

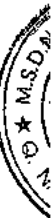


Saigon - Hanoi Joint Stock Commercial Bank

Consolidated Financial Statements

for the year ended

31 December 2018



**Saigon - Hanoi Joint Stock Commercial Bank
Corporate Information**

Banking Licence No. 0041/NH-GP 13 November 1993

The Banking Licence was granted by the State Bank of Vietnam and is valid for 50 years from the granting date.

Business Registration Certificate No. 1800278630 17 June 2013

The Bank's Business Registration Certificate has been amended several times, the most recent of which is the Business Registration Certificate dated 16 May 2018.

Board of Directors

| | |
|---------------------|--------------------|
| Mr. Do Quang Hien | Chairman |
| Mr. Vo Duc Tien | Vice Chairman |
| Mr. Nguyen Van Le | Member |
| Mr. Thai Quoc Minh | Member |
| Mr. Do Quang Huy | Member |
| Mr. Pham Cong Doan | Member |
| Mr. Trinh Thanh Hai | Independent Member |

Board of Supervisors

| | |
|------------------------|-------------------------------------|
| Mr. Pham Hoa Binh | Head of Board of Supervisors |
| Ms. Nguyen Thi Hoat | Deputy Head of Board of Supervisors |
| Mr. Nguyen Huu Duc | Member |
| Ms. Pham Thi Bich Hong | Member |
| Ms. Le Thanh Cam | Member |

Board of Management and Chief Accountant

| | |
|-------------------------|---|
| Mr. Nguyen Van Le | Chief Executive Officer |
| Mr. Le Dang Khoa | Deputy Executive Officer |
| Mr. Nguyen Huy Tai | Deputy Executive Officer |
| Ms. Ngo Thu Ha | Deputy Executive Officer |
| Ms. Ninh Thi Lan Phuong | Deputy Executive Officer |
| Ms. Dang To Loan | Deputy Executive Officer |
| Mr. Tran Nhat Nam | Deputy Executive Officer (until 31/1/2019) |
| Ms. Hoang Thi Mai Thao | Deputy Executive Officer (from 15/1/2019) |
| Ms. Ngo Thi Van | Chief Accountant |

Legal representative Mr. Nguyen Van Le Chief Executive Officer

Registered office No. 77 Tran Hung Dao Street, Hoan Kiem District
Hanoi, Vietnam

Auditor KPMG Limited
Vietnam

**Saigon - Hanoi Joint Stock Commercial Bank
Statement of the Board of Management**

The Board of Management of Saigon - Hanoi Joint Stock Commercial Bank (“the Bank”) presents this statement and the accompanying consolidated financial statements of the Bank and its subsidiaries (collectively referred to as “SHB”) for the year ended 31 December 2018.

The Board of Management of the Bank is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with Vietnamese Accounting Standard, the Vietnamese Accounting System for credit institutions stipulated by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting. In the opinion of the Board of Management:

- (a) the consolidated financial statements set out on pages 5 to 82 give a true and fair view of the consolidated financial position of SHB as at 31 December 2018, and of its consolidated results of operations and the consolidated cash flows of SHB for the year then ended in accordance with Vietnamese Accounting Standard, the Vietnamese Accounting System for credit institutions stipulated by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting; and
- (b) at the date of this statement, there are no reasons for the Board of Management to believe that SHB will not be able to pay its debts as and when they fall due.

The Board of Management has, on the date of this statement, authorised the accompanying consolidated financial statements for issue.

On behalf of the Board of Management



Nguyen Van Le
Chief Executive Officer

Hanoi, 20 March 2019



KPMG Limited
46th Floor, Keangnam Landmark 72
E6 Pham Hung Road, Me Tri Ward
South Tu Liem District, Hanoi, Vietnam
+84 (24) 3946 1600 | kpmg.com.vn

INDEPENDENT AUDITOR'S REPORT

To the Shareholders Saigon - Hanoi Joint Stock Commercial Bank

We have audited the accompanying consolidated financial statements of Saigon - Hanoi Joint Stock Commercial Bank ("the Bank") and its subsidiaries (collectively referred to as "SHB"), which comprise the consolidated balance sheet as at 31 December 2018, the related consolidated statements of income and cash flows for the year then ended and the explanatory notes thereto which were authorised for issue by the Bank's Board of Management on 20 March 2019, as set out on pages 5 to 82.

Management's Responsibility

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

Auditor's Responsibility

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

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

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



Auditor's Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Saigon - Hanoi Joint Stock Commercial Bank and its subsidiaries as of 31 December 2018 and of their consolidated results of operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for Credit Institutions stipulated by the State Bank of Vietnam and the relevant statutory requirements applicable to financial reporting.

Emphasis of Matters

Without qualifying our opinion, we draw attention to Note 4(c) to the consolidated financial statements which describes specific accounting policies regarding allowance for credit risks relating to outstanding financial debts in accordance with the Scheme for "Merging Hanoi Building Commercial Joint Stock Bank into Saigon - Hanoi Joint Stock Commercial Bank for the period from 2016 to 2020" ("the Scheme"). For the outstanding financial debts, mainly from Hanoi Building Commercial Joint Stock Bank ("HBB"), the Bank has been approved by the State Bank of Vietnam ("SBV") to adopt specific accounting policies based on the solutions for financial treatments proposed in the amended Scheme approved by the State Bank of Vietnam on 8 November 2016. For these outstanding financial debts, the Bank is allowed to allocate allowance for credit risks in accordance with the roadmap as determined in the Scheme.

Other matter


The consolidated financial statements of SHB for the year ended 31 December 2017 were audited by another firm of auditors whose audit report dated 6 April 2018 expressed an unqualified audit opinion on those statements with emphasis of matters on the adoption of the specific accounting policies for outstanding financial debts.

KPMG Limited

Vietnam

Audit report No.: 18-02-00064-FS-19-2




Dam Xuan Lam
Practicing Auditor Registration
Certificate No.: 0861-2018-007-1
Deputy General Director



Tran Dinh Vinh
Practicing Auditor Registration
Certificate No.: 0339-2018-007-1

Hanoi, 20 March 2019

| | Note | 31/12/2018 VND million | 31/12/2017 VND million |
|-------------|--|---------------------------|---------------------------|
| A | ASSETS | | |
| I | Cash and gold on hand | 1,884,822 | 1,446,548 |
| II | Balances with the State Banks | 4,328,739 | 3,742,659 |
| III | Balances with and loans to other credit institutions | 29,300,327 | 33,513,516 |
| 1 | Balances with other credit institutions | 29,300,327 | 27,859,510 |
| 2 | Loans to other credit institutions | - | 5,654,006 |
| IV | Securities held for trading | 655 | 1,050 |
| 1 | Securities held for trading | 3,889 | 3,889 |
| 2 | Allowance for securities held for trading | (3,234) | (2,839) |
| V | Derivatives and other financial assets | 58,228 | 136,265 |
| VI | Loans to customers | 213,986,652 | 195,441,551 |
| 1 | Loans to customers | 216,988,881 | 198,290,566 |
| 2 | Allowance for loans to customers | (3,002,229) | (2,849,015) |
| VIII | Investment securities | 48,026,925 | 21,207,964 |
| 1 | Available-for-sale securities | 25,193,006 | 12,268,348 |
| 2 | Held-to-maturity securities | 24,761,139 | 10,682,862 |
| 3 | Allowance for investment securities | (1,927,220) | (1,743,246) |
| IX | Long-term investments | 195,767 | 215,465 |
| 4 | Other long-term investments | 201,750 | 227,250 |
| 5 | Allowance for diminution in the value of long-term investments | (5,983) | (11,785) |
| X | Fixed assets | 4,792,434 | 3,952,317 |
| 1 | Tangible fixed assets | 485,674 | 425,424 |
| a | Cost | 1,140,635 | 1,011,431 |
| b | Accumulated depreciation | (654,961) | (586,007) |
| 3 | Intangible fixed assets | 4,306,760 | 3,526,893 |
| a | Cost | 4,544,660 | 3,738,489 |
| b | Accumulated amortisation | (237,900) | (211,596) |
| XII | Other assets | 20,701,459 | 26,352,746 |
| 1 | Receivables | 7,980,896 | 13,411,455 |
| 2 | Accrued interest and fee receivables | 9,117,746 | 7,955,903 |
| 4 | Other assets | 4,256,033 | 5,395,762 |
| 5 | Allowance for other assets | (653,216) | (410,374) |
| | TOTAL ASSETS | 323,276,008 | 286,010,081 |

The accompanying notes are an integral part of these consolidated financial statements

| | Note | 31/12/2018 VND million | 31/12/2017 VND million |
|---|-----------|---------------------------|---------------------------|
| B | | | |
| LIABILITIES AND OWNERS' EQUITY | | | |
| LIABILITIES | | | |
| I | | | |
| Amounts due to the Government and the State Banks | 18 | 12,211,237 | 2,758,343 |
| II | | | |
| Deposits and borrowings from other credit institutions | 19 | 44,933,789 | 53,000,419 |
| 1 Deposits from other credit institutions | | 31,352,183 | 33,297,858 |
| 2 Borrowings from other credit institutions | | 13,581,606 | 19,702,561 |
| III | | | |
| Deposits from customers | 20 | 225,224,141 | 194,889,770 |
| V | | | |
| Other borrowed and entrusted funds | 21 | 1,473,711 | 1,064,161 |
| VI | | | |
| Valuable papers issued | 22 | 16,721,736 | 14,967,269 |
| VII | | | |
| Other liabilities | 23 | 6,378,862 | 4,638,899 |
| 1 Accrued interest and fee payables | | 5,294,909 | 4,103,201 |
| 3 Other liabilities | | 1,083,953 | 535,698 |
| TOTAL LIABILITIES | | 306,943,476 | 271,318,861 |
| OWNERS' EQUITY | | | |
| VIII | | | |
| Owners' capital and reserves | 24 | 16,332,532 | 14,691,220 |
| 1 Capital | | 12,132,617 | 11,293,347 |
| a Share capital | | 12,036,161 | 11,196,891 |
| c Share premium | | 101,716 | 101,716 |
| d Treasury shares | | (5,260) | (5,260) |
| 2 Reserves | | 1,467,001 | 1,220,358 |
| 3 Foreign exchange differences | | (5,891) | - |
| 5 Retained earnings | | 2,738,805 | 2,177,515 |
| TOTAL OWNERS' EQUITY | | 16,332,532 | 14,691,220 |
| TOTAL LIABILITIES AND OWNERS' EQUITY | | 323,276,008 | 286,010,081 |

| | 31/12/2018 VND million | 31/12/2017 VND million |
|---------------------------------|--|---------------------------|
| OFF-BALANCE SHEET ITEMS | | |
| I CONTINGENT LIABILITIES | | |
| 1 | 16,208 | 179,955 |
| 2 | 32,202,971 | 51,133,948 |
| | <i>Forward foreign currency purchase commitments</i> | <i>1,339,602</i> |
| | <i>Forward foreign currency sale commitments</i> | <i>1,739,760</i> |
| | <i>Swap commitments</i> | <i>48,054,586</i> |
| 4 | 14,117,545 | 14,695,470 |
| 5 | 49,465,228 | 23,117,644 |

20 March 2019

Prepared by:



Nguyen Thi Lien
 Head of Accounting
 and General Affairs Department



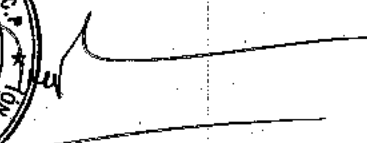
Ngo Thi Van
 Chief Accountant

Reviewed by



Ngo Thu Ha
 Deputy Executive Officer

Approved by:



Nguyen Van Le
 Chief Executive Officer



| | Note | 2018 VND million | 2017 VND million (Reclassified) |
|-------------|---|---------------------|---------------------------------------|
| 1 | Interest and similar income | 22,641,366 | 18,220,214 |
| 2 | Interest and similar expenses | (17,085,464) | (13,423,554) |
| I | Net interest income | 5,555,902 | 4,796,660 |
| 3 | Fee and commission income | 822,989 | 1,526,170 |
| 4 | Fee and commission expenses | (109,047) | (69,305) |
| II | Net fee and commission income | 713,942 | 1,456,865 |
| III | Net gain from trading of foreign currencies | 61,747 | 54,247 |
| IV | Net loss from trading securities | - | (5,188) |
| V | Net gain from investment securities | 277,881 | 1,050 |
| 5 | Other income | 251,134 | 359,978 |
| 6 | Other expenses | (121,073) | (222,486) |
| VI | Net other income | 130,061 | 137,492 |
| VII | Income from capital contribution, share purchases | 2,202 | 2,816 |
| VIII | Operating expenses | (3,222,791) | (2,629,858) |
| IX | Net operating profit before allowance and provision expenses | 3,518,944 | 3,814,084 |
| X | Allowance and provision expenses | (1,425,091) | (1,888,773) |
| XI | Profit before tax (carried forward to next page) | 2,093,853 | 1,925,311 |

| | Note | 2018 VND million | 2017 VND million |
|--|-----------|---------------------|---------------------|
| XI Profit before tax (brought forward from previous page) | | 2,093,853 | 1,925,311 |
| 7 Income tax expense - current | 32 | (421,534) | (386,183) |
| XII Income tax expense | 32 | (421,534) | (386,183) |
| XIII Net profit after tax | | 1,672,319 | 1,539,128 |
| Attributable to: | | | |
| Net profit after tax of the Bank | | 1,672,319 | 1,539,128 |
| XV Basic earnings per share (VND/share) (restated) | 33 | 1,390 | 1,279 |

20 March 2019

Prepared by:



Nguyen Thi Lien
 Head of Accounting
 and General Affairs Department

Reviewed by



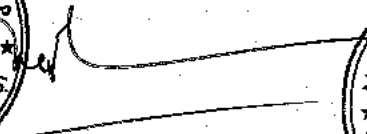
Ngo Thi Van
 Chief Accountant

Reviewed by



Ngo Thu Ha
 Deputy Executive Officer

Approved by:



Nguyen Van Le
 Chief Executive Officer



| | 2018 VND million | 2017 VND million |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| 01 Interest and similar income received | 21,461,219 | 18,142,807 |
| 02 Interest and similar expenses paid | (15,883,738) | (12,551,520) |
| 03 Net fee and commission income received | 703,875 | 1,465,529 |
| 04 Net receipts from foreign currencies and securities trading activities | 338,600 | 412,890 |
| 05 Other income | 68,722 | 155,853 |
| 06 Proceeds from loans previously written off | 61,339 | 16,912 |
| 07 Operating and salary expenses payments | (3,122,638) | (2,771,257) |
| 08 Corporate income tax paid | (377,831) | (268,304) |
| Net cash flows from operating activities before changes in operating assets and liabilities | 3,249,548 | 4,602,910 |
| Changes in operating assets | | |
| 09 Decrease in balances with and loans to other credit institutions | 5,106,549 | 2,155,857 |
| 10 Increase in securities held for trading | (27,002,935) | (3,009,463) |
| 11 Decrease/(increase) in derivatives and other financial assets | 78,037 | (91,687) |
| 12 Increase in loans to customers | (18,698,315) | (35,914,379) |
| 13 Decrease in allowance for impairment | (731,038) | (236,877) |
| 14 Decrease/(increase) in other assets | 5,672,935 | (10,156,232) |
| Changes in operating liabilities | | |
| 15 Increase in amounts due to the Government and the State Banks | 9,452,894 | 185,923 |
| 16 (Decrease)/increase in deposits and borrowings from other credit institutions | (8,066,630) | 19,690,987 |
| 17 Increase in deposits from customers | 30,334,371 | 28,313,552 |
| 18 Increase in valuable papers issued | 1,754,467 | 1,199,594 |
| 19 Increase in other borrowed and entrusted funds | 409,550 | 255,274 |
| 21 Increase/(decrease) in operating liabilities | 514,213 | (363,487) |
| I NET CASH FLOWS FROM OPERATING ACTIVITIES | 2,073,646 | 6,631,972 |


| | 2018 VND million | 2017 VND million |
|---|---------------------|---------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| 01 | (172,681) | (117,245) |
| 02 | 1,762 | 187,214 |
| 07 | - | (12,857) |
| 08 | 13,363 | 15,000 |
| 09 | 2,202 | 2,816 |
| II | (155,354) | 74,928 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| 04 | (578) | (330) |
| III | (578) | (330) |
| IV | 1,917,714 | 6,706,570 |
| V | 33,048,717 | 26,342,147 |
| VII | 34,966,431 | 33,048,717 |

20 March 2019

Prepared by:

Reviewed by

Approved by:


 Nguyen Thi Lien
 Head of Accounting
 and General Affairs Department


 Ngo Thi Van
 Chief Accountant


 Ngo Thu Ha
 Deputy Executive Officer


 Nguyen Van Le
 Chief Executive Officer



These notes form an integral part of and should be read in conjunction with, the accompanying consolidated financial statements.

1. Reporting entity

(a) Incorporation and operation

Saigon - Hanoi Joint Stock Commercial Bank ("the Bank") is a commercial joint stock bank incorporated and registered in Vietnam.

The Bank was established pursuant to the Banking License No. 0041/NH-GP issued by the State Bank of Vietnam ("SBV") on 13 November 1993 initially known as Nhon Ai Rural Commercial Joint Stock Bank. The Bank was renamed as Saigon - Hanoi Joint Stock Commercial Bank under Decision No. 1764/QĐ-NHNN dated 11 September 2009 granted by the Governor of SBV. The Bank successfully merged Hanoi Building Commercial Joint Stock Bank ("HBB") and Vinaconex – Viettel Finance Joint Stock Company ("VVF") into its operation in 2012 and 2017, respectively, which is in line with the Restructuring plan of the banking system of Vietnam.

