

Ho Chi Minh City Development Joint Stock Commercial Bank

Separate financial statements

For the year ended 31 December 2018



Ho Chi Minh City Development Joint Stock Commercial Bank

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Ho Chi Minh City Development Joint Stock Commercial Bank

GENERAL INFORMATION

THE BANK

Ho Chi Minh City Development Joint Stock Commercial 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 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; providing settlement services and other banking services as allowed by the SBV.

The Bank's Head Office is located at HD Tower, 25 Bis Nguyen Thi Minh Khai Street, District 1, Ho Chi Minh City. As at 31 December 2018, the Bank had one (1) Head Office, one (1) representative office in the North, sixty-two (62) branches, two hundred and twenty-one (221) transaction offices located in cities and provinces throughout Vietnam.

THE BOARD OF DIRECTORS

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

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

THE BOARD OF SUPERVISION

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

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

Ho Chi Minh City Development Joint Stock Commercial Bank

GENERAL INFORMATION (continued)

THE BOARD OF MANAGEMENT, CHIEF FINANCIAL OFFICER AND CHIEF ACCOUNTANT

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

<i>Name</i>	<i>Position</i>	<i>Date of appointment/ re-appointment/resignation</i>
Mr. Nguyen Huu Dang	Chief Executive Officer	Re-appointment on 22 October 2015
Ms. Nguyen Doan Duy Ai	Deputy Chief Executive Officer	Appointment on 2 January 2019 (*)
Mr. Pham Quoc Thanh	Deputy Chief Executive Officer	Re-appointment on 11 March 2016
Mr. Nguyen Minh Duc	Deputy Chief Executive Officer	Appointment on 30 December 2013
Mr. Le Thanh Tung	Deputy Chief Executive Officer	Appointment on 16 September 2009
Mr. Nguyen Thanh Phuong	Deputy Chief Executive Officer	Appointment on 22 January 2018
Mr. Le Thanh Trung	Deputy Chief Executive Officer	Re-appointment on 15 February 2019
Mr. Tran Hoai Nam	Deputy Chief Executive Officer	Re-appointment on 27 February 2019
Mr. Tran Thai Hoa	Deputy Chief Executive Officer	Re-appointment on 26 May 2018
Mr. Pham Thien Long	Deputy Chief Executive Officer	Resignation on 10 January 2018
Mr. Pham Van Dau	Chief Financial Officer	Appointment on 16 September 2009
Ms. Ho Dang Hoang Quyen	Chief Accountant	Appointment on 7 July 2011

(*) Ms. Nguyen Doan Duy Ai retired and benefited pension regime on 1 January 2019 and have appointed on 2 January 2019.

LEGAL REPRESENTATIVE

The legal representative of the Bank during the year and at the date of this report is Mr. Nguyen Huu Dang, Chief Executive Officer.

Mr. Pham Quoc Thanh was authorized by Mr. Nguyen Huu Dang to sign off the accompanying separate financial statements for year ended 31 December 2018 according to the Authorization Document No. 313/2019/QD-TGD dated 28 February 2019.

AUDITORS

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

EVENT DURING THE YEAR

According to Resolution No.12/2018/NQ-DHDCD dated 21 April 2018, the Annual General Meeting approved the merger of the Petrolimex Group Commercial Joint Stock Bank ("PGBank") into the Bank, the related document such as the merger plan of PGBank into the Bank, the plan to issue shares of the Bank for swapping purpose with PGBank and the merger agreement between PGBank and the Bank, the Bank's Charter after the merger being successfully implemented.

The Annual General Meeting authorized the Board of Directors to carry out the procedures, sign the merger plan, merger contract and relevant documents, handling issues related to the merger process between PGBank and the Bank.

Ho Chi Minh City Development Joint Stock Commercial Bank

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management of Ho Chi Minh City Development Joint Stock Commercial Bank ("the Bank") is pleased to present this report and the separate financial statements of the Bank for the year ended 31 December 2018.

THE BOARD OF MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE SEPARATE FINANCIAL STATEMENTS

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

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

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

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

STATEMENT BY THE BOARD OF MANAGEMENT

The Board of Management of the Bank does hereby state that, in its opinion, the accompanying separate financial statements give a true and fair view of the separate financial position of the Bank as at 31 December 2018, the separate results of its operations and its separate cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other statutory requirements relevant to preparation and presentation of the separate financial statements.

For and on behalf of the Board of Management



Mr. Phạm Quốc Thanh
Deputy Chief Executive Officer

Ho Chi Minh City, Vietnam

29 March 2019

Reference: 60752693/20426123-R

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying separate financial statements of Ho Chi Minh City Development Joint Stock Commercial Bank ("the Bank"), as prepared on 29 March 2019 and set out on pages 6 to 79 which comprise the separate balance sheet as at 31 December 2018, the separate income statement and the separate cash flow statement for the year then ended and the notes thereto.

Management's responsibility

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Bank and its subsidiaries as at 31 December 2018, and of the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other statutory requirements relevant to preparation and presentation of the consolidated financial statements.



Trình Hoàng Anh
Deputy General Director
Audit Practicing Registration
Certificate No. 2071-2018-004-1



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

Ho Chi Minh City, Vietnam

29 March 2018

Ho Chi Minh City Development Joint Stock Commercial Bank

SEPARATE BALANCE SHEET
as at 31 December 2018

B02/TCTD

	<i>Notes</i>	<i>Ending balance VND million</i>	<i>Beginning balance VND million</i>
ASSETS			
Cash and gold	5	2,096,192	1,511,580
Balances with the State Bank of Vietnam	6	5,310,253	1,547,687
Due from and loans to other credit institutions		32,634,552	22,317,134
Due from other credit institutions	7.1	30,524,170	19,126,573
Loans to other credit institutions	7.2	2,110,382	3,190,561
Securities held for trading	8	2,596,626	4,690,398
Securities held for trading		2,603,376	4,693,398
Provision for securities held for trading		(6,750)	(3,000)
Derivatives and other financial assets	9	227,063	-
Loans to customers		111,481,099	94,193,371
Loans to customers	10	112,478,936	95,048,397
Provision for loans to customers	12.1	(997,837)	(855,026)
Purchased debts	11	-	3,875
Purchased debts		-	7,749
Provision for purchased debts		-	(3,874)
Investment securities		43,294,913	45,802,141
Available-for-sale securities	13.1	26,354,996	37,417,732
Held-to-maturity securities	13.2, 13.3	17,888,621	9,614,647
Provision for investment securities	13.5	(948,704)	(1,230,238)
Long-term investments		1,054,619	967,925
Investments in subsidiaries	14.1	889,688	589,688
Other long-term investments		185,117	490,087
Provision for long-term investments	14.2	(20,186)	(111,850)
Fixed assets		1,578,007	1,499,442
<i>Tangible fixed assets</i>	15.1	536,329	506,494
Cost		1,086,447	1,015,471
Accumulated depreciation		(550,118)	(508,977)
<i>Intangible fixed assets</i>	15.2	1,041,678	992,948
Cost		1,200,904	1,142,770
Accumulated amortization		(159,226)	(149,822)
Other assets		6,139,055	7,577,195
Receivables	16.1	1,741,326	3,404,776
Interest and fees receivable	16.2	3,375,692	3,252,336
Deferred corporate income tax assets	23.2	-	21,238
Other assets	16.3	1,061,358	959,726
Provision for other assets	16.4	(39,321)	(60,881)
TOTAL ASSETS		206,412,379	180,110,748

Ho Chi Minh City Development Joint Stock Commercial Bank

SEPARATE BALANCE SHEET (continued)
as at 31 December 2018

B02/TCTD

	<i>Notes</i>	<i>Ending balance VND million</i>	<i>Beginning balance VND million</i>
LIABILITIES			
Due to the State Bank of Vietnam	17	7,911,883	156,253
Due to and borrowings from other credit institutions	18	39,458,782	35,211,056
Due to other credit institutions	18.1	23,536,099	12,310,041
Borrowings from other credit institutions	18.2	15,922,683	22,901,015
Due to customers	19	128,151,279	120,628,498
Derivatives and other financial liabilities	9	-	46,568
Grants, entrusted funds and loans exposed to risks	20	3,045,666	2,927,741
Valuable papers issued	21	9,232,000	4,465,000
Other liabilities		3,484,626	2,896,090
Interest and fees payable	22.1	2,989,431	2,551,378
Deferred income tax payable	23.2	1,585	-
Other payables	22.2	493,610	344,712
TOTAL LIABILITIES		191,284,236	166,331,206
OWNERS' EQUITY			
Capital		11,852,342	11,852,342
Charter capital		9,810,000	9,810,000
Fund for capital expenditure		89	89
Share premium		2,042,255	2,042,255
Treasury shares		(2)	(2)
Reserves		639,514	370,953
Retained earnings		2,636,287	1,556,247
TOTAL OWNERS' EQUITY	24.1	15,128,143	13,779,542
TOTAL LIABILITIES AND OWNERS' EQUITY		206,412,379	180,110,748

Ho Chi Minh City Development Joint Stock Commercial Bank

SEPARATE BALANCE SHEET (continued)
as at 31 December 2018

B02/TCTD

OFF-BALANCE SHEET ITEMS

<i>Notes</i>	<i>Ending balance VND million</i>	<i>Beginning balance VND million</i>
Credit guarantees	8,565	9,052
Foreign exchange commitments	74,115,137	41,045,492
- <i>Spot foreign exchange commitments - buy</i>	4,414,221	3,880,370
- <i>Spot foreign exchange commitments - sell</i>	3,471,919	3,166,761
- <i>Cross currency swap contracts</i>	66,228,997	33,998,361
Letters of credit	4,891,115	1,073,114
Other guarantees	3,337,898	3,392,157
Other commitments (*)	2,698,939	683,758
37	85,051,654	46,203,573

(*) The figure as at 31 December 2018 presents the additional amount of unused credit limits according to Circular No.19/2017/TT-NHNN of the State Bank of Vietnam.

Prepared by: 

Ms. Ho Dang Hoang Quyen
Chief Accountant

Reviewed by: 

Mr. Pham Van Dau
Chief Finance Officer

Approved by: 

Mr. Pham Quoc Thanh
Deputy Chief Executive Officer



Ho Chi Minh City, Vietnam

29 March 2019

Ho Chi Minh City Development Joint Stock Commercial Bank

SEPERATE INCOME STATEMENT
for the year ended 31 December 2018

B03/TCTD

	Notes	Current year VND million	Previous year VND million
Interest and similar income	25	13,141,348	11,099,926
Interest and similar expenses	26	(8,437,747)	(7,498,795)
Net interest and similar income		4,703,601	3,601,131
Fee and commission income		270,998	200,085
Fee and commission expenses		(101,194)	(65,597)
Net fee and commission income	27	169,804	134,488
Net gain from trading of foreign currencies	28	326,026	172,970
Net gain from securities held for trading	29	124,336	5,708
Net gain from investment securities	30	341,516	484,895
Other operating income		247,807	193,281
Other operating expenses		(50,242)	(19,637)
Net gain from other operating activities	31	197,565	173,644
Income from investments in other entities	32	259,324	193,881
TOTAL OPERATING INCOME		6,122,172	4,766,717
Personnel expenses		(1,317,560)	(1,036,273)
Depreciation and amortization charges		(75,404)	(94,008)
Other operating expenses		(1,221,460)	(1,175,509)
TOTAL OPERATING EXPENSES	33	(2,614,424)	(2,305,790)
Net profit before provision for credit losses		3,507,748	2,460,927
Provision expense for credit losses	12	(257,450)	(420,392)
PROFIT BEFORE TAX		3,250,298	2,040,535
Current corporate income tax expense	23.1	(596,401)	(359,560)
Deferred corporate income tax (expenses)/income	23.2	(22,823)	3,927
Corporate income tax expenses		(619,224)	(355,633)
PROFIT AFTER TAX		2,631,074	1,684,902

Prepared by:



Ms. Ho Dang Hoang Quyen
Chief Accountant

Reviewed by:



Mr. Pham Van Dau
Chief Finance Officer

Approved by:



Mr. Pham Quoc Thanh
Deputy Chief Executive Officer

Ho Chi Minh City, Vietnam

29 March 2019

Ho Chi Minh City Development Joint Stock Commercial Bank

SEPERATE CASH FLOW STATEMENT
for the year ended 31 December 2018

B04/TCTD

	<i>Notes</i>	<i>Current year VND million</i>	<i>Previous year VND million</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest and similar receipts		13,352,582	11,220,245
Interest and similar payments		(8,078,197)	(7,246,726)
Net fee and commission receipts		169,804	119,525
Net receipts from trading of securities, gold and foreign currencies		804,035	634,497
Other income		85,485	58,224
Recoveries from bad debts written-off previously	31	91,447	105,836
Payments to employees and other operating activities		(2,645,636)	(2,211,471)
Corporate income tax paid during the year	23	(588,711)	(400,051)
Net cash flows from operating activities before changes in operating assets and liabilities		3,190,809	2,280,079
Changes in operating assets		(11,501,706)	(35,680,376)
Decrease in due from and loans to other credit institutions		255,618	14,000
Decrease/(increase) in investment securities		4,529,903	(16,356,325)
(Increase)/decrease in derivatives and other financial assets		(227,063)	57,763
Increase in loans to customers		(17,422,790)	(20,841,289)
Utilization of provision to write-off (loans to customers, securities, long-term investments and other assets)		(327,897)	(19,318)
Decrease in other assets		1,690,523	1,464,793
Changes in operating liabilities		24,369,101	32,877,202
Increase/(decrease) in due to the State Bank of Vietnam		7,755,630	(21,382)
Increase in due to and borrowings from other credit institutions		4,247,726	16,377,758
Increase in due to customers		7,522,781	17,286,057
Decrease in derivatives and other financial liabilities		(46,568)	-
Increase in grants, entrusted funds and loans exposed to risks		117,925	84,309
Increase/(decrease) in value papers issued		4,767,000	(935,014)
Increase in other liabilities		8,780	89,074
Utilization of funds	24.1	(4,173)	(3,600)
Net cash from/(used in) operating activities		16,058,204	(523,095)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(52,803)	(8,578)
Proceeds from disposal of fixed assets		15,002	10,738
Payments for investments in other entities		(150,000)	-
Receipt from investment in other entities		65,771	12,527
Dividends received from long-term investments	32	259,324	193,881
Net cash from investing activities		137,294	208,568

