



Ho Chi Minh City Development Joint Stock Commercial Bank

CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH QUARTER OF 2019

For the period from 1 January 2019 to 31 December 2019

Ho Chi Minh City Development Joint Stock Commercial Bank

TABLE OF CONTENTS

| | <i>Pages</i> |
|--|--------------|
| Consolidated balance sheet | 1 - 3 |
| Consolidated income statement | 4 - 5 |
| Consolidated cash flow statement | 6 - 7 |
| Notes to the consolidated financial statements | 8 - 39 |

Ho Chi Minh City Development Joint Stock Commercial Bank

CONSOLIDATED BALANCE SHEET
as at 31 December 2019

Form B02a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

| | Notes | 31 December 2019 VND million | 31 December 2018 VND million |
|---|-------------|---------------------------------|---------------------------------|
| ASSETS | | | |
| Cash and gold | | 2,004,563 | 2,096,395 |
| Balances with the State Bank of Vietnam | | 4,503,540 | 5,385,604 |
| Due from and loans to other credit institutions: | | 24,664,877 | 32,425,544 |
| Due from other credit institutions | | 23,854,877 | 30,695,162 |
| Loans to other credit institutions | | 810,000 | 1,730,382 |
| Provision for loans to other credit institutions (*) | | - | - |
| Securities held for trading | V.01 | 4,643,488 | 2,596,626 |
| Securities held for trading | | 4,650,988 | 2,603,376 |
| Provision for securities held for trading (*) | | (7,500) | (6,750) |
| Derivatives and other financial assets | V.02 | - | 208,294 |
| Loans to customers | | 144,699,636 | 121,791,723 |
| Loans to customers | V.03 | 146,324,378 | 123,131,648 |
| Provision for credit losses of loans to customers (*) | V.04 | (1,624,742) | (1,339,925) |
| Purchased debts | | - | - |
| Purchased debts | | - | - |
| Provision for credit losses of purchased debts (*) | | - | - |
| Investment securities | V.05 | 36,041,894 | 42,694,913 |
| Available-for-sale securities | | 15,749,443 | 25,754,996 |
| Held-to-maturity securities | | 20,696,368 | 17,888,621 |
| Provision for investment securities (*) | | (403,917) | (948,704) |
| Long-term investments | V.06 | 166,821 | 164,931 |
| Investments in subsidiaries | | - | - |
| Investments in joint ventures | | - | - |
| Investments in associates | | - | - |
| Other long-term investments | | 185,117 | 185,117 |
| Provision for long-term investments (*) | | (18,296) | (20,186) |
| Fixed assets | | 903,561 | 1,615,456 |
| <i>Tangible fixed assets</i> | | <i>532,147</i> | <i>569,227</i> |
| Cost | | 1,179,231 | 1,171,919 |
| Accumulated depreciation (*) | | (647,084) | (602,692) |
| <i>Finance leases</i> | | <i>-</i> | <i>-</i> |
| Cost | | - | - |
| Accumulated depreciation (*) | | - | - |
| <i>Intangible fixed assets</i> | | <i>371,414</i> | <i>1,046,229</i> |
| Cost | | 575,871 | 1,240,443 |
| Accumulated amortization (*) | | (204,457) | (194,214) |
| Investment properties | | 44,098 | 51,955 |
| Cost | | 44,295 | 52,347 |
| Accumulated depreciation (*) | | (197) | (392) |
| Other assets | | 11,804,784 | 7,025,965 |
| Receivables | | 6,719,990 | 1,974,124 |
| Interest and fees receivable | | 3,197,572 | 3,519,215 |
| Deferred corporate income tax assets | V.12.2 | 2,413 | - |
| Other assets | | 1,924,402 | 1,571,947 |
| <i>In which: Goodwill</i> | | <i>22,090</i> | <i>27,851</i> |
| Provision for other assets (*) | | (39,593) | (39,321) |
| TOTAL ASSETS | | 229,477,262 | 216,057,406 |

Ho Chi Minh City Development Joint Stock Commercial Bank

CONSOLIDATED BALANCE SHEET
as at 31 December 2019

Form B02a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

| | <i>Notes</i> | <i>31 December 2019</i> <i>VND million</i> | <i>31 December 2018</i> <i>VND million</i> |
|--|---------------|---|---|
| LIABILITIES | | | |
| Due to and borrowings from the Government and the State Bank of Vietnam | V.07 | 209,151 | 7,911,883 |
| Due to and borrowings from other credit institutions | V.08 | 45,977,699 | 40,689,261 |
| Due to other credit institutions | | 26,220,754 | 22,837,748 |
| Borrowings from other credit institutions | | 19,756,945 | 17,851,513 |
| Due to customers | V.09 | 126,018,576 | 128,060,094 |
| Derivatives and other financial liabilities | V.02 | 14,262 | - |
| Grants, entrusted funds and loans exposed to risks | | 3,043,492 | 3,045,666 |
| Valuable papers issued | V.10 | 25,013,063 | 14,927,000 |
| Other liabilities | V.11 | 8,819,903 | 4,595,362 |
| Interest and fees payable | | 3,249,358 | 3,143,348 |
| Deferred corporate income tax liabilities | V,12,2 | - | 1,585 |
| Other payables | | 5,570,545 | 1,450,429 |
| Other provision for liabilities (for contingent liabilities and off-balance sheet commitments) | | - | - |
| TOTAL LIABILITIES | | 209,096,146 | 199,229,266 |
| OWNERS' EQUITY | | | |
| Capital | | 11,693,415 | 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 (*) | | (158,929) | (2) |
| Preference shares | | - | - |
| Other owners' capital | | - | - |
| Reserves | | 1,248,389 | 775,800 |
| Foreign exchange differences | | - | - |
| Asset revaluation differences | | - | - |
| Retained earnings | | 6,130,768 | 3,007,022 |
| Non-controlling interest | | 1,308,544 | 1,192,976 |
| TOTAL OWNERS' EQUITY | V.13.1 | 20,381,116 | 16,828,140 |
| TOTAL LIABILITIES, OWNERS' EQUITY AND NON-CONTROL INTEREST | | 229,477,262 | 216,057,406 |

Ho Chi Minh City Development Joint Stock Commercial Bank

CONSOLIDATED BALANCE SHEET
as at 31 December 2019

Form B02a/TCTD-HN
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CONSOLIDATED OFF-BALANCE SHEET ITEMS

| | <i>Notes</i> | <i>31 December 2019</i> VND million | <i>31 December 2018</i> VND million |
|---|--------------|--|--|
| Credit guarantees | | 61,869 | 8,565 |
| Foreign exchange commitments | | 77,375,402 | 74,523,122 |
| - <i>Spot foreign exchange commitments - buy</i> | | 6,981,635 | 4,414,221 |
| - <i>Spot foreign exchange commitments - sell</i> | | 6,570,181 | 3,471,919 |
| - <i>Cross currency swap contracts</i> | | 63,823,586 | 66,636,982 |
| - <i>Future contracts</i> | | - | - |
| Irrevocable lending commitments | | - | - |
| Letters of credit | | 8,699,126 | 4,891,115 |
| Other guarantees | | 4,403,712 | 3,337,898 |
| Other commitments | | 5,019,770 | 2,698,939 |
| | | 95,559,879 | 85,459,639 |

Prepared by:



Ms. Le Thi Thao
Accountant

Reviewed by: 



Ms. Ho Dang Hoang Quyen
Chief Accountant

Approved by: 