The Bank currently operates under Business Registration Certificate No. 1800278630 by the Hanoi Department of Planning and Investment and was amended for the 26th time on 16 May 2018.

The principal activities of the Bank are mobilising and receiving short, medium and long-term deposit funds from organisations and individuals; lending on a short, medium and long-term basis up to the nature and ability of the Bank's capital resources; conducting settlement and cash services and other banking services as approved by SBV; making capital contributions, purchasing shares, investing in bonds and trading foreign currencies in accordance with the provisions of law.

(b) Location and operation network

The Bank's Head Office is located at No.77 Tran Hung Dao, Hoan Kiem District, Hanoi. As at 31 December 2018, the Bank had one (1) Head Office, fifty eight (58) branches and one hundred and ninety six (196) transaction offices (31/12/2017: 1 Head Office, 53 branches and 179 transaction offices).

(c) Subsidiaries

As at 31 December 2018, the Bank had four (4) subsidiaries as follows (31/12/2017: four (4) subsidiaries):

| Company name | Nature of Business | % owned by the Bank |
|--|---------------------------|---------------------|
| SHB Debt and Asset Management One Member Company Limited ("SHB AMC") | Debt and asset management | 100% |
| SHB One Member Limited Finance Company ("SHB FC") | Banking/Finance | 100% |

| Company name | Nature of Business | % owned by the Bank |
|--|--------------------|---------------------|
| Sai Gon - Hanoi Bank Laos Limited ("SHB Laos") | Banking/Finance | 100% |
| Sai Gon - Hanoi Bank Cambodia Limited ("SHB Cambodia") | Banking/Finance | 100% |

(d) Number of employees

As at 31 December 2018, SHB had 7,546 employees (31/12/2017: 6,186 employees).

2. Basis of preparation of the consolidated interim financial statements

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standard, the Vietnamese Accounting System for credit institutions stipulated by the SBV and the relevant statutory requirements applicable to financial reporting. These standards and statutory requirements may differ, in some material respects, from International Financial Reporting Standards as well as generally accepted accounting principles and standards of other countries. Accordingly, the accompanying consolidated financial statements are not intended to present SHB's financial position, results of operations and cash flows in accordance with generally accepted accounting principles and practices in countries or jurisdictions other than Vietnam. Furthermore, their utilisation is not designed for those who are not informed about Vietnam's accounting principles, procedures and practices applicable to credit institutions.

(b) Basis of measurement

The consolidated financial statements, except for the consolidated statement of cash flows, are prepared on the accrual basis using the historical cost concept. The consolidated statement of cash flows is prepared using the direct method.

(c) Accounting period

The annual accounting period of SHB is from 1 January to 31 December.

(d) Accounting currency

The accounting currency of SHB is Vietnam Dong ("VND"). These consolidated financial statements are prepared and presented in VND, rounded to the nearest million ("VND million").

3. Adoption of new accounting guidance

Circular No. 22/2017/TT-NHNN

On 29 December 2017, the State Bank of Vietnam issued Circular No. 22/2017/TT-NHNN ("Circular 22") amending and supplementing a number of articles in the Accounting system of credit institutions as stipulated in Decision No. 479/2004/QĐ-NHNN dated 29 April 2004, and a number of articles in the regime on financial statements applicable to credit institutions as stipulated in Decision No. 16/2007/QĐ-NHNN dated 18 April 2007 of the Governor of the State Bank of Vietnam. Circular 22 is effective from 1 April 2018 onwards.

Significant changes in the accounting policies of the Bank in relation to the adoption of Circular 22 have been described in Note 4(b). Besides, the Bank's presentation of the consolidated financial statements includes some changes with new forms provided by Circular 22.

Circular No. 16/2018/TT-BTC

On 7 February 2018, the Ministry of Finance issued Circular No. 16/2018/TT-BTC on guidelines for financial regulations applied to credit institutions and branches of foreign banks ("Circular 16"). Circular 16 is effective from 26 March 2018 and supersedes Circular No. 05/2013/TT-BTC dated 9 January 2013 of the Ministry of Finance.

Significant changes in the Bank's accounting policies related to the adoption of Circular 16 and effects to the consolidated financial statements have been described in Note 4(v).

4. Summary of significant accounting policies

The following significant accounting policies have been adopted by SHB in the preparation of these consolidated financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by SHB. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The accounting policies of subsidiaries have been also revised when necessary to ensure consistency with the accounting policies applied by SHB.

(b) Foreign currency

Foreign currency transactions

Prior to 1 April 2018

All transactions are recorded in their original currencies. Monetary assets and liabilities denominated in currencies other than VND are translated into VND at the rates of exchange ruling at the balance sheet date, non-monetary foreign currency assets and liabilities are translated into VND using the exchange rates effective at the dates of the transactions.

Income/expense related transactions incurred in foreign currencies are translated into VND using the exchange rates ruling on the dates of the transactions.

From 1 April 2018

All transactions are recorded in their original currencies. Monetary assets and liabilities denominated in currencies other than VND are translated into VND at the average of the account transfer buying rates and selling rates at the end of the last working day of the accounting period, non-monetary foreign currency assets and liabilities are translated into VND using the exchange rates effective at the dates of the transactions.

Income/expense related transactions incurred in foreign currencies are translated into VND using the the average of the account transfer buying rates and selling rates on the dates of the transactions.

The above changes in accounting policies are applied prospectively and have no significant effect on the consolidated financial statements of SHB.

(c) Specific accounting policies regarding allowance for credit risks relating to outstanding financial debts in accordance with the Scheme for Merging HBB into SHB for the period from 2016 to 2020

For the outstanding financial debts, mainly from HBB, the Bank has been approved by SBV to adopt specific accounting policies based on the solutions for financial treatments proposed in the amended Scheme for merging HBB into SHB for the period from 2016 to 2020 ("the Scheme"). The outstanding financial debts comprise:

- outstanding loans of HBB (Notes 4(i) and 11); and
- bonds of Vietnam Asset Management Company ("VAMC") (Notes 4(g)(iv) and 13(ii));
- non-performing capital contribution, share purchases of HBB (Note 4(h), 14(ii));
- doubtful debts from entrusted investments of HBB (Note 4(n) and 17(ii)).

For these outstanding financial debts, for each of the years from 2016 to 2024, SHB would record an allowance for credit risks with an amount at least equalling the amount determined in Official Letter No. 856/NHNN-TTGSNHNN.m dated 8 November 2016 ("Official Letter No. 856") on approving the Scheme.

In addition, for the outstanding balances of debts granted to Vietnam Shipbuilding Industry Group ("Vinashin") (renamed as Vietnam Shipbuilding Industry Corporation - ("SBIC")), some member entities belonging to SBIC and entities previously belonging to SBIC and transferred to Vietnam National Oil and Gas Group ("PVN"), and Vietnam National Shipping Lines ("Vinalines"), including those which have been swapped (Note 4(j) and Note 11(i)) and those have not (Note 4(n) and 17(ii)), in accordance with Official Letter No. 856, allowance made for these debts are amortised in 10 years, from 2014 to 2024, as approved in Official Letter No. 559/NHNN-TTGSNHNN dated 17 October 2014.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, gold on hand, balances with the State Banks, balances with other credit institutions that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Gold is revaluated at the balance sheet date and the differences arising on revaluation are recorded in the consolidated statement of income.

(e) Balances with and loans to other credit institutions

Balances with other credit institutions, except for current deposits, are deposits at other credit institutions with original terms of not exceeding three months.

Balances with and loans to other credit institutions are stated at the amount of the outstanding principal less any allowance for credit risks.

Credit risk classification of deposits with and loans to credit institutions and allowance thereof is made in accordance with Circular No. 02/2013/TT-NHNN dated 21 January 2013 of the SBV on classification of assets, level and method of allowance making, and use of allowance against credit risks in activities of credit institutions and foreign banks' branches ("Circular 02") and Circular No. 09/2014/TT-NHNN dated 18 March 2014 of the SBV on amending and supplementing a number of articles of Circular 02 ("Circular 09") which takes effects from 1 June 2014. Accordingly, the SHB has provided specific allowance for balances with and loans to other credit institutions in accordance with the method described in Note 4(j).

According to Circular 02, SHB is not required to provide general allowance for balances with and loans to other credit institutions.

(f) Securities held for trading

(i) Classification and recognition

Securities held for trading are unlisted debt securities, which are acquired principally for the purpose of selling it in the near term or there is evidence of a recent pattern of short-term profit-taking.

SHB recognises securities held for trading at the date that it becomes a party under contracts with respect to these securities (trade date accounting).

(ii) Measurement

Debt securities held for trading are stated at cost less allowance for credit risks made in accordance with Circular 02 and Circular 09 as described in Note 4(j).

An allowance for diminution in the value of securities is made if market price of the securities falls below its carrying amount.

Interest income from debt securities held for trading after the acquisition date is recognised in the consolidated statement of income upon receipt. The accumulated interest income from debt securities held for trading before acquisition date will be reduced upon receipt.

(iii) **De-recognition**

SHB derecognises trading securities when the contractual rights to the cash flows from these securities expire or when the significant risks and rewards of ownership of these securities have been transferred.

(g) **Investment securities**

(i) **Classification**

At the purchase date, investment securities are classified into two categories: held-to-maturity investment securities and available-for-sale investment securities. In accordance with Official Letter No. 2601/NHNN-TCKT issued by the SBV on 14 April 2009, SHB is allowed to reclassify investment securities once after the purchase date.

Held-to-maturity investment securities

Held-to-maturity investment securities are debt securities with fixed maturities and fixed or determinable payments, where SHB has the positive intention and ability to hold until maturity.

Available-for-sale investment securities

Available-for-sale investment securities are debt securities, equity securities or other securities, which are held for an indefinite period and may be sold at any time.

(ii) **Recognition**

SHB recognises investment securities at the date that it assumes substantially all the risks and rewards of ownership of the securities. Investment securities are initially recognised at cost.

(iii) **Measurement**

Equity securities

Available-for-sale equity securities are stated at cost; and are subsequently recognised at the lower of the cost and market value with the difference recognised in the consolidated statement of income.

Market value of listed available-for-sale equity securities is determined by reference to closing prices of securities from the Ho Chi Minh City Stock Exchange and Hanoi Stock Exchange at the end of the accounting period.

Market value of unlisted available-for-sale equity securities which are actively traded on market for Unlisted Public Companies ("UpCom") is determined by the closing price at the end of the accounting period.

Market value of unlisted available-for-sale equity securities which are actively traded on over-the-counter market ("OTC") is stated at cost less allowance for securities by reference to the average price of the transaction price quotes from three securities companies having charter capital above VND300 billion.

In cases where market value of securities cannot be determined reliably, such securities are stated at cost.

Debt securities

Debt securities are initially stated at cost including transaction costs and other directly attributable costs. They are subsequently recognised at amortised cost (affected by premium/discount amortisation) less allowance for securities risks, including allowance for credit risks and allowance for devaluation of trading securities. Premium and discounts arising from purchases of debt securities are amortised to the consolidated statement of income on a straight-line basis over the period from acquisition date to maturity date.

Listed available-for-sale debt securities are measured at cost less allowance for securities determined by reference to closing prices on Hanoi Stock Exchange at the end of the annual accounting period.

Held-to-maturity debt securities and available-for-sale investment securities of unlisted enterprises are recognised at cost less allowance for securities. Debt classification and allowance for these bonds are made in accordance with the policies applicable to loans and advances to customers as described in Note 4(j). No general allowance is made for purchases of valuable papers issued by other credit institutions and foreign bank branches in Vietnam.

Post-acquisition interest income of available-for-sale debt securities and held-to maturity investment securities is recognised in the consolidated statement of income on an accrual basis. The accumulated interest income before the acquisition date is recognised as a decrease in cost when the income is received.

(iv) De-recognition

SHB derecognises investment securities when the contractual rights to the cash flows from these securities expire or when the significant risks and rewards of ownership of these securities have been transferred.

(v) Special bonds issued by Vietnam Asset Management Company (“VAMC”)

Special bonds issued by VAMC are term valuable papers issued by VAMC for purchasing bad debts of SHB. For each bad debt sold to VAMC, SHB receives one special bond issued by VAMC. Par value of special bonds equals to carrying amount of loan principal balance of the bad debt less specific allowance made but not yet utilized for such bad debt.

Upon completing the procedures of selling bad debts, the Bank writes down the book value of the bad debts, uses the specific allowance made but not yet utilised and derecognise interest receivables recorded in off-balance sheet account. At the same time, the Bank recognises special bonds issued by VAMC held to maturity securities issued by local economic entities.

For special bonds issued by VAMC, the Bank makes allowance in accordance with Circular No. 19/2013/TT-NHNN dated 6 September 2013 issued by the SBV, on the purchase, sale and settlement of bad debts of VAMC (“Circular 19”) and Circular No. 14/2015/TT-NHNN dated 28 August 2014 issued by the SBV, regarding the amendments of and supplements to a number of articles of Circular 19 (“Circular 14”). Accordingly, specific allowance for special bonds issued by VAMC is calculated and provided on the principle of equal annual allocation until maturity date of the special bonds. Specific allowance is made on an annual basis within 5 working days prior to the maturity date of each special bond in accordance with the following formula:

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

In which:

- $X_{(m)}$ is the minimum specific allowance for special bonds in the year m ;
- X_{m-1} is the accumulated specific allowance made for special bonds until the end of the year $m-1$;
- Y is the face value of special bonds;
- n is the duration of special bonds (years);
- m is the number of years from issuance of special bonds to the provisioning date;
- Z_m is the accumulated bad debt repayment up to the provisioning date (year).

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

Specific allowance for special bonds is recorded in the consolidated statement of income in "Allowance and provision expenses".

According to Circular 19 and Circular 14, the Bank is not required to provide general allowance for special bonds issued by VAMC.

At the date of bond redemption, the arising interests collected by the credit institution from debts is recorded in "Other income".

Adoption of specific accounting policies regarding allowance for credit risks relating to outstanding financial debts in accordance with the Scheme

Upon adoption of specific accounting policies described in Note 4(c), for special bonds issued by VAMC, for each of the years from 2016 to 2024, the Bank would record allowance with an amount at least equalling the amount determined in Official Letter No. 856 on approving the Scheme.

(h) Capital contribution, long-term investments

(i) Other long-term investments

Other long-term investments are investments in the equity of other companies without having control or significant influence. These investments are initially stated at cost, and subsequently stated at cost less allowance for diminution in the value of investments.

(ii) Allowance for diminution in value of other long-term investments

Allowance for diminution in value of other long-term investments is made when the investee companies suffer losses, except when the loss was anticipated in the initial business plan before the date of investment. Allowance for diminution in value is determined as the total actual contributed capital of parties to the investee less (-) the actual owner's equity multiplied (x) by the SHB's ownership percentage in the investee. The allowance is reversed if the recoverable amounts are subsequently increased after the allowance was recognised. An allowance is reversed only to the extent that the investment's carrying amount does not exceed the carrying amount that has been determined if no allowance had been recognised.

Adoption of specific accounting policies regarding allowance for credit risks relating to outstanding financial debts in accordance with the Scheme

Upon adoption of specific accounting policies described in Note 4(c), for non-performing capital contribution, share purchases of HBB, for each of the years from 2016 to 2024, the Bank would record allowance with an amount at least equalling the amount determined in Official Letter No. 856 on approving the Scheme.

(i) Loans and advances to customers

Loans and advances to customers are stated at the amount of the principal outstanding less allowance for loans and advances to customers.

Short-term loans are those with a repayment date within 1 year from the loan disbursement date. Medium-term loans are those with a repayment date between 1 to 5 years from the loan disbursement date. Long-term loans are those with a repayment date of more than 5 years from the loan disbursement date.

SHB derecognises loans when the contractual rights to the cash flows from these loans expire or when substantially all the risks and rewards of ownership of these loans have been transferred.

For the loans sold to Vietnam Asset Management Company ("VAMC"), SHB shall remove them from the balance sheet in accordance with the guidance in Official Letter No. 8499/NHNN-TCKT dated 14 November 2013 and Official Letter No. 925/NHNN-TCKT dated 19 February 2014 issued by the SBV.

Debt classification and allowance for credit risks are made in accordance with Circular 02 and Circular 09 as described in Note 4(j).

(j) Allowance for loans and advances to customers

(i) Debt classification

Classification of deposits with and loans to other credit institutions (excluding current deposits), purchases and entrustment to purchase of unlisted corporate bonds, loans and advances to customers, and entrusted extension of credit (collectively referred to as "loans"), loans already sold but payments not yet collected, is implemented using the method based on the quantitative elements as stipulated in Article 10 of Circular 02.