Ho Chi Minh City Development Joint Stock Commercial Bank

SEPERATE CASH FLOW STATEMENT (continued)
for the year ended 31 December 2018

B04/TCTD

	<u>Notes</u>	<u>Current year VND million</u>	<u>Previous year VND million</u>
CASH FLOWS FROM FINANCING ACTIVITY			
Capital contribution and issuance of shares		-	3,018,656
Dividends paid to shareholders	24.2	(1,275,284)	-
Net cash (used in)/from financing activity		(1,275,284)	3,018,656
Net cash flows for the year		14,920,214	2,704,129
Cash and cash equivalents at the beginning of the year	34	24,290,401	21,586,272
Cash and cash equivalents at the end of the year	34	39,210,615	24,290,401

Prepared by: 

Ms. Ho Dang Hoang Quyen
Chief Accountant

Reviewed by: 

Mr. Pham Van Dau
Chief Finance Officer

Approved by: 

Mr. Pham Quoc Thanh
Deputy Chief Executive Officer



Ho Chi Minh City, Vietnam

29 March 2019

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
as at 31 December 2018 and for the year ended

B05/TCTD

1. CORPORATE INFORMATION

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

Establishment and Operations

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

The Bank's principal activities are to provide banking services including mobilizing and receiving short, medium and long-term deposits from organizations and individuals; making short, medium and long-term loans to organizations and individuals based on the nature and capability of the Bank's capital resources; conducting foreign currency transactions; providing international trade finance services, discounting of commercial notes, bonds and valuable papers; settlement services and other banking services as allowed by the SBV.

Charter capital

The charter capital of the Bank as at 31 December 2018 is VND9,810 billion (as at 31 December 2017: VND9,810 billion).

Operation network

The Bank's Head Office is located at HD Tower, 25 Bis Nguyen Thi Minh Khai Street, District 1, Ho Chi Minh City. As at 31 December 2018, the Bank had one (1) Head Office, one (1) representative office in the North, sixty-two (62) branches, two hundred and twenty-one (221) transaction offices located in cities and provinces throughout Vietnam.

Subsidiaries

As at 31 December 2018, the Bank had two (2) subsidiaries:

<i>Subsidiaries</i>	<i>Operating License No.</i>	<i>Nature of business</i>	<i>Ownership of the Bank (%)</i>
Asset Management Company Limited - Ho Chi Minh City Development Joint Stock Commercial Bank	3602376446 dated 13 September 2010 issued by the Department of Planning and Investment of Dong Nai Province, amended for sixth (6) time on 13 January 2015	Assets management	100%
HD SAISON Finance Co., Ltd. ("HD SAISON"), previously known as Ho Chi Minh City Development Joint Stock Commercial Bank Finance Co., Ltd.	0304990133 dated 13 July 2007 issued by Ho Chi Minh city Department of Planning and Investment, amended for fourteenth (14) time on 4 December 2018	Finance/ Banking	50%

Employees

The Bank's total number of employees as at 31 December 2018 was 6,069 persons (31 December 2017: 5,264 persons).

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year ended

B05/TCTD

1. CORPORATE INFORMATION (continued)

Event during the year

According to Resolution No.12/2018/NQ-DHDCD dated 21 April 2018, the Annual General Meeting approved the merger of the Petrolimex Group Commercial Joint Stock Bank ("PGBank") into the Bank, the related document such as the merger plan of PGBank into the Bank, the plan to issue shares of the Bank for swapping purpose with PGBank and the merger agreement between PGBank and the Bank, the Bank's Charter after the merger being successfully implemented.

The Annual General Meeting authorized the Board of Directors to carry out the procedures, sign the merger plan, merger contract and relevant documents, handling issues related to the merger process between PGBank and the Bank.

2. ACCOUNTING PERIOD AND ACCOUNTING CURRENCY

2.1 *Fiscal year*

Fiscal year applicable for the preparation of the Bank' separate financial statements starts on 1 January and ends on 31 December.

2.2 *Accounting currency*

The Bank maintains its accounting records in Vietnam Dong ("VND"). For the purpose of preparing separate financial statements as at 31 December 2018, all amounts are rounded to the nearest million and presented in VND million. The presentation makes no impact on readers' view of separate financial position, separate income statement and separate cash flows.

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM

3.1 *Statement of compliance*

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

3.2 *Purpose of preparing the separate financial statements*

The Bank has subsidiaries as disclosed in Note 1 and Note 14.1. The Bank prepared the separate financial statements to meet the prevailing requirements in relation to disclosure of information, specifically the Circular No.49/2014/TT-NHNN issued by SBV dated 31 December 2014, Decision 16/2007/QĐ-NHNN issued by SBV dated 18 April 2017 and Circular No.155/2015/TT-BTC on disclosure of information on the securities market. In addition, as required by these regulations, the Bank has also prepared the consolidated financial statements of the Bank and its subsidiaries for the year ended 31 December 2018.

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

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year ended

B05/TCTD

3. APPLIED ACCOUNTING STANDARDS AND SYSTEM (continued)

3.3 Accounting standards and system

The separate financial statements of the Bank have been prepared in accordance with the Accounting System applicable to Credit Institutions required under Decision No. 479/2004/QD-NHNN issued on 29 April 2004, Circular No. 10/2014/TT-NHNN dated 20 March 2014 and Circular No. 22/2017/TT-NHNN dated 29 December 2017 amending and supplementing Decision No. 479/2004/QD-NHNN; the financial reporting regime applicable to credit institutions required under Decision No. 16/2007/QD-NHNN dated 18 April 2007 and Circular No. 49/2014/TT-NHNN amending and supplementing a number of articles of Decision No. 16/2007/QD-NHNN and the chart of account system for Credit Institutions issued in connection with Decision No. 479/2004/QD-NHNN by the State Bank of Vietnam and Vietnamese Accounting Standards issued by the Ministry of Finance:

- ▶ 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).

Accordingly, the accompanying separate balance sheet, the separate income statement, the separate cash flow statement and the notes to the separate 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 separate financial position, separate results of operations and separate 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 separate financial statements indicate nil balance.

3.4 Assumptions and uses of estimates

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

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year ended

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Changes in accounting policies and disclosures

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

Circular No. 14/2017/TT-NHNN regulates the methods of calculating interest on depositing and credit extension transaction between credit institutions and customers.

On 29 September 2017, the SBV issued Circular No. 14/2017/TT-NHNN regulating methods of calculation of interest in depositing and credit granting transactions between credit institutions and customers. Accordingly, the interest accruals on credit and deposit operation are calculated on the basis that a year is 365 days. The circular has taken effect since 1 January 2018.

Circular No. 19/2017/TT-NHNN amending and supplementing a number of articles of Circular No. 36/2014/TT-NHNN of the Governor of the SBV dated 20 November 2014 stipulating prudential ratios and limits for the operation of credit institutions and foreign bank branches

On 28 December 2017, the SBV issued Circular No. 19/2017/TT-NHNN amending and supplementing a number of articles of Circular No. 36/2014/TT-NHNN dated 20 November 2014 of the Governor of the State Bank of Vietnam providing for prudential ratios and limits for operations of credit institutions and branches of foreign banks. Accordingly, "Other commitments" disclosed in "Off balance sheet items" include unused credit limits that the Bank has the right to revoke or automatically revoke due to the customers' violation on revocable commitments or reduction of capacity to perform the duty and available credit limits of credit cards. The circular has taken effect since 28 February 2018.

Circular No. 16/2018/TT-BTC ("Circular 16") guiding a number of articles on the financial regime applicable to credit institutions and foreign bank branches

Changes in Circular 16 are as below:

- ▶ Amending and supplementing the management and utilization method of real estate held for debt resolution;
- ▶ Amending and supplementing the recognition of revenue from trading of securities (shares exclusive);
- ▶ Amending and supplementing recognition of expenses.

Circular 16 has taken effect since 26 March 2018 and replaced Circular No. 05/2013/TT-BTC dated 9 January 2013 of the Ministry of Finance providing guidance to the financial regime applicable to credit institutions and foreign bank branches. The Bank assessed that Circular 16 has no significant impact on the Bank's accounting policies.

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

On 29 December 2017, the SBV issued Circular No. 22/2017/TT-NHNN amending and supplementing a number of articles of the Chart of account system applicable to credit institutions issued in connection with Decision No. 479/2004/QD-NHNN dated 29 April 2004 and the financial reporting regime applicable to credit institutions required under Decision No. 16/2007/QD-NHNN dated 18 April 2007 by the Governor of the SBV ("Circular 22"). The circular has taken effect since 1 April 2018.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The main changes in Circular 22 are as follows:

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

The Bank has assessed the effect of Circular 22 on the comparative figures in the separate financial statements. Accordingly, the effect due to the changes in exchange rate policies are immaterial. As a result, the Bank is not required to restate the comparative figures due to the changes in exchange rate policies.

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 *Due from and loans to other credit institutions*

Due from and loans to other credit institutions are presented at the principal amounts outstanding at the end of the financial year.

The credit risk classification of placements with and credit granting to other credit institutions and provision for credit risks thereof are provided in accordance with Circular No. 02/2013/TT-NHNN dated 21 January 2013 of the SBV on classification of assets, levels and method of making risk provision, and use of provision against credit risks in operation of credit institutions, foreign bank's branches ("Circular 02") and Circular No. 09/2014/TT-NHNN dated 18 March 2014 on amending and supplementing a number of article of Circular 02 ("Circular 09").

Accordingly, the Bank makes a specific provision for placements with (except for current accounts) and credit granting to other credit institutions according to the method as described in *Note 4.6*.

According to Circular 02, the Bank is not required to make a general provision for placements with and credit granting to other credit institutions.

4.4 *Purchased debts*

Purchased debts are promulgated and presented at the 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 incurred before the purchase date; (ii) record the interest income in the year by the amount incurred after the purchase date.

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

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

4.5 Loans to customers

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

Short-term loans have maturity of less or equal to one year from disbursement date. Medium-term loans have maturity of more than one to five years from disbursement date. Long-term loans have maturity of more than five years from disbursement date.

Loan classification and provision for credit losses are made according to Circular 02 and Circular 09 as presented in Note 4.6.

4.6 *Loan classification and provision for credit losses applied to placements with and loans to other credit institutions, unlisted corporate bonds purchased and entrusted for purchase by the Bank, loans to customers granted and entrusted for grant by the Bank*

The classification of due from and loans to other credit institutions, unlisted corporate bonds purchased and entrusted for purchase by the Bank, loans to customers, entrusted for credit granting by the Bank (collectively called "debts") is made in compliance with the quantitative method as prescribed in Article 10 of Circular 02.

The specific provision for debts as at 31 December is made based on the principal balance less discounted value of collaterals multiplied by provision rates which are determined based on the debt classifications as at 30 November. The specific provision rates for each group are presented as follows:

Loan group		Description	Specific provision rate
1	Current	(a) Current debts are assessed as fully and timely recoverable for both principals and interests; or (b) Debts are overdue for a period of less than 10 days and assessed as fully recoverable for both overdue principals and interests, and fully and timely recoverable for both remaining principals and interests.	0%
2	Special Mention	(a) Debts are overdue for a period of between 10 days and 90 days; or (b) Debts which the repayment terms are restructured for the first time.	5%
3	Sub-standard	(a) Debts are overdue for a period of between 91 days and 180 days; or (b) Debts which the repayment terms are extended for the first time; or (c) Debts which interests are exempted or reduced because customers do not have sufficient capability to repay 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 Clause 1, 3, 4, 5, 6 under Article 126 of Law on Credit Institutions; or ▪ Debts made in compliance with Clause 1, 2, 3, 4 under Article 127 of Law on Credit Institutions; or ▪ Debts made in compliance with Clauses 1, 2 and 5 under Article 128 of Law on Credit Institutions. 	20%
		(e) Debts are required to be recovered according to regulatory inspection conclusions.	

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 *Loan classification and provision for credit losses applied to placements with and loans to other credit institutions, unlisted corporate bonds purchased and entrusted for purchase by the Bank, loans to customers granted and entrusted for grant by the Bank* (continued)

Loan group		Description	Specific provision rate
4	Doubtful	(a) Debts are overdue for a period of between 181 days and 360 days; or (b) Debts 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 which the repayment terms are restructured for the second time; or (d) Debts are specified in point (d) of Loan group 3 and overdue for a period of between 30 days and 60 days after decisions of recovery have been issued; or (e) Debts are required to be recovered according to regulatory inspection conclusions but still outstanding with an overdue period up to 60 days since the recovery date as required by regulatory inspection conclusions.	50%
5	Loss	(a) Debts are overdue for a period of more than 360 days; or (b) Debts 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 which the repayment terms are restructured for the second time but still overdue under that second restructured repayment term; or (d) Debts 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 (g) 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%

For loans to customers in agricultural and rural sector, the Bank is allowed to restructure these loans and keep their debt groups as before restructuring for only one time in accordance with Circular No. 10/2015/TT-NHNN dated 22 July 2015 providing guidance on certain contents of Decree No. 55/2015/ND-CP dated 9 June 2015 by the Government on credit policies for agriculture and rural development.