Mr. Pham Van Dau
Chief Financial Officer

Ho Chi Minh City, Vietnam

30 January 2020

Ho Chi Minh City Development Joint Stock Commercial Bank

CONSOLIDATED INCOME STATEMENT
for the period from 1 January 2019 to 31 December 2019

Form B03a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

| | Notes | Accumulated for the period from 1 January to 31 December | | | |
|--|-------|--|-----------------------------------|----------------------------------|-----------------------------------|
| | | Quarter IV | | Current period | Previous period |
| | | Current period VND million | Previous period VND million | Current period VND million | Previous period VND million |
| Interest and similar income | VI.14 | 5,419,297 | 4,742,202 | 19,618,067 | 16,948,302 |
| Interest and similar expenses | VI.15 | (2,531,263) | (2,581,037) | (9,871,512) | (9,302,609) |
| Net interest and similar income | | 2,888,034 | 2,161,165 | 9,746,555 | 7,645,693 |
| Fee and commission income | | 231,492 | 132,926 | 791,429 | 541,049 |
| Fee and commission expenses | | (70,754) | (35,649) | (195,553) | (102,875) |
| Net fee and commission income | | 160,738 | 97,277 | 595,876 | 438,174 |
| Net gain from trading of foreign currencies | | 54,814 | 169,545 | 229,803 | 298,315 |
| Net gain from securities held for trading | VI.16 | 39,223 | (1,885) | 80,459 | 124,336 |
| Net gain from investment securities | VI.17 | 2,847 | 6,348 | 239,949 | 341,516 |
| Other operating income | | 196,880 | 229,745 | 504,904 | 546,790 |
| Other operating expenses | | 1,118 | (4,818) | (36,621) | (56,629) |
| Net gain from other operating activities | | 197,998 | 224,927 | 468,283 | 490,161 |
| Income from investments in other entities | VI.18 | - | - | 27,069 | 102,160 |
| Total operating expenses | VI.19 | (1,366,195) | (1,184,272) | (5,080,497) | (4,441,456) |
| Net operating profit before provision for credit losses | | 1,977,459 | 1,473,105 | 6,307,497 | 4,998,899 |
| Provision expenses for credit losses | | (407,220) | (352,401) | (1,289,083) | (994,271) |
| PROFIT BEFORE TAX | | 1,570,239 | 1,120,704 | 5,018,414 | 4,004,628 |
| Current corporate income tax expense | | (317,162) | (205,816) | (1,002,077) | (780,294) |
| Deferred corporate income tax | | 3,264 | (22,823) | 3,998 | (22,823) |
| Corporate income tax expenses | | (313,898) | (228,639) | (998,079) | (803,117) |
| Profit after tax | | 1,256,341 | 892,065 | 4,020,335 | 3,201,511 |
| <i>In which:</i> | | | | | |
| <i>Common shareholders of the Bank</i> | | 1.121.038 | 779.657 | 3.604.767 | 2.842.084 |
| <i>Non-controlling interest</i> | | 135.303 | 112.408 | 415.568 | 359.427 |
| Basis earning per share (VND/share) | | | | 3,675 | 2,892 |

Ho Chi Minh City Development Joint Stock Commercial Bank


CONSOLIDATED INCOME STATEMENT
for the period from 1 January 2019 to 31 December 2019

Form B03a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

Prepared by:



Ms. Le Thi Thao
Accountant

Reviewed by: 



Ms. Ho Dang Hoang Quyen
Chief Accountant

Approved by:



Mr. Pham Van Dau
Chief Financial Officer

Ho Chi Minh City, Vietnam

30 January 2020

Ho Chi Minh City Development Joint Stock Commercial Bank

CONSOLIDATED CASH FLOW STATEMENT
for the period from 1 January 2019 to 31 December 2019

Form B04a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

| <i>Notes</i> | <i>Current period VND million</i> | <i>Previous period VND million</i> |
|--|---------------------------------------|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Interest income and similar receipts | 20,192,547 | 17,182,002 |
| Interest expenses and similar payments | (9,716,114) | (8,933,629) |
| Net fee and commission receipts | 580,678 | 430,701 |
| Net receipts from trading of securities, gold and foreign currencies | 462,071 | 774,334 |
| Other income | 229,259 | 295,546 |
| Recoveries from bad debts written-off previously | 189,017 | 173,958 |
| Payments to employees and other operating expenses | (5,534,167) | (4,443,134) |
| Corporate income tax paid during the period | (852,287) | (749,692) |
| Net cash flows from operating profit before changes in operating assets and liabilities | 5,551,004 | 4,730,086 |
| Changes in operating assets | | |
| (Increase)/decrease in due from and loans to other credit institutions | (359,618) | (344,383) |
| (Increase)/decrease in investment securities | 4,902,953 | 5,129,902 |
| (Increase)/decrease in derivatives and other financial assets | 208,294 | (208,294) |
| (Increase)/decrease in loans to customers | (23,192,730) | (18,626,870) |
| Utilization of provision to write-off (loans to customers, securities and long-term investments) | (1,565,059) | (1,016,848) |
| (Increase)/decrease in other assets | (3,798,442) | 1,427,866 |
| Changes in operating liabilities | | |
| Increase/(decrease) in due to Government and the State Bank of Vietnam | (7,702,732) | 7,755,630 |
| Increase/(decrease) in due to and borrowings from other credit institutions | 5,288,438 | 3,471,883 |
| Increase/(decrease) in due to customers | (2,041,518) | 7,522,625 |
| Increase/(decrease) in valuable papers issued | 10,086,063 | 5,134,000 |
| Increase/(decrease) in grants, entrusted funds and loans exposed to risks | (2,174) | 117,925 |
| Increase/(decrease) in derivatives and other financial liabilities | 14,262 | (70,098) |
| Increase/(decrease) in other liabilities | 3,701,172 | 575,698 |
| Utilization of funds | (3,432) | (4,174) |
| Net cash used in operating activities | (8,913,519) | 15,594,948 |

Ho Chi Minh City Development Joint Stock Commercial Bank

CONSOLIDATED CASH FLOW STATEMENT
for the period from 1 January 2019 to 31 December 2019

Form B04a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

| <i>Notes</i> | <i>Current period VND million</i> | <i>Previous period VND million</i> |
|---|---------------------------------------|--|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (183,195) | (84,500) |
| Proceeds from disposal of fixed assets | 132,012 | 15,003 |
| Payment for disposal of fixed assets | (6,348) | - |
| Purchase of investment properties | - | - |
| Proceeds from disposal of investment properties | 25,100 | - |
| Payment for disposal of investment properties | (16,373) | - |
| Payments for investments in other entities | - | - |
| Proceeds from disposal of investments in other entities | - | 65,796 |
| Dividends received from long-term investments | 27,069 | 102,160 |
| Net cash (used in)/from investing activities | (21,735) | 98,459 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in charter capital from capital contribution and share issuance | - | - |
| Proceeds from issuing long term valuable papers eligible to be included in capital and other long-term borrowings | - | - |
| Dividends distributed to shareholders | - | (1,425,300) |
| Purchase of treasury shares | (158,927) | - |
| Proceeds from disposal of treasury shares | - | - |
| Net cash from financing activities | (158,927) | (1,425,300) |
| Net cash flows for the period | (9,094,181) | 14,268,107 |
| Cash and cash equivalents at the beginning of the period | 39,457,161 | 25,189,054 |
| Foreign exchange difference | - | - |
| Cash and cash equivalents at the end of the period | 30,362,980 | 39,457,161 |

Prepared by:



Ms. Le Thi Thao
Accountant

Reviewed by:



Ms. Ho Dang Hoang Quyen
Chief Accountant

Approved by:



Mr. Pham Van Dau
Chief Financial Officer

Ho Chi Minh City, Vietnam

30 January 2020

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

I. GENERAL INFORMATION

1. *Establishment and Operations*

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

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

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.