(ii) Specific allowance for credit risks

Except for the loans to SBIC, some subsidiaries within SBIC and former member entities of SBIC, which were transferred to PVN, and Vinalines and outstanding loans of HBB, specific allowance for credit risks as at 31 December under Circular 02 and Circular 09 is determined based on the allowance rates corresponding to loan principals at the last working day of March less discounted collateral value. The rates of specific allowance for individual loan groups are as follows:

| Loan group | | Overdue status | Rate of allowance |
|------------|-------------------|--|-------------------|
| 1 | Current | (a) Current loans that being assessed as fully and timely recoverable, both principals and interests; or (b) Loans which are overdue for a period of less than 10 days and being assessed as fully recoverable, both overdue principals and interests, and fully and timely recoverable, both remaining principals and interests. | 0% |
| 2 | Special mentioned | (a) Loans which are overdue for a period of between 10 days and 90 days; or (b) Loans repayment terms of which are restructured for the first time. | 5% |
| 3 | Sub - standard | (a) Loans which are overdue for a period of between 91 days and 180 days; or (b) Loans repayment terms of which are extended for the first time; or (c) Loans which are exempted or reduced interests because customers are not sufficiently capable of paying all interests under credit contracts; or (d) Loans in one of the following circumstances which remain unrecovered during a period of less than 30 days after the date of the recovery decision: <ul style="list-style-type: none"> • Loans in breach of clauses 1, 3, 4, 5, 6 of Article 126 of the Law on Credit Institutions; or • Loans in breach of clauses 1, 2, 3, 4 of Article 127 of the Law on Credit Institutions; or • Loans in breach of clauses 1, 2, 5 of Article 128 of the Law on Credit Institutions. (e) Loans which are recovered under inspection conclusions. | 20% |
| 4 | Doubtful | (a) Loans which are overdue for a period of between 181 days and 360 days; or (b) Loans repayment terms of which are restructured for the first time but still overdue for a period of less than 90 days under that restructured repayment term; or (c) Loans repayment terms of which are restructured for the second time; or (d) Loans which are specified in point (c) of Sub - standard loan have not been recoverable for a period of between 30 days and 60 days after decisions on recovery have been issued; or (e) Loans which must be recovered under inspection conclusions but fail to be repaid although recovery term was overdue up to 60 days. | 50% |
| 5 | Loss | (a) Loans which are overdue for a period of more than 360 days; or (b) Loans repayment terms of which are restructured for the first time but still overdue for a period of 90 days or more than under that first restructured repayment term; or (c) Loans repayment terms of which are restructured for the second time but still overdue under that second restructured repayment term; or (d) Loans repayment terms of which are restructured for the third time or later, whether loans are overdue or not; or (e) Loans which are specified in point (d) of Sub-standard loan have not been recoverable for a period of more than 60 days after decisions on recovery have been issued; or (f) Loans which must be recovered under inspection conclusions but fail to be repaid although recovery term was overdue for more than 60 days; or (g) Loans of customers being credit institutions which are announced by SBV to place in special control status, or foreign banks' branches of which capital and assets are blockaded. | 100% |

From 20 March 2014 to before 1 April 2015, according to Article 10, Clause 3a of Circular 02, loans are restructured and maintained in the same loan group as before rescheduling when they meet the following conditions:

- Loans and credit granting are not in breach of the law;
- Loan rescheduling serves the purpose of borrowings in credit contracts;
- Customers use the loans for the right purpose;
- Customers have the new contracted loan repayment scheme which is feasible and aligned with their business plans; and
- SHB meets the regulations of the SBV on limits, safety ratios in operations, including a maximum ratio of short-term fund used for medium or long-term loans in cases of rescheduling short-term loans to medium or long-term loans.

Only when the above conditions are met, may SHB reschedule the repayment period of the loans to customers based on internal credit ratings and maintain such loans to customers in the same loan group as being currently classified. Article 10, Clause 3a of Circular 02 is effective from 20 March 2014 and expires on 1 April 2015.

The discounted value of collateral assets is determined in accordance with regulations in Circular 02, specifically as follows:

- Collateral assets with the value of VND50 billion or more for debts of customers who are related parties of SHB and others as prescribed in Article 127 of the Law on Credit Institutions and collateral assets with the value of VND200 billion or more shall be evaluated by a licensed asset valuation organisation.
- Other than the above, collateral assets are evaluated in accordance with SHB's internal policy and process.

The maximum discount rates for collateral assets are determined as follows:

| Types of collateral assets | Maximum discount rates |
|---|------------------------|
| Deposits from customers in VND | 100% |
| Gold bars, except for those without listed prices, deposits from customers in foreign currencies | 95% |
| Government bonds, negotiable instruments, valuable papers issued by SHB; saving cards, deposit certificates, treasury notes, treasury bills issued by other credit institutions, foreign banks' branches: | |
| ▪ With the remaining term of less than 1 year | 95% |
| ▪ With the remaining term of between 1 year and 5 years | 85% |
| ▪ With the remaining term of more than 5 years | 80% |
| Securities issued by other credit institutions and listed on the Stock Exchange | 70% |
| Securities issued by other enterprises and listed on the Stock Exchange | 65% |

| Types of collateral assets | Maximum discount rates |
|---|------------------------|
| Unlisted securities valuable papers issued by enterprises which have registered for listing on the Stock Exchange | 30% |
| Unlisted securities valuable papers issued by enterprises which have not registered for listing on the Stock Exchange | 10% |
| Real estate | 50% |
| Gold bars without listed prices and other gold and other collateral assets | 30% |

Collateral assets that fail to fully meet conditions specified in Article 12, Clause 3 of Circular 02 are deemed to have zero allowed value.

SHB makes and maintains general allowance calculated at 0.75% of outstanding loans and advances that are classified into Group 1 to 4 on the last working day of November.

Allowance is recognised as expenses in the consolidated statement of income and used to write off bad debts. SHB established a Risk Settlement Committee to write off bad debts when loans and advances have been classified to Group 5 or when borrowers have declared bankruptcy or dissolved (for borrowers being organisations or enterprises) or borrowers have been dead or missing (for borrowers being individuals).

Adoption of specific accounting policies regarding allowance for credit risks relating to outstanding financial debts in accordance with the Scheme

Upon adoption of specific accounting policies described in Note 4(c), for the loans granted to SBIC, some member entities belonging to SBIC and entities previously belonging to SBIC, and transferred to PVN, and Vinalines, the Bank would amortise allowance made for these loans in 10 years, from 2014 to 2024. For outstanding loans of HBB, for each of the years from 2016 to 2024, the Bank would record an allowance for credit risks with an amount at least equalling the amount determined in Official Letter No. 856 on approving the Scheme.

(iii) Bad debts written off

According to Circular 02 and Circular 09, loans and advances to customers are written off against the allowance when loans and advances to customers have been classified to Group 5 or when borrowers have been declared bankruptcy or dissolved (for borrowers being organisations) or borrowers are dead or missing (for borrowers being individuals).

(iv) Provision for off-balance sheet commitments

According to Circular 02 and Circular 09, the classification of off-balance sheet items are made only for purpose of managing and supervising quality of credit provision. No provision is made for off-balance sheet commitments unless SHB is required to fulfil its payment obligation under guarantee contracts, in which case, classification and allowance for such payment are made in accordance with the accounting policies described in Note 4(j).

(k) Derivative financial instruments

▪ ***Foreign exchange contracts***

SHB is involved in currency forward contracts and currency swap contracts to facilitate customers to transfer, adjust or reduce foreign exchange risks and other market risks and also for the business purposes of SHB.

Currency forward contracts are commitments to buy or sell a specific currency at a specific date in the future with a pre-determined rate, calculated based on nominal amount of principal and will be paid in cash. The forwards contracts are recorded at nominal value at the transaction date and are revalued at effective exchange rate at the reporting date and are stated at net value in the consolidated balance sheet. Gains or losses from currency forward contracts are recognised in the consolidated statement of income.

The currency swap contracts are commitments to settle in cash at a future date based on the difference between the pre-determined rates, calculated on notional principal amount. Premiums/discounts arising from the difference of the spot exchange rate at the effective date of the contracts and the forward exchange rate will be recognised immediately on the effective date of the contracts as an asset if they are positive or as a liability if they are negative in the consolidated balance sheet. This difference is amortised to the consolidated statement of income on a straight-line basis over the term of the swap contracts.

▪ ***Interest rate swap contracts***

The contract value in basic interest rate swaps of the same currency is not recognised in the consolidated balance sheet.

For cross currency interest rate swaps to exchange principals denominated in two different currencies which are exchanged at the effective date, the contract value is recognised on the consolidated balance sheet. Income earned and expenses incurred are recognised on an accrual basis.

For cross currency interest rate swaps to exchange principals denominated in two different currencies which are not exchanged at the effective date, the contract value is recognised on the consolidated balance sheet for in the same manner with the contract value of currency forward contracts. These contracts are accounted for in the same manner with currency forward contracts. Income earned and expenses incurred due to interest rate effects are recognised on an accrual basis.

(l) Tangible fixed assets

(i) Cost

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the tangible fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the consolidated statement of income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of tangible fixed assets beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

(ii) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of items of tangible fixed assets. The estimated useful lives are as follows:

| | |
|---------------------------------|--------------------|
| (i) Buildings and structures | 25 years |
| (ii) Machines and equipment | 3 - 5 years |
| (iii) Means of transportation | 6 - 10 years |
| (iv) Office equipment | 3 - 7 years |
| (v) Other tangible fixed assets | <u>4 - 7 years</u> |

(m) Intangible fixed assets

(i) Software

The cost of acquiring new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software costs are amortised on a straight-line basis over 3 - 8 years.

(ii) Land use rights

Definite land use rights

Definite land use rights are stated at cost less accumulated amortisation. The initial cost of definite land use rights comprises its purchase price and any directly attributable costs incurred in conjunction with securing the land use rights. Definite land use rights are amortised on a straight-line basis over 30 - 46 years.

Indefinite land use rights

Indefinite land use rights are stated at cost and are not amortised. The initial cost of indefinite land use rights comprises its purchase price and any directly attributable costs incurred in conjunction with securing the land use rights.

(iii) Other intangible fixed assets

Copyrights, patents and other intangible fixed assets are amortised over a period from 4 years to 10 years on a straight-line basis.

(n) Other assets

Other assets, except for receivables from credit activities, are stated at cost less allowance.

Except for doubtful debts from entrusted investments of HBB and accounts receivable from conversion of SBIC's debts, SHB considers making allowance for impairment of assets based on overdue periods of receivables or estimated loss arising from undue debts of which the indebted economic organisations fall bankrupt or are undergoing dissolution procedures; debtors are missing, have fled, are prosecuted, detained or tried by law enforcement bodies, are serving sentences or have deceased. Provision expense is recorded in "Allowance and provision expenses" during the year.

For the overdue receivables, the provision rates are determined in accordance with Circular 228 and Circular 89 as follows:

| <u>Overdue period</u> | <u>Allowance rate</u> |
|--|-----------------------|
| ▪ From more than six (06) months up to less than one (01) year | 30% |
| ▪ From one (01) year up to less than two (02) years | 50% |
| ▪ From two (02) years up to less than three (03) years | 70% |
| ▪ Three (03) years or more | 100% |

Adoption of specific accounting policies regarding allowance for credit risks relating to outstanding financial debts in accordance with the Scheme

Upon adoption of specific accounting policies described in Note 4(c), for accounts receivable swaps from SBIC's debts, SHB would amortise allowance for these receivables in 10 years. For doubtful debts from entrusted investments of HBB, for each of the years from 2016 to 2024, SHB would record an allowance for credit risks with an amount at least equalling the amount determined in Official Letter No. 856 on approving the Scheme.

(o) Provisions

Provisions are recognised if, as a result of a past event, SHB has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(p) Deposits from customers

Deposits from customers are stated at their cost.

(q) Valuable papers issued

Valuable papers issued are recorded at cost less extra allocations and discounts. Costs of valuable papers issued include amounts received from issuance less direct expenses of issuance.

(r) Other payables

Other payables are stated at their cost.

(s) **Share capital**

(i) **Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

(ii) **Share premium**

On receipt of capital from shareholders, the difference between the issue price and the par value of the shares is credited to share premium account in equity.

(iii) **Treasury shares**

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of tax effects, is recognised as a reduction from equity. Repurchased shares are classified as treasury shares under equity and presented as a reduction in total equity.

(t) **Reserves and funds**

(i) **Reserves and funds of the Bank and SHB FC**

According to Decree No. 93/2012/ND-CP dated 7 August 2017 issued by the Government of Vietnam on financial system for credit institutions ("Decree 93"), the Bank and SHB FC is required to make the following reserves before distribution of profits:

| | Annual allocation | Maximum balance |
|---------------------------------------|--------------------------|------------------------|
| Reserve to supplement charter capital | 5% of profit after tax | 100% of share capital |
| Financial reserve | 10% of profit after tax | Not regulated |

The financial reserve is used to cover losses incurred during the normal course of business. Financial reserve and reserve to supplement charter capital are non-distributable and classified as equity.

Other equity funds are allocated from profit after tax. The allocation from profit after tax to other equity funds and utilisation of other equity funds must be approved by the shareholders in the General Shareholders Meeting. Other equity funds are not required by law and are fully distributable.

(ii) **SHB AMC**

According to Circular No. 27/2002/TT-BTC issued by the Ministry of Finance on 22 March 2002, the allocations to reserves before distribution of retained profits are made by SHB AMC the same as that of the Bank. Reserves and other equity funds are made from profit after tax at year-end.

(iii) **SHB Laos**

Under the Amended Enterprises Law No. 46/NA dated 26 December 2013, SHB Laos is required to make allocations to compulsory reserves at the rate as follows:

| | Annual allocation | Maximum balance |
|------------------------------------|--|---------------------------|
| Regulatory reserves | 10% of profit after tax | 50% of registered capital |
| Business expansion and other funds | As per decision of the Board of Management | Unlimited |

(iv) **SHB Cambodia**

There is no requirement on making allocation to compulsory reserves.

(u) **Bonus and welfare fund**

Bonus and welfare fund is appropriated from profit after tax in accordance with the resolution of the annual General Meeting of Shareholders and are used primarily to make payments to SHB's employees.

(v) **Revenue**

(i) **Interest income**

Prior to 26 March 2018

Interest income is recognised in the consolidated statement of income on an accrual basis, except for interest on loans classified in Group 2 to Group 5 in accordance with the policy as described in Note 3(j) which is recognised upon receipt. When loans are classified in Group 2 to Group 5 as defined in Note 3(j), interest receivable will be removed and recorded as off-balance sheet items. Interest on these loans are recognised in the consolidated statement of income upon receipt.

From 26 March 2018

SHB adopted Circular 16 prospectively. Interest income is recognised in the consolidated statement of income on an accrual basis, except for interest on loans classified in Group 2 to Group 5 in accordance with the policy as described in Note 4(j) and loans classified in current loan group to comply with the State's policies, which are recognised upon receipt. When loans are classified in Group 2 to Group 5 as defined in Note 4(j) or classified in current loan group to comply with the State's policies, interest receivable will be derecognised and recorded as off-balance sheet items. Interest on these loans are recognised in the consolidated statement of income upon receipt.

The above changes in accounting policies are applied prospectively and have no significant effect on the consolidated financial statements of SHB.

(ii) Fee and commission income

Fees and commissions are recognised in the consolidated statement of income upon completion of the services rendered.

(iii) Income from investment

Differences between selling price and weighted average cost of securities are recognised as income from securities trading.

Dividend income in cash is recognised in the consolidated statement of income when SHB's right to receive payment is established.

Dividends received in the form of shares, bonus shares and rights to purchase shares given to existing shareholders, shares distributed from retained earnings are not recognised as an increase in investment and such dividend income is not recognised in the consolidated statement of income. When share dividends are received, SHB only recognises an increase in the number of shares in the notes to the consolidated financial statements.

Dividends received in connection with the period before the investment is made are recognised as a decrease in carrying amount of the investment.

(w) Interest expenses

Interest expenses are recognised in the consolidated statement of income on an accrual basis.

(x) Fee and commission expenses

Fee and commission expenses are recognised in the consolidated statement of income when these expenses are incurred.

(y) Operating lease payments

Payments made under operating leases are recognised in the consolidated statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the consolidated statement of income as an integral part of the total lease expense.

(z) Taxation

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the consolidated statement of income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the annual accounting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the end of the annual accounting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(aa) Related parties

Parties are considered to be related to SHB if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where SHB and the other party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

(bb) Commitments and contingent liabilities

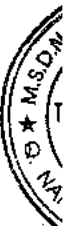
At any point of time, SHB has outstanding credit commitments. These commitments are in the form of loans and approved overdraft. SHB also provides guarantees and letters of credit to guarantee the performance of customers to third parties. Many of the outstanding commitments and contingent liabilities will expire without incurring any part or all of an advance. Therefore, commitments and contingent liabilities do not necessarily reflect the cash-flows expected in the future.

(cc) Basic earnings per share

SHB presents basic earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of SHB by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares.

(dd) Segment reporting

A segment is a distinguishable component of SHB that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. SHB's primary format for segment reporting is based on geographical segments.



(ee) **Related parties**

Parties are considered to be related to SHB if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where SHB and the other party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

Related companies refer to the investors and their subsidiaries and associates.

(ff) **Commitments and contingent liabilities**

At any point of time, SHB has outstanding credit commitments. These commitments are in the form of loans and approved overdraft. SHB also provides guarantees and letters of credit to guarantee the performance of customers to third parties. Many of the outstanding commitments and contingent liabilities will expire without incurring any part or all of an advance. Therefore, commitments and contingent liabilities do not necessarily reflect the cash-flows expected in the future.

5. Cash and gold on hand

| | 31/12/2018 VND million | 31/12/2017 VND million |
|------------------------------------|---|---|
| Cash on hand in VND | 950,382 | 886,482 |
| Cash on hand in foreign currencies | 934,021 | 557,448 |
| Gold | 419 | 2,618 |
| | <hr/> 1,884,822 | <hr/> 1,446,548 |

6. Balances with the State Banks

| | 31/12/2018 VND million | 31/12/2017 VND million |
|---|---|---|
| Current account at the State Bank of Vietnam (i) | 3,187,202 | 2,970,959 |
| Balances with the Bank of Lao P.D.R (ii) | 248,236 | 48,354 |
| Balances with the National Bank of Cambodia (iii) | 893,301 | 723,346 |
| | <hr/> 4,328,739 | <hr/> 3,742,659 |

- (i) Deposits at the State Bank of Vietnam ("SBV") consist of a compulsory reserve for liquidity and a current account.

Under the SBV's regulations relating to the compulsory reserve, banks are permitted to maintain a floating balance for the compulsory reserve requirement ("CRR"). The monthly average balance of the reserves must not be less than CRR rates multiplied by the preceding month's average balances of deposits in scope.