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

If a customer is classified into debt group with lower risk than debt group in CIC list, the Bank must adjust the debt classification results according to CIC list. The basis for determination of value and discounted value of collaterals is regulated in Circular 02 and Circular 09.

As at 31 December, the Bank is also required to make a general provision at 0.75% of total outstanding loans as at 30 November excluding deposits and loans to other credit institutions and loans classified as loss.

Ho Chi Minh City Development Joint Stock Commercial Bank

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

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

The Bank sells loans to VAMC at carrying amount in accordance with Decree No. 53/2013/ND-CP effective from 9 July 2013 on "Establishment, structure and operations of Vietnam Asset Management Company", Circular No. 19/2013/TT-NHNN "Regulations on purchasing, selling and writing-off of bad debts of Vietnam Asset Management Company", Circular No. 14/2015/TT-NHNN and Circular No. 08/2016/TT-NHNN amending some articles of Circular No. 19/2013/TT-NHNN 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 special bonds issued by VAMC.

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

4.8 *Securities held for trading*

4.8.1 *Classification and recognition*

Securities held for trading include debt securities or equity securities purchased for trading purposes. Securities held for trading are initially recognized at cost.

4.8.2 *Measurement*

Listed debt securities held for trading are stated at cost less provision for diminution in value of underlying securities based on the rates of return that are listed at the Hanoi Securities Exchange as at the balance sheet date.

Provision for credit losses on corporate bonds which are not listed on the stock market or not registered on the unlisted public companies market is made in accordance with Circular 02 and Circular 09 as described in Note 4.6.

Equity securities are initially recognized at cost on transaction date and always presented at cost during subsequent periods. Equity securities are subject to the impairment review on a periodical basis. Provision for diminution in value of equity securities is made when the carrying value is higher than the market value in compliance with Circular No. 228/2009/TT-BTC dated 7 December 2009. In case market prices of securities are not available or cannot be determined reliably, no provision is calculated.

Provision for losses on securities held for trading mentioned above will be reversed when the subsequent increase in recoverable value of securities held for trading due to objective events occurring after the provision is recognized. The reversal is limited to the extent that the carrying amount of the securities does not exceed its carrying amount that would have been determined with no impairment loss been recognized in prior years.

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

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

4.8.3 *De-recognition*

Securities held for trading are de-recognized when the rights to receive cash flows from these securities are terminated or the Bank transfers substantially all the risks and benefits of owning stocks.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Available-for-sale securities

4.9.1 Classification and recognition

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

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

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

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

4.9.2 Measurement

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. 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 separate income statement.

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

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 4.6.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Held-to-maturity investment securities

Held-to-maturity investment securities include special bonds issued by Vietnam Asset Management Company ("VAMC") and other investment securities held to maturity.

Special bonds issued by VAMC

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

During the holding period, the Bank annually calculates and makes 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.

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:

- $X_{(m)}$: minimum provision for special bonds in the m^{th} year;
- X_{m-1} : accumulated specific provision for special bonds in the $m-1^{\text{th}}$ year;
- Y : face value of special bonds;
- n : term of special bonds (years);
- m : number of years from the bond issuance date to the provision date;
- Z_m : 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 zero (0).

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

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

Ho Chi Minh City Development Joint Stock Commercial Bank

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 *Held-to-maturity investment securities* (continued)

Other held-to-maturity investment 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

Held-to-maturity securities are recorded and measured identical to debt securities available-for-sale and presented at *Note 4.9*.

4.11 *Repurchase and reverse repurchase agreements*

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

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

4.12 *Long-term investments*

4.12.1 *Investments in subsidiaries*

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

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

4.12.2 *Other long-term investments*

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

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

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

4.12 Long-term investments (continued)

4.12.2 Other long-term investments (continued)

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

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

The provision is reversed if the recoverable amount of the investments increases after making provision, is reversed to the extent that the carrying value of these investments does not exceed the carrying value of this investment assuming that no allowance has been recorded.

4.13 Fixed assets

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

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

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

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

4.14 Lease

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

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

Rentals under operating leases are charged in the "other operating expenses" of the separate income statement on a straight-line basis over the lease term.

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

4.15 Depreciation and amortization

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

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

Indefinite land use rights are not depreciated. Definite land use rights are depreciated over the lease or usage term.

4.16 Other receivables

4.16.1 Receivables classified as credit risk assets

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

4.16.2 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 separate income statement.

For overdue debts, provision is made in accordance with the guidance of Circular No. 228/2009/TT-BTC 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%

4.17 Prepaid expenses

Prepaid expenses are reported as short-term or long-term prepaid expenses on the separate balance sheet and amortized over the period for which the amount is paid or the period in which economic benefit is generated in relation to these expenses.

4.18 Deposits from banks, customer deposits and valuable papers issued

Deposits from banks, customer deposits and valuable papers issued are disclosed at the principal amounts outstanding at the date of financial statements.

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

4.19 *Payables and accruals*

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

4.20 *Loan classification for off-balance sheet commitments*

Off-balance sheet commitments include guarantees, acceptances and non-cancellable and non-negotiable promissory notes and a commitment period.

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

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

4.21 *Fiduciary assets*

Assets held in a fiduciary capacity are not reported in the separate financial statements as they are not assets of the Bank.

4.22 *Derivative financial instruments*

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

Currency forward contract

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

Swap contract

The swap contracts are commitments to settle in cash on a pre-determined future date based on the difference between pre-determined exchange rates calculated on the notional principal amount or commitments to settle interest based on a floating rate or a fixed rate calculated on the notional amount and in a given period. The premium or discount resulting from the difference between the spot rate at the effective date of the contract and the forward rate will be recognized immediately at the effective date of the contract as an asset if positive or a liability if the negative on the balance sheet. The difference will be amortized on a straight-line basis over the life of the swap contract.

4.23 *Capital*

4.23.1 *Ordinary Share*

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

4.23.2 *Share premium*

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

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

4.23.3 Treasury shares

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

4.23.4 Funds and reserves

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

	Percentage of profit after tax	Maximum amount
Capital supplementary fund	5% of profit after tax	100% share capital
Financial reserve fund	10% of profit after tax	Not regulated

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

4.24 Recognition of income and expenses

Interest income and interest expenses

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

Fees and commissions income

Fees and commissions are recognized on an accrual basis.

Income from investment

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

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

Income and expense from sale of debts

Income and expenses from the sale of debts are recognized in accordance with Decision No. 09/2015/TT-NHNN issued by the SBV promulgating regulations on sale and purchase of debts by credit institutions. Accordingly, the difference between the prices of debts purchased or sold and their book value is recorded as follows:

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.24 *Recognition of income and expenses* (continued)

Income and expense from sale of debts (continued)

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

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

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

Other income

Other income is recognized on cash basis.

4.25 *Corporate income tax*

Current corporate income tax

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

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

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

The Bank's tax reports are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions that is susceptible to various interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

Deferred tax

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

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

- ▶ Deferred tax liabilities arise from the initial recognition of an asset or liability in a transaction that does not have an effect on the accounting profit or the taxable profit (or tax loss) at the time of transaction.

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year ended

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.25 Corporate income tax (continued)

Deferred tax (continued)

- ▶ Taxable temporary differences associated with investments in subsidiaries, associates and joint-ventures, where the Bank has the ability to control the timing of the reversal of the temporary difference and the temporary difference will not be reversed in the foreseeable future.

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

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

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

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

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

4.26 Foreign currency transactions

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

4.27 Offsetting

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

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
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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 by the Social Insurance Agency which belongs to the Ministry of Labor and Social Affairs. The Bank is required to contribute to these post-employment benefits by paying social insurance premium to the Social Insurance Agency at the rate of 17.5% of an employee's basic salary on a monthly basis. Other than that, the Bank has no further obligation relating to post-employment benefits.

4.28.2 Voluntary resignation benefits

The Bank has the obligation, under Section 48 of the Vietnam Labor Code No.10/2012/QH13 effective from 1 May 2013, to pay allowance arising from voluntary resignation of employees, equal to one-half month's salary for each year of employment up to 31 December 2008 plus salary allowances (if any). From 1 January 2009, the average monthly salary used in this calculation is the average monthly salary of the latest six-month period up to the resignation date.

4.28.3 Unemployment insurance

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

5. CASH AND GOLD

	<i>Ending balance</i> VND million	<i>Beginning balance</i> VND million
Cash on hand in VND	1,117,565	903,395
Cash on hand in foreign currencies	962,415	585,455
Monetary gold	16,212	22,730
	2,096,192	1,511,580

6. BALANCES WITH THE STATE BANK OF VIETNAM

	<i>Ending balance</i> VND million	<i>Beginning balance</i> VND million
In VND	5,297,762	1,447,991
In USD	12,491	99,696
	5,310,253	1,547,687

Balances with the State Bank of Vietnam include settlement and compulsory reserve. The average balances of the Bank with the State Bank of Vietnam are not 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 Commercial Bank

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
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6. BALANCES WITH THE STATE BANK OF VIETNAM (continued)

The compulsory deposit rates are as follows:

	<u>31 December 2018</u> % p.a.	<u>31 December 2017</u> % p.a.
<i>For customers</i>		
Demand deposits and deposit with term less than 12 months in VND	3.00	3.00
Deposits with term over 12 months in VND	1.00	1.00
Demand deposits and deposit with term less than 12 months in foreign currencies	8.00	8.00
Deposits with term over 12 months in foreign currencies	6.00	6.00
<i>For overseas credit institutions</i>		
Deposits in foreign currencies	1.00	1.00

The actual annual interest rates on deposits with the SBV as at the end of the year are as follows:

	<u>31 December 2018</u> % p.a.	<u>31 December 2017</u> % p.a.
Within compulsory deposit rate in VND	1.20	1.20
Within compulsory deposit rate in USD	0.00	0.00
Over compulsory deposit rate in VND	0.00	0.00
Over compulsory deposit rate in USD	0.05	0.05

7. DUE FROM AND LOANS TO OTHER CREDIT INSTITUTIONS

7.1 Due from other credit institutions

	<u>Ending balance</u> VND million	<u>Beginning balance</u> VND million
Demand deposits	20,353,470	12,404,273
- In VND	12,639,820	5,091,221
- In foreign currencies	7,713,650	7,313,052
Term deposits	10,170,700	6,722,300
- In VND	7,150,000	5,915,000
- In foreign currencies	3,020,700	807,300
	<u>30,524,170</u>	<u>19,126,573</u>

The annual interest rates of term deposits at other credit institutions are as follows:

	<u>31 December 2018</u> % p.a.	<u>31 December 2017</u> % p.a.
In VND	4.50 - 5.60	1.30 - 5.00
In foreign currencies	0.00 - 3.00	1.50 - 1.60

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year ended

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

7.2 Loans to other credit institutions

	<i>Ending balance</i> VND million	<i>Beginning balance</i> VND million
In VND	2,110,382	3,190,561
<i>In which: Discounted and rediscounted loans</i>	<u>250,382</u>	<u>904,561</u>
	<u>2,110,382</u>	<u>3,190,561</u>

The annual interest rates of loans to other credit institutions are as follows:

	<i>31 December 2018</i> % p.a.	<i>31 December 2017</i> % p.a.
In VND	4.40 - 9.00	1.70 - 10.00

7.3 Analysis of term deposits and loans to other credit institutions by quality

	<i>Ending balance</i> VND million	<i>Beginning balance</i> VND million
Current	12,281,082	9,912,861
<i>Term deposits</i>	10,170,700	6,722,300
<i>Loans</i>	2,110,382	3,190,561

8. SECURITIES HELD FOR TRADING

	<i>Ending balance</i> VND million	<i>Beginning balance</i> VND million
Debt securities		
Government bonds	1,001,753	3,893,398
Deposit certificates issued by other domestic credit institutions	401,623	400,000
Bonds issued by domestic economic entities	<u>1,200,000</u>	<u>400,000</u>
	<u>2,603,376</u>	<u>4,693,398</u>
Provision for securities held for trading		
General provision	<u>(6,750)</u>	<u>(3,000)</u>
	<u>2,596,626</u>	<u>4,690,398</u>

The listing status of securities held for trading are as follows:

	<i>Ending balance</i> VND million	<i>Beginning balance</i> VND million
Listed	1,001,753	3,893,398
Unlisted	<u>1,601,623</u>	<u>800,000</u>
	<u>2,603,376</u>	<u>4,693,398</u>

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year ended

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8. SECURITIES HELD FOR TRADING (continued)

Breakdown of debt securities issued by domestic economic entities are as follows:

	<i>Ending balance</i>		<i>Beginning balance</i>	
	<i>Par value VND million</i>	<i>Carrying value VND million</i>	<i>Par value VND million</i>	<i>Carrying value VND million</i>
Debt securities issued by domestic economic entities				
- Vinpearl JSC	800,000	800,000	-	-
- Viet Han trading, advertising, construction and real estate Co., Ltd	400,000	400,000	400,000	400,000
		1,200,000		400,000

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

The movements of provision for securities held for trading in the year are as follows:

	<i>Current year VND million</i>	<i>Previous year VND million</i>
Beginning balance	3,000	3,063
Provision charged/(reversed) in the year (Note 29)	3,750	(63)
Ending balance	6,750	3,000

9. DERIVATIVES AND OTHER FINANCIAL ASSETS AND LIABILITIES

	<i>Total contract nominal value (at contractual exchange rate) VND million</i>	<i>Total carrying value (at exchange rate as at reporting date)</i>	
		<i>Assets VND million</i>	<i>Liabilities VND million</i>
Currency derivatives as at 31 December 2018			
Forward contracts	2,884,973	-	1,142
Swap contracts	33,039,766	228,205	-
	35,924,739	228,205	1,142
Net amount		227,063	
Currency derivatives as at 31 December 2017			
Forward contracts	3,000,000	-	12,048
Swap contracts	17,018,446	-	34,520
	20,018,446	-	46,568
Net amount			46,568