2. *Charter capital*

The charter capital of the Bank as at 31 December 2019 is VND9,810,000 million (as at 31 December 2018: VND9,810,000 million).

3. *The Board of Directors*

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

| <i>Name</i> | <i>Position</i> | <i>Date of appointment/ re-appointment/resignation</i> |
|----------------------------|--------------------------------------|--|
| Ms. Le Thi Bang Tam | Chairwoman | Re-appointed on 21 April 2017 |
| Ms. Nguyen Thi Phuong Thao | Standing Vice Chairwoman | Re-appointed on 21 April 2017 |
| Mr. Luu Duc Khanh | Vice Chairman | Re-appointed on 21 April 2017 |
| Mr. Nguyen Thanh Do | Vice Chairman, Independent Member | Appointed on 21 April 2017 |
| Mr. Nguyen Huu Dang | Member | Re-appointed on 21 April 2017 |
| Mr. Chu Viet Cuong | Member | Re-appointed on 21 April 2017 |
| Ms. Nguyen Thi Tam | Member | Re-appointed on 21 April 2017 |
| Mr. Lim Peng Khoon | Member | Re-appointed on 21 April 2017 |
| Mr. Ly Vinh Quang | Independent Member | Resigned on 23 April 2019 |

4. *The Board of Management, Chief Financial Officer and Chief Accountant*

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

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

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

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

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5. *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 2019, the Bank had one (1) Head Office, one (1) representative office in the North; one (1) representative office in Myanmar, sixty-two (62) branches and two hundred and twenty-one (221) transaction offices located in cities and provinces throughout Vietnam.

6. *Subsidiaries*

As at 31 December 2019, 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% |

7. *Employees*

The Bank and its subsidiaries' total number of employees as at 31 December 2019 was 14,528 persons (as at 31 December 2018: 13,992 persons).

II. ACCOUNTING PERIOD AND ACCOUNTING CURRENCY

1. *Accounting period*

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

The fourth quarter accounting period applicable for the presentation of consolidated financial statements of the Bank and its subsidiaries starts on 1 October and ends on 31 December.

2. *Accounting currency*

The Bank maintains its accounting records in Vietnam dong ("VND"). For the the purpose of preparing of the consolidated financial statements as at 31 December 2019, the data is rounded to the nearest millions and presented in VND million. The presentation makes no impact on readers' view of the consolidated financial position, consolidated income statement and consolidated cash flows.

III. APPLIED ACCOUNTING STANDARDS AND SYSTEM

1. *Statement of compliance*

The Board of Management of the Bank confirms that the accompanying consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System for Credit Institutions and other statutory requirements relevant to preparation and presentation of the consolidated financial statements for financial period from 1 January 2019 to 31 December 2019.

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

2. *Basis of preparation of consolidated financial statements*

The consolidated financial statements of the Bank and its subsidiaries (collectively referred to as "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; Decision No. 16/2007/QD-NHNN dated 18 April 2007, Circular No. 49/2014/TT-NHNN amending and supplementing a number of articles of the financial reporting regime applicable to credit institutions under 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 issued by the State Bank of Vietnam and other Vietnamese Accounting Standards issued by the Ministry of Finance as per:

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

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

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

3. *Assumptions and uses of estimates*

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

4. *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries to 31 December 2019.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Bank obtains control, and continued to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent bank, using consistent accounting policies.

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

Ho Chi Minh City Development Joint Stock Commercial Bank

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

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Foreign currency transactions*

In accordance with the accounting system of the Bank and its subsidiaries, all transactions are recorded in original currencies. Monetary assets and liabilities denominated in foreign currencies are translated into VND using exchange rates ruling at the balance sheet date. Income and expenses arising in foreign currencies during the period 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 consolidated income statement at the end of the financial year.

2. *Consolidation principles*

The consolidated financial statements are prepared in VND in accordance with cost and matching principle of Vietnamese Accounting Standards and prevailing regulations applicable to Credit Institutions operating in Vietnam.

Subsidiaries are companies comprised followings:

- The Bank or the Bank and its related parties owing over 50% charter capital or over 50% voting share capital.
- The Bank has right to appoint majority or all member of Board of Directors, member of council or Chief Executive Officer of the subsidiaries directly or indirectly.
- The Bank has right to amend, supplement charter of the subsidiaries.
- The Bank and its related parties directly or indirectly approve Resolutions, Decision of Annual General Meeting, Board of Directors, and Board of Council of subsidiaries.

Subsidiaries are controlled by the Bank. Financial statements of subsidiaries is comprised in the consolidated financial statements from the date of acquisition, being the date on which the Bank obtains control, and continued to be consolidated until the date that such control ceases.

When there is a difference between the accounting policies of subsidiaries and the Bank, adjustments are necessary to ensure consistency in accounting policies for the purposes of the consolidated financial statements.

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

3. *Derivatives and hedging accounting*

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

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 consolidated income statement at the end of the financial period.

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

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. 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. Recognition and de-recognition of accrued interest income and expenses

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

5. Fees and commissions income

Fees and commissions income

Fees and commissions are recognized on accrued basis.

Income from investment

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

Income from debts securities investment is recognized on the difference between the selling price and carrying amount of such securities.

Cash dividends from equity investment are recognized in the consolidated 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 consolidated income statement.

6. Loans to customers, purchased debts

6.1 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.

The specific provision for debts as at 31 December 2019 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 2019.

The specific provision rates for each group are presented as follows:

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

| <i>Loan group</i> | | <i>Classification criteria</i> | <i>Specific provision rate</i> |
|-------------------|-----------------|--|--------------------------------|
| 1 | Current | (a) Current debts are assessed as fully and timely recoverable for both principals and interests; or (b) Debts are overdue for a period of less than 10 days and assessed as fully recoverable for both overdue principals and interests, and fully and timely recoverable for both remaining principals and interests. | 0% |
| 2 | Special mention | (a) Debts are overdue for a period of between 10 days and 90 days; or (b) Debts of which the repayment terms are restructured for the first time. | 5% |
| 3 | Sub-standard | (a) Debts are overdue for a period of between 91 days and 180 days; or (b) Debts of which the repayment terms are extended for the first time; or (c) Debts of which interests are exempted or reduced because customers do not have sufficient capability to pay all interests under credit contracts; or (d) Debts under one of the following cases which have not been recovered in less than 30 days from the date of the recovery decision: <ul style="list-style-type: none"> ▪ Debts made in compliance with Clauses 1, 3, 4, 5, 6, Article 126 of the Law on Credit Institutions; or ▪ Debts made in compliance with Clauses 1, 2, 3, 4, Article 127 of the Law on Credit Institutions; or ▪ Debts made in compliance with Clauses 1, 2 and 5 of Article 128 of the Law on Credit Institutions. (e) Debts are required to be recovered according to regulatory inspection conclusions. | 20% |
| 4 | Doubtful | (a) Debts are overdue for a period of between 181 days and 360 days; or (b) Debts of which the repayment terms are restructured for the first time but still overdue for a period of less than 90 days under that restructured repayment term; or (c) Debts of which the repayment terms are restructured for the second time; or (d) Debts are specified in point (d) of Loan group 3 and overdue for a period of between 30 days and 60 days after decisions of recovery have been issued; or (e) Debts are required to be recovered according to regulatory inspection conclusions but still outstanding with an overdue period up to 60 days since the recovery date as required by regulatory inspection conclusions. | 50% |

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

| Loan group | | Classification criteria | Specific provision rate |
|------------|------|---|-------------------------|
| 5 | Loss | (a) Debts are overdue for a period of more than 360 days; or (b) Debts of which the repayment terms are restructured for the first time but still overdue for a period of 90 days or more under that first restructured repayment term; or (c) Debts of which the repayment terms are restructured for the second time but still overdue under that second restructured repayment term; or (d) Debts of which the repayment terms are restructured for the third time or more, regardless of being overdue or not; or (e) Debts are specified in point (d) of Loan group 3 and overdue for a period of more than 60 days after decisions on recovery have been issued; or (f) Debts are required to be recovered under regulatory inspection conclusions but still outstanding with an overdue period of more than 60 days since the recovery date as required by regulatory inspection conclusions; or (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% |

Loans to customers in agricultural and rural sector classified in accordance with the Government on credit policies for agriculture and rural development.