Year-end CRR rates were as follows:

| Deposits in scope | CRR rates | |
|--|------------|------------|
| | 31/12/2018 | 31/12/2017 |
| Preceding month's average balances of: | | |
| ▪ Deposits in foreign currencies other than VND with term of less than 12 months | 8.00% | 8.00% |
| ▪ Deposits in foreign currencies other than VND with term of and more than 12 months | 6.00% | 6.00% |
| ▪ Deposits in VND with term of less than 12 months | 3.00% | 3.00% |
| ▪ Deposits in VND with term of and more than 12 months | 1.00% | 1.00% |

- (ii) Balances with the Bank of Lao P.D.R (the "BOL") include the margin deposit of the Bank in Lao Kip ("LAK") and other foreign currencies to establish its subsidiary in Lao People's Democratic Republic and compulsory deposits maintained in accordance with the BOL's requirement. The compulsory reserve deposits are calculated based on the daily average deposit balance multiplied by the corresponding CRR rate.

Year-end annual CRR rates were as follows:

| Deposits in scope | CRR rates | |
|--|------------|------------|
| | 31/12/2018 | 31/12/2017 |
| ▪ Deposits in foreign currencies other than LAK with term of less than 12 months | 10.00% | 10.00% |
| ▪ Deposits in foreign currencies other than LAK with term of and more than 12 months | 0.00% | 0.00% |
| ▪ Deposits in LAK with term of less than 12 months | 5.00% | 5.00% |
| ▪ Deposits in LAK with term of and more than 12 months | 0.00% | 0.00% |

The margin deposits at the BOL are interest free.

- (iii) Balances with National Bank of Cambodia include the margin deposit of the Bank in Cambodia Riels ("KHR") and other foreign currencies to establish SHB's subsidiaries in the Kingdom of Cambodia and compulsory deposits maintained in accordance with National Bank of Cambodia's requirement. The compulsory reserve deposits are calculated based on the daily average deposit balance multiplied by the corresponding CRR rate.

Year-end annual CRR rates were as follows:

| Deposits in scope | CRR rates | |
|--|------------|------------|
| | 31/12/2018 | 31/12/2017 |
| Deposits in foreign currencies rather than KHR | 12.50% | 12.50% |
| Deposits in KHR | 8.00% | 8.00% |

The reserve of 8.00% in KHR is interest free, while for the 12.50% of reserve in foreign currency, the reserve of 8.00% of which is interest free and the 4.50% remaining of reserve is subject to interest rate according to the rates ruled by National Bank of Cambodia regarding the interest for term deposits.

7. Balances with and loans to other credit institutions

| | 31/12/2018 VND million | 31/12/2017 VND million |
|---|---------------------------|---------------------------|
| Current accounts | | |
| Current accounts in VND | 24,091,166 | 19,799,397 |
| Current accounts in foreign currencies | 617,158 | 1,012,680 |
| Term deposits | | |
| Term deposits in VND | 3,348,000 | 3,130,000 |
| Term deposits in foreign currencies | 1,244,003 | 3,917,433 |
| | <hr/> 29,300,327 | <hr/> 27,859,510 |
| Loans to other credit institutions | | |
| Loans in VND | - | 5,654,006 |
| | <hr/> 29,300,327 | <hr/> 33,513,516 |

As at 31 December 2018 and 31 December 2017, all term deposits and loans to other credit institutions were Group 1 – Current loans.

8. Securities held for trading

| | 31/12/2018 VND million | 31/12/2017 VND million |
|---|---------------------------|---------------------------|
| Debt securities issued by local economic entities | 3,889 | 3,889 |
| Allowance for securities held for trading (i) | (3,234) | (2,839) |
| | <hr/> 655 | <hr/> 1,050 |

(i) Movements of allowance for securities held for trading during the year were as follows:

| | 2018 VND million | 2017 VND million |
|---|---------------------|---------------------|
| Opening balance | 2,839 | 24,483 |
| Allowance made/(reversed) during the year | 395 | (21,644) |
| Closing balance | <hr/> 3,234 | <hr/> 2,839 |

9. Derivatives and other financial assets/(liabilities)

Details of financial derivatives at the end of the year were as follows:

| | Total contract value (at exchange rate of the effective date of the contract) VND million | Total book value (at exchange rate of reporting date) | | |
|-------------------------------|---|--|----------------------------|--------------------|
| | | Assets VND million | Liabilities VND million | Net VND million |
| As at 31 December 2018 | | | | |
| Forward transactions | 1,034,938 | 49,554 | (33,929) | 15,625 |
| Swap transactions | 15,656,269 | 235,958 | (193,355) | 42,603 |
| | 16,691,207 | 285,512 | (227,284) | 58,228 |
| As at 31 December 2017 | | | | |
| Forward transactions | 3,079,362 | 31,290 | (28,974) | 2,316 |
| Swap transactions | 24,267,643 | 604,182 | (470,233) | 133,949 |
| | 27,347,005 | 635,472 | (499,207) | 136,265 |

10. Loans to customers

| | 31/12/2018 VND million | 31/12/2017 VND million |
|---|---------------------------|---------------------------|
| Loans to economic entities and individuals | 214,800,971 | 196,082,946 |
| Loans granted from borrowed and entrusted funds | 2,135,359 | 2,164,713 |
| Payments on behalf of customers | 51,221 | 35,359 |
| Discounted bills | 1,330 | 7,548 |
| | 216,988,881 | 198,290,566 |

Loan portfolio by loan groups was as follows:

| | 31/12/2018 VND million | 31/12/2017 VND million |
|-----------------------------|---------------------------|---------------------------|
| Group 1 – Current | 207,091,422 | 190,368,695 |
| Group 2 – Special mentioned | 4,698,654 | 3,298,174 |
| Group 3 – Sub-standard | 339,729 | 669,686 |
| Group 4 – Doubtful | 920,954 | 1,088,771 |
| Group 5 – Loss | 3,938,122 | 2,865,240 |
| | 216,988,881 | 198,290,566 |

Loan portfolio by terms was as follows:

| | 31/12/2018 VND million | 31/12/2017 VND million |
|------------------|---------------------------|---------------------------|
| Short-term loan | 88,719,288 | 83,106,717 |
| Medium-term loan | 58,634,979 | 53,433,957 |
| Long-term loan | 69,634,614 | 61,749,892 |
| | 216,988,881 | 198,290,566 |

Portfolio of loans to customers by ownerships and customer types was as follows:

| | 31/12/2018 VND million | % | 31/12/2017 VND million | % |
|---|---------------------------|--------|---------------------------|--------|
| Loans to economic entities | | | | |
| <i>State-owned enterprises</i> | 18,624,232 | 8.58 | 21,144,378 | 10.66 |
| <i>Other limited companies</i> | 36,912,609 | 17.01 | 35,056,234 | 17.68 |
| <i>Joint stock companies in which the State's holding percentage is more than 50% (dominating percentage)</i> | 13,093,719 | 6.03 | 16,986,532 | 8.57 |
| <i>Other joint stock companies</i> | 88,514,778 | 40.79 | 80,842,480 | 40.77 |
| <i>Partnerships</i> | 99,079 | 0.05 | 8,321 | 0.00 |
| <i>Private companies</i> | 3,614,431 | 1.67 | 2,527,685 | 1.27 |
| <i>Foreign invested enterprises</i> | 462,659 | 0.21 | 499,434 | 0.25 |
| <i>Cooperatives, cooperative unions</i> | 49,403 | 0.02 | 66,194 | 0.03 |
| Loans to individuals | | | | |
| <i>Household business, individuals</i> | 53,724,350 | 24.77 | 38,821,106 | 19.58 |
| Other loans | | | | |
| <i>Other economic sectors</i> | 1,893,621 | 0.87 | 2,338,202 | 1.19 |
| | 216,988,881 | 100.00 | 198,290,566 | 100.00 |

Loan portfolio by industry sectors was as follows:

| | 31/12/2018 | % | 31/12/2017 | % |
|--|--------------------|---------------|--------------------|---------------|
| | VND million | | VND million | |
| Agriculture, forestry and aquaculture | 38,463,768 | 17.73 | 43,249,519 | 21.81 |
| Mining | 4,493,748 | 2.07 | 7,659,777 | 3.86 |
| Manufacturing and processing | 29,957,113 | 13.81 | 27,452,713 | 13.84 |
| Electricity, gas, hot water, steam and air-conditioning | 15,373,337 | 7.08 | 10,757,675 | 5.43 |
| Water supplying and garbage and sewage treatment and management | 158,586 | 0.07 | 118,922 | 0.06 |
| Construction | 28,795,080 | 13.27 | 27,913,697 | 14.08 |
| Wholesale and retail trade; repair of motor vehicles, motor cycles | 36,247,298 | 16.7 | 32,346,233 | 16.31 |
| Transport, warehouse | 2,416,317 | 1.11 | 3,158,672 | 1.59 |
| Hospitality services | 1,189,297 | 0.55 | 1,331,461 | 0.67 |
| Information and communications | 959,840 | 0.44 | 111,063 | 0.06 |
| Finance and insurance | 2,517,173 | 1.16 | 2,263,714 | 1.14 |
| Real estates trading | 16,756,345 | 7.72 | 15,700,331 | 7.92 |
| Science and technology | 98,736 | 0.05 | 599,078 | 0.30 |
| Administrative activities and supporting service | 951,543 | 0.44 | 1,127,811 | 0.57 |
| Party, unions, state management, security and national defence, social guarantee | 28,546 | 0.01 | 42,649 | 0.02 |
| Education and training | 723,744 | 0.33 | 420,811 | 0.21 |
| Health care and social work | 72,367 | 0.03 | 121,718 | 0.06 |
| Art, playing and recreation | 282,306 | 0.13 | 257,293 | 0.13 |
| Other service activities | 32,474,365 | 14.98 | 20,154,350 | 10.17 |
| Households services | 5,029,372 | 2.32 | 3,503,079 | 1.77 |
| | 216,988,881 | 100.00 | 198,290,566 | 100.00 |

Year-end annual interest rates were as follows:

| | 31/12/2018 | 31/12/2017 |
|--|-------------------|-------------------|
| Loans and advances in VND | 7.5% - 12.18% | 7.50% - 12.00% |
| Loans and advances in USD | 2.2% - 5.5% | 1.90% - 5.01% |
| Loans and advances in other foreign currencies | 2.2% - 5.5% | 1.90% - 5.01% |

11. Allowance for loans to customers

Allowance for loans to customers consists of:

| | 31/12/2018 VND million | 31/12/2017 VND million |
|-------------------------|---------------------------|---------------------------|
| General allowance (i) | 1,492,247 | 1,459,886 |
| Specific allowance (ii) | 1,509,982 | 1,389,129 |
| | 3,002,229 | 2,849,015 |

(i) Movements in general allowance for loans to customers were as follows:

| | 2018 VND million | 2017 VND million |
|------------------------------|---------------------|---------------------|
| Opening balance | 1,459,886 | 1,066,332 |
| Allowance made in the year | 30,086 | 394,053 |
| Foreign exchange differences | 2,275 | (499) |
| | 1,492,247 | 1,459,886 |

(ii) Movements in specific allowance for loans to customers were as follows:

| | 2018 VND million | 2017 VND million |
|--------------------------------|---------------------|---------------------|
| Opening balance | 1,389,129 | 731,053 |
| Allowance made in the year | 847,794 | 887,806 |
| Allowance utilised in the year | (731,038) | (231,740) |
| Foreign exchange differences | 4,097 | 2,010 |
| | 1,509,982 | 1,389,129 |

Included in specific allowance for loans and advances to customers were allowance made for loans to SBIC, some member entities belonging to SBIC and entities previously belonging to SBIC, and transferred to PVN, Vinalines, and specific allowance for outstanding loans of HBB. SHB applied specific accounting policies described in Note 4(c) to record allowance for these loans.

12. Investment securities

| | 31/12/2018 VND million | 31/12/2017 VND million |
|-----------------------------------|---------------------------|---------------------------|
| Available-for-sale securities (i) | 25,193,006 | 12,268,348 |
| Held-to-maturity securities (ii) | 24,761,139 | 10,682,862 |
| | 49,954,145 | 22,951,210 |

(i) Available-for-sale securities

| | 31/12/2018 VND million | 31/12/2017 VND million |
|--|---------------------------|---------------------------|
| Debt securities | | |
| ▪ Government bonds | 8,993,787 | 7,996,543 |
| ▪ Securities issued by other local credit institutions | 2,182,711 | 2,799,851 |
| ▪ Securities issued by local economic entities | 13,982,909 | 1,438,356 |
| Equity securities | | |
| ▪ Securities issued by other local credit institutions | 796 | 796 |
| ▪ Securities issued by local economic entities | 32,803 | 32,802 |
| | 25,193,006 | 12,268,348 |

The term and annual interest of debt securities at the year-end were as follows:

| | 31/12/2018 | | 31/12/2017 | |
|--|--------------|----------------------------|--------------|----------------------------|
| | Term | Interest rate per annum | Term | Interest rate per annum |
| Available-for-sale securities | | | | |
| Government bonds | 3 - 10 years | 4.60% - 11.2% | 3 - 10 years | 4.6% - 12.2% |
| Bonds issued by local credit institutions | 2 - 10 years | 7.90% - 9.33% | 1 - 10 years | 6.7% - 9% |
| Bonds issued by local economic entities | 1 - 15 years | 8.98% | 1 - 15 years | 8.98% |

(ii) Held-to-maturity securities

| | 31/12/2018 VND million | 31/12/2017 VND million |
|---|---------------------------|---------------------------|
| Government bonds | 8,039,210 | 149,719 |
| Bonds issued by local credit institutions | 8,694,237 | 1,799,797 |
| Bonds issued by local economic entities | 526,536 | 614,536 |
| Special bonds issued by VAMC | 7,501,156 | 8,118,810 |
| | 24,761,139 | 10,682,862 |

The term and annual interest of debt securities at the year-end were as follows:

| | 31/12/2018 | | 31/12/2017 | |
|--|--------------|----------------------------|--------------|----------------------------|
| | Term | Interest rate per annum | Term | Interest rate per annum |
| Held-to-maturity securities | | | | |
| Government bonds | 3 - 20 years | 5.20% - 8.90% | 20 years | 7.4% |
| Bonds issued by local credit institutions | 6 - 10 years | 7.00% - 9.00% | 6 - 10 years | 7% - 8.2% |
| Bonds issued by local economic entities | 9 - 10 years | 8.9% - 11.25% | 9 - 10 years | 8.9% - 15.25% |

Portfolio of unlisted debt securities (excluding government bonds, government-guaranteed bonds and special bonds) classified as assets exposed to credit risk by loan groups was as follows:

| | 31/12/2018 VND million | 31/12/2017 VND million |
|----------|---------------------------|---------------------------|
| Current | 23,388,706 | 5,914,895 |
| Loss (*) | 150,000 | 150,000 |
| | 23,538,706 | 6,064,895 |

- (*) This represent the investment in bonds of Vinaconex – Viettel Finance Joint Stock Company (“VVF”). After VVF was merged into SHB, allowance for this investment and other VVF’s outstanding loans are made in accordance with the specific accounting policies as described in Note 4(c).

13. Allowance for investment securities

| | 31/12/2018 VND million | 31/12/2017 VND million |
|-----------------------------------|---------------------------|---------------------------|
| Available-for-sale securities (i) | 191,073 | 125,904 |
| Held-to-maturity securities (ii) | 1,736,147 | 1,617,342 |
| | 1,927,220 | 1,743,246 |

(i) Movements in allowance for available-for-sale securities in the year were as follows:

Year ended 31 December 2018

| | Allowance for diminution in the value of equity securities VND million | General allowance for available-for- sale debt securities VND million | Specific allowance for available-for- sale debt securities VND million | Total VND million |
|-----------------------------------|---|--|---|----------------------|
| Opening balance | 32,901 | 18,003 | 75,000 | 125,904 |
| Allowance made during the year | 135 | 65,034 | - | 65,169 |
| | 33,036 | 83,037 | 75,000 | 191,073 |

Year ended 31 December 2017

| | Allowance for diminution in the value of equity securities VND million | General allowance for available-for- sale debt securities VND million | Specific allowance for available-for- sale debt securities VND million | Total VND million |
|---|---|--|---|----------------------|
| Opening balance | 33,050 | 17,740 | 75,000 | 125,790 |
| Allowance (reversed)/made during the year | (149) | 263 | - | 114 |
| | 32,901 | 18,003 | 75,000 | 125,904 |

(ii) Movements of allowance for held-to-maturity securities in the year were as follows:

Year ended 31 December 2018

| | Allowance for bonds issued by VAMC (*) VND million | Allowance for other held-to- maturity bonds VND million | Total VND million |
|--|---|--|------------------------------|
| Opening balance | 1,602,984 | 14,358 | 1,617,342 |
| Allowance made during the year | 477,168 | 51,091 | 528,259 |
| Allowance reversed during the year due to settlement of bonds | (409,454) | - | (409,454) |
| | <u>1,670,698</u> | <u>65,449</u> | <u>1,736,147</u> |

Included in allowance for bonds issued by VAMC were bonds within the scope of the Scheme. The Bank adopts the specific counting policies as described at Note 4(c) to record allowance for these bonds.