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year ended

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10. LOANS TO CUSTOMERS

	<i>Ending balance VND million</i>	<i>Beginning balance VND million</i>
Loans to domestic economic entities and individuals	108,670,003	91,231,621
Discounted bills and valuable papers	2,630,200	1,491,581
Overdraft and credit card	1,039,162	2,298,173
Loans to foreign economic entities and individuals	131,789	20,368
Payments on behalf of customers	7,782	6,654
	112,478,936	95,048,397
10.1 Analysis of loans by quality		
	<i>Ending balance VND million</i>	<i>Beginning balance VND million</i>
Current	110,295,969	92,766,167
Special mention	968,538	1,240,980
Substandard	271,842	309,325
Doubtful	235,526	216,243
Loss	707,061	515,682
	112,478,936	95,048,397
10.2 Analysis of loans by original terms		
	<i>Ending balance VND million</i>	<i>Beginning balance VND million</i>
Short-term	61,941,387	51,769,032
Medium-term	19,270,026	19,091,753
Long-term	31,267,523	24,187,612
	112,478,936	95,048,397

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year ended

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10. LOANS TO CUSTOMERS (continued)

10.3 Analysis of loans by type of customers and ownership

	Ending balance		Beginning balance	
	VND million	%	VND million	%
Corporate loans	62,568,265	55.63	57,112,230	60.09
Other joint stock companies	33,584,239	29.86	29,966,935	31.52
Other private limited companies	24,016,754	21.35	22,117,947	23.26
One-member limited liability companies of which 100% charter capital is held by the State	2,137,205	1.90	1,860,979	1.96
Business households	1,364,613	1.21	946,070	1.00
Cooperatives and inter-cooperatives	401,011	0.36	14,674	0.02
Foreign direct invested companies	383,636	0.34	4,212	0.01
The joint stock company of which over 50% of share capital or the total voting share capital is held or coordinated by the State under the company's charter	368,811	0.33	442,218	0.47
State-owned companies	210,380	0.19	1,516,054	1.60
Private companies	36,838	0.03	184,496	0.19
Others	64,778	0.06	58,645	0.06
Loans to individuals	49,910,671	44.37	37,936,167	39.91
	112,478,936	100.00	95,048,397	100.00

10.4 Analysis of loans by currency

	Ending balance		Beginning balance	
	VND million	%	VND million	%
In VND	102,372,967	91.02	87,608,155	92.17
In foreign currency	10,105,969	8.98	7,440,242	7.83
	112,478,936	100.00	95,048,397	100.00

The annual interest rates of loans to customer are as follows:

	31 December 2018 % p.a.	31 December 2017 % p.a.
In VND	0.00 - 37.50	0.00 - 37.50
In foreign currency	0.01 - 8.50	0.01 - 7.51

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
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10. LOANS TO CUSTOMERS (continued)

10.5 Analysis of loans by economic sectors

	Ending balance		Beginning balance	
	VND million	%	VND million	%
Activities of households as employers, undifferentiated goods and services producing activities of households for own use	35,718,085	31.76	31,740,153	33.40
Construction	13,504,461	12.01	11,673,478	12.29
Real estate trading and consulting services	8,414,957	7.48	6,836,437	7.19
Manufacturing and processing	7,810,834	6.94	6,607,808	6.95
Hotels and accommodation services	6,977,653	6.20	5,665,539	5.96
Agriculture, forestry and fisheries	6,935,091	6.17	6,176,009	6.50
Trading, repair of motor vehicles, motorcycles and other vehicles	4,009,915	3.57	2,094,572	2.20
Electricity, gas, steam and air conditioning supply	3,233,808	2.88	3,112,468	3.27
Transportation, warehousing and communication	2,541,493	2.26	2,076,111	2.18
Activities of Communist Party, socio-political organization, public administration and defense; compulsory security	1,396,710	1.24	2,450,185	2.58
Finance services, banking and insurance activities	1,235,420	1.10	87,524	0.09
Information and communication	1,165,949	1.04	1,022,695	1.08
Science and technology activities	216,099	0.19	145,459	0.15
Mining exploration	200,449	0.18	364,682	0.38
Education and training	170,462	0.15	78,569	0.08
Administrative activities and supporting service	164,212	0.15	167,306	0.18
Health and social support activities	129,755	0.12	126,453	0.13
Water supply; sewerage, waste management and remediation activities	99,103	0.09	88,486	0.09
Arts, entertainment and recreation	42,333	0.04	51,751	0.05
Others	18,512,147	16.43	14,482,712	15.25
	112,478,936	100.00	95,048,397	100.00

11. PURCHASED DEBTS

	Ending balance VND million	Beginning balance VND million
Purchased debts in VND	-	7,749
Provision for purchased debts	-	(3,874)
	-	3,875

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
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11. PURCHASED DEBTS (continued)

Details of the principal and interest of purchased debts are as follows:

	<i>Ending balance</i> VND million	<i>Beginning balance</i> VND million
Principals	-	10,442
Interest accruals	-	-
	<u>-</u>	<u>10,442</u>

Results of the loan classification as at 31 November 2018 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 are as follows:

<i>Loan classification</i>	<i>Debt balance</i> VND million	<i>Specific provision</i> VND million	<i>General provision</i> VND million	<i>Total VND million</i>
Loss	<u>7,749</u>	<u>7,429</u>	<u>-</u>	<u>7,429</u>

The movements of provision for purchased debts in current year are as follows:

	<i>Specific provision</i> VND million	<i>General provision</i> VND million	<i>Total VND million</i>
Beginning balance	3,874	-	3,874
Provision charged in the year (Note 12)	3,555	-	3,555
Provision used to write-off bad debts	(7,429)	-	(7,429)
Ending balance	<u>-</u>	<u>-</u>	<u>-</u>

The movements of provision for purchased debts in previous year are as follows:

	<i>Specific provision</i> VND million	<i>General provision</i> VND million	<i>Total VND million</i>
Beginning balance	3,201	-	3,201
Provision charged in the year (Note 12)	1,052	-	1,052
Provision used to write-off bad debts	(379)	-	(379)
Ending balance	<u>3,874</u>	<u>-</u>	<u>3,874</u>

12. PROVISION FOR CREDIT LOSSES

Breakdown of provision for credit losses at the end of the year are as follows:

	<i>Note</i>	<i>Ending balance</i> VND million	<i>Beginning balance</i> VND million
Provision for purchased debts	11	-	3,874
Provision for loans to customers	12.1	997,837	855,026
Provision for special bonds issued by VAMC	13.3	915,890	876,077
		<u>1,913,727</u>	<u>1,734,977</u>

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
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12. PROVISION FOR CREDIT LOSSES (continued)

Provision expenses for credit losses during the year are as follows:

	Note	Current year VND million	Previous year VND million
Provision reversal for debts purchased	11	3,555	1,052
Provision expense for loans to customers	12.1	169,089	198,194
Provision expense for special bonds issued by VAMC	13.5	84,806	221,146
		257,450	420,392

12.1 Provision for loans to customers

According to Article 8 of Circular 02, debts are classified at the end of each quarter for the first three quarters and November 30 for the fourth quarter of the financial year. For the purpose of preparing the separate financial statements, the Bank's provisioning and debt classification data is prepared on the principal outstanding balance as at 30 November 2018.

Provision for credit losses of loans to customers at 30 November 2018 are as follows:

Classification	Loan balance VND million	Specific provision VND million	General provision VND million	Total VND million
Current	108,824,742	-	816,186	816,186
Special mention	1,032,418	7,411	7,743	15,154
Sub-standard	281,132	18,649	2,108	20,757
Doubtful	245,508	22,337	1,842	24,179
Loss	739,697	140,855	-	140,855
	111,123,497	189,252	827,879	1,017,131

The movements of provision for loans to customers during the current year are as follows:

	Specific provision VND million	General provision VND million	Total VND million
Beginning balance	166,958	688,068	855,026
Provision charged to 30 November 2018	29,278	139,811	169,089
Provision used to write-off bad debts to 30 November 2018	(6,984)	-	(6,984)
Balance as at 30 November 2018	189,252	827,879	1,017,131
Provision used to write-off bad debts during December 2018	(19,294)	-	(19,294)
Ending balance	169,958	827,879	997,837

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
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12. PROVISION FOR CREDIT LOSSES (continued)

12.1 Provision for loans to customers (continued)

The movements of provision for loans to customers during the previous year are as follows:

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

13. INVESTMENT SECURITIES

13.1 Available-for-sale securities

	<i>Ending balance VND million</i>	<i>Beginning balance VND million</i>
Debt securities	25,341,023	36,285,513
Government bonds (a)	15,074,784	30,323,311
Deposit certificates issued by other domestic credit institutions (b)	6,932,229	800,000
Bonds issued by domestic economic entities (c)	3,334,010	5,162,202
Equity securities	1,013,973	1,132,219
Equity securities issued by domestic economic entities	1,013,973	1,132,219
	26,354,996	37,417,732
Provision for available-for-sale securities	(32,814)	(354,161)
Diminution provision	-	(76,093)
General provision	(32,814)	(40,327)
Specific provision	-	(237,741)
	26,322,182	37,063,571

(a) Government bonds have term from three (3) years to thirty (30) years and bear interest at rates ranging from 2.90% p.a. to 11.10% p.a., interest is paid annually. In which, par value of bonds amounting to VND5,892,333 million pledged for borrowing from other credit institutions and for credit granting for activities with State Bank of Vietnam.

(b) Bonds issued by other credit institutions have term from one (1) year to two (2) years and bear interest at rates ranging from 6.80% p.a. to 9.00% p.a., interest is paid annually. Deposit certificates issued by other credit institutions have term from six (6) months to thirteen (13) months and bear interest at rates ranging from 6.60% p.a. to 9.00% p.a., interest is paid quarterly, semi-annually or annually.

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13. INVESTMENT SECURITIES (continued)

13.1 Available-for-sale securities (continued)

- (c) Bonds issued by domestic economic entities have terms from two (2) years to ten (10) years, interest is paid monthly, quarterly or annually. The interest rate ranges from 8.90% p.a. to 12.51% 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.

Listing status of available-for-sale securities are as follows:

	<i>Ending balance VND million</i>	<i>Beginning balance VND million</i>
Debt securities	25,341,023	36,285,513
Listed	15,074,784	30,323,311
Unlisted	10,266,239	5,962,202
Equity securities	1,013,973	1,132,219
Listed	1,013,973	1,132,219
	26,354,996	37,417,732

13.2 Held-to-maturity securities (excluding special bonds issued by VAMC)

	<i>Ending balance VND million</i>	<i>Beginning balance VND million</i>
Government bonds (a)	7,845,362	1,474,123
Vietnam Development Bank bonds (b)	1,673,807	503,846
Bonds and deposit certificates issued by other domestic credit institutions (c)	5,002,845	5,797,823
Bonds issued by other domestic economic institutions (d)	1,958,759	-
	16,480,773	7,775,792

- (a) These are Government bonds that have term from three (3) years to ten (10) years and bear interest at rate ranging from 2.90% p.a. to 8.70% p.a., interest is paid annually.
- (b) These are bonds issued by Vietnam Development Bank that have term from three (3) years to ten (10) years and bear interest at rate ranging from 5.70% p.a. to 11.50% p.a., interest is paid annually.
- (c) These are bonds and deposit certificates issued by other domestic credit institutions. In which, bonds have term from two (2) years to ten (10) years and bear interest at the rate ranging from 7.40% p.a. to 8.50% p.a., interest is paid annually; deposit certificates have term from three (3) months to one (1) year and bear interest at the rate ranging from 5.50% p.a. to 6.78% p.a., interest is paid end of term.
- (d) These are ten-years term bonds issued by Intimex Viet Nam JSC that bear interest at rate of 9.00% p.a., interest is paid annually.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (continued)
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13. INVESTMENT SECURITIES (continued)

13.2 Held-to-maturity securities (excluding special bonds issued by VAMC) (continued)

Listing status of held-to-maturity securities (excluding special bonds issued by VAMC) are as follows:

	<i>Current year</i> <i>VND million</i>	<i>Previous year</i> <i>VND million</i>
Debt securities		
Listed	9,519,169	1,977,969
Unlisted	6,961,604	5,797,823
	16,480,773	7,775,792

13.3 Special bonds issued by VAMC

	<i>Ending balance</i> <i>VND million</i>	<i>Beginning balance</i> <i>VND million</i>
Par value of special bonds issued by VAMC	1,407,848	1,838,855
Provision for special bonds issued by VAMC	(915,890)	(876,077)
	491,958	962,778

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 year are as follows:

	<i>Current year</i> <i>VND million</i>	<i>Previous year</i> <i>VND million</i>
Beginning balance	1,838,855	2,229,084
Settlement during the year	(431,007)	(390,229)
Ending balance	1,407,848	1,838,855

13.4 Analysis of securities classified as credit risk assets by quality

	<i>Current year</i> <i>VND million</i>	<i>Previous year</i> <i>VND million</i>
Bonds issued by domestic economic entities		
Current	5,230,510	4,862,202
Loss	62,259	300,000
	5,292,769	5,162,202

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13. INVESTMENT SECURITIES (continued)

13.5 Provision for investment securities

The movement of provision for investment securities during the year are as follows:

	<i>Current year</i> <i>VND million</i>	<i>Previous year</i> <i>VND million</i>
Beginning balance		
Available-for-sale securities	354,161	364,435
Held-to-maturity securities (excluded special bonds issued by VAMC)	-	1,499
Special bond issued by VAMC	876,077	661,141
	<u>1,230,238</u>	<u>1,027,075</u>
Provision charged/(reversed) in the year		
Available for sale securities (Note 30)	(83,606)	(10,274)
Held to maturity securities (excluded special bonds issued by VAMC) (Note 30)	-	(1,499)
Special bonds issued by VAMC (Note 12)	84,806	221,146
	<u>1,200</u>	<u>209,373</u>
Provision used to write-off bad debts		
Available for sale securities	(237,741)	-
Special bonds issued by VAMC	(44,993)	(6,210)
	<u>(282,734)</u>	<u>(6,210)</u>
Ending balance		
Available for sale securities	32,814	354,161
Held to maturity securities (excluded special bonds issued by VAMC)	-	-
Special bonds issued by VAMC	915,890	876,077
	<u>948,704</u>	<u>1,230,238</u>

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14. LONG-TERM INVESTMENTS

	<i>Ending balance</i> VND million	<i>Beginning balance</i> VND million
Investments in subsidiaries	889,688	589,688
Other long-term investments	185,117	490,087
Provision for long-term investments	(20,186)	(111,850)
	1,054,619	967,925

14.1 Investments in subsidiaries

Breakdown of investments in subsidiaries are as follow:

	<i>Nature of business</i>	<i>Ending balance</i>		<i>Beginning balance</i>	
		<i>Cost</i> VND million	<i>Ownership</i> (%)	<i>Cost</i> VND million	<i>Ownership</i> (%)
HD SAISON Finance Co., Ltd. ("HD SAISON"), previously known as Ho Chi Minh City Development Joint Stock Commercial Bank Finance Co., Ltd.	Finance/ Banking	739,688	50.00	439,688	50.00
Asset Management Company - Ho Chi Minh City Development Joint Stock Commercial Bank	Assets management	150,000	100.00	150,000	100.00
		889,688		589,688	

14.2 Provision for long-term investments

	<i>Current year</i> VND million	<i>Previous year</i> VND million
Beginning balance	111,850	111,539
Provision (reversed)/charged in the year (Note 33)	(91,664)	311
Ending balance	20,186	111,850

Ho Chi Minh City Development Joint Stock Commercial Bank

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15. FIXED ASSETS

15.1 Tangible fixed assets

	<i>Buildings and structures VND million</i>	<i>Machinery and equipment VND million</i>	<i>Vehicles VND million</i>	<i>Office equipment VND million</i>	<i>Others VND million</i>	<i>Total VND million</i>
Cost						
Beginning balance	457,361	155,948	189,364	202,595	10,203	1,015,471
Increase in year	9,982	9,177	74,293	2,581	600	96,633
Disposal	(2,584)	(11,590)	(11,099)	(333)	(51)	(25,657)
Ending balance	464,759	153,535	252,558	204,843	10,752	1,086,447
Accumulated depreciation						
Beginning balance	73,970	123,802	120,085	183,498	7,622	508,977
Charged for the year	17,655	11,143	20,792	15,362	967	65,919
Disposal	(2,185)	(11,402)	(10,824)	(316)	(51)	(24,778)
Ending balance	89,440	123,543	130,053	198,544	8,538	550,118
Net book value						
Beginning balance	383,391	32,146	69,279	19,097	2,581	506,494
Ending balance	375,319	29,992	122,505	6,299	2,214	536,329

Cost of fully depreciated tangible fixed assets that are still in use as at 31 December 2018 is VND335,847 million (31 December 2017: VND244,750 million).

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE SEPARATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

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15. FIXED ASSETS (continued)

15.2 Intangible fixed assets

	<i>Definite-term land use rights VND million</i>	<i>Indefinite-term land use rights VND million</i>	<i>Computer software VND million</i>	<i>Other assets VND million</i>	<i>Total VND million</i>
Cost					
Beginning balance	47,237	938,503	156,679	351	1,142,770
Increase in year	44,232	7,995	6,951	-	59,178
Disposal	(726)	(318)	-	-	(1,044)
Ending balance	<u>90,743</u>	<u>946,180</u>	<u>163,630</u>	<u>351</u>	<u>1,200,904</u>
Accumulated amortization					
Beginning balance	3,195	-	146,276	351	149,822
Charged for the year	1,215	-	8,270	-	9,485
Disposal	(81)	-	-	-	(81)
Ending balance	<u>4,329</u>	<u>-</u>	<u>154,546</u>	<u>351</u>	<u>159,226</u>
Net book value					
Beginning balance	<u>44,042</u>	<u>938,503</u>	<u>10,403</u>	<u>-</u>	<u>992,948</u>
Ending balance	<u>86,414</u>	<u>946,180</u>	<u>9,084</u>	<u>-</u>	<u>1,041,678</u>

Cost of fully amortized intangible fixed assets that are still in use as at 31 December 2018 VND is VND139,884 million (31 December 2017: VND118,250 million).

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE SEPARATED FINANCIAL STATEMENTS (continued)
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16. OTHER ASSETS

16.1 Receivables

	<i>Ending balance</i> VND million	<i>Beginning balance</i> VND million
Advances for acquisitions of fixed assets (i)	526,944	629,952
Constructions in progress	344,231	247,247
Receivables from sale of securities on credit (ii)	239,980	1,646,701
Advances for operating activities	162,348	162,421
Receivables from card organizations	104,719	27,392
Deposits for the rent of office, fixed assets and tools	78,876	72,956
Receivables from the State Budget (iii)	58,973	-
Receivables related to overseas remittance activities	28,527	-
Advances for debt collateral resolution	23,699	24,806
Prepaid saving interest	13,571	22,645
Receivables from disposals of assets	-	280,000
Advances for investments	-	154,950
Receivable from Vietnam Shipbuilding Industry Corporation (Vinashin)	-	11,456
Others	159,458	124,250
	1,741,326	3,404,776

(i) Advances for acquisitions of fixed assets comprise:

	<i>Ending balance</i> VND million	<i>Beginning balance</i> VND million
Purchase of houses and offices	511,197	619,019
Transportation vehicles	256	7,942
Purchase of other assets	15,491	2,991
	526,944	629,952

(ii) During the year, the Bank collected all the principal and interest of the receivables in the previous year related to the deferred securities selling contracts with the remaining principal amount of VND1,611,486 million and interest receivables of VND35,215 million.

The balance as at 31 December 2018 are receivables related to contracts transferring other long-term investments.

(iii) This is receivables from State Budget relating to real estate transfer tax that the Bank already paid (Note 23).

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NOTES TO THE SEPARATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

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16. OTHER ASSETS (continued)

16.2 Interest and fees receivable

	<i>Ending balance</i> VND million	<i>Beginning balance</i> VND million
Interest receivable from credit activities	1,870,920	1,650,365
Interest receivable from investment securities	1,471,329	1,565,205
Interest receivable from deposits	24,920	13,952
Other interest and fee receivables	8,523	22,814
	3,375,692	3,252,336

16.3 Other assets

	<i>Ending balance</i> VND million	<i>Beginning balance</i> VND million
Prepaid and deferred expenses (i)	625,337	542,577
Foreclosed assets awaiting resolution (ii)	389,548	377,717
Tools and supplies	43,023	35,982
Other assets	3,450	3,450
	1,061,358	959,726

(i) Prepaid and deferred expenses include costs of tools and supplies, prepaid services, assets rental, leased lines, assets maintenance and repairing expenses.

(ii) Foreclosed assets represent collaterals obtained by the Bank to write off bad loans. The Bank is in progress to resolve these foreclosed assets in accordance with regulations stipulated by the SBV.

16.4 Provision for other assets

Provision for other assets include provision for impairment of doubtful receivables and overdue advances in compliance with Circular No. 228/2009/TT-BTC. Change of provision for other assets in the year are as follows:

	<i>Current year</i> VND million	<i>Previous year</i> VND million
Beginning balance	60,881	35,458
Provision (reversed)/charged in the year (Note 33)	(10,104)	36,878
Provision used to write-off bad debts	(11,456)	(11,455)
Ending balance	39,321	60,881

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NOTES TO THE SEPARATED FINANCIAL STATEMENTS (continued)
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17. DUE TO AND BORROWINGS FROM THE STATE BANK OF VIETNAM

	<i>Ending balance VND million</i>	<i>Beginning balance VND million</i>
Borrowings from the SBV	5,911,883	156,253
Discount, rediscount of valuable papers (i)	5,753,272	-
Other borrowings	158,611	156,253
- Japan Bank of International Cooperation (ii)	157,049	132,815
- Development Fund for Small and Medium Enterprises (iii)	1,562	6,608
- Asian Development Bank	-	16,830
Deposits from the State Treasury	2,000,000	-
In VND (iv)	2,000,000	-
	7,911,883	156,253

(i) These are borrowings by discounting valuable papers with Operation Center of the State Bank of Vietnam which have term from seven (7) days to fourteen (14) days and bear interest at rate of 4.75% p.a. The borrowings are secured by securities with par value of VND5,763,916 million.

(ii) 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.

(iii) These borrowing were from Development Fund for Small and Medium Enterprise (SMEDF) with interest at rate of 7.00% p.a., having 61-month term. Principals and interest will be paid monthly.

(iv) This is a three-month term deposit of the State Treasury at the Bank with interest at rate of 4.20% p.a., interest paid at end of term.

18. DUE TO AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS

18.1 Due to other credit institutions

	<i>Ending balance VND million</i>	<i>Beginning balance VND million</i>
Demand deposits	12,599,349	5,136,018
In VND	12,113,002	5,090,695
In foreign currencies	486,347	45,323
Term deposits	10,936,750	7,174,023
In VND	10,357,000	6,508,000
In foreign currencies	579,750	666,023
	23,536,099	12,310,041

Annual interest rates applicable to due to other credit institutions are as follows:

	<i>31 December 2018 % p.a.</i>	<i>31 December 2017 % p.a.</i>
Term deposits in VND	3.90 - 5.60	1.00 - 2.60
Term deposits in foreign currencies	2.55 - 2.75	1.60 - 1.80

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NOTES TO THE SEPARATED FINANCIAL STATEMENTS (continued)
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18. DUE TO AND BORROWINGS FROM OTHER CREDIT INSTITUTIONS (continued)

18.2 Borrowings from other credit institutions

	<i>Ending balance</i> VND million	<i>Beginning balance</i> VND million
Borrowings from domestic credit institutions in VND	13,487,733	21,376,115
<i>In which: Discount, re-discount loans</i>	8,232,733	20,290,115
Borrowings from domestic and foreign credit institutions in foreign currencies	2,434,950	1,524,900
	15,922,683	22,901,015

Borrowings from other credit institutions in VND have terms from 7 days to 48 days with interest at rate ranging from 4.40% p.a. to 5.70% p.a, interest paid at end of term.

Borrowings from other credit institutions in USD have five-year term, bear interest at rate ranging from 3.37% p.a. to 5.60% p.a., interest paid annually.

Including in these due to and borrowings, there are due to and borrowings amounting of VND11,847,733 million (31 December 2017: VND24,785,213 million) which are secured by securities with par value of VND12,275,333 million (31 December 2017: VND25,044,000 million).

19. DUE TO CUSTOMERS

19.1 Analysis by type of deposits

	<i>Ending balance</i> VND million	<i>Beginning balance</i> VND million
Demand deposits	10,700,002	14,588,376
Demand deposits in VND	9,722,426	13,220,945
Demand deposits in foreign currencies	851,210	1,351,944
Demand savings deposits in VND	7,299	4,569
Demand savings deposits in foreign currencies	119,067	10,918
Term deposits	116,480,585	105,052,272
Term deposits in VND	42,083,710	28,924,855
Term deposits in foreign currencies	268,457	1,380,851
Term savings deposits in VND	73,371,890	73,915,456
Term savings deposits in foreign currencies	756,528	831,110
Deposits for specific purposes	248,151	537,286
Deposits for specific purposes in VND	226,586	229,300
Deposits for specific purposes in foreign currencies	21,565	307,986
Margin deposits	530,088	248,588
Margin deposits in VND	456,645	201,686
Margin deposits in foreign currencies	73,443	46,902
Other amounts owing to customers	192,453	201,976
Other savings deposits	192,453	201,976
	128,151,279	120,628,498

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19. DUE TO CUSTOMERS (continued)

19.1 Analysis by type of deposits (continued)

Annual interest rates applicable to customer deposits are as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
	% p.a.	% p.a.
Demand deposits in VND	0.00 - 1.00	0.00 - 1.00
Demand savings deposits in VND	0.70	0.70
Demand deposits in foreign currencies	0.00 - 0.20	0.00 - 0.20
Demand savings deposits in foreign currencies	0.00	0.00
Term deposits in VND	0.80 - 7.80	0.80 - 7.80
Term savings deposits in VND	0.00 - 9.50	0.00 - 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 deposits are withdrawn before the maturity date, the demand interest rate shall be applied.