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

If a customer is classified into debt group with lower risk than debt group in CIC list, the Bank and its subsidiaries 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.

General provision as at 31 December 2019 was made at 0.75% of total outstanding loans excluding due from and loans to other credit institutions and loans classified as loss (group 5) as at 30 November 2019.

Loans sold to Vietnam Asset Management Company (“VAMC”)

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

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

Upon the sale of loans to VAMC, the Bank and its subsidiaries write 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 and its subsidiaries uses annual specific provisions for special bonds to write off bad debts and recognize the difference between provision for credit losses and the remaining outstanding loan balance/bond value in "Other operating income" of the consolidated income statement.

6.2 Purchased debts

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

The Bank classify and make provision for purchased debts in accordance with regulations on loan classification and provision for credit loss.

7. Held for trading and investment securities

7.1 Securities held for trading

Classification and recognition

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

Measurement

Listed debt securities held for trading are recognized at cost less provision for diminution in value of securities.

For listed debt securities, provision for diminution are determined based on the market price of securities which is the nearest closing price to the balance sheet date. In case, there is no transaction within 30 days before balance sheet date, the Bank does not make provision for listed debts securities.

For government bonds, provision for diminution are determined based on the market price of securities which is the nearest trading price on Hanoi Stock Exchange within 10 days to the balance sheet date. In case, there is no transaction within 10 days before balance sheet date, the Bank does not make provision for listed debts securities.

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

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.

Income from securities held for trading are recognized on cash basis in the separated income statement.

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

7.2 *Available-for-sale securities*

Classification and recognition

Available-for-sale securities include debt and equity securities that are acquired by the Bank and subsidiaries for the investment and available-for-sale purposes, not regularly traded but can be sold when there is a benefit. For equity securities, the Bank and subsidiaries 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.

Available-for-sale securities are subject to impairment review on a periodical basis.

Listed debt securities and listed equity securities are provision for diminution. If listed equity securities are no transaction in 30 days before the time of making annual financial statement, the Bank shall determine the diminution provision based on the issuing organization's separate financial statements.

Equity securities registered for trading on the unlisted public company market (Upcom) and other unlisted equity securities are provision for diminution.

7.3 *Held-to-maturity 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 provision.

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

During the holding period, the Bank annually calculates and makes specific provision in accordance with Circular No. 14/2015/TT-NHNN dated 28 August 2015 issued by the SBV 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:

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

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

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

Other held-to-maturity securities

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

Held-to-maturity securities are recognized and measured similarly as available-for-sale securities.

8. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, gold, balances with the State Bank of Vietnam, demand deposits, due from and loans to other credit institutions 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.

9. Provision, contingent liabilities and assets

Off-balance sheet commitments include guarantees, letter of credit and irrevocable lending commitments with specific implementing time.

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

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

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

10. 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 consolidated balance sheet date.

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

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

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

Deferred tax

Deferred tax is provided for temporary differences at the consolidated balance sheet date between the tax base of assets and liabilities and their carrying amount recorded in the consolidated 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.
- ▶ 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:

- ▶ Deferred tax assets 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.
- ▶ 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.

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

The carrying amount of the deferred tax asset has to be reviewed at the end of the financial period 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 income tax is recognized in the consolidated income statement, except when it relates to items recognized directly to equity, in which case the deferred tax is also recorded directly in equity.

11. **Borrowings, issued debt securities and equity instruments**

The discounted, re-discount valuable paper at SBV are recognized at cost at balance sheet date. Borrowings interest is recognized in income statement based on accrual basic under Circular No. 12/2006/TT-NHNN dated 21 February 2006.

Valuable papers issued are recognized at cost. Cost of valuable papers issued include proceed from issuing minus direct expense related to issuing valuable papers.

12. **Capital**

Ordinary Share

Ordinary shares are recognized as charter capital.

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.

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.

Funds and reserves

Funds and reserves of the Bank

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

| | <i>Percentage of profit after tax</i> | <i>Maximum amount</i> |
|-------------------------------|---------------------------------------|-----------------------|
| Capital supplementary reserve | 5% of profit after tax | 100% share capital |
| Financial reserve | 10% of profit after tax | Not specified |

Other funds will be allocated from profit after tax. The allocation from profit after tax and utilization of funds must be approved by the Annual General Meeting of Shareholder. These reserves are not regulated by statutory and allowed to be fully allocated.

The Bank will make reserves based on separate results of its operation at the end of financial year.

Funds and reserves of the Asset Management Company Limited - Ho Chi Minh City Development Joint Stock Commercial Bank

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

According to the Circular No. 27/2002/TT-BTC dated 22 March 2002, the distribution of profits, making appropriation of profit to reserves and reserves utilization of the Company is implemented in accordance with current regulations applicable to the Bank by which the Company was established

Funds and reserves of the HD SAISON Finance Co., Ltd. ("HD SAISON")

According to the Decree No. 93/2017/ND-CP issued by the Government on 7 August 2017 in replacement of the Decree 57/2012/ND-CP dated 20 July 2012, the Company has set up funds and reserves similar to the Bank.

13. **Restatement corresponding figures:** None

V. SUPPLEMENT FOR ITEMS PRESENTED ON BALANCE SHEET

1. Securities held for trading

| | 31 December 2019 VND million | 31 December 2018 VND million |
|--|---------------------------------|---------------------------------|
| 1.1 Debt securities | | |
| Government and municipal bonds | 1,114,332 | 1,001,753 |
| Debt securities issued by other domestic credit institutions | 2,462,000 | 401,623 |
| Debt securities issued by domestic economic entities | 1,074,656 | 1,200,000 |
| Debt securities issued by foreign entities | - | - |
| 1.2 Equity securities | | |
| Equity securities issued by domestic credit institutions | - | - |
| Equity securities issued by domestic economic entities | - | - |
| Equity securities issued by foreign entities | - | - |
| 1.3 Other securities held for trading | - | - |
| 1.4 Provision for securities held for trading | (7,500) | (6,750) |
| Total | 4,643,488 | 2,596,626 |

2. Derivatives and other financial assets

| | Total contract value (using exchange rate at the contract date) VND million | Total carrying value (using exchange rate at reporting date) | |
|--|--|---|----------------------------|
| | | Assets VND million | Liabilities VND million |
| Currency derivatives as at 31 December 2019 | | | |
| Forward contracts | 3,301,580 | 5,525 | - |
| Swap contracts | 32,119,652 | 39,473 | 59,260 |
| Total | 35,421,232 | 44,998 | 59,260 |
| Net amount | | | 14,262 |
| Currency derivatives as at 31 December 2018 | | | |
| Forward contracts | 2,884,973 | - | 1,142 |
| Swap contracts | 33,242,955 | 228,205 | 18,769 |
| Total | 36,127,928 | 228,205 | 19,911 |
| Net amount | | 208,294 | |