Year ended 31 December 2017

| | Allowance for bonds issued by VAMC VND million | Allowance for other held-to- maturity bonds VND million | Total VND million |
|--------------------------------|---|--|------------------------------|
| Opening balance | 1,254,887 | 1,050 | 1,255,937 |
| Allowance made during the year | 348,097 | 13,308 | 361,405 |
| | <u>1,602,984</u> | <u>14,358</u> | <u>1,617,342</u> |

14. Long-term investments

Portfolio by types of investments was as follows:

| | 31/12/2018 VND million | 31/12/2017 VND million |
|--|---------------------------|---------------------------|
| Other long-term investments - cost (i) | 201,750 | 227,250 |
| Allowance for diminution in the value of long-term investments (ii) | (5,983) | (11,785) |
| | 195,767 | 215,465 |

(i) Details of other long-term investments at the year-end were as follows:

| | 31/12/2018 VND million | 31/12/2017 VND million |
|---------------------------------------|---------------------------|---------------------------|
| Investments in economic entities | 157,736 | 183,236 |
| Investments in financial institutions | 44,014 | 44,014 |
| | 201,750 | 227,250 |

(ii) Movements in allowance for diminution in the value of long-term investments in the year were as follows:

| | 2018 VND million | 2017 VND million |
|---------------------------------------|---------------------|---------------------|
| Opening balance | 11,785 | 6,444 |
| Allowance (reversed)/made in the year | (5,802) | 5,341 |
| Closing balance | 5,983 | 11,785 |

Included in allowance for diminution in the value of long-term investments were allowance for capital contribution, share purchases of HBB. The Bank adopts the specific counting policies as described at Note 4(c) to record allowance for these investments.

15. Tangible fixed assets

Year ended 31 December 2018

| | Buildings and structures VND million | Machines and equipment VND million | Means of transportation VND million | Office equipment VND million | Other tangible fixed assets VND million | Total VND million |
|---------------------------------|--|--|---|------------------------------------|---|----------------------|
| Cost | | | | | | |
| Opening balance | 363,131 | 320,296 | 208,414 | 92,705 | 26,885 | 1,011,431 |
| Additions | 34,390 | 64,153 | 30,876 | 3,773 | 12,662 | 145,854 |
| Disposals | (2,265) | (972) | (7,092) | (5,901) | (1,848) | (18,078) |
| Foreign exchange difference | 898 | 206 | 114 | 210 | - | 1,428 |
| Closing balance | 396,154 | 383,683 | 232,312 | 90,787 | 37,699 | 1,140,635 |
| Accumulated depreciation | | | | | | |
| Opening balance | 90,347 | 250,441 | 136,584 | 84,611 | 24,024 | 586,007 |
| Charge for the year | 21,546 | 36,705 | 18,754 | 3,662 | 4,478 | 85,145 |
| Disposals | (1,906) | (971) | (6,908) | (5,364) | (1,833) | (16,982) |
| Foreign exchange difference | 423 | 139 | 84 | 145 | - | 791 |
| Closing balance | 110,410 | 286,314 | 148,514 | 83,054 | 26,669 | 654,961 |
| Net book value | | | | | | |
| Opening balance | 272,784 | 69,855 | 71,830 | 8,094 | 2,861 | 425,424 |
| Closing balance | 285,744 | 97,369 | 83,798 | 7,733 | 11,030 | 485,674 |

Saigon - Hanoi Joint Stock Commercial Bank
No. 77 Tran Hung Dao, Hoan Kiem District, Hanoi, Vietnam
Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

Form B05/TCTD-HN
*(Issued under Circular No.49/2014-TT-NHNN
dated 31 December 2014 of the State Bank of Vietnam)*

Year ended 31 December 2017

| | Buildings and structures VND million | Machines and equipment VND million | Means of transportation VND million | Office equipment VND million | Other tangible fixed assets VND million | Total VND million |
|---------------------------------|---|---|--|---|--|------------------------------|
| Cost | | | | | | |
| Opening balance | 325,290 | 314,867 | 202,081 | 93,743 | 26,723 | 962,704 |
| Additions | 52,749 | 20,356 | 9,950 | 4,961 | 3,088 | 91,104 |
| Disposals | (15,356) | (14,962) | (3,625) | (3,528) | (2,926) | (40,397) |
| Foreign exchange difference | 448 | 35 | 8 | (2,471) | - | (1,980) |
| Closing balance | 363,131 | 320,296 | 208,414 | 92,705 | 26,885 | 1,011,431 |
| Accumulated depreciation | | | | | | |
| Opening balance | 83,639 | 227,524 | 121,024 | 82,601 | 23,870 | 538,658 |
| Charge for the year | 18,151 | 37,784 | 19,140 | 5,131 | 3,012 | 83,218 |
| Disposals | (11,640) | (14,888) | (3,590) | (3,171) | (2,858) | (36,147) |
| Foreign exchange difference | 197 | 21 | 10 | 50 | - | 278 |
| Closing balance | 90,347 | 250,441 | 136,584 | 84,611 | 24,024 | 586,007 |
| Net book value | | | | | | |
| Opening balance | 241,651 | 87,343 | 81,057 | 11,142 | 2,853 | 424,046 |
| Closing balance | 272,784 | 69,855 | 71,830 | 8,094 | 2,861 | 425,424 |

16. Intangible fixed assets

Year ended 31 December 2018

| | Land use rights VND million | Software VND million | Other intangible fixed assets VND million | Total VND million |
|---------------------------------|-----------------------------------|-------------------------|---|----------------------|
| Cost | | | | |
| Opening balance | 3,486,801 | 211,811 | 39,877 | 3,738,489 |
| Additions | 795,166 | 10,226 | 4,368 | 809,760 |
| Disposals | (918) | (2,756) | - | (3,674) |
| Foreign exchange difference | - | 38 | 47 | 85 |
| Closing balance | 4,281,049 | 219,319 | 44,292 | 4,544,660 |
| Accumulated amortisation | | | | |
| Opening balance | 5,805 | 178,174 | 27,617 | 211,596 |
| Charge for the year | 158 | 23,139 | 4,631 | 27,928 |
| Disposals | - | (1,709) | - | (1,709) |
| Foreign exchange difference | - | 38 | 47 | 85 |
| Closing balance | 5,963 | 199,642 | 32,295 | 237,900 |
| Net book value | | | | |
| Opening balance | 3,480,996 | 33,637 | 12,260 | 3,526,893 |
| Closing balance | 4,275,086 | 19,677 | 11,997 | 4,306,760 |

Year ended 31 December 2017

| | Land use rights VND million | Software VND million | Other intangible fixed assets VND million | Total VND million |
|---------------------------------|-----------------------------------|-------------------------|---|----------------------|
| Cost | | | | |
| Opening balance | 3,478,880 | 207,848 | 40,188 | 3,726,916 |
| Additions | 12,215 | 13,770 | 155 | 26,140 |
| Disposals | (4,294) | - | - | (4,294) |
| Divestment of SHBS | - | (9,787) | (440) | (10,227) |
| Foreign exchange difference | - | (20) | (26) | (46) |
| Closing balance | 3,486,801 | 211,811 | 39,877 | 3,738,489 |
| Accumulated amortisation | | | | |
| Opening balance | 5,647 | 160,748 | 22,515 | 188,910 |
| Charge for the year | 158 | 27,122 | 5,557 | 32,837 |
| Divestment of SHBS | - | (9,677) | (439) | (10,116) |
| Foreign exchange difference | - | (19) | (16) | (35) |
| Closing balance | 5,805 | 178,174 | 27,617 | 211,596 |
| Net book value | | | | |
| Opening balance | 3,473,233 | 47,100 | 17,673 | 3,538,006 |
| Closing balance | 3,480,996 | 33,637 | 12,260 | 3,526,893 |

17. Other assets

| | 31/12/2018 VND million | 31/12/2017 VND million |
|---|---------------------------|---------------------------|
| Receivables | 7,868,333 | 13,326,319 |
| <i>In which:</i> | | |
| ▪ Receivables from deferred letters of credit (*) | 6,089,972 | 8,095,834 |
| ▪ Receivables from land rental | 648,642 | 625,557 |
| ▪ Receivables from debts purchase contracts | 321,289 | |
| ▪ Receivables from sale of securities | - | 3,495,389 |
| ▪ Receivables from provision of advisory services | - | 416,070 |
| ▪ Other receivables | 773,082 | 579,694 |
| Purchase of fixed assets and construction in progress | 112,563 | 85,136 |
| Accrued interest and fee receivables | 9,117,746 | 7,955,903 |
| Other assets (i) | 4,256,033 | 5,395,762 |
| Allowance for other assets (ii) | (653,216) | (410,374) |
| | 20,701,459 | 26,352,746 |

(*) These represent receivables from customers relating to deferred letters of credit, which may be received immediately. These receivables are equivalent to a borrowing from correspondent banks (Note 19) which made advance payments to beneficiaries of those letters of credit.

(i) Other assets

| | 31/12/2018 VND million | 31/12/2017 VND million |
|--|---------------------------|---------------------------|
| Trusted investments | 1,826,309 | 1,926,309 |
| Foreclosed assets awaiting resolution | 629,332 | 1,428,242 |
| Prepaid expenses | 438,400 | 345,267 |
| Loss on swap of SBIC loans awaiting resolution (*) | 708,584 | 828,584 |
| Real estates for sale | 21,199 | 97,191 |
| Other assets | 632,209 | 770,169 |
| | 4,256,033 | 5,395,762 |

(*) On 12 September 2013, SHB swapped the loans to SBIC with Vietnam Debt and Asset Trading Corporation ("DATC") bonds. The difference between carrying value of the loans are translated and the amount of DATC bonds are recognised as other assets. SHB applies the specific accounting policies as described in Note 4(c) and amortises these loans in 10 years, from 2014 to 2024.

(ii) Allowance for other assets

Allowance for other on-balance sheet assets for sale includes:

| | 31/12/2018 VND million | 31/12/2017 VND million |
|---------------------------------------|---------------------------|---------------------------|
| Allowance for trusted investments (*) | 616,400 | 386,400 |
| Allowance for other assets | 36,816 | 23,974 |
| | 653,216 | 410,374 |

(*) The Bank applies the specific accounting policies as described in Note 4(c) to record the trusted investments of HBB.

Movements in allowance for other on-balance sheet assets were as follows:

Year ended 31 December 2018

| | Allowance for doubtful debts from trusted investments VND million | Allowance for other assets VND million | Total VND million |
|------------------------------------|--|--|----------------------|
| Opening balance | 386,400 | 23,974 | 410,374 |
| Allowance made during the year | 350,000 | 12,842 | 362,842 |
| Allowance utilised during the year | (120,000) | - | (120,000) |
| | 616,400 | 36,816 | 653,216 |

Year ended 31 December 2017

| | Allowance for outstanding receivables of HBB VND million | Allowance for other assets VND million | Total VND million |
|--------------------------------|---|--|----------------------|
| Opening balance | 129,700 | 13,635 | 143,335 |
| Allowance made during the year | 256,700 | 10,339 | 267,039 |
| | 386,400 | 23,974 | 410,374 |

18. Amounts due to the Government and the State Banks

| | 31/12/2018 VND million | 31/12/2017 VND million |
|--|---------------------------|---------------------------|
| Deposits from the State Banks | | |
| Deposits in VND from the State Treasury of Vietnam (i) | 2,000,000 | - |
| Deposits from the Bank of Lao P.D.R (ii) | 114,379 | - |
| Borrowings from the State Banks | | |
| Borrowings based on credit facilities (iii) | 835,544 | 1,224,351 |
| Borrowings on discounted and rediscounted valuable papers (iv) | 9,261,314 | 1,533,992 |
| | 12,211,237 | 2,758,343 |

- (i) The deposits in VND from the State Treasury of Vietnam has a term of 2 months, interest rate of 4.4% per annum (31/12/2017: Nil).
- (ii) The deposits in LAK from the Bank of Lao P.D.R has a term of 3 months, interest rate of 3% per annum (31/12/2017: Nil).
- (iii) The borrowings based on credit facilities of the Bank at the State Bank of Vietnam has a term of 1 year, interest rate of 3.5% per annum (31/12/2017: term ranging from 6 months to 1 year, interest rate from 3.5% to 4.25% per annum).
- (iv) The borrowings on discounted and rediscounted valuable papers at the State Bank of Vietnam has a term ranging from 7 days to 14 days and bare interest rate of 4.75% per annum (2017:from 3.5% to 4.25% per annum).

19. Deposits and borrowings from other credit institutions

| | 31/12/2018 VND million | 31/12/2017 VND million |
|--|---------------------------|---------------------------|
| Demand deposits | | |
| Demand deposits in VND | 21,683,622 | 19,036,291 |
| Demand deposits in foreign currencies | 8,321 | 959,233 |
| Term deposits | | |
| Term deposits in VND | 7,208,000 | 11,250,300 |
| Term deposits in foreign currencies | 2,452,240 | 2,052,034 |
| | 31,352,183 | 33,297,858 |
| Borrowings from other credit institutions | | |
| Borrowings in VND | 6,630,754 | 10,261,036 |
| Borrowings in foreign currencies | 209,069 | 905,643 |
| Borrowings under financial projects (*) | 651,811 | 440,048 |
| Payables for deferred letters of credit | 6,089,972 | 8,095,834 |
| | 13,581,606 | 19,702,561 |
| | 44,933,789 | 53,000,419 |

(*) These are borrowings from International Development Association - World Bank under Rural Finance Project II and III to provide loans to households for the rural development and poverty reduction in Vietnam. Loans to households bear interest rates as declared by SHB from period to period.

Year-end annual interest rates were as follows:

| | 31/12/2018 | 31/12/2017 |
|-------------------------------------|---------------|---------------|
| Term deposits in VND | 1.00% - 6.10% | 1.20% - 5.00% |
| Term deposits in foreign currencies | 1.65% - 3.50% | 1.60% - 3.00% |
| Borrowings in VND | 1.20% - 5.85% | 1.10% - 5.95% |
| Borrowings in foreign currencies | 0.75% - 3.75% | 0.75% - 2.79% |

20. Deposits from customers

| | 31/12/2018 VND million | 31/12/2017 VND million |
|--|---------------------------|---------------------------|
| Demand deposits | | |
| Demand deposits in VND | 17,704,538 | 16,214,179 |
| Demand deposits in foreign currencies | 1,261,577 | 1,538,702 |
| Term deposits | | |
| Term deposits in VND | 195,239,126 | 164,002,428 |
| Term deposits in foreign currencies | 9,938,773 | 12,150,138 |
| Deposits for specific purposes | | |
| Deposits for specific purposes in VND | 1,004,478 | 89,809 |
| Deposits for specific purposes in foreign currencies | 52,445 | 22 |
| Margin deposits | | |
| Margin deposits in VND | 5,224 | 872,353 |
| Margin deposits in foreign currencies | 17,980 | 22,139 |
| | 225,224,141 | 194,889,770 |

Deposits from customers by type of customers/enterprises were as follows:

| | 31/12/2018 VND million | 31/12/2017 VND million |
|-------------------|---------------------------|---------------------------|
| Economic entities | 69,427,788 | 58,819,060 |
| Individuals | 147,319,885 | 125,990,775 |
| Others | 8,476,468 | 10,079,935 |
| | 225,224,141 | 194,889,770 |

Year-end annual interest rates were as follows:

| | 31/12/2018 | 31/12/2017 |
|-------------------------------------|---------------|---------------|
| Term deposits in VND | 1.00% - 7.80% | 1.00% - 7.60% |
| Term deposits in foreign currencies | 0.00% - 2.00% | 0.00% - 2.00% |

In case customers withdraw term saving deposits prior to the maturity date, interest shall be applied in accordance with SHB's policy from time to time in conformity with the SBV's regulations.

21. Other borrowed and entrusted funds

| | 31/12/2018 VND million | 31/12/2017 VND million |
|--|---------------------------|---------------------------|
| Medium-term, long-term borrowings from Small and Medium Enterprise Development Fund – Phase II and Phase III (i) | 440,784 | 418,205 |
| Long-term borrowings from Renewable Energy Development Project (ii) | 889,800 | 470,391 |
| Medium and long-term borrowings from the Smart Power Grid Funding Project (iii) | 143,127 | 2,166 |
| Medium and long-term borrowings from the Sustainable Rural Transformation Project | - | 173,399 |
| | 1,473,711 | 1,064,161 |

- (i) Borrowings from Small and Medium Enterprises Development Fund - Phase II and Phase III are borrowings from Japan International Cooperation Agency (JICA) through Project Management Unit of ODA International Credit to provide loans to eligible small and medium enterprises. For loans to small and medium enterprises, applied interest rates are declared by SHB from time to time.
- (ii) Long-term borrowings from Renewable Energy Development Project are borrowings from International Development Association to provide loans to renewable energy projects. Interest rate of these loans is a weighted average of interest rates of customer deposits in VND with terms ranging from 0 to 12 months published quarterly by the SBV, adjusted by interest margin and the deduction rate as regulated by the Ministry of Finance.
- (iii) Long-term borrowings from Kreditanstalt für Wiederaufbau (KfW) to finance the investments in high-voltage power grid in Vietnam. The implementing unit of the project is National Power Transmission Corporation – Vietnam Electricity (EVN NPT). The borrowing had a fixed interest rate is 7.2% per annum.