19.2 Analysis by customers and type of business

	<u>Ending balance</u>	<u>Beginning balance</u>
	VND million	VND million
Deposits from economic entities	51,214,534	43,722,356
Other joint stock companies	20,213,673	20,443,288
One-member limited liability companies of which 100% charter capital is held by the State	10,110,800	6,315,561
Other private limited companies	7,743,584	4,361,935
State-owned companies	7,464,863	4,832,887
Public administrative units, agencies of the Communist Party, unions and associations	1,239,612	885,939
The joint stock company of which over 50% of share capital or the total voting share capital is held or coordinated by the State under the company's charter	1,144,567	1,386,109
Foreign invested companies	1,013,501	749,557
Joint-foreign-invested enterprises	807,580	520,122
Limited liability companies with two or more members of which more than 50% of the charter capital is held or coordinated by the State	236,794	188,293
Cooperatives and inter-cooperatives	201,027	3,043,169
Private companies	22,182	21,961
Partnership	8,269	6,054
Business households	2,166	3,186
Others	1,005,916	964,295
Deposits from individuals	76,936,745	76,906,142
	128,151,279	120,628,498

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20. GRANTS, ENTRUSTED FUNDS AND LOANS EXPOSED TO RISKS

	<i>Ending balance VND million</i>	<i>Beginning balance VND million</i>
Grants, entrusted funds and loans in VND	691	1,691
Entrusted funds from Rural Development Fund	691	1,691
Grants, entrusted funds and loans in foreign currencies	3,044,975	2,926,050
Entrusted funds from Rural Development Fund	1,145	1,191
Entrusted funds of Nhon Trach water supply construction program - Phase II	75,510	54,459
Entrusted funds of support and development program for reforming power sector - Phase III (i)	2,968,320	2,870,400
	3,045,666	2,927,741

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

21. VALUABLE PAPERS ISSUED

	<i>Ending balance VND million</i>	<i>Beginning balance VND million</i>
Certificate of deposits		
Less than 12 months	232,000	535,000
Straight bonds		
From 12 months to 5 years	6,000,000	930,000
Over 5 years	3,000,000	3,000,000
	9,232,000	4,465,000

Annual interest rates applicable to valuable papers issued at the end of the year are as follows:

	<i>31 December 2018 % p.a.</i>	<i>31 December 2017 % p.a.</i>
Certificate of deposits	5.50	5.50 - 6.80
Bonds having term from 12 months to 5 years	6.30 - 6.80	7.60 - 8.38
Bonds having term over 5 years	7.70 - 8.50	7.70 - 8.50

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22. OTHER LIABILITIES

22.1 Interest and fees payable

	<i>Ending balance</i> VND million	<i>Beginning balance</i> VND million
Interest payables for saving deposits in VND	1,663,962	1,902,225
Interest payables for deposits in VND	819,590	423,823
Interest payables for valuable papers in VND	341,940	164,489
Interest payables for swap contracts	89,121	11,933
Interest payables for entrusted funds	30,088	20,255
Interest payables for borrowings in VND	21,987	24,149
Interest payables for borrowings in foreign currencies	20,861	3,803
Interest payables for forward contracts	1,387	72
Interest payables for saving deposits in foreign currencies	308	349
Interest payables for deposits in foreign currencies	187	280
	2,989,431	2,551,378

22.2 Other payables

	<i>Ending balance</i> VND million	<i>Beginning balance</i> VND million
Internal payables	106,688	26,809
Payables to employees	93,642	15,730
Bonus and welfare fund	13,046	11,079
External payables	158,693	101,411
Cash held in trust and awaiting for settlement	52,500	36,324
Taxes payable to the State Budget (Note 23)	106,193	65,087
Other payables	228,229	216,492
Unearned revenue	49,139	56,612
Payables to construction in progress	8,017	3,188
Other payables	171,073	156,692
	493,610	344,712

The increase/(decrease) of the bonus and welfare fund during the year are as follows:

	<i>Current year</i> VND million	<i>Previous year</i> VND million
Beginning balance	11,079	8,994
Appropriation in year (Note 24.1)	3,000	3,000
Utilization during the year	(1,033)	(915)
Ending balance	13,046	11,079

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23. STATUTORY OBLIGATIONS

	Opening balance VND million	Movement during the year		Ending balance VND million
		Payables VND million	Paid VND million	
Value added tax	28,982	32,804	(55,392)	6,394
Corporate income tax	29,272	596,401	(588,711)	36,962
Other taxes	6,833	84,196	(87,165)	3,864
Personal income tax	6,627	80,179	(83,227)	3,579
Foreign contractor tax	206	2,120	(2,041)	285
License tax	-	274	(274)	-
Others	-	1,623	(1,623)	-
	65,087	713,401	(731,268)	47,220

In which:

Receivables from the State Budget (Note 16.1)	-	(58,973)
Taxes payable to the State Budget (Note 22.2)	65,087	106,193

23.1 Current corporate income tax

The Bank has the obligation to pay corporate income tax ("CIT") at the rate of 20% of taxable profits for the current year (Previous year: 20%).

The Bank's tax returns are subject to examination by the taxation authorities. Since the application of tax laws and regulations to many types of transactions are susceptible to varying interpretations, amounts reported in the separate financial statements could be changed at a later date upon final determination by the taxation authorities.

Current CIT during the year is calculated as follows:

	Current year VND million	Previous year VND million
Profit before tax	3,250,298	2,040,535
At applicable CIT tax rate of 20%	650,060	408,107
<i>Adjustments to decrease:</i>		
- Income from untaxable dividends	(50,432)	(38,776)
- Income from untaxable provision reversal	(18,000)	-
- Decrease adjustment to taxable income	(4,002)	-
<i>Adjustments to increase:</i>		
- Non-deductible expenses	936	811
- Increase adjustment to taxable income	-	3,961
Other increase/(decrease) adjustments	14,743	(14,947)
Adjustment for CIT from prior years	3,096	404
CIT expenses for the year	596,401	359,560

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23. STATUTORY OBLIGATIONS (continued)

23.2 Deferred corporate income tax

	Separate balance sheet		Effect on the separate income statement	
	Ending balance VND million	Beginning balance VND million	Current year VND million	Previous year VND million
Deferred tax assets				
Unrealized loss on foreign exchanges differences	-	1,438	(1,438)	3,927
Provision for investments securities	-	19,800	(19,800)	-
	-	21,238	(21,238)	3,927
Deferred corporate income tax payable				
Unrealized gain on foreign exchange differences	(1,585)	-	(1,585)	-
Net deferred CIT (expenses)/income			(22,823)	3,927

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24. OWNERS' EQUITY

24.1 Statement of changes in owners' equity

<i>Items</i>	<i>Charter capital VND million</i>	<i>Share premium VND million</i>	<i>Treasury shares VND million</i>	<i>Fund for capital expenditure VND million</i>	<i>Reserves VND million</i>	<i>Retained earnings VND million</i>	<i>Total VND million</i>
Beginning balance	9,810,000	2,042,255	(2)	89	370,953	1,556,247	13,779,542
Increase during the year	-	-	-	-	-	2,631,074	2,631,074
Appropriation to reserves	-	-	-	-	272,734	(272,734)	-
Appropriation to bonus and welfare funds	-	-	-	-	-	(3,000)	(3,000)
Utilization of reserves during the year	-	-	-	-	(4,173)	-	(4,173)
First-time dividend of 2017 (*)	-	-	-	-	-	(1,275,300)	(1,275,300)
Ending balance	9,810,000	2,042,255	(2)	89	639,514	2,636,287	15,128,143

(*) According to Resolution No. 04/2018/NQ-DHDCD dated 21 April 2018 of the Shareholders' Annual General Meeting and Resolution No. 55/2018/NQ-HDQT dated 8 June 2018 of the Board of Directors, the Bank announced the first-time dividend payouts of 2017 by cash to shareholders at rate of 13%. The last registration date was 21 June 2018. On 5 July 2018, the Bank made full payment for above mentioned cash dividends to its shareholders.

The movement of the Bank's reserves during the year are presented below:

<i>Items</i>	<i>Development and investment reserve VND million</i>	<i>Financial reserve VND million</i>	<i>Capital supplementary reserve VND million</i>	<i>Other reserve VND million</i>	<i>Total VND million</i>
Beginning balance	70	306,778	19,394	44,711	370,953
Appropriation to reserves	-	168,489	84,245	20,000	272,734
Utilization during the year	-	-	-	(4,173)	(4,173)
Ending balance	70	475,267	103,639	60,538	639,514

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24. OWNER'S EQUITY (continued)

24.1 Statement of changes in owners' equity (continued)

Details of shares issued by the Bank are as follows:

	31 December 2018 Shares	31 December 2017 Shares
Number of registered shares	980,999,979	980,999,979
Number of shares issued		
- Ordinary shares	980,999,979	980,999,979
Number of shares repurchased		
- Ordinary shares	208	208
Number of outstanding shares		
- Ordinary shares	980,999,771	980,999,771

24.2 Dividend

	Current year VND million	Previous year VND million
Dividend payables at beginning balance	755	755
Dividend payables during the year	1,275,300	-
Dividend paid during the year	(1,275,284)	-
Dividend payables at ending balance	771	755

25. INTEREST AND SIMILAR INCOME

	Current year VND million	Previous year VND million
Interest income from loans to customers and other credit institutions	9,766,086	7,849,032
Interest income from investments in debt securities	2,272,935	2,314,150
- Interest income from investment securities	2,234,407	2,236,989
- Interest income from securities held for trading	38,528	77,161
Interest income from deposits	221,664	194,940
Interest income from guarantee services	77,939	52,513
Income from other credit activities (*)	802,724	689,291
	13,141,348	11,099,926

(*) Income from other credit activities including interest from deferred securities selling contracts (Note 16.1) with amount VND139,141million (Previous year: VND400,992 million).

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26. INTEREST AND SIMILAR EXPENSES

	<i>Current year</i> <i>VND million</i>	<i>Previous year</i> <i>VND million</i>
Interest expense on deposits	7,346,986	6,823,358
Interest expense on borrowings	546,970	260,158
Interest expense on valuable papers	531,889	403,921
Expenses for other credit activities	11,902	11,358
	8,437,747	7,498,795

27. NET FEES AND COMMISSION INCOME

	<i>Current year</i> <i>VND million</i>	<i>Previous year</i> <i>VND million</i>
Fees and commission income	270,998	200,085
Income from settlement services	184,209	122,376
Income from treasury services	16,879	12,188
Income from asset preservation services	3,546	389
Income from consultant services	202	153
Income from other services	66,162	64,979
Fees and commission expenses	(101,194)	(65,597)
Expenses for settlement services	(71,946)	(42,078)
Expenses for treasury services	(11,447)	(6,908)
Expenses for postal and telecommunication	(4,119)	(4,619)
Expenses for trustee and agency services	(661)	(159)
Expenses for brokerage services	(79)	(125)
Expenses for other services	(12,942)	(11,708)
	169,804	134,488

28. NET GAIN FROM TRADING OF FOREIGN CURRENCIES

	<i>Current year</i> <i>VND million</i>	<i>Previous year</i> <i>VND million</i>
Income from foreign exchange	9,140,575	6,130,565
Income from gold trading	144,473	1,555,842
Income from spot foreign exchange	8,444,304	4,364,791
Income from currency derivatives	551,798	209,932
Expense from foreign exchange	(8,814,549)	(5,957,595)
Expense from gold trading	(144,222)	(1,555,591)
Expense from spot foreign exchange	(8,381,589)	(4,312,326)
Expense from currency derivatives	(288,738)	(89,678)
	326,026	172,970

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29. NET GAIN FROM SECURITIES HELD FOR TRADING

	<i>Current year VND million</i>	<i>Previous year VND million</i>
Income from dealing of securities held for trading	133,139	12,474
Expenses from dealing of securities held for trading	(5,053)	(6,829)
Provision (expenses)/reversal for securities held for trading (Note 8)	(3,750)	63
	124,336	5,708

30. NET GAIN FROM INVESTMENT SECURITIES

	<i>Current year VND million</i>	<i>Previous year VND million</i>
Income from dealing of investment securities (*)	390,422	504,650
Income from disposal of long-term investments	806	-
Expenses from dealing of investment securities	(133,287)	(31,528)
Expenses from disposal of long-term investments	(31)	-
Provision reversal for available-for-sale securities (Note 13.5)	83,606	10,274
Provision reversal for held-to-maturity securities (Note 13.5)	-	1,499
	341,516	484,895

(*) Difference between income from investments in Government bonds (including interest income and net income from trading) and the average mobilization expenses from term deposits for purchasing Government bonds is VND116,829 million (Previous year: VND206,636 million).

31. NET GAIN FROM OTHER OPERATING ACTIVITIES

	<i>Current year VND million</i>	<i>Previous year VND million</i>
Other operating income	247,807	193,281
Income from recovery of written-off bad debts	91,447	105,836
Income from disposal of other assets	45,678	10,825
Income from office leasing	41,317	37,938
Income from collection services and bonds management support services	27,273	-
Income from information technology support services	13,460	12,515
Income from disposal of fixed assets	13,160	9,584
Other income	15,472	16,583
Other operating expenses	(50,242)	(19,637)
Expenses from disposal of other assets	(39,364)	(8,530)
Sponsoring expense	(7,645)	(2,449)
Other expenses	(3,233)	(8,658)
	197,565	173,644

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32. INCOME FROM INVESTMENTS IN OTHER ENTITIES

	<i>Current year</i> <i>VND million</i>	<i>Previous year</i> <i>VND million</i>
Dividend received:		
- From investment securities (i)	105,554	43,024
- From long-term investments (ii)	153,770	150,857
	259,324	193,881

(i) This dividend received from investing in listed available-for-sales securities. During the year, the Bank received cash dividend from VietJet Aviation Joint Stock Company amounting to VND98,300 million.

(ii) Dividend from long-term investments including dividend from investment in HDSaiSon with amount VND150,000 million.

