,522,294	3,198,821	-	3,198,821
TOTAL OPERATING EXPENSES	(158,267)	(84,890)	(1,640,949)	(1,884,106)	-	(1,884,106)
Net operating profit before provision for credit losses	332,282	101,088	881,345	1,314,715	-	1,314,715
Provision for credit losses	(54,667)	(12,392)	(366,588)	(433,647)	-	(433,647)
PROFIT BEFORE TAX	277,615	88,696	514,757	881,068	-	881,068
ASSETS						
Cash	343,405	167,424	850,450	1,361,279	-	1,361,279
Due to State Bank of Vietnam and other credit institutions	55,839	66,074	28,184,194	28,306,107	-	28,306,107
Loans to customers	18,872,536	8,726,183	69,346,723	96,945,442	-	96,945,442
Debt purchasing	-	-	8,127	8,127	-	8,127
Investment	3,730,234	619,386	30,061,331	34,410,951	-	34,410,951
Other assets	8,873,142	859,842	9,449,505	19,182,489	(8,396,884)	10,785,605
TOTAL ASSET	31,875,156	10,438,909	137,900,330	180,214,395	(8,396,884)	171,817,511
LIABILITIES						
Borrowing from State Bank of Vietnam	112	-	153,045	153,157	-	153,157
Due to and borrowings from other credit institutions	14	-	25,107,063	25,107,077	-	25,107,077
Due to customer	29,886,156	10,000,741	75,823,855	115,710,752	-	115,710,752
Other liabilities	1,358,038	270,446	24,676,907	26,305,391	(8,396,884)	17,908,507
TOTAL LIABILITIES	31,244,320	10,271,187	125,760,870	167,276,377	(8,396,884)	158,879,493

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

44. FINANCIAL RISK MANAGEMENT

Risk is inherent in the Bank and its subsidiary' 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 and its subsidiary' continuing profitability and each individual within the Bank and its subsidiary are accountable for the risk prevention within his or her responsibilities. The Bank and its subsidiary are exposed to credit risk, liquidity risk and market risk (then being subdivided into trading and non-trading risks). The Bank and its subsidiary are 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 and its subsidiary' policy is to monitor those business risks through the Bank and its subsidiary' 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 and its subsidiary.

(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 and its subsidiary' activities.

Risk Management Committee analyses and provides warnings on the potential risks that may affect the Bank and its subsidiary' 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 and its subsidiary 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 and its subsidiary.

(v) Internal Audit

According to the annual internal audit plan, business processes throughout the Bank and its subsidiary' are audited annually by the internal audit function, which examines both the adequacy of the procedures and compliance with the Bank and its subsidiary' 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 and its subsidiary' risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are 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 and its subsidiary in compliance with the State Bank of Vietnam's regulations. These limits reflect the business strategy and market environment of the Bank and its subsidiary as well as the level of risk that the Bank and its subsidiary are willing to accept.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

44. FINANCIAL RISK MANAGEMENT (continued)

(vi) Risk measurement and reporting systems (continued)

Information compiled from all business activities is examined and processed in order to analyze, 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 and its subsidiary.

For all levels throughout the Bank and its subsidiary, 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.

The Bank and its subsidiaries have actively used collateral to minimize credit risk.

(vii) Excessive risk concentration

Concentrations arise when a number of counterparties of the Bank and its subsidiary are 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 and its subsidiary's performance to the developments of a particular industry or geographic allocation.

In order to avoid excessive concentrations of risk, the Bank and its subsidiary'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 and its subsidiary in respect of the industries and other related factors.

45. CREDIT RISK

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

The Bank and its subsidiary manage 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 and its subsidiary have 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 7, 8, and 11 21 respectively.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

45. CREDIT RISK (continued)

45.1 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 interim consolidated balance sheet, are listed below:

	30 June 2017 VND million	31 December 2016 VND million
Credit risk exposures of balance sheet items		
Due from and loans to other credit institutions	22,723,038	18,580,047
Trading securities – Debt securities	400,000	400,000
Loans to customers		
<i>Individuals</i>	47,981,535	36,729,422
<i>Corporates</i>	48,963,907	45,494,950
Derivatives and other financial assets	8,127	8,690
Investment securities		
<i>Debt securities - available-for-sale</i>	6,401,019	5,259,048
<i>Debt securities - held-to-maturity</i>	4,400,751	2,500,000
Credit risk exposures of off-balance sheet items		
Financial guarantees	3,119,052	2,739,865
Letters of credit	1,085,646	1,092,889

This table presents the worst scenario which the Bank and its subsidiary will incur the maximum credit exposures as at 30 June 2017 and 31 December 2016, without taking into account of any collateral held or their credit enhancements.

45.2 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 and its subsidiary see that they have absolutely capacity to fully and timely recover these financial assets in the futures.