22. Valuable papers issued

Valuable papers issued represent promisory notes classified by term as follows:

| Term | 31/12/2018 VND million | 31/12/2017 VND million |
|-----------------------------------|---------------------------|---------------------------|
| Promisory notes - below 12 months | 7,647,099 | 11,744,634 |
| Bonds - from 12 months to 5 years | 1,000,000 | - |
| Bonds - more than 5 years | 8,074,637 | 3,222,635 |
| | 16,721,736 | 14,967,269 |

23. Other liabilities

| | 31/12/2018 VND million | 31/12/2017 VND million |
|--|---------------------------|---------------------------|
| Accrued interest and fee payables | 5,294,909 | 4,103,201 |
| Other payables and liabilities | | |
| Internal payables | | |
| ▪ Payables to employees | 11,204 | 4,086 |
| ▪ Bonus and welfare fund | 27,746 | 34,384 |
| ▪ Other internal payables | - | 9,507 |
| External payables | | |
| ▪ Taxes and others payable to State Budget (i) | 275,997 | 229,513 |
| ▪ Payables on payment intermediary services | 721,535 | 256,349 |
| ▪ Unearned revenue | 31,316 | |
| ▪ Other payables | 16,155 | 1,859 |
| | <hr/> 1,083,953 | <hr/> 535,698 |
| | <hr/> 6,378,862 | <hr/> 4,638,899 |

(i) Taxes and others payable to State Budget

| | 31/12/2018 VND million | 31/12/2017 VND million |
|----------------------|---------------------------|---------------------------|
| Corporate income tax | 221,929 | 178,226 |
| Value added tax | 35,912 | 43,051 |
| Other taxes | 18,156 | 8,236 |
| | <hr/> 275,997 | <hr/> 229,513 |

24. Capital and reserves

Changes in capital and reserves of SHB for the year ended 31 December 2018 and 31 December 2017 were as follows:

| | Share capital | Share premium | Treasury shares | Investment and development fund | Financial reserve | Supplemental capital reserve | Other reserves | Foreign exchange difference | Noncontrolling interest | Retained profits | Total |
|--|---------------|---------------|-----------------|---------------------------------|-------------------|------------------------------|----------------|-----------------------------|-------------------------|------------------|-------------|
| | VND million | VND million | VND million | VND million | VND million | VND million | VND million | VND million | VND million | VND million | VND million |
| As at 1 January 2017 | 11,196,891 | 101,716 | (5,260) | 25,013 | 682,932 | 329,292 | 1,022 | - | 2,306 | 897,661 | 13,231,573 |
| Net profit for the year | - | - | - | - | - | - | - | - | - | 1,539,128 | 1,539,128 |
| Appropriation to equity funds | - | - | - | - | 135,689 | 76,426 | - | - | (230) | (211,885) | - |
| Appropriation to bonus and welfare funds | - | - | - | - | - | - | - | - | - | (20,000) | (20,000) |
| Tax retained from transfer of profit from subsidiary | - | - | - | - | - | - | - | - | - | (5,566) | (5,566) |
| Other movements | - | - | - | - | - | - | - | - | - | (3,391) | (3,391) |
| Disposals of SHBS | - | - | - | - | (15,000) | (15,000) | - | - | (2,076) | (19,391) | (51,467) |
| Foreign exchange difference | - | - | - | - | - | (16) | - | - | - | 959 | 943 |
| As at 31 December 2017 | 11,196,891 | 101,716 | (5,260) | 25,013 | 803,621 | 390,702 | 1,022 | - | - | 2,177,515 | 14,691,220 |
| Issuance of share dividends | 839,270 | - | - | - | - | - | - | - | - | (839,270) | - |
| Net profit for the year | - | - | - | - | - | - | - | - | - | 1,672,319 | 1,672,319 |
| Appropriation to equity funds | - | - | - | 3,538 | 155,095 | 87,956 | - | - | - | (246,589) | - |
| Foreign exchange difference | - | - | - | - | - | 54 | - | (5,891) | - | (25,170) | (31,007) |
| As at 31 December 2018 | 12,036,161 | 101,716 | (5,260) | 28,551 | 958,716 | 478,712 | 1,022 | (5,891) | - | 2,738,805 | 16,332,532 |

Share capital

| | 31/12/2018 | | 31/12/2017 | |
|---------------------------------------|------------------|--------------------------|------------------|--------------------------|
| | Number of shares | Par value VND million | Number of shares | Par value VND million |
| Shares registered for issuance | 1,203,616,110 | 12,036,161 | 1,119,689,100 | 11,196,891 |
| Issued share capital | | | | |
| Ordinary shares | 1,203,616,110 | 12,036,161 | 1,119,689,100 | 11,196,891 |
| Number of shares repurchased | | | | |
| Ordinary shares | 496,186 | 4,962 | 496,186 | 4,962 |
| Shares in circulation | | | | |
| Ordinary shares | 1,203,119,924 | 12,031,199 | 1,119,192,914 | 11,191,929 |

All ordinary shares of the Bank have a par value of VND10,000. Each share is entitled to one vote at meetings of the shareholders. Shareholders are entitled to receive dividend as declared from time to time. All ordinary shares are ranked equally with regard to the Bank's residual assets.

Movements in share capital during the year were as follows:

| | 2018 | | 2017 | |
|--|------------------|--------------------------|------------------|--------------------------|
| | Number of shares | Par value VND million | Number of shares | Par value VND million |
| Opening balance | 1,119,689,100 | 11,196,891 | 1,119,689,100 | 11,196,891 |
| Payment of dividends in the form of shares | 83,927,010 | 839,270 | - | - |
| Closing balance | 1,203,616,110 | 12,036,161 | 1,119,689,100 | 11,196,891 |

25. Dividends

The Resolution No. 01/NQ-DHDCD dated 27 April 2017 of the Annual General Meeting of Shareholders in 2017 passed the plan to list additional shares for payment of dividends to shareholders at the rate of 7.5% (for every 1,000 shares, a shareholder is entitled to 75 additionally issued shares). According to the Report No. 286/TGD dated 24 January 2018 on results of issuing shares for dividend payment, which has been sent to the State Securities Commission, the Bank completed the issuance of 83,927,010 shares to existing shareholders.

26. Net interest income

| | 2018 VND million | 2017 VND million |
|---|---------------------|---------------------|
| Interest and similar income from | | |
| Balances with other credit institutions | 418,617 | 393,956 |
| Loans to customers and other credit institutions | 19,560,989 | 16,414,175 |
| Investments in debt securities | 2,447,351 | 1,139,572 |
| Fees from guarantee services | 89,625 | 173,688 |
| Other credit activities | 124,784 | 98,823 |
| | 22,641,366 | 18,220,214 |
| Interest and similar expenses for | | |
| Deposits from customers and other credit institutions | 14,753,429 | 11,493,165 |
| Borrowed and entrusted funds | 355,968 | 473,635 |
| Valuable papers issued | 1,150,310 | 1,124,006 |
| Other credit activities | 825,757 | 332,748 |
| | 17,085,464 | 13,423,554 |
| Net interest income | 5,555,902 | 4,796,660 |

27. Net fee and commission income

| | 2018 VND million | 2017 VND million |
|--|---------------------|---------------------|
| Fee and commission income from | | |
| Settlement and cash services | 265,512 | 191,422 |
| Treasury services | 21,489 | 16,011 |
| Agency services | 165,319 | 1,242,838 |
| Consulting services | 125,934 | - |
| Other services | 244,735 | 75,899 |
| | 822,989 | 1,526,170 |
| Fee and commission expenses for | | |
| Consulting services | 14,993 | - |
| Settlement and cash services | 48,763 | 25,930 |
| Telecommunication expenses | 22,458 | 18,539 |
| Treasury services | 14,912 | 10,179 |
| Other services | 7,921 | 14,657 |
| | 109,047 | 69,305 |
| Net fee and commission income | 713,942 | 1,456,865 |

28. Net gain from trading of foreign currencies

| | 2018 VND million | 2017 VND million |
|--|---------------------|---------------------|
| Revenues from trading of foreign currencies | | |
| Spot foreign exchange trading | 310,901 | 479,847 |
| Financial derivatives | 418,858 | 375,242 |
| Income from trading of gold | 1,659 | 176 |
| | 731,418 | 855,265 |
| Expenses from trading of foreign currencies | | |
| Spot foreign exchange trading | 365,443 | 434,067 |
| Financial derivatives | 302,712 | 366,863 |
| Expenses for trading of gold | 1,516 | 88 |
| | 669,671 | 801,018 |
| Net gain from trading of foreign currencies | 61,747 | 54,247 |

29. Net gain/(loss) from trading of investment securities

| | 2018 VND million | 2017 VND million (Reclassified) |
|--|---------------------|---------------------------------------|
| Gain/(loss) from trading of available-for-sale securities | | |
| Gain from trading of available-for-sale securities | 309,188 | 23,164 |
| Loss from trading of available-for-sale securities | (31,307) | (23,225) |
| | <u>277,881</u> | <u>(61)</u> |
| Net loss from trading of held-to-maturity securities | | |
| Loss from trading of held-to-maturity securities | - | 1,111 |
| | - | <u>1,111</u> |
| Net gain from trading of investment securities | <u>277,881</u> | <u>1,050</u> |

30. Net income from other activities

| | 2018 VND million | 2017 VND million |
|--|---------------------|---------------------|
| Income from other activities | | |
| Collection of debts written off in prior years | 61,339 | 16,912 |
| Proceeds from disposals of fixed assets | 84,387 | 339,399 |
| Other income | 105,408 | 3,667 |
| | <u>251,134</u> | <u>359,978</u> |
| Expenses for other activities | | |
| Payment for social activities | 6,618 | 7,387 |
| Expenses for disposals of assets | 12,802 | 165,533 |
| Other expenses | 101,653 | 49,566 |
| | <u>121,073</u> | <u>222,486</u> |
| Expenses for other activities | <u>121,073</u> | <u>222,486</u> |
| | <u>130,061</u> | <u>137,492</u> |

31. Operating expenses

| | 2018 VND million | 2017 VND million (Reclassified) |
|--|---------------------|---------------------------------------|
| Tax, duties and fees | 44,573 | 28,134 |
| Expenses for employees | 1,836,453 | 1,566,067 |
| Expenses on assets | 424,756 | 408,687 |
| <i>In which:</i> | | |
| <i>Depreciation of fixed assets</i> | <i>113,073</i> | <i>116,641</i> |
| Administration expenses | 737,973 | 478,481 |
| Insurance fee for customers' deposits (Reversal)/addition of allowance for diminution in the value of other long-term equity investments | 184,838 (5,802) | 143,148 5,341 |
| | 3,222,791 | 2,629,858 |

32. Income tax

(a) Recognised in the consolidated statement of income

| | 2018 VND million | 2017 VND million |
|----------------------------|---------------------|---------------------|
| Current tax expense | | |
| Current year | 421,534 | 386,183 |

(b) Reconciliation of effective tax rate

| | 2018 VND million | 2017 VND million |
|---|---------------------|---------------------|
| Profit before tax | 2,093,853 | 1,925,311 |
| Tax at the Bank's tax rate | 418,771 | 385,062 |
| Effect of different tax rates in subsidiaries | 3,000 | 941 |
| Tax exempt income | (440) | (563) |
| Non-deductible expenses | 203 | 743 |
| | 421,534 | 386,183 |

(c) Applicable tax rate

The usual income tax rate applicable to the Bank is 20% for the year 2018 (2017: 20%).

33. Basic earnings per share

(i) Net profit attributable to ordinary shareholders

| | 2018 VND million | 2017 VND million |
|---|---------------------|---------------------|
| Net profit attributable to ordinary shareholders for the year | 1,672,319 | 1,539,128 |

(ii) Weighted average number of ordinary shares

| | 2018 | 2017 (as restated) | 2017 (as previously reported) |
|--|---------------|-----------------------|-------------------------------------|
| Issued ordinary shares at the beginning of the year | 1,119,192,914 | 1,119,192,914 | 1,119,192,914 |
| Effect of shares issued to pay dividends in 2018 | 83,927,010 | 83,927,010 | - |
| Weighted average number of ordinary shares for the year | 1,203,119,924 | 1,203,119,924 | 1,119,192,914 |

(iii) Basic earnings per share

| | 2018 VND | 2017 (as restated) VND | 2017 (as previously reported) VND |
|--------------------------|-------------|------------------------------|--|
| Basic earnings per share | 1,390 | 1,279 | 1,375 |

34. Cash and cash equivalents

| | 31/12/2018 VND million | 31/12/2017 VND million |
|---|---------------------------|---------------------------|
| Cash on hand and gold | 1,884,822 | 1,446,548 |
| Balances with the State Banks | 4,328,739 | 3,742,659 |
| Current accounts at other credit institutions ("CIs") | 24,708,324 | 20,812,077 |
| Deposits at other CIs with original term not exceeding 3 months | 4,044,546 | 7,047,433 |
| | 34,966,431 | 33,048,717 |

35. Employee benefits

| | 2018 VND million | 2017 VND million |
|------------------------------|---------------------|---------------------|
| Number of employees (person) | 7,546 | 6,402 |
| Employees' income | 1,591,711 | 1,356,709 |
| | 17.58 | 17.66 |

36. Significant transactions with related parties

In the normal course of banking business, SHB carries out transactions with related parties. The terms of these transactions are in accordance with SHB's regulations.

Balances of significant transactions with related parties at year end were as follows:

| | Balance as at | |
|--|--|--|
| | 31/12/2018 | 31/12/2017 |
| | VND million | VND million |
| | Assets/ (Liabilities and owner's equity) | Assets/ (Liabilities and owner's equity) |
| Major shareholders | | |
| <i>T&T Group Joint Stock Company</i> | | |
| ▪ Capital contribution | (1,199,768) | (1,199,768) |
| ▪ Demand deposits | (112,476) | (979,364) |
| ▪ Loans granted | (779) | (19,432) |
| Other long-term investments | | |
| <i>Sai Gon - Hanoi Insurance Corporation</i> | | |
| ▪ Capital contribution | 42,857 | 42,857 |
| ▪ Demand deposits | (184,931) | (151,100) |
| ▪ Accrued interest payable for deposits | (4,339) | (6,892) |

37. Obligations to the State Budget

Year ended 31 December 2018

| | 1/1/2018 Payable VND million | Incurred during the year | | 31/12/2018 Payable VND million |
|----------------------|---|---------------------------------------|---------------------------------------|---|
| | | Increase VND million | Decrease VND million | |
| Corporate income tax | 178,226 | 421,534 | (377,831) | 221,929 |
| Value added tax | 43,051 | 91,569 | (98,708) | 35,912 |
| Other taxes | 8,236 | 120,177 | (110,257) | 18,156 |
| | 229,513 | 633,280 | (586,796) | 275,997 |

Year ended 31 December 2017

| | 1/1/2017 Payable VND million | Incurred during the year | | 31/12/2017 Payable VND million |
|----------------------|---|---------------------------------------|---------------------------------------|---|
| | | Increase VND million | Decrease VND million | |
| Corporate income tax | 60,315 | 386,183 | (268,272) | 178,226 |
| Value added tax | 41,801 | 133,870 | (132,620) | 43,051 |
| Other taxes | 15,126 | 33,449 | (40,339) | 8,236 |
| | 117,242 | 553,502 | (441,231) | 229,513 |

38. Segment reporting

Geographical segment reporting

| Year ended 31 December 2018 | The North VND million | The Central VND million | The South VND million | Foreign countries VND million | Total VND million |
|---|--------------------------|----------------------------|--------------------------|----------------------------------|----------------------|
| Net interest income | 3,458,058 | 1,334,514 | 467,737 | 295,593 | 5,555,902 |
| Net fee and commission income | 628,514 | 30,115 | 7,374 | 47,939 | 713,942 |
| Net gain from trading of foreign currencies | 48,790 | 11,285 | 1,973 | (301) | 61,747 |
| Net gain from investment securities | 277,881 | - | - | - | 277,881 |
| Net gain from other activities | 96,062 | 17,358 | 13,102 | 3,539 | 130,061 |
| Income from capital contribution, share purchase | 2,202 | - | - | - | 2,202 |
| Operating expenses | (2,340,409) | (526,143) | (234,860) | (121,379) | (3,222,791) |
| Net operating profit before allowance and provision expenses | 2,171,098 | 867,129 | 255,326 | 225,391 | 3,518,944 |
| Allowance and provision expenses | (882,739) | (346,077) | (131,589) | (64,686) | (1,425,091) |
| Profit before tax | 1,288,359 | 521,052 | 123,737 | 160,705 | 2,093,853 |

Saigon - Hanoi Joint Stock Commercial Bank
No. 77 Tran Hung Dao, Hoan Kiem District, Hanoi, Vietnam

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

Form B05/TCTD-HN
 (Issued under Circular No.49/2014-TT-NHNN
 dated 31 December 2014 of the State Bank of Vietnam)

| As at 31 December 2018 | The North VND million | The Central VND million | The South VND million | Foreign countries VND million | Total VND million |
|---|--------------------------|----------------------------|--------------------------|----------------------------------|----------------------|
| Cash and gold on hand | 1,393,986 | 312,010 | 120,785 | 58,041 | 1,884,822 |
| Balances with the State Banks | 3,309,766 | 3,751 | 7,336 | 1,007,886 | 4,328,739 |
| Balances with and loans to other credit institutions ("CIs") | 27,720,267 | 2,118 | 1,295 | 1,576,647 | 29,300,327 |
| Trading securities | 655 | - | - | - | 655 |
| Derivatives and other financial assets | 58,228 | - | - | - | 58,228 |
| Loans to customers | 152,993,732 | 35,823,078 | 17,593,353 | 7,576,489 | 213,986,652 |
| Investment securities | 48,026,925 | - | - | - | 48,026,925 |
| Long-term investments | 195,767 | - | - | - | 195,767 |
| Fixed assets | 4,704,915 | 45,207 | 20,600 | 21,712 | 4,792,434 |
| Other assets | 13,277,218 | 6,178,594 | 1,124,881 | 120,766 | 20,701,459 |
| Total assets | 251,681,459 | 42,364,758 | 18,868,250 | 10,361,541 | 323,276,008 |
| Amounts due to the Government and the State Banks | 12,211,237 | - | - | - | 12,211,237 |
| Deposits and borrowings from other CIs | 38,642,439 | 56 | 1,495 | 6,289,799 | 44,933,789 |
| Deposits from customers | 170,541,669 | 39,841,455 | 13,670,266 | 1,170,751 | 225,224,141 |
| Other borrowed and entrusted funds | 1,473,711 | - | - | - | 1,473,711 |
| Valuable papers issued | 13,018,242 | 1,037,438 | 2,666,056 | - | 16,721,736 |
| Other liabilities | 3,612,312 | 764,759 | 356,696 | 1,645,095 | 6,378,862 |
| Total liabilities | 239,499,610 | 41,643,708 | 16,694,513 | 9,105,645 | 306,943,476 |