33. OPERATING EXPENSES

	<i>Current year</i> <i>VND million</i>	<i>Previous year</i> <i>VND million</i>
Taxes and other fees	2,724	2,850
Personnel expenses	1,317,560	1,036,273
- Salary and allowances	1,173,047	942,176
- Salary-related allowances	94,037	60,992
- Allowances	50,476	33,105
Fixed asset expenses	471,573	437,758
- Expenses for office rental	243,219	210,208
- Expenses for repairing and upgrading properties	111,475	98,947
- Depreciation expenses on fixed assets	75,404	94,008
- Other expenses	41,475	34,595
Administrative expenses	811,020	680,881
- Expenses for advertising, marketing, promotion, reception, festivals	379,009	328,333
- Expenses on per diem	46,199	33,225
- Union expenses	434	1,790
- Other expenses	385,378	317,533
Insurance expenses for customer deposits	113,315	110,839
Provision (reversal)/expenses (excluding provision for credit losses, investment)	(101,768)	37,189
- Provision (reversal)/expenses for other assets (Note 16.4)	(10,104)	36,878
- Provision (reversal)/expenses for long-term investments (Note 14.2)	(91,664)	311
	2,614,424	2,305,790

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34. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the separate cash flow statement comprise the following balances in the separate balance sheet:

	<i>Ending balance</i> VND million	<i>Beginning balance</i> VND million
Cash and gold	2,096,192	1,511,580
Balances with the State Bank of Vietnam	5,310,253	1,547,687
Demand deposits in other credit institutions	20,353,470	12,404,273
Due from and loans to other credit institutions with term of less than 3 months	11,450,700	8,826,861
	39,210,615	24,290,401

35. EMPLOYEES' INCOME

	<i>Current year</i>	<i>Previous year</i>
I. Total number of employees (persons)	5,720	4,982
II. Employees' income (VND million)		
1. Total salary	1,128,000	904,035
2. Other income	45,047	38,141
3. Total income (1+2)	1,173,047	942,176
4. Average monthly salary (VND million/person)	16.43	15.12
5. Average monthly income (VND million/person)	17.09	15.76

36. COLLATERALS AND MORTGAGES

36.1 Assets and valuable papers mortgaged, pledged and discounted, re-discounted

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

	<i>Ending balance</i> VND million	<i>Beginning balance</i> VND million
Real estate properties	146,538,706	126,515,406
Movable assets	39,109,574	52,763,956
Valuable papers	18,628,968	31,132,605
Other assets	45,546,815	58,842,927
	249,824,063	269,254,894

Assets and valuable papers of other credit institutions mortgaged, pledged and discounted are as follows:

	<i>Ending balance</i> VND million	<i>Beginning balance</i> VND million
Valuable papers	250,000	300,000

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36. COLLATERALS AND MORTGAGES (continued)

36.2 *Assets and valuable papers of the Bank mortgaged, pledged and discounted, re-discounted*

Breakdown of the Bank's financial assets mortgaged, pledged for credit granting for activities with State Bank of Vietnam and discounted for borrowings or securities transferred under purchase and repurchases agreements with SBV and other credit institutions are as follows:

	<i>Ending balance VND million</i>	<i>Beginning balance VND million</i>
Valuable papers	<u>19,956,249</u>	<u>25,044,000</u>

37. CONTINGENT LIABILITIES AND COMMITMENTS

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

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

Financial guarantees are conditional commitments issued by the Bank to guarantee the performance of a customer to a third-party including guarantee for borrowings, settlement, and performing contracts and bidding. The credit risk involved in issuing guarantees is essentially the same as that involved in extending loans to other customers.

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

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

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

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37. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

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

	<i>Ending balance</i> VND million	<i>Beginning balance</i> VND million
Credit guarantees	8,565	9,052
Foreign exchange commitments	74,115,137	41,045,492
- <i>Spot foreign exchange commitments - buy</i>	4,414,221	3,880,370
- <i>Spot foreign exchange commitments - sell</i>	3,471,919	3,166,761
- <i>Cross currency swap contracts</i>	66,228,997	33,998,361
Letters of credit	5,025,160	1,127,402
- <i>At sight letters of credit</i>	1,528,934	472,710
- <i>Deferred letters of credit</i>	3,496,226	654,692
Other guarantees	3,617,557	3,569,437
- <i>Settlement guarantee</i>	1,446,789	1,109,368
- <i>Contract performance guarantee</i>	668,807	759,239
- <i>Bid guarantee</i>	35,161	41,994
- <i>Other guarantees</i>	1,466,800	1,658,836
Other commitments	2,698,939	683,758
	85,465,358	46,435,141
Less: Margin deposits	(413,704)	(231,568)
Contingent liabilities and commitments	85,051,654	46,203,573

38. RELATED PARTY TRANSACTIONS

Related party transactions include all transactions undertaken with other parties to which the Bank is related. A party is considered to be related if the party has ability to control or to influence other parties in making decision of financial policies and operational activities. A party is related to the Bank if:

- (a) Directly, or indirectly through one or more intermediaries, the party:
- ▶ Controls, is controlled by, or is under common control with the Bank (including parents and subsidiaries);
 - ▶ has an interest (owning 5% or more of the charter capital or voting share capital) in the Bank that gives it significant influence over the Bank;
 - ▶ Has joint control over the Bank.
- (b) The party is a joint venture in which the Bank is a venture or an associate (owning over 11% of the charter capital or voting share capital, but is not a subsidiary of the Bank);
- (c) The party is a member of the key management personnel of the Bank;
- (d) The party is a close member of the family of any individual 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 company resides with, directly or indirectly, any individual referred to in (c) or (d).

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38. RELATED PARTY TRANSACTIONS (continued)

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

<i>Related parties</i>	<i>Transactions</i>	<i>Current year VND million</i>	<i>Previous year VND million</i>
Major shareholders and related parties of major shareholders	Deposits and interest paid	22,450,143	21,581,337
	Withdraw	22,077,852	21,183,882
	Loan principal collection	112,680	-
	Interest income from loans	43,100	43,614
	Interest income from bonds	31,500	31,500
Companies in which the Bank has long-term investments	Deposits and interest paid	120,891,802	62,545,631
	Withdraw	122,415,794	60,047,851
	Loan disbursement	13,237,076	3,513,207
	Loan principal collection	12,907,570	2,758,244
	Interest income from loans	27,924	10,938
Subsidiaries	Deposits and interest paid	31,550,225	29,745,626
	Withdraw	31,118,942	29,895,651
	Dividend received	150,000	150,000
	Capital contribution	150,000	150,000
	Loan disbursement	380,000	980,000
	Loan principal collection	980,000	1,100,000
	Interest income from loans	99,028	96,852
	Interest expense for deposits	15,034	11,203
	Income from cooperation contracts to support information technology	13,460	12,515
	Expenses for managing and handling entrusted assets	7,920	5,706
	Income from swap contracts	5,952	15,660
	Expenses for handling entrusted debts	1,844	3,281
	Expenses for asset rentals	-	157
Member of Board of Directors and Board of Managements and other related parties to these individuals	Deposits and interest paid	12,502,686	43,052,052
	Withdraw	12,829,641	42,769,518
	Loan, guarantee and mortgage	282,791	9,957,672
	Loan principal collection	271,233	1,191,348
	Interest income from loans	3,804	22,228
	Salary and bonus	53,997	48,309

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38. RELATED PARTY TRANSACTIONS (continued)

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

<i>Related parties</i>	<i>Transactions</i>	<i>Receivables/(payables)</i>	
		<i>Ending balance VND million</i>	<i>Beginning balance VND million</i>
Major shareholders and related parties of major shareholders	Demand deposits	(19,791)	(7,489)
	Term deposits	(963,177)	(603,041)
	Margin deposits	(46)	(46)
	Loans	361,620	474,300
	Accrual interest income from loans	633	830
	Available-for-sale securities	350,000	350,000
	Accrual interest income from available-for-sale securities	23,905	23,819
Companies in which the Bank has long-term investments	Demand deposits and specific purposes	(416,257)	(199,811)
	Term deposits	(1,509,628)	(3,206,754)
	Margin deposits	(2)	(437)
	Loans	1,224,055	865,153
	Accrual interest income from loans	699	405
Subsidiaries	Demand deposits	(500,436)	(83,907)
	Term deposits	(289,100)	(72,800)
	Accrual interest expenses for deposits	(879)	(262)
	Loans	380,000	980,000
	Accrual interest income from loans	30,778	22,550
	Advances for capital contribution	-	150,000
Member of Board of Directors and Board of Managements and other related parties to these individuals	Demand deposits	(41,496)	(93,670)
	Saving deposits	(426,404)	(729,810)
	Loans	17,308	5,913
	Accrual interest income from loans	98	92

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

	<i>Domestic VND million</i>	<i>Overseas VND million</i>	<i>Total VND million</i>
Assets as at 31 December 2018			
Due from and loans to other credit institutions	32,043,888	590,664	32,634,552
Derivative and financial instruments (Nominal amount)	35,924,739	-	35,924,739
Loans to customers - gross	112,478,936	-	112,478,936
Trading and investment securities - gross	46,846,993	-	46,846,993
Long-term investments - gross	1,074,805	-	1,074,805
Liabilities as at 31 December 2018			
Due to and borrowings from other credit institutions	37,023,832	2,434,950	39,458,782
Due to customers	128,151,279	-	128,151,279
Grants, entrusted funds and loans exposed to risks	3,045,666	-	3,045,666
Valuable papers issued	9,232,000	-	9,232,000
Off-balance-sheet commitments as at 31 December 2018	85,465,358	-	85,465,358

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40. INFORMATION BY GEOGRAPHICAL REGIONS

Information on income, expenses and assets and liabilities of each segment by geographical area of the Bank as at 31 December 2018 and for the year then ended as follows:

	<i>North VND million</i>	<i>Central VND million</i>	<i>South VND million</i>	<i>Total segment reported VND million</i>	<i>Eliminations VND million</i>	<i>Total VND million</i>
Interest and similar income	5,202,905	2,143,655	24,919,127	32,265,687	(19,124,339)	13,141,348
Interest and similar expenses	(3,905,747)	(1,563,241)	(22,093,098)	(27,562,086)	19,124,339	(8,437,747)
Net interest and similar income	1,297,158	580,414	2,826,029	4,703,601	-	4,703,601
Non-interest income	78,675	14,889	1,325,007	1,418,571	-	1,418,571
TOTAL OPERATING INCOME	1,375,833	595,303	4,151,036	6,122,172	-	6,122,172
TOTAL OPERATING EXPENSES	(456,788)	(263,472)	(1,894,164)	(2,614,424)	-	(2,614,424)
Net operating profit before provision for credit losses	919,045	331,831	2,256,872	3,507,748	-	3,507,748
Provision for credit losses	(74,208)	(40,738)	(142,504)	(257,450)	-	(257,450)
PROFIT BEFORE TAX	844,837	291,093	2,114,368	3,250,298	-	3,250,298
ASSETS						
Cash and gold	541,502	305,272	1,249,418	2,096,192	-	2,096,192
Due from and loans to the State Bank of Vietnam and other credit institutions	68,349	36,200	37,840,256	37,944,805	-	37,944,805
Loans to customers - gross	26,862,267	15,708,640	69,908,029	112,478,936	-	112,478,936
Investments - gross	3,830,846	11,360	44,079,592	47,921,798	-	47,921,798
Other assets	9,169,990	519,237	6,714,544	16,403,771	(8,420,325)	7,983,446
TOTAL ASSETS	40,472,954	16,580,709	159,791,839	216,845,502	(8,420,325)	208,425,177
LIABILITIES						
Due to the State Bank of Vietnam	-	-	7,911,883	7,911,883	-	7,911,883
Due to and borrowings from other credit institutions	-	1,302	39,457,480	39,458,782	-	39,458,782
Due to customers	38,277,974	11,174,023	78,699,282	128,151,279	-	128,151,279
Other liabilities	911,453	4,981,286	18,289,878	24,182,617	(8,420,325)	15,762,292
TOTAL LIABILITIES	39,189,427	16,156,611	144,358,523	199,704,561	(8,420,325)	191,284,236

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41. FINANCIAL RISK MANAGEMENT

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

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

(i) Risk management structure

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

(ii) Board of Directors

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

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

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

(iv) Board of Supervision

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

(v) Internal Audit

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

(vi) Risk measurement and reporting systems

The Bank's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which 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 in compliance with the State Bank of Vietnam's regulations. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept.

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NOTES TO THE SEPARATED FINANCIAL STATEMENTS (continued)
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41. FINANCIAL RISK MANAGEMENT (continued)

(vi) Risk measurement and reporting systems (continued)

Information compiled from all business activities is examined and processed in order to 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.

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

(vii) Risk reduction

The Bank has actively used collateral to mitigate credit risk.

(viii) Excessive risk concentration

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

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

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

42. CREDIT RISK

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

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

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

The effective interest rates on balances with the SBV, due from and loans to other credit institutions, loans to customers and due to customers in currencies are presented in Notes 6, 7, 10 and 19.

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NOTES TO THE SEPARATED FINANCIAL STATEMENTS (continued)
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42. CREDIT RISK (continued)

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

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

	<i>Ending balance VND million</i>	<i>Beginning balance VND million</i>
Credit risk exposures of balance sheet items		
Due from and loans to other credit institutions	32,634,552	22,317,134
Securities held for trading - Debt securities	1,601,623	800,000
Derivative financial instruments	227,063	-
Loans to customers		
- Individuals	49,910,671	37,936,167
- Corporates	62,568,265	57,112,230
Purchased debts	-	7,749
Investment securities		
- Debt securities - available-for-sale	10,266,239	5,962,202
- Debt securities - held-to-maturity	8,369,452	7,636,678
Other financial assets	3,732,148	4,971,993
Credit risk exposures of off-balance sheet items		
Financial guarantees	3,626,122	3,578,489
Letters of credit	5,025,160	1,127,402

This table presents the worst scenario which the Bank will incur the maximum credit exposures as at 31 December 2018 and 31 December 2017, without taking into account of any collateral held or their credit enhancements.

42.2 *Financial assets neither past due nor impaired*

The Bank's financial assets which are neither past due nor impaired comprise loans to customers classified as Group 1 (Current) 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 dues and no provision is required in accordance with Circular No. 228/2009/TT-BTC and Circular No. 89/2013/TT-BTC issued on 28 June 2013.