45.3 Financial assets past due but not impaired

The age of financial assets past due but not impaired as at 30 June 2017 is presented below:

	<i>Past due</i>				<i>Total</i> VND million
	<i>Less than 90</i> days VND million	<i>From 91 to</i> 180 days VND million	<i>From 181</i> to 360 days VND million	<i>More than</i> 360 days VND million	
Loans to customers	511,649	101,815	39,010	122,551	775,025

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.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

46. MARKET RISK

46.1 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 and its subsidiary 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 and its subsidiary 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 consolidated 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 1-month;
- ▶ The re-pricing term of investment securities and held-for-trading securities is calculated based on the time to maturity from the interim 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 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 interim 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 interim 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 interim balance sheet date.

The following table presents the interest re-pricing period of the Bank and its subsidiary's assets and liabilities as at 30 June 2017:

Ho Chi Minh City Development Joint Stock Bank

B05a/TCTD-HN

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period ended

46. MARKET RISKS (continued)

46.1 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	-	1,361,279	-	-	-	-	-	-	1,361,279	
Balances with the State Bank of Vietnam	-	-	5,583,069	-	-	-	-	-	5,583,069	
Due from and loans to other credit institutions - gross	-	-	21,010,379	1,712,659	-	-	-	-	22,723,038	
Trading securities - gross	-	400,000	-	-	-	-	-	-	400,000	
Loans to customers - gross	2,920,705	-	4,938,840	81,538,054	1,144,107	3,452,713	2,950,787	236	96,945,442	
Debt purchasing - gross	8,127	-	-	-	-	-	-	-	8,127	
Investment securities - gross	300,000	2,853,692	2,467,914	106,981	1,977,248	2,405,640	17,295,527	6,118,291	33,525,293	
Long-term investments - gross	-	485,658	-	-	-	-	-	-	485,658	
Fixed assets	-	1,288,504	-	-	-	26,661	-	-	1,315,165	
Investment properties	-	58,444	-	-	-	-	-	-	58,444	
Other assets - gross	58,125	6,465,140	530,259	651,241	522,609	572,927	548,347	63,348	9,411,996	
Total assets	3,286,957	12,912,717	34,530,461	84,008,935	3,643,964	6,457,941	20,794,661	6,181,875	171,817,511	
Liabilities										
Borrowings from the Government and the SBV	-	-	-	153,157	-	-	-	-	-	153,157
Due to and borrowings from other credit institutions	-	-	22,406,503	305,509	661,715	1,052,350	681,000	-	-	25,107,077
Due to customers	-	121,295	37,948,105	20,200,751	21,564,203	28,178,891	7,696,075	1,432	115,710,752	
Grants, entrusted funds and loans exposed to risks	-	-	4,946	2,871,168	-	-	-	-	31,153	2,907,267
Valuable papers issued	-	-	588,000	973,000	1,369,000	2,647,000	3,276,000	2,500,000	-	11,353,000
Derivatives and other financial liabilities	-	88,896	-	-	-	-	-	-	-	88,896
Other liabilities - gross	-	952,468	378,917	581,029	768,348	664,715	194,001	19,866	-	3,559,344
Total liabilities	-	1,162,659	61,326,471	25,084,614	24,363,266	32,542,956	11,847,076	2,552,451	158,879,493	
In-balance sheet interest sensitivity gap	3,286,957	11,750,058	(26,796,010)	58,924,321	(20,719,302)	(26,085,015)	8,947,585	3,629,424	12,938,018	

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

46. MARKET RISKS (continued)

46.1 Interest rate risk (continued)

At the reporting date, the Bank performed sensitivity analyzes for interest rates for the six-month financial period ended 30 June 2017. Accordingly, if the interest rate increased by 1%, the after-tax profit of The bank will increase VND128,418 million. If the interest rate is reduced by 1%, then the profit after tax of the Bank will decrease by VND128,418 million.

Subsidiaries have not performed a sensitivity analysis for interest rates for the fiscal year ended 30 June 2017 and are in the process of developing and finalizing the asset-liability management model (ALM). Consulted by foreign consultants, including interest rate risk analysis and sensitivity analysis of net interest income through changing market interest rates.

46.2 Currency risk

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

The Bank and its subsidiary are 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 and its subsidiary 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 50*.