Saigon - Hanoi Joint Stock Commercial Bank
No. 77 Tran Hung Dao, Hoan Kiem District, Hanoi, Vietnam
Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

Form B05/TCTD-HN
(Issued under Circular No.49/2014-TT-NHNN
dated 31 December 2014 of the State Bank of Vietnam)

| Year ended 31 December 2017 | The North VND million | The Central VND million | The South VND million | Foreign countries VND million | Total VND million |
|---|----------------------------------|------------------------------------|----------------------------------|--|------------------------------|
| Net interest income | 3,077,240 | 486,679 | 906,459 | 326,282 | 4,796,660 |
| Net fee and commission income | 1,409,160 | 2,701 | 17,918 | 27,086 | 1,456,865 |
| Net gain from trading of foreign currencies | 42,067 | 1,672 | 8,928 | 1,580 | 54,247 |
| Net loss from trading securities | (5,188) | - | - | - | (5,188) |
| Net gain from investment securities | 1,050 | - | - | - | 1,050 |
| Net other income/(expenses) | 131,274 | 165 | 7,863 | (1,810) | 137,492 |
| Income from capital contribution, share purchase | 2,816 | - | - | - | 2,816 |
| Operating expenses | (1,843,471) | (204,175) | (472,159) | (110,053) | (2,629,858) |
| Net operating profit before allowance and provision expenses | 2,814,948 | 287,042 | 469,009 | 243,085 | 3,814,084 |
| Allowance and provision expenses | (1,698,798) | (33,500) | (105,338) | (51,137) | (1,888,773) |
| Profit before tax | 1,116,150 | 253,542 | 363,671 | 191,948 | 1,925,311 |

Saigon - Hanoi Joint Stock Commercial Bank
No. 77 Tran Hung Dao, Hoan Kiem District, Hanoi, Vietnam

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

Form B05/TCTD-HN
*(Issued under Circular No.49/2014-TT-NHNN
dated 31 December 2014 of the State Bank of Vietnam)*

| As at 31 December 2017 | The North VND million | The Central VND million | The South VND million | Foreign countries VND million | Total VND million |
|---|----------------------------------|------------------------------------|----------------------------------|--|------------------------------|
| Cash and gold on hand | 1,014,234 | 118,504 | 263,960 | 49,850 | 1,446,548 |
| Balances with the State Banks | 2,961,064 | 3,736 | 6,159 | 771,700 | 3,742,659 |
| Balances with and loans to other CIs | 32,482,469 | 1,441 | 613 | 1,028,993 | 33,513,516 |
| Trading securities | 1,050 | - | - | - | 1,050 |
| Derivatives and other financial assets | 136,265 | - | - | - | 136,265 |
| Loans and advances to customers | 139,157,737 | 17,376,168 | 33,246,647 | 5,660,999 | 195,441,551 |
| Investment securities | 21,206,594 | - | - | 1,370 | 21,207,964 |
| Long-term investments | 215,465 | - | - | - | 215,465 |
| Fixed assets | 3,887,117 | 15,405 | 28,600 | 21,195 | 3,952,317 |
| Other assets | 23,584,928 | 228,476 | 1,771,415 | 767,927 | 26,352,746 |
| Total assets | 224,646,923 | 17,743,730 | 35,317,394 | 8,302,034 | 286,010,081 |
| Amounts due to the Government and the State Banks | 2,758,343 | - | - | - | 2,758,343 |
| Deposits and borrowings from other CIs | 52,614,651 | 543 | 38 | 385,187 | 53,000,419 |
| Deposits from customers | 146,056,773 | 13,740,270 | 34,382,130 | 710,597 | 194,889,770 |
| Other borrowed and entrusted funds | 1,064,161 | - | - | - | 1,064,161 |
| Valuable papers issued | 12,291,520 | 2,654,299 | 21,450 | - | 14,967,269 |
| Other liabilities | 3,745,073 | 274,427 | 550,107 | 69,292 | 4,638,899 |
| Total liabilities | 218,530,521 | 16,669,539 | 34,953,725 | 1,165,076 | 271,318,861 |

Saigon - Hanoi Joint Stock Commercial Bank
No. 77 Tran Hung Dao, Hoan Kiem District, Hanoi, Vietnam
Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

Form B05/TCTD-HN
*(Issued under Circular No.49/2014-TT-NHNN
dated 31 December 2014 of the State Bank of Vietnam)*

Business segments

| | Credit VND million | Investment VND million | Services VND million | Treasury VND million | Total VND million |
|------------------------------------|-------------------------------|-----------------------------------|---------------------------------|---------------------------------|------------------------------|
| Year ended 31 December 2018 | | | | | |
| Revenue | 19,775,398 | 2,789,181 | 495,869 | 996,871 | 24,057,319 |
| As at 31 December 2018 | | | | | |
| Segment assets | 222,664,611 | 50,338,997 | 224,536 | 35,791,387 | 309,019,531 |
| Allocated assets | 6,876,514 | 60,715 | 2,820,233 | 4,499,015 | 14,256,477 |
| Total assets | 229,541,125 | 50,399,712 | 3,044,769 | 40,290,402 | 323,276,008 |
| Segment liabilities | (408,430) | - | (94,370) | (305,667,212) | (306,170,012) |
| Allocated liabilities | (373,487) | (3,291) | (152,850) | (243,836) | (773,464) |
| Total liabilities | (781,917) | (3,291) | (247,220) | (305,911,048) | (306,943,476) |
| Year ended 31 December 2017 | | | | | |
| Revenue | 16,686,686 | 1,192,497 | 435,877 | 1,844,227 | 20,159,287 |
| As at 31 December 2017 | | | | | |
| Segment assets | 208,722,772 | 23,430,203 | 165,767 | 33,943,598 | 266,262,340 |
| Allocated assets | 7,825,912 | 45,120 | 4,216,239 | 7,660,470 | 19,747,741 |
| Total assets | 216,548,684 | 23,475,323 | 4,382,006 | 41,604,068 | 286,010,081 |
| Segment liabilities | (393,624) | - | (103,677) | (270,228,036) | (270,725,337) |
| Allocated liabilities | (235,210) | (1,356) | (126,721) | (230,237) | (593,524) |
| Total liabilities | (628,834) | (1,356) | (230,398) | (270,458,273) | (271,318,861) |

39. Financial risk management

This section provides information of SHB's exposure to risk and describes the policies, the methods used by management to control risk. The most important types of financial risk to which SHB is exposed are credit risk, liquidity risk and market risk.

(a) Risk management policy for financial instruments

SHB's orientation is to become a diversified financial group. Therefore, the use of financial instruments, including funding from customers (in terms of deposit products and valuable papers issued) and investments in high quality financial assets have become key activities to help SHB gain necessary interest rate gaps. From the risk management perspective, SHB is required to maintain the structure of assets, liabilities and equity (including balance sheet items and off-balance sheet items) for the purpose of ensuring safety and mitigating risks in banking activities. In addition, SHB has invested in securities or granted credit facilities to other banks. The risks related to currency and interest rates have been managed through applying of position limits to restrict over-concentration and simultaneously participating in activities with balancing impact to minimise risks. By holding various assets being high quality financial instruments, the structure of SHB's consolidated balance sheet is able to protect SHB from significant risks during its business processes and ensure liquidity. In addition, SHB has been also involved in many hedging transactions related to financial instruments such as foreign currency swaps for the purpose of managing interest rate risk.

In the process of credit risk management, SHB has adopted the Credit Handbook which provides in details the lending policies and procedures as well as implementation guidance on standardization of SHB's credit activities. Liquidity risk is limited by holding appropriate amounts of cash and cash equivalents as Nostro accounts, term deposits at the SBV and other credit institutions and valuable papers. The safety ratios with risk factors taken into account are also used to manage liquidity risk. SHB has regularly assessed interest rate gaps, compared to the gaps of domestic markets and international markets to make timely adjustments. In addition, the application of internal risk management processes has become more efficient owing to the deployment of Centralised Capital Management System and Centralised Payment System in which all capital and payment transactions of SHB are executed by the Head Office. Such centralisation has also helped SHB to monitor capital movements more effectively and reduce any possible errors and unnecessarily complicated procedures.

(b) Credit risk

SHB is subject to credit risk through its lending, investing activities and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees. The risk that counterparties might default on their obligations is monitored on an ongoing basis. SHB's primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is reflected by the carrying amounts of the assets on the consolidated balance sheet. In addition, SHB is exposed to off balance sheet credit risk through commitments to extend credit and guarantees issued.

SHB has maintained a credit risk management policy to ensure the following basic principles are complied with:

- Establishing an appropriate environment for credit risk management;
- Operating in accordance with a healthy credit granting process;
- Maintaining an appropriate credit management, measurement and monitoring process; and
- Ensuring proper controls over credit risk.

SHB approves credit facilities through various levels to ensure that each credit is considered independently; concurrently, the approval of the loan is made on the basis of the credit limit assigned to each authorisation level. Besides, the credit approval model of SHB is maintained with the involvement of the Credit Committee to ensure centralised credit approval with the highest quality.

SHB is using the internal credit rating system which has been approved by the SBV as a management tool to control credit risk, according to which each customer is classified in a level of risk. The level of risk may be modified and updated frequently. Data and results of customer rating across the system are controlled and centrally managed at the Head Office. This is the basis for credit granting and provision of services to customers as well as making allowance for credit risk in accordance with regulations.

Financial assets that are overdue but not impaired

Financial assets that are overdue but not impaired mainly comprise loans and advances to customers classified by SHB in Group 2 to Group 5 and overdue receivables under Circular 02 and Circular 09 that have sufficient collateral, including real estate, valuable papers and other collateral.

The maximum exposure to credit risk on balance sheet of SHB, excluding collaterals or credit support was as follows:

Saigon - Hanoi Joint Stock Commercial Bank
No. 77 Tran Hung Dao, Hoan Kiem District, Hanoi, Vietnam
Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

Form B05/TCTD-HN
(Issued under Circular No.49/2014-TT-NHNN
dated 31 December 2014 of the State Bank of Vietnam)

As at 31 December 2018
(VND million)

| | Neither overdue nor impaired | Past due but not impaired | | | Impaired | Total | |
|--|------------------------------------|-------------------------------|-----------------------------------|------------------------------------|-----------|-------------|----------------------------------|
| | | Overdue from 10 to 90 days | Overdue from 91 to 180 days | Overdue from 181 to 360 days | | | Overdue more than 360 days |
| Balances with the State Banks | 4,328,739 | - | - | - | - | 4,328,739 | |
| Balances with and loans to other CIs - net | 29,300,327 | - | - | - | - | 29,300,327 | |
| Derivatives and other financial assets | 58,228 | - | - | - | - | 58,228 | |
| Loans and advances to customers - net | 205,315,165 | 3,733,699 | 50,339 | 444,088 | 1,362,465 | 213,986,652 | |
| Investment securities - net | 47,951,362 | - | - | - | 75,000 | 48,026,362 | |
| Other financial assets - net | 19,379,429 | - | - | - | 1,322,030 | 20,701,459 | |
| | 306,333,250 | 3,733,699 | 50,339 | 444,088 | 1,362,465 | 4,477,926 | 316,401,767 |

As at 31 December 2017
(VND million)

| | Neither overdue nor impaired | Past due but not impaired | | | Impaired | Total |
|--|------------------------------------|-------------------------------|-----------------------------------|------------------------------------|-----------|-------------|
| | | Overdue from 10 to 90 days | Overdue from 91 to 180 days | Overdue from 181 to 360 days | | |
| Balances with the State Banks | 3,742,659 | - | - | - | - | 3,742,659 |
| Balances with and loans to other CIs - net | 33,513,516 | - | - | - | - | 33,513,516 |
| Derivative financial instruments | 136,265 | - | - | - | - | 136,265 |
| Loans and advances to customers - net | 187,749,764 | 2,891,516 | 496,370 | 142,811 | 551,608 | 195,441,551 |
| Investment securities - net | 21,059,723 | - | - | - | 147,544 | 21,207,267 |
| Other financial assets - net | 24,812,837 | - | - | - | 1,539,909 | 26,352,746 |
| | 271,014,764 | 2,891,516 | 496,370 | 142,811 | 5,296,935 | 280,394,004 |

Details of collateral held by SHB at the year-end were as follows:

| | 31/12/2018 VND million | 31/12/2017 VND million |
|-------------------|---------------------------|---------------------------|
| Real estates | 237,861,232 | 180,743,105 |
| Movable assets | 17,927,216 | 44,428,824 |
| Valuable papers | 31,937,732 | 31,913,273 |
| Other collaterals | 293,913,685 | 228,243,002 |
| | 581,639,865 | 485,328,204 |

(c) Liquidity risk

Liquidity risk arises in the general funding of SHB's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

SHB adopts a risk measurement method that is appropriate to its operation scale and the availability of the information system, ensuring meeting the requirements for the risk mitigation. It includes indicators related to cash flows, ability of capital mobilisation, and ability of asset liquidity of SHB. SHB also establishes and applies a limit system and decision authority at each level based on results of risk measurement for each category.

The following table provides an analysis of the assets and liabilities of SHB in terms of relevant maturity groupings based on the remaining period from the balance sheet date to repayment date. In practice, the actual maturity of assets or liabilities may differ from contractual terms based on the addenda to the contracts which may exist.

Saigon - Hanoi Joint Stock Commercial Bank
No. 77 Tran Hung Dao, Hoan Kiem District, Hanoi, Vietnam
Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

Form B05/TCTD-HN
(Issued under Circular No.49/2014-TT-NHNN
dated 31 December 2014 of the State Bank of
Vietnam)

| As at 31 December 2018 (VND million) | Overdue | | Not overdue | | | | | Total |
|--|-------------------------------|----------------------------------|------------------|-----------------------|------------------------|----------------------|--------------|-------------|
| | Overdue less than 3 months | Overdue more than 3 months | Up to 1 month | From 1 to 3 months | From 3 to 12 months | From 1 to 5 years | Over 5 years | |
| Assets | | | | | | | | |
| Cash and gold on hand | - | - | 1,884,822 | - | - | - | - | 1,884,822 |
| Balances with the State Banks | - | - | 4,328,739 | - | - | - | - | 4,328,739 |
| Balances with and loans to other CIs - gross | - | - | 26,651,516 | 2,304,920 | 343,891 | - | - | 29,300,327 |
| Derivative financial instruments | - | - | (28,512) | 25,230 | 61,510 | - | - | 58,228 |
| Securities held for trading - gross | - | - | 3,889 | - | - | - | - | 3,889 |
| Loans and advances to customers - gross | 2,820,131 | 7,077,328 | 21,823,759 | 23,323,406 | 62,087,275 | 61,779,487 | 38,077,495 | 216,988,881 |
| Investment securities - gross | 150,000 | - | 2,730,375 | 351,722 | 18,005,543 | 16,889,432 | 11,827,073 | 49,954,145 |
| Long-term investments | - | - | - | - | - | - | 201,750 | 201,750 |
| Fixed assets | - | - | 1,606,475 | 214 | 17,162 | 199,842 | 2,968,741 | 4,792,434 |
| Other assets - gross | 1,840,891 | - | 13,165,334 | 2,545,626 | 3,542,254 | 256,323 | 4,247 | 21,354,675 |
| | 4,811,022 | 7,077,328 | 72,166,397 | 28,551,118 | 84,057,635 | 79,125,084 | 53,079,306 | 328,867,890 |
| Liabilities | | | | | | | | |
| Amounts due to the Government and the State Banks | - | - | 9,434,607 | 2,200,119 | 576,511 | - | - | 12,211,237 |
| Deposits and borrowings from other CIs | - | - | 32,106,273 | 8,210,803 | 4,153,755 | 376,565 | 86,393 | 44,933,789 |
| Deposits from customers | - | - | 65,971,458 | 47,612,876 | 94,957,386 | 16,679,022 | 3,399 | 225,224,141 |
| Other borrowed and entrusted funds | - | - | 10,159 | 25,199 | 131,595 | 641,165 | 665,593 | 1,473,711 |
| Valuable papers issued | - | - | - | 600,000 | 7,047,099 | 2,049,454 | 7,025,183 | 16,721,736 |
| Other liabilities | - | - | 6,378,862 | - | - | - | - | 6,378,862 |
| | - | - | 113,901,359 | 58,648,997 | 106,866,346 | 19,746,206 | 7,780,568 | 306,943,476 |
| Net liquidity gap | 4,811,022 | 7,077,328 | (41,734,962) | (30,097,879) | (22,808,711) | 59,378,878 | 45,298,738 | 21,924,414 |

Saigon - Hanoi Joint Stock Commercial Bank
No. 77 Tran Hung Dao, Hoan Kiem District, Hanoi, Vietnam
Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