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

3. Loans to customers

| | <i>31 December 2019</i> <i>VND million</i> | <i>31 December 2018</i> <i>VND million</i> |
|---|---|---|
| Loans to domestic economic entities and individuals | 141,694,717 | 117,485,224 |
| Discounted bills and valuable papers | 1,702,327 | 2,630,200 |
| Lending by funding, entrusted investment | 1,860,602 | 1,837,491 |
| Overdraft and credit card | 1,018,069 | 1,039,162 |
| Loans to foreign economic entities and individuals | 21,811 | 131,789 |
| Payments on behalf of customers | 26,852 | 7,782 |
| Total | 146,324,378 | 123,131,648 |

Analysis of loans by quality

| | <i>31 December 2019</i> <i>VND million</i> | <i>31 December 2018</i> <i>VND million</i> |
|-----------------|---|---|
| Current | 142,024,359 | 119,646,947 |
| Special mention | 2,303,354 | 1,599,751 |
| Substandard | 483,922 | 525,191 |
| Doubtful | 583,859 | 626,723 |
| Loss | 928,884 | 733,036 |
| Total | 146,324,378 | 123,131,648 |

Analysis of loans by original terms

| | <i>31 December 2019</i> <i>VND million</i> | <i>31 December 2018</i> <i>VND million</i> |
|--------------|---|---|
| Short-term | 79,260,865 | 67,115,639 |
| Medium-term | 23,861,577 | 24,748,486 |
| Long-term | 43,201,936 | 31,267,523 |
| Total | 146,324,378 | 123,131,648 |

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

4. *Provision for credit losses of loans to customers*

Changes in provision for credit losses of loans to customers during the current period are as follows:

| | <i>Specific provision VND million</i> | <i>General provision VND million</i> | <i>Total VND million</i> |
|---|---|--|------------------------------|
| 1 January 2019 | 432,346 | 907,579 | 1,339,925 |
| Provision charged/(reversed) during the period | 969,769 | 168,050 | 1,137,819 |
| Provision used to write-off bad debts during the period | (853,002) | - | (853,002) |
| 31 December 2019 | 549,113 | 1,075,629 | 1,624,742 |

Changes in provision for credit losses of loans to customers during the previous period are as follows:

| | <i>Specific provision VND million</i> | <i>General provision VND million</i> | <i>Total VND million</i> |
|---|---|--|------------------------------|
| 1 January 2018 | 401,804 | 758,895 | 1,160,699 |
| Provision charged/(reversed) during the period | 757,226 | 148,684 | 905,910 |
| Provision used to write-off bad debts during the period | (726,684) | - | (726,684) |
| 31 December 2018 | 432,346 | 907,579 | 1,339,925 |

5. *Investment securities*

5.1 *Available-for-sale securities*

| | <i>31 December 2019 VND million</i> | <i>31 December 2018 VND million</i> |
|--|---|---|
| a. <i>Debt securities</i> | | |
| Government and municipal bonds | 8,418,513 | 15,074,784 |
| Debt securities issued by other domestic credit institutions | 4,412,138 | 6,332,229 |
| Debt securities issued by domestic economic entities | 1,904,819 | 3,334,010 |
| Debt securities issued by foreign entities | - | - |
| | 14,735,470 | 24,741,023 |
| b. <i>Equity securities</i> | | |
| Equity securities issued by other domestic credit institutions | - | - |
| Equity securities issued by domestic economic entities | 1,013,973 | 1,013,973 |
| Equity securities issued by foreign entities | - | - |
| | 1,013,973 | 1,013,973 |
| | 15,749,443 | 25,754,996 |
| c. <i>Provision for available-for-sale securities</i> | | |
| Diminution provision | (1,382) | - |
| General provision | (13,860) | (32,814) |
| Specific provision | (2,079) | - |
| | (17,321) | (32,814) |
| Net amount | 15,732,122 | 25,722,182 |

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

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

| | 31 December 2019 VND million | 31 December 2018 VND million |
|--|---------------------------------|---------------------------------|
| Government and municipal bonds | 9,437,442 | 9,519,169 |
| Debt securities issued by other domestic credit institutions | 7,073,182 | 5,002,845 |
| Debt securities issued by domestic economic entities | 3,700,000 | 1,958,759 |
| Debt securities issued by foreign entities | - | - |
| | 20,210,624 | 16,480,773 |
| Provision for held-to-maturity securities | | |
| - Diminution provision | - | - |
| - General provision | (31,500) | - |
| - Specific provision | - | - |
| | (31,500) | - |
| Net amount | 20,179,124 | 16,480,773 |

5.3 Special bonds issued by VAMC

| | 31 December 2019 VND million | 31 December 2018 VND million |
|--|---------------------------------|---------------------------------|
| Par value of special bonds issued by VAMC | 485,744 | 1,407,848 |
| Provision for special bonds issued by VAMC | (355,096) | (915,890) |
| | 130,648 | 491,958 |

6. Long-term investments

Analysis by type of investments

| | 31 December 2019 VND million | 31 December 2018 VND million |
|-------------------------------------|---------------------------------|---------------------------------|
| Investments in subsidiaries (*) | - | - |
| Investments in joint ventures | - | - |
| Investments in associates | - | - |
| Other long-term investments | 185,117 | 185,117 |
| Provision for long-term investments | (18,296) | (20,186) |
| Total | 166,821 | 164,931 |

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

7. Due to and borrowings from the Government and the State Bank of Vietnam

| | 31 December 2019 VND million | 31 December 2018 VND million |
|---------------------------|---------------------------------|---------------------------------|
| Borrowings from SBV | - | - |
| Due to the State Treasury | - | 2,000,000 |
| Others | 209,151 | 5,911,883 |
| Total | 209,151 | 7,911,883 |

8. Due to and borrowings from other credit institutions

8.1 Due to other credit institutions

| | 31 December 2019 VND million | 31 December 2018 VND million |
|------------------------|---------------------------------|---------------------------------|
| Demand deposits | 12,200,121 | 12,100,998 |
| In VND | 12,166,215 | 12,100,998 |
| In foreign currencies | 33,906 | - |
| Term deposits | 14,020,633 | 10,736,750 |
| In VND | 10,895,000 | 10,157,000 |
| In foreign currencies | 3,125,633 | 579,750 |
| Total | 26,220,754 | 22,837,748 |

8.2 Borrowings from other credit institutions

| | 31 December 2019 VND million | 31 December 2018 VND million |
|---------------------------------------|---------------------------------|---------------------------------|
| In VND | 13,543,535 | 14,094,733 |
| Discount, re-discount valuable papers | 9,966,535 | 8,232,733 |
| Mortgaged and pledged borrowings | 3,577,000 | 5,862,000 |
| In foreign currencies | 6,213,410 | 3,756,780 |
| Discount, re-discount valuable papers | - | - |
| Mortgaged and pledged borrowings | 6,213,410 | 3,756,780 |
| Total | 19,756,945 | 17,851,513 |