Ho Chi Minh City Development Joint Stock Bank

B05a/TCTD-HN

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period ended

46. MARKET RISKS (continued)

46.2 Currency risk (continued)

The following table presents assets and liabilities in foreign currencies translated into VND as at 30 June 2017:

	EUR equivalent VND million	USD equivalent VND million	Gold equivalent VND million	Other currencies equivalent VND million	Total VND million
Assets					
Cash	105,203	405,653	15,686	57,204	583,746
Balances with the State Bank of Vietnam	-	1,105	-	-	1,105
Due from and loans to other credit institutions - gross	7,242,117	1,416,139	-	14,028	8,672,284
Derivatives and other financial assets	-	-	-	13,928	13,928
Loans to customers - gross	-	6,814,730	-	31,153	6,845,883
Other assets - gross	733	43,780	-	68	44,581
Total assets	7,348,053	8,681,407	15,686	116,381	16,161,527
Liabilities and equity					
Due to and borrowings from other credit institutions	-	4,006,568	-	-	4,006,568
Due to customers	40,749	1,764,930	-	73,538	1,879,217
Grants, entrusted funds and loans exposed to risks	-	2,872,443	-	31,153	2,903,596
Derivatives and other financial liabilities	7,290,216	33,458	-	6,273	7,329,947
Other liabilities	9,791	53,656	232	405	64,084
Total liabilities and equity	7,340,756	8,731,055	232	111,369	16,183,412
Foreign exchange position on-balance sheet	7,297	(49,648)	15,454	5,012	(21,885)
Foreign exchange position off-balance sheet	-	78,667	-	(11,510)	67,157
Foreign exchange position on and off-balance sheet	7,297	29,019	15,454	(6,498)	45,272

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

46. MARKET RISK (continued)

46.2 Currency risk (continued)

At the reporting date, the Bank performed sensitivity analyzes for the exchange rate for the six-month financial period ended 30 June 2017. If the exchange rate increased by 10%, the Bank's after tax profit would increased by VND9,395 million. If the exchange rate falls by 10%, the bank's after tax profit will drop by VND9,395 million.

Subsidiaries have not performed sensitivity analyzes for exchange rates for the fiscal year ended 30 June 2017 due to insufficient database and input conditions.

46.3 Liquidity risk

Liquidity risk is the risk which the Bank and its subsidiary have difficulties in meeting the obligations of financial liabilities. Liquidity risk occurs when the Bank and its subsidiary cannot afford to settle debt obligations at the due dates in the normal or stress conditions. To manage the liquidity risk exposure, the Bank and its subsidiary have diversified the mobilization of deposits from various sources in addition to its basic capital resources. In addition, the Bank and its subsidiary have established policy for control of liquidity assets flexibly; monitor the future cash flows and daily liquidity. The Bank and its subsidiary have 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 interim 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 and its subsidiary'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 and subsidiaries at 30 June 2017.

Ho Chi Minh City Development Joint Stock Bank

B05a/TCTD-HN

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period ended

46. MARKET RISK (continued)

46.3 Liquidity risk (continued)

	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	
Assets							
Cash	-	-	1,361,279	-	-	-	1,361,279
Balances with the State Bank of Vietnam	-	-	5,583,069	-	-	-	5,583,069
Due from and loans to other credit institutions - gross	-	-	21,010,379	1,712,659	-	400,000	22,723,038
Trading securities - gross	-	-	-	-	-	-	400,000
Loans to customers - gross	1,548,055	1,372,650	4,938,840	10,007,734	38,913,958	21,808,175	96,945,442
Debt purchasing - gross	8,127	-	-	-	-	-	8,127
Investment securities - gross	300,000	-	1,786,145	-	1,806,391	-	33,525,293
Long-term investments - gross	-	-	-	-	-	-	485,658
Fixed assets	-	-	779,765	-	-	68,407	1,315,165
Investment properties	-	-	-	-	-	-	58,444
Other assets - gross	58,125	-	842,640	1,802,827	2,444,264	3,779,789	9,411,996
Total assets	1,914,307	1,372,650	36,302,117	13,523,220	43,164,613	46,140,836	171,817,511
Liabilities							
Borrowings from the Government and the SBV	-	-	338	369	7,340	129,894	153,157
Due to and borrowings from other credit institutions	-	-	22,406,503	305,509	1,714,065	681,000	25,107,077
Due to customers	-	-	38,069,400	20,200,751	49,743,094	7,696,075	115,710,752
Grants, entrusted funds and loans exposed to risks	-	-	-	-	1,980	1,691	2,903,267
Valuable papers issued	-	-	588,000	973,000	4,016,000	3,276,000	11,353,000
Derivatives and other financial liabilities	-	-	89,033	(2,475)	2,338	-	88,896
Other liabilities	-	-	1,247,045	641,084	1,366,957	138,874	3,559,344
Total liabilities	-	-	62,400,319	22,118,238	56,851,774	11,923,534	158,879,493
Net liquidity gap	1,914,307	1,372,650	(26,098,202)	(8,595,018)	(13,687,161)	34,217,302	12,938,018

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

46. MARKET RISK (continued)

46.4 Market price risk

Except for the assets and liabilities presented above, the Bank and its subsidiary have 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.