Form B05/TCTD-HN
(Issued under Circular No.49/2014-TT-NHNN
dated 31 December 2014 of the State Bank of
Vietnam)

| As at 31 December 2017 (VND million) | Overdue | | Not overdue | | | | | Total |
|--|-------------------------------|----------------------------------|------------------|-----------------------|------------------------|----------------------|-----------------|-------------|
| | Overdue less than 3 months | Overdue more than 3 months | Up to 1 month | From 1 to 3 months | From 3 to 12 months | From 1 to 5 years | Over 5 years | |
| Assets | | | | | | | | |
| Cash and gold on hand | - | - | 1,446,548 | - | - | - | - | 1,446,548 |
| Balances with the State Banks | - | - | 3,742,659 | - | - | - | - | 3,742,659 |
| Balances with and loans to other CIs - gross | - | - | 24,430,584 | 5,056,692 | 4,026,240 | - | - | 33,513,516 |
| Derivatives and other financial assets | - | - | 136,265 | - | - | - | - | 136,265 |
| Securities held for trading - gross | - | - | 3,889 | - | - | - | - | 3,889 |
| Loans and advances to customers - gross | 4,623,697 | 3,298,174 | 17,663,184 | 17,537,801 | 61,711,683 | 59,586,956 | 33,869,071 | 198,290,566 |
| Investment securities - gross | 150,000 | - | 33,599 | - | 2,489,040 | 13,557,465 | 6,721,106 | 22,951,210 |
| Long-term investments | - | - | - | - | - | - | 227,250 | 227,250 |
| Fixed assets | - | - | 811,584 | 2,342 | 15,491 | 153,589 | 2,969,311 | 3,952,317 |
| Other assets - gross | 3,626,455 | 721 | 16,204,082 | 1,875,293 | 4,761,060 | 286,886 | 8,623 | 26,763,120 |
| | 8,400,152 | 3,298,895 | 64,472,394 | 24,472,128 | 73,003,514 | 73,584,896 | 43,795,361 | 291,027,340 |
| Liabilities | | | | | | | | |
| Amounts due to the Government and the State Banks | - | - | 2,758,343 | - | - | - | - | 2,758,343 |
| Deposits and borrowings from other CIs | - | - | 35,053,842 | 11,407,248 | 6,257,516 | 261,492 | 20,321 | 53,000,419 |
| Deposits from customers | - | - | 62,362,701 | 42,185,113 | 83,890,973 | 6,447,810 | 3,173 | 194,889,770 |
| Other borrowed and entrusted funds | - | - | 6,882 | 27,856 | 105,430 | 456,246 | 467,747 | 1,064,161 |
| Valuable papers issued | - | - | - | - | 11,744,000 | - | 3,223,269 | 14,967,269 |
| Other liabilities | - | - | 4,638,899 | - | - | - | - | 4,638,899 |
| | - | - | 104,820,667 | 53,620,217 | 101,997,919 | 7,165,548 | 3,714,510 | 271,318,861 |
| Net liquidity gap | 8,400,152 | 3,298,895 | (40,348,273) | (29,148,089) | (28,994,405) | 66,419,348 | 40,080,851 | 19,708,479 |

(d) Market risks

(i) Interest rate risk

SHB's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature at different times or in differing amounts. Some assets have indefinite maturities or interest rate sensitivities and are not readily matched with specific liabilities.

SHB adopts a currency risk measurement method for all assets - liabilities items with respect to interest income. SHB also establishes and applies a limit system and decision authority at each level based on results of risk measurement for each category.

The following tables show SHB's assets and liabilities categorised by the contractual re-pricing or maturity date and the effective interest rates at the balance sheet date.

Time limit for repricing of effective interest rates is the remaining period from the end of the accounting period to the most recent repricing of effective interest rates of assets and equity items.

Saigon - Hanoi Joint Stock Commercial Bank
No. 77 Tran Hung Dao, Hoan Kiem District, Hanoi, Vietnam
Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

Form B05/TCTD-HN
(Issued under Circular No.49/2014-TT-NHNN
dated 31 December 2014 of the State Bank of Vietnam)

| As at 31 December 2018 (VND million) | Overdue | Free of interest | Up to 1 month | From 1 to 3 months | From 3 to 6 months | From 6 to 12 months | From 1 to 5 years | Over 5 years | Total |
|---|-------------------|-------------------------|----------------------|---------------------------|---------------------------|----------------------------|--------------------------|---------------------|--------------------|
| Assets | | | | | | | | | |
| Cash and gold on hand | - | 1,884,822 | - | - | - | - | - | - | 1,884,822 |
| Balances with the State Banks | - | - | 4,328,739 | - | - | - | - | - | 4,328,739 |
| Balances with and loans to other CIs - gross | - | - | 26,651,516 | 2,304,920 | 142,987 | 200,904 | - | - | 29,300,327 |
| Derivatives and other financial assets | - | 58,228 | - | - | - | - | - | - | 58,228 |
| Securities held for trading - gross | - | 3,889 | - | - | - | - | - | - | 3,889 |
| Loans and advances to customers - gross | 9,897,459 | - | 69,052,932 | 114,678,896 | 10,900,594 | 7,415,620 | 3,929,488 | 1,113,892 | 216,988,881 |
| Investment securities - gross | 150,000 | 9,294,442 | 3,337,088 | 6,749,144 | 4,007,774 | 9,025,471 | 7,545,840 | 9,844,386 | 49,954,145 |
| Long-term investments | - | 201,750 | - | - | - | - | - | - | 201,750 |
| Fixed assets | - | 4,792,434 | - | - | - | - | - | - | 4,792,434 |
| Other assets - gross | 1,840,891 | 13,423,812 | 144,830 | 2,250,608 | 3,263,881 | 424,619 | 6,034 | - | 21,354,675 |
| | 11,888,350 | 29,659,377 | 103,515,105 | 125,983,568 | 18,315,236 | 17,066,614 | 11,481,362 | 10,958,278 | 328,867,890 |
| Liabilities | | | | | | | | | |
| Amounts due to the Government and the State Banks | - | - | 10,211,237 | 2,000,000 | - | - | - | - | 12,211,237 |
| Deposits and borrowings from other CIs | - | - | 32,102,335 | 8,826,390 | 3,405,701 | 587,759 | 8,154 | 3,450 | 44,933,789 |
| Deposits from customers | - | - | 65,971,459 | 47,612,876 | 52,498,826 | 43,718,971 | 15,418,610 | 3,399 | 225,224,141 |
| Other borrowed and entrusted funds | - | - | - | 1,330,584 | - | - | 143,127 | - | 1,473,711 |
| Valuable papers issued | - | - | - | 600,000 | 5,547,099 | 1,500,000 | 3,050,009 | 6,024,628 | 16,721,736 |
| Other liabilities | - | 6,378,862 | - | - | - | - | - | - | 6,378,862 |
| | - | 6,378,862 | 108,285,031 | 60,369,850 | 61,451,626 | 45,806,730 | 18,619,900 | 6,031,477 | 306,943,476 |
| Interest sensitivity gap | 11,888,350 | 23,280,515 | (4,769,926) | 65,613,718 | (43,136,390) | (28,740,116) | (7,138,538) | 4,926,801 | 21,924,414 |

Saigon - Hanoi Joint Stock Commercial Bank
No. 77 Tran Hung Dao, Hoan Kiem District, Hanoi, Vietnam
Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

Form B05/TCTD-HN
(Issued under Circular No.49/2014-TT-NHNN
dated 31 December 2014 of the State Bank of Vietnam)

| As at 31 December 2017 (VND million) | Overdue | Free of interest | Up to 1 month | From 1 to 3 months | From 3 to 6 months | From 6 to 12 months | From 1 to 5 years | Over 5 years | Total |
|---|----------------|-------------------------|----------------------|---------------------------|---------------------------|----------------------------|--------------------------|---------------------|--------------|
| Assets | | | | | | | | | |
| Cash and gold on hand | - | 1,446,548 | - | - | - | - | - | - | 1,446,548 |
| Balances with the State Banks | - | - | 3,742,659 | - | - | - | - | - | 3,742,659 |
| Balances with and loans to other CIs - gross | - | - | 24,430,584 | 5,056,692 | 3,958,965 | 67,275 | - | - | 33,513,516 |
| Derivatives and other financial assets | - | 136,265 | - | - | - | - | - | - | 136,265 |
| Securities held for trading - gross | - | 3,889 | - | - | - | - | - | - | 3,889 |
| Loans and advances to customers - gross | 7,921,871 | - | 63,617,993 | 87,724,107 | 17,485,187 | 13,213,372 | 7,573,437 | 754,599 | 198,290,566 |
| Investment securities - gross | 150,000 | 8,152,409 | - | 357 | 1,099,861 | 3,789,029 | 7,083,406 | 2,676,148 | 22,951,210 |
| Long-term investments | - | 227,250 | - | - | - | - | - | - | 227,250 |
| Fixed assets | - | 3,952,317 | - | - | - | - | - | - | 3,952,317 |
| Other assets - gross | 3,627,176 | 23,135,944 | - | - | - | - | - | - | 26,763,120 |
| | 11,699,047 | 37,054,622 | 91,791,236 | 92,781,156 | 22,544,013 | 17,069,676 | 14,656,843 | 3,430,747 | 291,027,340 |
| Liabilities | | | | | | | | | |
| Amounts due to the Government and the State Banks | - | - | 2,758,343 | - | - | - | - | - | 2,758,343 |
| Deposits and borrowings from other CIs | - | - | 35,925,253 | 11,599,233 | 5,137,570 | 332,474 | 2,047 | 3,842 | 53,000,419 |
| Deposits from customers | - | - | 62,362,701 | 42,185,113 | 43,709,958 | 40,181,015 | 6,447,810 | 3,173 | 194,889,770 |
| Other borrowed and entrusted funds | - | - | - | - | 1,061,995 | - | 2,166 | - | 1,064,161 |
| Valuable papers issued | - | - | - | - | 5,185,000 | 6,559,000 | 1,000,634 | 2,222,635 | 14,967,269 |
| Other liabilities | - | 4,638,899 | - | - | - | - | - | - | 4,638,899 |
| | - | 4,638,899 | 101,046,297 | 53,784,346 | 55,094,523 | 47,072,489 | 7,452,657 | 2,229,650 | 271,318,861 |
| Interest sensitivity gap | 11,699,047 | 32,415,723 | (9,255,061) | 38,996,810 | (32,550,510) | (30,002,813) | 7,204,186 | 1,201,097 | 19,708,479 |

(ii) Currency risk

Currency risk is the risk that the value of a financial instrument fluctuates due to changes in foreign exchange rates. SHB was incorporated and operates in Vietnam, with Vietnamese Dong as its reporting currency. The major currency in which SHB transacts is Vietnamese Dong. SHB's loans and advances were mainly denominated in Vietnamese Dong and United States Dollar. However, some of SHB's other assets are in currencies other than Vietnamese Dong and United States Dollar. SHB's management has set limits on positions by currency based on the internal risk assessment system of SHB and regulations of the SBV. Positions are monitored on a daily basis and hedging strategies used to ensure positions are maintained within established limits.

Saigon - Hanoi Joint Stock Commercial Bank
No. 77 Tran Hung Dao, Hoan Kiem District, Hanoi, Vietnam

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

Form B05/TCTD-HN
(Issued under Circular No.49/2014-TT-NHNN
dated 31 December 2014 of the State Bank of
Vietnam)

| As at 31 December 2018 (VND million) | VND | USD | EUR | Other currencies | Total |
|---|--------------------|--------------------|----------------|-----------------------------------|--------------------|
| Assets | | | | | |
| Cash and gold on hand | 950,382 | 820,964 | 53,451 | 60,025 | 1,884,822 |
| Balances with the State Banks | 2,750,809 | 1,374,839 | - | 203,091 | 4,328,739 |
| Balances with and loans to other CIs - gross | 27,458,147 | 1,114,908 | 204,369 | 522,903 | 29,300,327 |
| Derivatives and other financial liabilities | 2,354,997 | (2,281,159) | - | (15,610) | 58,228 |
| Securities held for trading - gross | 3,889 | - | - | - | 3,889 |
| Loans and advances to customers - gross | 202,642,123 | 13,198,420 | 143,127 | 1,005,211 | 216,988,881 |
| Investment securities - gross | 49,954,145 | - | - | - | 49,954,145 |
| Long-term investments | 201,750 | - | - | - | 201,750 |
| Fixed assets | 4,770,780 | 13,844 | - | 7,810 | 4,792,434 |
| Other assets - gross | 18,851,329 | 2,367,436 | 54,582 | 81,328 | 21,354,675 |
| | 309,938,351 | 16,609,252 | 455,529 | 1,864,758 | 328,867,890 |
| Liabilities | | | | | |
| Amounts due to the Government and the State Banks | 12,096,858 | 114,379 | - | - | 12,211,237 |
| Deposits and borrowings from other CIs | 36,242,521 | 8,374,572 | - | 316,696 | 44,933,789 |
| Deposits from customers | 213,952,015 | 10,879,492 | 247,221 | 145,413 | 225,224,141 |
| Derivatives and other financial liabilities | - | - | - | - | - |
| Other borrowed and entrusted funds | 1,330,584 | - | 143,127 | - | 1,473,711 |
| Valuable papers issued | 16,721,736 | - | - | - | 16,721,736 |
| Other liabilities | 5,316,621 | 985,675 | - | 76,566 | 6,378,862 |
| | 285,660,335 | 20,354,118 | 390,348 | 538,675 | 306,943,476 |
| FX position on balance sheet | 24,278,016 | (3,744,866) | 65,181 | 1,326,083 | 21,924,414 |

Saigon - Hanoi Joint Stock Commercial Bank
No. 77 Tran Hung Dao, Hoan Kiem District, Hanoi, Vietnam

Form B05/TCTD-HN
(Issued under Circular No.49/2014-TT-NHNN
dated 31 December 2014 of the State Bank of
Vietnam)

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

| As at 31 December 2017 (VND million) | VND | USD | EUR | Other currencies | Total |
|---|--------------------|-------------------|----------------|-----------------------------|--------------------|
| Assets | | | | | |
| Cash and gold on hand | 886,481 | 507,125 | 34,847 | 18,095 | 1,446,548 |
| Balances with the State Banks | 2,347,912 | 1,394,747 | - | - | 3,742,659 |
| Balances with and loans to other CIs - gross | 28,574,001 | 4,059,295 | 106,368 | 773,852 | 33,513,516 |
| Securities held for trading - gross | 3,889 | - | - | - | 3,889 |
| Derivatives and other financial assets | (5,757,288) | 5,607,748 | 95,407 | 190,398 | 136,265 |
| Loans and advances to customers - gross | 183,260,221 | 14,318,366 | 18,850 | 693,129 | 198,290,566 |
| Investment securities - gross | 22,951,210 | - | - | - | 22,951,210 |
| Long-term investments | 227,250 | - | - | - | 227,250 |
| Fixed assets | 3,931,122 | 16,877 | - | 4,318 | 3,952,317 |
| Other assets - gross | 17,178,351 | 9,530,765 | 40 | 53,964 | 26,763,120 |
| | 253,603,149 | 35,434,923 | 255,512 | 1,733,756 | 291,027,340 |
| Liabilities | | | | | |
| Amounts due to the Government and the State Banks | 2,758,343 | - | - | - | 2,758,343 |
| Deposits and borrowings from other CIs | 40,989,096 | 12,011,323 | - | - | 53,000,419 |
| Deposits from customers | 181,177,390 | 13,374,249 | 251,617 | 86,514 | 194,889,770 |
| Other borrowed and entrusted funds | 1,061,995 | - | 2,166 | - | 1,064,161 |
| Valuable papers issued | 14,967,269 | - | - | - | 14,967,269 |
| Other liabilities | 4,547,074 | 72,740 | 351 | 18,734 | 4,638,899 |
| | 245,501,167 | 25,458,312 | 254,134 | 105,248 | 271,318,861 |
| FX position on balance sheet | 8,101,982 | 9,976,611 | 1,378 | 1,628,508 | 19,708,479 |

40. Commitments

Leases

At the reporting date, the minimum lease payments under non-cancellable operating leases were:

| | 31/12/2018 VND million | 31/12/2017 VND million |
|---------------------------------------|---------------------------|---------------------------|
| Up to one year | 80,287 | 71,770 |
| From more than one year to five years | 499,536 | 230,368 |
| More than five years | 167,466 | 82,053 |
| | 747,289 | 384,191 |

41. Exchange rates of foreign currencies at the reporting date

The followings were the exchange rates at the reporting date applied by the Bank:

| | Exchange rate as at 31/12/2018 VND | 31/12/2017 VND |
|-----|--|-------------------|
| USD | 23,230 | 22,425 |
| EUR | 26,557 | 27,259 |
| GBP | 29,345 | 30,693 |
| CHF | 23,522 | 23,306 |
| JPY | 210 | 202 |
| SGD | 16,967 | 16,980 |
| AUD | 16,354 | 17,718 |
| HKD | 2,961 | 2,906 |
| CAD | 17,040 | 18,054 |
| LAK | 2,716 | 2,696 |
| THB | 714.4 | 694.6 |

42. Corresponding figures

Certain figures in the consolidated statement of income as at 31 December 2017 were reclassified and restated as follows:

| | 31/12/2017 VND million (as previously reported) | 31/12/2017 VND million (after reclassification) |
|--|--|--|
| Net gain/(loss) from trading securities | 16,456 | (5,188) |
| Net (loss)/gain from investment securities | (12,372) | 1,050 |
| Operating expenses | (2,896,897) | (2,629,858) |
| Allowance and provision expenses | (1,629,956) | (1,888,773) |

20 March 2019

Prepared by:



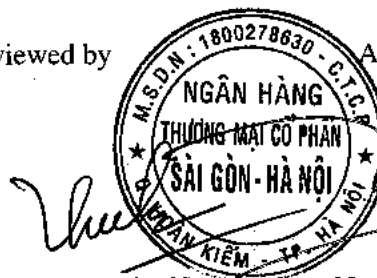
Nguyen Thi Lien
 Head of Accounting
 and General Affairs Department

Reviewed by



Ngo Thi Van
 Chief Accountant

Approved by:



Ngo Thu Ha
 Deputy Executive Officer

Nguyen Van Le
 Chief Executive Officer