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

9. Due to customers

Analysis by products

| | 31 December 2019 VND million | 31 December 2018 VND million |
|---------------------------------------|---------------------------------|---------------------------------|
| Demand deposits | 15,314,372 | 10,697,917 |
| Demand deposits in VND | 12,693,398 | 9,727,640 |
| Demand deposits in foreign currencies | 2,620,974 | 970,277 |
| Term deposits | 110,121,204 | 116,583,938 |
| Term deposits in VND | 108,276,363 | 115,558,953 |
| Term deposits in foreign currencies | 1,844,841 | 1,024,985 |
| Deposits for specific purposes | 92,699 | 248,151 |
| Margin deposits | 490,301 | 530,088 |
| Total | 126,018,576 | 128,060,094 |

10. Valuable papers issued (excluding compound financial instruments)

| | 31 December 2019 VND million | 31 December 2018 VND million |
|---------------------------------|---------------------------------|---------------------------------|
| Certificates of deposits | 6,581,000 | 5,927,000 |
| Less than 12 months | 1,624,000 | 779,000 |
| From 12 months to under 5 years | 4,820,000 | 5,011,000 |
| From 5 years | 137,000 | 137,000 |
| Straight bonds | 18,432,063 | 9,000,000 |
| From 12 months to under 5 years | 15,400,000 | 6,000,000 |
| From 5 years | 3,032,063 | 3,000,000 |
| Total | 25,013,063 | 14,927,000 |

11. Other liabilities

| | 31 December 2019 VND million | 31 December 2018 VND million |
|---|---------------------------------|---------------------------------|
| Internal payables | 96,013 | 159,394 |
| External payables | 8,708,891 | 4,422,922 |
| Provisions | - | - |
| - Provision for commitments | - | - |
| - Provision for settlement services | - | - |
| - Other provisions (provision for operating risk excluding provision for other assets) | - | - |
| Bonus and welfare fund | 14,999 | 13,046 |
| Total | 8,819,903 | 4,595,362 |

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

12. Statutory obligations and deferred corporate income tax

12.1 Statutory obligations

| | 1 January | Movement during the period | | 31 December |
|-----------------------------|----------------|----------------------------|------------------|----------------|
| | 2019 | Payable | Paid | 2019 |
| | VND million | VND million | VND million | VND million |
| Value added tax | 9,331 | 93,970 | (84,882) | 18,419 |
| Corporate income tax | 95,675 | 1,002,077 | (792,680) | 305,072 |
| Property tax | - | 25 | (25) | - |
| Land rental tax | - | - | - | - |
| Other taxes | 8,386 | 120,601 | (116,866) | 12,121 |
| - License tax | - | 295 | (295) | - |
| - Personal income tax | 8,101 | 101,328 | (99,463) | 9,966 |
| - Foreign contractor tax | 285 | 18,978 | (17,108) | 2,155 |
| Other fees and tax payables | - | 315 | (315) | - |
| Total | 113,392 | 1,216,988 | (994,768) | 335,612 |

12.2. Deferred corporate income tax

a. Deferred corporate income tax assets

| | 31 December 2019 | 31 December 2018 |
|--|------------------|------------------|
| | VND million | VND million |
| Deferred income tax assets related to deductible temporary differences | - | - |
| Deferred income tax assets related to unused tax losses | - | - |
| Deferred income tax assets related to unused incentives | - | - |
| Deferred income tax assets related to recorded in previous periods | 2,413 | - |
| Deferred corporate income tax assets | 2,413 | - |

b. Deferred corporate income tax liabilities

| | 31 December 2019 | 31 December 2018 |
|---|------------------|------------------|
| | VND million | VND million |
| Deferred income tax liabilities incurred from temporary differences | - | (1,585) |
| Deferred income tax liabilities incurred recorded in previous periods | - | - |
| Deferred corporate income tax liabilities | - | (1,585) |

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

13. Owners' equity

13.1. Statement of changes in owners' equity

| | <i>Beginning balance</i> | <i>Increase in period</i> | <i>Decrease in period</i> | <i>Ending balance</i> |
|---|------------------------------|-------------------------------|-------------------------------|---------------------------|
| Contributed capital/ charter capital | 9,810,000 | - | - | 9,810,000 |
| Shares premium | 2,042,255 | - | - | 2,042,255 |
| Fund for capital expenditure | 89 | - | - | 89 |
| Treasury shares | (2) | (158,927) | - | (158,929) |
| Assets revaluation differences | - | - | - | - |
| Foreign exchange differences | - | - | - | - |
| Development and investment reserve | 70 | - | - | 70 |
| Financial reverse | 564,693 | 303,321 | - | 868,014 |
| Capital supplementary reserve | 150,503 | 152,699 | - | 303,202 |
| Other reserves | 60,534 | 20,000 | (3,431) | 77,103 |
| Retained earnings | 3,007,022 | 3,604,767 | (481,021) | 6,130,768 |
| Non-controlling interest | 1,192,976 | 115,568 | - | 1,308,544 |
| Other owners' capital | - | - | - | - |
| Total | 16,828,140 | 4,037,428 | (484,452) | 20,381,116 |

13.3 Shares

| | <i>31 December 2019 VND million</i> | <i>31 December 2018 VND million</i> |
|--|---|---|
| Number of registered shares | 980,999,979 | 980,999,979 |
| Number of shares issued | | |
| - Ordinary shares | 980,999,979 | 980,999,979 |
| - Preference shares | | |
| Number of shares repurchased | | |
| - Ordinary shares | 5,902,178 | 208 |
| - Preference shares | | |
| Number of outstanding shares | | |
| - Ordinary shares | 975,097,801 | 980,999,771 |
| - Preference shares | | |
| * Par value of outstanding share (VND/share) | 10,000 | 10,000 |

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

VI. SUPPLEMENT FOR ITEMS PRESENTED ON INCOME STATEMENT

14. Interest and similar income

| | <i>Current period</i> VND million | <i>Previous period</i> VND million |
|--|--------------------------------------|---------------------------------------|
| Interest income from deposits | 239,958 | 223,602 |
| Interest income from loans | 15,824,726 | 13,443,822 |
| Interest income from debt securities | 2,447,413 | 2,266,253 |
| - Interest income from securities held for trading | 71,586 | 38,528 |
| - Interest income from investment securities | 2,375,827 | 2,227,725 |
| Income from guarantee services | 164,469 | 77,939 |
| Other income from credit activities | 941,501 | 936,686 |
| Total | 19,618,067 | 16,948,302 |

15. Interest and similar expense

| | <i>Current period</i> VND million | <i>Previous period</i> VND million |
|--|--------------------------------------|---------------------------------------|
| Interest expenses for deposits | 7,703,360 | 7,331,952 |
| Interest expenses for borrowings | 820,844 | 710,331 |
| Interest expenses for valuable papers issued | 1,310,034 | 1,079,402 |
| Other expenses for credit activities | 37,274 | 180,924 |
| Total | 9,871,512 | 9,302,609 |

16. Net gain from securities held for trading

| | <i>Current period</i> VND million | <i>Previous period</i> VND million |
|--|--------------------------------------|---------------------------------------|
| Income from dealing securities held for trading | 100,452 | 133,139 |
| Expense for dealing securities held for trading | (19,243) | (5,053) |
| (Reversal) for securities held for trading | (750) | (3,750) |
| Net gain from securities held for trading | 80,459 | 124,336 |

17. Net gain from investment securities

| | <i>Current period</i> VND million | <i>Previous period</i> VND million |
|--|--------------------------------------|---------------------------------------|
| Income from dealing investment securities | 280,518 | 391,228 |
| Expense for dealing investment securities | (24,562) | (133,318) |
| Provision (expense)/reversal for investment securities | (16,007) | 83,606 |
| Net gain from investment securities | 239,949 | 341,516 |