The Bank determines that the Bank has absolutely capacity to fully and timely recover these financial assets in the futures.

42.3 *Financial assets past due but not impaired*

The age of financial assets past due but not impaired as at 31 December 2018 is presented below:

	<i>Past due</i>				<i>Total VND million</i>
	<i>Less than 90 days VND million</i>	<i>From 91 to 180 days VND million</i>	<i>From 181 to 360 days VND million</i>	<i>More than 360 days VND million</i>	
Loans to customers	430,806	69,223	87,401	289,833	877,263

Loans that are past due but not impaired 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.

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43. MARKET RISK

43.1 Interest rate risk

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

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

The repricing period of interest rate of assets and liabilities is the term calculated from the separate balance sheet date to the nearest repricing date of interest rate or remaining contractual term whichever is earlier.

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; security held for trading; investment securities - equity securities; special bonds issued by VAMC; derivatives; long-term investment and other assets (including fixed assets and other assets) and other payables 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 - debt securities (excluded special bonds issued by VAMC) is calculated based on the time to maturity from the separate balance sheet date for each type of securities;
- ▶ The re-pricing term of due to the SBV; due from and loans to other credit institutions; loans to customers; grants, entrusted funds and loans exposed to risks; due to and borrowings from other credit institutions and 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 separate 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 separate balance sheet date.
- ▶ The re-pricing term of valuable papers issued is determined based on the time to maturity from the separate balance sheet date.

The following table presents the interest re-pricing period of the Bank's assets and liabilities as at 31 December 2018.

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NOTES TO THE SEPARATED FINANCIAL STATEMENTS (continued)
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43. MARKET RISKS (continued)

43.1 Interest rate risk (continued)

	Interest re-pricing period								Total VND million
	Overdue VND million	Non-interest bearing VND million	Up to 1 month VND million	1 - 3 months VND million	3 - 6 months VND million	6 - 12 months VND million	1 - 5 years VND million	Over 5 years VND million	
Assets									
Cash and gold	-	2,096,192	-	-	-	-	-	-	2,096,192
Balances with the State Bank of Vietnam	-	-	5,310,253	-	-	-	-	-	5,310,253
Due from and loans to other credit institutions	-	-	27,831,212	4,803,340	-	-	-	-	32,634,552
Securities held for trading - gross	-	2,603,376	-	-	-	-	-	-	2,603,376
Derivatives and other financial assets	-	227,063	-	-	-	-	-	-	227,063
Loans to customers - gross	2,182,967	-	6,203,789	104,092,180	-	-	-	-	112,478,936
Investment securities - gross	62,259	2,421,821	2,228,118	3,223,103	3,259,773	11,402,833	16,277,208	5,368,502	44,243,617
Long-term investments - gross	-	1,074,805	-	-	-	-	-	-	1,074,805
Fixed assets	-	1,578,007	-	-	-	-	-	-	1,578,007
Other assets - gross	43,891	2,758,793	652,391	1,166,310	868,596	553,552	134,707	136	6,178,376
Total assets	2,289,117	12,760,057	42,225,763	113,284,933	4,128,369	11,956,385	16,411,915	5,368,638	208,425,177
Liabilities									
Due to the State Bank of Vietnam	-	-	7,753,272	158,611	-	-	-	-	7,911,883
Due to and borrowings from other credit institutions	-	-	35,063,032	1,960,800	-	-	2,319,000	115,950	39,458,782
Due to customers	-	322,944	45,636,942	21,455,629	26,437,519	29,248,235	5,047,892	2,118	128,151,279
Grants, entrusted funds and loans exposed to risks	-	-	1,836	2,968,320	-	-	-	75,510	3,045,666
Valuable papers issued	-	-	-	-	-	3,680,000	52,000	5,500,000	9,232,000
Other liabilities	-	495,195	575,092	644,580	877,128	821,236	70,981	414	3,484,626
Total liabilities	-	818,139	89,030,174	27,187,940	27,314,647	33,749,471	7,489,873	5,693,992	191,284,236
On-balance sheet interest sensitivity gap	2,289,117	11,941,918	(46,804,411)	86,096,993	(23,186,278)	(21,793,086)	8,922,042	(325,354)	17,140,941

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43. MARKET RISKS (continued)

43.1 Interest rate risk (continued)

Interest rate sensitivity

Assuming that all other variables remain constant, the effects of fluctuation in interest rates of interest-bearing assets and liabilities (including assets and liabilities with fixed interest rates) on profit after tax and shareholders' equity of the Bank are as follows:

	<i>Assumed level of change %</i>	<i>Effects on increase/ (decrease) profit after tax VND million</i>
As at 31 December 2018		
VND	+0.20%	(20,734)
VND	-0.20%	20,734
USD	+0.20%	7,184
USD	-0.20%	(7,184)

43.2 Currency risk

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

The Bank 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 has set limits to control the positions of the currencies. Positions are monitored on a daily basis and hedging strategies are used to ensure positions of the currencies are maintained within the established limits.

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

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NOTES TO THE SEPARATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

43. MARKET RISKS (continued)

43.2 Currency risk (continued)

The following table presents assets and liabilities in foreign currencies translated into VND as at 31 December 2018:

	<i>EUR equivalent VND million</i>	<i>USD equivalent VND million</i>	<i>Gold equivalent VND million</i>	<i>Other currencies equivalent VND million</i>	<i>Total VND million</i>
Assets					
Cash and gold	152,683	584,584	16,212	225,148	978,627
Balances with the State Bank of Vietnam	-	12,491	-	-	12,491
Due from and loans to other credit institutions	9,846,384	771,933	-	116,033	10,734,350
Loans to customers - gross	-	10,030,459	-	75,510	10,105,969
Other assets - gross	14	147,821	-	2,462	150,297
Total assets	9,999,081	11,547,288	16,212	419,153	21,981,734
Liabilities					
Due to and borrowings from other credit institutions	-	3,501,047	-	-	3,501,047
Due to customers	87,592	1,905,529	-	97,149	2,090,270
Grants, entrusted funds and loans exposed to risks	-	2,969,466	-	75,509	3,044,975
Derivatives and other financial liabilities	9,904,243	2,653,971	-	352,221	12,910,435
Other liabilities	37	132,001	186	1,494	133,718
Total liabilities	9,991,872	11,162,014	186	526,373	21,680,445
Foreign exchange position on-balance sheet	7,209	385,274	16,026	(107,220)	301,289
Foreign exchange position off-balance sheet	-	(118,631)	-	118,742	111
Foreign exchange position on and off- balance sheet	7,209	266,643	16,026	11,522	301,400

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

43.2 Currency risk (continued)

Exchange rate sensitivity

Assuming that all variables remain constant, the following table shows the effects on profit after tax and equity of the Bank due to changes in exchange rates. Risk due to changes of exchange rates to other currencies of the Bank is not significant.

	<i>Assumed level of change %</i>	<i>Effects on increase/ (decrease) profit after tax VND million</i>
As at 31 December 2018		
EUR	+5.00%	288
EUR	-5.00%	(288)
USD	+2.00%	6,164
USD	-2.00%	(6,164)
SJC	+5.00%	641
SJC	-5.00%	(641)

43.3 Liquidity risk

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

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

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

- ▶ Balances with the SBV are classified as demand deposits which include compulsory deposits;
- ▶ The maturity term of securities held for trading; investment securities - debt securities is calculated based on the maturity date of each kind of securities; investment securities - listed equity securities is considered within one month because of their high liquidity;
- ▶ The maturity term of due to the SBV; grants, entrusted funds and loans exposed to risks; valuable papers issued; 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, derivatives; 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 fixed assets is determined based on the remaining useful life of assets.

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

43.3 Liquidity risk (continued)

The following table presents the Bank's assets and liabilities by relevant maturity based on the year at 31 December 2018.

	Overdue		Current					Total VND million
	Above 3 months VND million	Up to 3 months VND million	Up to 1 month VND million	1 - 3 months VND million	3 - 12 months VND million	1 - 5 years VND million	Above 5 years VND million	
Assets								
Cash and gold	-	-	2,096,192	-	-	-	-	2,096,192
Balances with the State Bank of Vietnam	-	-	5,310,253	-	-	-	-	5,310,253
Due from and loans to other credit institutions	-	-	27,831,212	4,803,340	-	-	-	32,634,552
Securities held for trading - gross	-	-	51,418	-	508,046	1,633,034	410,878	2,603,376
Derivatives and other financial assets	-	-	98,372	112,812	15,879	-	-	227,063
Loans to customers - gross	1,214,428	968,539	6,203,789	15,549,719	39,788,740	20,156,131	28,597,590	112,478,936
Investment securities - gross	62,259	-	3,073,045	2,217,744	11,960,920	16,172,388	10,757,261	44,243,617
Long-term investments - gross	-	-	-	-	-	-	-	-
Fixed assets	-	-	985,963	-	-	19,773	572,271	1,578,007
Other assets - gross	43,891	-	1,187,171	2,251,607	1,479,698	756,295	459,714	6,178,376
Total assets	1,320,578	968,539	46,837,415	24,935,222	53,753,283	38,737,621	41,872,519	208,425,177
Liabilities								
Due to the SBV	-	-	7,753,312	56	7,652	125,235	25,628	7,911,883
Due to and borrowings from other credit institutions	-	-	35,063,032	1,960,800	-	2,319,000	115,950	39,458,782
Due to customers	-	-	45,959,886	21,455,629	55,685,754	5,047,892	2,118	128,151,279
Grants, entrusted funds and loans exposed to risks	-	-	-	-	691	-	3,044,975	3,045,666
Valuable papers issued	-	-	232,000	-	-	6,500,000	2,500,000	9,232,000
Other liabilities	-	-	978,132	644,580	1,696,256	70,941	94,717	3,484,626
Total liabilities	-	-	89,986,362	24,061,065	57,390,353	14,063,068	5,783,388	191,284,236
Net liquidity gap	1,320,578	968,539	(43,148,947)	874,157	(3,637,070)	24,674,553	36,089,131	17,140,941

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43. MARKET RISK (continued)

43.4 Market price risk

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

44. OPERATING LEASE COMMITMENTS

	<u>31 December 2018</u>	<u>31 December 2017</u>
	<u>VND million</u>	<u>VND million</u>
Operating lease commitments	610,121	1,187,205
<i>In which:</i>		
- Due within one year	29,893	5,281
- Due from one to five years	312,269	372,145
- Due after five years	267,959	809,779

45. SUPPLEMENTAL NOTES TO FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

Financial assets

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

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

► *A financial asset at fair value through profit or loss*

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 entity as at fair value through separate profit or loss.

► *Held-to-maturity investments:*

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

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

► *Loans and receivables:*

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

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

► *Available for sale assets:*

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

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

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

Financial liabilities

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

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

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

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

▶ *Financial liabilities at amortized cost.*

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

Offsetting financial assets and liabilities

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

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

The carrying amount and fair value of the Bank's financial assets and liabilities are presented as at 31 December 2018 as follows:

	<i>Book Value</i>					<i>Total book value VND million</i>	<i>Fair Value VND million</i>
	<i>Financial assets at fair value through profit and loss VND million</i>	<i>Held-to-maturity VND million</i>	<i>Loans and receivables VND million</i>	<i>Available-for-sale VND million</i>	<i>Other assets and liabilities recorded at amortized cost VND million</i>		
Financial assets							
Cash and gold	-	-	-	-	2,096,192	2,096,192	2,096,192
Balances with the State Bank of Vietnam	-	-	-	-	5,310,253	5,310,253	5,310,253
Due from and loans to other credit institutions	-	-	2,110,382	-	30,524,170	32,634,552	(*)
Securities held for trading	2,596,626	-	-	-	-	2,596,626	(*)
Derivatives and other financial assets	227,063	-	-	-	-	227,063	(*)
Loans to customers	-	-	111,481,099	-	-	111,481,099	(*)
Investment securities	-	16,972,731	-	26,322,182	-	43,294,913	(*)
Long-term investments	-	-	-	164,931	-	164,931	(*)
Other financial assets	-	-	3,732,148	-	-	3,732,148	(*)
	2,823,689	16,972,731	117,323,629	26,487,113	37,930,615	201,537,777	
Financial liabilities							
Due to the State Bank of Vietnam	-	-	-	-	7,911,883	7,911,883	(*)
Due to and borrowings from other credit institutions	-	-	-	-	39,458,782	39,458,782	(*)
Due to customers	-	-	-	-	128,151,279	128,151,279	(*)
Grants, entrusted funds and loans exposed to risks	-	-	-	-	3,045,666	3,045,666	(*)
Valuable papers issued	-	-	-	-	9,232,000	9,232,000	(*)
Other financial liabilities	-	-	-	-	2,989,431	2,989,431	(*)
	-	-	-	-	190,789,041	190,789,041	
Total							

(*) The fair value of these financial assets and liabilities cannot be determined because there is no specific guidance on determination of fair value under Vietnamese Accounting Standards and Accounting System.

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE SEPARATED FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the year then ended

B05/TCTD

46. EVENTS AFTER THE SEPARATE BALANCE SHEET DATE

There have been no other events or circumstances arisen since the separate reporting date to the date of this report which are required to be adjusted or disclosed in the separate financial statements of the Bank.

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

	31 December 2018 VND	31 December 2017 VND
USD	23,190	22,425
EUR	26,560	27,000
GBP	29,366	30,413
CAD	17,030	17,998
SGD	16,943	16,910
AUD	16,342	17,623
CNY	3,385	3,372
JPY	209.59	200.37
Gold SJC (ounce)	36,460,000	36,400,000

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Chief Financial Officer

Approved by: 

Mr. Pham Quoc Thanh
Deputy Chief Executive Officer



Ho Chi Minh City, Vietnam

29 March 2019