47. OPERATING LEASE COMMITMENTS

	<u>30 June 2017</u> VND million	<u>31 December 2016</u> VND million
Operating lease commitments	1,071,817	1,192,368
<i>In which:</i>		
- Due within one year	186,554	186,656
- Due from one to five years	378,780	419,585
- Due after five years	506,483	586,127

48. 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 and its subsidiary 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 interim consolidated financial statements.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

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

Financial assets

Financial assets of the Bank and its subsidiary 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 interim consolidated financial statements, into one of the following categories:

► *A financial asset at fair value through the interim consolidated 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 classified as held for trading. A financial asset is classified as held-for-trading if:
 - ✓ It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
 - ✓ 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 and its subsidiary as at fair value through profit or loss.

► *Held-to-maturity investments:*

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

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

► *Loans and receivables:*

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

- a) Those that the Bank and its subsidiary intend to sell immediately or in the near term, which shall be classified as held for trading, and those that the Bank and its subsidiary upon initial recognition designate as at fair value through profit or loss;
- b) Those that the Bank and its subsidiary 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.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

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

Financial assets (continued)

► *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 interim consolidated profit or loss.

Financial liabilities

Financial liabilities of the Bank and its subsidiaries 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 and its subsidiaries, payables and other liabilities under monetary derivative contracts.

According to Circular 210, financial liabilities are classified appropriately, for the purpose of disclosure in the consolidated 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 and its subsidiaries as at fair value through interim consolidated profit or loss

► *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 consolidated balance sheet if, and only if, the Bank and its subsidiaries have an enforceable legal right to offset financial assets against financial liabilities and the Bank and its subsidiaries have intention to settle on a net basis, or the realization 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.

Ho Chi Minh City Development Joint Stock Bank

B05a/TCTD-HN

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 30 June 2017 and for the six-month period ended

48. SUPPLEMENTARY NOTE ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The carrying amount and fair value of the Bank and its subsidiaries' financial assets and liabilities are presented as at 30 June 2017 as follows:

	Carrying amount						Fair value VND million
	Trading securities VND million	Held to maturity securities VND million	Loan and receivable VND million	Available-for-sale securities VND million	Other assets and liabilities at amortized cost VND million	Total VND million	
Financial assets							
Cash, gold and precious stones	-	-	-	-	1,361,279	1,361,279	1,361,279
Balances with the SBV	-	-	-	-	5,583,069	5,583,069	5,583,069
Due from and loans to other credit institutions	-	-	2,398,956	-	20,324,082	22,723,038	(*)
Trading securities	397,000	-	-	-	-	397,000	(*)
Derivatives and other financial assets	-	-	95,875,982	-	-	95,875,982	(*)
Loans and advances to customers	-	-	5,489	-	-	5,489	(*)
Purchased debts	-	7,806,513	-	24,652,963	-	32,459,476	(*)
Investment securities	-	-	-	372,427	-	372,427	(*)
Long-term investments	-	-	6,007,314	-	-	6,007,314	(*)
Total	397,000	7,806,513	104,287,741	25,025,390	27,268,430	164,785,074	
Financial liabilities							
Borrowings from the Government and the SBV	-	-	-	-	153,157	153,157	(*)
Due to and borrowings from other credit institutions	-	-	-	-	25,107,077	25,107,077	(*)
Due to customers	-	-	-	-	115,710,752	115,710,752	(*)
Derivatives	-	-	-	-	88,896	88,896	(*)
Grants, entrusted funds and loans exposed to risks	-	-	-	-	2,907,267	2,907,267	(*)
Valuable papers issued	-	11,353,000	-	-	-	11,353,000	(*)
Other liabilities	-	-	-	-	2,752,689	2,752,689	(*)
Total	-	11,353,000	-	-	146,719,838	158,072,838	

(*) As Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and related regulations of the State Bank of Vietnam have no specific guidance on the fair value determination, the fair value of these items cannot be determined.

Ho Chi Minh City Development Joint Stock Bank

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued) B05a/TCTD-HN
as at 30 June 2017 and for the six-month period ended

49. EVENTS AFTER THE BALANCE SHEET DATE

There is no matter or circumstance that has arisen since the interim balance sheet date that requires adjustment or disclosure in the interim consolidated financial statements of the Bank and its subsidiaries.

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

	30 June 2017 VND	31 December 2016 VND
USD	22,431	22,159
EUR	25,861	23,876
GBP	29,410	27,803
CAD	17,415	16,807
SGD	16,409	15,678
AUD	17,410	16,372
CNY	3,253	3,138
JPY	201,96	194,90
Gold SJC (ounce)	36,240,000	35,800,000

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Chief Financial Officer

Approved by:



Mr. Nguyen Huu Dang
General Officer

Ho Chi Minh City, Vietnam

4 October 2017