

HSBC BANK (VIETNAM) LTD.

SUMMARISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

BALANCE SHEET

	As at 31 December	
	2017	2016
	VND million	VND million
ASSETS		
Cash on hand	403,083	416,508
Balances with the State Bank of Vietnam	5,752,645	3,699,046
Placements with and loans to other credit institutions	30,926,398	21,212,780
Placements with other credit institutions	30,528,367	20,808,587
Loans to other credit institutions	398,031	404,193
Held-for-trading securities	53,260	261,705
Held-for-trading securities	53,623	263,395
Provision for diminution in value of held-for-trading securities	(363)	(1,690)
Derivatives and other financial assets	15,718	41,447
Loans and advances to customers	39,333,828	31,939,756
Loans and advances to customers	39,904,385	32,507,152
Provision for credit losses on loans and advances to customers	(570,557)	(567,396)
Investment securities	9,994,663	12,325,017
Available-for-sale investment securities	10,179,273	12,540,578
Provision for diminution in value of investment securities	(184,610)	(215,561)
Fixed assets	57,303	29,538
Tangible fixed assets	55,010	27,979
Historical cost	194,355	209,580
Accumulated depreciation	(139,345)	(181,601)
Intangible fixed assets	2,293	1,559
Historical cost	4,801	4,090
Accumulated amortisation	(2,508)	(2,531)
Other assets	1,249,210	1,212,251
Other receivables	263,779	164,755
Accrued interest and fee receivables	709,416	802,785
Deferred tax assets	124,192	119,384
Other assets	151,823	125,327
TOTAL ASSETS	87,786,108	71,138,048
LIABILITIES AND EQUITY		
Placements from other credit institutions	1,060,550	2,533,142
Placements from other credit institutions	1,060,550	2,533,142
Deposits from customers	74,353,240	56,011,014
Other liabilities	1,185,391	1,961,219
Fee and interest payables	59,568	63,891
Other liabilities	1,125,823	1,897,328
TOTAL LIABILITIES	76,599,181	60,505,375
Owner's equity	11,186,927	10,632,673
Contributed capital	7,528,000	7,528,000
Reserves	1,798,790	1,531,935
Retained earnings	1,860,137	1,572,738
TOTAL EQUITY	11,186,927	10,632,673
TOTAL LIABILITIES AND EQUITY	87,786,108	71,138,048
OFF BALANCE SHEET ITEMS		
Contingent liabilities	16,611,883	14,667,008
Letters of credit commitments	8,432,802	7,235,177
Other guarantees	8,179,081	7,431,831
Commitments	68,524,063	52,934,677
Foreign exchange transactions commitments	60,464,947	44,269,526
Buying foreign currency commitments	30,206,156	21,696,684
Selling foreign currency commitments	30,202,465	21,576,607
Cross currency swap contracts	56,326	996,235
Undrawn loan commitments	4,695,366	5,341,301
Interest rate swap contracts	3,363,750	3,323,850

INCOME STATEMENT

	For the year ended 31 December	
	2017	2016
	VND million	VND million
Interest and similar income	2,986,754	2,716,224
Interest and similar expenses	(259,651)	(409,531)
Net interest income	2,727,103	2,306,693
Fee and commission income	872,043	815,986
Fee and commission expenses	(205,011)	(187,527)
Net fee and commission income	667,032	628,459
Net gain from dealing in foreign currencies	743,119	754,308
Net gain from trading of held-for-trading securities	6,264	21,339
Net gain/(loss) from trading of investment securities	30,951	(35,812)
Other incomes	47,398	51,075
Other expenses	(22,722)	(17,324)
Net other income	24,676	33,751
Operating expenses	(1,872,979)	(1,845,631)
Operating profit before provisions for credit losses	2,326,166	1,863,107
Provisions for credit losses	(94,292)	(61,554)
Profit before tax	2,231,874	1,801,553
Business income tax – current	(457,650)	(342,304)
Business income tax – deferred	4,808	(18,334)
Business income tax	(452,842)	(360,638)
Net profit after tax	1,779,032	1,440,915

CASH FLOW STATEMENT (DIRECT METHOD)

	For the year ended 31 December	
	2017	2016
	VND million	VND million
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and similar income received	3,061,739	2,575,989
Interest and similar expenses paid	(263,974)	(460,283)
Fee and commission income received	697,915	637,324
Net amount received from trading of foreign currency and securities	745,859	782,648
Other expenses	(18,632)	(17,004)
Recovery of written off bad debts	44,822	48,566
Payments to employees and for administrative expenses	(1,823,245)	(1,937,061)
Business income tax paid	(424,823)	(406,253)
NET CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	2,019,661	1,223,926
Changes in operating assets		
(Increase)/decrease in placements with and loans to other credit institutions	(1,181,342)	647,797
Decrease/(increase) in held-for-trading securities and available-for-sales investment securities	2,571,077	(1,566,746)
Decrease/(increase) in derivatives and other financial assets	25,729	(16,996)
Increase in loans and advances to customers	(7,397,233)	(4,851,073)
Utilisation of provision for losses on loans and advances to customers	(88,934)	(71,420)
(Increase)/decrease in other operating assets	(99,024)	10,786
Changes in operating liabilities		
Decrease in placements and borrowings from other credit institutions	(1,472,592)	(35,543)
Increase/(decrease) in deposits from customers	18,342,226	(1,946,636)
Decrease in other operating liabilities	(84,589)	(63,144)
NET CASH FLOWS FROM OPERATING ACTIVITIES	12,634,979	(6,669,049)
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Purchase of fixed assets	(44,920)	(13,050)
Proceeds from the disposal of fixed assets	1,632	2,249
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	(43,288)	(10,801)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(2,019,242)	(347,955)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(2,019,242)	(347,955)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	10,572,449	(7,027,805)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	24,878,271	31,906,076
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	35,450,720	24,878,271