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

18. Income from investments in other entities

| | <i>Current period</i> VND million | <i>Previous period</i> VND million |
|-------------------------------------|--------------------------------------|---------------------------------------|
| Dividend from equity securities | 26,809 | 98,390 |
| Dividend from long-term investments | 260 | 3,770 |
| Total | 27,069 | 102,160 |

19. Operating expenses

| | <i>Current period</i> VND million | <i>Previous period</i> VND million |
|--|--------------------------------------|---------------------------------------|
| 1. Tax payment and other fees | 2,781 | 2,745 |
| 2. Personnel expenses | 2,615,979 | 2,376,729 |
| Salary and allowances | 2,304,211 | 2,121,318 |
| Salary related allowance | 221,079 | 197,980 |
| Allowance | 44,368 | 39,467 |
| Other expense | 46,321 | 17,964 |
| 3. Fixed asset expenses | 626,758 | 566,012 |
| <i>In which:</i> depreciation and amortization of fixed assets | 81,951 | 89,986 |
| 4. Administrative expenses | 1,723,999 | 1,484,423 |
| <i>In which:</i> | | |
| Expense relating to business trips | 54,468 | 56,106 |
| Expense relating to Bank activities | 1,959 | 2,092 |
| 5. Insurance expenses for customer deposits | 112,597 | 113,315 |
| 6. Provision expense (excluding provision expense for credit losses, investment securities) | (1,617) | (101,768) |
| 7. Other expenses | - | - |
| Total | 5,080,497 | 4,441,456 |

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

VII. OTHER INFORMATION

20. Related parties

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

- (a) Directly, or indirectly through one or more intermediaries, the party:
- ▶ controls, is controlled by, or is under common control with the Bank (including parents and subsidiaries);
 - ▶ has an interest (owning 5% or more of the charter capital or voting share capital) in the Bank and its subsidiaries that gives it significant influence over the Bank and its subsidiaries;
 - ▶ has joint control over the Bank and its subsidiaries;
- (b) The party is a joint venture in which the Bank and its subsidiaries are ventures (owning over 11% of the charter capital or voting share capital but is not a subsidiary of the Bank and its subsidiaries);
- (c) The party is a member of the key management personnel (including Chief Financial Officer and Chief Accountant) of the Bank and its subsidiaries;
- (d) The party is a close member of the family of any person referred to in (a) or (c); or
- (e) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any person referred to in (c) or (d).

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

| <i>Related party</i> | <i>Transactions</i> | <i>Current period VND million</i> |
|--|---------------------|---------------------------------------|
| Major shareholders and related parties of major shareholders | Deposits | 29,122,406 |
| | Withdrawals | 29,874,072 |
| Companies in which the Bank has long-term investments | Deposits | 98,554,062 |
| | Withdrawals | 97,161,861 |

Receivables and payables with related parties at the end of the period are as follows:

| <i>Related party</i> | <i>Transactions</i> | <i>31 December 2019 VND million</i> | |
|--|---------------------|---|-----------------|
| | | <i>Receivables</i> | <i>Payables</i> |
| Major shareholders and related parties of major shareholders | Term deposits | - | (212,332) |
| | Demand deposits | - | (114,057) |
| | Margin deposits | - | (76,292) |
| | Loans | 248,940 | - |
| Companies in which the Bank has long-term investments | Term deposits | - | (643,381) |
| | Demand deposits | - | (2,674,692) |
| | Margin deposits | - | (2) |
| | Loans | 1,371,134 | - |

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

21. Concentration of assets, liabilities and off-balance sheet items by geographical regions

| | <u>Loans</u> | <u>Deposits</u> | <u>Credit commitment</u> | <u>Derivatives</u> | <u>Trading and investment securities</u> |
|----------|--------------|-----------------|------------------------------|--------------------|--|
| Domestic | 146,324,378 | 27,944,968 | 13,463,731 | 35,421,232 | 41,096,799 |
| Overseas | - | 413,449 | - | - | - |

VIII. FINANCIAL RISK MANAGEMENT

22. Financial risk management policies

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

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

(iii) Risk Management Committee

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

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

Risk Management Committee reviews and evaluates the appropriateness and effectiveness of the risk management of procedures and policies of the Bank and its subsidiaries 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 subsidiaries.

(v) Internal Audit

According to the annual internal audit plan, business processes throughout the Bank and its subsidiaries 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.

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

(vi) Risk measurement and reporting systems

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

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

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

For all levels throughout the Bank and its subsidiaries, 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 and its subsidiaries have actively used collateral to mitigate credit risk.

(viii) Excessive risk concentration

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

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

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

23. Credit risk

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

The Bank and its subsidiaries 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 and its subsidiaries 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, including frequently review collateral. 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.

Actual interest of balance with the State Bank of Vietnam, Due from and loans to other credit institutions, loans to customers and due to customers applied by currency.

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

24. Market risk

24.1 Interest risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair values of financial instruments. The Bank and its subsidiaries are exposed to interest rate risk as a result of mismatches of maturity dates or dates of interest rate re-pricing in respect of assets, liabilities and off-balance sheet instruments over a certain period. The Bank and its subsidiaries 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 consolidated 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 and its subsidiaries' assets and liabilities:

- ▶ Cash and gold; 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 and held for trading securities is calculated based on the time to maturity from the consolidated 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 consolidated 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 consolidated balance sheet date.
- ▶ The re-pricing term of valuable papers issued is determined based on the time to maturity from the consolidated balance sheet date.

The following table presents the interest re-pricing period of the Bank and its subsidiaries' assets and liabilities as at 31 December 2019.

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

| Items | 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 | Total VND million |
|--|------------------------|--|------------------------------|-----------------------------|-----------------------------|------------------------------|----------------------------|-----------------------------|----------------------|
| Assets | | | | | | | | | |
| Cash and gold | - | 2,004,563 | - | - | - | - | - | - | 2,004,563 |
| Balances with the State Bank of Vietnam | - | - | 4,503,540 | - | - | - | - | - | 4,503,540 |
| Due from and loans to other credit institutions (*) | - | - | 21,678,687 | 2,786,190 | 200,000 | - | - | - | 24,664,877 |
| Securities held for trading (*) | - | 4,650,988 | - | - | - | - | - | - | 4,650,988 |
| Derivatives and other financial assets | - | - | - | - | - | - | - | - | - |
| Loans to customers (*) | 4,300,019 | - | 6,654,274 | 124,981,677 | 2,511,640 | 4,485,532 | 3,391,236 | - | 146,324,378 |
| Purchased debts (*) | - | - | - | - | - | - | - | - | - |
| Investment securities (*) | 62,259 | 1,499,717 | 1,192,637 | 2,361,885 | 4,328,948 | 6,252,653 | 15,160,875 | 5,586,837 | 36,445,811 |
| Long-term investments (*) | - | 185,117 | - | - | - | - | - | - | 185,117 |
| Fixed assets and investment properties | - | 947,659 | - | - | - | - | - | - | 947,659 |
| Other assets (*) | 42,948 | 11,801,429 | - | - | - | - | - | - | 11,844,377 |
| Total assets | 4,405,226 | 21,089,473 | 34,029,138 | 130,129,752 | 7,040,588 | 10,738,185 | 18,552,111 | 5,586,837 | 231,571,310 |
| Liabilities | | | | | | | | | |
| Due to and borrowings from the SBV and other credit institutions | - | - | 30,132,374 | 11,813,384 | 2,199,450 | 2,040,560 | 1,082 | - | 46,186,850 |
| Due to customers | - | 490,435 | 44,222,545 | 20,201,902 | 27,846,540 | 27,470,102 | 5,785,544 | 1,508 | 126,018,576 |
| Derivatives and other financial liabilities | - | 14,262 | - | - | - | - | - | - | 14,262 |
| Grants, entrusted funds and loans exposed to risks | - | - | 1,058 | 2,965,760 | - | - | - | 76,674 | 3,043,492 |
| Valuable papers issued | - | - | 450,000 | 239,000 | 2,815,000 | 4,390,000 | 17,071,563 | 47,500 | 25,013,063 |
| Other liabilities (*) | - | 8,819,903 | - | - | - | - | - | - | 8,819,903 |
| Total liabilities | - | 9,324,600 | 74,805,977 | 35,220,046 | 32,860,990 | 33,900,662 | 22,858,189 | 125,682 | 209,096,146 |
| On-balance sheet interest sensitivity gap | 4,405,226 | 11,764,873 | (40,776,839) | 94,909,706 | (25,820,402) | (23,162,477) | (4,306,078) | 5,461,155 | 22,475,164 |
| Off-balance sheet interest sensitivity gap | - | (13,463,731) | - | - | - | - | - | - | (13,463,731) |
| Interest sensitivity gap (on, off-balance sheet) | 4,405,226 | (1,698,858) | (40,776,839) | 94,909,706 | (25,820,402) | (23,162,477) | (4,306,078) | 5,461,155 | 9,011,433 |

(*) These items exclude provision,

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

24.2 *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 subsidiaries are incorporated and operating in Vietnam with reporting currency as VND, the major currency of its transaction is also VND. Financial assets and financial liabilities of the Bank and its subsidiaries are almost denominated in VND and a proportion in USD, EUR and gold. The Bank and its subsidiaries have set limits to control the positions of the currencies. Positions are monitored on a daily basis and hedging strategies are used to ensure that the positions of the currencies are maintained within the established limits.

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

The following table presents assets and liabilities in foreign currencies translated into VND as at 31 December 2019:

| <i>Items</i> | <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 | 93,645 | 377,118 | 33,465 | 242,010 | 746,238 |
| Balances with the State Bank of Vietnam | - | 116,570 | - | - | 116,570 |
| Due from and loans to other credit institutions (*) | 26,054 | 579,747 | - | 4,827,055 | 5,432,856 |
| Derivatives and other financial assets | - | 3,502,055 | - | - | 3,502,055 |
| Loans to customers (*) | - | 11,145,727 | - | 76,674 | 11,222,401 |
| Other assets (*) | 35 | 2,710,276 | - | 5,528 | 2,715,839 |
| Total assets | 119,734 | 18,431,493 | 33,465 | 5,151,267 | 23,735,959 |
| Liabilities | | | | | |
| Due to and borrowings from other credit institutions | - | 8,372,789 | - | 1,000,160 | 9,372,949 |
| Due to customers | 61,672 | 4,300,005 | - | 141,156 | 4,502,833 |
| Derivatives and other financial liabilities | 51,944 | - | - | 3,905,152 | 3,957,096 |
| Grants, entrusted funds and loans exposed to risks | - | 2,966,819 | - | 76,674 | 3,043,493 |
| Other liabilities | 565 | 2,645,415 | 217 | 7,767 | 2,653,964 |
| Total liabilities | 114,181 | 18,285,028 | 217 | 5,130,909 | 23,530,335 |
| Foreign exchange position on-balance sheet | 5,553 | 146,465 | 33,248 | 20,358 | 205,624 |
| Foreign exchange position off-balance sheet | - | 70,096 | - | (23,568) | 46,528 |
| Foreign exchange position on and off-balance sheet | 5,553 | 216,561 | 33,248 | (3,210) | 252,152 |

(*) These items exclude provision.

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

24.3 *Liquidity risk*

Liquidity risk is the risk which the Bank and its subsidiaries have difficulties in meeting the obligations of financial liabilities. Liquidity risk occurs when the Bank and its subsidiaries cannot afford to settle debt obligations at the due dates in the normal or stress conditions. To manage the liquidity risk exposure, the Bank and its subsidiaries have 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 and its subsidiaries have also evaluated the estimated cash flows and the availability of current collateral assets in case of obtaining more deposits.

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

The following assumptions and conditions are applied in the analysis of maturity of the Bank and its subsidiaries' 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.

The following table presents assets and liabilities maturity from the Bank at 31 December 2019:

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

| Items | 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 | - | - | 2,004,563 | - | - | - | - | 2,004,563 |
| Balances with the State Bank of Vietnam | - | - | 4,503,540 | - | - | - | - | 4,503,540 |
| Due from and loans to other credit institutions (*) | - | - | 21,678,687 | 2,786,190 | 200,000 | - | - | 24,664,877 |
| Securities held for trading (*) | - | - | - | - | 1,672,283 | 2,135,061 | 843,644 | 4,650,988 |
| Derivatives and other financial assets (*) | - | - | - | - | - | - | - | - |
| Loans to customers (*) | 1,996,665 | 2,303,354 | 8,018,233 | 16,478,168 | 57,192,922 | 20,619,794 | 39,715,242 | 146,324,378 |
| Purchased debts (*) | - | - | - | - | - | - | - | - |
| Investment securities (*) | 62,259 | - | 2,064,655 | 1,376,804 | 5,770,327 | 17,785,104 | 9,386,662 | 36,445,811 |
| Long-term investments (*) | - | - | - | - | - | - | 185,117 | 185,117 |
| Fixed assets and investment properties | - | - | 290,061 | - | - | 75,991 | 581,607 | 947,659 |
| Other assets (*) | 42,948 | - | 11,801,429 | - | - | - | - | 11,844,377 |
| Total assets | 2,101,872 | 2,303,354 | 50,361,168 | 20,641,162 | 64,835,532 | 40,615,950 | 50,712,272 | 231,571,310 |
| Liabilities | | | | | | | | |
| Due to and borrowings from the SBV and other credit institutions | - | - | 29,668,974 | 9,288,513 | 2,876,878 | 4,304,659 | 47,826 | 46,186,850 |
| Due to customers | - | - | 44,712,980 | 20,201,902 | 55,316,642 | 5,785,544 | 1,508 | 126,018,576 |
| Derivatives and other financial liabilities (*) | - | - | (34,828) | 10,946 | 38,019 | 125 | - | 14,262 |
| Grants, entrusted funds and loans exposed to risks | - | - | - | - | - | - | 3,043,492 | 3,043,492 |
| Valuable papers issued | - | - | 450,000 | 239,000 | 5,705,000 | 16,071,563 | 2,547,500 | 25,013,063 |
| Other liabilities (*) | - | - | 8,819,903 | - | - | - | - | 8,819,903 |
| Total liabilities | - | - | 83,617,029 | 29,740,361 | 63,936,539 | 26,161,891 | 5,640,326 | 209,096,146 |
| Net liquidity gap | 2,101,872 | 2,303,354 | (33,255,861) | (9,099,199) | 898,993 | 14,454,059 | 45,071,946 | 22,475,164 |

(*) These items exclude provision.

Ho Chi Minh City Development Joint Stock Commercial Bank

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2019 and for the period then ended

Form B05a/TCTD-HN
(issued under Circular No.
49/2014/TT-NHNN dated 31 December 2014)

Prepared by:



Ms. Le Thi Thao
Accountant

Reviewed by:



Ms. Ho Dang Hoang Quyen
Chief Accountant

Approved by:



Mr. Pham Van Dau
Chief Financial Officer

Ho Chi Minh City, Vietnam

30 January 2020