OWNER'S EQUITY

	Contributed capital VND million	Reserve to supplement contributed capital VND million	Financial reserves VND million	Retained earnings VND million	Total VND million
As at 1 January 2016	7,528,000	472,394	843,404	1,142,424	9,986,222
Profit for the year	-	-	-	1,440,915	1,440,915
Dividend declared (*)	-	-	-	(794,464)	(794,464)
Appropriation to reserves	-	72,045	144,092	(216,137)	-
As at 31 December 2016	7,528,000	544,439	987,496	1,572,738	10,632,673
Profit for the year	-	-	-	1,779,032	1,779,032
Dividend paid (**)	-	-	-	(1,224,778)	(1,224,778)
Appropriation to reserves	-	88,952	177,903	(266,855)	-
As at 31 December 2017	7,528,000	633,391	1,165,399	1,860,137	11,186,927

(*) Dividend for the financial year 2015 was declared by Members' Council based on the Board Resolution dated 26 September 2016 and was paid on 17 January 2017.
(**) Dividend for the financial year 2016 was declared by Members' Council based on the Board Resolution dated 20 June 2017 and was paid on 21 September 2017.

EMPLOYEES REMUNERATION

	2017 VND million	2016 VND million
Number of employees	1,294	1,269
Employees remuneration		
Total salary fund	574,527	577,470
Variable salaries	142,390	119,636
Other remuneration	70,006	72,336
	786,923	769,442
Average salary per employee per year	444	455
Average income per employee per year	608	606

FINANCIAL RATIOS

	31.12.2017 VND million, %	31.12.2016 VND million, %
Contributed capital	7,528,000	7,528,000
Total assets	87,786,108	71,138,048
Capital adequacy ratio	14%	16%
Overdue loan	681,417	808,063
Non-performing loans	350,422	428,963
Loans to deposit ratio	56%	58%
Overdue guarantee balance/Total guarantee balance	0%	0%
Overdue loan balance/Total loan balance	1.01%	1.58%
Non-performing loan balance/Total loan balance	0.52%	0.84%
The liquidity reserve ratio	47%	50%
Solvency ratio – 30 days		
- In VND	Qualify	Qualify
- In other currencies	Qualify	Qualify
	2017 VND million	2016 VND million
Total deposits received	2,603,800,528	2,190,964,674
Total loans disbursed	86,744,688	81,767,160
Total loans collected	79,594,841	77,109,475

The financial statements were approved by the Bank's Legal Representative on 26 March 2018.

Ha Le Thao Vy
Financial Controller

Nguyen Thi Thanh Truc
Chief Financial Officer and
Chief Accountant

Pham Hong Hai
Legal Representative
26 March 2018

INDEPENDENT AUDITORS' REPORT ON SUMMARISED FINANCIAL STATEMENTS

The accompanying summarised financial statements have been prepared on 26 March 2018, from pages 2 to 8 which comprise the summarised balance sheet as at 31 December 2017, the summarised income statement, the summarised cash flow statement for the year then ended, owner's equity, employees remuneration and financial ratios. The summarised financial statements were derived from the financial statements of HSBC Bank (Vietnam) Ltd. ("the Bank") for the financial year ended 31 December 2017, on which we have audited and issued an unqualified auditor's report on 26 March 2018. The audited financial statements and the summarised financial statements do not include the impact of subsequent events that occurred after the date of our above mentioned auditor's report.

The summarised financial statements did not include all disclosures which are required by Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations on preparation and presentation of financial statements for banks and other credit institutions operating in Socialist Republic of Vietnam. Therefore, the reading of the summarised financial statements cannot substitute for the reading of the audited financial statements of the Bank.

The Legal Representative's Responsibility to the summarised financial statements
The Bank's Legal Representative is responsible for the preparation and presentation of the summarised financial statements in accordance with the criteria as required by regulations.

Auditor's Responsibility
Our responsibility is to express an opinion on the summarised financial statements based on our procedures which were performed in accordance with the Vietnamese Auditing Standard No. 810 – Services on the summarised financial statements.

Auditor's Opinion
In our opinion, the accompanying summarised financial statements which were derived from the audited financial statements for the year ended 31 December 2017 of the Bank, are consistent, in all material respects, with audited financial statements, in accordance with the criteria as required by regulations.

Other matter
The independent auditor's report on summarised financial statements is prepared in Vietnamese and English. Should there be any conflict between the Vietnamese and English copies, the Vietnamese copy shall take precedence.

For and on behalf of PwC (Vietnam) Limited
Nguyen Hong Nam
Audit Practising Licence No. 0849-2018-006-1
Authorised signatory

Lai Hung Phuong
Audit Practising Licence No. 2432-2018-006-1

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